



UNIVERSITY OF
MARYLAND
SCHOOL OF LAW

**PATENT LAW
UPDATE**

***Vanguard
Research, Inc.***
v.
PEAT, Inc.

No. 01-1373
Federal Circuit
Sept. 9, 2002

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On September 9, 2002, the Federal Circuit reversed the district court’s order dismissing with prejudice Vanguard’s declaratory judgment action alleging noninfringement, invalidity, and unenforceability of U.S. Patent No. 5,534,659 for lack of case or controversy. The patented technology related to a high temperature thermal destruction and recovery waste processing system (TDR). The Federal Circuit stated:

Vanguard argues that it is subject to a continuing reasonable apprehension that PEAT will ultimately sue it for infringement of the ‘659 patent. . . . PEAT counters, arguing that it has never filed a patent claim against Vanguard and “still has not indicated any intention of doing so.” PEAT made the same claims at the district court and prevailed. The district court found that “this current case was interposed solely for delay and not because any controversy exists, as required by 28 U.S.C. § 2201.

The reasonableness of a party’s apprehension is judged using an objective standard. Although the best evidence of a reasonable apprehension of suit comes in the form of an express threat of litigation, an express threat is not required. To invoke the court’s declaratory judgment jurisdiction, a plaintiff must show “more than the nervous state of mind of a possible infringer,” but does not have to show that the patentee is “poised on the courthouse steps.”

[T]he district court erred in finding no actual controversy between the parties. . . . Here, PEAT sued Vanguard for, among other things, misappropriation of trade secrets regarding the same technology in the same district court. The Alabama district court found no actual controversy based on “PEAT’s repeated statement that it does not intend to sue Vanguard for patent infringement and its ongoing failure to bring such a suit.” However, a patentee’s present intentions do not control whether a case or controversy exists. The appropriate inquiry asks whether Vanguard had a reasonable apprehension that PEAT would sue it for patent infringement in the future. By filing the earlier lawsuit and informing Vanguard’s clients that Vanguard is using the PEAT technology without a license, PEAT has shown “a willingness to protect that technology.” Filing a lawsuit for patent infringement would be just another logical step in its quest to protect its technology.

[T]here was a reasonable apprehension of suit on the part of Vanguard. The district court clearly erred to the extent that it found otherwise. Moreover, because the second jurisdictional prerequisite – engaging in activity subject to an infringement charge – is uncontested and met here, we hold that there was a sufficient case or controversy between the parties to invoke the jurisdiction of the court under the Declaratory Judgment Act, 28 U.S.C. § 2201. Thus, the district court erred in concluding that it did not have jurisdiction over the declaratory judgment action, and the judgment of dismissal with prejudice is reversed. In light of our determination that there was a sufficient case or controversy to invoke the court’s jurisdiction, we need not and do not reach the issue of whether PEAT was collaterally estopped from challenging the Alabama court’s jurisdiction based on the decision of the Virginia court.