



USING DECLARATORY JUDGMENTS OFFENSIVELY IN PATENT CASES—
DJ JIVE

PETER J. SHURN III

ABSTRACT

The Declaratory Judgment Act permits a federal district court to grant declaratory relief where an actual controversy exists. Whether an actual controversy exists for declaratory judgments of patent non-infringement is governed by the Federal Circuit's test of the "totality of the circumstances." The declaratory judgment plaintiff has the burden of proving an actual controversy exists. However, the declaratory judgment defendant has the burden of proving patent infringement exists. Reasonable apprehension for a suit may be found to exist although the patentee made no patent-based threat. A company fearing business disruption from patent litigation can thus use declaratory judgment actions offensively. Declaratory judgment suits need to be used cautiously and skillfully, with a clear focus on business objectives. Under certain circumstances, a declaratory judgment action of non-infringement is the most prudent and effective way for a company to resolve patent conflicts.

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DJ JIVE

PETER J. SHURN III *

DJ JIVE

It feels so fine,
 that DJ of mine;
When I fear a patentee,
 though silent he may be,
 I DJ every time.
To your customers I advance;
 You, patentee, ain't got a chance;
Your careful statements, I don't sweat,
 'cause nearly all's as good as threat,
 under "*totality of circumstance*."
On your patents I'll DJ,
 when e'er I fear you in my way;
I'm so very new,
 I need good headlines, 'bout me and you,
 or in business I won't stay.
Advisory opinion you might say,
 but *totality* gets in your way,
Before *totality*,
 you might have stopped DJs by me;
 but now, it's on my terms you'll play.
Cheap for me, but not for you:
 infringement's your burden, once I sue;
Though you've never threatened me,
 I'm threatened, under *totality*;
 quick trial and injunction—I want the two.
Threats tied to your patents, I don't need:
 nexus is not the sounding reed:
I'm new—so let's make a deal,
 'cause threatened by you, I do feel;
 patent clearance is my meed.
No, I will not go away,
 'till "*You're free to sell*" you say;
A license free, you'll give to me,

* The views expressed are the present views of the author. The information provided is not legal advice nor conveyed in the course of an attorney-client relationship, but is intended as general information related to common legal issues. Please feel free to send your comments and observations about this article to the author: Peter J. Shurn III, 14138 Heatherfield Drive, Houston Texas 77079; e-mail: pjshurn@ieee.org. LL.M., Patent and Trade Regulation Law, The National Law Center, George Washington University; J.D., *magna cum laude*, New England School of Law; B.S.E.E., *magna cum laude*, The Polytechnic Institute of Brooklyn.

or costly, I'll make it be,
 and then you'll want to play.
 Let's make a deal, and let's be done;
 your business is too big, just for one;
 I want in—I want in now;
 I want to milk your money cow;
 and if I lose, 'twill have cost me none.
 In view of this, I do advance,
 Under "*totality of circumstance.*"

I. INTRODUCTION

DJ Jive—a foolish and fanciful ditty, or an insightful and realistic verse? Has the *totality of the circumstances* test of the U.S. Court of Appeals for the Federal Circuit changed legal reasoning? For a declaratory judgment of non-infringement of a United States patent, must a nexus or causal connection exist between the patentee's conduct and the patent sued upon? Or is a generally hostile business environment sufficient for apprehension of a suit? Does the answer change when the declaratory judgment plaintiff is a small start-up and the declaratory judgment defendant is the established market leader? Does the Declaratory Judgment Act apply differently to patents than to other subject matter?

Frequently used as a defensive measure in a counterclaim, declaratory judgment actions can effectively be used offensively by a company fearing business disruption from patent litigation, to force the patent owner to grant patent clearance or prove infringement now—at a time important to the product's life cycle and when the patent owner might not be prepared to prove infringement.

II. DECLARATORY JUDGMENT ACTIONS

The Declaratory Judgment Act is not an independent basis for federal jurisdiction.¹ Under 28 U.S.C. § 2201² a federal district court is permitted to grant declaratory relief in a case of actual controversy within the court's jurisdiction. "Whether an actual controversy exists upon particular facts is a question of law, and is subject to plenary appellate review."³ "Whether an actual controversy exists depends on . . . the totality of

¹ *B. Braun Med., Inc. v. Abbott Labs, Inc.*, 124 F.3d 1419, 1428 (Fed. Cir. 1997) ("[T]he Declaratory Judgment Act neither expands a court's jurisdiction nor creates new substantive rights. Instead the Act is a procedural device that provides a non coercive remedy . . . in cases involving an actual controversy that has not reached the stage at which either party may seek a coercive remedy, or in which a party who could sue for coercive relief has not yet done so.").

² 28 U.S.C. § 2201 provides, in pertinent part:

In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2201(a) (2000).

³ *BP Chem. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993).

the circumstances,”⁴ and is decided by applying Federal Circuit law, not regional circuit law, because “[t]he reasonable apprehension of a threat of patent infringement ‘clearly implicates’ the patent law.”⁵

The requirement for “a case of actual controversy” under Section 2201, is the same as the “case or controversy” requirement of Article III of the United States Constitution.⁶ “The existence of an actual controversy is an absolute predicate for declaratory judgment jurisdiction. . . . [Without it] the court has no discretion to decide the case.”⁷

The requirement for “a case . . . within its jurisdiction” under Section 2201, would be satisfied under Sections 1331⁸ and 1338⁹ of TITLE 28, United States Code, if an actual controversy exists, because the coercive claim raised by the complaint for a declaratory judgment of non-infringement is one of patent infringement. This would be the underlying claim that would be asserted by the prospective plaintiff (the declaratory judgment defendant) in an action to enforce the right or obligation allegedly in dispute.¹⁰ The fact that the purported coercive claim arises under federal law, however, is not sufficient to confer subject matter jurisdiction when an actual controversy does not exist. The fact that a patent exists does not alone create a right to challenge its validity in court, or to obtain a decree of non-infringement. Absent an actual controversy, a challenge of patent invalidity or non-infringement is an abuse of judicial process—a rule that protects quiescent patent owners against unwarranted litigation.¹¹

The declaratory judgment *plaintiff* has the burden of proving an actual controversy exists.¹² However, it is the declaratory judgment *defendant* who has the burden of proving patent infringement exists. That is, the burden of proving patent infringement is on the patentee, regardless of who brings the lawsuit.¹³

A declaratory judgment action may be adjudicated speedily and expeditiously if the court decides early resolution is necessary to avoid accrual of actual damages or harm to a litigant, or to otherwise further the remedial objectives of the Declaratory Judgment Act.¹⁴ A declaratory judgment may be given an early, advanced hearing in preference to other matters on the court’s calendar.¹⁵

⁴ Shell Oil Co. v. Amoco Corp., 970 F.2d 885, 889 (Fed. Cir. 1992).

