

2019-2164, 2020-1157

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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

v.

PERDIEMCo LLC,
Defendant-Cross-Appellant.

Appeal from the U.S. District Court for the Northern District of California
in Case No. 4:19-cv-00526-JSW, Judge Jeffrey S. White.

[CORRECTED] RESPONSE BRIEF OF
DEFENDANT-CROSS-APPELLANT PERDIEMCo LLC

Laurence M. Sandell
Edward Naidich
Lei Mei
MEI & MARK LLP
818 18th Street NW, Suite 410
Washington, DC 20006
Telephone: 202-567-6417

Patrick J. Coyne
FINNEGAN, HENDERSON, FARABOW
GARRETT & DUNNER LLP
901 New York Ave., N.W.
Washington, D.C. 20001-4413
Telephone: (202) 408-4000

Robert F. McCauley
FINNEGAN, HENDERSON, FARABOW
GARRETT & DUNNER LLP
3300 Hillview Avenue
Palo Alto, CA 94304
Telephone: (650) 849-6600

Jency J. Matthew
FINNEGAN, HENDERSON, FARABOW
GARRETT & DUNNER LLP
Two Freedom Square
11955 Freedom Drive
Reston, VA 20190-5675
Telephone: (571) 203-2700

Counsel for Defendant-Cross-Appellant PerDiemCo LLC

April 13, 2020

CERTIFICATE OF INTEREST

In accordance with Federal Circuit Rule 47.4, Counsel for Defendant-Cross-Appellant certifies the following:

1. The full name of every party or amicus represented by me:

PerDiemCo LLC.

2. The name of the real party in interest if the party named in the caption is not the real party in interest:

None.

3. The corporate disclosure statement prescribed in Federal Rule of Appellate Procedure 26.1 and identifying each party with its parent corporation or any publicly held corporation that owns 10% or more of its stock:

None.

4. The names of all law firms and the partners and associates that have appeared for the party in the lower tribunal or are expected to appear for the party in this court and who are not already listed on the docket for the current case:

None.

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:

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.)

April 13, 2020

Respectfully submitted,

/s/ Laurence Sandell

Laurence Sandell

*Counsel for Defendant- Cross-Appellant
PerDiemCo LLC*

TABLE OF CONTENTS

	<u>Page</u>
CERTIFICATE OF INTEREST.....	i
TABLE OF CONTENTS	ii
TABLE OF AUTHORITIES.....	vi
TABLE OF ABBREVIATIONS	x
RELATED CASES	xi
JURISDICTIONAL STATEMENT	xii
I. STATEMENT OF THE ISSUES	1
II. STATEMENT OF THE CASE	2
A. Introduction.....	2
B. The Parties.....	4
C. PerDiemCo’s Limited, Indirect Contacts with the Forum	5
III. SUMMARY OF ARGUMENT	7
IV. ARGUMENT	11
A. The Federal Circuit’s Law of Personal Jurisdiction in the Context of Declaratory Judgment Is Both Established and Constitutional.....	11
1. The Law and Policy of <i>Red Wing Shoe</i> Is Consistent with Supreme Court Precedent	13
a. Supreme Court Jurisprudence on Personal Jurisdiction Is Well Settled	13
b. <i>Red Wing Shoe</i> ’s Holding and Policy Is the Foundation of Federal Circuit Personal Jurisdiction Law	16

c.	<i>Jack Henry Clarified, But Did Not Undermine, Red Wing Shoe</i>	19
(1)	<i>Jack Henry’s Concurrence Emphasizes the Panel’s Clarification</i>	22
d.	A Restatement of <i>Red Wing Shoe</i>	23
2.	<i>Red Wing Shoe’s Policy Remains Valid</i>	24
a.	A “Patentee [Should Have] Sufficient Latitude to Inform Others of Its Patent Rights Without Subjecting Itself to Jurisdiction in a Foreign Forum”	24
b.	Encouraging Settlement of Disputed Claims Remains a Critical Policy Goal	26
c.	Patent Assertion Entities Are a Red Herring	28
3.	At Base, the Law and Policy of <i>Red Wing Shoe</i> Are Not Patent Specific, but Apply to Other Types of Declaratory Judgment Actions	33
a.	The Ninth Circuit, <i>En Banc</i> , Found that Cease-and-Desist Letters, Alone, Do Not Give Rise to Personal Jurisdiction	34
b.	The Tenth Circuit Held that Ordinary Trademark and Copyright Infringement Cease-and-Desist Letters, Alone, Do Not Give Rise to Personal Jurisdiction	36
c.	Other Circuits Have Rejected Personal Declaratory Judgment Personal Jurisdiction Premised on an Injured Party’s Attempts to Settle.....	38
B.	Personal Jurisdiction over PerDiemCo would “Offend Traditional Notions of Fair Play and Substantial Justice”	41
1.	PerDiemCo’s Contacts with the District Were Limited	41

2.	The Five Fairness Factors Evince a Compelling Case that Personal Jurisdiction Over PerDiemCo Would Violate Due Process.....	42
a.	Factor 1, “the Burden on the Defendant” Favors Affirmance	43
b.	Factor 2, “the Forum State's Interest in Adjudicating the Dispute,” Is, at Worst, Neutral	47
c.	Factor 3, “the Plaintiff's Interest in Obtaining Convenient and Effective Relief,” is Unavailing	50
d.	Factor 4, “the Interstate Judicial System's Interest in Obtaining the Most Efficient Resolution of Controversies,” Compellingly Counsels for Affirmance	51
e.	Factor 5, the “Shared Interest of the Several States in Furthering Fundamental Substantive Social Policies” Compellingly Counsels for Affirmance	52
3.	PerDiemCo’s Limited Contacts with the Northern District of California Parallel the <i>Red Wing Shoe</i> Fact Pattern and Are Easily Distinguishable from Other Cases Finding Personal Jurisdiction	53
a.	PerDiemCo’s Forum Contacts Are Akin to Those in <i>Red Wing Shoe</i>	53
b.	<i>Jack Henry</i> Is Distinguishable on its Facts	54
c.	Appellants’ Other Federal Circuit Authority Is Unavailing	56
C.	The District Court’s Alleged Burden Switching Was Harmless.....	58
D.	<i>Red Wing Shoe</i> Cannot Be Overturned by a Panel Decision	59
E.	To the Extent that this Court Overturns <i>Red Wing Shoe</i> , it Would Be Constitutionally Improper to Retroactively	

Subject PerDiemCo to Personal Jurisdiction Based on a Sea Change in Law that Was <i>Not</i> “Reasonably Foreseeable”	60
V. CONCLUSION	62

TABLE OF AUTHORITIES

Cases	Page
<i>3D Systems, Inc. v. Aarotech Laboratories, Inc.</i> , 160 F.3d 1373 (Fed. Cir 1998).....	30
<i>Acuity Mut. Ins. Co. v. Rex, LLC</i> , 929 F.3d 995 (8th Cir. 2019).....	38
<i>Acuity Mut. Ins. Co. v. Rex, LLC</i> , Case No. 1:16-cv-300-AGF, Dkt. 52 (E.D. Mo., Feb. 6, 2018).	38
<i>AIDS Healthcare Found., Inc. v. Gilead Scis., Inc.</i> , 890 F.3d 986 (Fed. Cir. 2018).....	41
<i>Autogenomics, Inc. v. Oxford Gene Tech. Ltd.</i> , 566 F.3d 1012 (Fed. Cir. 2009).....	45
<i>Asahi Metal Indus. Co. v. Superior Court</i> , 480 U.S. 102 (1987).....	14
<i>Avocent Huntsville Corp. v. ATEN International Co.</i> , 552 F.3d 1324 (Fed Cir 2009).....	25, 33
<i>Bancroft Masters, Inc. v. Augusta Nat'l Inc.</i> , 223 F.3d 1082 (9th Cir. 2000).....	35
<i>Beacon Enterprises, Inc. v. Menzies</i> , 715 F.2d 757 (2d Cir. 1983).....	36
<i>Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.</i> , 444 F.3d 1356, 1362 (Fed. Cir. 2006).....	22, 44, 59
<i>Bristol-Myers Squibb Co. v. Superior Court</i> , 137 S. Ct. 1773 (2017).....	<i>passim</i>
<i>Burger King Corp. v. Rudzewicz</i> , 471 U.S. 462 (1985).....	<i>passim</i>
<i>C5 Med. Werks, LLC v. CeramTec GmbH</i> , 937 F.3d 1319, 1324 (10th Cir. 2019).....	37

Calder v. Jones,
465 U.S. 783 (1984)59

Campbell Pet v. Miale,
542 F.3d 879 (Fed. Cir. 2008)18, 34, 36, 44

Creech v. Roberts,
908 F.2d 75 (6th Cir. 1990).....30

Dudnikov v. Chalk,
514 F.3d 1063 (10th Cir. 2008)..... 36-37

Eng’g & Inspection Servs. v. IntPar, LLC,
No. 13-cv- 801, 2013 WL 5589737 (E.D. La., Oct. 10, 2013)32

Fed. Trade Comm’n v. Actavis, Inc.,
570 U.S. 136 (2013)27

Genetic Veterinary Scis., Inc. v. Laboklin GMBH & Co.,
933 F.3d 1302 (Fed. Cir. 2019)..... 12,57-58, 60

Google Inc. v. Rockstar Consortium US LP,
No. 13-cv-5933, 2014 WL 1571807 (N.D. Cal., Apr. 17, 2014)32

Halliburton Energy Servs., Inc. v. Ironshore Specialty Ins. Co.,
921 F.3d 522 (5th Cir. 2019).....40

