

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

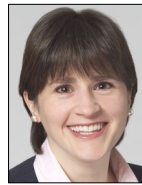
## Personal Jurisdiction Arising From Patent Notice Letters

Under the Due Process Clause of the Fourteenth Amendment, a state or federal court may exercise jurisdiction over a defendant only if the defendant is at home in the forum state or has sufficient minimum contacts with the forum state and the exercise of jurisdiction would not offend traditional notions of fair play and substantial justice. A common fact pattern in patent cases that implicates this requirement occurs when an out-of-state patent holder sends a notice letter to a party in a forum state accusing that party of infringing the patent holder's patents. Before the patent holder can sue in its forum of choice, the accused infringer seeks declaratory judgment of non-infringement and/or invalidity in the forum state. The patent holder then moves to dismiss, arguing that the notice letter did not create personal jurisdiction over the patent holder in the forum state.

In *Red Wing Shoe Co. v. Hocker-*



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*son-Halberstadt*, the Federal Circuit held that the sending of a notice letter does not create personal jurisdiction over the patent holder in the target forum because “[p]rinciples of fair play and substantial justice afford a patentee sufficient latitude to inform others of its patent rights without subjecting itself to jurisdiction in a foreign forum.” 148 F.3d 1355, 1360-61 (Fed. Cir. 1998). Two recent Federal Circuit cases have clarified that notice letters sent by an out-of-state patent holder into a forum state might create personal jurisdiction in that state over the patent holder. *Trimble v. PerDiem-Co*, 997 F.3d 1147 (Fed. Cir. 2021); *Apple v. Zipit Wireless*, 2022 WL 1132169 (Fed. Cir. April 18, 2022). We report here on these cases.

### Personal Jurisdiction

There are two types of personal jurisdiction: general and specific.

General jurisdiction is appropriate “only when a defendant is ‘essentially at home’ in the State.” *Ford Motor Co. v. Mont. Eighth Jud. Dist. Ct.*, 141 S. Ct. 1017, 1024 (2021). Specific jurisdiction, on the other hand, requires that a defendant “take ‘some act by which [it] purposefully avails itself of the privilege of conducting activities within the forum State’” and that

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the plaintiff’s claims “‘arise out of or relate to the defendant’s contacts’ with the forum.” *Id.* at 1024-25.

In addition to this minimum contacts or purposeful availment requirement, the exercise of specific personal jurisdiction must “not offend traditional notions of fair play and substantial justice.” *Id.* at 1024. The Supreme Court has

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identified five factors relevant to this inquiry: (1) “the burden on the defendant”; (2) “the forum State’s interest in adjudicating the dispute”; (3) “the plaintiff’s interest in obtaining convenient and effective relief”; (4) “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies”; and (5) the “shared interest of the several States in furthering fundamental substantive social policies.” *Burger King v. Rudzewicz*, 471 U.S. 462, 477 (1985).

### Trimble

PerDiemCo is a Texas corporation and the owner of patents related to electronic logging devices and geofencing. 997 F.3d at 1150. PerDiemCo’s owner and sole employee, Robert Babayi, lives and works in Washington, D.C. Id. at 1151. Trimble is a Delaware corporation headquartered in the Northern District of California. Id. Trimble’s wholly owned subsidiary ISE is an Iowa corporation and is headquartered in Iowa. Id. Together Trimble and ISE manufacture and sell positioning and navigation products and services. Id.

In 2018, Mr. Babayi, on behalf of PerDiemCo, sent a letter to ISE accusing ISE of infringing certain PerDiemCo patents. Id. That letter offered ISE a non-exclusive license to PerDiemCo’s patents and attached a claim chart and an unfiled patent-infringement complaint for the Northern District of Iowa. Id. ISE forwarded the letter to Trimble’s Chief IP Counsel, who informed PerDiemCo that future communications should be through Trimble. Id.

Mr. Babayi then accused Trimble of infringing PerDiemCo’s patents and communicated with Trimble via letter, email, or telephone at least 22 times, threatening to sue Trimble for patent infringement in the Eastern District of Texas. Id.

In January 2019, Trimble and ISE sought declaratory judgment of non-infringement of PerDiemCo’s patents in the Northern District of California. Id. at 1151-52. PerDiemCo moved to dismiss for lack of personal jurisdiction. Id. at 1152. The district court granted the motion, holding that it lacked specific personal jurisdiction over PerDiemCo. Id. Although the district court found that PerDiemCo’s letters and subsequent communications satisfied the minimum contacts test, the court held that under *Red Wing*, “exercising specific personal jurisdiction over PerDiemCo would be constitutionally unreasonable.” Id. Trimble appealed.

