



## CASE ALERT

### *Medimmune, Inc. v. Genentech, Inc.*

On January 9, 2007, the Supreme Court held in *Medimmune, Inc. v. Genentech, Inc.*, No. 05-608, 549 U.S. \_\_\_ (2007), that a patent licensee need not breach or otherwise terminate the license agreement before seeking a declaratory judgment that the underlying patent is invalid, unenforceable, or not infringed. This decision reversed the Federal Circuit in this case, calls other Federal Circuit precedent into question, and may provide patent licensees with new latitude in challenging the patents that underlie their licenses without also risking exposure to penalties associated with breaching the licenses.

Medimmune manufactured the Synagis drug and entered into a license agreement with Genentech in 1997 pertaining to, *inter alia*, a then-pending patent application relating to “co-expression of immunoglobulin chains in recombinant host cells.” The “co-expression” patent application was granted in 2001 as the “Cabilly II” patent, and Genentech sent Medimmune a letter expressing Genentech’s belief that Medimmune’s Synagis drug was covered by the Cabilly II patent and that Genentech expected Medimmune to pay royalties beginning in 2002.

Medimmune disagreed. Believing Genentech’s letter was a threat to (1) enforce the Cabilly II patent against Medimmune, (2) terminate the license agreement, and (3) sue for patent infringement if Medimmune did not make royalty payments, Medimmune paid Genentech the royalties under protest, but also filed a declaratory judgment action in district court, alleging that the Cabilly II patent was invalid or unenforceable. The district court dismissed the action for lack of jurisdiction, citing *Gen-Probe v. Vysis, Inc.*, 359 F.3d 1376 (Fed. Cir. 2004), for its holding that a patent licensee who complied with the license’s terms could not establish an Article III case or controversy because that compliance eliminated any fear on the licensee’s part that the licensee would be sued for infringement. The Federal Circuit affirmed on appeal.

In an 8-1 decision, the Supreme Court disagreed and reversed. Observing that the case required the Court to decide whether continued payment of royalties, albeit under protest, and other compliance with the license caused the dispute to no longer be an Article III “case or controversy,” the Court observed that federal and state courts had accepted jurisdiction in similar situations, and, further, that *Altvater v. Freeman*, 319 U.S. 359 (1943), held that a patent licensee who continued to pay royalties under a disputed license “did not render non-justiciable a dispute over the validity of the patent.” Thus, Medimmune’s payment of royalties under protest to avoid damages for breaching the license did not eliminate the Article III “case or controversy” required for federal jurisdiction. The Supreme Court was careful to note, however, that while district courts may discretionarily dismiss declaratory judgment actions, the district court in the case did not consider that approach because it believed it lacked jurisdiction over the matter.

Accordingly, under *Medimmune*, a patent licensee’s “self-avoidance of imminent injury” by forestalling an infringement suit by continued payment of royalties does not itself deprive federal courts of jurisdiction over a declaratory judgment action regarding the validity or enforceability of the underlying patent or rights under the license. Thus, patent licensees may now have new freedom to challenge patents without necessarily running the risk of incurring breach-of-license damages or an infringement suit.