

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

CONSTAR INTERNATIONAL INC.,

Plaintiff,

v.

BALL PLASTIC CONTAINER CORP.,

Defendant.

OPINION and ORDER

05-C-669-C

In this civil action, plaintiff Constar International has accused defendant Ball Plastic Container Corp. of manufacturing containers that infringe plaintiff's U.S. Patent Nos. 5,955,527 (the '527 patent) and 5,021,515 (the '515 patent). Defendant has asserted counterclaims of tortious interference and patent invalidity and unenforceability.

Now before the court is plaintiff's motion to dismiss (1) its claims against defendant with respect to the alleged infringement of the '515 patent and (2) defendant's counterclaims related to the validity and enforceability of the '515 patent. Although the parties appear to agree that dismissal of plaintiff's claim regarding defendant's alleged infringement of the '515 patent is desirable, they dispute whether the dismissal would strip the court of jurisdiction to hear defendant's related counterclaims seeking declaratory

judgment. In addition, they quibble over the appropriate phrasing of the dismissal, and the effect a dismissal may have on defendant's ability to seek attorney fees at the close of this case.

Because plaintiff no longer contends that defendant has infringed its '515 patent, I will grant plaintiff's motion to dismiss count II of its amended complaint with prejudice. Furthermore, because defendant has not met its burden of showing that it has a reasonable apprehension that plaintiff will bring suit against it in the near future for infringement of the '515 patent, I agree with plaintiff that this court lacks jurisdiction to entertain these claims. Therefore, I will grant plaintiff's motion to dismiss without prejudice defendant's counterclaims regarding the invalidity and unenforceability of the '515 patent.

Before turning to the legal questions raised by the parties' briefs, I begin with a brief summary of the procedural background for this motion.

PROCEDURAL HISTORY

On November 15, 2005, plaintiff filed a complaint against defendant and former defendant Honeywell International, Inc. alleging that defendant had infringed the '515 patent by "making, offering for sale and/or selling in the United States plastic beer and juice containers having walls that are capable of scavenging oxygen as claimed in the '515 patent." Dkt. #2, at 3. In addition, plaintiff alleged that by manufacturing Aegis™ barrier nylon

resins “with the intent that they be used to manufacture oxygen scavenging plastic beer and juice containers,” former defendant Honeywell had induced defendant to infringe the ‘515 patent.

On February 13, 2006, plaintiff moved to dismiss with prejudice all claims against former defendant Honeywell; the motion was granted on February 14, 2006.

On March 9, 2006, plaintiff filed an amended complaint, in which it reasserted the claims against defendant contained in the original complaint and added a claim that defendant’s bottles and containers infringed plaintiff’s ‘527 patent. Defendant counterclaimed, contending that both patents were invalid and unenforceable and asserting that by bringing a “frivolous” lawsuit, plaintiff had tortiously interfered with defendant’s supply contract with former defendant Honeywell. (Apparently, Honeywell will no longer supply defendant with the Aegis™ resins used to manufacturer defendant’s allegedly infringing beer bottles and juice containers.)

On June 2, 2006, plaintiff sent defendant a proposed stipulation for dismissal of its claim that defendant’s products infringed the ‘515 patent and of defendant’s counterclaims that the ‘515 patent was invalid and unenforceable. The proposed stipulation included the following covenant not to sue:

Constar hereby unconditionally promises not to assert any claim for infringement under 35 U.S.C. § 271 alleging that Ball or its customers have infringed the 515 patent on account of those oxygen scavenging containers

that Ball currently makes and sells or has made and sold before the date of this Stipulation that incorporate the current formulation of Honeywell's Aegis™ OX and Aegis™ HFX resins and that are identified in Ball's answer to Constar's Interrogatory #1, dated February 10, 2006, which required Ball to identify "each plastic package purchased, made, used, offered for sale, sold, imported, or exported by or on behalf of Ball in the United States having walls capable of scavenging oxygen."

