



Burden Of Proof To Establish Infringement Remains With The Patentee Even In Declaratory Judgment Action Brought By Licensee

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Author(s): Charles R. Macedo

Medtronic, Inc v Mirowski Family Ventures, LLC, 134 S Ct 843 (US 22 January 2014)

Abstract

The US Supreme Court unanimously reversed a previous determination by the US Court of Appeals for the Federal Circuit, holding that, even in a declaratory judgment action brought by a licensee, the burden of proving patent infringement remains with the patent holder.

Legal context

In 2007, the US Supreme Court overruled precedent from the US Court of Appeals for the Federal Circuit which had formerly prevented patent licensees in good standing from bringing a declaratory judgment action for lack of a justiciable case or controversy. In *MedImmune, Inc v Genentech, Inc*, 549 US 118 (2007), the Supreme Court found that a licensee had standing to bring a declaratory judgment action, despite the fact that it continued to make royalty payments for its licensed products, reasoning that a licensee should not be forced to breach its licensing agreement and risk actual and treble damages in an infringement suit in order to challenge the extent of coverage of the licence. In *Medtronic, Inc v Mirowski Family Ventures, LLC*, 134 S Ct 843 (2014), the court resolved the ensuing question of which party bears the burden of proving infringement in a declaratory judgment action brought by a licensee in good standing, when the licensor is precluded from making an infringement counterclaim by the continued existence of that licence.

Facts

Medtronic is a medical technology company that entered into a sublicensing agreement with



Mirowski to practise certain patents covering implantable heart stimulators. The licensing agreement provided for three different options in the event that Mirowski deemed a new Medtronic product to infringe a Mirowski patent: Medtronic could (i) pay any royalties that were owed under the agreement, (ii) pay royalties (into an escrow account) and seek a declaratory judgment of non-infringement or (iii) refuse to pay royalties, in which case Mirowski could terminate the licence and bring an infringement action.

In 2007, Mirowski asserted that seven of Medtronic's new products infringed claims in two of its patents concerning devices that trigger simultaneous contractions of the heart's ventricles. Medtronic responded by bringing a declaratory judgment action of non-infringement and invalidity. Medtronic also paid the applicable royalties into an escrow account in compliance with the licensing agreement.

The district court in this case placed the burden of proving infringement on Mirowski as the patentee, despite the fact that it was the defendant, and found that it did not meet its burden of proof: *Medtronic, Inc v Boston Scientific Corp*, 777 F Supp 2d 750, 766 (D Del 2011).

On appeal, the Federal Circuit reversed, holding that Medtronic, as the declaratory judgment plaintiff, bore the burden of persuasion. It recognized that the patentee normally bears the burden of proving infringement, even when the patentee is 'a counterclaiming defendant in a declaratory judgment action', but that the licensee bears the burden of proving non-infringement when the patentee is 'foreclosed' from asserting an 'infringement counterclaim' due to an enduring license agreement: *Medtronic Inc v Boston Sci Corp*, 695 F 3d 1266, 1267 (Fed Cir 2012).

The Supreme Court granted Medtronic's petition for a writ of certiorari to review the allocation of the burden of proof in a declaratory judgment action for non-infringement.

Analysis

The US Supreme Court first clarified that the Federal Circuit—a specialized court that hears all appeals from actions arising under the patent laws—had subject matter jurisdiction over this declaratory judgment action, because Medtronic hypothetically faced a patent infringement suit in the absence of a declaratory judgment of non-infringement.

Next, the court used '[s]imple legal logic, resting upon settled case law' to conclude that the patentee bears the burden of persuasion, even in a declaratory judgment action brought by a licensee in good standing (*Medtronic*, 134 S Ct at 849). The court used three legal propositions in coming to this conclusion: (i) the burden of proving infringement generally rests upon the patentee, (ii) the Declaratory Judgment Act is procedural and does not alter substantive rights and (iii) the burden of proof is a substantive aspect of a claim.



The court bolstered its decision by explaining that this outcome is desirable from a practical standpoint as well. For instance, if a licensee bore the burden of proving non-infringement and failed to meet its burden of persuasion, it might later face an infringement action regarding the same products and the same patents. The patentee could then potentially fail to meet its burden of proving infringement in this later action, 'leaving the infringement question undecided' and creating detrimental uncertainty as to the scope of the patent (Id. at 850).

Requiring the licensee to bear the burden of proof would also put undue burden on the licensee to anticipate the infringement theories that the patentee might use to defend against a declaratory judgment complaint. Finally, the Supreme Court reasoned, placing the disadvantage of the burden of persuasion on the licensee conflicts with the very purpose of the Declaratory Judgment Act: 'to "ameliorate" the "dilemma" posed by "putting" one who challenges a patent's scope "to the choice between abandoning his rights or risking" suit' (Id. at 850, quoting *MedImmune*, 549 US at 129).

Practical significance

Although the Supreme Court disagreed with one *amicus*' concern that the court's holding will burden patentees by permitting licensees to 'force ... patentee[s] into full-blown patent-infringement litigation', explaining that a genuine case or controversy is still a prerequisite for standing, the allocation of the burden of proof to patentees in declaratory judgment actions will nonetheless give more bargaining power to licensees (*Medtronic*, 134 S Ct at 851). As a result, many patentees may be more hesitant to accuse licensees of infringement, due to the risk of having to prove their case in a declaratory judgment action. Instead, patentees may seek to amend terms of their current or future licensing agreements in an attempt to deter such actions. For instance, patentees may seek to include provisions which stipulate for pre-paid royalties, attorney fees or an increase in royalties if the licensee brings or loses a declaratory judgment action, or even automatic termination of the agreement if a declaratory judgment action is brought. Patentees may also seek to have arbitration provisions which include different rules regarding presentation and proof.

[Charles R. Macedo](#) is a partner and [Sandra A. Hudak](#) is a law clerk at Amster, Rothstein & Ebenstein LLP. Their practice specializes in intellectual property issues including litigating patent, copyright, trademark, and other intellectual property disputes. They may be reached at cmacedo@arelaw.com and shudak@arelaw.com.



Mr Macedo is also the author of *The Corporate Insider's Guide to US Patent Practice*, and, as Co-Chair of Amicus Briefs Committee and Counsel of Record, submitted amicus briefs on behalf of the New York Intellectual Property Law Association in support of neither party in both cases.