



# THINK FORWARD

## Supreme Court Rules Licensor Of Patents Has Burden Of Persuasion On Patent Claim Coverage In Declaratory Judgment Action Directed To Patent License In *Medtronic v. Mirowski Family Ventures*

January 23, 2014

On January 22, 2014, a unanimous Supreme Court ruled in *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, No. 12-1128, that a licensor bears the burden of persuasion on the issue of patent claim coverage over products that the licensor asserts fall within the scope of the license. The licensor bears the burden of persuasion even if the dispute is in the procedural posture of a declaratory judgment, where the licensor is the defendant in a declaratory judgment action brought by a licensee.

### Background

The patents involved in the case were directed to devices for cardiac resynchronization therapy. Medtronic and Mirowski had a licensing agreement where Medtronic was allowed to practice Mirowski's patents in exchange for royalty payments. Under the agreement, Medtronic had a choice in the event Mirowski asserted patent infringement. Medtronic could (1) pay the asserted royalties, or (2) place the royalties in an escrow account and seek declaratory judgment of non-infringement. Medtronic could also ignore the agreement and decide not to pay royalties at all. In the event Medtronic chose to ignore the agreement, Mirowski had the right to terminate the license and bring an action for patent infringement.

In 2007, Mirowski asserted that Medtronic's new pacemakers infringed two of its resynchronization device patents. Medtronic chose to place the asserted royalties in an escrow account and filed a complaint in federal district court seeking declaratory judgment. Following a bench trial, the District Court found that Mirowski "[a]s the part[y] asserting infringement" had the burden of showing patent infringement, and because licensor Mirowski had not proven infringement literally or under the doctrine of equivalents, the licensee was entitled to a declaratory judgment against the licensor. The Court of Appeals for the Federal Circuit reversed, holding that when a licensor-patentee is a declaratory judgment defendant, and a license agreement prevents the patentee from asserting a counterclaim of infringement, the licensee bears the burden of showing non-infringement.

### Supreme Court Decision

The Supreme Court reversed the Federal Circuit, holding that under the circumstances where a patent licensee pays royalties into an escrow under a patent license agreement, and seeks a declaratory judgment against a patentee-licensor that some of its products are not covered by or do not infringe the patent, then:

"the burden of persuasion is with the patentee, just as it would be had the patentee brought an infringement suit."

The Court stated three legal principles support its ruling: (1) it is well established under existing Supreme Court precedent that the burden of showing infringement is upon a patentee, (2) the Declaratory Judgment Act is a procedural mechanism to resolve disputes in federal court that does not

change substantive law, and (3) the burden of proof is a substantive component of a claim for relief.

The Court went on to note several practical considerations supported its ruling. First, the Court noted the burden shift rule created by the Federal Circuit's decision under review could create a situation where a licensee loses a declaratory judgment action and a patentee loses a subsequent infringement action because the evidence is inconclusive for both sides, which runs counter to the Declaratory Judgment Act's objective of providing a definitive determination of legal rights. Second, the Court noted a burden shift could create confusion as to the patentee's theories of infringement, and place an unreasonable burden upon a licensee to negate every conceivable infringement theory. Third, the Court noted that a burden shift would create a significant obstacle to the use of the Declaratory Judgment Act, that it had previously stated in its decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) could be used by a licensee to avoid the dilemma of choosing between either risking an infringement suit or abandoning the right to practice under a license when challenging the scope of licensed patents.

### **The Impact of the Decision**

The Supreme Court's unanimous decision in *Medtronic, Inc. v. Mirowski Family Ventures, LLC* reinforces the Court's previous decision in *MedImmune v. Genentech*. The Court demonstrated a continued desire to make a declaratory judgment action a viable procedural device for a licensee to challenge the scope of a licensed patent without risking a patent infringement suit.

If you have any questions or wish to discuss how the Court's decision may impact your company, [please](#) contact an attorney in the [Licensing](#) or [Medical Device](#) group.