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Actual Controversy Requirement: Should a Patent Owner's Promise Not to Sue Deprive the Court of Jurisdiction?

*Super Sack Manufacturing Corp. v. Chase Packaging Corp.*¹

I. INTRODUCTION

The Declaratory Judgment Act² enables a party who will be injured by the enforcement of a law to obtain a federal court adjudication of his rights and responsibilities under the law. The Act incorporated the constitutional requirement that an "actual controversy" exist between the plaintiff and defendant; the mere possibility of a dispute is insufficient.³ Determining whether an "actual controversy" is present, however, is often difficult, especially in patent law.

The Act is a powerful tool in determining the rights of patent owners *vis-a-vis* parties threatened by an infringement action. The Act can be used by an accused infringer to request that a court review whether the patent was correctly issued by the United States Patent and Trademark Office. The *Super Sack* court was faced with the narrow issue of whether the district court should have retained jurisdiction where the patent owner promised not to sue the accused infringer. The court held that the promise not to sue ended the controversy and therefore the district court lacked jurisdiction over the declaratory judgment action. Although the court's holding was correct, the court failed to harmonize its holding with persuasive authority holding that courts may retain jurisdiction under similar circumstances. An analysis of those authorities reveals that the rule established by this court may inappropriately favor patent owners in future cases presenting different facts.

II. FACTS AND HOLDING

In August 1988, Super Sack Manufacturing Corporation (Super Sack) sued Chase Packaging Corporation (Chase) for infringement of two patents, U.S. Patent Numbers 4,143,796 and 4,194,652 (collectively, the patents-in-suit).⁴ Chase denied infringement and counterclaimed for declaratory judgments that there was no infringement and that the patents were invalid due to anticipation

1. 57 F.3d 1054 (Fed. Cir. 1995), *cert denied*, 116 S. Ct. 815 (1996).

2. 28 U.S.C. § 2201 (1994).

3. See *infra* note 29 and accompanying text.

4. *Super Sack*, 57 F.3d at 1055.

and obviousness.⁵ The parties completed discovery, submitted a joint pretrial order to the trial court, and, in May 1989, Chase made a motion for summary judgment of noninfringement.⁶

Super Sack was pursuing other litigation on the same two patents concurrently. In 1990, Super Sack asserted the patents against a second party, Augusta Bag Company.⁷ In a bench trial in the Southern District of Georgia, the trial court found the patents-in-suit to be "not invalid," but not infringed.⁸

Meanwhile, in the present case, the trial court denied the motion for summary judgment in August 1991.⁹ Thereafter, the suit sat idle until February 1993, when Chase again moved for summary judgment of noninfringement, invalidity, and inequitable conduct.¹⁰ The trial court did not rule on the summary judgment motion.¹¹ Instead, in May 1994, the trial court directed the parties to confer to determine whether the case should proceed to trial in light of new circumstances.¹² The new circumstances were that Super Sack appeared willing to drop its infringement claim against Chase, and that Chase, in turn, appeared willing to drop the inequitable conduct claim.¹³ Chase responded to the directive

5. *Id.* To prove anticipation under 35 U.S.C. § 102 (1994), one must demonstrate, among other things, identity of invention. ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT 59 (3d ed. 1994). "Anticipation" requires that each and every element of the claimed invention (the subject of the patent) be disclosed in a single prior art reference or embodied in a single prior art device or practice. *Id.* at 57. Thus, an invention is anticipated if there is no difference between the claimed invention and the prior art reference, as viewed by a person of ordinary skill in the field of the invention. *Id.*

Obviousness is defined under 35 U.S.C. § 103 (1994) which states:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

6. *Super Sack*, 57 F.3d at 1055-56.

7. *Id.* at 1055.

8. *Id.* The decision was summarily affirmed by the Federal Circuit in September 1993. *See Super Sack Mfg. v. Augusta Bag Co.*, 6 F.3d 786 (Fed. Cir. 1993).

9. *Super Sack*, 57 F.3d at 1055-56.

10. *Id.* Super Sack first responded to all three issues in the summary judgment motion, but later argued that the inequitable conduct claim had not been pled and that the court therefore lacked jurisdiction. *Id.* Chase argued that Super Sack waived the procedural objection by answering on the merits and that Super Sack was not prejudiced by consideration of the issue. The issue was never resolved by the trial court. *Id.*

11. *Id.*

12. *Id.*

13. *Id.*

from the court with a report stating that it was unwilling to drop its declaratory judgment counterclaims, and further responded with motions to amend its pleadings to include the inequitable conduct claim and for summary judgment on the issue of noninfringement.¹⁴

Super Sack answered Chase's motion with a motion to dismiss for lack of jurisdiction under Federal Rules of Civil Procedure 12(b)(1) and 41(a)(2).¹⁵ Super Sack's motion stated that it would "unconditionally agree not to sue Chase for infringement as to any claim of the patents-in-suit based upon the products currently manufactured and sold by Chase."¹⁶ Super Sack argued that this statement removed any current or future apprehension by Chase that it would face claims of infringement, rendered all other issues moot, and thus eliminated any actual case or controversy and deprived the court of jurisdiction.¹⁷ Without an actual case or controversy, the court was divested of jurisdiction.¹⁸ Before finding for Super Sack, the court noted explicitly that the promise not to sue extended only to products that Chase made, used, or sold on or before the date Super Sack filed its motion to dismiss.¹⁹ Super Sack refused to concede its claims of infringement against Chase, but unconditionally promised not to sue Chase for infringement of the patents-in-suit with respect to any products currently manufactured or sold by Chase.²⁰

