IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

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STEMINA BIOMARKER DISCOVERY, INC.,

OPINION AND ORDER

Plaintiff,

12-cv-494-bbc

v.

METABOLON, INC.,

Defendant.

- -

METABOLON, INC.,

OPINION AND ORDER

Plaintiff,

12-cv-618-bbc

v.

STEMINA BIOMARKER DISCOVERY, INC.,

Defendant.

- -

On July 11, 2012, Stemina Biomarker Discovery, Inc. filed a lawsuit in this court, 12-cv-494-bbc, seeking declaratory judgment of non-infringement and invalidity of 16 patents owned or controlled by Metabolon, Inc. Stemina amended its complaint on September 12, 2012, omitting three of the originally asserted patents. On August 24, 2012, Metabolon filed a lawsuit against Stemina in this court, 12-cv-618-bbc, alleging infringement of two of its patents, United States Patent No. 7,550,258 and United States Patent No. 7,910,301. Metabolon later amended its complaint to add United States Patent No. 7,553,616. Each of the three patents asserted by Metabolon in case number 12-cv-618-bbc is included in Stemina's amended

complaint in case number 12-cv-494-bbc.

The dispute before the court relates to which lawsuit should move forward and which should be dismissed. Stemina contends that its lawsuit should proceed because it was first filed and has filed a motion to dismiss or consolidate Metabolon's lawsuit. Dkt. #15 in 12-cv-618-bbc. For its part, Metabolon filed a motion to dismiss Stemina's declaratory judgment action, dkt. #12 in 12-cv-494-bbc, contending that the court lacks subject matter jurisdiction over the action and that its own later-filed lawsuit would be a "better vehicle" for resolving the parties' disputes. Metabolon's Br., dkt. #18 in 12-cv-618, at 1.

I am granting Stemina's motion to dismiss the 12-cv-618 case. Metabolon has provided no persuasive explanation for initiating a second lawsuit regarding infringement and validity of patents that were included in the first-filed suit. In the first-filed case, 12-cv-494, I am granting Metabolon's motion to dismiss Stemina's claims for declaratory judgment as to all patents with the exception of the '258, '301 and '616 patents. Stemina has not shown that an actual controversy exists between the parties regarding the other patents and thus, this court lacks subject matter jurisdiction over claims related to those patents.

I find the following facts to be undisputed solely for the purpose of resolving the parties' motions to dismiss. Because Metabolon's motion to dismiss challenges the factual basis for subject matter jurisdiction, I have considered evidence outside the pleadings, including the affidavits and documents submitted by the parties. Apex Digital, Inc. v. Sears, Roebuck & Co., 572 F.3d 440, 444 (7th Cir. 2009) ("[W]hen considering a motion that launches a factual attack against jurisdiction, [t]he district court may properly look beyond the jurisdictional allegations of the complaint and view whatever evidence has been submitted on the issue to

determine whether in fact subject matter jurisdiction exists.") (internal quotation marks and citation omitted).

FACTS

Both Metabolon Inc. and Stemina Biomarker Discovery, Inc. conduct research and business in the "metabolomics" industry. Metabolon owns three patent portfolios covering different aspects of metabolomics. Metabolon refers to its portfolios as the "methods patents portfolio," the "technology patents portfolio" and the "biomarkers and diagnostics patents portfolio."

In April 2010, the parties signed a nondisclosure agreement that required information exchanged during negotiations to be kept confidential. Dkt. #14-1. (The parties do not sday anything about the context of this agreement.) Sometime in December 2011, Metabolon's president and CEO, John Ryals, told Stemina that he believed Stemina's technology used patents in Metabolon's methods portfolio and that Stemina needed a license. At this time, the April 2010 nondisclosure agreement had expired. Stemina proposed renewing the nondisclosure agreement, and the parties signed an amendment extending the agreement on December 20, 2010. The parties then began discussing a potential license agreement under which Stemina would gain a license to certain of Metabolon's patents.

