PATTON BOGGS LLP

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Delaware Court Dismisses "Anticipatory" First-Filed Declaratory Judgment Action

Intellectual Property Client Alert

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The Delaware District Court dismissed a declaratory judgment action in favor of a later-filed patent infringement suit on the same patent. The ruling provides a roadmap for patent owners to pursue a settlement without the danger of an infringer being able to win a race to the courthouse and file suit in a forum of its choosing.

In *Woodbolt Distribution, LLC v. Natural Alternatives Int'l, Inc.*, Civil Action No. 11-1266-GMS, 2013 U.S. Dist. Lexis 8751 (D. Del. Jan. 23, 2013), Woodbolt, which sells human dietary supplements containing beta-alanine, filed a declaratory judgment action in the U.S. District Court for the District of Delaware asking that Court to rule that a patent owned by Natural Alternatives International, Inc. was not infringed or invalid. Just minutes after Woodbolt filed its Delaware case, Natural Alternatives sued Woodbolt and two of its contract manufacturers for patent infringement in the U.S. District Court for the Southern District of Texas. Natural Alternatives then moved to dismiss the Delaware action or, in the alternative, transfer the case to Texas.

Chief Judge Gregory Sleet rejected Woodbolt's argument that the first-filed rule mandated maintenance of its declaratory judgment action in Delaware. While the Court agreed that the first-filed rule would generally apply in these circumstances, Woodbolt's suit appeared to be "anticipatory", presenting an exception to the doctrine. It held that a suit is "anticipatory" if the threat of a suit by the defendant is "imminent". Before the filing of either suit, NAI sent Woodbolt a cease and desist letter and attached a draft Complaint, warning Woodbolt it would file its lawsuit in Texas should the parties not reach a resolution. The parties then engaged in several discussions regarding NAI's allegations of patent infringement and were scheduled to participate in an additional conversation when Woodbolt filed its declaratory judgment action in Delaware, calling it a "precautionary measure" should the parties not be able to resolve their dispute.

Under these circumstances, the Court concluded that "NAI's presentation of its draft Complaint, and counsel for Woodbolt's statement that filing this action was a 'precautionary measure,' strongly suggest that a patent infringement suit from NAI was 'imminent' within the meaning of the first-filed rule exception." The anticipatory nature of Woodbolt's action, combined with Texas representing a more convenient forum for both parties, militated against application of the first-filed rule.

Natural Alternatives was represented in the case by a team of attorneys from Patton Boggs LLP, represented by Kevin M. Bell, Richard J. Oparil, Scott A.M. Chambers, Caroline C. Maxwell and Lacy L. Kolo.