

## Federal Circuit Patent Bulletin: *Asia Vital Components Co. v. Asetek Danmark A/S*

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September 8, 2016

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On September 8, 2016, in *Asia Vital Components Co. v. Asetek Danmark A/S*, the U.S. Court of Appeals for the Federal Circuit (Prost,\* Linn, Taranto) reversed and remanded the district court's dismissal for lack of subject matter jurisdiction over AVC's declaratory judgment action seeking a declaration that AVC did not infringe U.S. Patents No. 8,240,362 and No. 8,245,764, which related to liquid cooling systems used with computers to cool integrated circuits. The Federal Circuit stated:

The Declaratory Judgment Act provides that "[i]n a case of actual controversy within its jurisdiction, . . . 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." [T]he test for whether an "actual controversy" exists is "whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." . . . "[J]urisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee." Instead, we have required "conduct that can be reasonably inferred as demonstrating intent to enforce a patent." . . .

We agree with AVC that the totality of circumstances indicates that an actual controversy existed between the parties at the time of the declaratory judgment complaint. Although the April 30, 2014 letter incorrectly accused AVC of manufacturing the Liqmax 120s, it was still a demand letter that referenced a product that AVC contends is similar to its own K7 and K9 products. Upon receiving the letter, AVC contacted Asetek, saying that it did not manufacture the Liqmax 120s, and then, in a follow-up email, AVC requested a meeting with Asetek "to discuss the related matter." Instead of simply responding that it had made a mistake with respect to the Liqmax 120s, Asetek's August 2, 2014 email contained a number of statements that indicate that an actual controversy between the parties existed. For example, Asetek (1) rehashed the volatile relationship between the parties, saying that poor experiences with AVC in the past have "sown distrust in Asetek for AVC"; (2) stated that it "does not license its patents" generally and, more specifically, that it would not license

them to AVC due to the previous conflicts between the parties; (3) accused AVC of “likely selling other infringing products in the United States”; (4) warned AVC that it “enforced its IP” and noted its “pending litigations against CoolIT and Cooler Master”—companies that AVC alleges sell products similar to the K7 and K9; and (5) emphasized that it has been allowed a patent in the European Union with claims similar to the asserted patents and also has similar claims pending in China. Such a response by Asetek clearly “demonstrate[s] intent to enforce a patent,” and is thus sufficient to conclude that a substantial controversy between the parties existed at the time of the complaint. . . .

In addition to an affirmative act by Asetek, AVC must also show that the threat of suit is real and immediate to establish jurisdiction. “[A]lthough a party need not have engaged in the actual manufacture or sale of a potentially infringing product to obtain a declaratory judgment of non-infringement, there must be a showing of ‘meaningful preparation’ for making or using that product.” Here, AVC has made the requisite showing. AVC alleged that (1) it has completed designs of the K7 and K9 products; (2) it has manufactured sample prototype products of the K7 and K9 (as confirmed by photographs of the products presented to the district court below); (3) it intends to market and sell the products in the United States; and (4) its K7 and K9 products “are positioned to directly compete in the market against Cooler Master, Coolit Systems and Enermax as well as the Asetek’s products.” AVC’s allegation regarding the concerns of its customers and that it has “withheld accepting purchase order[s]” indicates that AVC has customers lined up for its products that have submitted, or, at the very least, are prepared to submit purchase orders for the products.

Asetek does not dispute these allegations but instead contends that they do not demonstrate “concrete plans” to engage in potentially infringing activities. We disagree. This is not the type of case where, at the time the complaint was filed, the accused products were far from being complete or operational and were susceptible to design changes, making it impossible to compare them against the asserted patents. . . .

We similarly disagree with Asetek that AVC’s allegations provide insufficient information about whether the K7 and K9 products would infringe the asserted patents. . . . AVC was not required, as Asetek contends, to specifically allege that the structural similarities between its products and the competitor products are relevant to the claims of the asserted patents; such an allegation is implicit in the complaint when read as a whole. Indeed, to require more from AVC would precipitate the anomalous result whereby a party seeking a declaration of noninfringement must show that its product is the same as the patented product in relevant respects. As is clear from our case law—and from common sense—that is not the test for jurisdiction.