

December 2007

The Legal Landscape of Subject-Matter Jurisdiction, Individual Patent Claims, and Stipulations or Covenants Not to Sue: Do We Need to Stop and Ask for Directions?

Vicki M. Franks

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ARTICLES

THE LEGAL LANDSCAPE OF SUBJECT-MATTER JURISDICTION, INDIVIDUAL PATENT CLAIMS, AND STIPULATIONS OR COVENANTS NOT TO SUE: DO WE NEED TO STOP AND ASK FOR DIRECTIONS?*

*Vicki M. Franks***

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* I would like to thank G. Retnasab for the editorial assistance and support.

** Ms. Franks is a third year associate in the New York Office of Frommer, Lawrence, and Haug, LLP. Ms. Franks focuses her practice in patent litigation. The views expressed in this Article are solely those of the author and not intended as providing legal advice.

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I. INTRODUCTION

I remember from law school an early lesson on subject-matter jurisdiction: it can be contested at any court level. To emphasize this point, our professor would stand at the front of the class and say: There is no diversity with at least \$75,000 in controversy or a federal question, but they filed the case in federal district court, what do you? The class would shout back: Object! And he would say: Why? The class would shout back: No subject-matter jurisdiction. This back and forth would continue its way up to the U.S. Supreme Court where our class would be sitting in the gallery and, upon hearing that there was no federal question or diversity with at least \$75,000 in controversy, the class would shout out: Objection, no subject-matter jurisdiction! And the Supreme Court, crediting our poignant observation, would then announce: Case dismissed!

It seemed like a simple lesson, and we laughed at the apparent over-the-top methodology our professor used to teach it. Yet, parties routinely contest subject-matter jurisdiction and its subtle nuances with no less vigor than the shouts my class emanated.¹

1. Even as recently as January 2007, the Supreme Court articulated a standard concerning a court's subject-matter jurisdiction in patent cases. *See Medimmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) (finding jurisdiction to challenge patent validity where licensee paid royalty fees in protest). On March 26, 2007, the Federal Circuit similarly addressed the standard for a declaratory judgment action. *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007) (explaining that "where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has

To be sure, in any litigation, many factors affect a party's case strategy. Patent cases are no different. In addition to a solid understanding of the facts, a litigator must also appreciate the scope of the law and how it can affect the case.² The issue of a court's subject-matter jurisdiction is present in any litigation. As we learned in our law school class, in order to entertain a suit, a federal court must have subject-matter jurisdiction throughout the litigation.³

One area in patent litigation where subject-matter jurisdiction plays an active role concerns the interplay between the Declaratory Judgment Act and a covenant, or stipulation, not to sue. For example, a party can file suit seeking a declaratory judgment of noninfringement against a patentee. That same party can also seek a declaratory judgment that the patent lacks validity or enforceability. But in order for the court to entertain the suit, it must have subject-matter jurisdiction. That is to say, the party seeking the declaratory judgment must establish that it faces a reasonable apprehension of suit and presently engages in potentially infringing activity, or has taken concrete steps thereof.⁴

In response to a declaratory judgment action of noninfringement, invalidity, or unenforceability, a patentee can take certain actions to divest a court of jurisdiction. For instance, courts recognize that a patentee defending against a declaratory judgment can divest the court of jurisdiction by filing a covenant not to sue or stipulation of noninfringement.⁵

District courts, however, disagree about the reach of these covenants, or stipulations, not to sue. More particularly, district courts disagree as to whether a patentee who files a narrowly tailored covenant not to sue that concerns only a portion of patent claims divests the court of jurisdiction over those claims.⁶

the right to engage in the accused activity without license, an Article III case or controversy will arise . . .").

2. See, e.g., ROBERT L. HARMON, PREFACE TO THE FIRST EDITION OF PATENTS AND THE FEDERAL CIRCUIT, at xi (8th ed. 2007) ("The bulk of the book is devoted to substantive patent law, with emphasis on how those issues arise in infringement litigation.").

3. U.S. CONST. art. III, § 2; EMC Corp. v. Norand Corp., 89 F.3d 807, 810 (Fed. Cir. 1996); see also FED. R. CIV. P. 12(b)(1).

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

5. See, e.g., Super Sack Mfg. Corp. v. Chase Packaging Corp., 57 F.3d 1054, 1058 (Fed. Cir. 1995).

6. Cf. Syngenta Seeds, Inc. v. Monsanto Co., No. Civ. 02-1331-SLR, 2004 WL 2790498 (D. Del. Nov. 22, 2004) (retaining jurisdiction), and Honeywell Int'l v. Univ. Avionics Sys. Corp., 288 F. Supp. 638 (D. Del. 2003) (retaining jurisdiction), with Biogen, Inc. v. Amgen, Inc., 913 F. Supp. 35 (D. Mass. 1996) (divesting jurisdiction).

Though the law lacks ideal clarity, an analysis of the Declaratory Judgment Act, the Court of Appeals for the Federal Circuit case law, and district court case law provides insight into the matter. One reaches the conclusion that a patentee can file a covenant not to sue for individual claims and thereby divest the court of subject-matter jurisdiction over those particular claims concerning their validity or infringement. But where a party seeks a declaratory judgment of unenforceability against a patentee, a court ought to retain jurisdiction over the claims even when a select portion of them are the subject of a covenant or stipulation not to sue.

II. DECLARATORY JUDGMENT ACT

A wealth of information surrounds the Declaratory Judgment Act.⁷ As a brief overview, in 1919, legislators first proposed the Declaratory Judgment Act to Congress.⁸ During 1927 and 1928, the Supreme Court heard three cases that concerned state declaratory judgment laws.⁹ The Court in each instance held the state laws unconstitutional for lack of a “case or controversy.”¹⁰ In 1933, the U.S. Supreme Court reversed these earlier holdings and upheld a state declaratory judgment law.¹¹

This cleared the way for the Constitutionality of the 1934 Act.¹² In 1934, Congress passed the Declaratory Judgment Act.¹³ The Act reads in part,

7. Donald L. Doernberg & Michael B. Mushlin, *The Trojan Horse: How the Declaratory Judgment Act Created a Cause of Action and Expanded Federal Jurisdiction While the Supreme Court Wasn't Looking*, 36 UCLA L. REV. 529 (1989); Lisa A. Dolak, *Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer*, 38 B.C. L. REV. 903 (1997) (examining and critiquing the Federal Circuit standard of an imminent suit as defeating the purpose of the Declaratory Judgment Act); Russell B. Hill & Jesse D. Mulholland, *Effective Use of the Declaratory Remedy in the Patent Context*, 13 TEX. INTELL. PROP. L.J. 43 (2004); Lawrence M. Sung, *Intellectual Property Protection or Protectionism? Declaratory Judgment Use by Patent Owners Against Prospective Infringers*, 42 AM. U. L. REV. 239 (1992).

8. Doernberg & Mushlin, *supra* note 7, at 561-62.

9. *Id.* at 529, 559-60.

10. *Id.* (citing *Liberty Warehouse Co. v. Grannis*, 273 U.S. 70 (1927); *Liberty Warehouse Co. v. Burley*, 276 U.S. 71 (1928); *Willing v. Chi. Auditorium Ass'n*, 277 U.S. 274 (1928)).

11. *Id.* at 568-69 (citing *Nashville v. Wallace*, 288 U.S. 249 (1933)).

12. *Id.*

13. Doernberg & Muslin, *supra* note 7, at 561.

In a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.¹⁴

In the patent context, the Act allows a party, when appropriate, to challenge a patent's validity or enforceability, and obtain a judgment of noninfringement with or without first being sued for infringement.¹⁵ This serves the Act's purposes of terminating uncertainty, controversy, insecurity, and clarifying legal relations among parties.¹⁶

III. BACKGROUND OF PATENT LITIGATION

Article 1, section 8 of the U.S. Constitution forms the basis for patent rights. It maintains that an inventor is awarded a patent for the disclosure of a patentable invention “[t]o promote the Progress of . . . useful Arts.”¹⁷ The U.S. Patent and Trademark Office will award a patent to an inventor when the invention meets several statutory obligations.¹⁸ Though not required, patentees often submit, and are awarded, patents with numerous claims. The claim language defines the invention.¹⁹

When a party infringes a patent's claims—that is to say the party practices the invention disclosed in the patent and covered by the claim language—a patentee may file suit against that party.²⁰ The patentee may allege infringement of one or more of the patent's claims. Under the Declaratory Judgment Act, the alleged infringer may counterclaim that the patent is invalid, not infringed, or unenforceable.²¹ Also under the

14. 28 U.S.C. § 2201(a) (1988).

15. *See, e.g., Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058-60 (Fed. Cir. 1995).

16. Hill & Mulholland, *supra* note 7, at 46.

17. U.S. CONST. art I, § 8, cl. 8.

18. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989) (explaining that the government will award patents for new, useful, and non-obvious inventions).

