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## Sue or Be Sued, That May Be the Question: Venue Consequences of Pre-Litigation Patent Communications

Jeff Becker and Bethany R. Salpietra

Several months ago, a panel of the U.S. Court of Appeals for the Federal Circuit held in *Trimble Inc. v. PerDiemCo LLC*<sup>1</sup> that patent owners can, under certain circumstances, be subject to personal jurisdiction merely by sending communications to an accused infringer within the forum. Prior to this, the Federal Circuit's 1998 decision in *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*,<sup>2</sup> was understood to stand for the proposition that the mere sending of notice letters alone to an alleged infringer is insufficient to satisfy the requirements of due process<sup>3</sup> in declaratory judgment actions.<sup>4</sup> Indeed, the Federal Circuit in *Red Wing* plainly stated that "cease-and-desist letters alone do not suffice to justify personal jurisdiction."<sup>5</sup>

*Trimble* represents the latest in a series of cases that have clarified the scope of *Red Wing*, and established a new two-part test for determining whether a patent owner is subject to personal jurisdiction in a foreign forum. As will be discussed in

more detail below, *Trimble* confirms that a patent owner may subject himself to personal jurisdiction in an infringer's home forum based solely upon his pre-litigation patent communications directed to the alleged infringer within the forum.

The implications of *Trimble* warrant careful consideration by patent owners and accused infringers alike, as many patent professionals have recognized the nuanced consideration that may be involved in patent litigants' preferred choice of forum.<sup>6</sup>

### FEDERAL CIRCUIT FINDS PATENT LETTERS INSUFFICIENT TO JUSTIFY PERSONAL JURISDICTION IN *RED WING*

In *Red Wing*, Hockerson-Halberstadt, Inc. ("HHI"), a non-practicing entity located in New Mexico and incorporated in Louisiana, sent a cease-and-desist letter to Minnesota-based Red Wing Shoe alleging that Red Wing Shoe's products infringed HHI's patent.<sup>7</sup> This letter also included an offer to license the allegedly infringed patent to Red Wing Shoe, and noted that HHI had previously negotiated, and was presently negotiating, a patent license with numerous other companies.<sup>8</sup>

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**Jeff Becker**, a partner in the Dallas office of Baker Botts LLP, is a patent attorney with a background in computer engineering. **Bethany R. Salpietra**, a senior associate in the firm's Dallas office, is an intellectual property lawyer. The authors may be contacted at [jeff.becker@bakerbotts.com](mailto:jeff.becker@bakerbotts.com) and [bethany.salpietra@bakerbotts.com](mailto:bethany.salpietra@bakerbotts.com), respectively.

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Subsequent to that initial communication, Red Wing Shoe and HHI sent a total of five communications<sup>9</sup> over the course of nearly nine months relating to HHI's claims of patent infringement.<sup>10</sup> Red Wing Shoe then filed a declaratory judgment action against HHI in Minnesota district court alleging non-infringement, invalidity, and unenforceability of the patent it stood accused of infringing.<sup>11</sup>

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HHI moved to dismiss the case for lack of personal jurisdiction, arguing that it lacked sufficient contacts in the forum, and the district court agreed.<sup>12</sup>

On appeal, Red Wing Shoe argued that the three letters sent by HHI, *inter alia*,<sup>13</sup> gave the trial court jurisdiction over HHI under principles of minimum contacts. In affirming the district court's dismissal, the Federal Circuit held that "cease and desist letters alone do not suffice to justify personal jurisdiction . . . such letters cannot satisfy the second prong of the Due Process inquiry."<sup>14</sup>

On this point, the Federal Circuit explained, "Principles 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."<sup>15</sup>

### **SUBSEQUENT FEDERAL CIRCUIT CASES CLARIFY INTERPRETATION OF *RED WING***

A number of cases succeeding *Red Wing* sought to clarify what the Federal Circuit meant by its statement that "cease and desist letters alone do not suffice to justify personal jurisdiction."<sup>16</sup> And, according to the Federal Circuit, this statement does not stand for the proposition that infringement letters cannot serve as the basis for personal jurisdiction.<sup>17</sup>

Rather, the Federal Circuit has interpreted this statement to mean that "the sending of infringement letters would satisfy the minimum contacts

requirement of due process if not for policy considerations unique to the patent context."<sup>18</sup>

In other words, the Federal Circuit has determined that although the act of sending patent letters into a forum can satisfy the purposeful availment test for personal jurisdiction, exercising jurisdiction over the sender would offend traditional notions of fair play and substantial justice and thus would be constitutionally unreasonable. It was against this backdrop that *Trimble* arose.