Impression Prods. Inc, v. Lexmark Int’l.,
137 S. Ct. 1523 (2017)28

Inamed Corp. v. Kuzmak,
249 F.3d 1356 (Fed. Cir. 2001)13, 37

International Medical Group v. American Arbitration Association,
312 F.3d 833 (7th Cir. 2002).....39

International Shoe Co. v. Washington,
326 U.S. 310 (1945)13, 14

Jack Henry & Assocs., Inc. v. Plano Encryption Techs LLC,
910 F.3d 1199 (Fed. Cir. 2018) *passim*

Kimble v. Marvel Ent., LLC,
135 S. Ct. 2401 (2015)28

Maxchief Invs. Ltd. v. Wok & Pan,
909 F.3d 1134 (Fed. Cir. 2018)43

New World Int'l, Inc. v. Ford Global Techs. LLC,
859 F.3d 1032 (Fed. Cir. 2017)18, 21, 24, 31, 54

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

Shaffer v. Heitner,
433 U.S. 186 (1977)60

Shute v. Carnival Cruise Lines,
897 F.2d 377 (9th Cir. 1990)30

Silent Drive, Inc. v. Strong Indus., Inc.,
326 F.3d 1194 (Fed. Cir. 2003)22, 33

TransCore, LP v. Elec. Transaction Consultants Corp.,
563 F.3d 1271 (Fed. Cir. 2009)27, 30

Vas-Cath Inc. v. Mahurkar,
925 F.2d 1555 (Fed. Cir. 1991)60

World-Wide Volkswagen Corp. v. Woodson,
444 U.S. 286 (1980)17, 60, 61

Xilinx, Inc. v. Papst Licensing GMBH & Co.,
848 F.3d 1346 (Fed. Cir. 2017) *passim*

Yahoo! Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme,
433 F.3d 1199 (9th Cir. 2006) 18, 34-36, 52

Statutes

28 U.S.C. § 140446

Rules

Fed. R. App. P. 104
Fed. R. Evid. 2014
Fed. R. Evid. 40817, 26, 29
Fed. R. Civ. P. 4(k).....57

TABLE OF ABBREVIATIONS

Amici Br.	Brief of the R Street Institute, Public Knowledge, the Electronic Frontier Foundation, Engine Advocacy and the Innovation Defense Foundation as <i>Amici Curiae</i> in Support of Plaintiffs-Appellants (Sept. 30, 2019)
Appellants	Appellants Trimble Inc. and Innovative Software Engineering LLC, collectively
Appx####	joint appendix page #####
District Court	U.S. District Court for the Northern District of California
ISE	Plaintiff-appellant Innovative Software Engineering, LLC (individually)
NPE	Non-practicing entity
PerDiemCo	Defendant-cross-appellant PerDiemCo LLC
Trimble Br.	Appellants' Opening Brief (Sept. 23, 2019)
Trimble	Plaintiff-appellant Trimble Inc. (individually)

RELATED CASES

No other appeals relating to this district court case have been before this or any other appellate court. This Court's decision in this case may affect the following pending cases:

- *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.); and
- *PerDiemCo LLC v. Trimble Inc.*, No. 2:19-cv-00292 (E.D. Tex.).

JURISDICTIONAL STATEMENT

The district court had subject-matter jurisdiction under 28 U.S.C. §§ 1331, 1338, 2201, and 2202 because Appellants sought a declaratory judgment that they do not infringe United States patents owned by PerDiemCo. Whether the district court had personal jurisdiction over PerDiemCo is the subject of this appeal. *Accord* Trimble Br. 2-3.

This Court has appellate jurisdiction under 28 U.S.C. § 1295(a)(1) because the district court entered a final judgment dismissing Appellants' complaint, Appx1, Appx11-12, and Appellants filed a notice of appeal within thirty days of that judgment, Appx1360-1361. *Accord* Trimble Br. 2-3.

PerDiemCo hereby abandons its conditional cross-appeal, No. 2020-1157. Accordingly, no additional statement of jurisdiction for the cross-appeal is provided.

I. STATEMENT OF THE ISSUES

1. Whether personal jurisdiction over a declaratory judgment defendant violates Due Process where the defendant's relevant forum contacts exclusively consist of (a) notifying the accused infringer of infringement allegations via the accused infringer's extra-forum counsel and (b) negotiating with the accused infringer's extra-forum counsel—in good faith and outside the forum—to settle the legal claim of infringement through a nonexclusive license.

2. Whether the Federal Circuit's policy favoring “afford[ing] a patentee sufficient latitude to inform others” and “foster[ing] settlement of infringement claims” via license offers, as expressed in *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, still “squarely invokes one of the considerations enumerated by the Supreme Court for the second prong of a proper Due Process analysis, namely, [fairness factor four,] ‘the interstate judicial system’s interest in obtaining the most efficient resolution of controversies’” or is otherwise a compelling Due Process consideration. 148 F.3d 1355, 1360-61 (Fed. Cir. 1998).

3. Whether *Bristol-Myers Squibb Co. v. Superior Court*, 137 S. Ct. 1773 (2017) or any other Supreme Court precedent implicitly or explicitly overruled the holding or policy of *Red Wing Shoe*.

II. STATEMENT OF THE CASE

This Court's *de novo* assessment of the “fair play and substantial justice” prong of the Due Process analysis—reflecting the Supreme Court's flexible fairness factors, the holdings and policy of *Red Wing Shoe*, and the defendant's exceedingly limited, indirect contacts with the forum—should result in affirmance.

A. Introduction

PerDiemCo's forum contacts are inarguably both marginal and indirect. They were initiated by Trimble's counsel—and they *entirely* consist of e-mails and phone calls between PerDiemCo's CEO and Trimble's counsel—*all of whom* were located outside of the forum. In those communications, PerDiemCo merely notified Trimble of infringement, substantiated such allegations with claim charts, offered a nonexclusive license, and otherwise attempted to settle its infringement claim in good faith.

In view of these limited contacts, and following the longstanding policy set forth in *Red Wing Shoe*, the district court found that personal jurisdiction over PerDiemCo would violate its Due Process rights. It cited the correct law, enumerated the correct facts, and ultimately arrived at the correct conclusion. Indeed, Appellants have been unable to identify *any* authority where personal jurisdiction was found based on a level of forum contacts similar to PerDiemCo's paltry and indirect contacts with the Northern District of California.

Faced with an expected affirmance based on the undisputed facts and any reasonable interpretation of the Federal Circuit’s personal jurisdiction jurisprudence, Appellants take a different tack. They offer an extreme “bright line” interpretation of *Red Wing Shoe* (that PerDiemCo does not advocate for) as a straw man, assert that *Red Wing Shoe* has already been reversed, repeatedly deride PerDiemCo for being “a patent assertion entity,” and ultimately offer little more than a conclusory gloss of the fairness factors.

But the holding of *Red Wing Shoe*—especially when applied within the rubric of the Supreme Court’s fairness factors—is still good law. As this Court explained more than two decades ago, *Red Wing Shoe*’s policy “squarely invokes” at least “one of the considerations enumerated by the Supreme Court for the second prong of a proper Due Process analysis.” *Red Wing Shoe*, 148 F.3d at 1361. And the policy of *Red Wing Shoe*—which has been followed by other Circuit Courts of Appeal outside the patent context—is still good policy. Encouraging settlement of disputes remains a vital interest, and the policy of affording patentees sufficient latitude to inform alleged infringers of their rights and seek settlement without submitting to jurisdiction is critical to that vital interest.

Thus, on the undisputed facts and the long-established law, personal jurisdiction over PerDiemCo would be an offense to Due Process.

B. The Parties

PerDiemCo is a Texas limited liability company. Appx2. It has no employees in, no facilities in, conducts no business in, and has never filed a litigation in California. Appx770-771 ¶7. Although PerDiemCo currently consists of a single executive and a number of technical contractors, as recently as 2018, the company also had an employee and two other principals, one of whom invented the patents-in-suit. Appx1236-1237; Appx1240-1241; Appx1247; Appx1249-1250; *e.g.*, Appx776-777 ¶¶3-4. In addition to attempting to realize value from its patented inventions via nonexclusive licenses (and, as a last resort, litigation), PerDiemCo sells software that embodies its claimed invention. Appx773 ¶13; *e.g.*, Appx771 ¶8.¹

Innovative Software Engineering, LLC (“ISE”) is an Iowa limited liability company headquartered in Coralville, Iowa. Appx1209. It is a subsidiary of Trimble. *Id.* As to ISE, “substantially all” witnesses and documents relevant to the underlying declaratory judgment action are located in Iowa. *Id.*

¹ Appellants incorrectly argue, without evidence, that PerDiemCo’s “only” business is “patent enforcement.” Trimble Br. 37. Although outside the district court record, PerDiemCo offers for sale (and did so before Appellants filed suit) a smart phone “App” embodying its patents. See <https://www.perdiemco.com/>; <https://web.archive.org/web/20181228221254/http://perdiemco.com/>. This Court may take judicial notice of this “adjudicative fact” that “can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned.” Fed. R. Evid. 201(b)(2); *see also* Fed. R. App. P. 10(e)(2)(C).

Trimble is a “publicly-traded global business with locations in over thirty countries and annual revenues exceeding \$2 billion dollars.” Appx33 ¶37. It is incorporated in Delaware and has facilities in the Eastern District of Texas. Appx1209; Appx32 ¶29. Its Chief IP counsel is located in Colorado. Appx1318.

