

No. 12-1128

IN THE
Supreme Court of the United States

MEDTRONIC, INC.,

Petitioner,

v.

BOSTON SCIENTIFIC CORPORATION,
GUIDANT CORPORATION, AND
MIROWSKI FAMILY VENTURES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF OF KONINKLIJKE PHILIPS, N.V. AS
AMICUS CURIAE IN SUPPORT OF RESPONDENTS**

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QUESTION ADDRESSED BY *AMICUS CURIAE*

When a licensee seeks a declaratory judgment that its products do not practice a patent, which party bears the burden of proof regarding patent infringement?

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INTEREST OF THE *AMICUS CURIAE*

Amicus Curiae Koninklijke Philips N.V. is the parent corporation of a worldwide family of companies (“Philips”).¹ Philips has been inventing and manufacturing electronic and electrical products for over 120 years and is one of the largest users of the patent system in the United States and other industrialized countries.

Last year, Philips filed U.S. patent applications for over 1300 inventions. Scientists and engineers at our laboratories have made pioneering advances in the fields of high efficiency lighting, medical diagnosis and imaging, high definition television, optical CD and DVD recording, and digital rights management. Philips receives hundreds of millions dollars as annual income from patent licensing activities. Philips is both a licensor and a licensee of patent rights, and we have a strong interest in ensuring the efficient operation of license agreements, both inside and outside of a litigation context. As such, Philips’ interest is in having a clear and appropriate rule regarding the burden of persuasion in declaratory judgment actions of non-infringement. An equally important interest of Philips is the strong public policy consideration of freedom of contract, and we would hope that such a rule will be set forth in a manner that does not frustrate the ability of sophisticated parties to freely contract to place the burden of persuasion where they see fit.

1. *Amicus Curiae* submits this brief with written consent of the parties. Such consents are being submitted herewith. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation of submission of this brief. No person other than *amicus curiae* made a monetary contribution intended to fund its preparation or submission.

INTRODUCTION

This case presents the question of whether the burden of persuasion should lie with the patentee or the party seeking relief in a declaratory judgment action of non-infringement. The landscape of the patent licensing business arena has substantially changed in recent years. In the past, the majority of reported patent license disputes involved agreements that were made to settle infringement litigation or which simply permitted manufacture of identified products under a single patent, or perhaps a few related patents. But today, popular consumer and commercial products typically must comply with government and private standards and are arguably covered by tens or even hundreds of patents.² Sophisticated companies bargain for design freedom by entering into broad, forward-looking licenses and non-assertion agreements. Oftentimes those bargains are directed to bundles of patents and other intellectual property rights and they intentionally capture potentially weak patents along with other strong and potentially essential rights. The licensor and licensee both recognize the relative strengths and risk factors and the price paid

2. There are reportedly 250,000 active United States patents that impact “smart” mobile telephones. Mike Masnick, *There Are 250,000 Active Patents That Impact Smartphones; Representing One In Six Active Patents Today*, Innovation (Oct. 18, 2012, 8:28 AM), <http://www.techdirt.com/blog/innovation/articles/20121017/10480520734/there-are-250000-active-patents-that-impact-smartphones-representing-one-six-active-patents-today.shtml>.

for the license is essentially a cost of insurance against those risks.³

It is also important to appreciate that patent license and non-assertion commitments frequently arise as components of sophisticated technology development and transfer partnerships.⁴ There is an undesirable likelihood for upsetting the balance of these arrangements if the patent aspects are treated in isolation from the other business and technical arrangements.

3. “Thus, package licensing [of essential patents with non-essential patents] provides the parties a way of ensuring that a single licensing fee will cover all the patents needed to practice a particular technology and protecting against the unpleasant surprise for a licensee who learns, after making a substantial investment, that he needed a license to more patents than he originally obtained. . . . [G]rouping licenses in a package allows the parties to price the package based on their estimate of what it is worth to practice a particular technology, which is typically much easier to calculate than determining the marginal benefit provided by a license to each individual patent.” *U.S. Philips Corp. v. Int’l Trade Comm’n.*, 424 F.3d 1179, 1193 (Fed. Cir. 2005).

4. The patent statutes have been repeatedly amended in recent years to account for the effects of joint research agreements and the ownership of patents for inventions made in the course of those agreements. The provisions of 35 U.S.C. § 103, which apply to patent applications and patents filed prior to March 16, 2013, effectively allowed participants in joint development agreements to obtain overlapping patents on otherwise obvious variants of the same invention. Pursuant to the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), those provisions were repealed with respect to newer patent applications and replaced with provisions that are now incorporated in Sections 35 U.S.C. 100 and 102(c).

