

No. 2012-1298

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORGANIC SEED GROWERS AND TRADE ASSOCIATION,
ORGANIC CROP IMPROVEMENT ASSOCIATION INTERNATIONAL, INC.,

Plaintiffs-Appellants,

and

OCIA RESEARCH AND EDUCATION INC., NORTHERN PLAINS
SUSTAINABLE AGRICULTURE SOCIETY, MANITOBA ORGANIC
ALLIANCE, UNION PAYSANNE, FAMILY FARM DEFENDERS INC.,
INTERLAKE FORAGE SEEDS LTD., KIRSCHENMANN FAMILY FARMS
INC. and JARDIN DEL ALMA,

Plaintiffs,

v.

MONSANTO COMPANY and MONSANTO TECHNOLOGY LLC,

Defendant-Appellees.

(Caption continued on inside cover)

Appeal from the United States District Court for the Southern District
of New York in No. 11-CV-2163, Judge Naomi Reice Buchwald

***AMICI CURIAE BRIEF OF INTELLECTUAL PROPERTY
PROFESSORS IN SUPPORT OF PLAINTIFFS-APPELLANTS
AND SUPPORTING REVERSAL***

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July 12, 2012

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Plaintiffs-Appellants

CERTIFICATE OF INTEREST

Counsel for *Amicus Curiae* Intellectual Property Professors certifies the following:

1. The full name of every party or *amicus* represented by me is:

Margo A. Bagley, Michael J. Burstein, Rochelle C. Dreyfuss, Brett Frischmann, Erika R. George, Shubha Ghosh, Megan M. La Belle, Kali Murray, Ted Sichelman, Katherine J. Strandburg, and Melissa Wasserman.

2. The name of the real parties in interest, if different from the above, is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the parties represented by me are:

Not applicable.

4. The names of all law firms and the partners or associates that have appeared for the parties identified above in the lower tribunal or who are expected to appear for the parties in this Court are:

Kellogg, Huber, Hansen, Todd, Evans & Figel, P.L.L.C.
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July 12, 2012

Respectfully submitted,

/s/ David C. Frederick

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INTEREST OF *AMICI CURIAE*¹

Amici are law professors who teach and write in the areas of intellectual property law, patent law, administrative law, civil procedure, and federal jurisdiction.² Although we have diverse perspectives on the substance of patent law, we are uniformly concerned about the development of the law of Article III standing as it relates to causes of action challenging the validity of issued patents. We submit this brief to express our views concerning the proper legal analysis of standing questions as they arise in challenges to patent validity.³

SUMMARY OF ARGUMENT

In *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), the Supreme Court rejected this Court's attempt to craft patent-specific rules of justiciability. *See id.* at 132 n.11. In the years since *MedImmune*, this Court has not been consistent in its approach to determining whether it has jurisdiction to hear declaratory judgment actions challenging the validity of issued patents. In particular, the Court has not been clear in its analysis of standing. To the extent it has addressed the issue explicitly, some decisions appear once again to impose

¹ Pursuant to Federal Rule of Appellate Procedure 29(c)(5), counsel for *amici curiae* represent that no counsel for a party authored the brief in whole or in part and that no person or entity, other than *amici* or their counsel, made a monetary contribution to the preparation or submission of this amicus brief.

² A full list of signatories is attached as an Addendum.

³ Pursuant to Federal Rule of Appellate Procedure 29(a), counsel for *amici curiae* represent that all parties have consented to the filing of this brief.

requirements that are specific to patent law – that the plaintiff show “an affirmative act by the patentee related to the enforcement of his patent rights,” and “meaningful preparation to conduct potentially infringing activity.” *Association for Molecular Pathology v. USPTO*, 653 F.3d 1329, 1343 (Fed. Cir. 2011) (“AMP”). Those requirements are neither justified by doctrine nor consistent with sound policy.

