

CLIENT ALERT

Adverse Economic Interest Not Sufficient To Confer Declaratory Judgment Jurisdiction

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In *Microchip Technology Inc. v. Chamberlain Group, Inc.* (No. 05-1339; March 15, 2006), the Federal Circuit vacates the district court's grant of summary judgment in favor of Microchip and remands with instructions to dismiss the action. Chamberlain sued several of Microchip's customers for patent infringement despite having entered into a settlement pursuant to which Chamberlain agreed not to bring suit against Microchip for patent infringement. Microchip filed a complaint with the district court seeking a declaration that the settlement between Microchip and Chamberlain precludes Chamberlain from enforcing the subject patents against Microchip's customers under the doctrine of patent exhaustion.

The Federal Circuit finds that the district court lacked jurisdiction under the Declaratory Judgment Act since no "actual controversy" exists, as required under the Act. An "actual controversy" exists, says the Federal Circuit panel, where there is a "reasonable apprehension" that a party will face a patent infringement suit. Without an underlying legal cause of action, an adverse economic interest is not considered to be a legally cognizable interest sufficient to confer declaratory judgment jurisdiction.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.