

**LOSING THE HOME-TEAM ADVANTAGE – THE SUPREME COURT’S
NARROWING OF THE DOCTRINE OF GENERAL PERSONAL JURISDICTION AND
ITS IMPACT ON PATENT DECLARATORY JUDGMENT ACTIONS**

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By Ankur Parekh, Mark D. Giarratana, & Abraham S. Robinson

A recent Supreme Court opinion in a non-patent case, *Daimler AG v. Bauman*, likely will have a far-reaching impact on the prevalence of patent declaratory judgment actions. In the past, an accused patent infringer often could rely on the doctrine of general personal jurisdiction in order to bring a patent declaratory judgment action against a patent owner. But in *Daimler*, the Supreme Court narrowed the doctrine of general personal jurisdiction by requiring that a defendant must be “essentially at home” in the forum state for general personal jurisdiction to apply. The Court’s ruling in *Daimler* may significantly curtail the ability of accused infringers to bring declaratory judgment actions in their home districts due to lack of personal jurisdiction over patent owners. As the perceived “home-team advantage” is a major reason why accused infringers file first-strike patent declaratory judgment actions in their home districts, *Daimler* ultimately may result in reduced filings of such actions.

Limited Bases Exist for Personal Jurisdiction in Patent Declaratory Judgment Actions

In patent declaratory judgment actions, as in all lawsuits, due process requires that a court must have personal jurisdiction over the defendant. There are two types of personal jurisdiction: specific and general. Specific personal jurisdiction exists if the cause of action either arises from or is related to a set of “minimal contacts” that the defendant purposely has made with the forum state, such that maintenance of the suit does not “offend traditional notions of fair play and substantial justice.”¹ General personal jurisdiction, on the other hand, is jurisdiction over the defendant for any lawsuit and regardless of whether it arises from or is related to the defendant’s

contacts with the forum state. For a long time, the test for general personal jurisdiction was articulated as whether or not the defendant had “continuous and systematic contacts” with the forum state.

In an action seeking a declaratory judgment that a patent is not infringed, is invalid, or is unenforceable, the accused infringer is the plaintiff and the patent owner is the defendant. Accordingly, specific personal jurisdiction must be predicated on the contacts of the defendant patent owner with the forum state. Federal Circuit law applies in determining whether a district court may exercise personal jurisdiction over defendants in patent cases, including declaratory judgment actions.²

Federal Circuit law makes it difficult for accused infringers to rely on specific personal jurisdiction when bringing declaratory judgment actions in their home states. Indeed, the Federal Circuit has found that only a limited set of a patent owner’s contacts with a forum state are relevant to the specific-personal-jurisdiction analysis. In particular, sales in the forum state by the patent owner of products that practice the patent are not relevant to the analysis.³ The Federal Circuit has reasoned that because the claim in a typical declaratory judgment action seeks redress for the injury caused by “a wrongful restraint on the free exploitation of non-infringing goods,” the only contacts that are relevant are those associated with the wrongful restraint, in other words, the patent owner’s enforcement activities within the forum state.⁴ At the same time, the Federal Circuit has held that a patent owner’s delivery of a cease-and-desist letter to an accused infringer in a forum state does not, by itself, satisfy the minimum contacts test because it would offend traditional notions of fair play and substantial justice to deny the patent owner the ability to inform others of alleged infringement without exposing itself to a lawsuit in a foreign jurisdiction.⁵ Accordingly, while it is possible that a patent owner will have

engaged in enforcement activity in the accused infringer's home state, such as by previously bringing suit for infringement in that state or by entering into an exclusive license with someone in that state that includes obligations to enforce the patent,⁶ such in-state enforcement activity often will not be present.

Despite the difficulties in asserting specific personal jurisdiction over a patent owner, an accused infringer could nevertheless often bring a declaratory judgment action based on general personal jurisdiction. Any contacts with the state mattered for general personal jurisdiction, not just those related to the cause of action in the lawsuit. Thus, not only would the patent owner's sales in the state of products covered by the patent count, but the patent owner's sales of all other products in the state as well as all other purposeful connections would count as well.⁷ For a patent owner that was a reasonably sized products or services company, an accused infringer could assert that the patent owner had a "continuous and systematic" presence in the accused infringer's home state, and thus obtain general personal jurisdiction over that patent owner in a declaratory judgment action.