To establish standing to sue, a plaintiff challenging the validity of a patent – like a plaintiff in any action in federal court – must demonstrate an injury in fact that is fairly traceable to the defendant and that can be redressed by a judgment in his favor. *See Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). Applying these traditional factors to patent invalidity actions yields broader standing than this Court has suggested. Injury in fact is present when a plaintiff has been deterred from engaging in present economic activity by the threat of a potentially invalid patent. The risk that innovative activity may run afoul of a patent may often be present long before infringement is imminent; yet that risk is a present injury when it adversely affects investment behavior. That injury is traceable to a patentee’s holding and maintenance of a patent, regardless of any specific actions the patentee may take. To hold otherwise would allow the patentee to determine the circumstances in which his patent could be challenged. Finally, the economic risk of engaging in activity in a field in which there is a

potentially invalid patent is eliminated by a judgment that the patent is, in fact, invalid.

Finding standing in such circumstances will not open the floodgates of litigation. The conditions described above do not authorize citizen suits to challenge patents. And to the extent the Court remains concerned about abusive or opportunistic litigation, it has a variety of prudential and discretionary doctrines that it can use to tailor its jurisdiction to the circumstances of particular cases without erecting a constitutional bar to standing that applies across a variety of litigation postures. To the contrary, broad standing to challenge the validity of patents ensures that the courts can effectively play their critical role in screening out invalid patents.

ARGUMENT

I. THERE IS BROAD STANDING UNDER CURRENT LAW TO SEEK A DECLARATORY JUDGMENT THAT A PATENT IS INVALID

The threshold constitutional requirement for invoking federal jurisdiction – in an action seeking declaratory relief no less than in any other action – is standing. A plaintiff must demonstrate that she has been injured in fact, the defendant has caused that injury, and the injury can be redressed by a decision in her favor. In cases seeking a declaration that a patent is invalid, a plaintiff meets these requirements at least by alleging that the risk of infringement liability restrains her from engaging in present economic activity.

A. The Declaratory Judgment Act Requires Plaintiffs To Demonstrate Standing

The Declaratory Judgment Act provides that, “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration.” 28 U.S.C. § 2201(a). The Supreme Court has explained that an action for a declaratory judgment, like an action for other legal or equitable relief, must qualify as a “[c]ase” or “[c]ontroversy” under Article III of the Constitution to be justiciable. *See MedImmune*, 549 U.S. at 126-27 (“[T]he phrase ‘case of actual controversy’ in the [Declaratory Judgment] Act refers to the type of ‘Cases’ and ‘Controversies’ that are justiciable under Article III.”).

Determining whether a declaratory judgment action is justiciable is therefore no different from determining whether an action seeking other relief is justiciable. *See Franchise Tax Bd. of Cal. v. Construction Laborers Vacation Trust for S. Cal.*, 463 U.S. 1, 17 (1983) (“[T]he Declaratory Judgment Act was intended to affect only the remedies available in a federal district court, not the court’s jurisdiction.”). A plaintiff must satisfy “[t]he several doctrines that have grown up to elaborate that requirement.” *Allen v. Wright*, 468 U.S. 737, 750 (1984). Those doctrines include standing, mootness, and ripeness. *See id.*; *Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278, 1291 (Fed. Cir. 2008); *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330, 1337 (Fed. Cir. 2007).

This Court has not always been clear about the basis for its decisions concerning the justiciability of actions seeking a declaration of patent invalidity. Compare, e.g., *ABB Inc. v. Cooper Indus., LLC*, 635 F.3d 1345, 1348 (Fed. Cir. 2011) (applying a holistic “all the circumstances” standard), with *AMP*, 653 F.3d at 1343 (analyzing justiciability in terms of standing), and *Caraco Pharm. Labs.*, 527 F.3d at 1291 (analyzing justiciability in terms of both standing and ripeness). To be sure, the Supreme Court has noted that “[t]he justiciability problem that arises” in declaratory judgment actions often “can be described in terms of standing . . . or in terms of ripeness.” *MedImmune*, 549 U.S. at 128 n.8. But because the parties in *MedImmune* conceded that standing and ripeness “boil[ed] down to the same question in th[at] case,” *id.*, the Court did not have to distinguish between the two justiciability doctrines. Instead, the Court held both doctrines there were satisfied, by the existence, “under all the circumstances,” of “a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Id.* at 127 (quoting *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

More often, however, standing and ripeness do not overlap in that fashion. In such cases, the Supreme Court has explained that “the core component of standing is an essential and unchanging part of the case-or-controversy

requirement.” *Lujan*, 504 U.S. at 560. Indeed, “[the] case-or-controversy requirement is satisfied *only* where a plaintiff has standing.” *Sprint Commc’ns Co. v. APCC Servs., Inc.*, 554 U.S. 269, 273 (2008) (emphasis added).

