

2019–2164

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**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

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TRIMBLE INC., INNOVATIVE SOFTWARE ENGINEERING, LLC,  
*Plaintiffs-Appellants*

v.

PERDIEMCo LLC,  
*Defendant-Appellee*

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Appeal from the United States District Court for the Northern District of California  
in case no. 4:19-cv-00526-JSW, Judge Jeffrey S. White

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**APPELLANTS' REPLY BRIEF**

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May 22, 2020

**UPDATED CERTIFICATE OF INTEREST**

Counsel for appellants certifies the following:

1. The full names of all parties I represent are:

Trimble Inc. and Innovative Software Engineering, LLC

2. The names of all other real parties in interest represented by me are:

none

3. The names of all parent corporations and any publicly held companies that own 10% or more of the stock of the parties I represent are:

Trimble Inc. is the parent corporation of Innovative Software Engineering, LLC.  
Blackrock, Inc. is a publicly held entity that owns 10% or more  
of the shares of Trimble Inc.

4. The names of all law firms and lawyers that appeared for the parties now represented by me in the district court or are expected to appear in this Court, but have not yet appeared in this Court, are:

PERKINS COIE LLP

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5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this Court's decision in the pending appeal are:

*Trimble Inc. v. PerDiemCo LLC*, No. 1:19-cv-02028 (D.D.C.)  
*PerDiemCo LLC v. Trimble Inc.*, No. 2:19-cv-00278 (E.D. Tex.)  
*PerDiemCo LLC v. Trimble Inc.*, No. 2:19-cv-00292 (E.D. Tex.)

Dated: May 24, 2020

/s/Dan L. Bagatell  
Dan L. Bagatell

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## INTRODUCTION

The district court agreed that PerDiemCo “purposefully directed” patent enforcement activities against Trimble, a resident of the Northern District of California. Appx9. The court also recognized that this declaratory judgment action “arises out of or relates to” those activities. Appx10. Nevertheless, the court concluded that *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998), and its progeny required the court to rule that exercising specific personal jurisdiction over PerDiemCo was “constitutionally unreasonable.” Appx10. The court rejected Appellants’ argument that recent cases such as *Jack Henry & Associates, Inc. v. Plano Encryption Technologies LLC*, 910 F.3d 1199 (Fed. Cir. 2018), have adopted a more flexible approach and instead held that PerDiemCo’s “cease-and-desist letters and emails and phone calls to Trimble’s counsel” were, “without more,” “insufficient to comport with ‘fair play and substantial justice.’” Appx9-10.

On appeal, PerDiemCo does not defend the district court’s logic: it *denies* that *Red Wing Shoe* established a bright-line rule and *agrees* with Appellants that this Court’s recent cases have been less rigid. Ultimately, however, PerDiemCo relies on the same flawed logic that drove *Red Wing Shoe*. PerDiemCo first postulates that patent owners are free to notify others of their patent rights and offer licenses without subjecting themselves to suit in another jurisdiction. It then touts

the public policy in favor of settlement and extrapolates a principle that, absent bad faith, patent owners may send cease-and-desist letters and even threaten to sue for infringement without subjecting themselves to personal jurisdiction away from home. But even assuming the initial postulate, the conclusion does not follow.

When, as here, a patent owner threatens to sue a resident of another jurisdiction for patent infringement, it goes far beyond merely providing notice of its rights and proposing a contract. When a patent owner threatens to sue, it can and reasonably should expect to be haled into court in a district court where the accused infringer resides. That result is no “offense to Due Process,” as PerDiemCo claims (at 3), and Appellants are not confusing subject-matter jurisdiction with personal jurisdiction. Subject-matter jurisdiction exists because there is a ripe case and controversy, and the accused infringer’s home district court has personal jurisdiction over the patent owner because the patent owner has picked a fight with a resident of that forum based on activities in that forum. If that forum is inconvenient to the patent owner, the patent owner may move to transfer venue to its home court or another forum. At that point, however, the question becomes the balance of conveniences—an issue of *venue*, not personal jurisdiction. Patent owners have no *constitutional* right to sue and be sued only in their home court.

PerDiemCo suggests that the District of Northern Iowa or the District of Columbia would be more convenient for it. But PerDiemCo took its shot at an

alternative venue by moving to transfer to the Eastern District of Texas, where it had only a sham presence. And now, by withdrawing its cross-appeal, it has conceded that the district court did not abuse its discretion in refusing to transfer the case. In any event, PerDiemCo's assertion here that D.C. would be a proper forum is surprising—to say the least—because when Appellants filed declaratory-judgment claims in D.C. after this case was dismissed, PerDiemCo moved to dismiss those claims for lack of personal jurisdiction in D.C.

