

## United States District Court, Northern District of Illinois

<b>Name of Assigned Judge or Magistrate Judge</b>	Blanche M. Manning	<b>Sitting Judge if Other than Assigned Judge</b>	
<b>CASE NUMBER</b>	06 C 4440	<b>DATE</b>	July 13, 2007
<b>CASE TITLE</b>	<i>Black &amp; Decker v. Bosch</i>		

### DOCKET ENTRY TEXT

For the reasons stated below, Black & Decker's motion to Counts X-XIII of the counterclaim [25-1] is denied.

■ [ For further details see text below.]

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### STATEMENT

Black & Decker Inc. and Black & Decker (U.S.) Inc. ("Black & Decker") have brought suit against Robert Bosch for alleged infringement of the so-called "Domes" patents, which deal with radio charger technology and Bosch's production of the Power Box radio. Bosch has asserted a counterclaim seeking a declaratory judgment of non-infringement, invalidity and unenforceability of two of Black & Decker's so-called "Smith" patents, which also closely relate to radio charger technology. Black & Decker moves to dismiss Bosch's counterclaims X through XIII for lack of federal subject matter jurisdiction pursuant to Fed. R. Civ. P. 12(b)(1) and 28 U.S.C. § 2201 on the ground that no case or controversy exists as to these two Smith patents. For the reasons stated below, the motion is denied.

#### **I. Background**

Black & Decker owns two families of patents related to radio charger technology. The first family of patents are the "Domes" (invented by Joseph Domes) family of patents: U.S. Patent No. 6,308,059; U.S. Patent No. 6,788,925; and U.S. Patent No. 7,043,283. The second family of patents are the "Smith" patents: U.S. Patent No. 6,946,688 and 6,427,070. In the instant suit, Black & Decker alleges that Bosch's so-called "new" Power Box infringes its Domes patents.

In an earlier suit brought in the Northern District of Illinois, case no. 04 C 7955, assigned to Judge St. Eve, Black & Decker alleged that Bosch's "old" Power Box infringed various claims of the Domes '059 and '925 patents (but not the Smith patents). Specifically, on November 1, 2004, Black & Decker sent a cease and desist letter to Bosch charging Bosch with infringing the Domes '059 and '925 patents by selling the "old" Power Boxes. The November 1, 2004 letter did not mention the Smith patents. Black & Decker then filed the previously mentioned lawsuit in front of Judge St. Eve. Prior to trial, Judge St. Eve granted Bosch's motion in limine to preclude Black & Decker from raising new accused products at trial (i.e., the "new" Power Box). After a jury trial, a judgment for willful infringement was entered in September 2006 against Bosch as to certain claims of the Domes patents.

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On August 17, 2006, Black & Decker filed the instant suit alleging that Bosch's sales of its New Power Box infringed the '283 Domes patent and then later added (based on Judge St. Eve's in limine ruling) allegations of infringement as to the Domes '925 and '059 patents. On October 27, 2006, Bosch filed its answer and counterclaims, the latter of which included the claims based on the Smith patents above-described (the '688 and the '070).

### II. Standard

"[F]ederal courts lack jurisdiction unless the contrary appears affirmatively from the record." *Sprint Spectrum L.P. v. City of Carmel*, 361 F.3d 998, 1001 (7<sup>th</sup> Cir. 2004)(internal quotations marks and citations omitted). "It is [the counterplaintiff's] responsibility to clearly allege facts that invoke federal court jurisdiction." *Id.* Federal Rule of Civil Procedure 12(b)(1) requires dismissal of claims over which the federal court lacks subject matter jurisdiction. In reviewing a 12(b)(1) motion to dismiss for lack of subject matter jurisdiction, the court may look beyond the complaint to other evidence submitted by the parties. *United Transp. Union v. Gateway W. Ry. Co.*, 78 F.3d 1208, 1210 (7<sup>th</sup> Cir. 1996).

### III. Analysis

As an initial matter, the court notes that Bosch also filed a counterclaim against Black & Decker for invalidity and unenforceability of the Smith '070 patent (which is included in the counterclaim in this case) in the 04 C 7955 case before Judge St. Eve. On June 9, 2005, Judge St. Eve granted Black & Decker's motion to dismiss that counterclaim on the ground that no federal subject matter jurisdiction existed because Bosch had no reasonable apprehension of suit as to the Smith '070 patent. The court takes judicial notice of this order and the other proceedings in that case. *General Electric Capital Corporation v. Lease Resolution Corporation*, 128 F.3d 1074, 1080-82 (7<sup>th</sup> Cir. 1997)(collecting cases).

