

Patent Owners Cannot Be Forced to Litigate in a Forum Merely for Sending a Cease and Desist Letter and Attempting to Commercialize Their Products in that Forum

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Recently, patent owners have become increasingly wary of sending cease and desist letters for fear of being preemptively sued by potential infringers due to recent court decisions lowering the bar for bringing such cases. In addition to concerns over being rushed into court, patent owners also frequently fear the prospect of being forced to litigate in an inconvenient or unfavorable forum.

Certain protections do exist, however, against dragging patent owners into any court of another party's choosing. Specifically, courts are required to have "personal jurisdiction" over a party. Typically, this requires that the patent owner have either substantial general contacts with the forum or specific contacts related to the matter at issue in the lawsuit.

In *Radio Systems Corp. v. Accession, Inc.*,¹ No. 10-1390 (Fed. Cir. Apr. 25, 2011), the Federal Circuit recently held that merely sending a cease and desist letter into a state was not sufficient to establish jurisdiction over the patent owner in that state, even when the patent owner had engaged in some commercial activities in that jurisdiction.

Background

Radio Systems Corporation ("Radio Systems"), a Delaware corporation with its principal place of business in Tennessee, manufactured and sold pet-related products including its pet-access door, marketed as SmartDoor™, for which it sought patent protection. Subsequently, Accession, Inc., a New Jersey corporation, approached Radio Systems regarding a cooperative venture whereby Radio Systems would sell Accession's Wedgit™, a pet-access door for use in sliding glass doors. Accession held a U.S. patent on that invention. In addition to exchanging correspondence regarding the invention, Accession demonstrated the device to Radio Systems in Tennessee subject to a confidentiality agreement. The parties, however, never agreed to a licensing arrangement for marketing the Wedgit™.

After the parties ended their discussions, Radio Systems received a notice of allowance from the U.S. Patent and Trademark Office

on its patent application for its SmartDoor™ product. Upon learning of this development, Accession retained counsel in New Jersey to attempt to provoke an patent interference proceeding at the U.S. Patent and Trademark Office between Radio System's patent and its own patent. As a result, the patent examiner withdrew the notice of allowance for Radio Systems' patent application.

Accession's counsel also sent cease-and-desist letters to Radio Systems in Tennessee, asserting that the SmartDoor™ product infringed Accession's patent. In response to these letters, Radio Systems filed a declaratory judgment complaint in the Eastern District of Tennessee, asking the court to find Accession's patent invalid and not infringed by Radio Systems' products. Accession then responded by asking the court to dismiss the lawsuit, arguing that it could not be subject to jurisdiction in Tennessee because it did not have contacts with that state. The court agreed and dismissed Radio Systems' complaint.

The Radio Systems Decision

On appeal, the Federal Circuit affirmed the lower court's ruling, rejecting Radio Systems' three asserted bases for personal jurisdiction.

First, the Court held that Radio Systems' declaratory judgment claim did not arise from or relate to Accession's activities purposefully directed at Tennessee. It distinguished Accession's commercialization activities—such as demonstrating the Wedgit™ in Tennessee—from Accession's enforcement activities. For purposes of personal jurisdiction, the Court disregarded Accession's commercialization efforts and only found relevant its attempts to defend or enforce its patent through cease-and-desist letters. Relying on established precedent, however, the Court found these letters, by themselves, insufficient to establish personal jurisdiction. The Court went to great lengths to distinguish *Electronics for Imaging, Inc. v. Coyle*, 340 F.3d 1344 (Fed. Cir. 2003), in which enforcement activities not far beyond merely sending cease-and-desist letters were sufficient for personal jurisdiction. The principal distinction, however, was that the patent owner in that case retained counsel in the declaratory plaintiff's chosen forum while Accession retained counsel in its own forum (New Jersey), not the one where Radio Systems filed its complaint (Tennessee).

Second, the Federal Circuit refused to adopt a view, shared by other circuits, that certain extrajudicial activities that are part of a more extensive enforcement effort reaching the forum can establish personal jurisdiction even when those activities do not actually occur there. Accession may have undermined Radio Systems' business interests in Tennessee related to the SmartDoor™ by contacting the Patent Office to provoke an interference, but the target of those activities was Virginia (the site of the Patent Office), not Tennessee, according to the Court.

Finally, the Federal Circuit rejected Radio Systems' argument that Accession had consented to personal jurisdiction by entering into a confidentiality agreement, which specified Tennessee in its forum-selection clause, because the declaratory judgment action did not arise under any provision of that agreement. Moreover, the agreement itself did not pertain to the Accession patent or the SmartDoor™; rather, it covered Accession's marketing efforts for the Wedgit™. Thus, the declaratory judgment action did not arise out of the subject matter relating to the agreement. Because Accession's cease-and-desist letters alone were insufficient and Accession directed no other enforcement activities at Tennessee, the Federal Circuit agreed with the district court that personal jurisdiction was improper in that forum.

Strategy and Conclusion

1. Patent owners may send cease and desist letters into a forum without being forced to litigate in that forum.

Enforcement efforts, not commercialization, support personal jurisdiction over a declaratory defendant. In *Radio Systems*, the Federal Circuit reaffirmed the touchstone of personal jurisdiction in noninfringement or invalidity declaratory judgment actions—enforcement efforts by the patent owner or by those similarly situated. And it found this was true even if the patent owner

attempted to commercialize its products in the declaratory plaintiff's chosen forum. Finally, even then, such enforcement efforts must include more than cease-and-desist letters sent into the forum. Thus, patent owners seeking to avoid personal jurisdiction in a particular forum should avoid enforcement activities beyond sending letters into that forum.

2. **Patent owners may pursue extrajudicial enforcement activities without being forced to litigate in its adversary's forum.** The Federal Circuit appears to have adopted a narrow view on extrajudicial enforcement activities. It declined to fall in line with other circuits holding that extrajudicial enforcement activities directed at one forum are sufficient to establish personal jurisdiction elsewhere. Those other circuits have viewed the extrajudicial activities as part of a more extensive enforcement effort, which affect business interests in the declaratory plaintiff's forum. The Federal Circuit, however, seems to look narrowly and specifically at the target of such enforcement activities. Thus, it appears that a patent owners may provoke an interference in the PTO or pursue other extrajudicial alternatives without subjecting themselves to personal jurisdiction in their adversary's forum.
3. **Patent owners may enter into nondisclosure agreements without being forced to litigate patent invalidity and infringement claims in the forum designated by the agreement.** Often parties enter into nondisclosure agreements in the routine course of exploring marketing opportunities. And these agreements frequently contain forum selection clauses. If negotiations deteriorate and litigation is on the horizon, it appears that such clauses cannot be used to establish personal jurisdiction. Rather, consenting to personal jurisdiction in a nondisclosure agreement-one unrelated to the declaratory judgment action, which does not arise out of the agreement-does not imply consent to personal jurisdiction in the declaratory judgment action.

Endnotes

¹ The *Radio Systems* decision: <http://www.ca9.uscourts.gov/images/stories/opinions-orders/10-1390.pdf>.

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