Ultimately, if, as the district court assumed, *Red Wing Shoe* adopted a bright-line rule granting patent owners a constitutional privilege to threaten residents of other forums with patent infringement and a corresponding constitutional immunity from being sued where the recipients of those threats reside, then *Red Wing Shoe* was wrong and should now be overturned. And if, as PerDiemCo argues, *Red Wing Shoe* did not adopt such a bright-line rule, then the district court was wrong in applying such a bright-line rule rather than considering the full “variety of interests” addressed in Supreme Court cases from *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980), to *Bristol-Myers Squibb Co. v. Superior Court*, 137 S. Ct. 1773 (2017). Either way, the dismissal of Appellants' declaratory-judgment action should be reversed.



## ARGUMENT

### **I. PerDiemCo Does Not Dispute That It Had The Requisite “Minimum Contacts” With Northern California**

PerDiemCo suggests (at 2) that its contacts with northern California were “inarguably both marginal and indirect.” That is untrue. More importantly, PerDiemCo has not contested that it had the “minimum contacts” with the forum district required under *International Shoe*.

Trimble did not pick a fight with PerDiemCo. *PerDiemCo* picked the fight by accusing Trimble’s ISE subsidiary of patent infringement, asserting that ISE’s federal-law-compliant electronic logging devices infringe PerDiemCo’s patents, and brandishing a draft complaint for infringement. Appx1273-1276; Appx1278-1299. Then, when Trimble’s IP counsel responded on behalf of ISE, PerDiemCo picked a broader fight by accusing *Trimble’s* electronic logging devices of infringement. Appx1315-1316. Over the next three months, PerDiemCo repeatedly broadened its infringement allegations and repeatedly threatened to sue Trimble in the Eastern District of Texas. Appx43-44; Appx52; Appx54; App57; Appx1230; Appx1313; Appx1320-1322; Appx1326; Appx1328. By PerDiemCo’s own count (at 6), it communicated with Trimble *twenty-two times* in the 3½ months before Trimble filed suit. Those contacts were not marginal, and they directly involved counsel for Trimble and alleged infringement by Trimble.

In any event, PerDiemCo has not challenged the district court’s conclusion, Appx9, that PerDiemCo “purposefully directed” patent-enforcement activities against Trimble, which is headquartered in and thus resides in the Northern District of California. Nor has PerDiemCo challenged the district court’s conclusion, Appx10., that this lawsuit arose out of or relates to PerDiemCo’s patent-enforcement activities against Trimble. PerDiemCo notes (at 5) that Trimble’s in-house counsel was based in Colorado, but the district court held, Appx9-10 n.6, and PerDiemCo tacitly concedes, that the location of Trimble’s attorney is irrelevant as a matter of law because PerDiemCo leveled the infringement allegations at his client, Trimble. *See* Blue Br. 23 (citing multiple cases from this Court). The bottom line is that PerDiemCo undisputedly had the constitutionally required “minimum contacts” with the forum in this case.

**II. PerDiemCo Failed To Make A “Rare,” “Compelling” Showing That Other Considerations Made It Unreasonable Or Unfair For The District Court To Assert Personal Jurisdiction Over PerDiemCo**

A defendant like PerDiemCo that has “purposefully directed” activities toward a forum is on “fair warning” that it may be haled into court in that forum to respond to a suit that arises out of or relates to those activities. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472-76 (1985). That is so regardless of whether the defendant has physically set foot there. *Id.* at 476. Accordingly, when, as here, minimum contacts have been established, the defendant must make a “compelling

case” that other considerations “render jurisdiction unreasonable.” *Id.* at 477.

Such cases are “rare.” *Xilinx, Inc. v. Papst Licensing GmbH*, 848 F.3d 1346, 1356 (Fed. Cir. 2017).

A fundamental problem with *Red Wing Shoe* is that it transforms what is supposed to be a *rare exception* into a widely-applied *rule*. Under a proper analysis, a district court must analyze the totality of circumstances in each case to determine whether asserting personal jurisdiction would comport with “fair play and substantial justice.” *Burger King*, 471 U.S. at 476. *Burger King* identified five potentially relevant considerations:

- “the burden on the defendant”;
- “the forum State’s interest in adjudicating the dispute”;
- “the plaintiff’s interest in obtaining convenient and effective relief”;
- “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies”; and
- “the shared interest of the several States in furthering fundamental substantive social policies.”