⁵ *Id.* at 888 n.4; Fina Oil & Chem. Co. v. Ewen, 123 F.3d 1466, 1469 n.3 (Fed. Cir. 1997).

⁶ Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239–41 (1937); *see also* Middle S. Energy, Inc. v. City of New Orleans, 800 F.2d 488, 490 (Fed. Cir. 1986); Jervis B. Webb Co. v. Southern Sys., Inc., 742 F.2d 1388, 1398 (Fed. Cir. 1984).

⁷ Spectronics Corp. v. Harry B. Fuller Co., 940 F.2d 631, 633–34 (Fed. Cir. 1991).

⁸ 28 U.S.C. § 1331 (2000) (“The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”).

⁹ 28 U.S.C. § 1338 (2000) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks.”).

¹⁰ Skelly Oil Co. v. Phillips Petroleum Co., 339 U.S. 667, 671–72 (1950).

¹¹ Int’l Med. Prosthetics Research Assocs., Inc. v. Gore Enter. Holdings, Inc., 787 F.2d 572, 576 (Fed. Cir. 1986); Arrowhead Indus. Water, Inc. v. Ecolochem, Inc., 846 F.2d 731, 736 (Fed. Cir. 1988).

¹² *Jervis*, 742 F.2d at 1398–99.

¹³ Under Sea Indus., Inc. v. Dacor Corp., 833 F.2d 1551, 1557 (Fed. Cir. 1987) (“The burden always is on the patentee to show infringement.”). The ramifications of this burden being on the declaratory judgment defendant, rather than on the declaratory judgment plaintiff, are explored *infra* in Section IV.

¹⁴ 6 JAMES WM. MOORE ET AL., MOORE’S FEDERAL PRACTICE ¶ 57.22[3] (3d ed. 1999).

¹⁵ FED. R. CIV. P. 57.

Declaratory judgment jurisdiction exists, according to the Federal Circuit, when an examination of the *totality of the circumstances* indicates that an actual controversy exists between the parties. The existence of a case or controversy must be evaluated on a patent claim by patent claim basis.¹⁶

The test for declaratory judgment jurisdiction in a patent case has two prongs. The first prong examines the conduct of the patent owner: Has the patent owner's conduct created a reasonable apprehension that the declaratory judgment plaintiff will face an infringement suit if the declaratory judgment plaintiff commences or continues the "activity in question"? The second prong looks to the conduct of the declaratory judgment plaintiff: Has the declaratory judgment plaintiff actually produced, or prepared to produce, the "accused" product?¹⁷ The test is an objective test; a purely subjective apprehension of an infringement suit is not sufficient to satisfy the actual controversy requirement.¹⁸

Some might surmise, quite logically, that this two-prong objective test presupposes the existence of an "activity" by the declaratory judgment plaintiff which was "questioned" by the patent-holding declaratory judgment defendant: A product of the plaintiff was *accused of infringement*,¹⁹ and this accusation was *made by the defendant*.²⁰ Such predicates, however, need not exist; an actual controversy may be found in their absence, under the Federal Circuit's *totality of the circumstances* approach.²¹

This Federal Circuit approach gives a tremendous advantage to the plaintiff in a patent-based declaratory judgment action to the detriment of the patent-owning defendant, as we see in the following hypothetical fact situation.

¹⁶ *Jervis*, 742 F.2d at 1399.

¹⁷ *Id.* at 1398–99; *Indium Corp. v. Semi-Alloys, Inc.*, 781 F.2d 879, 883 (Fed. Cir. 1985).

¹⁸ *Jervis*, 742 F.2d at 1398–99; *Indium*, 781 F.2d at 882–83; *Arrowhead*, 846 F.2d at 736.

¹⁹ Infringement may be direct or indirect, but in either event, the product made by the declaratory judgment plaintiff was accused of infringement.

²⁰ Either directly or indirectly, but in either event, the accusation originated from the declaratory judgment defendant.

²¹ *Shell Oil*, 970 F.2d at 889 (Fed. Cir. 1992) ("Whether an actual controversy exists depends on *either* an express charge of infringement *or, if none*, the totality of the circumstances.") (emphasis added). There is a long line of Federal Circuit cases, all of which rely on the Federal Circuit's interpretation and application of the Supreme Court's rather short opinion in the insurance contract case [*Md. Casualty Co. v. Pac. Coal & Oil Co.*] 312 U.S. 270, 273 (1941). See: *Cygnus Therapeutic Sys. v. ALZA Corp.*, 92 F.3d 1153, 1158–59 (Fed. Cir. 1996); *EMC Corp. v. Norand Corp.*, 89 F.3d 807, 810 (Fed. Cir. 1996); *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995); *BP Chems.*, 4 F.3d at 977–78; *Spectronics*, 940 F.2d at 634; *Arrowhead*, 846 F.2d at 735; *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 955–56 (Fed. Cir. 1987); *Gore Enter. Holdings*, 787 F.2d at 575; *Indium*, 781 F.2d at 882; see also *C.R. Bard v. Schwartz*, 716 F.2d 874, 880 (Fed. Cir. 1983) (concluding that jurisdiction under 28 U.S.C. § 1338(a) must be determined by "an examination of the totality of the circumstances . . . to determine whether there is a controversy arising under the patent laws.").

III. HYPOTHETICAL FACTUAL SETTING

A. Leader, Newcomer, and the Marketplace

LEADER is the market leader in designing, making, and selling “SUB-WIDGETS”, a component part used in relatively common “WIDGET-MACHINES”.²² WIDGET-MACHINES are made and distributed by various entities. SUB-WIDGETS are also designed, made, and sold by various entities. WIDGET-MACHINES are generally designed around a particular SUB-WIDGET, and take advantage of the particular properties of the SUB-WIDGET chosen for the WIDGET-MACHINE design. WIDGET-MACHINES are generally directed toward one of three markets: 1) a high-end, high-profit, cutting-edge business and industrial market; 2) a more general lower-profit market; and 3) a low-profit, high-volume, home-user market. SUB-WIDGETS are designed, made, and sold by a small number of entities. Research and development costs are high. Profit margins are extremely high on successful SUB-WIDGET designs. Unsuccessful designs result in significant loss of money, time, and market stature.

