

Identifying Facial or Factual Challenges to Jurisdiction

Mitek Sys., Inc. v. United States Automobile Association, 2022 WL 1592453 (Fed. Cir. May 20, 2022)

By: Mike Bregenzer & Ted Mahan | May 31, 2022

In late 2019, Mitek Systems, Inc. (“Mitek”) filed for a declaratory judgment (DJ) that it did not infringe four USAA check imaging patents. Following a transfer from the N.D. Cal. to the E.D. Tex., the district court dismissed the suit for a lack of subject matter jurisdiction. The district court concluded there was no case or controversy because Mitek did not intervene in prior patent litigation involving infringement assertions against a customer’s software that incorporated Mitek’s product and because USAA’s letters to Mitek’s customers alleging infringement related to Mitek’s software were insufficient. In the alternative, the district court asserted it could exercise its discretion to decline to entertain the DJ.

Initially, the CAFC explained the standard for whether a declaratory judgment action meets the case or controversy requirement is whether the alleged facts, under the totality of the circumstances, demonstrate an actual, substantial, and imminent dispute concerning parties’ legal interests that warrants such relief. Identifying particular facts under the total circumstances is thus important for this standard, the Court said.

Mitek argued that there was a justiciable controversy based on potential patent infringement liability to USAA based on accusations involving Mitek’s software in a case involving Mitek’s customers, and USAA letters to Mitek customers leading to indemnification demands. Regarding potential infringement, the CAFC stated that the court did not analyze Mitek’s liability with sufficient specificity before concluding that Mitek would not be sued. Also, the district court’s analysis did not consider all types of infringement, such as inducement. Regarding the cease-and-desist letters, the CAFC stated that although a communication of patents and an identification of a party’s products is insufficient, the letter here plus the related litigation supported an infringement controversy. The letter included three patents that overlapped with the four asserted in the other suit, stated that the listed patents were relevant to check imaging technology, and included a claim chart explaining how an unrelated patent applied to the customer’s software. The CAFC explained that parsing the facts to make particular DJ jurisdiction determinations required identifying which challenges were facial (based on the complaint and undisputed facts) versus factual (based on other evidentiary materials). While the CAFC determined that the legal sufficiency of the letter was a facial challenge, the lack of clarity in the district court’s analysis required remand.

The CAFC also vacated the district court’s discretionary dismissal because the court did not provide reasoning independent from the deficient jurisdictional analysis. To support alternatives to a DJ based on statutory purposes or judicial-administration principles, the CAFC identified considerations such as the adequacy of available relief and the effectiveness and efficiency of intervention compared to a DJ.

In sum, particularity and a firm grasp of the path selected for challenging declaratory judgment jurisdiction are important to carefully address. Likewise, parties filing declaratory judgment actions are well served by asserting facts that anticipate such review.