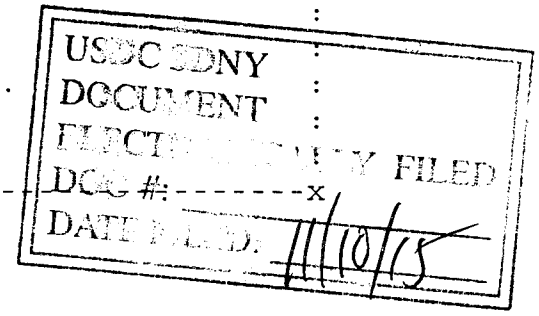
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

WUNDAFORMER, LLC,	
Plaintiff,	15-cv-4802 (JSR)
-v-	MEMORANDUM ORDER
FLEX STUDIOS, INC., et al.	
Defendants.	



JED S. RAKOFF, U.S.D.J.

On June 19, 2015, plaintiff WundaFormer, LLC initiated this patent infringement action against defendants Flex Studios, Inc., Flex Studios Union Square, LLC and Flex Studios NoHo, LLC (collectively, "Flex Studios"), alleging that Flex Studios' manufacture, use, and sale of a Pilates machine known in the industry as a "reformer" infringes United States Patent No. 8,602,953 (the "'953 Patent"), a patent that plaintiff owns by full assignment of all rights and title. In their Answer to plaintiff's operative complaint, defendants brought a counterclaim for a declaratory judgment of non-infringement and a counterclaim for a declaratory judgment of invalidity. *See* ECF No. 43 at 10-11. On October 15, 2015, following a *Markman* hearing, the Court issued a Memorandum Order construing the disputed terms in claims 11 and 15 of the '953 Patent. ECF No. 52; *see Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996). On November 2, 2015, the parties filed a joint stipulation of non-infringement, wherein plaintiff

stipulated that "based on the Court's construction of the term 'stowed,' Defendants' Accused Product does not infringe claims 11 and 15 of the '953 Patent." ECF No. 56. Now pending before the Court is plaintiff's motion to dismiss defendants' declaratory judgment counterclaim for invalidity. Upon consideration, the Court grants plaintiff's motion.

Under the Declaratory Judgment Act, "[i]n a case of actual controversy . . . 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, whether or not further relief is or could be sought." 28 U.S.C. § 2201. The Act is properly invoked where "there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941). But even "[w]hen there is an actual controversy and thus jurisdiction, the exercise of that jurisdiction is discretionary," *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 634 (Fed. Cir. 1991), as the Act confers "unique and substantial discretion" on federal courts "in deciding whether to declare the rights of litigants," *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995). "The burden is on the party claiming declaratory judgment jurisdiction to establish that such jurisdiction existed at the time the claim for declaratory relief was filed and that it has continued

since." *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1344 (Fed. Cir. 2007).

Plaintiff first argues that the Court has been divested of jurisdiction by virtue of a covenant not to sue it has now offered to defendants. Specifically, plaintiff promises that "it will not proceed with, or renew, its infringement claims against Defendants for their past or present activities involving their current FlexFormer machine as long as the Court's current construction of the term 'stowed' remains the law." Plaintiff's Mot. to Dismiss, ECF No. 58 at 6. It is true that under Federal Circuit precedent "a covenant not to sue for patent infringement divests the trial court of subject matter jurisdiction over claims that the patent is invalid, because the covenant eliminates any case or controversy between the parties." *Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d 1338, 1346 (Fed. Cir. 2010). But the Federal Circuit in *Dow Jones* was considering an absolute and unconditional covenant not to sue, in contrast to the covenant not to sue that is offered here, which evaporates if the Court's construction of the term "stowed" is modified. Moreover, the *Dow Jones* court emphasized that the covenant at issue there "extinguished any current *or future* case or controversy between the parties" -- something plaintiff's covenant here does not do. *Id.* at 1348 (emphasis added); *see also Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995) ("[A] patentee defending against an action for a declaratory judgment of invalidity can divest the trial court of jurisdiction

over the case by filing a covenant not to assert the patent at issue against the putative infringer with respect to any of its past, present, *or future* acts . . . ." (emphasis added)). Thus, the Court finds that the question of whether it has jurisdiction over the invalidity claim under the Declaratory Judgment Act is not controlled by the doctrine articulated in *Dow Jones*.

That said, the Court has no trouble finding that, under the specific facts and circumstances of this case, there is no "substantial controversy . . . of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Maryland Cas. Co.*, 312 U.S. at 273. In light of the parties' joint stipulation of non-infringement and plaintiff's covenant not to sue on the '953 Patent barring a change in the law of the case, there is no live controversy between the parties as to infringement and defendants have no immediate interest in the validity of defendants' '953 Patent as long as that remains so. While defendants might gain such an interest if plaintiff both appeals the Court's *Markman* Order and persuades the Federal Circuit of what it could not persuade this Court, there is no certainty that plaintiff will even take an appeal. Plaintiff has not committed to doing so and defendants themselves recognize that plaintiff very well may choose not to, asserting that plaintiff is posturing in threatening to appeal. *See* Defs.' Opp., ECF No. 62 at 6 n.2. A controversy this speculative simply cannot be considered to have the "sufficient immediacy"

needed to invoke the Declaratory Judgment Act. As such, this Court does not have jurisdiction to entertain the invalidity claim.