State-of-the-art WIDGET-MACHINES change rapidly and each SUB-WIDGET design, if successful, results in huge revenues to the designer, maker, and seller of the SUB-WIDGETS during the particular WIDGET-MACHINES’ first three years of life. During the next three years, the particular SUB-WIDGET design is made in varying degrees of product imitation by those who target the more general, lower-profit WIDGET-MACHINE market. During the same period, the market leader’s attention is focused on the next generation of SUB-WIDGET it has introduced into the business and industrial marketplace. Thereafter, the particular SUB-WIDGET design takes on near commodity characteristics, as it is sold at a very small profit margin by mass-producers capable of surviving in the commodity marketplace. Inexpensive WIDGET-MACHINES are supplied to home-users, until the home-user market no longer desires this now mature SUB-WIDGET design.

LEADER is the recognized market leader in designing, making, and selling SUB-WIDGETS. Eighty percent of all WIDGET-MACHINES use LEADER’S SUB-WIDGETS. Competition is keen and turns on new technological advances and features, product availability, delivery time, product cost, and manufacturer’s reputation. LEADER holds 1066 patents covering various aspects of SUB-WIDGETS. Other makers of SUB-WIDGETS also have extensive patent portfolios for their particular types of SUB-WIDGETS.

NEWCOMER LTD. is a new start-up company. It was formed by a number of people who previously worked for companies that designed, made, and sold SUB-WIDGETS. NEWCOMER went into the SUB-WIDGET business because it believes a large amount of money could be made and that it could contribute to the future of SUB-WIDGET design. NEWCOMER presently has no issued patents, but has a number of pending patent applications.

²² For example, the WIDGET-MACHINE might be a personal computer and the SUB-WIDGET the microprocessor which acts as its brains; or the WIDGET-MACHINE might be a pocket-size portable telephone and the SUB-WIDGET the display it uses to show alpha-numerics, pictures, and other information; or the WIDGET-MACHINE might be a product, and the SUB-WIDGET any important component of that product.

LEADER has a reputation for guarding and protecting its investment in intellectual property and using its patent portfolio, if necessary, to stop those who infringe LEADER'S patent rights. LEADER has spent a huge amount of money on research and development and needs high profit from successful products to: a) fund the research and development needed to maintain its lead in the marketplace; b) to keep it at the cutting-edge of SUB-WIDGET technology; and c) to continue its significant contributions to the advancement of SUB-WIDGET science and technology. LEADER has, in the past, licensed some of its patents to others. LEADER has also entered into cross-license agreements with others having patents useful to LEADER.

NEWCOMER has a new SUB-WIDGET that it soon expects to be selling to makers of WIDGET-MACHINES. Mindful of LEADER'S reputation for protecting its patent rights and the highly-competitive atmosphere in the SUB-WIDGET market, NEWCOMER fears LEADER will somehow try to interfere with NEWCOMER'S imminent introduction of its "XIT-II" SUB-WIDGET. Concerned that LEADER might sue NEWCOMER in a less-favorable forum at an inopportune time, NEWCOMER files a declaratory judgment action in its home jurisdiction federal district court, seeking a decree of non-infringement of LEADER'S X patent, Y patent, and Z patent—three of the 1066 patents owned by LEADER.

Prior to the filing of NEWCOMER'S declaratory judgment action, LEADER had not accused anyone of infringing any of the X, Y, or Z patents, and had not threatened anyone with suit regarding any of those three patents.

B. Newcomer and Leader in Competition

For sake of simplicity, we shall assume that NEWCOMER has actually produced, and is prepared to ship, its new XIT-II SUB-WIDGET in order to satisfy the second prong of the two-prong test, thereby permitting us to focus on the first prong.²³

Since LEADER has not accused NEWCOMER'S products of infringing any of the three patents named in NEWCOMER'S declaratory judgment complaint, and LEADER has not threatened to sue NEWCOMER (or anyone else) for infringing any of those patents, the objective test for the existence of an actual controversy has but a single line of inquiry: Has defendant's (LEADER'S) conduct created on the part of the declaratory plaintiff (NEWCOMER) a reasonable apprehension that NEWCOMER will face an infringement suit regarding the three patents named in NEWCOMER'S complaint, if NEWCOMER commences selling its XIT-II SUB-WIDGETS?

In determining the existence of reasonable apprehension, focus should be on LEADER'S conduct: Did LEADER'S conduct create a reasonable apprehension of suit regarding the three patents named in NEWCOMER'S complaint?

In our hypothetical, NEWCOMER decided it should file a lawsuit it might otherwise never actually face, in order to deprive LEADER of a more favorable forum or a more favorable time for a lawsuit. Trading the mere possibility of suit, for certainty of suit, is a major business decision, which should not be taken lightly. There might be a large number of reasons, all unknown to NEWCOMER, that would prevent LEADER from bringing suit.²⁴ Yet, sometimes, seeking a declaratory judgment of non-infringement

²³ See discussions *supra* Section II.

²⁴ For example, LEADER might believe that the X, Y, and Z patents are weak and might not survive a rigorous prior art attack because of prior art coming to LEADER'S attention after grant of

might be the most prudent legal and business approach available to NEWCOMER depending on the company's history or a product's life cycle.

We shall now consider the legal issues and the arguments of the parties.

C. Newcomer's Viewpoint

NEWCOMER has seven main points which will encourage it to file a declaratory judgment action.