#### Actual Case or Controversy Test

"The existence of an actual controversy is an absolute predicate for declaratory judgment jurisdiction." *GAF Building Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479, 481 (Fed. Cir. 1996) (internal quotation marks and citations omitted). *See also* 28 U.S.C § 2201 (Declaratory Judgment Act). Moreover, "[t]he 'actual controversy' requirement is met only if there is a justiciable case or controversy in the constitutional sense [under Article III]." *Id.* (citations omitted). Until recently, the Court of Appeals for the Federal Circuit articulated a two-part test to ascertain whether an actual controversy exists in a declaratory judgment on patent invalidity or noninfringement:

First, the defendant in such an action must have engaged in conduct that created on the part of the declaratory plaintiff a reasonable apprehension that it will face an infringement suit if it commences or continues the activity in question. Next, the plaintiff ... must have actually produced the accused device or have actually prepared to produce such a device.

*GAF Building Materials* at 481 (citation omitted).

In two recent cases, however, the Federal Circuit acknowledged that the Supreme Court, in *Medimmune, Inc v. Genentech, Inc.*, – U.S. –, 127 S. Ct. 764 (2007), expressed disagreement with this two-part test. *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007); *Teva Pharmaceuticals USA, Inc., v. Novartis Pharmaceuticals Corp.*, 482 F.3d 1330 (Fed. Cir. 2007). As noted in *Teva Pharmaceuticals*, 482 F.3d at 1339 (internal citations omitted):

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In *MedImmune*, the Supreme Court in a detailed footnote stated that our two-prong “reasonable apprehension of suit” test “conflicts” and would “contradict” several cases in which the Supreme Court found that a declaratory judgment plaintiff had a justiciable controversy. In *MedImmune*, the Court disagreed with our “reasonable apprehension of imminent suit” test and re-affirmed that the “actual controversy” requirement in the Declaratory Judgment Act is the same as the “Cases” and “Controversies” requirement in Article III. . . .

Thus, because the Supreme Court in *MedImmune* cautioned that our declaratory judgment “reasonable apprehension-of-suit” test “contradict[s]” and “conflicts” with its precedent, these Federal Circuit tests have been “overruled by ... an intervening ... Supreme Court decision.” Therefore, we follow *MedImmune's* teaching to look at “all the circumstances” under *Maryland Casualty* to determine whether Teva has a justiciable Article III controversy.

Thus, the two-prong reasonable apprehension of suit test applied by Judge St. Eve is no longer the proper inquiry. Rather, “the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 127 S.Ct. at 771 (citing *Md. Cas. Co. [v. Pac. Coal & Oil Co.]*, 312 U.S. at 273, 61 S.Ct. 510 [(1941)]). Recognizing that *MedImmune* may have some effect on this case, the court requested additional briefing based on the Federal Circuit’s interpretation of *MedImmune* in the *SanDisk* case.

Black & Decker argues that *SanDisk* “has no applicability to the relevant facts of Black & Decker’s motion to dismiss counterclaims X through XIII.” Dkt. #101 at 1. According to Black & Decker, *SanDisk* was fact specific and therefore, because none of the *SanDisk* facts are present in this case, *SanDisk* does not dictate that an actual controversy exists. Black & Decker’s argument, however, ignores relevant language in *SanDisk* as to the breadth of its holding. Specifically, the *SanDisk* court, while constraining its holding to the facts of that case, also stated that “[w]e need not define the outer boundaries of declaratory judgment jurisdiction, which will depend on the application of the principles of declaratory judgment jurisdiction to the facts and circumstances of each case.” *SanDisk*, 480 F.3d at 1381. The *SanDisk* court expressly acknowledged that the declaratory judgment jurisdiction depends on the facts of each case. Accordingly, the lack of similarity between the facts of the instant case and those of *SanDisk* is not determinative.

Accordingly, the court looks to all the facts of this case to ascertain whether there is a substantial controversy between parties having adverse legal interests of sufficient immediacy and reality to warrant issuing a declaratory judgment. On the one hand, Black & Decker’s original cease and desist letter to Bosch did not mention the Smith patents and there has been no express charge by Black & Decker against Bosch of infringement of the Smith patents. Indeed, there does not appear to have been any communication between the parties about the Smith patents. Further, to this court’s knowledge, Black & Decker has not filed suit against any other entity for infringement of the Smith patents nor has Black & Decker ever asserted a right to a royalty based on the Smith patents. Finally, Black & Decker has not sued Bosch on the Smith patents despite three and half years of litigation history on other patents related to the Power Box.