The trial court granted Super Sack's motion and dismissed the case with prejudice, based on Super Sack's unwillingness to pursue its claims and its unconditional promise not to sue on the patents-in-suit.²¹ The court found that Chase failed to show a continuing case or controversy and, in the interest of judicial economy, denied Chase's motion to amend its pleadings.²²

Chase appealed the dismissal to the Federal Circuit, arguing that Super Sack's promise not to sue existed only in motion papers and a trial court order, not a covenant, so that the promise was too indefinite to estop Super Sack from again suing Chase on the patents-in-suit as to past and present products.²³ Additionally, Chase argued that the promise was defective because it failed to cover future products at all.²⁴ Chase thus argued that the promise by Super Sack

14. *Super Sack*, 57 F.3d at 1056.

15. *Id.*

16. *Id.*

17. *Id.*

18. *Id.*

19. *Super Sack*, 57 F.3d at 1056.

20. *Id.* at 1057.

21. *Id.*

22. *Id.*

23. *Id.*

24. *Super Sack*, 57 F.3d at 1057.

was not sufficiently concrete to protect it from future suit or to deny the trial court of jurisdiction.²⁵

The Federal Circuit panel affirmed the trial court's order denying Chase's motion to amend its pleadings and granted Super Sack's motion to dismiss with prejudice for lack of jurisdiction.²⁶ The court held that where a putative infringer seeks a declaratory judgment of the invalidity of a patent, and the patent owner subsequently promises not to assert the patent-in-suit against the putative infringer for products the infringer has made, used, or sold, there ceases to be a justiciable controversy and the trial court must dismiss.²⁷

III. LEGAL BACKGROUND

The Declaratory Judgment Act²⁸ is the procedural tool used to determine whether the patent-in-suit complies with patentability requirements. The Act allows a judicial check to ensure that the Patent and Trademark Office correctly granted patent protection. However, this judicial check cannot occur without an actual controversy involving the patent.²⁹ To be sure, the Act restates the constitutional requirement that there be an actual controversy between the parties.³⁰

While the federal courts are forbidden from issuing advisory opinions on abstract questions, in practice the difference between an abstract question and an

25. *Id.* at 1057-58.

26. *Id.* at 1060.

27. *Id.* at 1059-60.

28. 28 U.S.C. § 2201 (1994).

29. Note also that even where there is an actual controversy, the exercise of declaratory judgment jurisdiction is not an absolute right of a litigant, but rather a discretionary act of the trial court. 5 CHISUM, PATENTS § 21.02[1] (1993) (citing *Brillhart v. Excess Ins. Co.*, 316 U.S. 491 (1942)).

30. Section 2201 begins with a reference to "a case of actual controversy within its jurisdiction." 5 CHISUM, *supra* note 29. See also Note, *Patent Law—Federal Declaratory Judgment Act Requirement of Actual Controversy Satisfied in Alleged Infringer's Suit Notwithstanding Withdrawal of Infringement Charge*, 5 HOW. L.J. 142 (1959). The Supreme Court spoke to the requirement of a controversy:

The Declaratory Judgment Act of 1934, in its limitation to 'cases of actual controversy,' manifestly has regard to the constitutional provision and is operative only in respect to controversies which are such in the constitutional sense In providing remedies and defining procedure in relation to cases and controversies in the constitutional sense the Congress is acting within its delegated power over jurisdiction of the federal courts which the Congress is authorized to establish.

Id. at n.9 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227 (1937)).

actual controversy is “necessarily one of degree.”³¹ The line is thin because, unlike the normal suit brought by an injured plaintiff, the declaratory judgment plaintiff has not yet suffered any actual harm. Thus, it is difficult simply to apply a precise test and determine whether there is a justiciable controversy.³² In the patent arena, however, the courts have formulated a two-prong test to determine if a case satisfies the actual controversy requirement.³³ First, there must be an actual or implicit charge of infringement so that the party bringing the declaratory action (complainant) is placed under a reasonable apprehension that the patent owner would initiate suit if the complainant continued the allegedly infringing activity.³⁴ Second, the complainant must have either produced the device or prepared to produce the device.³⁵

A. The Relevant Caselaw

In *Spectronics Corp. v. H.B. Fuller Co.*, the court examined a dismissal of a declaratory judgment claim where the patent owner filed a covenant not to assert its patent and filed a reissue application with the Patent and Trademark

31. 5 CHISUM, *supra* note 29, § 21.02[1][iii] (quoting *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

32. 5 CHISUM, *supra* note 29, § 21.02[1][iii].

33. 5 CHISUM, *supra* note 29, § 21.02[1][iii].

