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 Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

In its petition, Medtronic, Inc. ("Medtronic") demonstrated that the Federal Circuit's imposition on a patent licensee of the burden to prove that its products did *not* infringe was contrary to this Court's jurisprudence and settled principles of federal civil procedure. Unless reversed, the Federal Circuit's rule will force licensees to choose between shouldering the burden of proof and breaching the license to draw a coercive infringement suit from the patentee—the very step that the Court sought to make unnecessary in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

Respondent Mirowski Family Ventures, LLC ("MFV") does not meaningfully disagree. MFV does not even cite most of the cases on which Medtronic relied, much less try to reconcile the Federal Circuit's reasoning with them. Nor does it deny that, under the Federal Circuit's holding, the only way Medtronic could have demanded that MFV prove its accusation that Medtronic's products infringed MFV's patents was by breaching the license such that MFV would sue.

MFV's efforts to defend the Federal Circuit's rule are misguided and, in any event, are arguments this Court should consider on the merits, not reasons to deny review in the first place. The petition should be granted.

ARGUMENT

1. MFV's primary contention is that the decision below is somehow limited to the specific 1991 license between these parties—an argument

MFV makes at least four times by selectively quoting the Federal Circuit's statement that its holding applied only in a "'limited circumstance.'" Opp. 13, 20, 23, 25. But the Federal Circuit's full holding, when not truncated, decrees a rule that applies to *any* action for a declaratory judgment of non-infringement under *MedImmune*:

> "Therefore, this court holds that in the limited circumstance *when an infringement counterclaim by a patentee is foreclosed by the continued existence of a license, a licensee seeking a declaratory judgment of noninfringement and of no consequent liability under the license* bears the burden of persuasion."

Pet. App. 14a (emphasis added). That holding is not limited to the 1991 license between Medtronic and MFV. Rather, it applies to any declaratory judgment action involving a patent license agreement in the "post-*MedImmune* world" (Pet. App. 9a), namely when a patent licensee seeks a declaration that "the agreement does not call for royalties because [its] product does not infringe the patent." *MedImmune*, 549 U.S. at 135. The Federal Circuit's description of that situation as a "limited circumstance" only underscores that it has allocated the burden of proof in *MedImmune*-type declaratory judgment cases *differently* from how it is allocated in other federal litigation (and certainly in other *patent infringement* litigation). That divergence is a reason to grant review, not to deny it.

MFV's assertion that "Medtronic had the burden of proof under the terms of the 1991 license"

(Opp. 24)[1] is likewise plainly incorrect. Nothing in the license purports to dictate the burden of proof; it provides only that Medtronic may file a declaratory judgment action seeking adjudication of MFV's assertions of infringement. Pet. App. 24a. It was the *Federal Circuit* that imposed the burden of proof on Medtronic simply because it was a declaratory judgment plaintiff in a *MedImmune* case. Pet. App. 14a.

2. MFV also asserts (Opp. 20, 23, 24, 25) that *MedImmune* did not itself address the burden of proof. Medtronic never suggested otherwise. But this Court *did* say that a licensee who seeks a federal court's assessment of a patentee's demand for royalties should not be required to repudiate the license and invite the patentee to sue for infringement, thereby "risk[ing] such serious consequences" as treble damages and attorney's fees. *MedImmune*, 549 U.S. at 122; *see id.* at 137 ("We hold that [licensee] was not required ... to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.").

The Federal Circuit's decision in this case places a hefty price tag on a *MedImmune*-type declaratory judgment action, by forcing the patentee to shoulder the burden of proving noninfringement, contrary to the undisputed standard rule in patent litigation. *See Imhauser v. Buerk*, 101 U.S. 647, 662 (1880) ("[T]he burden to prove infringement never shifts."); *see also R.R. Co. v. Mellon*, 104 U.S. 112,

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[1] *See also* Opp. 18 (asserting that Medtronic disputes "the terms of the license"); *id.* 19 ("Medtronic is simply railing against the terms of the 1991 license[.]").

119 (1881). Put another way, a licensee who wishes to require a *patentee* to prove its infringement assertions must now "bet the farm" or "risk treble damages and the loss of ... its business before seeking a declaration of its actively contested legal rights." *MedImmune*, 549 U.S. at 134.[2]

MFV does not meaningfully disagree with any of this. Instead, it simply claims that the Federal Circuit's rule creates an acceptable state of affairs. But that is the question this Court should decide on the merits; again, it is not a reason to deny review.

3. MFV claims that this case differs from infringement cases in which the patentee must prove infringement because MFV did not and could not file a counterclaim. Opp. 17, 18, 19, 20, 24, 25. But that is simply a repetition of the court of appeals' holding; it is not an argument for its correctness, much less an argument against this Court's review. MFV does not explain *why* the absence of a counterclaim should justify shifting the burden of proof—particularly in the face of this Court's teachings that "the burden to prove infringement never shifts" (*Imhauser*, 101 U.S. at 62l); that the burden of proof is "a 'substantive'

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[2] MFV's argument that Medtronic bore no such risks in *this case* (Opp. 18) again misses the point. Under the Federal Circuit's rule, Medtronic's choice to file a declaratory judgment action under *MedImmune* (and thus avoid breaching the license) forced it to assume the burden of proving non-infringement. Unless this Court grants the petition and reverses the judgment below, the only way for Medtronic to ensure that MFV is required to prove its assertion that Medtronic's implantable cardiac stimulation devices infringe would be to breach the license such that MFV filed a coercive infringement claim, which would expose Medtronic to the risks of treble damages, attorney's fees, a permanent injunction, and a finding that it repudiated the license even as to *other* licensed products.

