

***MedImmune Casts Gen-Probe, Teva Aside***\*

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Today, in *MedImmune, Inc. v. Genentech, Inc.*, No. 05-608, \_\_\_ U.S. \_\_\_ (2007)(Scalia, J.), the Supreme Court issued a narrow reversal of the Federal Circuit’s denial of a justiciable controversy, setting aside the intermediate court’s controversial standard in *Gen-Probe Inc. v. Vysis, Inc.*, 359 F. 3d 1376 (2004). The Court also disapproved the “evolved form [of *Gen-Probe* of] the ‘reasonable apprehension of *imminent* suit’ test [of] *Teva Pharm. USA, Inc. v. Pfizer, Inc.*, 395 F. 3d 1324, 1333 (2005).” (original emphasis by the Court). See *A Narrow Holding on the Scope of the Declaratory Judgment Act* (page 2).

In *dicta*, the Court (1) suggests a far broader application of the declaratory judgment statute for patent challenges than heretofore permitted by the Federal Circuit; see *Broad Dicta on the Application of the Declaratory Judgment Statute* (page 3), and (2) leaves *Lear, Inc. v. Adkins*, 395 U. S. 653, 673 (1969), unscathed, providing guidance to the lower courts for resolving licensee disputes; see *Dicta Continuing the Policies of Lear* (page 4).

Justice Scalia spoke for eight justices; only Justice Thomas issued a dissent.

This analysis benefits from discussions and views of George Best and Stephen B. Maebius of Foley & Lardner LLP as well as Lynn E. Eccleston of McGuire Woods LLP.

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\*This paper represents the personal views of the author and does not necessarily reflect the views of any colleague, organization or client thereof. This paper represents the views of the author immediately after the decision was issued and will be replaced in due course with a more thorough analysis.

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### **A Narrow Holding on the Scope of the Declaratory Judgment Act**

The Court introduces the issue: “The District Court granted [the patentees]’ motion to dismiss the declaratory-judgment claims for lack of subject-matter jurisdiction, relying on the decision of the ... Federal Circuit in *Gen-Probe Inc. v. Vysis, Inc.*, 359 F. 3d 1376 (2004). *Gen-Probe* had held that a patent licensee in good standing cannot establish an Article III case or controversy with regard to validity, enforceability, or scope of the patent because the license agreement ‘obliterate[s] any reasonable apprehension’ that the licensee will be sued for infringement. *Id.*, at 1381. The Federal Circuit affirmed the District Court, also relying on *Gen-Probe*. 427 F. 3d 958 (2005).”

While the Court repudiates *Gen-Probe*, the holding is very narrow and “leave[s] the equitable, prudential, and policy arguments in favor of ... a discretionary dismissal for the lower courts’ consideration on remand. Similarly available for consideration on remand are any merits-based arguments for denial of declaratory relief.”

The Court emphasizes its narrow holding:

“We hold that [the licensee] was not required, insofar as Article III is concerned, to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. The [Federal Circuit] erred in affirming the dismissal of this action for lack of subject-matter jurisdiction. The judgment of the [Federal Circuit] is reversed, and the cause is remanded for proceedings consistent with this opinion.”

## **Broad *Dicta* on the Application of the Declaratory Judgment Statute**

Guidance on the scope of the declaratory judgment act is capsulized in footnote 11:

“Even if *Altwater* [*v. Freeman*, 319 U.S. 359 (1943),] could be distinguished as an ‘injunction’ case, it would still contradict the Federal Circuit’s ‘reasonable apprehension of suit’ test (or, in its evolved form, the ‘reasonable apprehension of *imminent* suit’ test, *Teva Pharm. USA, Inc. v. Pfizer, Inc.*, 395 F. 3d 1324, 1333 (2005)). A licensee who pays royalties under compulsion of an injunction has no more apprehension of imminent harm than a licensee who pays royalties for fear of treble damages and an injunction fatal to his business. The reasonable-apprehension-of-suit test also conflicts with our decisions in *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U. S. 270, 273 (1941), where jurisdiction obtained even though the collision-victim defendant could not have sued the declaratory-judgment plaintiff-insurer without first obtaining a judgment against the insured; and *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 227, 239 (1937), where jurisdiction obtained even though the very reason the insurer sought declaratory relief was that the insured had given no indication that he would file suit. It is also in tension with *Cardinal Chemical Co. v. Morton Int’l, Inc.*, 508 U. S. 83, 98 (1993), which held that appellate affirmance of a judgment of noninfringement, eliminating any apprehension of suit, does not moot a declaratory judgment counterclaim of patent invalidity.”

***Dicta Continuing the Policies of Lear***

The Court makes no *merits* holding as to whether a licensee should be permitted to challenge the validity of a patent where it continues to pay royalties, but offers *dicta* as guidance for resolution of the issue:

“[Patentees] appeal to the common-law rule that a party to a contract cannot at one and the same time challenge its validity and continue to reap its benefits, citing *Commodity Credit Corp. v. Rosenberg Bros. & Co.*, 243 F. 2d 504, 512 (CA9 1957), and *Kingman & Co. v. Stoddard*, 85 F. 740, 745 (CA7 1898). *Lear*, they contend, did not suspend that rule for patent licensing agreements, since the plaintiff in that case had already repudiated the contract. Even if *Lear*’s repudiation of the doctrine of licensee estoppel was so limited (a point on which, as we have said earlier, we do not opine), it is hard to see how the common-law rule has any application here. [Licensee] is not repudiating or impugning the contract while continuing to reap its benefits. Rather, it is asserting that the contract, properly interpreted, does not prevent it from challenging the patents, and does not require the payment of royalties because the patents do not cover its products and are invalid. Of course even if [the patentees] were correct that the licensing agreement or the common-law rule precludes this suit, the consequence would be that [patentees] win this case *on the merits*—not that the very genuine contract dispute disappears, so that Article III jurisdiction is somehow defeated.”

“We leave the equitable, prudential, and policy arguments in favor of such a discretionary dismissal for the lower courts’ consideration on remand. Similarly available for consideration on remand are any merits-based arguments for denial of declaratory relief.”