In January 2012, Metabolon's outside patent counsel notified Stemina that it believed Stemina's technology used Metabolon's method patents, "including at least" the '258 and '301 patents. Dkt. #14-4. Metabolon offered to license the methods portfolio to Stemina on "reasonable terms." Stemina responded that it believed Metabolon's patents had "issues of

validity" but that it was willing to discuss licensing. Between January 31, 2012 and the end of April 2012, the parties negotiated the language of a license and exchanged multiple draft agreements. Each proposed agreement concerned the methods portfolio only. On April 27, Metabolon sent a copy of the proposed license for Stemina's final review.

On May 4, 2012, Elizabeth Donley, the CEO of Stemina, responded, saying that "there [were] patents missing that [she] had assumed were included." Dkt. #14-10. Donley asked in particular why the patents in Metabolon's technology portfolio had not been included. Additionally, Donley stated that there were some patents in the methods portfolio for which Stemina did not need a license. Before this date, Stemina had not requested that any of the patents in the technology portfolio be included in the proposed license and Metabolon had not suggested that Stemina was infringing any technology patent.

Metabolon responded with a proposed license that included a covenant not to sue over the technology patents and a provision to the effect that Metabolon had not accused Stemina of infringing any of its technology patents. Dkt. #14-11. The proposed license was contingent on Stemina warranting that it did not and would not infringe the technology patents in the future. Donley responded that the proposal was "completely unacceptable" and that Stemina would not take a license to only some of Metabolon's patents, particularly because Stemina did not believe the patents were valid in the first place. Dkt. #14-12.

On June 11, Metabolon sent Stemina another license draft with an option to license the technology patents at a yet-to-be negotiated royalty rate. On June 21, Metabolon withdrew the offer. Metabolon offered a final license proposal on June 21 covering only the methods patents and gave Stemina until July 11, 2012 to accept the agreement. In the letter accompanying the

Metabolon said that it did not believe Stemina was using the technology patents, and that "the primary purpose of our negotiation . . . [was] to resolve Metabolon's claim of infringement against Stemina, and not to find a way for Metabolon and Stemina to collaborate with each other." Dkt. #14-15. Metabolon stated that if Stemina failed to respond by July 11, Metabolon would "enlist [its] outside litigation and licensing counsel to meet with [Stemina's] counsel in an effort to resolve this matter without litigation." Id. On July 5, Stemina asked for an extension of time to discuss the license at a board meeting that was scheduled for July 11. Metabolon agreed to the extension, stating that if Stemina did not respond by July 12 with an executed agreement or "contact information for Stemina's outside patent infringement counsel," "Metabolon will assume that all efforts to resolve this matter short of litigation will have terminated." Dkt. #14-16.

On July 11, 2012 Stemina filed its original complaint for declaratory judgment against Metabolon, seeking a declaration of noninfringement and invalidity of the 16 patents in Metabolon's methods and technology portfolios.

OPINION

As always, the first question is whether the court has subject matter jurisdiction. Avila v. Pappas, 591 F.3d 552, 553 (7th Cir. 2010). Courts can exercise jurisdiction over actions for declaratory judgment, such Stemina's action, 12-cv-494-bbc, only in cases in which there is an "actual controversy." 28 U.S.C. § 2201(a) ("In 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,

whether or not further relief is or could be sought."); Janssen Pharmaceutica, N.V. v. Apotex, Inc., 540F.3d 1353, 1359 (Fed. Cir. 2008). When such a controversy is lacking, dismissal is appropriate under Fed. R. Civ. P. 12(b)(1) because the district court lacks subject matter jurisdiction over the claim.

There is no bright-line rule to determine whether a declaratory judgment action satisfies the "actual controversy" requirement. The Supreme Court has explained that "[b]asically, the question in each case 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." MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007) (citation omitted). See also 3M Co. v. Avery Dennison Corp., 673 F.3d 1372, 1378-79 (Fed. Cir. 2012).

Metabolon has moved to dismiss case number 12-cv-494-bbc, contending that the court lacks subject matter jurisdiction over Stemina's claims because there is no actual controversy between the parties. I agree with Metabolon with respect to Stemina's claims under the patents in Metabolon's technology portfolio. The technology patents are United States Patents Nos. 7,433,787; 7,561,975; 7,884,318; 7,949,475; 8,131,473; and 8,175,816. Metabolon has never suggested that Stemina infringes those patents and in fact has repeatedly taken the position that Stemina does not use those patents and does not need a license to them. Although Metabolon offered Stemina a license that included the technology patents, Metabolon did so only after Stemina insisted that they be included. Stemina has not explained clearly why it insisted on a license to the technology patents; in particular, Stemina has submitted no facts suggesting that its products or research relates to the technology patents in any way. In sum, Stemina has not

shown that the parties' have an actual dispute regarding infringement and invalidity of the technology patents. Thus, any decision by this court regarding infringement and validity of these patents would be purely advisory.