*Id.* at 476-77.

Contrary to PerDiemCo’s contention (at 42-53), those factors do *not* compel the conclusion that PerDiemCo would be denied “fair play and substantial justice” if this case proceeds in the Northern District of California. Far from it.

**A. PerDiemCo’s Motion To Transfer Was The Vehicle To Address Any “Undue Burden” On PerDiemCo, And PerDiemCo Has Abandoned Its Cross-Appeal From The District Court’s Ruling**

PerDiemCo argues (at 43-47) that litigating in northern California would be inconvenient and impose an undue burden on it. There are three answers to that.

First, the inconvenience of a forum is rarely a matter of constitutional dimension because, as the Supreme Court observed in *Burger King*, it “usually may be accommodated through means short of finding jurisdiction unconstitutional” such as a motion to change venue. 471 U.S. at 477. The burden of litigating in a foreign *country* may be significant, especially if the case has little to do with the U.S. forum. *See Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 113-16 (1987) (no personal jurisdiction in California state court over indemnification claim by Taiwanese corporation against Japanese corporation involving transaction in East Asia). And there is no statutory vehicle for transferring a case from a U.S. court to a court in another country. But 28 U.S.C. § 1404(a) provides a ready means to transfer venue from one federal district court to another.

Second, PerDiemCo tried to move for transfer out of the Northern District of California on grounds of burden and inconvenience—and failed to make its case. In particular, PerDiemCo moved to transfer this case to the Eastern District of Texas under 28 U.S.C. §§ 1404(a) and 1631. Appx738-762. But the district court denied that motion because PerDiemCo’s presence in eastern Texas was a “pretext-

ual” “façade” and PerDiemCo’s assertions of judicial efficiency were unfounded. Appx11. Although PerDiemCo originally cross-appealed from that ruling, Appx1362-1363, it has now abandoned that cross-appeal, Red Br. xii, and it is therefore bound by the district court’s conclusion that transfer was not “in the interest of justice,” as required by both § 1404(a) and § 1631.

Third, PerDiemCo overstates its burden. To be sure, PerDiemCo is a one-man company, but it is hardly without resources. Its principal is a patent lawyer, and its business is asserting a large patent portfolio.<sup>1</sup> PerDiemCo claims to have had great success in licensing that portfolio to numerous companies. It has filed many lawsuits in the Eastern District of Texas, far away from its principal (and only) place of business in Washington D.C., *see* Appx771-772, and it has threatened to sue other defendants in various jurisdictions including the Northern District of Iowa, *see* Appx1273-1276; Appx1278-1299. PerDiemCo has hired three law firms in this case alone, including two (Finnegan and Mei & Mark) that have offices across the country.

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<sup>1</sup> PerDiemCo objects (at 4 n.1) to Appellants’ statement that is a patent-enforcement entity, arguing that it offers software on its website. But that business is no more real than PerDiemCo’s Texas office: PerDiemCo’s principal, Robert Babayi, has testified that “all”—“100%”—of PerDiemCo’s revenues since 2015 have come from patent licensing. *Trimble Inc. v. PerDiemCo, LLC*, No. 1:19-cv-02028-JDB (D.D.C.), ECF No. 28-3 at 64:22-65:3.

PerDiemCo asserts that California would be an inconvenient and expensive forum, but that argument rings hollow because PerDiemCo moved to transfer to East Texas rather than stay home in Washington, D.C., where it conducts all or nearly all of its business. PerDiemCo argues (at 45) that Appellants “entirely ignore[] the potential for personal jurisdiction over PerDiemCo in D.C.” But that argument takes chutzpah: when Appellants filed a declaratory judgment action in the District for the District of Columbia after the dismissal in this case, PerDiemCo denied personal jurisdiction and moved to dismiss on that very ground. *Trimble Inc. v. PerDiemCo, LLC*, No. 1:19-cv-02028-JDB (D.D.C.), ECF No. 25 at 1 (“PerDiem[Co], a Texas limited liability company headquartered in Marshall, Texas, is not subject to jurisdiction in this District.”), 14 (admitting that its principal, Babayi, “resides in this District and conducts business out of his home within this District,” but arguing that “obtaining personal jurisdiction over a company takes much more than simply having an employee working within the district”). PerDiemCo cannot have it both ways, and it waived its right to move for transfer to the D.D.C. in any event. PerDiemCo also argues (at 46) that litigating in eastern Texas or northern Iowa would be cheaper than litigating in California, but (a) it relies solely on unsupported attorney argument in the district court, *see* Appx1343; (b) eastern Texas and northern Iowa are also remote from Washington,

D.C., and (c) any marginal difference in litigation costs is a matter of degree that could and should have been addressed in the § 1404(a) transfer context.