First: NEWCOMER is fearful that LEADER will interfere with NEWCOMER'S marketing of its XIT-II SUB-WIDGETS and intimidate NEWCOMER'S potential customers into not purchasing from NEWCOMER for fear of patent infringement suits by LEADER. Such tactics are the type of conduct that the Declaratory Judgment Act was designed to deal with. Consequently, companies such as NEWCOMER are "no longer restricted to an *in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises."²⁵

Second: NEWCOMER has reasonable apprehension based on LEADER'S past conduct and attitude toward those who would compete with LEADER in the SUB-WIDGET market. LEADER frequently sues its competitors and new entrants into the SUB-WIDGET market. Consequently, it is highly probable that LEADER will sue NEWCOMER once NEWCOMER starts distributing its XIT-II SUB-WIDGETS. "[T]he question is whether the relationship between the parties can be considered a 'controversy' and that inquiry does not turn on whether the parties have used particular 'magic words' in communicating with one another."²⁶ The courts do not require an expressed charge of infringement. When the patent owner's "conduct, including its statements, falls short of an express charge, one must consider the 'totality of the circumstances' in determining whether that conduct meets the first prong of the test [A] reasonable apprehension may be found in the absence of *any* communication from [LEADER] to [NEWCOMER]."²⁷ "[A] patent owner's willingness and capacity to enforce its patent rights is pertinent to the inquiry for an actual controversy."²⁸

Third: Based on NEWCOMER'S knowledge of LEADER'S patent portfolio, the most likely patents for LEADER to sue on are its X, Y, and Z patents. Those patents appear to be the most important at this time to NEWCOMER'S manufacture and sale of SUB-WIDGETS. NEWCOMER believes it does not infringe any of those three patents, and therefore seeks a decree stating it does not infringe, so that potential threats of infringement will not interfere with the sale of its XIT-II SUB-WIDGETS.

Fourth: The SUB-WIDGET market is very capital intensive. NEWCOMER has already invested a significant portion of its money and manpower into its XIT-II SUB-WIDGET,

the X, Y, and Z patents. Consequently, the patent rights are not worth asserting. Yet if sued, to protect and maintain a licensing program or to save face in the marketplace, LEADER might be required to fight back, and possibly fight to NEWCOMER'S financial ruin.

²⁵ *Arrowhead*, 846 F.2d at 735; *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998).

²⁶ *EMC*, 89 F.3d at 812.

²⁷ *Arrowhead*, 846 F.2d at 736; see *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 956 (Fed. Cir. 1987) ("[W]e cannot read the Declaratory Judgment Act so narrowly as to require that a party actually be confronted with an *express* threat of litigation . . .") (emphasis in original).

²⁸ *West Interactive Corp. v. First Data Res., Inc.*, 972 F.2d 1295, 1298 (Fed. Cir. 1992).

and will invest a lot more into marketing and distributing those SUB-WIDGETS. Were LEADER to sue NEWCOMER, or NEWCOMER'S customers, for infringement after NEWCOMER begins marketing and distributing its XIT-II SUB-WIDGETS, the results would be financially devastating for NEWCOMER. Therefore, NEWCOMER needs a decree of non-infringement, and preferably an injunction prohibiting LEADER from intimating NEWCOMER or NEWCOMER'S customers, to prevent financial loss to NEWCOMER caused by probable future action by LEADER.

Fifth: Even if LEADER were unsuccessful in a patent infringement suit against NEWCOMER or NEWCOMER'S customers, publicity attendant to such a lawsuit would hurt marketing and distribution of NEWCOMER'S new XIT-II SUB-WIDGET, thereby making NEWCOMER'S new product offering a failure. The probability of imminent litigation by LEADER, directed against either NEWCOMER or NEWCOMER'S customers, likely will hurt NEWCOMER'S product offering.

Sixth: NEWCOMER is a struggling-to-survive business that cannot weather a poor new-product introduction. NEWCOMER does not have the financial resources of LEADER, and cannot engage in prolonged and costly litigation. Also, NEWCOMER'S business cannot survive the likelihood of litigation hanging over its head like a Damoclean sword.

Seventh: The purpose of the Declaratory Judgment Act is to provide parties, such as NEWCOMER, a way of determining their legal rights, without incurring growing potential liability for patent infringement to, or being driven to extreme expense by, large established companies such as LEADER.²⁹

D. Leader's Viewpoint

LEADER has five main points, which from LEADER'S point of view, make it inappropriate for NEWCOMER to file a declaratory judgment action.

First: LEADER owns 1066 patents related to SUB-WIDGETS. Three of those patents—less than one-third of one percent of LEADER'S patent portfolio—are involved in NEWCOMER'S declaratory judgment action. LEADER has not accused NEWCOMER of infringing the three patents named in NEWCOMER'S complaint, or threatened suit for such infringement. Similarly, LEADER has not threatened suit, or accused NEWCOMER of infringing the other 1063 patents owned by LEADER. NEWCOMER should not be permitted to seek a declaratory judgment of another 20 or 100 or 500 of those patents, thereby, forcing LEADER to prove infringement of, or to grant NEWCOMER patent clearance under, each of those 20 or 100 or 500 patents. "The 'reasonable apprehension of suit' test should require more than the nervous state of mind of a possible infringer . . ." ³⁰ Moreover, because LEADER "has done nothing but obtain a patent, there can be no basis for the required apprehension, a rule that protects quiescent patent owners against unwarranted litigation."³¹

Second: The fact that LEADER has a history of protecting its patent rights should not be dispositive. Even if LEADER has been a litigious plaintiff, its record in past suits does not by itself show that it has charged infringement of the patents challenged in this suit. At most, a past record of infringement suits shows that LEADER might precipitate

²⁹ *Arrowhead*, 846 F.2d at 734–35.

³⁰ *Phillips Plastics v. Kato Hatsujou K.K.*, 57 F.3d 1051, 1053–54 (Fed. Cir. 1995).

³¹ *Arrowhead*, 846 F.2d at 736.

an actual controversy sometime in the future, not that it has done so already. Those other lawsuits indicate that under certain circumstances, LEADER will pursue patent infringement litigation to defend against infringement of its patents. They do not indicate that LEADER would pursue a patent suit with respect to NEWCOMER'S XIT-II SUB-WIDGETS, or that LEADER has formed any opinion as to whether NEWCOMER'S XIT-II SUB-WIDGETS infringe any of the three patents named in NEWCOMER'S complaint. The other lawsuits cannot be viewed as anything more than a general indication that LEADER considers litigation a viable alternative once it has determined that a competitor is infringing a LEADER patent. Moreover, "federal patent law bars the imposition of liability for publicizing a patent in the marketplace unless [NEWCOMER] can show [LEADER] acted in bad faith."³²

Third: The fact that LEADER owns numerous patents does not alone create a right to challenge one or more of those patents in court. Absent an actual controversy, such a challenge is an abuse of the judicial process, and a determination of non-infringement is merely an advisory opinion.³³ "[I]t is the objective words and actions of the patentee that are controlling. Although such words and actions are not viewed in isolation of their intended effect on the listener, a subjective apprehension is insufficient without objective substance."³⁴

Fourth: The focus should not be on other patents owned by LEADER or other lawsuits involving other patents, but rather on the three of LEADER'S 1066 patents named in NEWCOMER'S complaint. Those are the only three patents for which declaratory relief is sought, and subject matter jurisdiction, if it exists at all, must exist regarding those three patents.