Similarly, I agree with Metabolon that neither the allegations of Stemina's complaints nor the additional facts submitted by the parties support a conclusion that there is an actual controversy between the parties with respect to United States Patents Nos. 7,329,489; 7,635,556; 7,682,783; and 7,947,453. Although these patents are in the methods portfolio and Metabolon informed Stemina on multiple occasions that it needed a license to the methods patents, both parties concede that Stemina's research does not cover all areas included in the methods portfolio. Metabolon has never accused Stemina of infringing these patents in particular and Stemina has adduced no facts suggesting that its products or research are related to the methods covered by those patents. Therefore, I will dismiss Stemina's claims under these patents.

I will not dismiss Stemina's claims for declaratory judgment on the '301, '258 and '616 patents. I am not persuaded by Metabolon's argument that there was no actual controversy at the time Stemina filed its complaint or that Stemina relied improperly on confidential information to support its complaint. The undisputed facts show that Metabolon repeatedly accused Stemina of infringement of certain methods patents, beginning before the parties renewed the nondisclosure agreement in December 2011 and continuing until Stemina filed its lawsuit. Metabolon identified the '301 and '258 patents in particular and later suggested to Stemina that if it did not execute the license agreement, the dispute would have to be resolved through litigation. The nondisclsoure agreement did not prohibit Stemina from responding to

such threats by filing a suit for declaratory relief. Moreover, Metabolon has conceded that there is an actual dispute between the parties regarding the '301, '258 and '616 patents by filing infringement claims against Stemina on these patents. It makes no sense for Metabolon to assert infringement claims while at the same time argue that there is no actual case and controversy. Accordingly, I will not dismiss Stemina's claims regarding the '301, '258 and '616 patents.

Finally, I will grant Stemina's motion to dismiss the second-filed lawsuit, 12-cv-618-bbc. Metabolon has provided no sufficient justification for initiating a second lawsuit in this court regarding its patents. Although Metabolon argues that it filed the second lawsuit to promote "efficiency," the most efficient way to proceed would have been to file its infringement claims as counterclaims in the first lawsuit. Proceeding in one lawsuit would have saved the court from having to open a new case, hold a preliminary pretrial conference and address Stemina's motion to dismiss. Thus, I will dismiss the second lawsuit. Although the cases could be consolidated, there is no need to have two open cases and numerous pleadings. Metabolon's infringement claims may be resolved as counterclaims in the first lawsuit.

ORDER

IT IS ORDERED that

1. Stemina Biomarker Discovery, Inc.'s motion to dismiss, dkt. #15, in case number 12-cv-618-bbc is GRANTED. Metabolon Inc.'s claims are DISMISSED WITHOUT PREJUDICE to their being refiled as counterclaims in case number 12-cv-494-bbc. The clerk of court is directed to close case number 12-cv-618-bbc.

2. Metabolon Inc.'s motion to dismiss, dkt. #12, in case number 12-cv-494-bbc is

GRANTED IN PART and DENIED IN PART. The motion is GRANTED with respect to Stemina Biomarker Discovery Inc.'s claims for declaratory relief related to United States Patents Nos. 7,433,787; 7,561,975; 7,884,318; 7,949,475; 8,131,473; 8,175,816; 7,329,489; 7,635,556; 7,682,783; and 7,947,453. These claims are DISMISSED WITHOUT PREJUDICE for lack of subject matter jurisdiction. The motion is DENIED with respect to Stemina Biomarker Discovery Inc.'s claims for declaratory relief relating to United States Patents Nos. 7,550,258, 7,910,301 and 7,553,616.

Entered this 17th day of December, 2012.

BY THE COURT:
/s/
BARBARA B. CRABB
District Judge