The question whether a plaintiff’s action to invalidate a patent is justiciable, therefore, must depend at least on whether the plaintiff has standing to sue – that is, whether the plaintiff has satisfied the “irreducible constitutional minimum” requirement of suffering an injury in fact that is fairly traceable to the patent holder and that can be redressed by a ruling that the patent is invalid. *Lujan*, 504 U.S. at 560.

This Court should clarify the basis for its jurisdictional holdings in patent declaratory judgment actions and squarely address whether plaintiffs have standing to sue. Doing so is necessary not only to provide needed guidance in declaratory judgment actions challenging the validity of a patent, *see supra*, but also because the question whether a plaintiff has standing to invalidate a patent may arise in a range of other settings. *See, e.g.*, Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(d), 125 Stat. 284, 311 (2011) (to be codified at 35 U.S.C. § 329) (federal court appeal of PTO post-grant review proceedings); *Kroger Co. v. Sanofi-Aventis*, 701 F. Supp. 2d 938, 960-61 (S.D. Ohio 2010) (*Walker-Process* antitrust

claims).⁴ Finally, this Court’s constitutional holdings in the patent field may also affect analogous areas of the law. *See, e.g., Nike, Inc. v. Already, LLC*, 663 F.3d 89 (2d Cir. 2011), *cert. granted*, ___ S. Ct. ___, 2012 WL 425184 (June 25, 2012) (No. 11-982) (dismissing counterclaims for declaration of invalidity of trademark registration).

B. The Application of Traditional Standing Principles Yields Broad Standing To Challenge the Validity of Patents

The Supreme Court has consistently held that a plaintiff has standing to sue when he has demonstrated that he has suffered or is “under threat of suffering ‘injury in fact’ that is concrete and particularized; the threat must be actual and imminent, not conjectural or hypothetical; it must be fairly traceable to the challenged action of the defendant; and it must be likely that a favorable judicial decision will prevent or redress the injury.” *Summers v. Earth Island Inst.*, 555 U.S. 488, 493 (2009) (quoting *Friends of the Earth, Inc. v. Laidlaw Env’tl. Servs. (TOC), Inc.*, 528 U.S. 167, 180-81 (2000)).

This Court has sometimes appeared to impose additional requirements for standing in invalidity cases that may preclude an action – for example, where the claim is that an invalid patent prevents the plaintiff from undertaking present

⁴ *But see Amici Curiae* Brief of 27 Antitrust, Intellectual Property, and Innovation Professors (“Professors”) in Support of Plaintiff-Appellee at 5-8, *Ritz Camera & Image, LLC v. Sandisk Corp.*, No. 2012-1183 (Fed. Cir. filed May 24, 2012) (arguing that standing under patent law is irrelevant to question whether *Walker Process* claimants have standing to bring antitrust claims).

economic activity – even when the plaintiff’s claim is sufficient for standing under Article III. *See, e.g., AMP*, 653 F.3d at 1343 (“[T]o establish an injury in fact traceable to the patentee, a declaratory judgment plaintiff must allege both (1) an affirmative act by the patentee related to the enforcement of his patent rights, and (2) meaningful preparation to conduct potentially infringing activity.”) (citations omitted); *see also 3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1377 (Fed. Cir. 2012). But “familiar principles” of justiciability “apply with equal force to disputes arising under the Patent Act.” *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). Special rules for patent standing are justified neither by doctrine nor by policy.