34. 5 CHISUM, *supra* note 29, § 21.02[1][iii], n.70.1, 71 (citing among others *West Interactive Corp. v. First Data Resources, Inc.*, 972 F.2d 1295, 1298 (Fed. Cir. 1992), and *Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988) (“The test . . . is objective and is applied to the facts existing when the complaint is filed Its first prong looks to [patent owner’s] conduct; its second to that of [complainant] Respecting [patent owner’s] conduct, it must be such as to indicate [patent owner’s] intent to enforce its patent Respecting [complainant’s] conduct, it must be such as to establish that [complainant] has a true interest to be protected by the declaratory judgment.”)).

35. *Id.* Also, the Federal Circuit has stated that the “existence of a case or controversy is evaluated on a claim-by-claim basis in patent infringement litigation.” *HARMON*, *supra* note 5 at 289 (citing *Jervis B. Webb Co. v. Southern Sys., Inc.*, 742 F.2d 1388 (Fed. Cir. 1984)). Therefore, a claim of infringement as to one claim of a patent does not automatically confer jurisdiction upon the court to decide a counterclaim seeking a finding of invalidity of all claims of the patent. *Id.* However, an accused infringer may challenge the validity of all claims in response to general accusations of infringement, and a court may find all claims invalid when the evidence at trial establishes a generalized basis such as fraud or derivation. *Id.*

In *Stearns*, the court held that where an infringement complaint is amended prior to trial in order to remove several claims from the suit, it is error to hold the entire patent invalid in the absence of a declaratory judgment counterclaim. *Id.* (citing *Stearns v. Beckman Instr., Inc.*, 737 F.2d 1565 (Fed. Cir. 1984)).

Office subsequent to the filing of the suit.³⁶ The court first disposed of the claimant's argument that declaratory judgment jurisdiction must be determined solely on the facts as they existed at the time the complaint was filed.³⁷ Although there is a rule that "the presence or absence of jurisdiction must be determined on the facts existing at the time the complaint . . . was filed,"³⁸ that rule does not conclude the inquiry because Article III of the United States Constitution requires a live controversy at the time a federal court decides a case.³⁹ Indeed, the court stressed that the Supreme Court requires that "[a]n actual controversy . . . be extant at all stages of review, not merely at the time the complaint is filed."⁴⁰ Thus, the district court properly considered post-filing events pursuant to its continuing jurisdiction, and the court found that post-filing events did in fact render the controversy moot.⁴¹

The claimant, Spectronics Corporation (Spectronics), conceded that the covenant effectively estopped the patent owner from asserting the old patent against Spectronics, but claimed that the potential grant of a reissue patent manifestly placed it at risk of further litigation on the same subject as the old patent.⁴² Spectronics referred to a letter from the patent owner reiterating that the patent owner still could sue for infringement of new claims that might emerge from the reissued patent.⁴³ The court found that the prospect of a reissued patent actually issuing and then being asserted against Spectronics was too speculative as a basis for jurisdiction.⁴⁴ In essence, Spectronics was requesting that the court

36. *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 633 (Fed. Cir. 1991). The defendant patent owner filed the covenant entitled, "Statement of Non Liability," with the court. The covenant stated that the claimant Spectronics had no liability for infringement of the claims of the patent-in-issue, nor would the patent owner or any successors-in-interest sue Spectronics. It also stated that the patent owner had filed a reissue application to reissue the patent (to cancel the patent's claims and seek new claims), but did not mention whether Spectronics would be liable for infringement of the reissued patent. *Id.*

37. *Id.* at 634.

38. *Id.* at 635 (quoting *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 734 n.2 (Fed. Cir. 1988)).

39. *Id.* (quoting *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1549 (Fed. Cir. 1987)).

40. *Id.* (quoting *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975)).

41. *Id.* at 636.

42. *Id.* As a general matter, reissue is allowed under 35 U.S.C. § 251 (1994) to allow for the correction of error in an issued patent. "The purpose of reissue, as far as claims are concerned, is to permit limitations to be added to claims that are too broad or to be taken from claims that are too narrow." HARMON, *supra* note 5, § 15.3(a) (citing *In re Weiler*, 790 F.2d 1576 (Fed. Cir. 1986)).

43. *Spectronics v. H.B. Fuller Co.*, 940 F.2d 631, 636 (Fed. Cir. 1991).

44. *Id.*

issue a declaration of the validity of claims that did not yet exist.⁴⁵ Furthermore, the terms of the covenant of non-liability assured that if identical claims did issue, Spectronics could not be held liable.⁴⁶ Thus, while Spectronics might have had some cause to fear a suit for future infringement of substantively non-identical claims after reissue, it had no such case with regard to claims of the original patent.⁴⁷

However, on more compelling facts, several courts have found jurisdiction to decide patent validity where the patent owners have agreed not to pursue claims of infringement against the declaratory judgment claimant.⁴⁸

In *Blackman v. Hadron, Inc.*, the parties reached a settlement requiring that all past infringements be forgiven against two customers of Hadron Incorporated (Hadron), the maker of an alleged infringing product, who had used an apparatus sold by Hadron alleged to infringe the patent in the suit.⁴⁹ A formal confession of non-infringement was filed, releasing Hadron from all past infringements.⁵⁰ The only claim remaining against Hadron was for contributory infringement of a method patent, but since there were no other users of the product, no charge of direct infringement existed.⁵¹ Without direct infringement, no action for contributory infringement can be maintained.⁵²

Despite the lack of a charge of direct infringement, the court held that a real controversy existed.⁵³ First, the court found a problem with the lack of a "determination of non-infringement."⁵⁴ The patent owner only agreed to forgive past infringement and to terminate the action against the direct infringer.⁵⁵

45. *Id.*

46. *Id.* The court determined this result would be required by 35 U.S.C. § 252 (1988) and the case law because under the statute, identical reissue claims "shall constitute a continuation" of the original claims, and surrender of the original claims upon reissuance of identical claims "shall not affect any action then pending nor abate any cause of action then existing." *Id.* at 637.