**B. The Interests Of California, Appellants, The Judicial System, And Other States Support Personal Jurisdiction Over PerDiemCo**

The other four *Burger King* considerations support personal jurisdiction in the Northern District of California, or at least do not weigh significantly against personal jurisdiction there.

*California's interest in adjudicating the dispute.* Trimble is headquartered in the Northern District of California, and it develops and markets the accused Trimble products there. As this Court has explained, “California has ‘definite and well-defined interests in commerce and scientific development,’ ... and ‘California has a substantial interest in protecting its residents from unwarranted claims of patent infringement.’” *Xilinx*, 848 F.3d at 1356 (citations omitted). This factor strongly favors the California court’s exercise of personal jurisdiction here.

PerDiemCo’s counterarguments (at 48-49) are meritless. PerDiemCo notes that Trimble does business globally and also has facilities outside California. But that hardly negates California’s interest in adjudicating a dispute about products that a California-based company develops and markets from California. PerDiemCo charges that Trimble presented no evidence that would distinguish the Northern District of California from any other judicial district. That is simply false. With its opposition to PerDiemCo’s motion, Trimble submitted a declaration from Anil

Tiwari, a Trimble engineer based in northern California who has worked in Trimble's Field Service Management segment since Trimble acquired the business in 2006. Tiwari described Trimble's accused electronic logging device product lines, noted that he and another senior, long-time engineer responsible for these products work at Trimble's Sunnyvale, California facility, and explained that many of the Trimble engineers most knowledgeable those products are based in California. Appx1225-1226 (also explaining that key documents are stored in and accessed from California).

PerDiemCo argues that ISE is based in Iowa and suggests that California has no interest in whether an Iowa entity infringes. But Trimble is the 100% owner of ISE, and Trimble has taken responsibility for PerDiemCo's infringement allegations from the outset. Moreover, as this Court observed in its order disqualifying PerDiemCo's previous appellate counsel for conflict of interest (Dkt. 35 at 7), Trimble and its subsidiaries share computer and human resources systems and management of intellectual property and legal issues.

PerDiemCo next suggests that California's interests extend to California-based patent-holders. Perhaps, but PerDiemCo is not a California-based patent-holder. As *Xilinx* and this case show, California companies often face threats of patent-infringement litigation from out-of-state patent owners who claim immunity from declaratory-judgment suits in California. PerDiemCo cites no evidence for



its claim that California has a significant interest in *not* adjudicating this dispute, and PerDiemCo's claim that this factor actually supports *it* is untenable.

***Trimble's interest in obtaining convenient and effective relief.*** This Court has recognized that a declaratory-judgment plaintiff like Trimble "indisputably has an interest in protecting itself from patent infringement [allegations] by obtaining relief 'from a nearby federal court' in its home forum." *Xilinx*, 848 F.3d at 1356 (citation omitted). PerDiemCo argues (at 50-51) that this "plaintiff's interest" factor is "relatively neutral," but that argument is again untenable.

California is undeniably more convenient for Trimble because that is where the most relevant employees are located and where Trimble employees access the documents they use in their work. Appx1225-1226 (Tiwari declaration). The fact that ISE's witnesses and documents are primarily in Iowa does not negate the interest of the larger parent company. PerDiemCo again argues that Trimble's sales are global, but that hardly nullifies Trimble's interest in litigating where most of its relevant employees are located. The fact that Trimble's chief IP counsel works in Colorado is immaterial because he did not design or market the accused products.

PerDiemCo engages in revisionist history when it suggests (at 51) that Appellants told the district court that they wanted this case in California because the case "presented [PerDiemCo with] 'an inconvenient suit in an unfriendly jurisdiction.'" In fact, Appellants were addressing a different factor (the interests of the

judicial system) and made the *opposite* point that this case did *not* involve the threat of “an inconvenient suit in an unfriendly jurisdiction”:

PDC cites *Maxchief* and *Red Wing* for the idea that declining jurisdiction would encourage settlement. But the opposite is actually more true: *without* the threat of an inconvenient suit in an unfriendly jurisdiction, this case is more likely to resolve quickly because PDC prefers to litigate in Texas even as it becomes increasingly difficult under *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017), for it to do so.