19. *Vitronics Corp. v. Conceptor, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996); *see also Innova/Pure Water, Inc. v. Safari Water Filtration Sys.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004) (holding that it is a “bedrock principle” of patent law that “the claims of a patent define the invention”).

20. Additionally, a party may sue for infringement based upon one or several patents.

21. *See Intellectual Prop. Dev. v. TCI Cablevision of CA, Inc.*, 248 F. 3d 1333, 1342 n.9 (Fed. Cir. 2001) (noting no consequence whether declaratory counterclaim concerns noninfringement and invalidity or noninfringement, invalidity, or unenforceability).

Declaratory Judgment Act, a party may bring suit against a patentee even when the patentee has not filed suit, so long as certain pre-conditions, are met.²²

Until recently, parties needed to face a “reasonable apprehension” of suit.²³ However, the Federal Circuit modified this requirement and stated that when, “a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without a license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.”²⁴ Generally speaking, the new standard looks to adverse positioning as opposed to “reasonable apprehension.” This new standard stemmed from license cases where the courts determined the patentee improperly wielded both a shield and a sword.

While the Federal Circuit modified the “reasonable apprehension” standard, in the context of court entered and binding covenants or stipulations not to sue, and those entered after litigation has commenced, the analysis of this Article remains the same.²⁵

IV. STRATEGY IN FASHIONING A LAWSUIT

The issue of subject-matter jurisdiction and individual patent claims has relevance not only as a matter of academic discourse, but also in the practical world of patent litigation.

For example, assume that your client is a patentee and brings suit alleging infringement of two patents. The complaint alleges that all claims in both patents are infringed. During the course of discovery, prior art is disclosed that clearly invalidates some claims in one of the patents. As a patentee you may want to enter into a covenant not to sue concerning those few, selected claims. This will prevent the issue of invalidity from being determined in a summary judgment proceeding. It will also keep any determination of invalidity concerning those claims away from a jury.

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

23. Gen-Probe, Inc. v. Vysis, Inc., 359 F.3d 1376, 1381-82 (Fed. Cir. 2000), *cert. dismissed*, 125 S. Ct. 351 (2004).

24. Sandisk Corp. v. STMicroelectronics, Inc., 480 F.3d 1372, 1381 (Fed. Cir. 2007).

25. *Id.* at 1382-83. Notably, in *Sandisk*, the Federal Circuit rejected the patentee’s non-binding “promise” that it would not sue. This does not equate to a court-entered covenant or stipulation not to sue, or similar binding presentation made to a court equivalent to a court-entered document.

This is important because an issued patent enjoys a presumption of validity.²⁶ But if a jury sees that prior art clearly invalidated some claims of an issued patent, it may hold that presumption less highly, or, consciously or not, suspiciously view the remaining claims as to their validity. Determining your course of action, whether to enter into a covenant not to sue concerning the whole patent, or the patent in part, should be based on the law. The law, however, especially at the district court level, will not provide a clear answer.

Ideally, an attorney will only enter into a covenant not to sue for those claims invalidated by prior art. That way, the attorney can still assert the remaining claims, and perhaps more importantly for their client, include any later-found infringement of those claims in a damages analysis. If an attorney must enter a covenant not to sue concerning the patent in its entirety—or risk informing the jury that prior art invalidates some of its claims by not entering any covenant—the attorney may lose grounds on which to base patent infringement damages.

V. COURT PRECEDENT INVOLVING DECLARATORY JUDGMENT ACTIONS, COVENANTS NOT TO SUE, AND ALL PATENTS IN SUIT

As previously stated, a party may bring a declaratory judgment action against a patentee for noninfringement, invalidity, or unenforceability of that patent. In determining subject-matter jurisdiction, the Federal Circuit established a two-part test.²⁷ Specifically, “there must be both (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory [judgment] 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.”²⁸ Generally speaking, an “adverse party” analysis replaced the prior “reasonable apprehension” prong, where the latter allowed more

26. 35 U.S.C. § 282; *see also* SRAM Corp. v. AD-II Eng’g, Inc., 465 F.3d 1351, 1357 (Fed. Cir. 2006).

27. *BP Chems. Ltd.*, 4 F.3d at 978.

28. *Id.* In *MedImmune*, the Supreme Court called into question, though did not address, the legitimacy of the Federal Circuit’s reasonable-apprehension test. *MedImmune*, 127 S. Ct. at 774 n.11. The Federal Circuit addressed this test in its *Sandisk* opinion. There, drawing from a fact-specific case during potential licensing negotiations, it articulated a broader standard than the reasonable-apprehension test. The *Sundisk* court also dismissed a simple oral and nonbinding promise not to sue—not submitted to the federal court or stipulated to under oath in court proceedings—as voiding the federal court’s of subject-matter jurisdiction. *Sandisk*, 480 F.3d at 1382-83. But the Federal Circuit left untouched for another day the second part.

assertive action by a patentee or licensee. Where a party seeks a declaratory judgment, but does not satisfy the two part test, a court must not entertain the action and render a “forbidden advisory opinion.”²⁹

Federal Circuit precedent clearly establishes that no reasonable apprehension exists where a patentee enters a covenant not to sue or otherwise stipulates to noninfringement concerning a patent in its entirety, that is, a covenant covering all of the patent’s claims. This precedent should remain intact even with the new “adverse party” standard discussed in *Sandisk*.³⁰ That is, once a patentee files with the court or makes representations to the court that it does not intend to sue, the opposing party lacks any reason to believe that it will find itself in an adversarial position concerning the matter subject of the covenant or stipulation not to sue.

For example, in *Spectronics Corp. v. H.B. Fuller Co., Inc.*, the Federal Circuit addressed the issue of subject-matter jurisdiction where a party entered a covenant not to sue.³¹ Spectronics sued H.B. Fuller seeking a declaratory judgment of noninfringement and invalidity regarding Fuller’s U.S. Patent No. 4,758,366 (‘366 patent).³² Fuller filed a covenant not to sue concerning the ‘366 patent.³³ Then, Fuller moved to dismiss the action for lack of subject-matter jurisdiction.³⁴ The district court granted the motion and dismissed the suit.³⁵ The Federal Circuit affirmed.³⁶ In doing so, the court stated that, “[Spectronics] has no cause for concern that it can be held liable for practicing the invention claimed in the ‘366 patent. As to that invention, Fuller is estopped by its statement of non liability. . . .”³⁷

29. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988).

30. *Sandisk*, 480 F.3d at 1380-81.

31. *Spectronics Corp. v. H.B. Fuller Co., Inc.*, 940 F.2d 631 (Fed. Cir. 1991), *abrogated by* *Cardinal Chems. Co. v. Morton Int’l*, 508 U.S. 83 (1993).

32. *Id.* at 632-33.

33. *Id.* at 633. The “Statement of Non Liability” provided:

Defendant, H.B. Fuller Co., Inc. has filed a reissue application to reissue U.S. Patent No. 4,758,366 cancelling claims 1-18 and seeking new claims. Spectronics has no liability to Defendants or any successors-in-interest to U.S. Patent No. 4,758,366 for infringement of claims 1-18 of U.S. Patent No. 4,758,366 and Defendants and any successors-in-interest to U.S. Patent. No. 4,758,366 will not sue Spectronics for infringement of claims 1-18 of U.S. Patent No. 4,758,366.

Id.

34. *Id.*

35. *Id.*

36. *Spectronics*, 940 F.2d at 638.

37. *Id.* at 637-38.

Thus, once Fuller entered a covenant not to sue concerning the '366 patent, the court lacked subject-matter jurisdiction because Spectronics no longer faced a reasonable apprehension of suit.

The Federal Circuit made a similar holding in *Super Sack Manufacturing v. Chase Packaging Corp.*³⁸ Super Sack sued Chase Packaging (Chase) alleging infringement of U.S. Patent Nos. 4,143,796 and 4,194,652 ('796 patent and '652 patent, respectively).³⁹ Chase counterclaimed for a declaratory judgment of noninfringement, invalidity, and unenforceability.⁴⁰ After discovery, Super Sack filed a motion to dismiss for lack of subject-matter jurisdiction.⁴¹ Super Sack "unconditionally promised not to sue Chase for infringement as to any claims of the patents in suit with respect to any products currently manufactured or sold by Chase."⁴²

The court held that Super Sack's promise not to sue, stated in its motion papers and reported in the trial court's order—while not formally memorialized in a covenant not to sue—sufficed to divest the district court of subject-matter jurisdiction.⁴³ It reasoned that "Super Sack is forever estopped by its counsel's statement of nonliability This estoppel, in turn, removes from the field any controversy sufficiently actual to confer jurisdiction over this case."⁴⁴ Like Spectronics, once Super Sack stipulated that it would not sue for infringement concerning the '796 and '652 patents, the circuit court lacked subject-matter jurisdiction because Chase no longer faced a reasonable apprehension of suit.