More particularly, although this Court has recognized the difference for justiciability purposes between actions seeking a declaration that a patent is invalid and those seeking a declaration that a particular product or method does not infringe a patent, *see, e.g., Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1342 n.12 (Fed. Cir. 2008) (declining to consider, in a case where plaintiff “had sued only for a declaratory judgment of non-infringement,” “whether similar facts would be sufficient to establish jurisdiction if . . . [plaintiff] was only arguing invalidity”), in cases like *AMP* and others, the Court has not paid sufficient

attention to those differences.⁵ In actions challenging the *validity* of a patent, the alleged injury is not only the risk of an infringement suit, but a present restraint on economic activity due to the presence of a potentially invalid exclusive right. That injury is caused not by the patent holder's course of conduct leading to a potential infringement suit but by the patent holder's having been issued and then holding and maintaining a potentially invalid patent. And the injury is redressed not by a fact-specific analysis of whether the plaintiff may or may not infringe, but by a determination of the legal question whether the patent is valid.

1. The Supreme Court has defined in broad terms the characteristics of an injury in fact sufficient to support standing. It must be “concrete and particularized” and “actual or imminent, not conjectural or hypothetical.” *Friends of the Earth*, 528 U.S. at 180. Such an injury is present at least when a plaintiff refrains from economic activity because of the risk created by a patent in the relevant field of endeavor.

Patents are exclusive rights. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-31 (2002). They are rights to keep others from engaging in activities that fall within their boundaries. *See* 35 U.S.C. § 271(a).

⁵ Plaintiffs in this case seek a declaration of noninfringement in addition to a declaration of invalidity. *See Organic Seed Growers & Trade Ass'n v. Monsanto Co.*, No. 11 Civ. 2163 (NRB), 2012 WL 607560, at *1 (S.D.N.Y. Feb. 24, 2012). *Amici* take no position with respect to plaintiffs' claim for a declaration of noninfringement.

But the validity of issued patents is uncertain until they are tested in court. This uncertainty creates real and present risks for persons wishing to engage in economic activity that might be the subject of an issued patent. Indeed, such uncertainty may be significant enough to deter valuable activity. When a person is deterred from undertaking valuable activity by the risk that the activity may encroach on another's exclusive rights, that person has incurred an actual, concrete, and particularized injury. Just as a developer of real property has standing to clear title *before* making and losing costly investments, so too do those engaged in activities that may violate intellectual property rights have standing to challenge the validity of those rights. *See MedImmune*, 549 U.S. at 134 (“The rule that a plaintiff must destroy a large building, bet the farm, or . . . risk treble damages and the loss of 80 percent of its business before seeking a declaration of its actively contested legal rights finds no support in Article III.”).

The Supreme Court has recognized that “[a] party seeking a declaratory judgment of invalidity presents a claim independent of the patentee’s charge of infringement.” *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 96 (1993). In *Cardinal Chemical*, the Court held that a judgment of noninfringement does not moot a counterclaim for a declaratory judgment of invalidity. *See id.* at 95-98. In that case, judgment in the infringement defendant’s favor eliminated entirely the threat of present infringement liability. But the Supreme Court allowed the

defendant (or, rather, the declaratory plaintiff) to maintain its action for invalidity because the presence of the patent created present and ongoing uncertainty that could interfere with future activities. That uncertainty constituted an actual injury sufficient to support continued standing.⁶ As the Court observed, “[a] company once charged with infringement must remain concerned about the risk of similar charges if it develops and markets similar products in the future.” 508 U.S. at 99-100.

Similarly, Judge Learned Hand recognized long ago that a patent can serve as a “scarecrow,” deterring activity by its mere presence in a field of endeavor. *Bresnick v. U.S. Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943). This Court, in turn, has acknowledged that the presence of a potentially adverse patent can “infect the competitive environment of the business community with uncertainty and insecurity,” *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988), and that remedying such uncertainty is the very purpose of the Declaratory Judgment Act. “In promulgating the Declaratory Judgment Act, Congress intended to prevent avoidable damages from being incurred by a person uncertain of his rights and threatened with damage by delayed adjudication.”

⁶ The Court has stated that “the doctrine of mootness can be described as the doctrine of standing set in a time frame.” *Friends of the Earth*, 528 U.S. at 189 (internal quotation marks omitted). Although that description is “not comprehensive,” the circumstances the Court has identified in which mootness is more permissive than standing – voluntary cessation and “capable of repetition yet evading review,” *id.* at 190-91 – are irrelevant here.