Appx1220 (emphasis added).

***The interstate judicial system’s interest in obtaining the most efficient resolution of controversies.*** This case was the first-filed lawsuit, and resolving it where it was filed would have been most efficient. The district court expressly rejected PerDiemCo’s claim that the Eastern District of Texas would more efficiently resolve this dispute, Appx11, and PerDiemCo has abandoned its cross-appeal of that ruling.

Instead, PerDiemCo argues (at 51-52) that its contacts with California were “indisputably limited to informing Trimble of its alleged infringement and attempting to negotiate a license to settle the claim in good faith.” Actually, that assertion *is* disputed—PerDiemCo threatened litigation from the get-go. In any event, the assertion is irrelevant. Even assuming settlement would be the most efficient resolution, this case can be as easily and more fairly settled while pending in the Northern District of California. What PerDiemCo wants is the right to be free to

threaten infringement suits all over the country and be subject to suit only in its favored forum, the Eastern District of Texas, where it has no substantial presence. That one-sided scenario may benefit PerDiemCo, but not the judicial system.

If anything, this factor favors the exercise of personal jurisdiction in the Northern District of California.

*The States' shared interest in furthering fundamental substantive social policies.* As this Court explained in *Xilinx*, this factor is neutral because the same substantive law (federal patent law as interpreted by this Court) will apply wherever the case is litigated. 848 F.3d at 1356. PerDiemCo's only argument (at 53) is that settlement is a "fundamental *substantial* social polic[y]" (emphasis added). But that argument misstates the standard. This factor addresses fundamental *substantive* social policies, and the relevant *substantive* social policies are matters of federal patent law. In any event, PerDiemCo's settlement-based arguments are flawed for the reasons just explained, and they certainly should not be double-counted.

### **III. PerDiemCo's Defenses Of The District Court's Ruling Are Unavailing**

As shown above, PerDiemCo has not made a "compelling" showing that this is a "rare" case in which it would be "unreasonable or unfair" for the Northern District of California to assert personal jurisdiction. PerDiemCo thus tries to defend the dismissal on other grounds. None of them are persuasive.

**A. PerDiemCo’s “Good Faith Trumps All” Standard Has No Basis In Supreme Court Or Federal Circuit Due Process Jurisprudence**

PerDiemCo first tries to manufacture a new rule of law—that a patent owner cannot be sued outside its home jurisdiction unless it pursues its patent-enforcement activities in “bad faith.” As noted above, Appellants dispute PerDiemCo’s good faith, but in any event nothing in *Burger King*, *Asahi*, *Bristol-Myers*, or any other Supreme Court opinion supports the rule PerDiemCo proposes. Those cases never mention “good faith” or “bad faith,” and none of their analysis suggests that patentees or any other class of defendant can avoid personal jurisdiction in a forum with “minimum contacts” by not acting in bad faith.

PerDiemCo repeatedly cites (at 15, 18, 24) *Burger King*’s statement that “an individual’s contract with an out-of-state party *alone* [cannot] automatically establish sufficient minimum contacts in the other party’s home forum,” 471 U.S. at 478. But the Court’s point there was that personal jurisdiction does not “turn on ‘mechanical’ tests,” *id.* at 478-79, and PerDiemCo is urging just such a mechanical test. Appellants are not relying on any contract with PerDiemCo or even PerDiemCo’s offer of a license. They are relying on PerDiemCo’s efforts to enforce exclusionary rights in the Northern District of California and related threats of infringement litigation against a company based in that jurisdiction. Moreover, “minimum contacts” is not the issue here: the district court concluded that PerDiemCo had “minimum contacts” with the Northern District of California, and PerDiemCo no

longer asserts that the district court erred in that conclusion. The only issue is whether other factors compel the conclusion that it would be manifestly unfair or unreasonable to litigate the dispute there despite those “minimum contacts.”

With no support in Supreme Court precedent, PerDiemCo tries to divine a good faith/bad faith distinction from this Court’s cases. But neither *Red Wing Shoe* nor the other cases on which PerDiemCo relies (at 19-24) holds that good faith is a defense to personal jurisdiction.