The Supreme Court Has Significantly Limited the Doctrine of General Personal Jurisdiction

Two recent decisions by the Supreme Court may significantly limit the ability of plaintiffs in declaratory judgment patent cases from relying on general personal jurisdiction, even though neither case actually involved a declaratory judgment patent action. First, in *Goodyear Dunlop Tires Operations, S.A. v. Brown*,⁸ the Court took issue with relying solely on a defendant's sales within the forum state to establish general personal jurisdiction. *Goodyear* involved a suit in North Carolina against a European affiliate of the American tire manufacturer, for an accident that occurred in France.⁹ The theory of general personal jurisdiction was that some tires produced by the European affiliate reached North Carolina through the stream of

commerce.¹⁰ The Court rejected the applicability of “stream of commerce” to general personal jurisdiction.¹¹ The Court also pointed out that the language “continuous and systematic” contacts with the forum state was used in the Court’s seminal *International Shoe* opinion in relation to specific, not general, personal jurisdiction.¹² The Court hinted at a new test for general personal jurisdiction, one that requires that the defendant be “at home” in the forum state.¹³

The Supreme Court expanded on these ideas in its decision in *Daimler AG v. Bauman*.¹⁴ In *Daimler*, a California resident sued the German company DaimlerChrysler in California based on events that occurred in Argentina.¹⁵ The asserted basis of personal jurisdiction was the “continuous and systematic” presence in California of Daimler’s subsidiary Mercedes Benz USA, based on offices, vehicle preparation centers, and a large volume of sales.¹⁶ Assuming that Mercedes-Benz’s contacts were attributable to its parent, the Supreme Court nonetheless found that they could not serve as the basis for general jurisdiction.¹⁷ The Court expressly rejected the “continuous and systematic contacts” test, and adopted the test it introduced in *Goodyear*, which requires the defendant to be “essentially at home” in the forum state.¹⁸ For a corporation, the Court observed that a corporation will always be “essentially at home” in its state of incorporation and in the state where its principal place of business is located.¹⁹

The Court in *Daimler* did not foreclose the possibility that general personal jurisdiction could exist outside of the state of incorporation or the state where the corporation’s principal place of business is located. In an “exceptional case, ... a corporation’s operations in a forum other than its formal place of incorporation or principal place of business may be so substantial and of such a nature as to render the corporation at home in that State.”²⁰ Such a determination requires “an appraisal of a corporation’s activities in their entirety, nationwide and worldwide,” keeping in mind that “a corporation that operates in many places can scarcely be deemed at home

in all of them.”²¹ In 2010, the Supreme Court held that a corporation’s “principal place of business” for purposes of federal diversity jurisdiction is its “nerve center,” *i.e.*, the place from where “a corporation’s officers direct, control, and coordinate the corporation’s activities.”²² One scenario where another state may come into play is when a corporation’s operations are mainly in a state that is neither its location of incorporation or principal place of business. In such scenarios, courts may determine that a corporation is “essentially at home” in the state where the weight of its operations occur, as well as the state of its “nerve center.” Nevertheless, if district courts read *Goodyear* and *Daimler* broadly, they may not exercise general personal jurisdiction over patent owners in declaratory judgment actions where the patent owner is not incorporated or does not have a principal place of business in the forum state. Indeed, since *Goodyear*, district courts have declined to exercise general personal jurisdiction over defendant patent owners in patent declaratory judgment actions.²³

The Impact of Recent Supreme Court Precedent May Be a Reduced Number of Patent Declaratory Judgment Filings

Goodyear and *Daimler* should make it more difficult than in the past for accused patent infringers to bring first-strike declaratory judgment actions in their home districts. Accused infringers likely will have difficulty establishing specific personal jurisdiction over a patent owner unless the patent owner fortuitously engaged in enforcement activity in the forum state. After *Goodyear* and *Daimler*, accused infringers also may have difficulty establishing general personal jurisdiction over patent owners in forum states where they are neither incorporated nor have principal places of business. In many scenarios, the plaintiff accused infringer and the defendant patent owner will not be domiciled in the same state. And in situations where the defendant patent owner is domiciled in the forum state, the accused infringer may choose to forego a patent declaratory judgment action because the perceived home-team advantage of

litigating in one's home district—a major reason why accused infringers choose to strike first with a declaratory judgment action—would not be present.

After *Goodyear* and *Daimler*, depending on the circumstances, an accused infringer may have a better chance of locating a patent infringement litigation in its home forum with a motion to transfer the venue of a case filed elsewhere by the patent owner than with a first-strike declaratory judgment action. In particular, where the patent owner files an infringement suit in a perceived patentee-friendly forum that it has little connection to, the accused infringer may be able to successfully move to transfer venue based on a showing that the public or private interests protected by the venue transfer statute²⁴ favor litigation in its home district. For example, the accused infringer may be able to show that litigating in its home district would be more convenient to the parties and the witness because the accused product was developed there, most of the relevant documents are located there, and most of the relevant witnesses are located there, including third party witnesses that are beyond the subpoena power of the transferor court.²⁵ Such a transfer does not raise the personal jurisdiction issue that may exist for a declaratory judgment action in the accused infringer's home district because “[t]here is no requirement under § 1404(a) that a transferee court have jurisdiction over the plaintiff . . . ; there is only a requirement that the transferee court have jurisdiction over the defendants in the transferred complaint.”²⁶