47. *Id.*

48. See 5 CHISUM, *supra* note 29, at n.105. Chisum states:

The patent owner may withdraw a charge of infringement or disavow any intention of suing or threatening to sue. A number of decisions hold that such action will not necessarily preclude the existence of an actual controversy, especially if the disavowal occurs after the filing of the declaratory judgment action.

Id. § 21.02[1].

49. *Blackman v. Hadron, Inc.*, 450 F.2d 781, 782 (2d Cir. 1971).

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.* at 783.

54. *Id.* at 782.

55. *Id.*

Second, apart from the threat of future litigation, the court found that allowing unresolved charges of infringement would deprive Hadron of a market for its products.⁵⁶ Hadron's past customers would be discouraged and future customers intimidated by the "litigious atmosphere" in which the product was offered for sale.⁵⁷

In *Air-vent, Inc. v. Thorne Industries, Inc.*, the plaintiff brought a declaratory judgment action against the assignee of a patent for a coin-operated tire inflator.⁵⁸ The defendant, Thorne Industries (Thorne), initially counterclaimed for infringement, but then dropped the claim and stipulated to the court's dismissal of the infringement counterclaim with prejudice.⁵⁹ Thorne then moved to dismiss the action entirely, claiming that the court lacked jurisdiction over the declaratory judgment because the dismissal of the counterclaim with prejudice removed any apprehension on the part of Air-vent Incorporated (Air-vent) that it might be sued for infringement.⁶⁰

The court found⁶¹ that a controversy remained despite the dismissal with prejudice.⁶² The court discussed two reasons for the finding. First, the court stated that it had complied with the requirements of *Jervis B. Webb Co. v. Southern Systems, Inc.*⁶³ and *Maryland Casualty Co. v. Pacific Coal & Oil Co.*⁶⁴ Those decisions indicated that the determination of whether a controversy exists is not subject to a precise test.⁶⁵ The court should examine the facts and circumstances to determine whether there is a "substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."⁶⁶ The court did not elaborate on how it had complied with the requirements of *Jervis B. Webb* and *Maryland Casualty*.

56. *Id.*

57. *Id.*

58. *Air-vent, Inc. v. Thorne Indus., Inc.* 625 F. Supp. 1123, 1125 (D. Minn. 1985), *aff'd*, 831 F.2d 306 (Fed. Cir. 1987) (unpublished opinion).

59. *Id.* at 1126.

60. *Id.*

61. The court denied the motion to dismiss for lack of jurisdiction four months before trial, then affirmed its own finding of jurisdiction in the post-trial order. *Id.* at 1127.

62. *Id.*

63. *Jervis B. Webb Co. v. Southern Sys., Inc.*, 742 F.2d 1388, 1398 (Fed. Cir. 1984).

64. *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941).

65. *Air-vent, Inc. v. Thorne Indus., Inc.* 625 F. Supp. 1123, 1125 (D. Minn. 1985), *aff'd*, 831 F.2d 306 (Fed. Cir. 1987) (unpublished opinion).

66. *Id.*

The second ground for the court's finding is the more interesting of the two. The court cited *Sherwood Medical Industries, Inc. v. Deknatel, Inc.*⁶⁷ for the proposition that a court in determining its own jurisdiction in declaratory judgment actions may make "a pragmatic judgment in the light of defendants' entire course of action and all of defendants' relevant conduct, and with the awareness of the business realities that are involved."⁶⁸ The facts, according to the court, were that Thorne had previously threatened Air-vent with a suit for infringement of the patent, and had made good on the threat in the action before the court.⁶⁹ Thorne's threats and the subsequent action occurred around the same time Thorne was marketing its tire inflator and emphasizing the patent covering the inflator.⁷⁰ Thus, Thorne was using the patent as leverage in the tire inflator market.⁷¹ Furthermore, Thorne struck an agreement with Air-vent, embodied in the stipulation, that all claims between the two were to be dropped except for Air-vent's invalidity claim against the patent.⁷² According to the court, the stipulation showed that Air-vent still feared the threat of patent infringement suits in connection with tire inflators that it made but were not at issue in the action or inflators it intended to produce or market.⁷³ Therefore, the court found that Air-vent had a reasonable apprehension that it would face an infringement suit if it produced and marketed tire inflators, and, thus, an actual controversy existed.⁷⁴

Furthermore, the court found the reality of the situation to support the apprehension of Air-vent.⁷⁵ Thorne apparently was attempting to insulate the patent from challenges by dismissing infringement charges, so that the validity of the patent could never be adjudicated and the facially valid patent could be used as a marketing device.⁷⁶ Finally, the court noted that not allowing Thorne to escape litigating the validity of the patent was in the public interest because it would result in the removal of an invalid patent from the public domain and

67. *Sherwood Med. Indus., Inc. v. Deknatel, Inc.*, 512 F.2d 724, 727 (8th Cir. 1975).