*New World International, Inc. v. Ford Global Technologies, LLC*, 859 F.3d 1032 (Fed. Cir. 2017), read *Red Wing Shoe* as holding that “it is improper to predicate personal jurisdiction on the act of sending ordinary cease and desist letters into a forum, without more.” *Id.* at 1038. Like *Red Wing Shoe*, *New World* did not discuss bad faith, much less label it a prerequisite for personal jurisdiction.

*Jack Henry* also did not make bad faith the *sine qua non* of personal jurisdiction. Again, the Court’s opinion did not mention “good faith” or “bad faith.” In concluding that the Northern District of Texas could properly exercise personal jurisdiction over the declaratory-judgment defendant, PET, the Court relied on PET’s “licensing program, with threats of litigation, directed to the Banks conducting banking activity in the Northern District.” 910 F.3d at 1205; *see also id.* at 1206 (PET “charged infringement and threatened litigation against numerous banks residing and conducting business in the Northern District”). The fact section

of the opinion simply recited that PET was a patent-enforcement entity that had sent letters accusing various banks of infringement, and that when Jack Henry wrote back on behalf of its bank customers, PET wrote back to each bank rebutting Jack Henry's non-infringement and invalidity arguments and reminding the bank that the bank, rather than Jack Henry, was being accused of infringement. *Id.* at 1202-03; *see* No. 16-2700, Dkt. 42 at Appx370-371. The Court did note that PET did not claim that litigating in the Northern District of Texas could be unduly burdensome or otherwise unfair, but it did *not* determine that PET had acted in bad faith, much less say that bad faith was decisive.

To be sure, a patent owner's bad faith may be *relevant* to whether subjecting it to suit outside its home district is "unfair or unreasonable." Patent owners who act in bad faith will have a hard time carrying their heavy burden of showing that an assertion of personal jurisdiction based on at least "minimum contacts" does not comport with "fair play and substantial justice." But it does not follow that an *absence* of bad-faith patent-enforcement activities *precludes* personal jurisdiction, as PerDiemCo suggests. Good faith is neither a "talismanic jurisdictional formula[ ]" nor a "mechanical test" for determining personal jurisdiction *vel non*. *See Burger King*, 471 U.S. at 478, 485-86.

**B. PerDiemCo’s Hobson’s Choice Argument Is Misleading**

PerDiemCo next tries to posit a Hobson’s choice. According to PerDiemCo (at 43):

If a patentee cannot give notice and attempt to settle with an alleged infringer without conferring personal jurisdiction where the infringer happens to be domiciled, the injured patentee is forced to choose [among] three unsavory options: (1) forgo any relief, (2) be prepared to be haled into court in whatever far flung forum the infringer happens to claim residence in, or (3) file suit before even informing the accused infringer of the injury caused.

That is a false trichotomy.

Contrary to PerDiemCo’s suggestion (at 26), Appellants have never contended that patentees may “not even inform other parties of suspected infringement without risking being haled into a far flung jurisdiction.” If PerDiemCo had merely notified Appellants that it owned patents in a relevant field and invited Appellants to negotiate a license to those patents, Appellants could not and would not have filed a declaratory-judgment action in California or anywhere else because there would not have been a ripe case or controversy.

As in *Jack Henry*, PerDiemCo opened the door to a declaratory-judgment action by crossing the line from mere notice of patent rights and an offer to license to threats of patent-infringement litigation. As in *Jack Henry*, when that happened, Appellants were not obliged to file suit in PerDiemCo’s preferred forum in eastern Texas. Appellants were free to file in any district in which (a) a statute authorized

service of process, (b) PerDiemCo had “minimum contacts,” and (c) exercising jurisdiction did not offend “traditional notions of fair play and substantial justice.”

The Northern District of California is such a district.

PerDiemCo’s Hobson’s-choice argument also ignores that a patentee haled into court in the accused infringer’s home forum is not stuck there without a remedy. If that forum is inconvenient, the patentee can move under § 1404(a) to transfer the case to a more convenient district in the interest of justice. In this case, PerDiemCo did move for a transfer, but the district court correctly concluded that PerDiemCo had no real connection with the forum it chose (the Eastern District of Texas) and that transfer there was not in the interests of justice. PerDiemCo has been afforded ample due process.