Minnesota Mining & Mfg. Co. v. Norton Co., 929 F.2d 670, 673 (Fed. Cir. 1991).

In view of this dynamic, the Supreme Court concluded in *Cardinal Chemical* that “[m]erely the desire to avoid the threat of a ‘scarecrow’ patent . . . may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act.” 508 U.S. at 96.

It is true that a plaintiff that has engaged in “meaningful preparation to conduct potentially infringing activity,” *AMP*, 653 F.3d at 1343, will face an actual injury from the risk of a potentially adverse plaintiff. But the analysis above demonstrates that standing is not limited to those circumstances. While it would certainly be wrong to turn patents into licenses to be sued, the law must be structured to recognize that innovative activity requires investments to be made over time, often well before the actor is in a position actually to engage in potentially infringing activity. Those investments are just as subject to the risk posed by invalid patents as investments made closer to the time of actual infringement. In pharmaceuticals, for example, infringement may not occur until a product is marketed. But no pharmaceutical firm would invest the tremendous sums and time required to bring a product through the drug development process without advance knowledge that the field would be clear of invalid patents prior to marketing. Likewise, an early-stage inventor who learns in good faith of the existence of a patent in her field of endeavor may face a Hobson’s choice between

making risky investments in the face of uncertain liability and abandoning her activity altogether.

The present risk that a patent poses to economically valuable activity is an injury in fact that confers standing to bring an action to invalidate the patent. Other courts addressing analogous sources of risk have similarly found that the bearers of such risk incur “actual injuries” sufficient to confer standing to bring an action to reduce or eliminate the risk. *See, e.g., Massachusetts v. EPA*, 549 U.S. 497, 521-23 (2007) (finding state had standing to bring action mitigating risk of harm from climate change); *Natural Res. Def. Council v. EPA*, 464 F.3d 1, 6 (D.C. Cir. 2006) (recognizing “that increases in risk can at times be ‘injuries in fact’ sufficient to confer standing” and finding standing to challenge EPA rule that increased risk of cancer); *Baur v. Veneman*, 352 F.3d 625, 634 (2d Cir. 2003) (holding that “enhanced risk” “injuries are cognizable for standing purposes” in food and drug safety suits “where the plaintiff alleges exposure to potentially harmful products”); *Village of Elk Grove v. Evans*, 997 F.2d 328, 329 (7th Cir. 1993) (Posner, J.) (“[E]ven a small probability of injury is sufficient to create a case or controversy – to take a suit out of the category of the hypothetical – provided of course that the relief sought would, if granted, reduce the probability.”). These holdings are entirely consistent with this Court’s concern,

described *supra* at 11-12, about the risks that “scarecrow” patents pose to innovators.

Finally, proper application of the injury in fact requirement as described above yields broad, but not limitless, standing. Without defining “the outer boundaries of declaratory judgment jurisdiction,” *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007), this Court can at least hold that a plaintiff whose economic activity is deterred by the threat of an invalid patent has standing without opening the courthouse doors to “generalized grievance[s],” “shared in substantially equal measure by all or a large class of citizens.” *FEC v. Akins*, 524 U.S. 11, 23 (1998) (internal quotation marks omitted). Increased risk is an injury that is “concrete” – it is a present threat to economic activity that prevents an actor from taking action he otherwise would take – and “particularized” to the actor who is alleging that he is deterred. *Lujan*, 504 U.S. at 560.

2. Standing also requires that the plaintiff demonstrate “a causal connection between the injury and the conduct complained of.” *Lujan*, 504 U.S. at 560. In an action to invalidate a patent, the injury described above arises from the defendant having been issued, holding, and maintaining a patent in the relevant field. It is the existence of the patent rather than any specific actions the patent

holder may take that creates uncertainty and risk for other potential innovators in the field.