Both *Amana Refrigeration, Inc. v. Quadlux, Inc.* and *Intellectual Property Development v. TCI Cablevision of CA, Inc.* establish additional Federal Circuit precedent concerning subject-matter jurisdiction and covenants not to sue in patent cases.⁴⁵ These cases further demonstrate the

38. See *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995).

39. *Id.* at 1055.

40. *Id.*

41. *Id.* at 1056.

42. *Id.* at 1057.

43. *Super Sack*, 57 F.3d at 1057, 1059-60.

44. *Id.* at 1059.

45. *Amana Ref., Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999) (holding no subject-matter jurisdiction exists where covenant not to sue stated Quadlux would not "assert any claim of patent infringement against Amana under [the '005 patent] as it presently reads, with respect to any product currently advertised, manufactured, marketed or sold by Amana, or any product which was advertised, manufactured, marketed or sold by Amana prior to the date of this declaration"); *Intellectual Prop. Dev. v. TCI Cablevision of CA, Inc.*, 248 F.3d 1333, 1338-41 (Fed. Cir. 2001) (finding statement of non-liability that read "[TCI-California] has no liability to CPL or IPD or any successors-in-interest to the '202 patent for infringement of the '202 patent and CPL and IPD and any successors-in-interest to the '202 patent will not sue [TCI-California] for

legal standard that when a patentee enters a covenant not to sue or statement of non-liability concerning all patents at issue, a court is divested of subject-matter jurisdiction.⁴⁶ Notably, these cases share the characteristic that the proffered covenants not to sue or statements of non-liability concerned patents in their entirety, that is, with all of their claims.

VI. COURT PRECEDENT INVOLVING DECLARATORY JUDGMENT ACTIONS, COVENANTS NOT TO SUE, AND SOME OF THE PATENTS IN SUIT

The Federal Circuit also faced the situation where only one of many patents originally asserted in a suit becomes the subject of a covenant not to sue or statement of non-liability. In this situation, the court established clear precedent that the covenant or stipulation divests the court of subject-matter jurisdiction only over that particular patent. Therefore, a court would act improperly if it continued to examine a declaratory judgment in light of a covenant not to sue concerning that patent, even where the court would have proper jurisdiction over other patents still in the litigation and not subject to the covenant.

For example, in *Augustine Medical, Inc. v. Gaymar Industries, Inc.*, the Federal Circuit affirmed the district court's holding that it lacked subject-matter jurisdiction over one of five originally asserted patents subsequent to a noninfringement stipulation.⁴⁷ Augustine sued several parties (collectively Gaymar) for infringement of five U.S. patents.⁴⁸ With respect to one of the five asserted patents, Augustine dismissed with prejudice all asserted infringement claims and stipulated that none of Gaymar's products infringed that particular patent.⁴⁹ The Federal Circuit explained that it "agrees with the district court that this stipulation and dismissal of claims with prejudice eliminated any potential case or controversy and thereby mooted Gaymar's claim of invalidity."⁵⁰

infringement of the '202 patent" divested the federal court of subject-matter jurisdiction over counterclaim declaratory judgment action).

46. *Amana*, 172 F.3d at 855-56; *Intellectual Prop. Dev.*, 248 F.3d at 1340-42. See also *Matsushita Battery Indus. Co. v. Energy Conversion Devices, Inc.*, No. 96-101, 1997 WL 811563, at *4-5 (D. Del. Dec. 23, 1997); *SVG Lithography Sys., Inc. v. Ultratech Stepper, Inc.*, 334 F. Supp. 2d 21, 25-26 (D. Mass 2004); *Nestor v. HNC Software, Inc.*, No. Civ.A. 98-569L, 2001 WL 34134292, at *2 (D.R.I. Jan. 16, 2001).

47. *Augustine Med., Inc. v. Gaymar Indus., Inc.*, 181 F.3d 1291, 1304 (Fed. Cir. 1999).

48. *Id.* at 1294.

49. *Id.* at 1304.

50. *Id.*

Following the Federal Circuit's lead, as they must, several district courts properly held that they lack subject-matter jurisdiction over a patent when it, alone among many, becomes the subject of a covenant not to sue or statement of non-liability. For example, in *Lockformer Co. v. PPG Industries, Inc.*, the district court decided that subject-matter jurisdiction existed for only one of three PPG patents originally at issue.⁵¹ Lockformer filed a declaratory judgment action against PPG seeking a ruling that none of its products or processes infringed PPG's patents, and that the patents were invalid.⁵² Sometime after the filing of the suit, PPG conceded in filed briefs and open court statements that Lockformer did not infringe two of the three patents subject to the declaratory judgment action, namely U.S. Patent Nos. 5,665,282 and 5,675,944 ('282 patent and '994 patent, respectively).⁵³ The district court held that PPG's representations "eliminated any threat of future infringement suit, depriving this Court of subject-matter jurisdiction" with respect to the validity or infringement of the '282 and '944 patents.⁵⁴ The district court, however, retained jurisdiction over the third patent which was not encompassed within PPG's representations of noninfringement.⁵⁵

Likewise, in *Level 1 Tech. v. C.R. Bard*, the district court held that a covenant not to sue concerning one of two asserted patents divested it of subject-matter jurisdiction regarding that one patent.⁵⁶ Level 1 filed suit seeking a declaratory judgment that it did not infringe C.R. Bard's U.S. Patents Nos. 4,623,333 and 4,705,505 ('333 patent and '505 patent, respectively) and that prior art invalidated them.⁵⁷ Subsequently, C.R. Bard submitted a covenant that Level 1 faced no liability for infringement of the '333 patent, and that it would not sue Level 1 for making, using, or selling of any existing product based on the '333 patent.⁵⁸ The district court held that the covenant divested it of subject-matter jurisdiction over the '333 patent, but not the '505 patent.⁵⁹

Thus, case law demonstrates that where multiple patents are the subject of a declaratory judgment action, a covenant not to sue or statement of

51. *Lockformer Co. v. PPG Indus., Inc.*, No. 99 C. 6799, 2001 WL 940555, at *2 (N.D. Ill. Aug. 15, 2001).

52. *Id.* at *1.

53. *Id.*

54. *Id.* at *2.

55. *Id.* at *1, *3.

56. *Level 1 Tech. v. C.R. Bard*, 839 F. Supp. 90 (D. Mass. 1994).

57. *Id.* at 91.

58. *Id.*

59. *Id.* at 91-92.

non-liability concerning some of those patents in their entirety will divest a court of subject-matter jurisdiction over those particular patents.⁶⁰

VII. COURT PRECEDENT INVOLVING DECLARATORY JUDGMENT ACTIONS, COVENANTS NOT TO SUE, AND INDIVIDUAL CLAIMS OF A PATENT IN SUIT

The legal landscape loses its clarity, however, when individual claims of a patent at issue in a declaratory judgment action are the subject of a covenant not to sue or statement of non-liability. District courts charter divergent and unpredictable paths on the issue of whether a court retains jurisdiction over those patent claims, thereby defeating the Declaratory Judgment Act's purpose of predictability and certainty.

Further, the Federal Circuit apparently contributed to these divergent paths. In fact, two Federal Circuit cases can be identified as having contributed to at least some of the district courts' confusion. These cases are *Grain Processing Corp. v. American Maize-Products Co.* and *Shelcore, Inc. v. Durham Industries, Inc.*⁶¹

In both of these cases, the Federal Circuit addressed the issue of asserted individual patent claims. In *Grain Processing*, Grain Processing sued American Maize alleging infringement of U.S. Patent No. 3,849,194 ('194 patent).⁶² It asserted that American Maize infringed fourteen claims: ten process claims and four product claims.⁶³ In response, American Maize contended that the claims were invalid.⁶⁴

After filing the suit, Grain Processing withdrew its allegations that American Maize infringed the ten process claims and "steadfastly refused to assert infringement" of those claims.⁶⁵ The district court subsequently

60. See generally *Vesture Corp. v. Thermal Solutions, Inc.*, 284 F. Supp. 290 (M.D.N.C. 2003) (granting motion to dismiss one of three patents in suit for lack of subject-matter jurisdiction where that one patent was subject to a statement of non-liability); *Hewlett-Packard Co. v. Genrad, Inc.*, 882 F. Supp. 1141 (D. Mass. 1995) (dismissing invalidity and noninfringement counterclaim because no subject-matter jurisdiction over one of two patents in suit where patentee provided repeated assurances of non-liability for that one patent); *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, 371 F. Supp. 2d 965 (N.D. Ill. 2005) (dismissing counterclaims concerning a third patent and pending application because no subject-matter jurisdiction).