Fifth: NEWCOMER heavily relies on general statements, comments, and conduct by LEADER about competitors in general, and about the SUB-WIDGET market. NEWCOMER extrapolates those general statements and conducts and applies them to itself and its new product. Such extrapolations cannot form the basis of "reasonable" apprehension. These extrapolations do not involve *conduct by LEADER, directed to NEWCOMER, regarding* any of the three patents involved in this lawsuit or *regarding* the NEWCOMER product involved in this lawsuit; nor do they involve *patents* involved in the lawsuit, or the NEWCOMER *product* involved in the lawsuit.

The apprehension NEWCOMER professes regarding the three patents named in its complaint might be real, but it is not reasonable. At most, NEWCOMER'S apprehension is a purely subjective, which, by law, is insufficient to satisfy the actual controversy requirement.³⁵

³² Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1336 (Fed. Cir. 1998).

³³ Int'l Med. Prosthetics Research Assocs., Inc. v. Gore Enter. Holdings, Inc., 787 F.2d 572, 576 (Fed. Cir. 1986).

³⁴ BP Chems. Ltd. v. Union Carbide Corp., 4 F.3d 975, 979 (Fed. Cir. 1993).

³⁵ Indium Corp. v. Semi-Alloys, Inc., 781 F.2d 879, 883 (Fed. Cir. 1985); *Gore Enter. Holdings*, 787 F.2d at 575.

E. Meritorious Positions on Each Side

With what appear to be meritorious positions on each side, should NEWCOMER'S corporate counsel authorize filing a Declaratory Judgment Action? Once such a lawsuit is filed, what will a district court judge likely do?

Before we consider these questions, we shall consider some practicalities of declaratory judgment actions involving patents, and how those actions differ from similar actions not involving patents.

IV. PATENT DECLARATORY JUDGMENT ACTIONS ARE DIFFERENT

An action seeking a declaration of non-infringement of a United States patent is significantly different from other declaratory judgment actions. In a declaratory judgment action seeking a declaration of rights under a contract, for example, the burden of proof is on the declaratory judgment plaintiff to prove that the contract should be construed in the manner urged by the plaintiff. As expected, the proponent of the action—the plaintiff—bears the burden of proof in respect to the merits of the construction issues contended in the plaintiff's pleadings.

In a declaratory judgment action seeking a declaration of non-infringement of a patent, the burden is *not* on the declaratory judgment plaintiff to prove non-infringement. Instead, the burden is on the declaratory judgment defendant—the patentee—to prove infringement.³⁶ Things are backwards, with the proponent of the action—the plaintiff—not bearing the burden of proof in respect to the merits of the non-infringement issues contended in the plaintiff's pleadings.

Thus, unlike the typical declaratory judgment action where the declaratory judgment plaintiff shoulders the burden of proof, in the patent situation the declaratory judgment plaintiff—NEWCOMER—effectively forces the declaratory judgment defendant—LEADER—to shoulder the burden of proof and its attendant costs. NEWCOMER filing suit forces LEADER to prove infringement or suffer an adverse judgment.

In the contract-based declaratory judgment action example above, the relief sought by the declaratory judgment plaintiff has a clear nexus or causal connection to the conduct giving rise to the apprehension of suit: A contractual relationship exists between the two parties, the parties having previously entered into a contract requiring mutual performance.

The same is not true in the patent-based declaratory judgment action between NEWCOMER and LEADER. Obtaining a patent creates no relationship between the patentee and the declaratory judgment plaintiff; the Federal Circuit has repeatedly

³⁶ *Under Sea Indus., Inc. v. Dacor Corp.*, 833 F.2d 1551, 1557 (Fed. Cir. 1987) (“The burden always is on the patentee to show infringement.”); *Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 1084–85 (Fed. Cir. 1988). *See* *Advance Transformer Co. v. Levinson*, 231 U.S.P.Q. 1, 18 (N.D. Ill. 1986) (“The burden of proof rests upon the patent owner to prove infringement Even in a declaratory judgment action where plaintiff pleads non-infringement, the patentee-defendant still has the burden to prove infringement.”).

held that obtaining a patent is not sufficient to create declaratory judgment jurisdiction.³⁷

In a patent-based declaratory judgment action, the logical nexus between the plaintiff and the patent-holding defendant should be the defendant's patent-based threats or accusations against the plaintiff. Then, in the declaratory judgment action, the defendant must merely put forth evidence to show infringement — a situation more manageable than forcing the plaintiff to prove a negative, namely, that no conceivable activity by the accused could infringe the defendant's patent rights. Logically, then, if there were no patent-based threats or accusations by the defendant against the plaintiff, no objectively reasonable apprehension of suit could exist, and, thus, the first prong of the Federal Circuit's objective test would not be met. As a necessary consequence, declaratory judgment jurisdiction would not exist.

This logic, however, gets turned on its head under the Federal Circuit's *totality of the circumstances* approach. Using that approach, reasonable apprehension may be found to exist although no patent-based threats exist. Accordingly, this favors NEWCOMER and is detrimental to LEADER.

V. OPENING THE FLOOD-GATES OF LITIGATION OR DEALING WITH MARKETPLACE REALITIES?

Do district court orders based on the Federal Circuit's *totality of the circumstances* open the floodgates of litigation? Or do they deal with the realities of tactics in the marketplace? Such orders essentially hold that general apprehension is sufficient for declaratory judgment jurisdiction, and apprehension need not be traced to the patent sued on.

If there need not be a nexus between the patent sued on and the patent holder's conduct allegedly giving rise to the apprehension of suit—even in situations where the plaintiff has a secret product known only to the plaintiff—is there anything to stop a new, fledgling company who wants to market its secret new product from filing a declaratory judgment action against whomever it expects to be its primary competitor in the marketplace, thereby forcing that target either to grant a license or to undertake the cost of proving infringement regarding some secret product the target (and indeed the world) knows nothing about, and about which the target might have formed no opinions, has no information, and has taken no action? On the other side, should intentionally forming no such opinion about a competitor's product be a permitted escape route from litigation for a patentee who creates a general apprehension of suit in the marketplace?