68. *Air-vent*, 625 F. Supp. at 1127.

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. *Air-vent*, 625 F. Supp. at 1127-28.

74. *Id.* at 1128.

75. *Id.*

76. *Id.* See HARMON, *supra* note 5, § 8.1(a)(ii). Harmon states that "a patent owner cannot unilaterally remove the validity issue if the accused infringer has challenged the validity of the patent claim in a declaratory judgment counterclaim." However, Harmon goes on to state that an actual controversy must exist at all stages of review, not merely at the time the complaint is filed, citing *Spectronics*, among others.

would promote the inexpensive adjudication of a legal dispute without resort to coercive remedies.⁷⁷

The *Air-vend* court's findings were affirmed in an unpublished 2-1 decision.⁷⁸ The majority noted that, in effect, Thorne was attempting to renege on the agreement it had struck with Air-vend to drop most of the claims against it, save the invalidity claim against the patent.⁷⁹ Though jurisdiction cannot be conferred by agreement of the parties, the agreement did not establish that the controversy between the parties had been resolved.⁸⁰ Judge Archer in dissent would have found that no case or controversy existed after the dismissal with prejudice.⁸¹ He took issue specifically with the finding that Air-vend still feared the threat of suit in connection with other tire inflators it was producing or marketing, or intending to produce or market.⁸² There was no evidence of record that Air-vend produced or marketed other tire inflators, and any plans to redesign or market new inflators in the future were not sufficiently definite to satisfy the requirements set forth in *Jervis B. Webb*, namely that the claimant must have actually produced or prepared to produce such device.⁸³

The Federal Circuit also affirmed jurisdiction where a patent owner stated that it would not pursue a claim for infringement as to one of the patents in issue. In *Environmental Instruments, Inc. v. Sutron Corp.*,⁸⁴ Judge Rich wrote for a three judge panel that the district court did not abuse its discretion in deciding the validity of the patent where, on the eve of trial Environmental Instruments, Incorporated (EII), the patent owner, announced it would not pursue its claim for infringement.⁸⁵ The court relied on a procedural error. EII did not move to dismiss its claim for infringement, and, under FRCP 41(a)(2), a dismissal at that point in the litigation would have required an order of the court.⁸⁶ Therefore, the

77. *Air-vend*, 625 F. Supp. at 1128.

78. *Air-vend, Inc. v. Thorne Indus., Inc.*, 831 F.2d 306 (Fed. Cir. 1987) (unpublished opinion) (for text of unpublished decision see *Air-vend v. Thorne Industries, Inc.*, No. 86-731, 1987 WL 44767 at *1 (Fed. Cir. Sept. 16, 1987)).

79. *Air-vend v. Thorne Indus., Inc.*, No. 86-731, 1987 WL 44767 at *1 (Fed. Cir. Sept. 16, 1987).

80. *Id.*

81. *Id.*

82. *Id.* at *2.

83. *Id.* (citing *Jervis B. Webb Co. v. Southern Sys., Inc.*, 742 F.2d 1388, 1398 (Fed. Cir. 1984)).

84. *Environmental Instruments, Inc. v. Sutron Corp.*, 877 F.2d 1561 (Fed. Cir. 1989).

85. *Id.* at 1566.

86. *Id.* Note that under Rule 41(a)(2), if a counterclaim has been pleaded by a defendant before the plaintiff's motion to dismiss has been served, the action shall not be dismissed against the defendant's objection unless the counterclaim remains pending for independent adjudication by the court. Early courts seemed to rely on this rule in

infringement claim remained in the case, and there remained a continuing actual controversy as to both validity and infringement of the patent.⁸⁷

IV. INSTANT DECISION

In the instant case, the court first noted that according to the declaratory judgment statute,⁸⁸ a declaratory judgment counterclaim may be brought to resolve an "actual controversy" between "interested" parties.⁸⁹ However, there must be a "sufficiently concrete dispute" to continue the action,⁹⁰ so that the "actual controversy must be extant at all stages of review, not merely at the time the complaint is filed."⁹¹ Furthermore, the court found the burden to be on Chase "to establish that jurisdiction over its declaratory judgment action existed at, and ha[d] continued since, the time the [counterclaim] was filed."⁹²

The court noted that Chase had to establish an actual controversy on the "totality of the circumstances," and that in declaratory judgment actions involving patent rights, a two part test is used to determine justiciability.⁹³ The two part test is as follows:

order to find that despite the patent owner's unwillingness to prosecute its infringement case, the alleged infringer could proceed to litigate validity if the alleged infringer had previously counterclaimed for invalidity. See 9 WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE § 2365 n.2 (2d ed. 1994). An exemplary case held that "in the case of a patent, which is a claim of monopoly hanging over a trade, the plaintiff can[not] suddenly, at the last moment, withdraw his claim of infringement and then claim, as the plaintiff's counsel now seeks to do, that the question of validity has become moot." *Knaust Bros., Inc. v. Goldschlag*, 28 F. Supp. 188, 190 (S.D.N.Y. 1939).