61. *Grain Processing Corp. v. Am. Maize-Prods. Co.*, 840 F.2d 902 (Fed. Cir. 1988); *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621 (Fed. Cir. 1984).

62. *Grain Processing*, 840 F.2d at 904.

63. *Id.*

64. *Id.*

65. *Id.* at 904-06.

held that it lacked subject-matter jurisdiction over those ten process claims, and the Federal Circuit agreed.⁶⁶

In doing so, the Federal Circuit explained that American Maize faced no “reasonable apprehension” that it would be sued for infringement concerning those ten process claims.⁶⁷ Therefore, the district court had no authority to entertain American Maize’s invalidity contentions concerning those claims.

In seeming contrast, *Shelcore* shows the Federal Circuit’s concern with a patentee putting claims at issue and then trying to withdraw some of those claims from the suit. In *Shelcore, Inc. v. Durham Industries*, Shelcore sued Durham alleging infringement of, among other things, U.S. Patent No. 4,208,831 (‘831 patent).⁶⁸ Shelcore alleged infringement of the ‘831 patent’s claims 1-13.⁶⁹ Durham counterclaimed for a declaratory judgment of invalidity, unenforceability, and noninfringement.⁷⁰ During trial, Shelcore voluntarily withdrew, with prejudice, its infringement allegation concerning claim 13 of the ‘831 patent.⁷¹ The district court subsequently held that the prior art invalidated claims 1-12 of the ‘831 patent.⁷²

When *Shelcore* reached appeal, the Federal Circuit reprimanded the district court because the court did not consider the validity of claim 13. The Federal Circuit explained that Shelcore could not “unilaterally remove the validity issue because Durham’s counterclaim put validity of all the claims in issue.”⁷³ Nonetheless, it did not vacate or remand the case because the record did not support the invalidity of claim 13, and therefore it reasoned the district court’s ruling could stand.⁷⁴

Because of these two apparently divergent cases, district courts take divergent paths concerning individual claims in a patent, covenants, or stipulations, not to sue, and subject-matter jurisdiction.

But particularly noteworthy, in an analogous context, the Federal Circuit discussed subject-matter jurisdiction concerning an individual licensed patent claim. More specifically, in *Metabolite Laboratories, Inc. v. Laboratory Corp. of American Holdings*, the Federal Circuit discussed

66. *Id.* at 906.

67. *Grain Processing*, 840 F.2d at 906.

68. *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 623 (Fed. Cir. 1984).

69. *Id.*

70. *Id.*

71. *Id.* at 624.

72. *Id.* at 623-24.

73. *Shelcore*, 745 F.2d at 624.

74. *Id.*

jurisdiction where one of several asserted patent claims was the subject of a license.⁷⁵

In this instance, the patentee, Metabolite Laboratories (Metabolite), alleged that Laboratory Corporation of America (Laboratory) infringed its U.S. Patent No. 4,940,658 ('658 patent).⁷⁶ The jury found that Laboratory infringed the '658 patent's claims.⁷⁷ It also found the patent valid.⁷⁸ On a motion for a judgment as a matter of law, the district court upheld, among other things, the validity of claims 13 and 18.⁷⁹ On appeal, Laboratory challenged the findings of infringement and validity.⁸⁰ While the Federal Circuit affirmed the district court's holding regarding claim 13's validity, it vacated the ruling regarding claim 18's validity because the district court lacked subject-matter jurisdiction over that claim.⁸¹

Particularly relevant to the case was the fact that unlike claim 13, the parties had a license relevant to claim 18.⁸² The Court likened the license to a covenant not to sue.⁸³ It held that like a covenant not to sue, a license strips a party of any reasonable apprehension of suit.⁸⁴ Following its

75. See generally *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354 (Fed. Cir. 2004).

76. *Id.* at 1359.

77. *Id.* at 1364-65.

78. *Id.* at 1359.

79. *Id.*

80. *Metabolite*, 370 F.3d at 1359.

81. *Id.* at 1369.

82. *Id.* Notably, both parties agreed that they had a binding license concerning claim 18. *Id.*

83. *Id.* at 1369.

84. *Id.* Notably, the Supreme Court recently, in *Medimmune, Inc. v. Genentech, Inc.*, held that a party may still sue under the Declaratory Judgment Act challenging a patent's validity even where a patent, or its claims, are subject of a license and royalty fees. 127 S. Ct. 764 (2007). *Medimmune* paid royalties under protest. *Id.* at 768. The Supreme Court held that subject-matter jurisdiction existed and *Medimmune* could sue under the Declaratory Judgment Act. It stated that, "promising to pay royalties on patents that have not been held invalid does not amount to a promise" not to challenge the patent. *Id.* at 776. While this decision could alter how the Federal Circuit must look at licenses, it does not change their underlying analysis in *Metabolite* concerning the specific issue of individual patent claims, namely separating claims and examining whether each individual claim satisfied the requirements for subject-matter jurisdiction. But it does refute the Federal Circuit's analogy that licenses and covenants not to sue similarly divest a court of subject-matter jurisdiction. The Supreme Court, in *Medimmune*, clarified that a license does not equal a promise not to challenge the patent. *Id.* Paying a license fee in protest puts a party at an adversarial position—they are forfeiting money on a contract they believe concerns an invalid patent. With a covenant not to sue, or stipulation of non-infringement, the parties arguably lack that adversarial element because the non-patent holder may practice the invention without any payment of money (in the form of royalties) or face a threat of suit. However, a question may arise whether a party may want to invalidate that patent in any event so that the market may be flooded with more competitors who, on their own, may represent smaller companies not in a position to challenge or comfortably

precedent in *Amana* and *Super Sack*, the Court held that it lacked jurisdiction over claim 18, but retained jurisdiction over claim 13.⁸⁵ Thus, in analyzing subject-matter jurisdiction over an individual patent claim subject to a license, the Court drew no distinction, nor limited its prior holdings such as *Super Sack*, because those cases concerned a covenant not to sue on an entire patent in suit, as opposed to individual claims.

A. District Courts' Divergent Paths

Yet, despite this seemingly clear analysis and holding concerning individual patent claims, district courts proffer differing views on whether a court retains jurisdiction when individual claims of an asserted patent are subject of a covenant or stipulation not to sue. While some courts recognize covenants not to sue directed at individual patent claims as a loss of subject-matter jurisdiction over those particular claims, others do not.

B. District Courts That Retain Jurisdiction

An example of a district court that refused to relinquish subject-matter jurisdiction over individual claims is the Delaware court in *Syngenta Seeds, Inc. v. Monsanto Co.*⁸⁶ In this case, Syngenta sued Monsanto alleging infringement of a portion of claims in U.S. Patent 6,403,865 ('865 patent).⁸⁷ Monsanto counterclaimed alleging invalidity of both asserted and unasserted patent claims.⁸⁸ Syngenta filed for a voluntary dismissal of

question a patent's validity, but rather assume it is so until a larger company clearly invalidates it. Then, in *Sandisk*, the Federal Circuit addressed the Supreme Court's air of disapproval in footnote 11 of *MedImmune*, concerning the reasonable apprehension test. *See supra* text accompanying note 30. The Federal Circuit adopted a broader analysis that implicates more an adverse party-type analysis. The Federal Circuit did not address the second part of the subject-matter jurisdiction test. *Id.* But notably, neither footnote 11, nor the *Sandisk* case render moot the underlying principles of this Article, namely that any test for jurisdiction should exist on a claim-by-claim analysis with unique permutations when considering noninfringement, invalidity, and unenforceability contentions and possible ways parties may "contract around" any test the Federal Circuit may devise to avoid the appearance of adversarial parties with real interests at stake and thereby escape declaratory judgment jurisdiction.

85. *Metabolite*, 370 F.3d at 1358, 1360-69.

86. *Syngenta Seeds, Inc. v. Monsanto Co.*, No. Civ. 02-1331-SLR, 2004 WL 2790498 (D. Del. Nov. 22, 2004).

87. *Id.* at *1 n.1.

88. *Id.*

Monsanto's counterclaims concerning the validity of the unasserted claims.⁸⁹ The district court denied Syngenta's motion.⁹⁰

In denying Syngenta's motion, the district court relied upon *Shelcore, Inc. v. Durham Industries* while distinguishing *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*⁹¹ The district court distinguished *Super Sack* by stating that,

Although the Federal Circuit, [in *Super Sack*], concluded that a promise by a patentee not to assert patents against an infringer did divest the trial court of jurisdiction over the declaratory judgment because there was no longer a controversy, in that case the patentee withdrew the *entire patent* from the controversy, not just *discrete claims*. The court finds the distinction substantial.⁹²

Thus, the district court found the distinction between an entire patent versus individual claims, to be a substantial, perhaps even determinative, distinction concerning the retention of subject-matter jurisdiction.