### **THE FEDERAL CIRCUIT FURTHER NARROWS ITS INTERPRETATION OF *RED WING IN TRIMBLE***

In *Trimble*, the U.S. District Court for the Northern District of California dismissed an alleged infringer's (*Trimble*) declaratory judgment action against a patent holder (*PerDiemCo*), finding that "exercising specific jurisdiction over [the patent owner] would be constitutionally unreasonable" in view of *Red Wing* despite the patent owner having sufficient contacts with the forum.<sup>19</sup> The Federal Circuit reversed the lower court's decision, holding that *Red Wing* did not preclude personal jurisdiction on the facts as presented.<sup>20</sup>

In rendering its decision, the Federal Circuit explained that three important Supreme Court developments had occurred since *Red Wing*, all of which served to clarify the scope of that case.<sup>21</sup>

First, the court recognized that the Supreme Court had, in post-*Red Wing* cases, repeatedly rejected special rules for patent litigation, and has made clear that patent law is governed by the same procedural rules as other areas of civil litigation in the absence of legislation to the contrary.<sup>22</sup>

Second, the court noted that, post *Red Wing*, the Supreme Court held that communications, depending on their nature and scope, can – by themselves – create personal jurisdiction in a foreign forum.<sup>23</sup>

Lastly, citing the Supreme Court's recent decision in *Ford Motor Co. v. Mont. Eighth Jud. Dist. Ct.*,<sup>24</sup> the Federal Circuit explained that "a broad set of defendant's contacts with a forum are relevant to the minimum contacts analysis."<sup>25</sup>

These developments, when considered collectively, effectively repudiate both of the earlier interpretations of *Red Wing* discussed above – that is, that patent letters alone cannot serve as a basis for

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personal jurisdiction, and that patent policy considerations made it constitutionally unreasonable to justify personal jurisdiction on the basis of patent letters.

And now, as the Federal Circuit proclaimed in *Trimble*, the “central question under *Red Wing* is [] whether a defendant’s connection to a forum is sufficient to satisfy the minimum contacts or purposeful avilment test and . . . whether the exercise of jurisdiction conforms to the due process and fairness criteria of precedent.”<sup>26</sup>

Despite this, the Federal Circuit explained that *Red Wing* remains correctly decided “with respect to the limited number of communications involved in that case.”<sup>27</sup>

The court then went on to compare the facts of *Trimble* to those of *Red Wing*. The court specifically found PerDiemCo’s contacts with the filed forum in *Trimble* to be “far more extensive than those in *Red Wing*,”<sup>28</sup> pointing to the number and frequency of PerDiemCo’s communications to Trimble, in addition to the substance of those communications.<sup>29</sup>

The court explained that the PerDiemCo’s 22 communications to Trimble over a three month period fell “well outside the ‘sufficient latitude’ [the Federal Circuit] sought to grant patentees ‘to inform others of [their] patent rights without subjecting [themselves] to jurisdiction in a foreign forum.’”<sup>30</sup>

Additionally, the court found the exercise of personal jurisdiction over the patent owner to be reasonable in view of the fact that the patent owner failed to set forth any compelling reason why exercising jurisdiction over the patent owner would offend the principles of fair play and substantial justice.<sup>31</sup>

## TAKEAWAYS FROM TRIMBLE

In view of the *Trimble* case, it is likely that patent owners engaged in pre-suit communications will now be faced with the difficult decision of whether to sue in their choice of forum or be sued in one where they have a limited chance of success. And, although a patent owner can certainly challenge the ability of the case to proceed in an unfavorable forum, he may face an uphill battle in overcoming the first-to-file rule.<sup>32</sup>

As a practice point, patent owners should be wary about communicating with alleged infringers before filing suit, as communicating too much

too often could create personal jurisdiction in an undesirable forum.