However, more recent cases correctly find this reasoning unpersuasive and contrary to the intent of the FRCP. In *Gutierrez*, in the context of a collapsed savings and loan, the court found Rule 41(a)(2) was intended to apply where the plaintiff seeks to dismiss voluntarily. *Gutierrez v. Champion Sav. Ass'n*, 727 F. Supp. 1088, 1089 (S.D. Tex. 1989). In that case, the court noted that a dismissal with prejudice was a complete adjudication of the issues presented and was a complete bar to any further actions between the parties on those issues. *Id.* Thus, it was inconceivable to the court that the rule should require a plaintiff to maintain a cause which he is willing to abandon permanently, regardless of a pending counterclaim. *Id.* at 1090.

87. *Id.*

88. 28 U.S.C. § 2201(a) (1994).

89. 57 F.3d 1054 (Fed. Cir. 1995), *cert. denied*, 116 S. Ct. 815 (1996).

90. *Id.* (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-41 (1937); *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 633-34 (Fed. Cir. 1991)).

91. *Id.* (quoting *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975)).

92. *Id.* (quoting *International Med. Prosthetics Research Assocs. v. Gore Enter. Holdings, Inc.*, 787 F.2d 572, 575 (Fed. Cir. 1986)).

93. *Id.* (citing *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 634 (Fed. Cir. 1991)).

There must be both (1) an explicit threat or other action by the patent owner, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.⁹⁴

The purpose of the test is to determine whether there is a "real and immediate" need for adjudication or whether the need is "prospective and uncertain of occurrence."⁹⁵ The court noted that while there are few generally applicable rules for determining whether there is an actual controversy, there are cases marking the extremes. On one extreme, a party fearing potential infringement liability need not be actually threatened with an infringement suit before she may bring a justiciable declaratory judgment action.⁹⁶ On the opposite extreme, the court cited *Spectronics* for the idea that:

[A] patent owner defending against an action for a declaratory judgment of invalidity can divest the trial court of jurisdiction over the case by filing a covenant not to assert the patent at issue against the putative infringer with respect to any of its past, present or future acts, even when a reissue application covering the same claimed subject matter is then pending.⁹⁷

Having given the justiciability outline, the court then considered Chase's claims of error.

Chase first argued that, because the form of Super Sack's promise not to assert the patents was not in the form of a binding covenant, the promise was incapable of depriving the court of jurisdiction.⁹⁸ Chase claimed that because the promise was merely an argument or offer by Super Sack's counsel, Super Sack might later deny that its counsel had authority to make the promise.⁹⁹

94. *Id.* (quoting *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993)).

95. *Super Sack*, 57 F.3d at 1058 (quoting *BP Chemicals*, 4 F.3d at 978).

96. *Id.* (citing *Goodyear Tire & Rubber v. Releasomers, Inc.*, 824 F.2d 953, 955-56 (Fed. Cir. 1987)).

97. *Id.* (citing *Spectronics*, 940 F.2d at 636-38).

98. *Id.* at 1059.

99. *Id.* This argument seems reminiscent of the court's finding in *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir. 1983). There the court found that an affidavit filed by the patent owner failed to remove any apprehension of infringement suit because it said only that the patent owner "had no intention of . . . suing for infringement." *Id.* at 881. Intentions, the court said, may change over time, so the patent owner must state that it would definitely not bring an infringement suit. *Id.* Furthermore, at oral argument, the patent owner's attorney would not affirmatively state that he would not bring suit, only that on the facts presently known to him he would not sue. *Id.*

The court rejected this argument, finding that Super Sack would be estopped by agency principles to argue that its counsel acted *ultra vires*.¹⁰⁰ The court found that the heart of the matter was the legal effect of Super Sack's promise not to sue.¹⁰¹ Although Chase might have some cause to fear an infringement suit under the same patents for products it develops in the future, it could suffer no liability for products it made, sold, or used before Super Sack filed its motion to dismiss.¹⁰² Because Chase could have no reasonable apprehension of suit, the court found that Chase failed the first part of the justiciability test.¹⁰³ As Super Sack was estopped from suit, there was no controversy "sufficiently actual" to confer jurisdiction over the case.¹⁰⁴

Chase also claimed that the promise failed to eliminate the possibility of suit for products Chase might make, sell, or use in the future.¹⁰⁵ The court relied upon several cases for the proposition that the second part of the test of justiciability required that Chase's "present activity" place it at risk of infringement liability.¹⁰⁶ Chase made no claim that it even had taken meaningful preparatory steps toward an activity that might later be said to infringe.¹⁰⁷ The court thus found that because of Super Sack's promise, any past or present activities of Chase were irrelevant to whether a justiciable controversy existed.¹⁰⁸ Furthermore, the "residual possibility" of a future suit by Super Sack based on Chase's future acts was simply "too speculative a basis for jurisdiction" over the counterclaim seeking the declaration of invalidity of the patents-in-suit.¹⁰⁹ Thus, according to the court, "[t]he only proper course for the trial court was to dismiss the case for lack of jurisdiction, as it did."¹¹⁰

100. *Id.* (citing *Link v. Wabash R.R. Co.*, 370 U.S. 626, 633-34 (1962) (petitioner voluntarily chose his attorney as his representative in the action and is bound under the system of representative litigation by the acts of his lawyer-agent)).