The *Syngenta* court is not alone in its thinking. In *Honeywell International v. Universal Avionics Systems Corp.*, Honeywell sued Avionics alleging infringement of two display patents, U.S. Patent Nos. 6,138,060 and 6,092,009 ('060 patent and '009 patent, respectively).⁹³ Honeywell alleged infringement of all claims in the two patents.⁹⁴ Avionics counterclaimed seeking a declaratory judgment of noninfringement and invalidity.⁹⁵ During its response to Avionics' summary judgment motions, Honeywell withdrew, and stipulated in writing, that it had no present or future intention to pursue infringement of certain previously asserted claims.⁹⁶ After this act, only claims 27-33 of the '009 patent and claims 4 and 5 of the '060 remained asserted against Avionics.⁹⁷

Yet despite Honeywell's stipulation not to sue over certain claims, the district court maintained that it had subject-matter jurisdiction to determine the validity of all the patents' claims, relying heavily on *Bioacore v.*

89. *Id.*

90. *Id.*

91. *Syngenta*, 2004 WL 2790498, at *1 n.1.

92. *Id.* (emphasis added).

93. *Honeywell Int'l, Inc. v. Univ. Avionics Sys. Corp.*, 288 F. Supp. 2d 638, 641-42 (D. Del. 2003) (magistrate decision).

94. *Id.* at 644 (Avionics collectively referring to Sandel and Universal).

95. *Id.*

96. *Id.*

97. *Id.* at 644 n.15.

*Thermo Bioanalysis Corp.*⁹⁸ In doing so, the district court observed that Honeywell continued to pursue infringement of claims 27-33 and 4 and 5 in the two patents.⁹⁹ The district court stated that reasonable apprehension existed because, in part, these remaining claims depended upon the withdrawn independent claims.¹⁰⁰

Notably, the district court distinguished *Grain Processing* as a case where the “plaintiff had completely abandoned its infringement charge” and no dependent claims from them remained in suit while Honeywell continued to assert infringement of certain dependant claims.¹⁰¹ Accordingly, the district court analyzed the validity of all the claims Honeywell originally asserted in its suit.¹⁰²

Not all courts follow the reasoning of these cases. Other district courts found that a court does not possess subject-matter jurisdiction over individual claims subject to a covenant or stipulation not to sue.

C. District Courts That Divest Jurisdiction

For example, in *Biogen, Inc. v. Amgen, Inc.*, the district court found that it lacked subject-matter jurisdiction over certain originally asserted and non-asserted claims when Biogen limited its infringement allegations to two patent claims and stipulated it would not sue on any of the remaining claims.¹⁰³ The district court held that this representation mooted any reasonable apprehension Amgen could face over the withdrawn patent claims.¹⁰⁴ The district court held that given Biogen’s representation that it would relinquish the right to sue Amgen, except on the two particular patent claims, Amgen’s counterclaim for invalidity and unenforceability of any other claims in the asserted patents would be dismissed.¹⁰⁵ Relying in part upon *Grain Processing* and *Super Sack*, the district court refused to determine the validity of other claims because it determined that it lacked subject-matter jurisdiction.¹⁰⁶

98. *Honeywell*, 288 F. Supp. 2d at 644-45; *Biacore v. Thermo Bioanalysis Corp.*, 79 F. Supp. 2d 422 (D. Del. 1999).

99. *Honeywell*, 288 F. Supp. 2d at 645.

100. *Id.*

101. *Id.*

102. *Id.* at 645-61.

103. *Biogen, Inc. v. Amgen, Inc.*, 913 F. Supp. 35, 39-40 (D. Mass. 1996).

104. *Id.* at 40. See also *WM Wrigley Jr. Co. v. Cadbury Adams USA LLC*, No. 04 C 0346, 2004 WL 2616300, at *1 (N.D. Ill. 2004) (“Honeywell asserted the whole patent and withdrew certain claims late in the litigation”).

105. *Biogen*, 913 F. Supp. at 40.

106. *Id.*

In *Lifetime Products, Inc. v. Correll, Inc.*, the district court also found that it lacked subject-matter jurisdiction over certain individual claims in light of a covenant not to sue.¹⁰⁷ Lifetime sued Correll alleging infringement of several patents.¹⁰⁸ In particular, Lifetime alleged infringement of claims 19, 34, 37, and 39-43 of U.S. Patent No. 6,530,331 ('331 patent).¹⁰⁹ Correll sought a declaratory judgment concerning, among other things, invalidity of claims 39-43 of the '331 patent.¹¹⁰ After Correll moved for summary judgment for invalidity of these claims, Lifetime executed a covenant not to sue on those specific claims and sought a dismissal of the invalidity allegations.¹¹¹ The district court granted the dismissal stating that the "covenant not to sue eliminates the court's subject-matter jurisdiction over claims 39-43."¹¹² But, it retained jurisdiction over claims 19, 34, and 37. The court relied upon *Super Sack*, drawing no distinction from the fact that the covenant in *Super Sack* concerned a patent in its entirety, and not individual claims within a patent.¹¹³

D. Analysis of Subject-Matter Jurisdiction and Individual Claims

As stated previously, when a party files a declaratory judgment action, subject-matter jurisdiction is based upon the presence of a case or controversy.¹¹⁴ In patent litigation, the two-part test for establishing a case or controversy entails: (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory judgment 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.¹¹⁵

When a patentee sues another party for infringement, the patentee may allege infringement of one or more of a patent's claims.¹¹⁶ The defendant,

107. *Lifetime Prods., Inc. v. Correll, Inc.*, 323 F. Supp. 2d 1129, 1151 (D. Utah 2004).

108. *Id.* at 1132.

109. *Id.* at 1144, 1148, & 1151.

110. *Id.* at 1151 (Correll collectively referring to defendants FDL, Inc. and Correll, Inc.).

111. *Id.*

112. *Lifetime Prods.*, 323 F. Supp. 2d at 1151.

113. *See id.*

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

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

116. *WM Wrigley Jr. Co. v. Cadbury Adams USA LLC*, No. 04 C 0346, 2004 WL 2616300, at *1 (N.D. Ill. Nov. 17, 2004) ("As the patentee, Wrigley has the right to determine what claims to litigate"). In addition to determining what to litigate, they also enjoy the right to choose when to litigate. *See Bioxy, Inc. v. Birko Corp.*, 935 F. Supp. 737, 743 (E.D.N.C. 1996) ("[P]atentees enjoy a right to determine when they wish to sue for infringement") (citation omitted).

in turn, may counterclaim and allege noninfringement, invalidity, and unenforceability of the originally asserted and unasserted claims under the Declaratory Judgment Act.¹¹⁷ But only when a defendant meets the case and controversy requirement—i.e. the two-part test—may a court entertain the declaratory judgment motion over the patent claims.¹¹⁸

Neither *Super Sack*, *Shelcore*, nor *Grain Processing* stand for the proposition that a promise or stipulation by a patentee not to sue divests a court's jurisdiction only when the patentee withdraws all of the patent's claims from the controversy. Such a limitation thwarts the basic and fundamental principles of subject-matter jurisdiction in patent law and the Declaratory Judgment Act.

Instead, the proper question a court must ask is: (1) does the party seeking a declaratory judgment face a reasonable apprehension of suit concerning each patent claim, and (2) is that party infringing, or has it taken concrete steps towards infringing, each patent claim? When a covenant not to sue or stipulation of noninfringement concerns one patent claim among many, the answer to the first question is no for that particular claim, and a court must reconcile that with any asserted noninfringement, invalidity, or unenforceability contentions under the Declaratory Judgment Act.

Some basic principles of patent law as established by the Federal Circuit support evaluating each patent claim that is the subject of a covenant or stipulation not to sue, with unique considerations based on whether the declaratory judgment concerns invalidity, noninfringement, or unenforceability.

First, the Federal Circuit held that a declaratory judgment case or controversy exists on a patent claim-by-patent claim basis.¹¹⁹ This is because each patent claim represents its own invention. Second, the Federal Circuit reasons that because each patent claim represents an individual invention, it requires its own validity analysis.¹²⁰ Third, even

117. *Jervis*, 742 F.2d at 1399 n.8 (dismissing declaratory judgment claims for invalidity concerning unasserted patent claims where declaratory judgment movant did not meet second factor in the two-prong test with respect to those unasserted patent claims).

118. *Id.* (citing *Plastic Container Corp. v. Cont'l Plastics of Okla., Inc.*, 607 F.2d 885, 891 n.7, *cert. denied*, 444 U.S. 1018 (1980) and *Flakice Corp. v. Liquid Freeze Corp.*, 131 F. Supp. 599 (N.D. Cal. 1955)).

119. *Id.* at 1399 (dismissing declaratory judgment claims for invalidity concerning unasserted patent claims where declaratory judgment movant did not meet second factor in the two-part test with respect to those unasserted patent claims).

