

Supreme Court Rules That Licensor Has Burden of Proving  
Infringement Even When Licensee Is The Plaintiff  
by David R. Todd

On January 22, 2014, the Supreme Court issued its decision in *Medtronic, Inc. v. Mirowski Family Ventures, LLC*. Medtronic has a license that allows Medtronic to exploit the technology covered by two Mirowski patents in exchange for royalty payments to Mirowski. The license agreement requires Mirowski to identify any Medtronic products that Mirowski believes to be covered by the licensed patents but allows Medtronic to challenge that designation by filing an action for a declaratory judgment of noninfringement or invalidity. At the same time, Medtronic may avoid liability for patent infringement by paying the royalties otherwise owed on those products into escrow. In this case, Mirowski identified several products as being covered by the licensed patents, and Medtronic then sued Mirowski seeking a declaratory judgment of noninfringement and invalidity.

The U.S. District Court for the District of Delaware concluded that Mirowski had the burden of proving infringement because it was the patent owner, and that it had failed to meet that burden. On appeal, the Federal Circuit concluded that the burden should have been placed on Medtronic because it was Medtronic that was the plaintiff and it was Medtronic that was seeking to alter the status quo. The Federal Circuit envisioned a case in which Medtronic “should have to prove that at least one limitation of each claim of [Mirowski’s] patents is not met by Medtronic’s products.” 695 F.3d 1266, 1271 (Fed. Cir. 2012).

The Supreme Court reversed, holding that Mirowski has the burden of proving infringement. The Court reached its conclusion by applying “[s]imple logic” to “settled case law” and by relying on several “practical considerations.”

First, the Court relied on the following three propositions established by case law: (1) the burden of proving infringement generally rests upon the patentee, (2) the Declaratory Judgment Act is only “procedural,” leaving substantive rights unchanged, and (3) the burden of proof is a substantive aspect of a claim. According to the Court, logic dictated from these propositions “taken together” that “in a licensee’s declaratory judgment action, the burden of proving infringement should remain with the patentee.”

Second, the Court relied on three practical considerations. First, the Court explained that

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where the evidence is inconclusive, shifting the burden would create an untenable situation in which a licensee is not able to obtain a declaratory judgment of noninfringement but the licensor is not able to obtain a judgment of infringement. Second, the Court posited that shifting the burden would require the licensee “to negate every conceivable infringement theory,” a situation that would “create unnecessary complexity.” And finally, the Court observed that shifting the burden would “create a significant obstacle” to the use of declaratory judgment actions, when the “very purpose” of declaratory judgment actions in this context is to eliminate the hard choice between continuing to pay royalties or risking the consequences of a suit for infringement.

In response to a concern raised by the Intellectual Property Owners Association as *amicus curiae*, the Court stated that its rule would not overly burden licensors because it would only require proof of infringement in the presence of a “genuine dispute” between licensors and licensees of “sufficient immediacy and reality.”

The Court also responded to an argument by *amicus curiae* Tessera Technologies, Inc. that this case does not “arise under” the patent laws and presents instead a state law claim that may not belong in federal court. The Court concluded that a dispute such as this in which a licensee’s failure to pay royalties would allow the licensor to terminate the license and sue the licensee for patent infringement—even if termination was “unlikely”—is a case that “arises under” the patent laws and is therefore subject to the exclusive jurisdiction of the federal courts.

The full text of Justice Breyer’s opinion for the Court can be found at:

[http://www.supremecourt.gov/opinions/13pdf/12-1128\\_h315.pdf](http://www.supremecourt.gov/opinions/13pdf/12-1128_h315.pdf)