Dkt. #72, Exh. B, at 2. In an email message dated June 15, 2006, defendant rejected plaintiff's proposed stipulation:

[Y]our proposed covenant not to sue is unacceptable. Constar seeks to limit its dismissal to the bottles identified as sold by Ball in response to Interrogatory No. 1 when in fact that Interrogatory response also included a reference to documents produced under FRCP 33(d). Ball has produced non-privileged responsive documents concerning all walls for packages that it has made, used, sold, or offered for sale that would incorporate alleged oxygen scavenging materials - not just the bottles it had sold as of February 2006, which it specifically identified in response to Interrogatory No. 1. At Constar's request, Ball also continued to supplement its production with additional bottle drawings, such as Mike's Hard Lemonade and other variations of bottles referred to in response to Interrogatory No. 1. Ball also produced these additional bottle samples to Constar. Ball has also produced documents concerning its testing of non-Aegis materials, such as Amosorb and others . . . The proposed stipulation must reflect that Constar will not sue Ball on the '515 patent on any wall for a package that Ball has made, used, sold, or offered for sale prior to the date of stipulation . . .

Dkt. #91, Exh. 1, at 1. Having failed to obtain defendant's stipulation to dismissal of all claims relating to the infringement, validity and enforceability of the '515 patent, on June 15, 2006, plaintiff filed its present Motion to Dismiss Count II of the Amended Complaint and Defendant's Counterclaims I-III for Lack of Subject Matter Jurisdiction.

OPINION

The difference between what is pleaded and what can be proven in a lawsuit is often extreme, as this case demonstrates. Although plaintiff instigated this lawsuit by contending that defendant infringed the ‘515 patent only, and later asserted that defendant infringed both the ‘515 and the ‘527 patents, plaintiff concedes now that the products manufactured by defendant which prompted this lawsuit (namely, the containers manufactured by defendant that contain Aegis™ resins) do not infringe the ‘515 patent at all. Consequently, plaintiff has moved to dismiss Count II of its amended complaint. Not surprisingly, defendant does not object to this request and it will be granted.

Because plaintiff’s infringement claim will be dismissed, the next question is whether this court retains subject matter jurisdiction over defendant’s counterclaims for declaratory relief that the ‘515 patent is invalid and unenforceable. Under the Declaratory Judgment Act, 28 U.S.C. § 2201(a) (1994), a district court has jurisdiction over a declaratory judgment action only when there is an “actual controversy” between the parties. Amana Refrigeration, Inc. v. Quadlux, Inc., 172 F.3d 852, 855 (Fed. Cir. 1999). For an actual controversy to exist, “[t]here must be both (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.” Id. (citing BP Chems. Ltd. v. Union

Carbide Corp., 4 F.3d 975, 978 (Fed. Cir. 1993)). An actual controversy must be extant at all stages of review, not merely at the time the complaint is filed. Id. (citing Preiser v. Newkirk, 422 U.S. 395, 401 (1975)).

Plaintiff contends that once its infringement claims are dismissed with respect to defendant's alleged violation of the '515 patent, defendant will no longer meet either prong of the test outlined above. Plaintiff alleges that it brought suit for infringement of the '515 patent after examining plastic beer and juice containers made by defendant that contained Aegis™ resins. Now that plaintiff concedes the resins do not infringe the '515 patent, there is no evidence that defendant's "present activities . . . could constitute infringement or concrete steps taken with the intent to conduct such activity." See Amana Refrigeration, Inc., 172 F.3d at 855. Moreover, plaintiff contends that because it has promised not to sue for defendant in the future by "asserting a claim against Ball or its customers under 35 U.S.C. § 271 alleging infringement of Constar's 515 patent on account of those oxygen scavenging containers that Ball currently makes, uses, sells, or offers for sale or has made, used, sold, or offered for sale that incorporate Honeywell's Aegis™ materials as they currently exist," dkt. #108, at 2, there is no reason for defendant to have any "reasonable apprehension" that it will face an infringement suit brought by plaintiff anytime in the near