120. *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 625 (Fed. Cir. 1984) (“[A] party challenging the validity of a claim, absent a pretrial agreement or stipulation [that invalidity of one amounts to invalidity of all], must submit evidence supporting a conclusion of invalidity of *each*

though a party may infringe an independent claim, it may not necessarily infringe a dependent claim because that party may not infringe the dependant's claims added limitations.¹²¹ Conversely, when a court finds noninfringement of an independent claim, noninfringement of a dependent claim generally follows.¹²² Fourth, with respect to unenforceability, there is a unique unity to all patent claims because one claim tainted with inequitable conduct during its prosecution renders the entire patent unenforceable.¹²³

But while these tenets support individual claim evaluation, the reconciliation between noninfringement, invalidity, and unenforceability contentions under the Declaratory Judgment Act differ slightly.

1. Where *Syngenta* Went Wrong: Invalidity Contentions Require Individual Patent Claim Examinations

While the district court in *Syngenta v. Monsanto* might have reached the proper conclusion, its flawed reasoning introduces confusion into the legal area of subject-matter jurisdiction and individual patent claims. More specifically, the district court's distinction of *Super Sack* in its refusal to dismiss Monsanto's declaratory judgment counterclaims relating to the validity of unasserted patent claims, introduced this flawed reasoning.¹²⁴ The district court distinguished *Super Sack* on the basis that the patentee's

claim the challenger seeks to destroy.") (emphasis in original); *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1373 (Fed. Cir. 2003) ("Neither the district court in its opinion, nor the parties in their briefs have paid sufficient attention to the specific language of the individual claims, or the proper construction of those claims."); *Dayco Prods. v. Total Containment, Inc.*, 329 F.3d 1358, 1370 (Fed. Cir. 2003) (finding that the district court erred by not addressing validity of each claim separately where no substantially, materially identical validity issue). *See also* 35 U.S.C. § 282 (2000).

[E]ach claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting invalidity.

35 U.S.C. § 282 (2000).

121. *See, e.g., Orr v. Patagonia, Inc.*, 3:05-CV-0634-G, 2006 WL 2780046, at *5 (N.D. Tex. Sept. 26, 2006) (explaining that even if infringement of independent claims is found, examination must then proceed to dependant claims).

122. *Wahpeton Canvas Co., Inc. v. Frontier, Inc.*, 870 F.2d 1546, 1552 n.9 (Fed. Cir. 1989).

123. *Lummus Indus., Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 274 (Fed. Cir. 1988).

124. *Syngenta Seeds, Inc. v. Monsanto Co.*, No. Civ. 02-13311-SLR, 2004 WL 2790498, at *1 n.1 (D. Del. Nov. 22, 2004).

promise not to sue in that case, which resulted in a lack of subject-matter jurisdiction, concerned the patent in its entirety, and not individual patent claims.¹²⁵ Thus, it held that *Super Sack* bore no relevance to Syngenta's case.

Instead, the district court relied upon *Shelcore, Inc. v. Durham Industries, Inc.* for support. But in doing so, it drew improper conclusions from *Shelcore* and then improperly used them as restrictions on the scope of *Super Sack*.

As previously discussed, in the *Shelcore* case, Shelcore originally asserted claims 1-13 of its patent against Durham.¹²⁶ Then much later, in the middle of the trial, Shelcore voluntarily withdrew its allegation of infringement with respect to claim 13.¹²⁷ The facts in *Shelcore* do not indicate that Shelcore entered a covenant not to sue, or that the doctrines of res judicata or collateral estoppel would alone have necessarily precluded a future suit on claim 13.¹²⁸ Thus, Durham might have faced a reasonable apprehension of future suit and met the two-part declaratory judgment test concerning claim 13, justifying subject-matter jurisdiction over its invalidity contention.¹²⁹

Notably, the Federal Circuit's somewhat conclusory finding in *Shelcore* makes no mention of reasonable apprehension of suit, but simply stated that a party could not unilaterally remove the validity issue of one claim when it had placed all the claims in issue.¹³⁰ But even if Shelcore placed all the claims in issue, it stands to reason that if Shelcore subsequently entered a covenant not to sue concerning some of those claims, a court would lack subject-matter jurisdiction to determine the validity over those particular patent claims. The *Shelcore* opinion does not teach otherwise, it simply did not address that particular situation.

In contrast to *Shelcore*, the patentee in *Syngenta* wanted the district court to dismiss a declaratory judgment for invalidity of unasserted claims, i.e., claims Syngenta never alleged were infringed.¹³¹ Notably, nothing in the facts suggested that Monsanto faced reasonable apprehension

125. *Id.*

126. *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 623 (Fed. Cir. 1984).

127. *Id.* at 624.

128. *See SGS Tools Co. v. Step Tools Unlimited, Inc.*, No. 5:04CV1315, 2006 WL 2849771, at *2 (N.D. Ohio Sept. 29, 2006) (discussing that because a party entered a covenant not to sue in a patent case the doctrines of collateral estoppel and res judicata prevented asserting such a claim against Defendant in the future).

129. *Shelcore*, 745 F.2d at 623-24.

130. *Id.* at 624.

131. *See supra* text accompanying note 125.

concerning those unasserted claims using the Federal Circuit's two-part test.

But even if it had, the *Syngenta* court should have initially proceeded on the two-part analysis to determine whether subject-matter jurisdiction existed over Monsanto's invalidity contentions of the unasserted claims.¹³² If the *Syngenta* court found that subject-matter jurisdiction initially existed over those unasserted patent claims, any subsequent covenant, stipulation, or promise not to sue by Syngenta for particular claims, whether previously asserted or not, ought to have been reviewed in light of *Super Sack* and *Grain Processing*.¹³³ The Federal Circuit in *Grain Processing* clearly stated that a court lacks subject-matter jurisdiction to determine the validity of individual claims in a declaratory judgment action, even though other claims from the same patent remained in suit, where the declaratory judgment movant faces no reasonable apprehension of suit over those certain claims.¹³⁴

Because whether a case or controversy exists on a patent claim-by-patent claim analysis, any patent invalidity analysis must be conducted on a patent claim-by-patent claim basis, and because covenants not to sue dispel reasonable apprehension, they can divest a court's jurisdiction over individual patent claims. Entertaining a validity analysis for an individual claim that the patentee does not currently, nor will in the future, assert represents an impermissible advisory opinion with respect to that claim.

2. Where *Honeywell* Went Wrong: Noninfringement Contentions Require Individual Patent Claim Examinations

Likewise, the court's failure in *Honeywell International, Inc. v. Universal Avionics Systems, Corp.* to apply a proper jurisdictional analysis introduced confusion into the legal area of subject-matter jurisdiction and individual patent claims. The *Honeywell* court found that Avionics faced reasonable apprehension because Honeywell continued to allege

132. *Jervis B. Webb Co. v. S. Sys., Inc.*, 742 F.2d 1388, 1399 (Fed. Cir. 1984) ("Since Webb only asserted and litigated the infringement of claims 1, 3, 4, 8, 9 and 11, and the evidence in the record is inadequate to indicate the existence of a case or controversy regarding the remaining claims in the invalidity declaratory judgment counterclaim, we vacate that portion . . . regarding the invalidity of claims 2, 5-7, 10 and 12.").

133. *See, e.g., id.* at 1399 n.8 (noting subject-matter jurisdiction possible over unasserted claims where (1) patentee makes general accusations of infringement not limited to certain claims, (2) complaint asserted all claims, and (3) complaint asserted less than all claims of a patent, but declaratory plaintiff able to meet case and controversy requirement for all claims, or (4) where proof of fraud, derivation, supports invalidity of all claims).

134. *Grain Processing v. Am. Maize-Prods. Co.*, 840 F.2d 902, 906 (Fed. Cir. 1988).

infringement of dependant patent claims, though stipulating in writing its then present and future intent not to pursue infringement of other originally asserted independent claims.¹³⁵ The *Honeywell* court generally held that because Honeywell's stipulation concerned only certain originally asserted claims while others remained in litigation, Avionics faced reasonable apprehension.¹³⁶ This reasoning fails.

The *Honeywell* court relied on *Biacore v. Thermo Bioanalysis Corp.* for the idea that because "litigation remains on certain dependant claims of the recently withdrawn independent claims," Avionics faced a reasonable apprehension of suit.¹³⁷ Though the *Honeywell* court did not go deeper into this line of reasoning, it may be centered on the idea that one who infringes a dependent claim necessarily infringes the independent claim from which the dependant claim stems.¹³⁸ Therefore, a party could not reasonably stipulate to noninfringement of an independent claim while pursuing infringement of a dependent claim. The Federal Circuit did not address this exact issue in either *Grain Processing* or *Metabolite* because none of the remaining claims depended upon the ones withdrawn.