C. PerDiemCo’s Limited, Indirect Contacts with the Forum

The chain of events that led to the declaratory judgment action on appeal began on October 5, 2018, when PerDiemCo’s CEO sent a letter from Washington, D.C. to ISE in Coralville, Iowa. Appx3; Appx773 ¶11. The letter informed ISE that it was infringing several of PerDiemCo’s patents; offered a nonexclusive license to PerDiemCo’s patents; proposed that the parties “engage ... in good faith negotiations that [would be] conducted on [a] fair, reasonable[,] and nondiscriminatory basis” to “avoid unnecessary attorney’s fees and litigation costs to both parties”; and even attached a draft non-disclosure agreement to facilitate good faith settlement discussions. Appx1273-1276; Appx3; Appx773 ¶11; Appx40 ¶72-73. PerDiemCo’s Iowa-directed notice of infringement was substantiated with claim charts for the patents at issue. *E.g.*, Appx41 ¶76.

On October 12, 2018, PerDiemCo received a response from Trimble’s Chief IP Counsel in Westminster, Colorado, who identified himself as such, explained that he was the contact person for matters relating to the letter sent to ISE, and proposed times for a phone call to address issues raised in the letter. Appx1316-

1317; Appx773 ¶12. In response, PerDiemCo’s CEO confirmed a phone call for October 16, 2018, informed Trimble’s counsel of its belief that Trimble—in addition to ISE—infringed PerDiemCo’s patents, and attached an exemplary claim chart to substantiate the infringement allegations. Appx1315-1316. During the ensuing call, PerDiemCo offered Trimble the option of binding mediation to resolve the dispute without resorting to litigation, and offered to provide past license agreements between PerDiemCo and other entities as a reference. Appx1313.

Trimble’s counsel promptly followed up with an email representing that, “Trimble is willing to keep negotiating for as long as the talks are productive.” Appx1312. Thereafter and through December 2019, PerDiemCo’s CEO and Trimble’s IP counsel continued to engage in e-mail discussions and phone calls. Appx773 ¶12; Appx42-44 ¶¶83-94. No PerDiemCo representative ever traveled to California as part of these negotiations, nor communicated with anyone in California. Appx770-771 ¶7. Beyond these limited communications with Trimble’s extra-forum IP counsel, PerDiemCo has no relevant contacts to the Northern District of California.

Notwithstanding Appellants’ accusation that PerDiemCo “hassled Trimble for months,” Trimble Br. 15, the record indicates, at most, that PerDiemCo corresponded with Trimble 22 times in three and a half months, Appx1230 ¶2. The

record does not reveal a single instance where Trimble or ISE informed PerDiemCo that the negotiations were no longer productive or that they otherwise wished to terminate them. To the contrary, as late as January 11, 2019, Appellants' outside counsel (and principal appellate counsel here) apologized for Trimble's delay in providing a "substantive response" to a proposal made by PerDiemCo and suggested she might "know more next week." Appx1328. Less than three weeks later, on January 29, 2019, Appellants filed suit in the Northern District of California. *E.g.*, Appx25.

III. SUMMARY OF ARGUMENT

The law and policy of *Red Wing Shoe* is consistent with the Supreme Court's personal jurisdiction jurisprudence, is consistent with other Circuits' declaratory judgment personal jurisdiction precedent outside the patent context, and remains just as viable today as it was over two decades ago when the opinion was issued.

Notwithstanding Appellants' incorrect characterization of *Red Wing Shoe* as establishing a "*per se* rule that demand letters to a forum resident must be disregarded for purposes of determining personal jurisdiction," Trimble Br. 37, the holding and policy of *Red Wing Shoe* are easily incorporated within the Supreme Court's flexible five factor analysis for assessing whether the assertion of personal jurisdiction would comport with fair play and substantial justice. *Red Wing Shoe* held that a patentee should be afforded "sufficient latitude to inform others of its

patent rights” and seek settlement a disputed patent claims, through, for example, a nonexclusive license offer, “without subjecting itself to jurisdiction in a foreign forum.” 148 F.3d at 1360-61. That holding was grounded in “policy favoring settlement,” and *Red Wing Shoe* clearly explained that its “approach that fosters settlement of infringement claims” “squarely invokes” at least one of the five fairness factors for assessing compliance with “principles of fair play and substantial justice.” *Id.* at 1361.

Contrary to Appellants’ arguments, *Jack Henry & Associates, Inc. v. Plano Encryption Techs LLC*, 910 F.3d 1199 (Fed. Cir. 2018) has not “undermined” *Red Wing Shoe*’s holding or policy. Trimble Br. 9. Rather, this recent Federal Circuit jurisprudence simply emphasizes that personal jurisdiction analyses conducted in view of *Red Wing Shoe* must “‘consider a variety of interests’ in assessing whether jurisdiction would be fair,” as the Supreme Court requires. *Jack Henry*, 910 F.3d at 1203.

Outside of the patent context, the fundamental policy and law of *Red Wing Shoe* has been followed by at least the Fifth, Seventh, Eighth, Ninth, and Tenth Circuits in assessing personal jurisdiction. An *en banc* panel of the Ninth Circuit expressly endorsed *Red Wing Shoe* in a declaratory judgment action regarding interim orders by a French court; the Tenth Circuit followed *Red Wing Shoe* in declaratory judgment actions stemming from copyright and trademark

infringement allegations; and the Fifth, Seventh, and Eight Circuits rejected personal jurisdiction in insurance-related declaratory judgment actions based on reasoning consistent with *Red Wing Shoe* policy.

Ultimately, PerDiemCo's contacts with the Northern District of California are indirect, extremely limited, and closely mirror the fact pattern of *Red Wing Shoe*. It is not disputed that PerDiemCo's relevant forum contacts exclusively consist of notifying Trimble of its infringing conduct and attempting to negotiate a nonexclusive license to settle the legal claim in good faith—all via extra-forum communications with Trimble's out-of-forum counsel. PerDiemCo did not travel to the forum, did not act in bad faith, and did not engage with Trimble's customers or otherwise attempt to enforce its patents outside of good faith settlement negotiations. Accordingly, *Jack Henry* and other Federal Circuit authority finding personal jurisdiction over a declaratory judgment defendant are easily distinguishable on their facts.

A non-conclusory analysis of the five fairness factors establishes the requisite compelling case that personal jurisdiction over PerDiemCo would be constitutionally unreasonable. *Cf.* Trimble Br. 25-26 (addressing four of five factors in a cursory manner). Factor one, "the burden on the defendant," which the Supreme Court recently highlighted as the most important factor, counsels towards rejecting personal jurisdiction. *Bristol-Myers*, 137 S. Ct. at 1780. Indeed, before

the trial court, Appellants indicated that, as to PerDiemCo, “this case” is “an inconvenient suit in an unfriendly jurisdiction.” Appx1220. Factor four, “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies,” compellingly counsels for affirmance, as held in *Red Wing Shoe*. Factors five and two, the “shared interest of the several States in furthering fundamental substantive social policies” and California’s “interest in adjudicating the dispute,” respectively, skew towards rejecting personal jurisdiction for at least the same reasons. Moreover, California’s interests are further limited by the facts that one Plaintiff-Appellant, ISE, is based in Iowa, and the other, Trimble, is a “global business.” Appx33 ¶37.

The only factor that could conceivably counsel for maintaining personal jurisdiction, factor three, “the plaintiff’s interest in obtaining convenient and effective relief,” is unavailing. “[E]ffective relief” is inarguably available to Appellants in at least the Eastern District of Texas where Trimble maintains facilities. As to convenience, ISE, itself; “substantially all” of ISE’s relevant witnesses and documents; Trimble’s Chief IP counsel; and at least some (and, perhaps, most) of Trimble’s relevant litigation materials are located outside of the Northern District of California. Appx1209. Moreover, any alleged inconvenience to Trimble caused by litigating outside of the Northern District of California is rendered negligible by its annual revenue exceeding \$2 billion.

Accordingly, when PerDiemCo's limited and indirect contacts are considered in light of the five fairness factors, the Court should hold, *de novo*, that PerDiemCo has made a compelling case that the Northern District of California's personal jurisdiction over it would be an offense to principles of fair play and substantial justice.

To the extent that this Court considers reversing *Red Wing Shoe*, precedent requires such reversal be made by an *en banc* panel. Moreover, even if *Red Wing Shoe* is overturned (and it should not be), any retroactive application of new personal jurisdiction law to PerDiemCo would be unconstitutional because the Due Process Clause requires "that individuals have fair warning that a particular activity may subject them to the jurisdiction of a foreign sovereign." *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985) (internal punctuation omitted). Accordingly, finding personal jurisdiction would deny PerDiemCo its constitutionally mandated "fair warning."

IV. ARGUMENT

A. The Federal Circuit's Law of Personal Jurisdiction in the Context of Declaratory Judgment Is Both Established and Constitutional

Appellants' arguments for reversal are grounded in an overstatement of *Red Wing Shoe*'s holding. They repeatedly portray it as a "bright-line, one-factor rule specially privileging patent-enforcement letters" and a "*per se* rule that demand

letters to a forum resident must be disregarded for purposes of determining personal jurisdiction.” Trimble Br. 34, 37.² Based on this incorrect interpretation, Appellants argue that the “logic of *Red Wing Shoe* was ill-conceived in 1998 and clearly conflicts with governing Supreme Court law now.” Trimble Br. 38; *see also* Amici Br. 22-23 (seeking to eliminate that “categorical rule and to replace it with a flexible inquiry into the totality of the circumstances”).

