



## IP: Licensor or licensee, who bears the burden of proving infringement?

THE SUPREME COURT SEEKS TO CLARIFY THE APPARENT DISCREPANCY BETWEEN ONE OF ITS RULINGS AND THE FEDERAL CIRCUIT'S DECISION IN *MEDTRONIC V. BOSTON SCIENTIFIC*

The Supreme Court recently granted a petition for *certiorari* to Medtronic, appealing the Federal Circuit's ruling in *Medtronic v. Boston Scientific*. In that case, the Federal Circuit held that a licensee who brings a declaratory judgment (DJ) action against a licensor bears the burden of proving non-infringement. The Supreme Court granted *cert* to clarify the apparent discrepancy between the *Medtronic* ruling and the Supreme Court's ruling in *MedImmune v. Genentech*, which held that a licensee could bring a declaratory judgment action against a licensor while the licensee was still in force.

The question the court accepted is whether, in such a DJ action brought by a licensee under *MedImmune*, the licensee has the burden of proving that its products do not infringe the patent, or whether (as is the case in all other patent litigation) the patentee must prove infringement.

### Background

In 1991, Medtronic Inc. sublicensed two patents from Eli Lilly and Co., predecessor in interest to Boston Scientific, which were exclusively licensed from Mirowski Family Ventures LLC (MFV). The patents relate to a device for cardiac resynchronization therapy (CRT). The 1991 agreement provided that Medtronic could bring a DJ action to challenge the validity of the licensed patents. In 2003 Medtronic brought a DJ action against MFV, seeking a judgment of non-infringement of the licensed patents. The parties entered into a litigation tolling agreement that obligated MFV to advise Medtronic which products were assertedly covered by the patents. In 2007, MFV identified several Medtronic products that MFV believed practiced the patented invention and Medtronic filed a DJ action of non-infringement. Because the license between Medtronic and MFV was still in existence, MFV could not

counterclaim for infringement.

The primary question during the suit was which party bears the burden of proof. In an interrogatory, MFV requested that Medtronic recite why it did not infringe the licensed patents. Medtronic filed an expert report setting out why the accused products did not infringe the patents. MFV submitted its own expert report addressing Medtronic's statements of non-infringement, but the report did not explicitly provide an analysis of why the Medtronic products were infringing. The district court held that the burden of proving infringement always lies with the patentee, and held that the MFV expert report was not sufficient to prove infringement.

At the Federal Circuit, the court reviewed the case in light of the Supreme Court's decision in *MedImmune*. In reaching its decision, the court in *MedImmune* rationalized that a licensee should not be required to breach a contract in order

to clarify the rights and duties of the parties under a license agreement, and therefore could bring a DJ action. *MedImmune* did not address which party had the burden of proof in such a DJ action.

In applying *MedImmune* to the Medtronic facts, the Federal Circuit noted that typically the party seeking relief has the burden of proof. It agreed that Medtronic could bring a DJ action under *MedImmune*, but held that since MFV was prevented from counterclaiming for infringement due to the license, and Medtronic was the party seeking relief and seeking to change the “status quo” of the license agreement, Medtronic had the burden of proving non-infringement. The Federal Circuit reversed the lower court decision on who has the burden of proof and remanded for further proceedings.

### **Briefs on the petition of *cert***

**MFV:** In its brief, MFV maintains the position of the Federal Circuit, i.e., that it is Medtronic that desires to change the “status quo” between the parties and should bear the burden of proving non-infringement. MFV also argues that because it cannot counterclaim for infringement due to the license agreement, it has no obligation to prove infringement. MFV argues that the negative impact of the *Medtronic* decision is more limited than Medtronic argues in its brief, noting that the

Federal Circuit stated that the “ruling applies only to ‘the limited circumstance’ of the 1991 license.”

**Medtronic:** In its brief, Medtronic argues that the burden of proof should not switch from the patentee to the licensee simply because the complaint was a DJ action. In typical DJ actions for infringement, the burden is on the party that asserts infringement. Medtronic argues that MFV actually initiated the action by asserting that Medtronic’s products fell within the scope of the licensed patents. Medtronic contends that the Federal Circuit’s ruling changes the presumption of validity, assuming that a new product infringes the licensed patents rather than the previously held presumption of non-infringement until proven by the patentee. Medtronic points out that the license was entered into in 1991, and the accused products were not on the market until 2004, and thus the court must necessarily have “presume[d]” that the later-developed products fall under the licensed patent claims. In its brief, Medtronic states that the matter in controversy is whether the patentee is entitled to take the licensee’s money as compensation for infringement. Medtronic asserts that in accordance with previous precedent, MFV should have the obligation to prove that the products meet every limitation of the patent claims, rather than

proceed under a presumption that there is infringement.

### **Possible outcomes**

The Supreme Court likely decided to hear the case in light of the seemingly incongruent decisions between the Supreme Court’s *MedImmune* decision and the decision by the Federal Circuit in *Medtronic*. The grant of *cert* raises the possibility that the Supreme Court will reverse the Federal Circuit decision and that the burden of proof will shift back to the patentee in cases where a DJ action was brought under a license agreement.

If the ruling is reversed, then the traditional party having the burden of proof in patent infringement cases is maintained. The patentee will still have the burden of proving that licensee’s products infringe any claims covered by a license or those issued after the license is implemented, even if the patentee did not actually counterclaim for infringement.

However, if the court upholds the Federal Circuit ruling, multiple questions arise. For example, such a ruling could result in a presumption of infringement as Medtronic argues. Additionally, it could require a licensee “to anticipate and refute all theories under which the accused products could be said to perform in ‘substantially the same way’ as the claimed invention.” If the high court upholds the

Federal Circuit decision, the licensee would bear the burden of analyzing every new claim that the licensor has issued that may or may not relate to the agreement, placing an additional burden on a licensee trying to develop new products outside the original license obligation.

All of this could have an impact on drafting license agreements going forward. The Medtronic license failed to explicitly identify who had the burden of proof if a DJ action were initiated. The Federal Circuit *Medtronic* decision indicated the holding is specific to the Medtronic facts and the 1991 license. In light of that *proviso*, instead of leaving the burden of proof decision to the courts on a case-by-case basis, possibly giving rise to inconsistent decisions, it may be prudent to set out more specifically in the agreement the steps to be taken if a DJ action or controversy over patent infringement/validity develops in a licensee/licensor situation.

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