

ASIA VITAL COMPONENTS CO., LTD. v. ASETEK DANMARK A/S, Appeal No. 2015-1597 (Fed. Cir. September 8, 2016). Before Prost, Linn and Taranto. Appealed from E.D. Va. (Judge O'Grady).

Background:

Asia Vital Components ("AVC") manufactures cooling systems for integrated circuits. Asetek owns two patents directed to liquid cooling systems used in computers. Asetek contacted AVC asserting AVC manufactured products that infringed Asetek's patents.

AVC filed a complaint seeking a declaratory judgment that certain of its products did not infringe Asetek's patents, and also that Asetek's patents were invalid. Asetek countered that it had never asserted that those particular AVC products infringed its patents, and therefore the complaint lacked subject matter jurisdiction as there was no actual controversy between the parties. The district court agreed and dismissed the complaint. AVC appealed.

Issue/Holding:

Did the district court err in dismissing AVC's complaint for lack of subject matter jurisdiction? Yes, reversed and remanded.

Discussion:

The Federal Circuit agreed with AVC that the district court improperly focused on Asetek's contention that it did not specifically accuse the particular products referenced in AVC's complaint. The Federal Circuit emphasized that an actual controversy exists between parties if (i) affirmative conduct by the patentee can be reasonably inferred as demonstrating intent to enforce a patent, and (ii) the threat of suit is "real and immediate."

For the first prong (i), the Federal Circuit found sufficient evidence of Asetek's intent to enforce its patents against AVC. Although Asetek's initial demand letter incorrectly referenced a product not manufactured by AVC, that product was nevertheless sufficiently similar to AVC's products. Moreover, Asetek subsequently contacted AVC accusing AVC of likely selling other infringing products; indicating that AVC had "sown distrust" and thus Asetek could not cooperate with AVC; stating that it would not license its patents to AVC; and warning AVC that Asetek had been enforcing its intellectual property rights against other competitors. In addition, there was evidence that Asetek had contacted AVC's customers and threatened to sue them if they continued using AVC's products. The Federal Circuit held that such statements and alleged conduct clearly showed that Asetek intended to enforce its patents against AVC.

For the second prong (ii), the Federal Circuit found that AVC made the requisite showing that the threat of suit was "real and immediate" because AVC's products were being manufactured and prepared for sale in a market directly competing with Asetek's products. Thus, the totality of the circumstances indicated that an actual controversy existed between the parties at the time of AVC's complaint, thereby establishing subject matter jurisdiction.