But the district court in *Biogen v. Amgen* did address this issue and drew a reasonable conclusion, though it may be more a matter of form than substance.¹³⁹ The district court noted Biogen's correct observation that although it could, and did, stipulate that it would not sue in the future for any remaining claims in the patent, it could not stipulate to noninfringement of those same claims because that stipulation would prevent it from litigating the dependent claims that remained in suit.¹⁴⁰ Thus, the *Biogen* court avoided the possible contradiction of a noninfringement stipulation for an independent claim while litigating a dependant claim by framing this type of stipulation as a stipulation not to sue.

135. *Honeywell Int'l, Inc. v. Univ. Avionics Sys. Corp.*, 288 F. Supp. 2d 638, 644 (D. Del. 2003).

136. The *Honeywell* court also cites *Grain Processing*, but for an incorrect proposition. The *Honeywell* court stated that in *Grain Processing* the plaintiff completely abandoned its infringement charge. *Id.* at 645. But, in *Grain Processing*, the plaintiff only abandoned its infringement charge concerning 10 process claims of the patent in suit, not the 4 product claims. *Grain Processing*, 840 F.2d at 906.

137. *Honeywell*, 288 F. Supp. 2d at 645 (citing *Biacore v. Thermo Bioanalysis Corp.*, 79 F. Supp. 2d 422, 454 (D. Del. 1999) (reasoning that, "[m]oreover, the fact that Thermo is currently litigating allegations of infringement as to dependent claims 4 and 5 of the same patent further supports that apprehension.")).

138. *Wahpeton Canvas Co., Inc. v. Frontier, Inc.*, 870 F.2d 1546, 1552 n.9 (Fed. Cir. 1989).

139. *Biogen, Inc. v. Amgen, Inc.*, 913 F. Supp. 35, 39 (D. Mass. 1996).

140. *Id.* at 40 n.7.

If the *Honeywell* court was concerned about this sort of contradiction, then the reasoning used in *Biogen* seems appropriate. Thus, while *Honeywell* could not, arguably, stipulate to noninfringement of the withdrawn independent claims, and nothing indicates it did as much, *Honeywell* could, and apparently did, stipulate its intent not to sue on the withdrawn claims.¹⁴¹ This action should have removed subject-matter jurisdiction over determining the validity of the withdrawn patent claims.

Moreover, to the extent that *Honeywell* relies upon *Biacore*, a notable distinction can be made. The *Biacore* court also addressed the issue of a declaratory judgment and subject-matter jurisdiction. But in finding that the court retained jurisdiction, it stated in its analysis that, "This court previously has held that the absence of a formal covenant not to sue or a willingness to accept a judgment of noninfringement creates a reasonable apprehension of suit."¹⁴² In *Biacore*, the patentee offered no formal covenant or stipulation not to sue with respect to the claims subject of the declaratory judgment.¹⁴³ As such, the *Biacore* court held that reasonable apprehension existed and it had subject-matter jurisdiction.¹⁴⁴

In sharp contrast, *Honeywell*'s written representations concerning its stipulation not to sue currently or in the future satisfied the requirement that was absent in *Biacore*. In fact, the Federal Circuit held that even where a party has not filed a formal covenant or stipulation not to sue, promises in court papers and representations to a court suffice to strip a party of reasonable apprehension.¹⁴⁵

Thus, from a thorough a review of Federal Circuit and district court case law, a conclusion can be reached that a court lacks jurisdiction to determine noninfringement of individual patent claims subject to a covenant not to sue. Notably, a caveat exists when dependant claims remain in suit. Namely, any stipulation concerning the independent claims must be formed as a covenant not to sue as opposed to a stipulation of noninfringement.

3. Where *Biogen* Has Gone: Unenforceability Contentions and Individual Patent Claims Require Special Considerations

In addition to invalidity and noninfringement contentions, a declaratory judgment movant may also allege that the patent is unenforceable due to

141. *Honeywell*, 288 F. Supp. 2d at 644.

142. *Biacore*, 79 F. Supp. 2d at 454.

143. *Id.*

144. *Id.*

145. See, e.g., *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1059-60 (Fed. Cir. 1995); *Grain Processing Corp. v. Am. Maize-Prods. Co.*, 840 F.2d 902, 906 (Fed. Cir. 1988).

inequitable conduct. Inequitable conduct during the prosecution of any claim in the patent renders the entire patent unenforceable.¹⁴⁶ Given this close cause and effect among patent claims, declaratory judgments for unenforceability warrant additional scrutiny.

While neither *Grain Processing* nor *Metabolite* addressed this particular issue, a review of Federal Circuit case law on inequitable conduct generally, and district court cases in particular, assist in analyzing the issue of subject-matter jurisdiction of claims subject to a covenant not to sue in light of inequitable conduct allegations.¹⁴⁷ When a declaratory judgment movant meets the two-part declaratory judgment test stated above they can allege, among other things, that the patent is unenforceable.¹⁴⁸ As previously stated, inequitable conduct during prosecution of even one claim renders an entire patent unenforceable.¹⁴⁹ In light of the analysis above it might follow that, where a patentee limits a court's jurisdiction over certain claims with a covenant not to sue or stipulation of noninfringement, the court lacks jurisdiction to determine whether the patentee committed inequitable conduct in procuring those particular claims. However, this could lead to inequity.

For instance, assume a patentee has a patent with 10 claims. Further assume that two of those claims were procured through inequitable conduct. A patentee may try to delimit a court's inquiry into those two claims, which could otherwise lead to a finding of inequitable conduct, by stipulating not to sue on those two claims. The patentee could hope that this would remove a court's jurisdiction over those two claims. At the same time, the patentee could assert infringement allegations for the

146. *Supra* text accompanying note 123.

147. Though the Court in *Grain Processing* held the 4 remaining product claims valid in light of an allegation of inequitable conduct, the court did not discuss whether possible inequitable conduct concerning the 10 withdrawn process claims affected the product claims analysis or would render the entire patent unenforceable. *Grain Processing*, 840 F.2d at 906-07. *Metabolite* concerned a declaratory plaintiff who continued to make payments pursuant to a license, the court holding that such action estopped the declaratory plaintiff from challenging the validity of the patent, unenforceability not being an issue discussed. *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1368-69 (Fed. Cir. 2004).

148. See U.S.C.A. § 282 (2002) ("The following shall be defenses in any action involving the validity or infringement of a patent . . . : (1) Noninfringement, absence of liability for infringement or unenforceability. . . ."); *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326 (Fed. Cir. 1998) (explaining that "[A] counterclaim for a declaration of unenforceability affects the entire patent"); see also *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988).

149. *Kingsdown*, 863 F.2d at 877; see also *Intellectual Prop. Dev. v. TCI Cablevision of CA*, 248 F.3d 1333, 1342 n.9 (Fed. Cir. 2001) (noting no difference in case or controversy analysis where entire patent subject to covenant not to sue and declaratory judgment sought unenforceability in addition to noninfringement and invalidity).

remaining eight patent claims that were not inequitably procured claims. If a court did not look into inequitable conduct allegations with respect to the two claims subject of the covenant not to sue, a patentee could selectively assert claims and collect damages on an otherwise unenforceable patent.

Though the Federal Circuit did not address this issue in *Grain Processing* or *Metbolite*, the district court in *Biogen* faced this argument. It cured the possible inequity by allowing the parties to explore, during discovery, the issue of inequitable conduct regarding claims subject to the covenant not to sue.¹⁵⁰ The *Biogen* court distinguished unenforceability from invalidity, explaining that an inequitable conduct defense bears no dependency on litigating validity.

The *Biogen* court relied on *Jervis B. Webb Co. v. Southern Systems, Inc.*, for support. There, the Federal Circuit addressed, among other things, subject-matter jurisdiction and patents.¹⁵¹ In this case, Jervis asserted infringement of only a portion of the patent's claims.¹⁵² Southern filed a declaratory judgment action alleging that all 12 claims of the patent in suit lacked validity.¹⁵³ The district court invalidated all of the claims as obvious in light of the prior art.¹⁵⁴ The Federal Circuit vacated part of this ruling because the district court lacked subject-matter jurisdiction over the claims, except for those claims Jervis sued on.¹⁵⁵

While the Federal Circuit made this ruling, it cautioned against the scope of the holding, and explained in a footnote that fraud, among other factual circumstances, gives a court subject-matter jurisdiction to invalidate all of a patent's claims, even those that did not present a reasonable apprehension of suit.¹⁵⁶ But this footnote lacks complete clarity. That is, it could allow either (a) jurisdiction to allow discovery and hear evidence concerning claims that initially had subject-matter jurisdiction—and if those particular claims resulted from fraud—then extending any fraudulent finding to all of the patent's claims; or (b) jurisdiction to allow a party to proceed with discovery concerning fraud allegations for all of the patent's claims, regardless of whether they posed

150. *Biogen, Inc. v. Amgen, Inc.*, 913 F. Supp. 35, 38 (D. Mass. 1996).

