

MAYER, BROWN, ROWE & MAW LLP'S
SUPREME COURT DOCKET REPORT
FEBRUARY 21, 2006

Today the Supreme Court granted certiorari in two cases of interest to the business community. Absent extensions, which are likely, amicus briefs in support of the petitioners will be due on April 7, 2006, and amicus briefs in support of the respondents will be due on May 12, 2006.

1. Federal Jurisdiction—Patents—Declaratory Judgments in License Agreement Disputes. Article III of the United States Constitution provides federal courts with jurisdiction over “all Cases, in Law and Equity, arising under * * * the Laws of the United States.” Even assuming that there is Article III jurisdiction over a dispute, however, the Declaratory Judgment Act authorizes a court to render a declaratory judgment only if there is an “actual controversy” between the parties. See 28 U.S.C. § 2201(a). The Supreme Court granted certiorari in *Medimmune, Inc. v. Genentech, Inc.*, No. 05-608, to decide whether a patent licensee must breach its license agreement before a court has subject-matter jurisdiction over a declaratory judgment action challenging the patent.

Respondent Genentech owns patents on technology used to manufacture antibodies. Petitioner Medimmune manufactures a drug that, through the use of antibodies, fights respiratory-tract infections in infants. Medimmune agreed to license Genentech’s patents and to pay Genentech royalties on the sales of its drug. In paying those royalties, however, Medimmune stressed that the payments were made under protest and expressly reserved the right to challenge Genentech’s patents. Thereafter, Medimmune brought suit against Genentech under the Declaratory Judgment Act, seeking a judgment that Genentech’s patents were invalid and unenforceable and, in any event, were not infringed by Medimmune.

Relying on the Federal Circuit’s prior decision in *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376 (Fed. Cir.), *pet’n for cert. dismissed*, 125 S. Ct. 351 (2004), the United States District Court for the Central District of California dismissed Medimmune’s suit for lack of subject-matter jurisdiction. See 2004 U.S. Dist. LEXIS 28680 (Apr. 23, 2004). In *Gen-Probe*, the Federal Circuit held that when a patent licensee complies with, rather than disregards, its royalty obligations, there is no “actual controversy” under the Declaratory Judgment Act and Article III of the Constitution. According to the *Gen-Probe* court, to sue under Article III and the Declaratory Judgment Act “a licensee must, at a minimum, stop paying royalties (and thereby materially breach the agreement).” 359 F.3d at 1381. Applying *Gen-Probe*, the district court in this case held that “controversies over patent validity, enforcement, [and] infringement would not be recognized while license agreements protected the licensee from suit for infringement.” 2004 U.S. Dist. LEXIS 28680, at *15.

Medimmune appealed, and, largely on the basis of *Gen-Probe*, the Federal Circuit affirmed. See 427 F.3d 958 (2005). In so ruling, the court rejected Medimmune’s arguments that *Gen-Probe* was inconsistent with prior Supreme Court precedent and with cases decided by several of the regional circuits (prior to the establishment of the Federal Circuit in 1982) allowing

Supreme Court Docket Report

patent licensees to bring declaratory judgment actions without first breaching their license agreements.

This case is important to all businesses who rely on the patent system—as either patent licensees or licensors. The Supreme Court’s resolution of whether a licensee must breach its license obligation in order to challenge a patent will affect how difficult it is to challenge patents. If a licensee must breach its license to challenge a patent, the licensee risks an infringement judgment, treble damages, and attorneys’ fees. Raising the cost of challenging a license might benefit current patent owners in the short term by discouraging licensees (who, by the terms of patent licenses, are immune from suit) from bringing suits against their licensor. However, in the long term, the higher cost of license challenges may reduce the amount of royalties licensees are willing to pay and/or reduce the total number of licenses purchased. Therefore, both licensees’ and licensors’ interests are implicated by this important case.