But, as explained below, this is not the law of *Red Wing Shoe*, and Appellants’ misinterpretation invites this Court to err. To avoid any potential confusion, PerDiemCo does not “insist[] that *Red Wing Shoe* and cases following it created a bright-line rule that ‘patent enforcement letters can *never* provide the basis for jurisdiction in a declaratory judgment action’” Trimble Br. 30 (emphasis added). And with good reason: First, this Court has unambiguously held that “*Red Wing Shoe* . . . did not create such a bright-line rule.” *Genetic Veterinary Scis., Inc. v. Laboklin GMBH & Co.*, 933 F.3d 1302, 1312 (Fed. Cir. 2019)

² *E.g.*, *id.* at 9 (“supposed bright line rule of *Red Wing Shoe*”), 15 (“bright-line, wooden rule privileging infringement assertions”), 15 (“bright-line, single-factor, patent-specific approach”), 15 (“rigid rule”), 32 (“bright-line, wooden rule requiring additional connections to the forum in addition to efforts to enforce the patents-in-suit”), 33 (*Red Wing Shoe* “made one interest—the patent owner’s—absolutely paramount and adopted a special rule privileging patent infringement notice letters”); Amici Br. 12 (“strict rule that patent demand letters can never give rise to personal jurisdiction over their senders”), 22 (“*Red Wing Shoe*’s categorical rule”).

(quoting *Jack Henry*, 910 F.3d at 1206; internal punctuation omitted). Second, as explained in Section IV.B, below, under any sensible interpretation of *Red Wing Shoe* and Supreme Court precedent, the undisputed facts compel affirmance of the District Court’s finding that “exercising specific personal jurisdiction over PerDiemCo would be constitutionally unreasonable.” Appx10.

1. The Law and Policy of *Red Wing Shoe* Is Consistent with Supreme Court Precedent

a. Supreme Court Jurisprudence on Personal Jurisdiction Is Well Settled

The “settled Supreme Court law” on personal jurisdiction is undisputed. Trimble Br. 17. The familiar Due Process standard for specific personal jurisdiction from *International Shoe Co. v. Washington*, 326 U.S. 310 (1945), has two prongs: “minimum contacts” and “fair play and substantial justice” (the “fairness” prong). *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1360 (Fed. Cir. 2001).³

Once a plaintiff establishes their existence, “minimum contacts” “may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with ‘fair play and substantial justice.’” *Burger King*,

³ The Federal Circuit has further broken this into a three-factor test. *E.g.*, *Jack Henry*, 910 F.3d at 1204; *accord* Trimble Br. 18. “The first two factors correspond with the ‘minimum contacts’ prong of the *International Shoe* analysis, and the third factor corresponds with the ‘fair play and substantial justice’ prong of the analysis.” *Inamed*, 249 F.3d at 1360.

471 U.S. at 466 (quoting *International Shoe*, 326 U.S. at 320). After “minimum contacts” are established, the burden shifts to the defendant to present a “compelling case that the presence of some other considerations would render jurisdiction unreasonable.” *Burger King*, 471 U.S. at 477; accord *Jack Henry*, 910 F.3d at 1205. At least the following five “fairness factors” should be considered as part of the unreasonableness assessment:

- [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.

E.g., *Xilinx, Inc. v. Papst Licensing GMBH & Co.*, 848 F.3d 1346, 1355 (Fed. Cir. 2017) (quoting *Burger King*, 471 U.S. at 477; formatting added, brackets in original, quotation marks omitted); accord *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 113 (1987).

More recently, the Supreme Court has emphasized that, of these factors, “the ‘primary concern’ is the ‘burden on the defendant.’” *Bristol-Myers*, 137 S. Ct. at 1780. Assessing this burden requires “consider[ing] the practical problems resulting from litigating in the forum,” and “encompasses the more abstract matter

of submitting to the coercive power of a State that may have little legitimate interest in the claims in question.” *Id.*; *see also id.* at 1781 (“[E]ven if the forum State is the most convenient location for litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment.”). Importantly, *Bristol-Myers* also held that, “[t]he primary focus of our personal jurisdiction inquiry is the defendant’s relationship to the forum State.” *Id.* at 1779.

Burger King “reject[ed] any talismanic jurisdictional formulas,” “preclude[d] clear-cut jurisdictional rules,” and held that “the facts of each case must always be weighed in determining whether personal jurisdiction would comport with fair play and substantial justice.” *Id.* at 485, 486 n.29, 436 (internal punctuation and citations omitted). But notwithstanding this prohibition of “clear-cut jurisdictional rules” and its eschewing of “mechanical tests,” *id.* at 478 (internal quotations omitted), *Burger King* did not hesitate to offer black letter law boundaries for personal jurisdiction in the contractual context:

If the question is whether an individual’s contract with an out-of-state party *alone* can automatically establish sufficient minimum contacts in the other party’s home forum, we believe the answer clearly is that it cannot.

Id. (emphasis in original). Thus, the Supreme Court indicated the quality, context, and content of a defendant’s contacts (such as contracts with forum residents) may be critical to the Due Process analysis.

b. *Red Wing Shoe's* Holding and Policy Is the Foundation of Federal Circuit Personal Jurisdiction Law

In *Red Wing Shoe*, this Court upheld the dismissal of a declaratory judgment action on personal jurisdiction grounds where the only relevant contacts between the patentee and plaintiff were letters noticing the accused infringement and offering a nonexclusive license to settle the claim. After assuming the letters served to establish “minimum contacts,” the Federal Circuit stated that “without more, such letters are not sufficient to satisfy the requirements of Due Process in declaratory judgment actions,” reasoning “that cease-and-desist letters alone do not suffice to create personal jurisdiction [because of the] second prong of the traditional Due Process inquiry.” 148 F.3d at 1360.

Although *Red Wing Shoe* did not expressly address each of the five fairness factors, it explained its second prong reasoning in clear view of *Burger King*:

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.

Id. at 1360-1361.

Explaining that an “offer to license is more closely akin to an offer for settlement of a disputed claim rather than an arms-length negotiation in

anticipation of a long-term continuing business relationship,” the Court further extended its holding to hybrid cease-and-desist letter that also contain an offer for a nonexclusive license. *Id.* at 1361. In support, *Red Wing Shoe* cited the Federal Rule of Evidence 408 and the importance of the judiciary’s “policy favoring settlement,” before expressly mapping an “approach that fosters settlement of infringement claims” onto one of the Supreme Court’s enumerated “fair play and substantial justice” factors:

[T]his policy squarely invokes one of the considerations enumerated by the Supreme Court for the second prong of a proper Due Process analysis, namely, “[4] the interstate judicial system's interest in obtaining the most efficient resolution of controversies.”

Id. (quoting *World-Wide Volkswagen v. Woodson*, 444 U.S. 286, 292 (1980)).

Although *Red Wing Shoe* held that cease-and-desist letters and offers to license—“alone”—cannot grant personal jurisdiction without running afoul of “fair play and substantial justice,” it did not hold or even suggest that such contacts are irrelevant or privileged when it comes to that portion of the Due Process analysis.

To the contrary, this Court recently interpreted *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*.

While the act of sending cease and desist letters is insufficient by itself to trigger a finding of personal jurisdiction, other activities by the defendant, *in*

conjunction with cease and desist letters, may be sufficient.

New World Int'l, Inc. v. Ford Global Techs. LLC, 859 F.3d 1032, 1038 (Fed. Cir. 2017) (emphasis added; internal citations omitted); *see also Campbell Pet v. Miale*, 542 F.3d 879, 887 (Fed. Cir. 2008) (“As the Ninth Circuit explained in a later case, under *Red Wing Shoe* a cease-and-desist letter *is not in and of itself* sufficient to establish personal jurisdiction over the sender of the letter, but the second letter went beyond *the limited scope of the Red Wing Shoe policy* and subjected the defendant to personal jurisdiction in the forum where the target of the defendant's conduct was located.” *See Yahoo! Inc. v. La Ligue Contre Le Racisme et L’Antisemitisme*, 433 F.3d 1199, 1208 (9th Cir. 2006).”) (emphasis added)).

This limited boundary—which parallels *Burger King*'s directive that a “contract with an out-of-state party *alone*” cannot automatically confer personal jurisdiction—has been the cornerstone of Federal Circuit's declaratory judgment personal jurisdiction jurisprudence over two decades.⁴

⁴ Even assuming, *arguendo*, that *Red Wing Shoe* referred to cases that included erroneous statements, *see* Trimble Br. 34-35, the law and policy of *Red Wing Shoe* and its progeny remains binding precedent—even if the Court deems further clarification to be necessary. Any citation errors in the original decision two decades ago should be considered water under the bridge.

c. *Jack Henry Clarified, But Did Not Undermine, Red Wing Shoe*

Appellants contend that a recent Federal Circuit panel decision in *Jack Henry*, somehow “undermined” decades of Federal Circuit authority on personal jurisdiction. *E.g.*, Trimble Br. 9. It does not. Rather, *Jack Henry* stands for the propositions that that the fairness factors must be considered and that bad faith patent enforcement communications do not fall within the category of “solely ... informing a party who happens to be located [in a forum] of suspected infringement” and attempting to settle the disputed claim, *Red Wing Shoe*, 148 F.3d at 1360-1361. 910 F.3d at 1204.

