

Federal Circuit Patent Bulletin: *ArcelorMittal v. AK Steel Corp.*

May 17, 2017

“Although a patentee’s grant of a covenant not to sue a potential infringer can sometimes deprive a court of subject matter jurisdiction, the patentee ‘bears the formidable burden of showing’ ‘that it ‘could not reasonably be expected’ to resume its enforcement efforts against’ the covenanted, accused infringer.”

On May 16, 2017, in *ArcelorMittal v. AK Steel Corp.*, the U.S. Court of Appeals for the Federal Circuit (Moore, Wallach, Hughes*) affirmed the district court’s summary judgment that AK Steel did not infringe U.S. Patent No. RE44,153 (reissue of U.S. Patent No. 6,296,805), which related to coated, hot- and cold-rolled steel. The Federal Circuit stated:

[C]ourts may hear declaratory judgment actions if “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.” . . . ArcelorMittal argues that its dispute with Defendants became moot when ArcelorMittal conditionally tendered its covenant to Defendants. We hold that it did not.

Defendants’ counterclaims arise under the Declaratory Judgment Act, which states that, “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration.” Because “the phrase ‘case of actual controversy’ in the [Declaratory Judgment] Act refers to the type of ‘Cases’ and ‘Controversies’ that are justiciable under Article III,” these requirements are coextensive. Accordingly, we may either employ the MedImmune standard or draw from the “specific but overlapping

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doctrines rooted in the same Article III inquiry,” including “lack of mootness.” Thus, the mootness doctrine may serve as a “helpful guide in applying the all-the-circumstances test.” Yet we remain mindful that “there is no bright-line rule for determining whether an action satisfies the case or controversy requirement,” and that “*MedImmune* makes clear . . . that ‘all the circumstances’ must be considered when making a justiciability determination.”

“A case becomes moot—and therefore no longer a ‘Case’ or ‘Controversy’ for purposes of Article III—‘when the issues presented are no longer live or the parties lack a legally cognizable interest in the outcome.’” Although a patentee’s grant of a covenant not to sue a potential infringer can sometimes deprive a court of subject matter jurisdiction, the patentee “bears the formidable burden of showing” “that it ‘could not reasonably be expected’ to resume its enforcement efforts against” the covenanted, accused infringer. In this context, that requires ArcelorMittal to show that it actually granted a covenant not to sue to Defendants, and that the covenant enforceably extinguished any real controversy between the parties related to infringement of the RE’153 patent.

Taking into account “all the circumstances,” we find on the particular, unusual facts of this case that ArcelorMittal did not moot its controversy with Defendants over the RE’153 patent. Although this case has a convoluted history, the reason that the court retained jurisdiction is quite simple: At no time before the court entered summary judgment did ArcelorMittal unconditionally assure Defendants and their customers that it would never assert RE’153 claims 24 and 25 against them. . . . ArcelorMittal could have, at any point before December 4, 2015, delivered an unconditional, executed covenant not to sue that would have mooted the dispute between the parties over the remaining claims of the RE’153 patent. Instead, as ArcelorMittal explained at the October 27 hearing and in its November 18 letter, it designed its actions specifically to maintain jurisdiction in the 685 case—a case which also would have been moot had ArcelorMittal tendered Defendants an effective covenant not to assert the RE’153 patent. In this fact-specific context, we must give effect to ArcelorMittal’s express intent to make conditional delivery of an unconditional covenant mean something different than unconditional delivery of an unconditional covenant. The conditional nature of the covenant’s delivery here differentiates this case from others where we have found jurisdiction defeated by less than a fully executed covenant not to sue. Therefore, taking into account not solely the covenant’s terms but also the circumstances of its delivery, we find no error in the district court’s retention of subject matter jurisdiction.

We address ArcelorMittal’s other arguments briefly. First, we conclude that the district court correctly implemented our mandate by limiting its analysis to non-infringement and commercial success of RE’153 claims 24 and 25. In *ArcelorMittal II*, we “remand[ed] for further proceedings consistent with th[e] opinion and our mandate in *ArcelorMittal I*.” Thus, we incorporated ArcelorMittal I’s limited remand for consideration of commercial success and non-infringement. ArcelorMittal argues that the reissuance of the ‘805 patent as the RE’153 patent required the district court to assess the obviousness of the RE’153 claims anew. But we previously held that the reissuance does not alone constitute new evidence excusing adherence to the mandate. Moreover, the reissuance preceded the *ArcelorMittal II* mandate, and thus cannot be an intervening development. Therefore, the district court correctly considered RE’153 claims 24 and 25 under the limited

proceedings that the ArcelorMittal I mandate required.

Finally, the district court acted within its discretion when it refused ArcelorMittal's Rule 56(d) request for new discovery on the commercial success of RE'153 claims 24 and 25. The district court found significant that ArcelorMittal did not explain how it could demonstrate a nexus between any commercial success evidence and the purported invention of RE'153 claims 24 and 25. We find no error in the district court's reasoning.