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What's interesting about the Brazil decision to break the Merck patent is that it underscores just this essential difference between private/public and private/private relationships with respect to intellectual property. There's also a larger lesson here for businesses and, to be sure, for the lawyers who represent them. A patent is not an absolute in the sense that it cannot be compromised or put at risk under certain circumstances. In the last analysis, patents are business tools. As long as they can be shown to still be effective business tools in some areas, they may be negotiable in others.

Lawyers who do not understand intellectual property in the broadest business context are disserving their clients. The role of the IP counselor is to help companies succeed.

**APPENDIX A: SUPREME COURT OPINION BRIEF—  
*MEDIMMUNE v. GENENTECH***

(Slip Opinion)      OCTOBER TERM, 2006

Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 2000. S. 321, 337.

**SUPREME COURT OF THE UNITED STATES**

Syllabus

MEDIMMUNE, INC. v. GENENTECH, INC., ET AL.

CERTIORARI TO THE UNITED STATES COURT OF  
APPEALS FOR THE FEDERAL CIRCUIT

No. 05-608. Argued October 4, 2006—Decided January 9, 2007

After the parties entered into a patent license agreement covering, *inter alia*, respondents' then-pending patent application, the application matured into the "Cabilly II" patent. Respondent Genentech, Inc., sent petitioner a letter stating that Synagis, a drug petitioner manufactured, was covered by the Cabilly II patent and that petitioner owed royalties under the agreement. Although petitioner believed no royalties were due because the patent was

invalid and unenforceable and because Synagis did not infringe the patent's claims, petitioner considered the letter a clear threat to enforce the patent, terminate the license agreement, and bring a patent infringement action if petitioner did not pay. Because such an action could have resulted in petitioner's being ordered to pay treble damages and attorney's fees and enjoined from selling Synagis, which accounts for more than 80 percent of its sales revenue, petitioner paid the royalties under protest and filed this action for declaratory and other relief. The District Court dismissed the declaratory-judgment claims for lack of subject-matter jurisdiction because, under Federal Circuit precedent, a patent licensee in good standing cannot establish an Article III case or controversy with regard to the patent's validity, enforceability, or scope. The Federal Circuit affirmed.

*Held:*

1. Contrary to respondents' assertion that only a freestanding patent-invalidity claim is at issue, the record establishes that petitioner has raised and preserved the contract claim that, because of patent invalidity, unenforceability, and noninfringement, no royalties are owing. Pp. 3-6.

2. The Federal Circuit erred in affirming the dismissal of this action for lack of subject-matter jurisdiction. The standards for determining whether a particular declaratory-judgment action satisfies the case-or-controversy requirement—i.e., “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” relief, *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U. S. 270, 273—are satisfied here even though petitioner did not refuse to make royalty payments under the license agreement. Where threatened *government* action is concerned, a plaintiff is not required to expose himself to liability before bringing suit to challenge the basis for the threat. His own action (or inaction) in failing to violate the law eliminates the imminent threat of prosecution, but nonetheless does not eliminate Article III jurisdiction because the threat-eliminating behavior was effectively coerced. Similarly, where the plaintiff's self-avoidance of imminent injury is coerced by the threatened enforcement action of a *private party* rather than the government, lower federal and state courts have long accepted jurisdiction. In its only decision in point, this Court held that a licensee's failure to cease its royalty payments did not render nonjusticiable a dispute over the patent's validity. *Altwater v. Freeman*, 319 U. S. 359, 364. Though *Altwater* involved an injunction, it acknowledged that the licensees had the option of stopping payments in defiance of the injunction, but that the *consequence* of doing so would be to risk “actual [and] treble damages in infringement suits” by the patentees, a