



December 4, 2009

CLIENT ALERT

New Federal Circuit decision “undoubtedly marks a shift from past declaratory judgment cases”

A decision issued by the Court of Appeals for the Federal Circuit on December 4, 2009 may make it easier to obtain declaratory judgment ("DJ") jurisdiction against a non-competitor patent holding company or non-practicing entity.

In *Hewlett-Packard Co. v. Acceleron LLC*, No. 2009-1283 (Fed. Cir. Dec. 4, 2009), the Federal Circuit developed the *MedImmune/SanDisk* line of DJ jurisdiction cases, reversing a district court (D. Del.) dismissal of a DJ action for lack of jurisdiction. Acceleron, a "patent holding company" headquartered in Tyler Texas, wrote to Hewlett-Packard Co. ("HP") in 2007 regarding U.S. Patent No. 6,948,021:

I am writing to call your attention to the referenced patent. . . . This patent was recently acquired by Acceleron, and relates to Blade Servers. . . . We would like an opportunity to discuss this patent with you. In order to provide a productive atmosphere in which we can do so, we ask that you agree that all information exchanged between the parties will not be used for any litigation purposes whatsoever, including but not limited to any claim that Acceleron has asserted any rights against any of your ongoing or planned activities, or otherwise created any actual case or controversy regarding the enclosed patent.

Acceleron further indicated that after waiting two weeks for a reply from HP, it would assume that HP has "no interest in discussing this patent." HP replied, asking for a 120-day "mutual standstill" to litigation. Acceleron declined, stating that HP had no basis for a DJ action. Acceleron concluded its letter by reiterating its two-week deadline and stating that if it did not receive a reply, it would "understand that you are not interested in discussing this patent, and you do not have anything to say about the merits of this patent, or its relevance to your Blade Server products." HP filed its DJ action four days later. The district court dismissed the case because the litigation was "too speculative" at the time of filing.

The Federal Circuit reversed, acknowledging that more than "a communication from a patent owner to another party, merely identifying its patent and the other party's product line" is necessary to establish DJ jurisdiction. Although *MedImmune* left it unclear whether Acceleron's actions here establish jurisdiction, the Federal Circuit ruled that they do because "[u]nder the totality of the circumstances . . . it was not unreasonable for HP to interpret Acceleron's letters as implicitly asserting its rights under the '021 patent."

The Federal Circuit pointed to a number of factors supporting its decision:

- The reference to a specific product as "relevant" to the patent;
- The imposition of a short deadline for a response;
- Acceleron's insistence that HP not file suit;
- Acceleron's refusal of HP's proposed mutual standstill;
- That Acceleron "is solely a licensing entity, and without enforcement it receives no benefits from its patents."



Woodcock Washburn LLP
Page 2 of 2

The Federal Circuit made two other notable remarks. First, Acceleron argued that at the time HP filed its complaint, it could not have asserted its patent against HP because it had not conducted an adequate investigation to determine if it had a basis to sue. The Federal Circuit ruled that this consideration is irrelevant. Second, in a footnote, the Federal Circuit emphasized that a history of litigation (or lack thereof) is a relevant factor, but that here, because Acceleron sued only three and a half months after the patent issued, the lack of a history of litigation does not aid Acceleron's argument.

About Woodcock Washburn LLP

Woodcock Washburn LLP, with offices in Atlanta, Philadelphia, and Seattle, has specialized in intellectual property law since 1946. Rated as one of the top IP law firms in the United States by IP Law & Business, the Firm was also named the top intellectual property firm in Pennsylvania by Chambers USA. The Firms' lawyers and scientific advisors provide national and international clients a full range of services that include litigation, patent procurement, IP strategies, trademarks & copyrights, licensing, and standards & open source software across a wide range of industries and technologies. For more information: www.woodcock.com.

###