

## Client Alert

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### Change in Declaratory Judgment Standing in Patent Cases

Under pressure from the Supreme Court, the Federal Circuit recently changed the law governing declaratory judgment standing for patent infringement cases in *Sandisk Corp. v. STMicroelectronics, Inc.*, — F.3d — (Fed.Cir., Mar. 26, 2007) As a result, many notice letters sent to potential infringers—specifically drafted to avoid giving them declaratory judgment standing—probably now do so. If your company sent these letters, it is now exposed to declaratory judgment actions it could not have anticipated; if your company received them, it can now litigate if it does not like the way license negotiations are going.

#### The Old Rules

The old rules for drafting a notice letter to potential patent infringers were simple:

- 1) identify the patent, by number;
- 2) squarely accuse a particular device of infringing the patent; but then
- 3) offer the recipient a license, instead of threatening to sue.

Under the Federal Circuit's old rules, a letter like this gave a patentee litigation and negotiation advantages but left the recipient with no standing to sue for declaratory relief. See, e.g., *EMC Corp. v. Norand Corp.*, 89 F.3d 807, 811 (Fed.Cir. 1997). Identifying the patent and accusing a device of infringement served as notice of infringement, activated the recipient's duty to avoid patent infringement, and provided evidence of knowledge of the patent for willful infringement. By offering a license "without more" instead of threatening a lawsuit, however, the patentee deprived the recipient of the "reasonable apprehension of suit" needed to give declaratory relief standing. The patentee could then negotiate for a license, with the option of suing at a time and in a court of its choosing if negotiations broke down.

#### The Rules After *Sandisk*

The decision in *Sandisk* changed these rules. Responding to the Supreme Court's direct rejection of the "reasonable apprehension of suit" standard in *Medimmune, Inc. v. Genentech, Inc.*, 172 S.Ct. 764, 772 (2007), *Sandisk* reversed decades of Federal Circuit precedent and held that an offer of a patent license **gave** the recipient declaratory relief standing. In fact, any suggestion that the recipient might have to stop doing something appears to create declaratory relief standing: "where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of

another party, and where that party contends that it has the right to engage in the accused activity without license . . . that party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.” Under *Sandisk*, almost any letter drafted under the old rules gives the recipient standing to sue for declaratory judgment. Now the recipient has the choice of time and place—a reversal of the old rule, which favored the patentee.

If your company sent notice letters drafted under the old rules, it should determine whether any recipients are likely to file declaratory relief suits. If they are, then your company might be well-advised to file first to secure a friendly venue—Marshall, Texas, or Madison, Wisconsin.

If your company has received notice letters or is negotiating a patent license, it should evaluate whether a declaratory relief claim would improve its bargaining position. It can, at least, keep itself out of Marshall or Madison and choose a court friendlier to patent defendants, like those in San Francisco or San Jose.

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