2. Federal Communications Act—Section 201—Private Right Of Action To Enforce FCC Regulations. Section 201(b) of the Federal Communications Act provides that “[a]ll charges, practices, classifications, or regulations for and in conjunction with * * * telecommunications service, shall be just and reasonable, and any such charge, practice, classification, or regulation that is unjust or unreasonable is declared to be unlawful.” 47 U.S.C. § 201(b). The Supreme Court granted certiorari in *Global Crossing Telecommunications, Inc. v. Metrophones Telecommunications, Inc.*, No. 05-705, to determine whether Section 201(b) creates a private right of action for the owner or operator of a payphone—formally known as a “payphone service provider” or “PSP”—to sue to recover usage fees due to it from a long-distance carrier.

In the Telecommunications Act of 1996, Congress mandated that the Federal Communications Commission (“FCC”) create a scheme whereby long-distance carriers who offer “dial-around” coinless long-distance service to payphone users—via an “access code” (such as 10-10-220) or a 1-800 number—must pay a per-call fee to the PSP. See 47 U.S.C. § 276(b)(1)(A). However, the statute left open the question how, if at all, PSPs would be entitled to enforce their right to recover usage fees from carriers who failed to pay them. The two federal courts of appeals to address the issue have both held that Section 276(b) does not itself create a private right of action. See *Greene v. Sprint Comms.*, 340 F.3d 1047, 1050 (9th Cir. 2003); *APCC Servs., Inc. v. Sprint Comms. Co.*, 418 F.3d 1238, 1246 (D.C. Cir. 2005). However, those courts disagree about whether Section 201(b) creates a private right of action in this instance. In *APCC*, the DC Circuit held that Section 201(b) does not create a private cause of action, and therefore that a PSP’s only route to recovery is via an administrative proceeding before the FCC. By contrast, the 9th Circuit—deferring to the FCC’s interpretation of the Act—held in this case that Section 201(b) does create a private cause of action. 423 F.3d 1056 (2005); see also *Pay Tel. Reclassification & Comp. Provisions of Telecomms. Act of 1996*, 18 F.C.C.R. 19,975, 2003 WL 22283556 (2003).

The resolution of this case is obviously of vital interest both to PSPs and to carriers who offer dial-around service to payphone users. The case is also important to all regulated telecommunications companies because the Supreme Court’s decision may turn on whether and when the FCC’s interpretation of Section 201(b), and in particular its decision to recognize a private right of action under that provision, is entitled to deference.

MAYER, BROWN, ROWE & MAW LLP WORLDWIDE

BERLIN
Dorotheenstrasse 35
10117 Berlin
Germany
+49.30.2061.3090

FRANKFURT
Bockenheimer Landstrasse 98-100
D-60323 Frankfurt/Main
Germany
+49.69.79.41.00

PALO ALTO
Two Palo Alto Square
3000 El Camino Square, Suite 300
Palo Alto, California 94306-2112
650.331.2000

BRUSSELS
Square de Meeus 35
B1000 Brussels, Belgium
+322.502.5517

HOUSTON
700 Louisiana Street, Suite 3600
Houston, Texas 77002-2730
713.221.1651

PARIS
41 Avenue Hoche
75008 Paris, France
+33.1.53.53.43.43

CHARLOTTE
214 North Tryon Street, Suite 3800
Charlotte, North Carolina 28202
704.444.3500

LONDON
11 Pilgrim Street
London EC4V 6RW
+44.0.20.7248.4282

WASHINGTON
1909 K Street, N.W.
Washington, D.C. 20006-1101
202.263.3000

CHICAGO
71 S. Wacker Drive
32nd Floor
Chicago, Illinois 60606-4637
312.782.0600

LOS ANGELES
350 South Grand Avenue
25th Floor
Los Angeles, California 90071-1503
213.229.9500

**INDEPENDENT MEXICO CITY
CORRESPONDENT**
Jáuregui, Navarrete y Nader, S.C.
Abogados Torre Arcos
Paseo de los Tamarindos No. 400-B
Floors 7, 8 and 9
Col. Bosques de las Lomas
05120 Mexico, D.F.
+5255.5.267.45.00

COLOGNE
Kaiser-Wilhelm-Ring 27-29
50672 Cologne, Germany
+49.221.577.1100

NEW YORK
1675 Broadway
New York, New York 10019-5820
212.506.2500