In *Jack Henry*, the patentee-defendant, PET, was based out of the Eastern District of Texas and admitted that its “sole business is to enforce its intellectual property.” 910 F.3d at 1201. PET wrote infringement letters to eleven banks, each of which were based in or at least had branches or customers located in the Northern District of Texas. *Id.* The letters accused the banks’ mobile apps of infringing and offered nonexclusive licenses. *Id.* at 1202. The banks did not directly respond to PET: Rather, the provider of the banks’ mobile apps, Jack Henry, informed PET that it indemnified the banks, gave reasons to doubt the banks’ patent infringement liability, and sought to confer with PET’s counsel. *Id.*

PET’s subsequent actions were wholly inconsistent with a good faith attempt to settle its patent infringement claims: It declined to respond to Jack Henry at all

and instead wrote to each of the banks separately, falsely representing to each that “only your bank is accused of infringement” and implicitly threatening litigation. *Id.* at 1202-03. Jack Henry and the eleven indemnified banks then filed a Declaratory Judgment Action in the Northern District of Texas. *Id.* at 1203. The Northern District dismissed the suit for a lack a personal jurisdiction, apparently misinterpreting the guidance of *Red Wing Shoe* and progeny. *Id.*

On appeal, PET’s *entire* argument for affirmance was that *Red Wing Shoe* and its progeny stand for the “proposition that patent enforcement letters can *never* provide the basis for jurisdiction in a declaratory judgment action.” 910 F.3d at 1203 (emphasis added). Indeed, PET—which was notably subject to general jurisdiction in the state of Texas—did not even assert “that jurisdiction in the Northern District is inconvenient or unreasonable or unfair.” *Id.* at 1204-05. It did not even attempt to “argue that litigating in the Northern District would be unduly burdensome, or that any of the other [four fairness] factors supports a finding that jurisdiction would be unfair.” *Id.* at 1206. Accordingly, the Federal Circuit held that the Northern District of Texas’s personal jurisdiction over PET would not offend Due Process. *Id.*

In sum, the *Jack Henry* panel did little more than reject PET’s erroneous “proposition that patent enforcement letters can *never* provide the basis for jurisdiction,” 910 F.3d at 1203 (emphasis added)—which is ostensibly identical to

Appellants' straw-man "*per se* rule," e.g., Trimble Br. 37. *Jack Henry* plainly stated that "*Red Wing Shoe* and *Avocent* did not create such a rule, and doing so would contradict the Court's directive to 'consider a variety of interests' in assessing whether jurisdiction would be fair." *Id.*

While the *Jack Henry* panel cited *Bristol-Myers*, it did not recognize that the Supreme Court opinion "implicitly overruled the prior Federal Circuit rule that patent enforcement letters alone do not satisfy the fairness prong of the specific personal jurisdiction test," as Appellants argued below. Appx1355. After all, PET did *much more* than send patent enforcement letters, "*alone*": It threatened the app developer's customers *en masse*, unambiguously lied in its infringement letters to eleven banks, and eschewed Jack Henry's invitation to attempt to settle the patent dispute in good faith. In other words, the content and context of the infringement notification and settlement communications matters. *See, e.g., New World*, 859 F.3d at 1038 (referring to "*ordinary* cease and desist letters").

Ultimately, *Jack Henry* reaffirms the principle that even if a patentee's demand letter establishes sufficient "minimum contacts," it does not necessarily establish that the exercise of jurisdiction comports with fair play and substantial justice. Instead, the fairness factors, which reflect the burden placed on the patentee-defendant and other critical considerations, must be considered in light of the forum contacts. Notably, *Red Wing Shoe's* policy invocation of the fourth

fairness factor was not called into question or even discussed in *Jack Henry*. See *Red Wing Shoe*, 148 F.3d at 1361. Nor was *Red Wing Shoe*'s holding that personal jurisdiction would be unreasonable if the defendant's *only* forum contact was its "efforts to give proper notice of its patent rights." *Id.*

(1) *Jack Henry's Concurrence Emphasizes the Panel's Clarification*

Judges Stoll and Wallach of the *Jack Henry* panel offered additional views that highlighted concerns about particular *Red Wing Shoe* interpretations, which characterize its policy and guidance as being "unique to the patent context" and, perhaps, extending its purview to "cease and desist letters to a suspected infringer, or its customers." *Id.* at 1207 (quoting *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1206 (Fed. Cir. 2003) and *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1362 (Fed. Cir. 2006) (emphasis added)). But despite dicta to the contrary, *Red Wing Shoe*'s broader policy of permitting notification of and settlement of alleged legal claims is not "unique to the patent context." See Section IV.A.3, below. Moreover, the sending of bad faith cease-and-desist letters to Jack Henry's customers (*i.e.*, the banks) and its shunning of settlement negotiations that might have resolved the controversy distinguishes *Jack Henry*'s facts from both *Red Wing Shoe* and the instant Appeal. See Section IV.B.3.b, below.

Ultimately, the *Jack Henry* concurrence's attack on *Red Wing Shoe* was a contingent one:

To the extent that *Red Wing* or its progeny fail to adequately assess [the fairness] factors, I suggest that they be reconsidered as directly contrary to established Supreme Court precedent.

Id. at 1307 (bold emphasis added; italics in original). *Contra* Trimble Br. 2 (incorrectly indicating that Judges Stoll and Wallach advocated that this Court “stop following” *Red Wing Shoe*.) Accordingly, the additional views simply stress *Jack Henry*'s holding that the “fair play and substantial justice” analysis must consider the fairness factors in light of the content and context of infringement notification and settlement communications. Stated another way, under some fact patterns (*e.g.*, where bad faith is apparent), communications relating to negotiating with accused infringers should not merely be characterized as *ordinary* “cease-and-desist letters *alone*.” *See Red Wing Shoe*, 148 F.3d at 1360 (emphasis added).

d.* A Restatement of *Red Wing Shoe

When properly interpreted, *Red Wing Shoe* stands for the proposition that a policy of “afford[ing] a patentee sufficient latitude to inform others of its patent rights without subjecting itself to jurisdiction in a foreign forum” and “favoring settlement” is often a compelling reason to deny personal jurisdiction over a declaratory judgment defendant where the only relevant contacts are good faith notification and settlement attempts. *Red Wing Shoe*, 148 F.3d at 1360-61.

Consistent with Supreme Court precedent and *Jack Henry*, this policy “squarely invokes” the fourth fairness factor. *Id.*

As a corollary, *Red Wing Shoe* further stands for the proposition that (i) informing a party of suspected infringement in good faith and (ii) making good faith efforts to settle the claim via license (or otherwise) *without more* do not *automatically* satisfy “principles of fair play and substantial justice.” See *New World*, 859 F.3d at 1038.⁵ This boundary is consistent with all precedent and echoes *Burger King’s* boundary regarding “whether an individual's contract with an out-of-state party *alone* can automatically establish” personal jurisdiction. 471 U.S. at 478 (emphasis in original).

2. *Red Wing Shoe’s* Policy Remains Valid

Appellants attack *Red Wing Shoe* as having been decided on “flawed policy grounds” and attack its holdings as “patent-specific procedural rules.” Trimble Br. 15, 33. But aside from condemning the *non-existent* “*per se* rule that demand letters to a forum resident must be *disregarded* for purposes of determining personal jurisdiction,” Appellants offer little by way of substantive policy argument. Trimble Br. 37 (emphasis added).

a. A “Patentee [Should Have] Sufficient Latitude to Inform Others of Its Patent Rights Without

⁵ The reference to “*ordinary* cease and desist letters” should be understood to include, at least, an inherent good faith requirement.

Subjecting Itself to Jurisdiction in a Foreign Forum”

First, Appellants attack the *Red Wing Shoe*’s policy declaration regarding notifying infringers of their suspected infringement because “[t]he Declaratory Judgment Act was designed to enable parties accused of wrongdoing to clear the air rather than let the situation fester, and patent owners have no statutory right to sue in their preferred venue.” Trimble Br. 36. Here, citing no authority, Appellants conflate subject matter jurisdiction and personal jurisdiction in declaratory judgment cases.

In *Avocent Huntsville Corp. v. ATEN International Co.*, this Court expressly warned against exactly this type of misperception:

Under our law, a potential defendant in an infringement suit may, in a proper case, preempt the patentee and initiate a suit challenging the enforcement of the patent. The issues on the merits are essentially the same in either situation; the test for personal jurisdiction, for the forum's power to hear the issues, should be the same. *This statement should not be construed to conflate the distinct requirements of subject matter and personal jurisdiction.*

552 F.3d 1324, 1332 n.2 (Fed Cir 2009) (emphasis added; internal citations omitted). It further explained that “the extent to which declaratory judgment jurisdiction may be more easily found makes the personal jurisdiction inquiry that much more important.” *Id.*

Moreover, *Red Wing Shoe*'s policy of granting a patentee latitude to inform others of its rights merely recognizes that certain types of tortfeasors—including patent infringers, copyright infringers, trademark infringers, and others, *see* Section IV.A.3 below—may be unaware that they have caused (or are causing) injury without receiving notice. Unlike other forms of injury, intellectual property infringement regularly occurs without any indication to the infringer until he receives notice by way of a cease-and-desist letter. It is unfair to drag an intellectual property owner to a foreign forum merely for attempting to realize some value from a federally granted right from a party that is violating it.

If, as Appellants would have it, patentees could not even inform other parties of suspected infringement without risking being haled into a far flung jurisdiction, a patentee would be forced to (1) suffer his injury in silence, (2) prepare for litigation—and in the infringer's home state, or (3) sue first and talk later.

b. Encouraging Settlement of Disputed Claims Remains a Critical Policy Goal

Encouraging settlement of disputed claims remains an important and critical policy for “obtaining the most efficient resolution of controversies.” *Red Wing Shoe*, 148 F.3d at 1361; *see* Fed. R. Evid. 408. Appellants attack this policy indirectly by arguing that “[a]n assertion of infringement is not a settlement offer” and that “settlement offers are not constitutionally privileged.” Trimble Br. 36-37. Neither argument has merit.