**C. PerDiemCo’s Out-Of-Circuit Authorities Do Not Justify Adherence To A Rule That Patent Owners May Threaten Lawsuits Yet Remain Immune To Personal Jurisdiction**

With no basis in Supreme Court law for *Red Wing Shoe* and no basis in Supreme Court or Federal Circuit law for a “good faith”/“bad faith” distinction, PerDiemCo turns to a hodgepodge of out-of-circuit decisions. But those cases also do not justify a rule that patent or other IP owners may threaten infringement litigation with impunity and retain blanket immunity from a declaratory-judgment action in the accused infringer’s home court. All of them involved very different facts (e.g., foreign activities or requests for insurance policy benefits), several of



them involved different legal issues (“minimum contacts” with the forum or a state long-arm statute), and some of the cited passages were dictum to boot:

- *Yahoo! Inc. v. La Ligue Contre le Racisme et l’Antisemitisme*, 433 F.3d 1199 (9th Cir. 2006) (en banc), involved foreign defendants, an assertion of foreign law, and logic that differed from PerDiemCo’s. The majority concluded that a letter from *French* organizations that demanded that Yahoo conform to *French* law and threatened to sue Yahoo *in France* if Yahoo did not conform did not, by itself, establish personal jurisdiction over the French organizations in northern California. *Id.* at 1208-09. In so concluding, the court pointedly did not rely on a promotion-of-settlement rationale, and it refused to say that a cease-and-desist letter may never be the basis of personal jurisdiction. *Id.* Moreover, the statements on which PerDiemCo relies were ultimately dictum because the court *upheld* personal jurisdiction over the defendants based on additional contacts with the forum. *Id.* at 1208-11.
- In *Dudnikov v. Chalk & Vermillion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008), the court *reversed* a dismissal for lack of personal jurisdiction. The snippet on which PerDiemCo relies merely said that “[a]ssuming without deciding that it would be unreasonable to found jurisdiction solely on a cease-and-desist letter, this case is readily

distinguishable.” *Id.* at 1082 (emphasis added) (proceeding to point out that the notice of copyright infringement “went well beyond providing notice to plaintiffs of the claimed infringement and seeking settlement” because “it purposefully caused the cancellation of [plaintiffs’] auction and allegedly threatened their future access to eBay and the viability of their business”).

- *C5 Medical Werks, LLC v. CeramTec GmbH*, 937 F.3d 1319 (10th Cir. 2019), held that a Colorado trial court lacked personal jurisdiction over the defendants, but its reasoning was that the defendants lacked “minimum contacts” with the forum. *Id.* at 1323-24 (concluding that defendants’ promotional activities did not show “purposeful availment” of Colorado and noting that their trademark-enforcement activities took place in France). PerDiemCo relies on a passage suggesting that sending a single cease-and-desist letter would be insufficient to confer personal jurisdiction, *id.* at 1324, but PerDiemCo’s enforcement campaign involved far more than a single cease-and-desist letter, and PerDiemCo concedes that it had “minimum contacts” with the forum in this case.
- *Beacon Enterprises, Inc. v. Menzies*, 715 F.2d 757 (2d Cir. 1983), involved application of a New York state long-arm jurisdiction statute. The case predated *Burger King*, and the court at most dealt with issues

analogous to “minimum contacts”—not the fairness/reasonableness prong of the *Burger King* analysis. *Id.* at 762-66.

- *Acuity v. Rex, LLC*, 929 F.3d 995 (8th Cir. 2019), concluded that a Missouri trial court had no personal jurisdiction over accident victims from Michigan who were injured in Illinois and merely made a claim for benefits under an insurance policy for the other vehicle, which happened to be from Missouri. *Id.* at 1001-02. Again, the issue was “minimum contacts,” which are undisputed here.
- *Halliburton Energy Services, Inc. v. Ironshore Specialty Insurance Co.*, 921 F.3d 522 (5th Cir. 2019), held that an insurance-company defendant lacked the necessary “minimum contacts” because it did not “purposely avail” itself of a Texas forum by sending a letter seeking subrogation from the plaintiff. *Id.* at 540-45. Again, PerDiemCo concedes “purposeful direction” and “minimum contacts” here.
- *International Medical Group, Inc. v. American Arbitration Association, Inc.*, 312 F.3d 833 (7th Cir. 2002), held that an Indiana court had no personal jurisdiction over a British citizen and Florida resident who had sought benefits for emergency medical treatment he obtained in Florida under an insurance policy with a Swedish company that happened to use an Indiana policy administrator. *Id.* at 845-47. The court concluded that

merely sending claim-related communications to the Indiana company as required by the policy and AAA arbitration rules did not justify personal jurisdiction over the claimant. The facts here bear no resemblance.