151. See generally *Jervis B. Webb Co. v. S. Sys., Inc.*, 742 F.2d 1388 (Fed. Cir. 1984).

152. *Id.* at 1399 (observing that Jervis only asserted and litigated claims 1, 3, 4, 8, 9, and 11).

153. *Id.* at 1391.

154. *Id.* at 1391-92.

155. *Id.* at 1399.

156. *Jervis*, 742 F.2d at 1399 n.8 (“Nor does the present holding preclude a declaratory judgment that all claims are invalid when the proof at trial establishes a basis, e.g., fraud, derivation, for such judgment.”).

a reasonable apprehension of suit. The *Biogen* court appears to embrace the latter interpretation and analogize fraud to inequitable conduct.¹⁵⁷

Additionally, the *Biogen* court also relied upon the district court case *Scripps Clinic and Research Foundation v. Genentech* to support its decision to allow discovery into all claims in response to inequitable conduct allegations.¹⁵⁸ In *Scripps*, the district court found evidence of inequitable conduct.¹⁵⁹ But the district court held that while a determination of inequitable conduct rendered an entire patent unenforceable, the court only had jurisdiction over the claims where a reasonable apprehension of suit existed.¹⁶⁰ Therefore, the court only held certain asserted claims of a reissue patent unenforceable—though inequitable conduct rendered the entire patent unenforceable as a matter of law.

Interestingly, although the district court in *Scripps* stated that it could only determine the validity of claims where Scripps alleged infringement, the court qualified that statement with the proviso that it did not intend that statement as a ruling on any incidental effect that a court's order may have on the remaining claims.¹⁶¹

If the Scripps court did not intend to limit incidental effects of any validity ruling on remaining claims at issue, one might expect that the same intention would apply to claims concerning unenforceability. That is, if one claim were found unenforceable due to inequitable conduct, the incidental effect would be that the entire patent is void due to that inequitable conduct.

157. *Biogen, Inc. v. Amgen, Inc.*, 913 F. Supp. 35, 38 n.4. (D. Mass. 1996) (noting that inequitable conduct does not equal “fraud;” one may not commit “fraud” upon the Patent Office, otherwise stated, one cannot breach their duty of candor, good faith, or fair dealing). See *Broyhill Furniture Indus., Inc. v. Craftmaster Furniture Corp.*, 12 F.3d 1080, 1085 n.2 (Fed. Cir. 1993) (“Conduct before the PTO that may render a patent unenforceable is best referred to as ‘inequitable conduct,’ not fraud.”); see also *Argus Chem. Corp. v. Fibre Glass-Evercoat Co., Inc.*, 759 F.2d 10, 12 n.3 (Fed. Cir. 1985).

In *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1559, 223 USPQ 1089, 1092 (Fed. Cir. 1984), this court adopted the terminology “inequitable conduct” to identify a breach of the duty of candor to the PTO in order to make it clear that such malfeasance is to be distinguished from common law “fraud.”

Id.

158. *Biogen*, 913 F. Supp. at 38.

159. *Scripps Clinic & Research Found. v. Genentech*, 707 F. Supp. 1547, 1555-57 (N.D. Cal. 1989).

160. *Id.* at 1549, 1557 n.15.

161. *Id.* at 1549 n.3.

The *Scripps* court did not go that far. More specifically, when determining that *Scripps* engaged in inequitable conduct, the court limited the reach of its unenforceability holding to only those claims at issue.¹⁶² The court explained that even though inequitable conduct renders an entire patent unenforceable, “the Court has jurisdiction only over those claims with respect to which infringement is alleged.”¹⁶³

Given the unique nature of patent claims’ interdependency with respect to inequitable conduct, a court should retain jurisdiction over the patent in its entirety, and if it makes a finding of unenforceability based upon the claims that gave rise to subject-matter jurisdiction, all claims should be found unenforceable. Certainly, validity and inequitable conduct constitute different legal concepts.¹⁶⁴ But not allowing a court to find a patent unenforceable in its entirety, but rather only on select claims, creates an anomaly in the law.

If one applies the reasoning in *Scripps* to a hypothetical case, the inconsistency becomes apparent. Assume all claims of a patent that had five claims are asserted against an alleged infringer. In response, the alleged infringer files a declaratory judgment counterclaim that the patent is unenforceable. The patentee then stipulates that it will not sue with respect to claims 3, 4, and 5. The defendant, nonetheless, can unequivocally prove the patentee committed inequitable conduct in prosecuting claim 3. This inequitable conduct renders the entire patent unenforceable.

But, following *Scripps*, and possibly *Biogen*, a court would not give a judgment of unenforceability on claim 3, or the patent in whole, but would limit its finding of unenforceability only to claims 1 and 2. This is so, even though, in finding claims 1 and 2 unenforceable, a court necessarily made a preliminary finding and judgment with respect to claim 3, regardless of its jurisdiction only over claims 1 and 2. Thus, given the uniquely intimate and inter-dependant relationship between claims in a patent and inequitable conduct, a court should retain jurisdiction over all patent claims despite any covenant or stipulation not to sue. At the same time, however, use of a covenant not to sue ought not to, by itself, create an

162. *Id.* at 1557.

163. *Id.* at 1557 n.15.

164. *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1569 (Fed. Cir. 1992) (“[P]roving inequitable conduct does not ‘invalidate’ a patent. Rather, it renders the patent unenforceable. . . . Although the practical effect may be the same, the legal concepts are quite different.”).

adverse inference that a patentee committed inequitable conduct during prosecution of those claims.¹⁶⁵

As the Federal Circuit explained, “when inequitable conduct occurs in relation to one claim the entire patent is unenforceable,” but this does not mean that “courts may not look outside the involved claim in determining, in the first place, whether inequitable conduct did in fact occur. Claims are not born, and do not live, in isolation. Each is related to other claims, to the specification and drawings, to the prior art, to an attorney’s remarks, to co-pending and continuing applications, and often . . . to earlier or later versions of itself in light of amendments made to it.”¹⁶⁶ A covenant not to sue should not divest a court of jurisdiction to consider these factors, or make an improper limited finding of unenforceability.

Though an asserted claim may not have been procured through inequitable conduct, a claim subject to a covenant not to sue might have been. Because of the integral link between all patent claims and the defense of unenforceability, a declaratory judgment for unenforceability ought to remain within a court’s subject-matter jurisdiction. Unlike invalidity or noninfringement, where each claim retains a unique independent analysis, inequitable conduct of one claim renders the entire patent unenforceable. The penultimate concern, i.e. that a court not render an advisory opinion, becomes moot in the inequitable conduct context where one inequitably procured claim renders the entire patent unenforceable as a matter of law.

Though *Intellectual Property* notes that the subject matter jurisdiction analysis applies for infringement, invalidity, and unenforceability, it did not distinguish between individual patent claims and a patent in its entirety.¹⁶⁷ *Intellectual Property* concerned a patent in its entirety. The Federal Circuit did not address this distinction. In the case, the declaratory plaintiff faced no apprehension of suit for any claim because the entire patent was the subject of a covenant. The Court left unanswered whether a court lacks jurisdiction over a declaratory judgment counterclaim of unenforceability for a single covenanted claim because it was not faced with that question.

A declaratory plaintiff’s apprehension remains where a patentee carves out certain claims via a covenant not to sue and leaves others in suit. It

165. Cf. *Kingsdown Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (“A requirement for disclaimer or reissue to avoid adverse inferences [of inequitable conduct] would merely encourage the present proliferation of inequitable conduct charges.”).

166. *Id.* at 874.

167. See generally *Intellectual Prop. Dev. v. TCI Cablevision of CA, Inc.*, 248 F.3d 1333 (Fed. Cir. 2001).

clearly faces reasonable apprehension from those claims that remain in the suit. A court ought to keep jurisdiction to decide whether an entire patent is unenforceable due to inequitable conduct so long as at least one claim meets the two-part declaratory judgment subject-matter jurisdiction test. This is because inequitable conduct in procuring any one claim renders an entire patent unenforceable.

VIII. CONCLUSION

In conclusion, when a party files a covenant not to sue, stipulation to noninfringement or non-liability, or promises not to sue on individual patent claims of an asserted patent, a court lacks jurisdiction to determine a declaratory judgment action concerning the validity and noninfringement of those particular claims. Notably, where dependent claims remain, a party must condition its covenant, stipulation, or promise as one not to sue as opposed to simply noninfringement of the covenanted independent claims. Further, a court ought to keep jurisdiction with respect to a declaratory judgment counterclaim concerning inequitable conduct and should not allow a covenant not to sue on certain claims, while others remain in suit, to affect its analysis or determination as to the patent's enforceability. In that instance, the court should allow discovery into the claims subject to inequitable conduct allegations and retain jurisdiction to find the entire patent unenforceable.