To the extent this Court has implemented the causation requirement through an analysis that asks whether the patent holder has engaged in “affirmative patent enforcement actions directed at” the plaintiffs, *AMP*, 653 F.3d at 1344, the Court has again swept too narrowly. The risk of engaging in economic activity in the face of a potentially adverse patent exists regardless of any activity undertaken by the right holder. The risk arises because investment decisions made in the shadow of a potentially invalid patent can be held up or appropriated if and when the patent holder ever decides to take action. That risk deters valuable activity. As this Court has colorfully observed, patent holders need do nothing to keep potential competitors at bay; they can simply “brandish[] a Damoclean threat with [the] sheathed sword” of an extant but not-yet-enforced patent. *Arrowhead*, 846 F.2d at 735. To insist that an action is justiciable only if the *patentee* takes particular actions is to vest the patentee with control over the circumstances in which the patent can be challenged. This is precisely the problem that the Declaratory Judgment Act was meant to solve. *See id.* (“After the [Declaratory Judgment] Act, those competitors were no longer restricted to an *in terrorem* choice between the incurrance of a growing potential liability for patent infringement and abandonment of their enterprises.”) (emphasis in original).

3. Finally, it stands to reason that granting the relief requested – issuing a declaratory judgment that a patent is invalid – will “redress” the alleged injury described above. *Lujan*, 504 U.S. at 561-62. When the risk and uncertainty created by the existence of a patent results in a restraint on present economic activity, a declaration that the patent is invalid eliminates the uncertainty and removes the constraint. This relief, moreover, does not represent “an advisory judicial opinion on an adverse patent” by which “a would-be competitor seek[s] to test the waters” of the sort this Court has warned against. *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1299 (Fed. Cir. 2009). Declaring a patent invalid is a legal judgment that has present effect and that applies as against *all* potential infringers. See *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313 (1971). It is a decision to clear away an improperly awarded grant of exclusive rights to a particular invention. That decision reduces or eliminates the investment risk that accompanies economic activity in the area previously occupied by the patent.

II. BROAD STANDING TO CHALLENGE THE VALIDITY OF PATENTS IS CONSISTENT WITH SOUND PATENT POLICY

The Supreme Court has repeatedly “emphasized the importance to the public at large of resolving questions of patent validity.” *Cardinal Chem.*, 508 U.S. at 100. Because a patent is “an exception to the general rule against monopolies and to the right to access to a free and open market,” the public has “a paramount

interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.” *Blonder-Tongue*, 402 U.S. at 343 (quoting *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)); see also Megan M. La Belle, *Patent Law as Public Law*, 20 *Geo. Mason L. Rev.* (forthcoming 2012), available at <http://ssrn.com/abstract=2053798> (explaining how validity challenges meet characteristics of public law rather than private law litigation model). The Court has therefore “encourage[d] authoritative testing of patent validity,” *Blonder-Tongue*, 402 U.S. at 344, through a number of mechanisms. See *MedImmune*, 549 U.S. at 133-34 (licensee need not violate license to bring action for declaratory judgment of invalidity); *Cardinal Chem.*, 508 U.S. at 100-01 (finding of noninfringement does not moot counterclaim for invalidity); *Blonder-Tongue*, 402 U.S. at 346-48 (patent holder estopped from re-litigating finding of invalidity); *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-68 (1969) (licensees not estopped from asserting invalidity of patent as a defense in contract action for unpaid royalties).

Access to the courts to test the validity of issued patents is particularly important because of the administrative structure of the patent system. The Patent and Trademark Office (“PTO”) receives over 500,000 utility patent applications each year and issues over 200,000 patents annually. See U.S. Patent & Trademark

Office, *Performance and Accountability Report: Fiscal Year 2011*, at 159 (2012), <http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>. Because the vast majority of patents are never litigated or licensed, the PTO must necessarily devote fewer resources to examination than parties expend in contested litigation over patent validity. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1497 (2001). The courts therefore provide an essential forum for litigants to test the validity of economically significant patents. Indeed, empirical evidence suggests that 30 to 50 percent of validity challenges that are litigated to judgment result in a finding of invalidity. See, e.g., Kimberly A. Moore, *Judges, Juries, and Patent Cases – An Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 390 (2000) (reporting a 33% invalidity rate for trials); John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205 (1998) (reporting 46% invalidity rate for patents litigated to judgment). Broad standing rules ensure that the courts remain widely accessible as a check on patent quality.⁷