**IV. This Court Can And Should Reject *Red Wing Shoe*, And Applying The Correct Law To PerDiemCo Will Not Offend Due Process**

PerDiemCo argues (at 59-60) that only the *en banc* Court can overrule *Red Wing Shoe*. Perhaps, but a panel can recognize that *Red Wing Shoe* is inconsistent with previous and subsequent Supreme Court precedent. A panel can also recognize that this Court has already clarified and narrowed overbroad language in *Red Wing Shoe* in *Jack Henry and Genetic Veterinary Sciences, Inc. v. LABOKLIN GmbH*, 933 F.3d 1302 (Fed. Cir. 2019). In any event, either the panel or the *en banc* Court should put an end to *Red Wing Shoe*, which rested on incorrect premises from the beginning. PerDiemCo dismisses the errors in *Red Wing Shoe* (at 18 n.4) as “water under the bridge,” but it is time to staunch the flow and stop perpetuating a rule of law that was ill-conceived when adopted and is even more pernicious today.

Finally, PerDiemCo urges the Court (at 60-61) to overrule *Red Wing Shoe* only prospectively, so that Appellants do not receive the benefit of any change in the law. The Court should apply the correct law in this case for multiple reasons.

First, a prospective-only decision would be advisory, and federal courts are not in the business of writing advisory opinions. Indeed, it is unclear whether a

federal court *can* adopt a new rule of law and refuse to apply it in the case before it. *See, e.g., Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749 (1995); *Harper v. Va. Dep’t of Taxation*, 509 U.S. 86 (1993). Even in the era of *Chevron Oil Co. v. Huson*, 404 U.S. 97, 107 (1971), when prospective-only rulings were permitted in exceptional cases, courts issued them very rarely. When this Court reverses its precedent, it routinely applies the new, correct rule to the case at hand.

Second, although PerDiemCo invokes *Burger King* as the basis for a reliance interest in *Red Wing Shoe*, *Burger King* shows the error of *Red Wing Shoe* and does not support letting it linger longer. The passages from *Burger King* on which PerDiemCo relies do not help it. *Burger King* observed that the Due Process Clause gives “a degree” of predictability and “some minimum assurance” about where they may be liable. 471 U.S. at 472 (quoting *World-Wide Volkswagen*, 444 U.S. at 297). That hardly suggests that PerDiemCo could rely on a bright-line, patent-specific rule of Federal Circuit law inconsistent with the law set forth in *Burger King* itself. *Burger King* also reiterated that the relevant aspect of foreseeability is a reasonable anticipation of being haled into court in another forum. 471 U.S. at 474 (quoting *World-Wide Volkswagen*, 444 U.S. at 297). But that concern is addressed by requiring “minimum contacts” with the forum, *id.* at 474-75, which PerDiemCo undisputedly had.

Third, the law was far from settled when PerDiemCo engaged with Appellants in late 2018 and early 2019. Earlier in 2018, this Court had decided *Jack Henry*, which read *Red Wing Shoe* more reasonably and made clear that infringement accusations and threats of infringement suits against a company in another district may indeed subject a patent owner to personal jurisdiction in that other district. Two judges went further and urged the Court to reconsider *Red Wing Shoe*. The ruling Appellants seek here is no great leap from *Jack Henry*. If PerDiemCo thought *Red Wing Shoe* established an immutable bright-line rule, it was ill-advised and relied on that rule at its peril.

It is both proper and fair to overrule *Red Wing Shoe* and reverse the dismissal here. At a minimum, the Court can and should distinguish it as in *Jack Henry*.

#### CONCLUSION

This Court should hold that the district court may constitutionally exercise personal jurisdiction over PerDiemCo and remand for further proceedings.

Respectfully submitted,

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**CERTIFICATE OF COMPLIANCE**

1. This brief complies with the type-volume limitation of Federal Circuit Rule 32(a). The brief contains 5,661 words, excluding the portions exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft® Word 365 and 14-point Times New Roman type.

Dated: May 22, 2020

/s/Dan L. Bagatell

Dan L. Bagatell

**CERTIFICATE OF AUTHORITY**

I certify that I have the authority of my co-counsel Amanda Tessar to file this document with her electronic signature.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Dated: May 22, 2020

/s/Dan L. Bagatell

Dan L. Bagatell