## Notes

1. *Trimble Inc. v. PerDiemCo LLC*, 997 F.3d 1147 (Fed. Cir. 2021).
2. *Red Wing Shoe Company, Inc. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998).
3. U.S. Const. amend.V; see also *Red Wing*, 148 F.3d at 1358 n. 1 (“This court has stated that the Due Process Clause at issue for personal jurisdiction in a patent case is that of the Fifth Amendment, and not the Fourteenth.”).
4. See *id.* at 1360-61 (holding that “Principles 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. A patentee should not subject itself to personal jurisdiction in a forum solely by informing a party who happens to be located there of suspected infringement. Grounding personal jurisdiction on such contacts alone would not comport with principles of fairness.”).
5. *Id.* at 1361.
6. See, e.g., D.K. Mroz, *After TC Heartland, Patent Owners Should Consider the Nuanced Standards in Other Districts Before Deciding Whether to File, IP Litigator* (July/August 2017), available at <https://www.finnegan.com/en/insights/articles/after-tc-heartland-patent-owners-should-consider-the-nuanced-standards-in-other-districts-before-deciding-where-to-file.html>; D. Lisch et al., *The Newest Patent ‘Rocket Docket’: Waco, Texas*, IP Watchdog (Feb. 18, 2019), <https://www.ipwatchdog.com/2019/02/18/newest-patent-rocket-docket-waco-texas/id=106453/>; R. Davis, *A Newcomer’s Guide to Litigating Patent Cases in California*, Law 360 (Sep. 21, 2018, 5:50 PM ET), [https://www.cov.com/-/media/files/corporate/publications/2017/09/a\\_newcomers\\_guide\\_to\\_litigating\\_patent\\_cases\\_in\\_california.pdf](https://www.cov.com/-/media/files/corporate/publications/2017/09/a_newcomers_guide_to_litigating_patent_cases_in_california.pdf).
7. *Red Wing*, 148 F.3d at 1357.
8. *Id.*
9. *Id.* (describing the six total communications exchanged, three from HHI and three from Red Wing Shoe).
10. *Id.*
11. *Id.*
12. *Id.*
13. *Id.* at 1357-58 & 1361 (The alleged infringer also argued that the trial court had personal jurisdiction over the non-practicing entity because licensees of the non-practicing entity did business in the forum. The court rejected this argument, stating that “doing business with a company that does business in [the forum] is not the same as doing business in [the forum].”).

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14. *Id.* at 1361.
  15. *Id.* at 1360–61.
  16. See, e.g., *Hildebrand v. Steck Mfg. Co.*, 279 F.3d 1351, 1356 (Fed. Cir. 2002); *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1361 (Fed. Cir. 2001); *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194 (Fed. Cir. 2003).
  17. *Trimble*, 997 F.3d at 1156; see also *Jack Henry & Assocs. v. Plano Encryption Techs. LLC*, 910 F.3d 1199, 1207 (Fed. Cir. 2018).
  18. See *Silent Drive*, 326 F.3d at 1206; see also *Jack Henry*, 910 F.3d at 1206 (Fed. Cir. 2018) (Stoll, J., concurring).
  19. *Trimble*, 997 F.3d at 1151–52.
  20. *Id.* at 1150.
  21. *Id.* at 1154.
  22. See *id.* at 1154–55 (citing *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 964, 197 L. Ed. 2d 292 (2017), *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393–94, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006), and *TC Heartland LLC v. Kraft Foods Grp.*, 137 S. Ct. 1514, 1518, 197 L. Ed. 2d 816 (2017)).
  23. *Id.* at 1155 (citing *South Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080, 201 L. Ed. 2d 403 (2018), *Quill Corp. v. North Dakota*, 504 U.S. 298, 112 S. Ct. 1904, 119 L. Ed. 2d 91 (1992)).
  24. *Ford Motor Co. v. Mont. Eighth Jud. Dist. Ct.*, 141 S. Ct. 1017, 1024, 209 L. Ed. 2d 225 (2021).
  25. *Trimble*, 997 F.3d at 1156.
  26. *Id.*
  27. *Id.*
  28. *Id.* at 1156.
  29. *Id.* at 1157 (“Unlike Red Wing, PerDiemCo’s actions went far beyond ‘solely . . . informing a party who happens to be located [in California] of suspected infringement.’ . . . Rather, PerDiemCo amplified its threats of infringement as the communications continued, asserting more patents and accusing more of Trimble and ISE’s products of infringement. Indeed, PerDiemCo went so far as to identify the counsel it retained to sue Trimble and ISE and the venue in which it planned to file suit.”).
  30. *Id.*; see also *Jack Henry*, 910 F.3d 1199 (finding exercise of personal jurisdiction to be reasonable when a patent owner sent multiple communications alleging infringement to 11 different banks all located within a single judicial district).
  31. *Id.* at 1157–59.
  32. See *In re Nitro Fluids L.L.C.*, 978 F.3d 1308, 1310 (Fed. Cir. 2020) (citing *Save Power Ltd. v. Syntek Fin. Corp.*, 121 F.3d 947, 950 (5th Cir. 1997)) (explaining that the “first-to-file” rule generally dictates that “the court in which an action is first filed is the appropriate court to determine whether subsequently filed cases involving substantially similar issues should proceed.”).

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