101. *Super Sack*, 57 F.3d at 1059.

102. *Id.*

103. *Id.*

104. *Id.*

105. *Id.*

106. *Id.* (citing *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993); *Spectronics v. H.B. Fuller Co.*, 940 F.2d 631, 634 ("accused infringer must have actually produced or prepared to produce an allegedly infringing product"); *Arrowhead Indus., v. First Data Resources, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988) (accused infringer "[m]ust be engaged in an actual making, selling or using activity subject to an infringement charge or must have made meaningful preparation for such activity"))).

107. *Super Sack*, 57 F.3d at 1059-60.

108. *Id.* at 1060.

109. *Id.*

110. *Id.*

Chase's last argument hung on the decision in *Cardinal Chemical Co. v. Morton International, Inc.*,¹¹¹ which, according to Chase, "clearly upheld the separate viability of an invalidity counterclaim."¹¹² The court found that Chase took words from *Cardinal* out of context.¹¹³ The question before the *Cardinal* court was actually "whether the affirmance by the [Federal Circuit] of a finding that a patent has not been infringed is a sufficient reason," by itself, to vacate a declaratory judgment of invalidity. While *Cardinal* answered the question in the negative, the court found the holding to be a narrow one. The court summarized the decision:

[A] claim for a declaratory judgment of invalidity is independent of the patent owner's charge of infringement in the following—and only the following—way: an affirmed finding of noninfringement does not, without more, justify a reviewing court's refusal to reach the trial court's conclusion on invalidity.¹¹⁴

The court distinguished the posture of the present case from that of *Cardinal*. While *Cardinal* addressed the propriety of appellate jurisdiction over final judgments respecting infringement and validity, the trial court in the present case never made a finding on infringement or on validity.¹¹⁵ Thus, contrary to Chase's arguments, the court found that *Cardinal* did not "revolutionize" the justiciability determination in declaratory judgment actions.¹¹⁶ Because Chase failed to carry its burden of showing justiciability, the case was properly dismissed.¹¹⁷

111. 508 U.S. 83 (1993).

112. *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995), *cert denied*, 116 S. Ct. 815 (1996).

113. *Id.* Chase relied on the statement in *Cardinal* that "[a] party seeking a declaratory judgment of invalidity presents a claim independent of the patent owner's charge of infringement." *Id.* (citing *Cardinal*, 508 U.S. at 96).

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.*

V. COMMENT

The rule established by the *Super Sack* court seems clear and easy to apply. If a patent owner agrees to abandon any infringement claims against the putative infringers, the patent owner may divest the court of jurisdiction. Thus, he may remove his patent from litigation and avoid the risk that the patent will be declared invalid. The cost to the patent owner is that he may never again bring an infringement claim against the putative infringer for products the putative infringer presently makes, sells, or uses or has prepared to make, sell, or use.¹¹⁸ While the result is reasonable under the rules of justiciability, the court neglected to harmonize its holding with prior decisions finding that, in special circumstances, a patent owner may not unilaterally remove his patent from issue.

The court failed to acknowledge the tension between the *Spectronics* holding and many other decisions wherein courts retained jurisdiction and adjudicated the validity of the patent where it had been used improperly to chill the market, thus gaining an improper advantage for the patent owner.¹¹⁹ The court failed to acknowledge the Federal Circuit's own unpublished affirmance of the decision in *Air-vend*, which did not have precedential effect, but nonetheless was in direct conflict with the rule in the instant decision. In failing to acknowledge conflicting precedent, the court missed an opportunity to discuss the policy behind the rule and whether exceptions should exist.

Admittedly, the court's rule makes sense under most circumstances. Most patent owners will not lightly bring infringement actions, and if they decide that further litigation would be fruitless, they should not be forced to continue an action they no longer are willing to prosecute.¹²⁰ Additionally, the court's rule comports with the justiciability rules for declaratory judgments. There must exist a present, actual controversy, something more than "a residual possibility of future infringement."¹²¹

However, one of the policies served by the Declaratory Judgment Act is to allow a test of the validity of patents that might be being used as what Judge Learned Hand termed "scarecrows."¹²² While there can be no "policy"

118. See *supra* text accompanying notes 102-03.

119. See *supra* discussion at Section III.

120. Obviously, the putative infringer in the action may extract a price for her time and money spent, either in the form of costs of litigation or the promise not to sue in the future or both. See *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 37 U.S.P.Q.2d 1394 (D.C. Tex.) (discussing costs allowed in the instant case), *aff'd*, 57 F.3d 1054 (Fed. Cir. 1995), *cert denied*, 116 S. Ct. 815 (1996).

121. *Super Sack*, 57 F.3d at 1060.

