

10 Years Of MedImmune: What Trademark Owners Learned

Law360, New York (February 14, 2017, 11:09 AM EST) -- Last month marked 10 years since the U.S. Supreme Court sided with MedImmune in a royalty dispute with Genentech, transferring the power within a license agreement from the licensor to the licensee. This **Law360 Expert Analysis series** explores the decision's impact on licensing and litigation.



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Ten years ago, the Supreme Court redefined the standards for declaratory judgment jurisdiction in patent cases, forcing practitioners to reimagine intellectual property enforcement strategies. In *MedImmune LLC v. Genentech Inc.*, the Supreme Court held that a patent licensee was not required to breach a license agreement, and thus expose itself to a lawsuit, in order to establish a valid case or controversy triggering declaratory judgment jurisdiction. [1] Although *MedImmune* applied the standard to a patent dispute, courts quickly began applying the new standard to trademark cases as well.

MedImmune set forth a new, less rigorous standard for satisfying the case or controversy requirement in a declaratory judgment action. Specifically, the Supreme Court clarified that a case or controversy exists when, “under all the circumstances,” the facts alleged show that there is substantial controversy between parties having adverse legal interests “of sufficient immediacy and reality to warrant the issuance of declaratory judgment.”[2] *MedImmune* overruled the “reasonable apprehension” test and eliminated the requirement

that a facially valid cause of action for infringement, or some other violation of law, be present in order to warrant declaratory judgment jurisdiction.[3] Most courts have interpreted MedImmune to mean that demand letters should be subject to increased scrutiny, which makes intellectual property owners more vulnerable to declaratory judgment.

Practitioners initially worried that MedImmune would sweep too broadly and severely limit enforcement of intellectual property rights due to the increased threat of federal litigation. However, the amended standard has not led to the explosion of declaratory judgment suits that some had feared. In fact, MedImmune has provided greater predictability as to the circumstances that will warrant jurisdiction, allowing trademark owners to make informed decisions about their enforcement strategies.

Specifically, in the decade since MedImmune, several factors have emerged as indicators of a finding of declaratory judgment jurisdiction: (1) a long history of conflict between the parties, (2) initiation of opposition proceedings, and (3) a demand letter containing: (a) threats of litigation, (b) accusations of infringement, (c) a recitation of the elements of infringement, or (d) a refusal to allow the marks to coexist in the marketplace. Trademark owners who seek to avoid federal jurisdiction should craft their correspondence to possible infringers with these factors in mind.

Furthermore, in preparing a demand letter, practitioners should look to case law applying MedImmune to guide their approach. For example, in recent years, some courts have used their discretion to limit MedImmune's reach and offer trademark owners guidance as to how to avoid declaratory judgment jurisdiction.[4] The Southern District of New York, for example, held in *Vina Casa Tamaya SA v. Oakville Hills Cellar Inc.* that a demand letter, followed by an opposition proceeding filed with the Trademark Trial and Appeal Board, was not enough to subject the defendant to federal jurisdiction.[5]

In that case, the defendant, Oakville Hills, sent a letter demanding Vina Casa abandon its pending trademark application and forgo filing any other applications for confusingly similar marks.[6] While Oakville Hills mentioned that it had vigorously protected its mark in the past, it never specifically threatened litigation.[7] When Vina Casa did not respond to the letter, Oakville Hills filed an opposition to Vina Casa's trademark application.[8]

In support of its decision, the court noted that the demand letter did not: (1) claim trademark infringement, (2) request Vina Casa discontinue use of the mark, or (3) make any further demands beyond abandoning the trademark application.[9] Significantly, the court also clarified that settlement discussions are only one factor in the MedImmune analysis. Therefore, although Oakville Hills rejected proposals that would have allowed the plaintiff to continue using the mark, a factor that typically weighs in favor of finding a case or controversy, the court stated that "parties should be encouraged to engage in interest based negotiation without making a federal case out of it." [10]

Vina Casa illustrates the ongoing importance of careful draftsmanship in preparing demand letters when a brand owner wishes to minimize the risk of facing a declaratory judgment action. Although Oakville Hills never threatened any particularized actions, it effectively required Vina Casa to discontinue its efforts to federally protect its mark when it demanded Vina Casa abandon its trademark application and refrain from filing any new applications for similar marks. However, because the defendant did not overtly threaten to initiate litigation, the court distinguished Oakville Hills' behavior from other cases in which enforcement efforts involved express threats of an infringement or suit.[11]

To minimize the risk of declaratory judgment jurisdiction, a trademark owner should therefore avoid enforcement rhetoric such as “cease and desist,” “infringement,” “lawsuit,” as well as requests that the party abandon all use of its trademark. Rather, a trademark owner should simply explain its trademark rights and request the parties engage in discussion about the future use of their trademarks.

Clearly, foresight is key to avoiding declaratory judgment jurisdiction. It is important that a trademark owner consider the consequences of its actions from the outset of a dispute, because attempting to avoid declaratory judgment jurisdiction after threats of suit or infringement occur, requires an owner to essentially forgo its ability to enforce its rights against that party. In Nike Inc. v. Already LLC, the Second Circuit held there was no case or controversy for purposes of a declaratory judgment where parties entered a covenant not to sue for both past and future infringement.[12] Nike originally filed a federal lawsuit against Yums for trademark infringement; however Nike determined the case didn’t warrant the time or money spent on litigation and entered into a covenant not to sue for infringement. After the agreement was executed, Yums requested declaratory judgment claiming that a controversy persisted because Nike’s litigation constituted continuing “libel.” The court ultimately decided that the breadth of the covenant, specifically, the promise to forgo suit for both past and future infringement, eliminated any case or controversy.

While Nike demonstrates one path by which a trademark owner can mitigate the effects of its enforcement measures, which trigger declaratory judgment jurisdiction, it also illustrates that the costs are significant. Indeed, forfeiting an infringement claim through a covenant not to sue may be considered in many circumstances as a worse result than being compelled to litigate the dispute as a declaratory defendant.

Other tactics of avoiding jurisdiction short of a binding agreement not to sue have been less successful. In Lee v. Makhnevich, the district court rejected the argument that the declaratory defendant was “just kidding” when it first threatened litigation and that it did not intend to act on its threats.[13]

Ultimately, despite the initial worries surrounding MedImmune, the past decade has proven that practitioners still have tools in their arsenal to both advance their client’s enforcement efforts and mitigate the risk of triggering declaratory judgment jurisdiction. Furthermore, as courts continue to interpret and apply MedImmune, they may build on the foundation laid by Vina Casa and provide guidance to brand owners on how to police their marks without making a potential “federal case” out of every demand letter.

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[1] Medimmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007).

[2] Id. at 127.

[3] See Teva Pharms. USA, Inc. v. Pfizer, Inc., 395 F.3d 1324, 1331 (Fed. Cir. 2005).

[4] See *Hogs & Heroes Found., Inc. v. Heroes, Inc.*, 2016 U.S. Dist. LEXIS 109661 (D. Md. Aug. 18, 2016) (settlement discussions coupled with suspended TTAB opposition proceeding did not rise to the level of a case or controversy); *Simoniz USA, Inc. v. Dollar Shave Club, Inc.*, 2016 U.S. Dist. LEXIS 170505 (D. Conn. Dec. 9, 2016) (finding declaratory judgment is inappropriate where, despite Defendant's enforcement measures, Plaintiff could not show definite intent and ability to use the trademark).

[5] *Vina Casa Tamaya S.A. v. Oakville Hills Cellar, Inc.*, 784 F. Supp. 2d 391 (S.D.N.Y. 2011).

[6] *Id.* at 394.

[7] *Id.*

[8] *Id.*

[9] *Id.* at 395.

[10] *Id.* at 396.

[11] *Contra Blue Athletic, Inc. v. Nordstrom, Inc.*, 2010 U.S. Dist. Lexis 72615 (D. N.H. July 19, 2010) (allowing a declaratory judgment action where demand letters demanded the alleged infringer cease use of the mark); *Express Scripts Inc. v. Intel Corp.*, No. 4:09CV00796 ERW, 2010 U.S. Dist. LEXIS 18933 (E.D. Mo. Mar. 3, 2010) (finding a case or controversy where demand letter stated opposing party was infringing its marks); *Homie Gear, Inc. v. Lanceberg Holdings, LLC*, Case No. 16cv1062 (S.D. Cal. Nov. 16, 2016) (a letter outlining trademark infringement claims plus an opposition proceeding established a case or controversy).

[12] *Nike, Inc. v. Already, LLC*, 663 F.3d 89 (2d Cir. 2011).

[13] 2013 U.S. Dist. LEXIS 43760, at*4 (S.D.N.Y. Mar. 27, 2013) (Defendants can't pretend their notices were "just kidding"); see also *Sasson v. Presse*, 2016 U.S. Dist. LEXIS 52902 (N.Y.S.D. Apr. 20, 2016) (the party attempting to avoid declaratory judgment cannot merely "disavow" prior threats).

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