

CLIENT ALERT

## Federal Circuit Clarifies Factors Supporting Departure From “First-to-File [Suit]” Rule

MARCH 13, 2020

*Communications Test Design, Inc. v. Contec, LLC*, No. 19-1672 (Fed. Cir. Mar. 13, 2020)

In *Contec*, the Federal Circuit affirmed a district court’s dismissal of a complaint seeking a declaratory judgment of noninfringement in favor of a later-filed infringement suit filed in another district and involving the same patents, patentee, and accused infringer. Although it recognized that the first-to-file rule, a doctrine of federal comity, generally favors the forum of the first-filed case, the Federal Circuit held that the district court did not abuse its discretion by declining jurisdiction over the declaratory judgment action in favor of the later-filed infringement suit.

Prior to the filing of the underlying actions, the patentee had informed the accused infringer that it would sue for patent infringement unless the accused infringer entered into a patent license agreement. While the parties were negotiating the terms of the license, and on the same day the accused infringer confirmed it would prepare a counter-proposal, the accused infringer filed the declaratory judgment action for noninfringement in Pennsylvania. Six days later, the patentee sued for infringement in New York, and sought dismissal of the declaratory judgment action. Reviewing these facts, the Pennsylvania district court concluded that equitable considerations, along with the convenience of the New York forum, warranted departure from the first-to-file rule.

On appeal, the Federal Circuit found that the district court had not abused its discretion in declining to exercise jurisdiction over the declaratory judgment action and dismissing in favor of the New York action. First, given the accused infringer’s knowledge that the patentee planned to file suit unless the parties entered into a patent license, and its professed willingness to engage in negotiations, the district court rightly concluded that the declaratory judgment action was filed in anticipation of the patentee’s impending infringement suit. Second, the district court was within its discretion to conclude that the accused infringer’s conduct was inconsistent with the policy of promoting extrajudicial dispute resolution, sound judicial administration, and the conservation of judicial resources, given that the accused infringer took advantage of the patentee’s willingness to refrain from filing suit in order to negotiate a patent license. Third, the district court also correctly found that, on balance, New York was a more convenient forum to resolve the dispute between the parties, given the location of the parties and key witnesses.

A copy of the opinion can be found [here](#).

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