While a bare allegation of infringement⁶ may not be a settlement offer, a notification of infringement paired with an offer for a nonexclusive license most certainly is. Indeed, this Court has “on numerous occasions explained that a non-exclusive patent license is equivalent to a covenant not to sue.” *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1275 (Fed. Cir. 2009). Simply put, a notification of alleged infringement identifies a legal dispute; and an offer for a nonexclusive license is an attempt to compromise the claim. “Treating such hybrid cease-and-desist letters differently would also be contrary to fair play and substantial justice by providing disincentives for the initiation of settlement negotiations.” *Red Wing Shoe*, 148 F.3d at 1361.

Second, the sole authority Appellants cite against the policy favoring settlement offers and negotiation, *Federal Trade Commission v. Actavis, Inc.*, expressly recognizes that “the desirability of settlements” is a “strong consideration.” 570 U.S. 136, 158 (2013) (holding that a “reverse payment settlement” may give rise to antitrust liability). While Appellants are correct that *finalized* “settlements may result in liability,” their argument conflates settlement license *negotiations* with *executed* settlements that run afoul of the law. Trimble

⁶ It is difficult to imagine any reason why a patentee would make a bare allegation of infringement if not as an overture for licensing negotiation or other settlement discussions.

Br. 37; Amici Br. 14-16⁷; *see Red Wing Shoe*, 148 F.3d at 1361 (noting that *Burger King*, 471 U.S. at 479, “distinguish[ed] between negotiations that come to fruition and create continuing obligations and those that do not”). The fact that some executed license agreements may ultimately have fatal legal flaws does nothing to undermine the “strong” policy consideration of encouraging parties to negotiate and settle patent (and other) legal disputes outside of the courthouse. Case in point: Had Appellants’ and PerDiemCo’s negotiations been successful, the declaratory judgment action underlying this Appeal would have been avoided entirely.

c. Patent Assertion Entities Are a Red Herring

Both Appellants and the Amici contend that the above-described policy underpinnings of *Red Wing Shoe* are no longer valid because “times have changed dramatically since 1998” due to the rise of “modern patent-assertion entities.” Trimble Br. 37; *see* Amici Br. 9, 16-21. Notwithstanding Appellants’ and the Amici’s scapegoating of “patent-assertion entities,” the broad policies favoring the ability to inform an accused tortfeasor of the alleged injury and ““attempting to compromise a claim,”” applies to all entities—large businesses, small businesses,

⁷Citing *Kimble v. Marvel Ent., LLC*, 135 S. Ct. 2401 (2015) (holding *executed* licenses that extend beyond the life of the patent improper) and *Impression Prods. Inc. v. Lexmark Int’l*, 137 S. Ct. 1523 (2017) (holding *executed* contracts that undermine the doctrine of patent exhaustion improper).

individuals, and even the much maligned NPEs. *See Red Wing Shoe*, 148 F.3d at 1360-1361 (quoting Fed. R. Evid. 408).

As described above, in assessing personal jurisdiction in declaratory judgment actions, compliance with “principles of fair play and substantial justice” is to be determined by a factor-based analysis that takes the policy and guidance of *Red Wing Shoe* to heart. Thus, the “straightforward application in this case of settled principles of personal jurisdiction will not result [and has not resulted] in the parade of horrors that [Appellants and Amici] conjure up.” *Bristol-Myers*, 137 S. Ct. at 1783. Indeed, where relevant, this Court *has* properly considered a defendant’s NPE status in conducting the factor-based analysis. For example, in *Xilinx*, personal jurisdiction was deemed fair because “the burden on the defendant” was “mitigated by [the defendant’s] status as a non-practicing patent holder residing outside the United States.” 848 F.3d at 1357. With respect to the first factor of the fairness analysis, this Court reasoned that “[b]y the very nature of its business, [the defendant] must litigate its patents in the United States in fora far from its home office.” *Id.*; *see also Jack Henry*, 910 F.3d at 1205 (highlighting that the patentee’s admitted NPE status before noting its utter absence of fairness factor arguments).

The Amici argue that *Red Wing Shoe*’s policies are no longer valid because, in view of alleged “commoditization” of patents, license offers are now more akin

to “offers of product sales than to dispute settlements” than settlement offers. Amici Br. 16. But this abstract argument does not hold water, and the Amici cite no meaningful authority to support of this proposition.⁸ The only purported “product” that is offered for sale in a hybrid cease-and-desist letter (and corresponding settlement negotiations) is a nonexclusive patent license, which “is *equivalent* to a covenant not to sue.” *TransCore*, 563 F.3d at 1275 (emphasis added). In other words, the combination of notice of alleged infringement and an offer to nonexclusively license is—as a matter of law—“an offer for settlement of a disputed claim.” *Red Wing Shoe*, 148 F.3d at 1361. Accordingly, the cases cited by the Amici for the proposition that offers or solicitations can confer personal jurisdiction are *prima facie* inapposite: They all unambiguously concern attempts to sell or market *actual* products or services, as opposed to a “covenant not to sue.” Amici Br. 17-18.⁹

Additionally, the Amici decry the practice of “several” NPEs “sending mass quantities of patent demand letters.” Amici Br. 19-21. As an initial matter, the

⁸ At most, Amici cites a Chicago Tribune article from 2013 for the proposition that there has been an “attempt to create a commodity exchange for patent licenses, one that ‘treats intellectual property rights like bushels of corn.’” Amici Br. 19.

⁹ *3D Systems, Inc. v. Aarotech Laboratories, Inc.*, 160 F.3d 1373 (Fed. Cir. 1998) (stereo lithography equipment); *Creech v. Roberts*, 908 F.2d 75 (6th Cir. 1990) (medical services); *Shute v. Carnival Cruise Lines*, 897 F.2d 377 (9th Cir. 1990) (cruises).

practice of “sending patent demand letters *en masse*” is much more than “sending ordinary cease and desist letters into a forum, *without more*.” *Id.* at 20; *New World*, 859 F.3d at 1038 (emphasis added). Accordingly, *Red Wing Shoe*’s limited rule (and, perhaps, policy) is inapplicable to this particular extreme situation. Moreover, sending such letters *en masse* without making a reasonable effort to assess whether there is a basis to accuse *each* target of infringement is incompatible with good faith. The application of *Red Wing Shoe* in a constitutionally appropriate fashion—*i.e.*, within the fairness factor rubric—to a “bulk mail” situation (unlike the fact pattern at bar) would be unlikely to reveal an offense to principles of fair play and substantial justice.

Ironically, the single example of an NPE that Amici cite in support of their argument—MPJH, which allegedly sent demand letters to more than 16,000 businesses—actually serves to undermine it. Amici Br. 19-20. Purportedly, it was “impossible to believe that MPHJ intended to engage in settlement negotiations” and the “Federal Trade Commission launched an investigation contending that MPHJ made false or misleading statements negotiations” in its patent demand letters. *Id.* Accordingly, MPJH’s abusive tactics were far from “ordinary,” were presumably not in good faith, and were inarguably *something more* than merely sending an infringement notice to a forum resident and attempting to negotiate a

settlement. They are far outside of the scope of any proper interpretation¹⁰ of *Red Wing Shoe*.

Finally, *Red Wing Shoe* stems in part from a recognition that it “would also be contrary to fair play and substantial justice [to] provid[e] disincentives for the initiation of settlement negotiations.” 148 F.3d at 1361. The Amici cite *TC Heartland* with approval, explaining that it “went a long way toward correcting jurisdictional unfairness in patent cases” and led to a precipitous drop in infringement actions filed in the Eastern District of Texas. Amici Br. 10. The Amici follow this observation with an unsupported, incorrect, and unpersuasive contention that *Red Wing Shoe* must be reversed or accused infringers will be subject to ongoing “harassment” until they file declaratory judgment in an NPE’s venue of choice. *Id.* 10-12. This contention is incorrect because ongoing “harassment” sent to a forum far exceeds “ordinary” cease and desist letters and corresponding good faith negotiation; it is therefore outside the scope of *Red Wing Shoe*.

¹⁰ To the extent that the Eastern District of Louisiana, in 2013, denied personal jurisdiction notwithstanding these facts, it likely misinterpreted *Red Wing Shoe*. See Amici Br. 20 (citing *Eng’g & Inspection Servs. v. IntPar, LLC*, No. 13-cv-801, 2013 WL 5589737, at *5 (E.D. La. Oct. 10, 2013)); see also Amici Br. at 9-10, 12 (discussing *Google Inc. v. Rockstar Consortium US LP*, No. 13-cv-5933, 2014 WL 1571807 (N.D. Cal., Apr. 17, 2014)). Such an error does not call into question the rule or policy of *Red Wing Shoe*. Rather, at most, it calls for additional clarification of *Red Wing Shoe* along the lines *Jack Henry* and *New World*.

More importantly, however, the Amici's contention is unpersuasive because reversing *Red Wing Shoe* and allowing an ordinary cease-and-desist letter, alone, to confer jurisdiction would encourage patentees to file suit first and begin license negotiations later—*i.e.*, after engaging federal judicial resources. Accordingly—and ironically—such a change in the law would likely reverse the trend of decreasing infringement actions in the Eastern District of Texas that *TC Heartland* wrought and the Amici applaud. Their proposed sea change in the law would do nothing to hinder NPEs: It would, however, inure negative effects for accused infringers, who would then expect to be dragged into court by virtually every patentee in virtually every legitimate patent dispute as a prophylactic measure against being haled into a far flung forum.