The Federal Circuit reached a similar result in *Benitec*, in which the plaintiff-patentee filed a patent infringement claim against a competitor prior to that competitor having filed for FDA approval. 495 F.3d at 1342. Like Flex Studios here, the defendant in *Benitec* counterclaimed for a declaratory judgment of invalidity. *See id.* at 1342-43. When the Supreme Court subsequently issued a decision that the parties agreed rendered plaintiff's claim not viable unless defendant filed a new drug application ("NDA") with the FDA, the district court granted plaintiff's motion to dismiss its complaint without prejudice. *Id.* at 1342-43, 1346. Though defendant wished to press forward with its counterclaim for invalidity, the district court dismissed that claim as well. On appeal, the Federal Circuit found that "[t]he fact that [defendant] may file an NDA in a few years does not provide the immediacy and reality required for a declaratory judgment" and affirmed the district court's dismissal of defendant's counterclaim for lack of jurisdiction. *Id.* at 1346, 1349. So too here: the fact that plaintiff *might* file an appeal on which it *might* prevail "does not provide the immediacy and reality required for a declaratory judgment." *Id.* at 1346.

Even if the Court did have jurisdiction over defendants' counterclaim, it would decline to exercise it. Defendants concede, as they must, "that the Court may choose not to entertain the

invalidity counterclaim in the exercise of its discretion." Defs.' Opp. at 2; *Spectronics*, 940 F.2d at 634 ("When there is an actual controversy and thus jurisdiction, the exercise of that jurisdiction is discretionary."). Here, the Court is convinced that it would be imprudent and a potential waste of both the parties' and judicial resources for the Court to proceed to determine the validity of the '953 Patent, when plaintiff has categorically dropped its infringement allegations barring a reversal of the Court's construction of the term "stowed." There is nothing expedient about the Court undertaking to determine validity now, when there may never be cause for it or any court to do so.[1]

Defendants argue that resolution of the invalidity counterclaim would avoid piecemeal litigation by allowing both the issues of infringement and invalidity to go up to the Federal Circuit on appeal simultaneously. But there will be no piecemeal litigation if plaintiff declines to appeal or if the Federal Circuit affirms the Court's construction of the term "stowed." While defendants caution that dismissal of their invalidity counterclaim now could conceivably result in a separate appeal to the Federal Circuit down the line as to invalidity, it makes little sense to affirmatively expend significant judicial resources now (such that this litigation

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[1] Defendants contend that the Federal Circuit "is going to address the invalidity counterclaim at *some* point -- either now or later," Defs.' Opp. at 11, but that would only be true if one assumes that the Federal Circuit will modify the Court's construction of the term "stowed" on appeal -- as defendants surely do not.

will definitively be prolonged) because failing to do so *might* result in the expending of judicial resources later.[2] Nor is the Court persuaded that it should proceed to determine validity because discovery is almost complete and summary judgment briefing set to commence imminently. While defendants might be eager to obtain a ruling, the Court's decision does not mean that discovery in this case will be lost to the sands of time. Rather, should there ever be cause for the Court to take up the issue of validity, there will be no need to "re-do" discovery and defendants will presumably be well-prepared to press their argument expeditiously.

Finally, defendants cite *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993), for the proposition that it is the "better practice" for courts to resolve invalidity claims even if non-infringement has been found, as the question of validity is of "greater public importance" than the question of infringement. *Id.* at 100. At issue in *Cardinal Chemical* was "the Federal Circuit's practice of routinely vacating judgments of validity after finding noninfringement." *Id.* at 101. In finding the practice impermissible, the Court noted "the interest of the successful litigant in preserving the value of a declaratory judgment that . . . 'it obtained on a valid counterclaim at great effort and expense,'" *id.* at 99, and also observed that the practice "may unfairly deprive the

[2] Moreover, even if this Court were to proceed in the manner defendants advocate for, there would be no guarantee of avoiding multiple appeals.

patentee itself of [] appellate review" leading to a situation in which "the patentee may have lost the practical value of a patent that should be enforceable against different infringing devices," *id.* at 102. The Court was also concerned about "the wasteful consequences of relitigating the validity of a patent after it has once been held invalid in a fair trial." *Id.* at 101-02.

Quite aside from the fact that *Cardinal Chemical* explicitly stated that its decision "concern[ed] the jurisdiction of an intermediate appellate court -- not the jurisdiction of . . . a trial court," *id.* at 95, none of the aforementioned policy concerns is implicated here, where the parties have not even briefed the issue of invalidity let alone obtained a ruling on it. In that sense, this case is entirely unlike the cases cited by defendants in which the issues of infringement and validity were presented to the court on the same motion or appeal and the court reached both issues. *See Gen. Elec. Co. v. Nintendo Co.*, 179 F.3d 1350, 1356 (Fed. Cir. 1999) (reaching issue of validity after concluding that patent-in-suit was not infringed); *Tailored Lighting, Inc. v. Osram Sylvania Prods., Inc.*, 713 F. Supp. 2d 184, 192-93 (W.D.N.Y. 2010) (same), *amended on denial of reconsideration*, 789 F. Supp. 2d 411 (W.D.N.Y. 2011).

For the foregoing reasons, plaintiff's motion is hereby granted and defendants' counterclaim for a declaratory judgment of invalidity is dismissed without prejudice. Defendants' counterclaim for a declaratory judgment of non-infringement is also dismissed

without prejudice, as the parties have stipulated to non-infringement and the claim is thus moot. The Clerk of the Court is directed to enter judgment and to terminate this case.

SO ORDERED.

Dated: New York, NY
November 9, 2015

JED S. RAKOFF, U.S.D.J.