Do such orders expose all established companies owning patents to numerous lawsuits instituted by potential competitors, regarding any patent in the established company's portfolio, whether or not that patent has been involved in litigation or has been asserted against anyone? Or do they only expose to suit those patent owners who

³⁷ *BP Chems.*, 4 F.3d at 978; *Gore Enter. Holdings*, 787 F.2d at 576; *Phillips Plastics v. Kato Hatsujou K.K.*, 57 F.3d 1051, 1053 (Fed. Cir. 1995) (offering a license under a patent does not create jurisdiction); *Cygnus Therapeutic Sys. v. ALZA Corp.*, 92 F.3d 1153, 1160–61 (Fed. Cir. 1996) (refusing to offer a license under a patent does not create jurisdiction); *Fina Research, S.A. v. Baroid Ltd.*, 141 F.3d 1479, 1485 (Fed. Cir. 1998). Apprehension of suit sufficient for declaratory judgment jurisdiction cannot arise from a contractual relationship alone, such as that between a patent owner licensor and its licensee; instead, it must arise from the actions of the patent owner. *Id.*

go beyond some “line in the sand” drawn by the sword of justice? If the latter, how does the court or the patent owner determine where that line lies? The drastic business and financial consequences are readily apparent: In such instances, the burden of proof, and its attendant cost, is on the established company—the declaratory judgment defendant—to prove infringement, rather than on the entity bringing the suit and requesting the relief.

The Federal Circuit’s *totality of the circumstances* approach, as applied to patent-invalidating on-sale activities under 35 U.S.C. § 102(b),³⁸ was struck-down by the Supreme Court in *Pfaff v. Wells Electronics, Inc.*³⁹ Thereafter, in *Brasseler USA v. Stryker Sales Corp.*, the Federal Circuit said its *totality of the circumstances* approach led to unpredictable results when used to determine whether a sale or an offer for sale has occurred.⁴⁰ Are the results any more predictable when the same approach is used to determine whether the defendant’s conduct created on the part of the declaratory plaintiff a reasonable apprehension of suit?

From a practical point of view, it is impossible to treat the Declaratory Judgment Act as guarding against, and “reasonable apprehension of suit” encompassing, only a laundry list of specific types of conduct by a patentee. A rule stating that apprehension of suit exists only when one of a dozen types of conduct occurs, merely challenges the clever would-be declaratory judgment plaintiff to come up with a thirteenth. Hence, the Federal Circuit’s *totality of the circumstances* approach. But does this approach inherently result in unpredictability, as admitted by one Federal Circuit panel in *Brasseler*?⁴¹

The long line of Federal Circuit cases applying the *totality of the circumstances* approach to determine whether an actual controversy exists, are all based on the Federal Circuit’s interpretation of the Supreme Court’s rather short opinion in the 1941 *Maryland Casualty v. Pacific Coal & Gas Co.*⁴² insurance contract case—an interpretation not yet tested in the Supreme Court. Would the Federal Circuit’s interpretation and approach survive Supreme Court scrutiny? Or would they be struck-down as was an identical approach in *Pfaff*?

Obviously, not permitting any statements by the patent holder regarding the patent holder’s patent and a competitor’s product would be a speech restriction unparalleled in First Amendment law.⁴³ But where is the line to be drawn? And in drawing it, how are the rights of the patent holder balanced against those of the declaratory judgment plaintiff so as to achieve the constitutional purpose behind encouraging patents, namely, “To promote the Progress of . . . useful Arts”?⁴⁴

³⁸ 35 U.S.C. § 102(b) (2000) (“A person shall be entitled to a patent unless . . . the invention was . . . on sale in this country, more than one year prior to the date of the application for a patent in the United States . . .”).

³⁹ 525 U.S. 55 (1998).

⁴⁰ 182 F.3d 888, 890 (Fed. Cir. 1999).

⁴¹ Albeit in respect to a different statutory provision, 35 U.S.C. § 102(b) rather than 28 U.S.C. § 2201. 182 F.3d 888, 890 (Fed. Cir. 1999).

⁴² 312 U.S. 270, 273 (1941); see cases cited *supra* note 21 and accompanying text.

⁴³ *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 421 (1993) (“[S]peech that does no more than propose a commercial transaction is protected by the First Amendment.”).

⁴⁴ U.S. CONST. Art. I, § 8, cl. 8. “The Congress shall have Power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” *Id.*

Were the Federal Circuit's *totality of the circumstances* approach being challenged, these would be important policy considerations for the Supreme Court, and fertile ground for Supreme Court action. Until such a challenge, however, the district courts are to use the Federal Circuit's *totality of the circumstances* approach in determining whether an actual controversy exists—an approach favoring the non-patent holder seeking patent clearance. Here that approach favors NEWCOMER and places LEADER in the position of having to prove infringement or grant patent clearance.

VI. USING DECLARATORY JUDGMENT ACTIONS OFFENSIVELY

In our hypothetical fact situation, NEWCOMER can effectively use a declaratory judgment action to obtain patent clearance from LEADER or to otherwise leverage the marketplace situation, intentionally or inadvertently created by LEADER, to NEWCOMER'S advantage. Viewing litigation as a tool for achieving business objectives, NEWCOMER might sue LEADER to protect its new product offering, to protect its reputation or image, to protect its customers, to send a message to the industry, to expand its business opportunities by establishing a joint venture or a strategic alliance as part of a settlement, or to distract or confuse LEADER—provided, of course, NEWCOMER'S lawsuit is meritorious and complies with Rule 11 of the Federal Rules of Civil Procedure.⁴⁵

Filing a lawsuit and showing the district court that an actual controversy exists under the totality of the circumstances, however, might not be enough, because the district court has much discretion, not only in close situations like the one between LEADER and NEWCOMER, but in all declaratory judgment situations: Even if declaratory judgment jurisdiction exists, the district court can decline to exercise that jurisdiction.⁴⁶

⁴⁵ Rule 11 provides, in pertinent part:

Every pleading, written motion, and other paper shall be signed by at least one attorney of record in the attorney's individual name, or, if the party is not represented by an attorney, shall be signed by the party. . . . An unsigned paper shall be stricken. . . . (b) . . . By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances: (1) it is not being presented for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation; (2) the claims, defenses, and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law; (3) the allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; and (4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on a lack of information or belief. (c) . . . If . . . the court determines that subdivision (b) has been violated, the court may, subject to the conditions stated below, impose an appropriate sanction. . . . (d) . . . Subdivisions (a) through (c) of this rule do not apply to disclosures and discovery requests, responses, objections, and motions that are subject to the provisions of Rules 26 through 37.