3. At Base, the Law and Policy of *Red Wing Shoe* Are Not Patent Specific, but Apply to Other Types of Declaratory Judgment Actions

The *Jack Henry* concurrence highlighted “the Supreme Court’s repeated warnings against creating special rules for patent cases,” and recited an interpretation of *Red Wing Shoe* grounded in “policy considerations unique to the patent context” with disapproval. 910 F.3d at 1207 (quoting *Silent Drive*, 326 F.3d at 1206); *see also Avocent*, 552 F.3d at 1333. But although *Red Wing Shoe* and its Federal Circuit progeny focus on personal jurisdiction over declaratory judgment defendants in a patent-specific context, *Red Wing Shoe*’s policy and guidance are

widely applicable. Broadly speaking, it's holding is *not* a “patent specific procedural rule.” *Contra* Trimble Br. 33. *See Campbell Pet*, 542 F.3d at 886-87 (collecting cases).

Logic supports—and many other Circuits have adopted—the broader proposition that an injured party should be afforded “sufficient latitude” to, in good faith, inform alleged tortfeasors of the injuries caused and attempt to settlement the claims out of court “without subjecting itself to jurisdiction in a foreign forum.” *See Red Wing Shoe*, 148 F.3d at 1360-1361.

a. The Ninth Circuit, *En Banc*, Found that Cease-and-Desist Letters, Alone, Do Not Give Rise to Personal Jurisdiction

An *en banc* majority of the Ninth Circuit, in *Yahoo! Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, cited the rule and policy of *Red Wing Shoe* with approval. 433 F.3d at 1208-09. There, French anti-discrimination organizations issued a cease-and-desist letter to Yahoo, threatening to bring suit pursuant to French law in eight days unless Yahoo prevented Nazi symbolism from being accessible through its websites. *Id.* at 1202. Five days later, the French organizations filed suit in a French tribunal, which issued an “‘interim’ order” mandating actions to be taken by Yahoo. *Id.* at 1202-03. Yahoo filed suit against the French organizations in the Northern District of California, “seeking a

declaratory judgment that the interim orders of the French court are not recognizable or enforceable in the United States.” *Id.* at 1204.

Citing *Red Wing Shoe*, the Ninth Circuit declared that a “cease and desist letter is not *in and of itself* sufficient to establish personal jurisdiction over the sender of the letter.” *Id.* at 1208 (emphasis added). It then explained the non-patent-specific policy basis for this rule:

There are strong policy reasons to encourage cease and desist letters. They are normally used to warn an alleged rights infringer that its conduct, if continued, will be challenged in a legal proceeding, and to facilitate resolution of a dispute without resort to litigation. If the price of sending a cease and desist letter is that the sender thereby subjects itself to jurisdiction in the forum of the alleged rights infringer, *the rights holder will be strongly encouraged to file suit in its home forum without attempting first to resolve the dispute informally by means of a letter.*

Id. at 1208 (citing *Red Wing Shoe* as well as Ninth Circuit and Central District of California authority; emphasis added). The Ninth Circuit also expressed limits of the rule, stating that cease and desist letters may be the basis for personal jurisdiction in some circumstances, for example, where communications are “abusive, tortious, or otherwise wrongful.” *Id.* at 1209, 1208¹¹.

¹¹ Citing, as an example, *Bancroft Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000), where “the letters were intended to trigger [the sole registrar of Internet domain names]’s dispute resolution procedures, to interfere (continued...)”

The court ultimately found personal jurisdiction over the French defendants based on the “interim orders from the French court directing Yahoo! to take actions in California, on threat of a substantial penalty.” 433 F.3d at 1209. However, the *en banc* Ninth Circuit held that the defendant’s letter, *alone*—which was “like a normal cease and desist letter”—would not “justify the exercise of personal jurisdiction.”

b. The Tenth Circuit Held that Ordinary Trademark and Copyright Infringement Cease-and-Desist Letters, Alone, Do Not Give Rise to Personal Jurisdiction

Unsurprisingly, the guidance and policy of *Red Wing Shoe* have also been applied in declaratory judgment actions stemming from allegations of trademark and copyright infringement. *See also Campbell Pet*, 542 F.3d at 886-87 (collecting cases).¹²

For example, the Tenth Circuit, in *Dudnikov v. Chalk*, addressed the question of personal jurisdiction in a copyright declaratory judgment action. 514

(...continued)

wrongfully with [plaintiff]'s use of its domain name, and to misappropriate that name for [defendant]'s own use.”

¹² *See also Beacon Enterprises, Inc. v. Menzies*, 715 F.2d 757, 766 (2d Cir. 1983) (rejecting personal jurisdiction over copyright declaratory judgment defendant under New York’s long arm statute: “It is difficult to characterize [defendant's] letter alleging infringement in an unspecified locale and threatening litigation in an unspecified forum as an activity invoking the ‘benefits and protections’ of New York law.”).

F.3d 1063 (10th Cir. 2008). Personal jurisdiction was deemed proper because the defendant, despite having “option of sending a *mere* cease-and-desist letter directly to plaintiffs,” sent a “Notice of Copyright Infringement” to eBay and thereby “purposefully caused the cancellation of [plaintiff’s online] auction and allegedly threatened their future access to eBay and the viability of [plaintiff’s] business.” *Id.* at 1082 (emphasis added). *Dudnikov*, however, highlighted *Red Wing Shoe*’s reasoning “that such cease-and-desist letters are essential to promoting settlement of copyright disputes, and the promotion of settlement is a strong federal policy interest” and “assum[ed] without deciding that it would be unreasonable to f[i]nd jurisdiction solely on a cease-and-desist letter.” *Id.*

Last year, the Tenth Circuit, in a declaratory judgment trademark case, expressly agreed with “the Federal Circuit that a single cease-and-desist letter is insufficient to confer jurisdiction in a declaratory judgment action like this one.” *C5 Med. Werks, LLC v. CeramTec GmbH*, 937 F.3d 1319, 1324 (10th Cir. 2019) (citing *Inamed*, 249 F.3d at 1361 and *Red Wing Shoe*, 148 F.3d at 1361). The Tenth Circuit found no personal jurisdiction in the District of Colorado where a foreign defendant sent a cease-and-desist letter to the plaintiff in Colorado, attended trade shows in Colorado to market its competing product, and engaged in enforcement activity in France. 937 F.3d at 1323.

c. Other Circuits Have Rejected Personal Declaratory Judgment Personal Jurisdiction Premised on an Injured Party's Attempts to Settle

The broad applicability of *Red Wing Shoe's* holding—and the wisdom of its policy—has been demonstrated in contexts that bear no resemblance to intellectual property infringement.

For example, the Eight Circuit recently affirmed a dismissal for lack of personal jurisdiction in a declaratory judgment in the context of an automobile accident. In *Acuity Mut. Ins. Co. v. Rex, LLC*, a Rex-operated truck struck a vehicle driven by declaratory judgment defendant Ronald Gean, injuring him and killing his passenger (“the Geans”). 929 F.3d 995, 998 (8th Cir. 2019). The accident took place in Illinois, the Geans were from Michigan, and Rex was a Missouri company. *Id.* at 1002. Acuity, which issued Rex’s insurance policy, filed a complaint in the Eastern District of Missouri against the Geans and others to settle all claims stemming from the accident. *Id.* at 998. In response to the Geans motion to dismiss for lack of personal jurisdiction, Acuity argued that personal jurisdiction was proper because the Geans “sought monetary payment under the policy.” *Acuity Mut. Ins. Co. v. Rex, LLC*, Case No. 1:16-cv-300-AGF, Dkt. 52, at 3 (E.D. Mo Feb. 6, 2018). The district court found no personal jurisdiction. The Eight Circuit affirmed, expressly rejecting Acuity’s argument that “instigating a coverage

controversy is sufficient to confer specific personal jurisdiction.” 929 F.3d at 1001 (internal punctuation omitted).

The Seventh Circuit, in *International Medical Group v. American Arbitration Association* (“AAA”), also found a lack personal jurisdiction in the context of an insurance dispute where declaratory judgment was sought. 312 F.3d 833, 846-47 (7th Cir. 2002). In relevant part, the defendant, Mr. Ogdon, a Florida resident, purchased a health insurance policy from a Swedish company that designated IMG, an Indiana company, as the policy administrator. *Id.* at 837. IMG refused to pay Ogdon’s insurance claim relating to his emergency medical treatment in Florida. *Id.* In turn, Ogdon, through counsel, mailed a letter to IMG in Indiana threatening to submit his claim to arbitration if IMG did not cover it, copied IMG on communications with the arbitrator, and filed a complaint with the Indiana Department of Insurance; Ogdon, himself, also communicated with IMG in Indiana when he initially submitted the denied claims and when he later requested policy cancellation. *Id.* at 845. IMG filed suit in Indiana state court “requesting a stay of the arbitration proceeding and seeking a declaratory judgment clarifying the rights and obligations of the parties under the insurance contract.” *Id.* at 839. After removal to the Southern District of Indiana, Ogdon was dismissed from the case for lack of personal jurisdiction. In view of the above-described contacts, the Seventh Circuit affirmed, “conclud[ing] that an exercise of specific personal

jurisdiction over Ogdon would not comport with substantial justice and fair play.”
Id. at 847.