Prior to this Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), a licensee did not have declaratory judgment jurisdiction while it continued to make royalty payments under a license agreement. Today, a licensee may freely challenge the validity of a licensed patent without breaching the license agreement and opening itself up to the possibility of an infringement suit by the patentee. *Id.* at 137. Similarly, where a licensor and licensee dispute patent scope pertaining to one of the licensee's products, the licensee may be able to obtain relief from certain obligations under the license agreement by seeking a declaratory judgment of non-infringement. Philips supports the Respondents' assertion that the burden of persuasion in this case should rest with the licensee; we stand with the positions set forth in the Intellectual Property Owners Association's *amicus* brief.⁵

However, even if the Court holds that the patentee should bear the burden of persuasion in this case, we strongly believe that the Court should also expressly acknowledge that sophisticated parties' retain freedom, via contract, to shift the burden of persuasion relating to patent infringement to the licensee. The arguments submitted herein are thus focused on this aspect.

SUMMARY OF THE ARGUMENT

Philips supports the Respondents' assertion that the burden of persuasion in this case should rest with the

5. Philips is a member of the Intellectual Property Owners Association (IPO) and participated on the IPO Board of Directors and the IPO *Amicus* Brief Committee that debated and approved the IPO *amicus* brief.

licensee, and we stand with the positions set forth in the Intellectual Property Owners Association's *amicus* brief. Absent controlling authority, reasonable minds may differ as to how the burden of proof (or persuasion) ought to be assigned. We respectfully submit that no one view will fit every situation and therefore the parties are in the best position to understand the particulars of their situation and to negotiate and bargain in an effort to reach a fair allocation of burden(s) through contract, if they so choose.

ARGUMENT

I. SHIFTING THE BURDEN OF PERSUASION REGARDING INFRINGEMENT SHOULD BE ALLOWED BY CONTRACT

Courts have traditionally allowed parties to contractually agree to modify litigation rights and rules. For instance, this Court has enforced a contractual agreement in which a party waived objection to personal jurisdiction despite the absence of minimum contacts with the forum. *Nat'l Equip. Rental, Ltd. v. Szukhent*, 375 U.S. 311, 315-16 (1964). Individuals may waive their due process rights by appointing an agent for service of process in that forum. *Id.* Similarly, forum selection clauses are often included in contracts and enforced by the courts. Other litigation rights have also been contractually determined, including waiver of notice and hearing, right to trial by jury, arbitration, and certain rules of evidence and rules of civil procedure.⁶ Absent

6. See generally Henry S. Noyes, *If You (Re)Build It, They Will Come: Contracts to Remake the Rules of Litigation in Arbitration's Image*, 30 HARV. J.L. & PUB. POL'Y 579 (2007).

controlling authority, reasonable minds may differ as to how the burden of proof (or persuasion) ought to be assigned.⁷ We respectfully submit that no one view will fit every situation and therefore the parties are in the best position to understand the particulars of their situation and to negotiate and bargain in an effort to reach a fair allocation of burden(s) through contract, if they so choose.⁸

Other *amici* appear to be in agreement that sophisticated parties should be free to shift the burden of persuasion as they deem appropriate by contract. Tessera Technologies, Inc. asserts that the lower courts must be given a chance to consider “whether the parties contracted out of the default choice-of-law rule on the burden of persuasion,” implicitly acknowledging that such contracting around would be appropriate. *See* Brief for Tessera Technologies, Inc. as *Amicus Curiae* 37. Further, the United States notes that “[n]othing in the . . . agreements suggests that the parties intended the courts to do anything other than apply the same legal rules that would govern a similar declaratory judgment action between [different] parties,” again signaling that a contractual agreement that explicitly shifted the burden

7. Robert E. Scott & George G. Triantis, *Anticipating Litigation in Contract Design*, 115 YALE L.J. 814 (2006). For example, a licensee may agree to accept a burden-shifting provision prior to any infringement dispute in exchange for a lower royalty rate, or some other concession.

8. *See* Noyes, *supra* note 6, at 601. We recognize that there might be instances where parties should not be allowed to re-allocate these burdens, if, for instance, parties to an agreement have a different level of understanding or sophistication with regard to the transaction or bargaining posture, or if such an allocation would contradict a statute.

of persuasion should compel a different result. *See* Brief for United States as *Amicus Curiae* 10.⁹

With respect to the facts of the subject case, the Declaratory Judgment Act of 1934, Ch. 512, 48 Stat. 955, provides a remedy for patent licensees to seek an early adjudication of a patent infringement threat. The statute provides that “any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.” 28 U.S.C. § 2201(a). It is respectfully submitted that because neither the Declaratory Judgment Act nor the provisions of Title 35 of the United States Code state or imply how the burden of persuasion should be allocated, the parties should be permitted to allocate the burden as they see fit.

9. Other courts have implied that the burden of proof may be shifted by contract. *See, e.g., In re Marine Sulphur Queen*, 460 F.2d 89, 103-04 (2d Cir., 1972) (“[I]n light of the fact that the ordinary burden of proof between a private shipper and carrier was not altered either by statute or contract, the [default] rule . . . prevails.”).

CONCLUSION

For the foregoing reasons, the Federal Circuit's judgment should be affirmed, and sophisticated parties should be free to shift, by contract, the burden of persuasion regarding infringement.

Respectfully Submitted,

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