Conclusion

It is too early to gauge whether the Supreme Court's *Goodyear* and *Daimler* decisions have had a significant impact on filings of first-strike patent declaratory judgment actions. But the reasoning in those decisions and the strong language used in them provide the potential for a significant effect, which could be either a shift in the venue of the filings from the accused

infringer's home district to the patent owner's home district or, more likely, a decrease in the number of patent declaratory judgment filings. Whether the decisions have an effect and the extent of that effect will depend on how district courts read *Goodyear* and *Daimler*. But what is clear is that the Supreme Court has narrowed significantly the doctrine of general personal jurisdiction. As such, accused patent infringers seeking to strike first with a patent declaratory judgment action in their home districts must give more thought than they may have given in the past to whether the court in that home district can properly exercise personal jurisdiction over the patent owner.

About the Authors:

Ankur Parekh is a senior counsel at Legrand North America, West Hartford, CT. Previously, Mr. Parekh worked as an associate at Goodwin Procter, LLP, New York, where he focused on patent litigation, patent post-grant proceedings at the U.S. Patent & Trademark Office, and intellectual-property counseling.

Mark D. Giarratana is a partner at McCarter & English, LLP, Hartford CT. Over the past 25 years, Mr. Giarratana has represented businesses in patent and trademark litigation in federal courts throughout the country.

Abraham S. Robinson is an associate at McCarter & English, LLP, Hartford, CT. Mr. Robinson's practice focuses on intellectual property litigation.

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¹ *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

² *Akro Corp. v. Luker*, 45 F.3d 1541, 1543 (Fed. Cir. 1995).

³ *Avocent Huntsville Corp. v. Aten Int'l. Co.*, 522 F.3d 1324, 1332-36 (Fed. Cir. 2008).

⁴ *Id.* at 1332-36.

⁵ *Red Wing Shoe Co. v Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360-61 (Fed. Cir. 1998).

⁶ *See Akro*, 45 F.3d at 1546.

⁷ *See, e.g., Pac. Sci. Energetic Materials Co. LLC v. Ensign-Bickford Aerospace & Def. Co.*, No. CV-10-02252-PHX-JRG, 2011 WL 4434039, at *5 (D. Az. Sep. 23, 2011) (finding general personal jurisdiction over defendant patent owner based upon a number of contacts wholly unrelated to the cause of action, such as maintenance of office space and employees in the forum state, contracts with companies in the forum state, and attendance at conferences in the forum state); *Titan Atlas Mfg., Inc. v. Sisk*, No. 1:11CV00012, at *8 (W.D. Va. Aug. 22, 2011) (finding that \$2.2 million in revenue derived from business with the forum state over the course of five years constituted substantial contacts sufficient to confer general personal jurisdiction); *QRG, Ltd. v. Natron Corp.*, No. 06-500, 2006 WL 2583626, at *2-3 (M.D. P.A. Sept. 7, 2006) (finding general personal jurisdiction over defendant patent owner

based on patent owner's weekly distribution of products to a federal military facility in forum state over a ten year period).

⁸ *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2856 (2011).

⁹ *Id.* at 2851-52.

¹⁰ *Id.* at 2854-55.

¹¹ *Id.* at 2855.

¹² *Id.* at 2853.

¹³ *Id.* at 2857.

¹⁴ *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014).

¹⁵ *Id.* at 750-51.

¹⁶ *Id.* at 752.

¹⁷ *Id.* at 760.

¹⁸ *Id.* at 761.

¹⁹ *Id.*

²⁰ *Id.* at 761 n. 19.

²¹ *Id.* at 762 n. 20.

²² *Hertz Corp. v. Friend*, 559 U.S. 77, 92-93 (2010).

²³ *See, e.g., Atlantis Hydroponics, Inc. v. Int'l Growers Supply, Inc.*, 915 F. Supp. 2d 1365, 1375-76 (N.D. Ga. 2013) (citing *Goodyear* when rejecting accused infringer's argument that extensive sales in the forum state support the exercise of general personal jurisdiction and calling the contrary conclusion in an earlier case "questionable based on more recent Supreme Court authority").

²⁴ 28 U.S.C. § 1404(a).

²⁵ *See Segan LLC v. Zynga, Inc.*, C.A. No. 11-670, 2014 WL 1153388, at *2-5 (D. Del. Mar. 19, 2014) (ordering transfer of patent infringement action to the defendant's home district because that is where the accused product was developed and where most of the documents and witnesses were located).

²⁶ *In re Genentech*, 566 F.3d 1338, 1346 (Fed. Cir. 2009).

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