⁷ The administrative post-grant review procedures enacted as part of the Leahy-Smith America Invents Act do not detract from the importance of the federal courts as a mechanism for ensuring patent quality. For one thing, “[a]ny party” to those proceedings may appeal the PTO’s determination in federal court. See 35 U.S.C. §§ 319, 329. The scope of review under those provisions is also more limited than the scope of review in declaratory judgment actions. Plenary review of the validity of an issued patent is available only for nine months following issuance. *Id.* § 321(c). After that date, administrative review is limited to claims that the patent is not novel or nonobvious. *Id.* § 311(b). Finally, the more robust procedures of the

More particularly, such rules facilitate challenges that those who would qualify under more stringent standing criteria might fail to bring. Take patentable subject matter, for example. Standing rules that favor invalidity suits brought by direct competitors will disproportionately favor the particular *grounds* for finding invalidity that are most congenial to those competitors' interests. Because direct competitors will likely have their own patents in the same area, they will have little incentive to challenge patents on the basis that they fall outside the bounds of patentable subject matter; such challenges might place the competitors' own patents in jeopardy. Patentable subject-matter challenges are therefore likely to be raised only by indirect competitors or those non-competitors who nevertheless operate in the same field. Overly stringent standing rules that preclude such challenges similarly preclude important development of the patent law.

Finally, aligning this Court's patent standing jurisprudence with the Supreme Court's and other courts' broader Article III holdings need not result in a flood of abusive or opportunistic validity litigation. As described above, *see supra* at 14, a proper standing analysis opens the courthouse doors at least to those who face a threat to current economic activity. Although that standard may not represent the outer limit of Article III standing, it can hardly be read to authorize generalized citizen suits.

Act apply only to patents that result from applications filed after March 16, 2013. *See* Pub. L. No. 112-29, § 6(f)(2)(A), 125 Stat. 284, 311.

In addition, the Court still has available to it a wide variety of prudential or discretionary doctrines to weed out suits that are especially pernicious. Standing has a prudential component, *see, e.g., Akins*, 524 U.S. at 20 (“[P]rudential standing is satisfied when the injury asserted by a plaintiff arguably falls within the zone of interests to be protected or regulated by the statute in question.”) (internal quotation marks, brackets, and ellipses omitted), as does ripeness, *see, e.g., National Park Hospitality Ass’n v. Dep’t of Interior*, 538 U.S. 803, 808 (2003) (“Determining whether [an] action is ripe for judicial review requires [the Court] to evaluate (1) the fitness of the issues for judicial decision and (2) the hardship of the parties of withholding court consideration.”). The Declaratory Judgment Act itself “provides that a court ‘*may* declare the rights and other legal relations of any interested party,’ not that it *must* do so.” *MedImmune*, 549 U.S. at 136 (quoting 20 U.S.C. § 2201(a)) (emphasis in original). District courts have discretion to hear declaratory judgment actions. *See 3M Co.*, 673 F.3d at 1376. These more flexible doctrines allow the Court to consider the individual circumstances of litigation without erecting a constitutional barrier to suits seeking to invalidate patents.

Accordingly, this Court should hold that plaintiffs who allege that they have been restrained from engaging in economic activity due to the presence of a potentially invalid patent have standing to sue for a declaration that the patent is invalid.

CONCLUSION

The judgment of the district court should be reversed.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that, on July 12, 2012, I electronically filed the foregoing *Amici Curiae* Brief of Intellectual Property Professors in Support of Plaintiffs-Appellants with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the CM/ECF system, which will send notice of such filing to all participants in the case who are registered CM/ECF users.

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**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME
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The undersigned certifies that this brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) and Federal Rule of Appellate Procedure 29. Exclusive of the portions exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii), this brief contains 5,070 words.

The undersigned further certifies that this brief complies with the typeface and type style requirements of Federal Rule of Appellate Procedure 32(a)(5) and (a)(6) because it has been prepared in a proportionally spaced typeface using Word 2007 in 14-point Times New Roman font.

July 12, 2012

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