FED. R. CIV. P. 11(a).

⁴⁶ EMC Corp. v. Norand Corp., 89 F.3d 807, 813 (Fed. Cir. 1996); Cygnus Therapeutic Sys. v. ALZA Corp., 92 F.3d 1153, 1159 (Fed. Cir. 1996); Wilson v. Seven Falls Co., 515 U.S. 277 (1995).

The Declaratory Judgment Act states that a court *may* grant declaratory relief, not that it *must*; there is no absolute right to a declaratory judgment. And although “the district court’s discretion is not unfettered, . . . as long as the district court acts in accordance with the purposes of the Declaratory Judgment Act and the principles of sound judicial administration, the court has broad discretion to refuse to entertain a declaratory judgment action,” a discretion usually respected by the Federal Circuit.⁴⁷

Therefore, beyond showing an actual controversy exists under the totality of the circumstances, NEWCOMER should show the district court that LEADER infected the competitive environment with uncertainty and insecurity. NEWCOMER’S evidence should make it difficult for the court to imagine how a prudent NEWCOMER executive, confronted with the totality of LEADER’S conduct, could resist the onset of an apprehension that NEWCOMER would be sued. NEWCOMER’S evidence should show the court that, considering the realities of business life, such an executive could incur the wrath of shareholders if he or she either offered NEWCOMER’S product without seeking a resolution of the conflict of interests or abandoned the product. And, NEWCOMER must convince the court that court intervention is needed to clear the air, to resolve the conflict, and to restore lawful competition.

Because most district court orders and decisions are not reported, the success or failure of declaratory judgment plaintiffs in convincing district courts that an actual controversy exists sufficient to support declaratory judgment jurisdiction, and that the equities favor the district court exercising jurisdiction, go largely unreported. Indeed, once the trial court decides that it will or will not exercise declaratory judgment jurisdiction, many adverse parties reach a mutually acceptable business solution to the dispute rather than engage in the uncertainties and costs of prolonged patent litigation. In this sense, declaratory judgment actions achieve many of the business objectives mentioned above, using the federal court system—albeit not through the complete trial and appeal process—to resolve business disputes. Care must be taken, however, so that the district court understands that the lawsuit is one, which furthers the objectives of the Declaratory Judgment Act, and is not merely a tactical measure filed to improve the declaratory judgment plaintiff’s perceived position in the marketplace.⁴⁸

The declaratory judgment plaintiff’s evidence needs to paint a picture of the *danse macabre* so vividly described by Chief Judge Markey in *Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*,⁴⁹ in which the declaratory judgment plaintiff is forced into an *in*

⁴⁷ *EMC*, 89 F.3d at 813–14; *Serco Services Co. v. Kelley Co.*, 51 F.3d 1037, 1039 (Fed. Cir. 1995); *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 888 (Fed. Cir. 1992).

⁴⁸ *See EMC*, 89 F.3d at 815 (finding that the declaratory judgment action brought as a tactical measure to improve plaintiff’s negotiating position and jurisdiction was denied); *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 980 (Fed. Cir. 1993) (finding that the declaratory judgment action brought as a marketing strategy and denying jurisdiction).

⁴⁹ 846 F.2d 731 (Fed. Cir. 1988):

This appeal presents a type of the sad and saddening scenario that led to enactment of the Declaratory Judgment Act In the patent version of that scenario, a patent owner engages in a *danse macabre*, brandishing a Damoclean threat with a sheathed sword Guerrilla-like, the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity Before the Act, competitors victimized by that tactic were rendered helpless and immobile so long as the patent owner refused to grasp the nettle and sue. After the Act, those competitors were no longer restricted to an in

terrorem choice between incurring a growing potential liability for patent infringement, and abandoning its enterprises.

The declaratory judgment defendant, on the other hand, needs to show that the plaintiff's apprehension is objectively unreasonable⁵⁰ or that the court should not exercise jurisdiction due to the equities or the practicalities of the situation.⁵¹

Study of reported declaratory judgment cases reveals heavy emphasis on the evidence before the district court, and the equities shown by that evidence. When the evidence primarily tends to show the declaratory judgment defendant caused apprehension in the marketplace, even when that apprehension is not tied to a particular patent or product, courts tend to find and exercise declaratory judgment jurisdiction.⁵² But when the evidence primarily tends to show the declaratory judgment

terrorem choice between incurrance of a growing potential liability for patent infringement and abandonment of their enterprises; they could clear the air by suing for a judgment that would settle the conflict of interests. The sole requirement for jurisdiction under the Act is that the conflict be real and immediate, i.e., that there be a true, actual 'controversy' required by the Act.

Id. at 734–35.

⁵⁰ See *Cygnus* 92 F.3d 1153; *Shell Oil*, 970 F.2d 885.

⁵¹ See *EMC* 89 F.3d 807; *BP Chems.*, 4 F.3d 975.

⁵² See *Green Keepers, Inc. v. Softspikes, Inc.*, 1999 U.S. Dist. LEXIS 7728 (E.D. Pa. May 19, 1999).

Softspikes also argues that Green Keepers may not proceed because no alleged threat of suit ever identified the specific patent or patent claims that Green Keepers' products infringe, nor did they specify that suit would be filed with respect to Softspikes' U.S. patents, rather than its Canadian patents. Softspikes has cited no case requiring a patentee to disclose this type of detail before an alleged infringer may bring a declaratory judgment action. If specifics of this nature were a prerequisite, a patentee could disrupt a putative infringer's business for years simply by threatening suit in general terms. The alleged infringer would remain powerless to initiate a declaratory judgment action to resolve the dispute. We do not believe the law forces a party into such an untenable predicament.

Id. at *8.

The threat of infringement does not have to be directed against plaintiffs specifically. It is sufficient to create a reasonable apprehension if plaintiffs' customers, or other competitors, are threatened . . . [R]easonable apprehension exists when there is an implied charge or set of circumstances which would cause a reasonable man to fear that he or his customers may be sued for patent infringement. . . . The accusation of infringement need not be made directly to the declaratory judgment plaintiff, but may be made to its customers or the industry at large.