aspect of a claim" (*Raleigh v. Illinois Dep't of Revenue*, 530 U.S. 15, 20-21 (2000)); and that the declaratory nature of an action does not alter such substantive features (*Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 508-509 (1959)). This Court has never recognized an exception to these principles that turns on the presence or absence of a counterclaim.[3]

MFV states that "a patentee need prove infringement only when it asserts it." Opp. 15. But MFV most certainly "assert[ed]" infringement—indeed, it was MFV's letters to Medtronic accusing seven Medtronic devices of infringing 29 claims of the two patents-in-suit that made Medtronic's declaratory judgment action necessary. Pet. App. 4a, 24a. In substance, the present case does not meaningfully differ from declaratory-judgment actions in which there *is* a formal counterclaim of infringement. The only difference is that the parties have already determined—and Medtronic is already paying out—the amount of damages MFV would receive if its infringement contention prevailed. *See* Pet. 14.

4. MFV insists (Opp. 20, 22, 25) that the Federal Circuit did not presume that Medtronic's products infringe. But the Federal Circuit explicitly held that Medtronic must bear both the initial burden of production and the ultimate risk of

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[3] MFV curiously contends that Medtronic "is unable to cite any case" demonstrating that the patentee always bears the burden of proving its infringement allegations. Opp. 26. Medtronic cited several such cases, including the Federal Circuit's own recognition of that rule. *See* Pet. 10-12 (citing *Mellon, Imhaeuser*, and *Cammeyer v. Newton*, 94 U.S. 225, 231 (1877)); Pet. App. 10a-11a (citing cases).

nonpersuasion. Pet. App. 13a ("Medtronic must present evidence showing that it is entitled to [] relief. If neither party introduced any evidence regarding infringement or noninfringement there is no principled reason why Medtronic should receive the declaration of noninfringement it seeks."); *see also id.* 9a-10a (citing case law and treatises stating that the party bearing the burden of proof is also expected to bear the risk of failure of proof or persuasion).

The Federal Circuit's requirement that the licensee bear the burden of production is the hallmark of a "presumption." *See* Fed. R. Evid. 301 ("[T]he party against whom a presumption is directed has the burden of producing evidence to rebut the presumption."). Moreover, the Federal Circuit's requirement that the licensee bear the risk of nonpersuasion in *MedImmune*-type actions means that the licensee will suffer an infringement ruling if its evidence fails to convince the trier of fact. *Cf. Director, Office of Workers' Comp. Progs. v. Greenwich Collieries*, 512 U.S. 267, 282 (1994) (Souter, J., dissenting) (equating "burden of proof" with "the risk of nonpersuasion"). Regardless of whether this is called a "presumption," a "risk of nonpersuasion," or something else, the court of appeals' new rule conflicts with the well-established rule (correctly applied by the district court, Pet. App. 40a-41a) that a patentee bears the burden of proving infringement, even in a declaratory judgment action. *Cf. Mellon*, 104 U.S. at 119.

MFV does not even address, much less dispute, Medtronic's discussion of declaratory judgment cases of other courts of appeals. Pet. 16-17. Although the Federal Circuit invoked analogies

to insurance law and cited decisions it believed to be "consistent" with its reasoning (Pet. App. 13a-14a), the courts of appeals are at best divided on this question in the insurance context. *See, e.g.*, *American Eagle Ins. Co. v. Thompson*, 85 F.3d 327, 331 (8th Cir. 1996) (placing burden of proof on declaratory judgment defendant because he "asserted the affirmative of the question asked of the jury and ... would lose in the absence of any evidence on the issue"). MFV does not attempt to defend the Federal Circuit's reliance on a handful of insurance cases that, on their own, reflect a division in the circuits.

5. MFV similarly offers no real response to the far-reaching negative effects that are likely to arise under the Federal Circuit's misallocation of the burden of proof. *See* Pet. 18-22. MFV primarily repeats its incorrect assertions that the Federal Circuit's rule was somehow limited to these parties' 1991 license—which it clearly was not—and that the court did not impose any presumption of infringement, which it plainly did. *See supra* pp. 1-3, 5-6.

MFV ventures that requiring a licensee to offer affirmative evidence of a negative proposition is ultimately not problematic, because "the licensee need only address [the doctrine of equivalents] for any claim limitation(s) it is asserting is not present in the device(s) at issue." Opp. 22. MFV misses the mark entirely. As Medtronic explained, the difficulty in anticipating and refuting any possible theory of equivalence remains even as to *one* claim element, because a patentee may argue equivalence based on numerous theories that are not evident on the face of the patent—or, as in this case, are not evident even from the patentee's own expert testimony. *See* Pet.

19. And once again, MFV's assertion regarding the relative difficulty with which the licensee could carry the burden of proof is an argument this Court may and should evaluate on the merits. It is not a reason to deny review of a question the Federal Circuit has decided in a manner contrary to several precedents of this Court, to comparable declaratory judgment decisions in other circuits, and to the reasoning that animated *MedImmune*.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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