future.¹

In a line of cases dating back a decade to Super Sack Mfg. Corp. v. Chase Packaging Corp., 57 F.3d 1054 (Fed. Cir. 1995), the Court of Appeals for the Federal Circuit has held that “a covenant not to sue deprives a court of declaratory judgment jurisdiction.” Metabolite Laboratories, Inc. v. Laboratory Corp. of America Holdings, 370 F.3d 1354, 1369 (Fed. Cir. 2004); see also Amana Refrigeration, 172 F.3d at 855 (“[A] covenant not to sue for any infringing acts involving products ‘made, sold, or used’ on or before the filing date is sufficient to divest a trial court of jurisdiction over a declaratory judgment action.”); Super Sack Mfg. Corp., 57 F.3d at 1060. As the court of appeals explained in Fort James Corp. v. Solo Cup Co., 412 F.3d 1340, 1348 (Fed. Cir. 2005):

The rationale applied by the court in Super Sack was that the patentee’s covenant not to sue resolved the actual controversy between the parties, *i.e.*, the question of infringement of the subject patent, such that the court no longer had Article III jurisdiction to hear a declaratory judgment action regarding the validity or enforceability of that patent . . . In Super Sack and its progeny, the patentee’s covenant not to sue . . . obviated any reasonable apprehension that the declaratory judgment plaintiff might have of being held liable for its acts of infringement.

See also Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc., 248

¹In the course of briefing its motion to dismiss, plaintiff has broadened the language of its original proposed covenant somewhat in order to address some of the complaints defendant made with respect to the scope of the covenant. The language from dkt. #108 quoted above reflects plaintiff’s most recent phrasing of its covenant not to sue.

F.3d 1333, 1342 (Fed. Cir. 2001) (statement of non-liability divested the district court of Article III jurisdiction); Spectronics Corp. v. H.B. Fuller Co., Inc., 940 F.2d 631, 636 (Fed. Cir. 1991) (patentee's statement of non-liability made declaratory judgment plaintiff immune to suit under claims of contested patent).

Defendant emphasizes that the covenants at issue in Super Sack and Amana were worded more broadly than plaintiff's covenant. In Super Sack, 57 F.3d at 1056, the plaintiff agreed "unconditionally [] not to sue [the defendant] for infringement as to any claim of the patents-in-suit based upon the products currently manufactured and sold by [the plaintiff]." Similarly, in Amana Refrigeration, 172 F.3d at 855, the covenant at issue included language promising that the plaintiff would not "assert any claim of patent infringement against Amana under [the '005 patent] as it presently reads, with respect to any product currently advertised, manufactured, marketed or sold by Amana, or any product which was advertised, manufactured, marketed or sold by Amana prior to the date of th[e] declaration." Because plaintiff's covenant is not "unlimited" and "unconditional," defendant contends, it does not strip the court of jurisdiction over defendant's counterclaims seeking declaratory judgment that the '515 patent is invalid and unenforceable.

It is true that plaintiff's covenant is worded more carefully than those at issue in Super Sack and Amana Refrigeration, but there is no reason to believe that the difference is material. What defendant appears to forget is that it is the party seeking a declaratory

judgment who bears the burden of establishing the existence of an ongoing case or controversy. Cardinal Chemical Co. v. Morton Intern., Inc., 508 U.S. 83, 95 (1993). It is not enough to say that plaintiff's covenant is "limited"; defendant bears the burden of showing why the covenant leaves it in "reasonable apprehension of imminent suit" and therefore fails to extinguish the controversy between the parties with respect to the '515 patent. Teva Pharmaceuticals USA, Inc. v. Pfizer, Inc., 395 F.3d 1324, 1333 (Fed. Cir. 2005). Whether there is an actual controversy between parties having adverse legal interests depends upon whether the facts alleged show that there is a substantial controversy between the parties of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. Id. "This requirement of imminence reflects the Article III mandate that the injury in fact be 'concrete,' and 'actual or imminent, not conjectural or hypothetical.'" Teva Pharmaceuticals USA, Inc., 395 F.3d at 1333 (citing Steel Co. v. Citizens for a Better Env't, 523 U.S. 83, 101 (1998)).

