IP Alert: Is Infringement Required to Generate a Case or Controversy for Declaratory-Judgment Jurisdiction?

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By Sarah A. Kagan

Ten years ago, MedImmune successfully sought an expanded scope of declaratory-judgment jurisdiction, asking the U.S. Supreme Court to permit a suit challenging validity of a patent of which it was a paying licensee. MedImmune Inc., v. Genentech Inc. 549 U.S. 118 (2007). Now it finds itself on the other side of the argument, arguing that declaratory-judgment jurisdiction should not be expanded to encompass a case in which the declaratory-judgment plaintiff is a paying licensee

that is not at risk of suit for patent infringement because it does not practice the patented invention. AbbVie Inc. v. MedImmune Inc. (Fed. Cir. No. 17-1689).

In the prior case, MedImmune persuaded the Supreme Court that declaratory-judgment jurisdiction was appropriate even though MedImmune was currently licensed to practice the Genentech patent, protecting MedImmune from immediate risk of suit for infringement. The Court agreed that a licensee should not need to terminate its license in order to sue for a declaration of invalidity.

Now, in a similar case, MedImmune argues that the expansiveness of the Supreme Court ruling should not apply to AbbVie because, unlike MedImmune in 2007, AbbVie would not be subject to a patent infringement suit if it terminated its license since AbbVie does not use the patented invention. AbbVie argues, however, that if it ceased making payments under the license, it would be subject to a suit for breach of contract. The contract requires royalty payments until U.S. Patent No. 6,248,516 expires or January 1, 2018, whichever is later. Does declaratory-judgment jurisdiction under the 2007 MedImmune decision require fear of suit specifically for patent infringement or merely fear of suit?

AbbVie sued to have the U.S. District Court for the Eastern District of Virginia declare the ’516 patent invalid for obviousness-type double patenting, on the theory that upon declaration of invalidity, its royalty obligations would cease because the ’516 patent would expire. The district court declined to find declaratory-judgment jurisdiction, and AbbVie appealed to the U.S. Court of Appeals for the Federal Circuit.

The underlying facts of the case are complicated. First, the contract is to be construed under U.K. law, but the term of the royalty obligation is measured by the term of a U.S. patent. Second, the patent whose term defines the royalty obligation is not one practiced by the licensee. The royalty obligation is based on sales of a product that is not made, used, or sold according to the patent claims. Third, the parties dispute whether the “expiration” of a patent under U.K. law occurs upon a declaration of invalidity. Fourth, the bundle of patent rights is divided among a number of parties. Fifth, the parties dispute whether MedImmune has rights sufficient to enforce and defend the ’516 patent based on the contract.

At the November 9, 2017, oral argument at the Federal Circuit, the panel of judges subjected attorneys for both parties to pointed questioning. The panel asked AbbVie whether enough time remained on the patent term to obtain a final decision of invalidity before the patent’s natural expiration. The panel asked why the case had not been filed sooner, why AbbVie had not originally asked for a declaratory judgment on the contract rights, why it had not amended its complaint to ask for such a judgment, and whether other parties were necessary to adjudicate the contract. The panel asked MedImmune how AbbVie could get relief if declaratory-judgment jurisdiction was denied by U.S. courts.

Why are the parties squabbling over a patent expiration date that differs by only six months? The license obligates AbbVie to pay royalties on sales of HUMIRA®, a TNF-blocking antibody, which is used to treat rheumatoid arthritis and Crohn's disease. In 2016, HUMIRA® generated $16 billion in revenue worldwide. With the stakes that high, whichever way it decides, the Federal Circuit may not be the last stop for this case.

Click here to hear the arguments in AbbVie Inc. v. MedImmune Inc.

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