122. HARMON, *supra* note 5, at 290 (citing *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943)).

exceptions to constitutional requirements of justiciability, the constitutional framework on justiciability under the Declaratory Judgment Act is broader than the court recognized. Judge Markey of the Federal Circuit recognized the general problem in *Arrowhead*:

This appeal presents a type of the sad and saddening scenario that led to enactment of the Declaratory Judgment Act . . . [A] patent owner engages in a danse macabre, brandishing a Damoclean threat with a sheathed sword Guerrilla-like, the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity Before the Act, competitors victimized by that tactic were rendered helpless and immobile so long as the patent owner refused to grasp the nettle and sue. After the Act, those competitors were no longer restricted to an in terrorem choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises; they could clear the air by suing for a judgment that would settle the conflict of interests. The sole requirement for jurisdiction under the Act is that the conflict be real and immediate, i.e., that there be a true, actual "controversy" required by the Act.¹²³

With Judge Markey's explanation in mind, the seemingly unequivocal rule set down by the instant decision seems to sweep too broadly. While the court characterized the "residual possibility of future infringement suit" as "too speculative a basis for jurisdiction,"¹²⁴ other courts, including a panel of the Federal Circuit, have disagreed.¹²⁵ The oft-repeated rule is that there need not be an express threat of litigation. Suits in which courts retained jurisdiction usually involved bad faith patent owners who used patents as weapons to intimidate legitimate competitors. Those courts found jurisdiction based on the reasonable apprehension of the competitor from the patent owner's entire course of conduct.¹²⁶

The court's statement of facts mentions that Super Sack asserted the same patents against another party, with the trial court finding no infringement, but the patents to be valid.¹²⁷ The decision does not discuss the competitive atmosphere

123. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988).

124. *Super Sack*, 57 F.3d at 1060.

125. See discussion of *Air-vend* and other cases in Section III above.

126. *Air-vend, Inc. v. Thorne Indus., Inc.*, 625 F. Supp. 1123, 1127-28 (D. Minn. 1985), *aff'd*, 831 F.2d 306 (Fed. Cir. 1987) (unpublished opinion); See *supra* discussion at Section III.

127. *Super Sack*, 57 F.3d at 1056. Note that the prior finding that the patent was not invalid does not bar an alleged infringer like Chase from challenging validity if he were not a party in the prior adjudication. HARMON, *supra* note 5, at 771. The *Blonder-*

surrounding the product, nor whether that atmosphere could be relevant. In most of the prior decisions, an issue was whether the existence of the patent, untested by a court in a validity action, was in effect spoiling the market for the alleged infringer. That issue was not raised in the instant decision. While that may not have been an issue for Super Sack *vis-a-vis* Chase, the court's unequivocal rule seems to foreclose a later court from retaining jurisdiction where a patent owner is using what Judge Markey terms "scare-the-customer-and-run tactics." In those cases, it would serve the public interest to thwart a patent owner who repeatedly attempts to escape litigation, because it may result in the removal of an invalid patent from the public domain and save a later court from relitigating the patent's validity.¹²⁸ Otherwise, a flimsy patent may be used to infect the competitive environment with uncertainty and insecurity while escaping judicial review of its validity.

The court also failed to discuss whether Chase's customers were protected under the promise not to sue.¹²⁹ Presumably, the doctrine of *Kessler v. Eldred*¹³⁰ would apply. The *Kessler* doctrine bars an infringement suit against a customer or seller who has previously prevailed against the patent owner because of invalidity or noninfringement.¹³¹ On remand, the district court found that because a dismissal with prejudice is deemed an adjudication on the merits for the purposes of *res judicata*, Chase was the prevailing party for purposes of taxing costs.¹³² Therefore, Chase is likely a prevailing party for purposes of the *Kessler* doctrine as well. Its customers likewise are not liable under the patents, but the court failed to state it explicitly. The court could have alleviated the problem by requiring Super Sack to promise that it would not sue any of Chase's customers. This addition to the promise made by a patent owner might also serve to alleviate one of the concerns of the putative infringer. That concern is that although the putative infringer will not be held liable, the market for its products will be negatively affected by threats of infringement claims against its customers.

Tongue doctrine does, however, allow a prior determination of patent invalidity to be asserted as a defense, unless the patent owner can argue it was denied a full and fair opportunity to litigate in the prior action. *Id.*

128. See *supra* text accompanying notes 76-77.

129. The court stated: "Super Sack is forever estopped by its counsel's statement of nonliability, on its face and as explained during oral argument before this court, from asserting liability against Chase in connection with any products that Chase made, sold, or used on or before July 8, 1994." *Super Sack*, 57 F.3d at 1056.

130. 206 U.S. 285 (1907).

131. HARMON, *supra* note 5, at 773.

132. *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 37 U.S.P.Q.2d 1394 (D.C. Tex.) (discussing costs allowed in the instant case), *aff'd*, 57 F.3d 1054 (Fed. Cir.1995), *cert denied*, 116 S. Ct. 815 (1996).

VI. CONCLUSION

The *Super Sack* decision likely is correct on the facts, but the rule it states may prove a problem for future patent litigation. The rule is effective for the majority of cases where a patent owner suing an alleged infringer does so for good reason. Such patent owner should not be forced to defend the validity of his patent where he is willing permanently to release the accused infringer from liability. However, the court failed to account for the rare cases where a patent owner abuses the rights granted under the patent and uses the patent to intimidate competitors with the threat of litigation. The hard and fast rule that the court adopts, allowing patent owners willing to dismiss with prejudice to deny a court of jurisdiction over declaratory judgment claims, needs to be tempered so that patent owners may not abuse a patent monopoly with unwarranted infringement claims.

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