In this case, defendant has not come forward with any facts indicating that it is in immediate danger of being sued by plaintiff for infringement of the '515 patent as a result of any products other than those containing Aegis™ resins, over which plaintiff has promised not to bring suit. Defendant may have preferred plaintiff to issue a covenant that was worded as sweepingly as the covenants discussed in Amana Refrigeration and Super Sack, but courts have never held that such sweeping language is required in order to strip a court

of jurisdiction. To the contrary, courts have held that “[a]lthough a patentee’s refusal to give assurances that it will not enforce its patent is relevant to the determination [whether the threat of suit is imminent], this factor is not dispositive.” BP Chemicals, 4 F.3d at 980; see also Teva Pharmaceuticals USA, Inc., 395 F.3d at 1333 (Fed. Cir. 2005) (same).

In this case, plaintiff brought suit based on its examination of beer bottles and juice containers manufactured by defendant that contained Honeywell’s Aegis™ resins. Although defendant disclosed additional bottles and containers to plaintiff during discovery, there is no indication that plaintiff believes any of these containers infringe the ‘515 patent, much less that defendant has reason to believe plaintiff is planning to sue it for alleged infringement any time in the near future. Once plaintiff’s claims for infringement of the ‘515 patent are dismissed in this case (as they will be forthwith), there will remain no live controversy between the parties with respect to the infringement, validity or enforceability of the ‘515 patent. Consequently, because this court will not retain subject matter jurisdiction over defendant’s counterclaims with respect to the validity or enforceability of the ‘515 patent, those claims will be dismissed as well.

Several details merit brief attention. First, in the course of briefing this motion, the parties appear to have reached agreement that plaintiff’s claims regarding defendant’s alleged infringement of the ‘515 patent should be dismissed with prejudice, while defendant’s counterclaims regarding the alleged invalidity and unenforceability of the ‘515 patent should

be dismissed without prejudice. I do not disagree that these are the proper forms of dismissal. See, e.g., Intellectual Property Development, Inc., 248 F.3d at 1342 (when “statement of non-liability divested the district court of Article III jurisdiction,” district court “properly granted the motion to dismiss [plaintiffs’] complaint with prejudice and [defendant’s] counterclaims without prejudice”). Therefore, the claims will be dismissed in accordance with the parties’ wishes.

Second, defendant makes much of the fact that dismissal of the counterclaims does not waive its demand for attorney fees under 35 U.S.C. § 285 that it has incurred in connection with discovery and briefing on those claims thus far in this lawsuit. The decision to dismiss counterclaims for lack of subject matter jurisdiction in this case has no bearing on whether defendant will be entitled to attorney fees should it prevail on the claims remaining in this action. Therefore, while I agree that dismissing defendant’s counterclaims does not affect its ability to seek attorney fees under § 285 at a later stage in these proceedings, I need not give the matter any further attention at this time.

ORDER

IT IS ORDERED that

1. Plaintiff Constar International Inc.’s Motion to Dismiss Count II of the Amended Complaint and Ball’s Counterclaims I-III for Lack of Subject Matter Jurisdiction is

GRANTED;

2. Count I of plaintiff's amended complaint is DISMISSED with prejudice;

3. Counterclaims I-III of defendant's answer to plaintiff's amended complaint are DISMISSED insofar as the counterclaims seek declaratory relief regarding the invalidity and unenforceability of plaintiff's '515 patent. The dismissal is without prejudice.

Entered this 21st day of July, 2006.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge