

Keywords: subject matter jurisdiction; case or controversy; Rule 12(b)(1) motion; declaratory judgment; licensing negotiations

General: Plaintiff's action for declaratory judgment of noninfringement of defendants' patent is dismissed for lack of justiciable controversy, since parties were engaged in licensing negotiations when plaintiff filed suit, and defendants' correspondence with plaintiff did not create reasonable apprehension of infringement suit.

Livorsi Marine Inc. v. Nordskog Publishing Inc.
67 U.S.P.Q.2d 1956 (N.D. Ill. 2003)
Decided June 18, 2003

I. Facts

This case is an action by Livorsi Marine Inc. against Nordskog Publishing Inc. and Nordskog Performance Products Inc. for declaratory judgment of patent invalidity and noninfringement of defendants' patent No. 6,353,781, which relates to a GPS-controlled marine speedometer unit.

In a letter dated July 16, 2002, defendants notified Livorsi of the '781 patent and invited Livorsi to engage in licensing negotiations. After Livorsi's failure to respond to this letter, defendants sent a follow-up letter reiterating their desire to engage in licensing negotiations and, also, requesting information regarding other companies that may infringe the '781 patent. On August 14, 2002, Livorsi sent a response letter requesting an identification of the plaintiff's products and the corresponding claims of the '781 patent, which the defendants believed were infringed by Livorsi's products. On September 18, 2002, defendants replied in a letter identifying claims 1-4 and 7 of the '781 patent and Livorsi's GPS speedometers, while also reiterating the previously proposed licensing negotiations.

During this correspondence between Livorsi and defendants, the defendants also corresponded with Auto Meter, which is a company that manufactures Livorsi's marine speedometer. On August 5, 2002, defendants sent a letter to Auto Meter demanding that Auto Meter cease and desist infringement of the '781 patent. On August 12, 2002, Auto Meter responded by stating that its products differed from the claims of the '781 patent and were based on prior art. On August 30, 2002, defendants replied with another cease and desist letter and proposed licensing negotiations.

In view of defendants' actions, Livorsi filed suit on October 16, 2002, for a declaratory judgment of patent invalidity and noninfringement. As discussed in detail below, the court granted the defendants' motion to dismiss for lack of subject matter jurisdiction.

II. Issues

Does an actual case or controversy exist if the parties are engaged in licensing negotiations regarding a patent?

III. Discussion

No. Ongoing licensing negotiations generally preclude an action for declaratory judgment, because there can be no actual controversy.

In patent cases, courts apply a two-part test to determine whether an actual controversy exists. Specifically, the court must find both (1) an explicit threat or other action by the patent owner creating a reasonable apprehension of infringement suit on the part of the declaratory plaintiff, and (2) present activity constituting infringement or concrete steps being taken with the intent to conduct such activity. The first element requires conduct of the patentee risen to a level sufficient to indicate an intent to enforce the patentee's patent. If there is no express charge of infringement, then a court must look to the totality of the circumstances as of the filing date. In the context of licensing negotiations, an actual controversy does not exist until licensing negotiations have broken down.

In the instant case, the parties agreed that the licensing negotiations did not break down until February 2003, when Livorsi served defendants. In addition, the circumstances of the instant case do not support a reasonable apprehension of an infringement suit. As stated by the court, a nervous state of mind of a possible infringer is insufficient to support a reasonable apprehension of infringement suit. In the instant case, the court stressed that defendants repeatedly proposed licensing negotiations with Livorsi. Regarding defendants' letters stating that it "has not been singled out . . . concerning possible patent infringement," the court indicated that this language does not constitute an express charge of infringement. Regarding defendants' cease and desist letters to Auto Meter, the court noted that these letters were insufficient given that Livorsi and defendants were still undergoing licensing negotiations.

Thus, the court found that Livorsi failed to establish that an actual controversy existed at the time it filed its complaint.