The Federal Circuit reversed, explaining that “[t]hree subsequent developments have clarified the scope of *Red Wing*.” Id. at 1154. “First, the Supreme Court cases following *Red Wing* have made clear that the analysis of personal jurisdiction cannot rest on special patent policies” and “[p]ersonal jurisdiction is not an area in which Congress has enacted a patent-specific statute ....” Id. “Second, the Supreme Court has held that communications sent into a state may create specific personal jurisdiction, depending on the nature and scope of such communications” and “[o]ur more recent cases have concluded that, in the context of patent litigation,

communications threatening suit or proposing settlement or patent licenses can be sufficient to establish personal jurisdiction.” Id. at 1155. “Third,” according to the Federal Circuit, “the Supreme Court’s recent decision in *Ford* has established that a broad set of a defendant’s contacts with a forum are relevant to the minimum contacts analysis.” Id. at 1156.

Thus, explained the court, “there is no general rule that demand letters can never create specific personal jurisdiction” and “[t]he central question under *Red Wing* is now whether a defendant’s connection to a forum is sufficient to satisfy the minimum contacts or purposeful availment test and ... whether the exercise of jurisdiction conforms to the due process and fairness criteria of precedent.” Id. The court concluded that the minimum contacts test is satisfied here because “[a]s its actions make clear, PerDiemCo repeatedly contacted Trimble and ISE in California, accumulating an extensive number of contacts with the forum in a short period of time,” and “PerDiemCo amplified its threats of infringement as the communications continued, asserting more patents and accusing more of Trimble and ISE’s products of infringement.” Id. at 1157. Additionally, “Trimble is headquartered in California, connecting California to Trimble’s claims ... .” Id.

As to whether personal jurisdiction “would still be unreasonable” despite these minimum contacts, the court applied the *Burger King* factors to hold that PerDiemCo “has not made ‘a compelling case that the presence of some other

considerations would render jurisdiction unreasonable.” Id. at 1159. As to factor one, the court explained that “PerDiemCo’s burden of litigating in California is, at most, only slightly greater than litigating in its preferred fora of Texas or Iowa.” Id. at 1158. Under factors two and three, respectively, the court held that “[t]he Northern District of California has a significant interest in adjudicating this dispute,” and “Trimble, a California resident, indisputably has an interest in protecting itself from patent infringement by obtaining relief from a nearby federal court.” Id. (internal quotation marks omitted). Factors four and five also did not counsel against personal jurisdiction because litigating in California “would result in an efficient resolution of the controversy” and “the same body of federal patent law would govern ... irrespective of the forum.” Id. at 1159.

### Apple

Zipit, a Delaware corporation with a principal place of business in South Carolina and all of its employees located in South Carolina, contacted Apple at Apple’s headquarters in the Northern District of California regarding the licensing of certain Zipit patents. 2022 WL 1132169, at \*1. Those contacts, which began in 2013 and spanned three years, included “several rounds” of correspondence and two in-person meetings at Apple’s headquarters. Id. In those correspondence and at those meetings the parties discussed, among other things, “the possibility of Apple buying or licensing the patents-in-suit.”

Id. In 2020—over four years after the parties’ last contact—Zipit filed and then voluntarily dismissed a patent-infringement action against Apple in the Northern District of Georgia. Id. at \*2.

Nine days later, Apple sought declaratory judgment of non-infringement of Zipit’s patents in the Northern District of California. Id. In a pre-*Trimble* decision, the district court granted Zipit’s motion to dismiss for lack of personal jurisdiction, holding that although Apple had established the required minimum contacts, under *Red Wing* “the exercise of personal jurisdiction ... would be unconstitutional when ‘[a]ll of the contacts were for the purpose of warning against infringement or negotiating license agreements.’” Id. at \*3. Apple appealed.

The Federal Circuit reversed. The court agreed with the district court that “minimum contacts were satisfied” because Zipit “sen[t] multiple letters and claim charts accusing Apple of patent infringement and also travel[ed] to Apple’s offices in California to discuss these accusations.” Id. at \*4. The court explained that “[b]y doing so,” Zipit “directed its activities to California,” and further that Apple’s declaratory judgment claim “directly stems from these enforcement efforts ....” Id.

The Federal Circuit also held that the exercise of jurisdiction would not be unreasonable, reiterating that *Red Wing* did not create a “general rule that demand letters can never create specific personal jurisdiction,” and explained that the district court, “not having the benefit of our recent decision in

*Trimble*, erred by not considering the settlement-promoting policy underlying *Red Wing Shoe* as but one of many considerations in its overall analysis of the *Burger King* factors.” Id. at \*6-7. Instead, under the *Burger King* factors, Zipit had “not met its burden to present a compelling case” that the exercise of jurisdiction would be unreasonable because (1) litigation in California would not “be so unreasonably burdensome as to be unconstitutional,” (2) California has “definite and well-defined interests in commerce and scientific development,” (3) Apple, “indisputably has an interest in protecting itself from patent infringement by obtaining relief from a nearby federal court in its home forum,” and (4) “while we consider [the] important policy of promoting settlement ... we must balance the fourth *Burger King* factor against the other factors.” Id. at \*8-10. Ultimately, concluded the court, this is not “one of the ‘rare’ situations in which sufficient minimum contacts exists but where the exercise of jurisdiction would be unreasonable.” Id. at \*10.