Sigma-Tau Industrie Farmaceutiche Riunite, S.p.A. v. Lonza, Ltd., 36 F. Supp. 2d 26, 30 n.5 (D.D.C. 1999).

Often, however, . . . the claims of infringement are made more generally or more indirectly or both . . . [W]here the defendant has publicly made claims for his patent which encompass plaintiff's similar product (or process) and which were made against a sufficiently threatening background, the plaintiff may treat such claims as a general charge of infringement against the kind of product embraced by those claims and sue for declaratory judgment Indeed, [the defendant] need not even have known about plaintiff's activity before the action was commenced.

Japan Gas Lighter Ass'n v. Ronson Corp., 257 F. Supp. 219, 237–38 (D.N.J. 1966); see also *id.* at 238 n.38 (stating that reasonable apprehension of suit can exist even when the patentee has made no express charge of infringement to anyone, but had stated claims for it sufficiently broad to

plaintiff is attempting to use the Declaratory Judgment Act to gain a negotiating or marketing advantage, the courts tend to either not find or not exercise jurisdiction.⁵³

When the court has jurisdiction and is convinced it should exercise that jurisdiction, the declaratory judgment defendant has the power to divest the court of jurisdiction. Because a reasonable apprehension of suit must exist not only at the time the action is filed, but at all stages of review, the declaratory judgment defendant can divest the court of jurisdiction by promising not to sue the declaratory judgment plaintiff for infringing the particular patent. As stated by the Federal Circuit, “[w]e have held that a covenant not to sue for any infringing acts involving products ‘made, sold, or used’ on or before the filing date is sufficient to divest a trial court of jurisdiction over a declaratory judgment action.”⁵⁴

If the declaratory judgment defendant refuses to make a covenant not to sue, or imposes limitations upon a covenant, those actions may be considered by the district court and used by the declaratory judgment plaintiff to convince the court to exercise jurisdiction and entertain the declaratory judgment action.⁵⁵

VII. CONCLUSION

Is not a covenant not to be sued, or an acceptable business deal, all NEWCOMER needs from LEADER, in order for NEWCOMER to go about its new product offering without fear of NEWCOMER, or its customers, being sued?

By using a declaratory judgment action offensively, NEWCOMER achieves its business objectives and gets the freedom it needs to conduct its business in an orderly, predictable fashion. LEADER is not the victim of a legal system gone astray, but rather controls its own destiny, because it has the power to use its leadership position to ensure that neither LEADER, nor those purportedly acting on its behalf, create marketplace

encompass the competitor’s product by implication); *accord Arrowhead*, 846 F.2d at 735 (discussing the Federal Circuit’s acknowledgement of the analysis conducted in *Japan Gas Lighter*, 257 F. Supp. at 237–38); *Océ-Office Sys., Inc. v. Eastman Kodak Co.*, 805 F. Supp. 642, 645–46 (N.D. Ill. 1992).

⁵³ Reported trial court rationale on point include: *Bausch & Lomb, Inc. v. CIBA Corp.*, 39 F. Supp. 2d 271, 275 (W.D.N.Y. 1999) (discounting much of the same type of conduct other courts have found persuasive, and concluding that plaintiff’s declaratory judgment action “was designed in part as a weapon to strengthen [declaratory judgment plaintiff’s] hand in any negotiations” with defendant, and that allowing a declaratory judgment action to proceed under such circumstances would discourage good-faith efforts to negotiate); *Lyon Indus. Inc. v. Am. Standards Inc.*, 993 F. Supp. 609, 612–14 (W.D. Mich. 1997) (finding that the declaratory judgment action was brought to gain a procedural advantage). *BP Chems.*, 4 F.3d at 980 (finding that the declaratory judgment action was brought as a marketing strategy). In each, the trial court declined jurisdiction.

⁵⁴ *Amana Refrigeration, Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999) (citing *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975)); *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058–60 (Fed. Cir. 1995); *Spectronics Corp. v. Harry B. Fuller Co.*, 940 F.2d 631, 633–38 (Fed. Cir. 1991); *Intellectual Property v. TCI Cablevision*, 248 F.3d 1333, 1342 (Fed. Cir.), *cert. denied*, 122 S. Ct. 216 (2001). For a similar discussion by district courts, see, for example, *SL Waber, Inc. v. Am. Power Conversion Corp.*, 50 U.S.Q.P.2d 1355 (D.N.J. 1999), *GFI, Inc. v. Franklin Indus.*, 55 F. Supp. 2d 565 (W.D.Miss. 1999), and *Green Keepers, Inc.*, 1999 U.S. Dist. LEXIS 7728 (E.D. Pa. May 19, 1999).

⁵⁵ *Amana*, 172 F.3d at 855; *Super Sack*, 57 F.3d at 1056, 1059–60; *Spectronics*, 940 F.2d at 636–38; *Green Keepers*, 1999 U.S. Dist. LEXIS 7728 at *13–*14.

apprehension. NEWCOMER simply has a remedy to use when the marketplace becomes infected with uncertainty and insecurity.

This remedy is powerful. Therefore it needs to be used cautiously and skillfully, with a clear focus on the business objectives to be achieved by the declaratory judgment action, and thorough consideration of how much capital, in terms of people and money, a company is prepared to spend in fighting, and the cost to the company if it does not fight, or fights and loses. Starting a lawsuit NEWCOMER might otherwise never actually face, is a major business decision not to be taken lightly.⁵⁶ Sometimes, however, bringing a declaratory judgment action of non-infringement is the most prudent and effective way for the company to clear the air, resolve conflict, and restore lawful competition.

DJ JIVE—TAKE TWO

A danse macabre,
 you have begun;
 Damoclean threat,
 a sheathed one;
 Scare-the-customer,
 and then run,
 Guerrilla-like,
 that's what you've done.

"No apprehension of suit,"
"No reasonable one";
 These things you say,
 once my DJ's begun;
 You tell the court,
 you've done no more,
 Than what you may,
 under patent law.

That might be so,
 but you must expect,
 Your actions, to others,
 have *in terrorem* effect,
 Infecting competition,
 with uncertainty and fear,
 Court help is needed,
 to clear the air.

To help the market,
 keep competition free,
 The Federal Circuit,
 created *totality*.
 Viewing all,

⁵⁶ See *supra*, note 24 and accompanying text.

that's come to pass,
Before the court,
we are at last.

Escape my DJ, have you a chance,
Under "*totality of circumstance*"?