On the other hand, Bosch asserts that the wording between certain claims in the ‘283 patent (asserted by Black & Decker in the instant complaint) and the ‘070 and ‘688 patents (asserted by Bosch in its counterclaims) is “essentially” identical. For example, claim 12 of the ‘283 patent differs from claim 1 of the ‘070 patent by only two words. Similarly, claim 1 of the ‘283 patent differs from claim 1 of the ‘688 patent by only two words. Thus, Bosch contends, given the similarity of certain of the claims, Black & Decker’s filing of the instant lawsuit as to the ‘283 patent is sufficient to create an actual controversy as to the ‘070 and ‘688 patents pursuant to Article III and the Declaratory Judgment Act.

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Clearly, the recently concluded case in front of Judge St. Eve and the instant case demonstrate that Black & Decker and Bosch have adverse legal interests regarding the design of the Power Box. Moreover, Black & Decker's words and actions demonstrate its intent to enforce its patents related to radio charger technology. Specifically, a witness for Black & Decker testified in Judge St. Eve's case that exclusivity in the radio charger market was important to it:

A: Well, we value this category. We feel like we created the radio charger category. We've invested hundreds of millions of dollars in the development, the research, the tooling. We invested \$3 million to purchase the exclusive rights to Mr. Domes' patents. And we felt that we needed exclusivity for a period of time in order to help us recover those costs.

...

Q: Did Black & Decker ever grant Bosch a license under the Domes patents?

A: No, we did not.

Q: And, again, the reason why?

A: We valued the exclusivity. This was a new category for us; it was very important; and, our customers gave us great feedback on the product. We had spent a lot of money to develop the product and needed the exclusivity to recover those costs.

TT at 245:7 to 246:9, 04 C 7955.

To that end, Black & Decker has filed two lawsuits against Bosch regarding patents related to the Power Box and the radio charger technology. Finally, and most importantly, the fact that Black & Decker has sued on the '283 claim points to an intent by Black & Decker to continue to enforce its intellectual property rights as they relate to radio charger technology. *Cingular Wireless LLC, v. Freedom Wireless, Inc.*, No. CV06-1935 PHX JAT, 2007 WL 1876377, at \*3 (D.Ariz. Jun 27, 2007)(in concluding that a case or controversy existed, stating that "a [previous] lawsuit indicates an assertion of rights and a willingness to pursue litigation regarding the patents-in-suit."). The striking similarity in language between certain claims of the '283 and '070 and '688 claims cannot lead Bosch to believe that it is without risk in producing the New Power Box.

The court acknowledges, as pointed out by Black & Decker, that Judge St. Eve did not find the similarity between the patents' claims to be persuasive. Judge St. Eve, Memorandum and Order, 04 C 7955, June 9, 2005, Dkt. #45, at 6-7 ("Merely pointing out that the '492 application and the '070 patent contain a claim with identical language is not sufficient alone for Bosch to meet its burden to show that it was under a *reasonable apprehension of suit* when it filed its declaratory judgment counterclaims against the '070 patent.")(emphasis added). However, as is evidenced by the text of her statement, Judge St. Eve's decision was based on the now rejected "reasonable apprehension of suit" test. As noted above, the proper inquiry after *MedImmune* is not simply whether a party has a reasonable apprehension that it will face an infringement suit if it continues to produce the potentially infringing product. See *MedImmune*, 127 S. Ct. at 774 n.11 (noting that the "reasonable apprehension of imminent suit" test conflicts with at least three Supreme Court decisions finding declaratory judgment jurisdiction even when possibility of suit was not present)(citations omitted). Instead, the court must make the broader inquiry of whether a "substantial

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controversy” of sufficient immediacy and reality exists between two parties having adverse legal interests.

To the extent that the parties rely on their previous submissions as to the motion to dismiss the counterclaim, they are of limited use given the change articulated by the Federal Circuit since their filing.

This court finds that an actual controversy under the Declaratory Judgment Act and thus, Article III, exists. Moreover, the court has discretion under the Act to decide whether to entertain the action. *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995) (“district courts possess discretion in determining whether and when to entertain an action under the Declaratory Judgment Act, even when the suit otherwise satisfies subject-matter jurisdictional prerequisites”). The purpose of the Declaratory Judgment Act is to “clarify and settle the legal relations at issue and to terminate and afford relief from the uncertainty, insecurity and controversy giving rise to the proceeding.” *Tempco Elec. Heater Corp. v. Omega Eng'g, Inc.*, 819 F.2d 746, 746 (7th Cir.1987). Given the current dispute between the parties as to the validity, enforceability and infringement of the patents related to the radio charger technology, the court finds it is in the best interests of both parties to resolve the counterclaims related to the Smith patents.

#### **IV. Conclusion**

For the reasons stated above, Black & Decker’s motion to dismiss Counts X-XIII [25-1] of the counterclaim is denied.

RH/peh