Keywords: **subject matter jurisdiction; declaratory judgment; Declaratory Judgment Act**

General: **The Federal Circuit holds that representations to a third party that technological characteristics of a device are similar to an existing patented device and telephone conversations with uninformed, non-decisionmaking employees of the patentee do not create a controversy of sufficient immediacy to warrant declaratory jurisdiction.**

Innovative Therapies, Inc. v. Kinetic Concepts, Inc.
No. 2009-1085 (Fed. Cir. Apr. 1, 2010)

I. Facts

Kinetic Concepts, Inc. (KCI) owns or possesses exclusive license to five patents related to medical devices for negative pressure wound therapy. In 2006, several KCI employees formed a new company, Innovative Therapies, Inc. (ITI) with Dr. Paul Svedman, a surgeon working in the field of negative pressure wound therapy. ITI developed a negative pressure wound therapy device, the Svedman Wound Treatment System, and obtained expedited pre-marketing approval based on representations to the FDA that the Svedman device has the "'same technological characteristics' as KCI's previously approved wound therapy device and other FDA-approved devices that KCI has charged with infringement."

On September 12, 2007, ITI's Chief Technology Officer, David Tumey, previously the Director of R&D at KCI, called former colleague Michael Girouard, KCI's Director of Marketing. Tumey described the Svedman device to Girouard and asked Girouard what he thought KCI's response would be if ITI launched the Svedman device. Girouard said that KCI would "act aggressively . . . if it determined that the product infringed the KCI patents."

On September 17, 2007, Tumey called another former colleague, Michael Burke, who was KCI's Senior Vice President of Manufacturing. Tumey first discussed Burke's upcoming retirement and then began discussing the Svedman device. After describing the Svedman device, Tumey asked how Burke thought KCI would react if ITI launched the Svedman device. Burke stated that "any product that 'scratches the surface of our patents' would be the subject of a lawsuit."

On September 25, 2007, ITI filed suit for a declaration that KCI's five patents are invalid and not infringed by the Svedman device that ITI planned to commercially offer on October 1, 2007. KCI moved to dismiss for lack of declaratory jurisdiction because KCI had not seen or examined ITI's device, and had not accused ITI of infringement. In response, ITI claimed the court did have jurisdiction because the combination of "(1) ITI's representations to the FDA, (2) ITI's phone calls to KCI executives, and (3) KCI's patent enforcement history" established a controversy under *MedImmune*.[1]

ITI allowed KCI to inspect the Svedman device in December 2007, after which KCI filed suit against ITI and KCI's former employees for breach of confidentiality agreements and misappropriation. Further, KCI filed a patent infringement suit against ITI. ITI then filed an Amended Complaint (treated by the district court as a supplemental pleading), adding new claims for false advertising and unfair competition; KCI filed another motion to dismiss for lack of declaratory judgment jurisdiction. The district court granted KCI's motion to dismiss and held that though the suits KCI filed later showed an actual controversy existed at a later date, the circumstances ITI cited at the time the complaint was filed did not establish declaratory jurisdiction. ITI appealed to the Federal Circuit.

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

II. Issues

A. Did the district court err in conducting *MedImmune*'s totality of the circumstances test to determine that declaratory jurisdiction did not exist?

B. Did the district court abuse its discretion in its decision to dismiss the declaratory action including the supplemental complaint?

III. Discussion

A. No. The Federal Circuit affirmed the district court's dismissal of ITI's declaratory judgment action. The Federal Circuit agreed with the district court's evaluation of each of the three factors. For the first factor, the Federal Circuit found that even if KCI was aware of ITI's representations to the FDA, that knowledge alone would not create a controversy under the Declaratory Judgment Act.

Regarding the second factor, the district court stated ITI's phone calls to KCI produced impromptu responses from the patentee's employees "who were not in decision-making positions and who were not informed of the real purpose behind the conversations." Further, because the KCI employees had never seen or inspected the Svedman device, their comments were not an assertion of patent rights. The Federal Circuit agreed that the conversations "did not constitute a threat of suit for patent infringement" and thus did not produce a controversy warranting declaratory jurisdiction.

For the third factor, the district court found no controversy existed between KCI and ITI in light of KCI's history of patent enforcement and proactive litigation where KCI had not seen or evaluated the device in question. The Federal Circuit cited *MedImmune* and stated that though a history of prior litigation is a factor to be considered in assessing the totality of circumstances, any litigation KCI has filed against other devices does not meet the *MedImmune* standard if KCI has no pending actions directed at ITI. Prior litigious conduct is one factor in evaluating the totality of circumstances to determine if an actual controversy exists.

B. No. The Federal Circuit found no abuse of discretion in the district court's decision to dismiss the case based on the exercise of the court's discretion. Specifically, the district court observed that ITI's practices of not allowing KCI to inspect the Svedman device and calling KCI in a "sub rosa effort to create jurisdiction" did not serve the objectives of the Declaratory Judgment Act. The district court also commented that the issues ITI raised were covered in the suits KCI raised in other courts. The Federal Circuit noted district courts are afforded broad discretion in administering declaratory judgment practice.

In addition, the Federal Circuit found no error in the district court's dismissal of the supplemental complaint (Amended Complaint). The district court determined that no actual controversy existed at the time of the original complaint and therefore the court had no declaratory jurisdiction even if a supplemental pleading did establish a controversy based on later actions. ITI relied on *Prasco* in which the court considered the Amended Complaint as the basis of its review; however, the Federal Circuit clarified that, unlike in ITI's case, jurisdiction existed in *Prasco* at the filing of the original complaint.[2] Jurisdiction based on events subsequent to the initial complaint cannot relate back to the initial filing date to create an actual controversy.

[2] Prasco, L.L.C. v. Medicis Pharm. Corp., 537 F.3d 1329 (Fed. Cir. 2008).