And last year, the Fifth Circuit, in *Halliburton Energy Servs., Inc. v. Ironshore Specialty Ins. Co.*, recently upheld a motion to dismiss for no personal jurisdiction notwithstanding demand letters sent to the defendant. 921 F.3d 522 (5th Cir. 2019). There, plaintiff Halliburton fracked on an Ohio oil rig operated by Statoil, who, in turn, was insured by defendant Ironshore; after the oil rig exploded, those parties and others “disagree[d] about who is on the financial hook for damages.” *Id.* at 527-28. Halliburton sued Ironshore in Texas, seeking declaratory judgment that it owed nothing and asserting a breach of contract claim. *Id.*

The Fifth Circuit affirmed a dismissal on personal jurisdiction grounds. *Id.*
After rejecting two other alleged forum contacts, the Fifth Circuit held:

Ironshore’s letters to Halliburton also fail to confer personal jurisdiction. Many other circuits have addressed similar scenarios in which a potential plaintiff sends a cease-and-desist letter threatening litigation to a potential defendant. None of these courts held that sending a letter amounts to purposeful availment. In-circuit district courts have reached the same conclusion. Ironshore’s letters, even if they threatened litigation, are not enough to show minimum contacts with Texas.

Id. at 542 (footnotes collecting authority omitted). Although the Fifth Circuit’s personal jurisdiction ruling was based on “minimum contacts” prong, it is consistent with *Red Wing Shoe*’s policy that an injured party should be afforded

“sufficient latitude” in noticing and settling claims with would-be adversaries without being subject to personal jurisdiction.

B. Personal Jurisdiction over PerDiemCo would “Offend Traditional Notions of Fair Play and Substantial Justice”

As the District Court held, “exercising specific personal jurisdiction over PerDiemCo would be constitutionally unreasonable.” *Id.* For the reasons that follow, the exceedingly limited forum contacts and other undisputed facts present a “compelling case that the presence of some other considerations would render jurisdiction unreasonable.” *Burger King*, 471 U.S. at 477.

1. PerDiemCo’s Contacts with the District Were Limited

“PerDiemCo’s *only* contacts with California are its cease-and-desist letters and emails and phone calls to Trimble’s [extra-forum] counsel.” Appx10 (emphasis added); *see* Section II.C, above. Appellants have declined to provide any basis for their incorrect allegation that PerDiemCo had “extensive contacts with California.” Trimble Br. 24 (emphasis added, citing Appx10). Moreover, Appellants’ repeated references to PerDiemCo’s alleged “litigation threats” are irrelevant: They do not comprise additional contacts with the forum state. *See, e.g.*, Trimble Br. 8, 1, 15, 22, 29, 37. At least an implicit “threat to sue” is required to establish a case and controversy sufficient to confer subject matter jurisdiction in a declaratory judgment action. *Id.* at 29; *see, e.g., AIDS Healthcare Found., Inc. v.*

Gilead Scis., Inc., 890 F.3d 986, 994-995 (Fed. Cir. 2018). Accordingly, a “threat to sue” is necessarily accounted for in the Federal Circuit’s personal jurisdiction precedent in the declaratory judgment context.

“To determine whether the assertion of personal jurisdiction would comport with ‘fair play and substantial justice,’” this Court must consider “*these contacts* ... in light of other factors.” *Burger King*, 471 U.S. at 476 (emphasis added). The exceeding limited and indirect nature of PerDiemCo’s contacts with the Northern District of California, therefore, plays a critical role in the “fairness” prong analysis addressed below. *See Bristol-Myers*, 137 S. Ct. at 1779 (“The primary focus of our personal jurisdiction inquiry is the defendant’s relationship to the forum State.”).

2. The Five Fairness Factors Evince a Compelling Case that Personal Jurisdiction Over PerDiemCo Would Violate Due Process

Appellants heavily rely on the generic proposition that personal jurisdiction should be rejected under the fairness prong only in “rare” situations. *Trimble Br. 1, 14, 20, 21, 24, 27*. But patent declaratory judgment actions—as well as trademark declaratory judgment actions, copyright declaratory judgment actions, and even some insurance-related tort actions—are not typical situations. In such contexts, the injured party is characteristically unable to address his injury (outside of legal

action) without at least notifying the alleged tortfeasor of the injury and attempting to settle the underlying legal claim.

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 between 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. Consistent with the policy of *Red Wing Shoe*, substantial justice would be undermined if patent owners cannot inform alleged infringers that they are (perhaps unbeknownst to the infringers) suffering from infringement injuries without risking being haled into far flung courts. By that same token, an accused infringer's running to a court inconvenient to the patentee in response to an overture to—or in the midst of—good faith settlement negotiations is counter to “principles of fair play.” See *Maxchief Invs. Ltd. v. Wok & Pan*, 909 F.3d 1134, 1139 (Fed. Cir. 2018) (holding that “principles of fair play ‘afford a patentee sufficient latitude. . . .’”).

**a. Factor 1, “the Burden on the Defendant”
Favors Affirmance**

The Federal Circuit has recently held that “requir[ing] a defendant to answer in a distant forum when its only contact with that forum were efforts to give proper notice of its patent rights would place an *undue burden* on the defendants.” *E.g.*,

Xilinx, 848 F.3d at 1357 (quotation marks and citation omitted; emphasis added). And, the Supreme Court has recently held that “the burden on the defendant” and the “defendant’s relationship to the forum State” are of “primary” import. *Bristol-Myers*, 137 S. Ct. at 1780, 1779. Based on PerDiemCo’s extremely limited and indirect forum contacts, the burden on it to would be undue.

As an initial matter, Appellants, in touting the allegedly positive settlement pressure that sustaining personal jurisdiction would have exerted on PerDiemCo to the district court, tacitly admitted to the trial court that, to PerDiemCo, “this case” was “an *inconvenient* suit in an unfriendly jurisdiction.” Appx1220 (emphasis added).

The facts bear this out. PerDiemCo is a small company¹³ with limited resources and, as noted above, “the defendant’s relationship to the forum State” is exceedingly limited. Litigating in a district where PerDiemCo has no offices, no employees, no inventory or equipment, and no pending or prior lawsuits would impose a heavy burden on PerDiemCo. Appx770-771 ¶7. No officer of PerDiemCo

¹³ To the extent that Appellants’ citation to *Breckenridge*, 444 F.3d at 1367-68, suggests that being small company is unimportant to the first fairness factor, such suggestion lacks merit. *Trimble Br. 27*; cf. *Campbell Pet*, 542 F.3d at 888 (“While the burdens of litigation in remote districts can be considerable, it appears that *Campbell* is also a small business and that forcing *Campbell* to defend a patent infringement action in a remote jurisdiction such as the Southern District of California would be similarly burdensome for *Campbell*.”).

has travelled to this district for business. *Id.* And, PerDiemCo directed no contacts at this judicial district that would mitigate the burden associated with litigating the Northern District of California. *Cf. Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1019, 1021 (Fed. Cir. 2009) (affirming dismissal of declaratory judgment claim for lack of personal jurisdiction where the patentee's additional contacts with the forum did not relate to the validity and enforceability of the patent at issue). Indeed, as argued to the trial court below, travel to California for hearings, depositions, and trial would more than double PerDiemCo's travel and legal expenses. Appx1343.

Nonetheless, Appellants argue on Appeal that PerDiemCo would not be burdened by litigating in California because it allegedly would be at least as inconvenient for PerDiemCo to litigate in Iowa or Texas. Trimble Br. 26-27. Such argument is unpersuasive for several reasons. First, Appellants' argument entirely ignores the potential for personal jurisdiction over PerDiemCo in D.C. Notwithstanding that Appellants argued to the trial court that following *Red Wing Shoe* would preclude personal jurisdiction in the District of D.C., Appellants filed a declaratory judgment action there the day after the instant lawsuit was dismissed. Appx1220 ("To accept [PerDiemCo]'s argument would mean that Trimble could only seek a declaratory judgment in the Eastern District of Texas, far from its non-infringement evidence and witnesses in California."). It cannot seriously be

disputed that burden of litigating in DC, where PerDiemCo's sole member lives and works, would be far less burdensome than litigating in California.¹⁴

Second, litigating in Texas (or Iowa) would impose a more modest burden on PerDiemCo than litigating in California. *See* Appx1343. Many litigation events requiring travel could be handled in a day trip or, at most, one-overnight trip to Marshall, Texas. *Id.* In contrast, any travel to California for proceedings in this case would likely require two or three days of travel, hotel, and meal expenses for each such event. *Id.*

Appellants also attempt to discount this most important factor because there is another potential form of relief that also contemplates the defendant's burden, namely a motion to transfer venue under 28 U.S.C. § 1404(a). Trimble Br. 27. But the general availability of remedy of transfer of venue—even when combined with the trial court's denial of such relief to PerDiemCo¹⁵—does not militate against a finding that personal jurisdiction would offend traditional notions of fair play and substantial justice. *Contra* Br 27-28 (“A case in which transfer is inappropriate is

¹⁴ Although PerDiemCo sought dismissal on, *inter alia*, personal jurisdiction grounds in D.C. action, *see* Trimble Br. 38, PerDiemCo did *not* argue that litigating in D.C. would be burdensome. The motion predominantly sought dismissal because the D.C. action was both duplicative to the instant case and improperly anticipatory, as well as transfer.

¹⁵ PerDiemCo hereby abandons its conditional cross-appeal, No. 2020-1157, regarding the district court's denial of its motion to transfer.

certainly not a ‘rare’ case in which the burden on the defendant ‘clearly outweigh[s]’ the factors....”). Indeed, the district court’s denial of a venue transfer was rendered moot by its dismissal of the case. Moreover, because the first factor is *not* “PerDiemCo’s only significant counterargument,” it not need compel a finding that personal jurisdiction would violate Due Process all by itself. *Contra* Trimble Br. 26.

Thus, “the burden on the defendant” factor clearly weighs in favor of a finding that personal jurisdiction over PDC is “constitutionally unreasonable.” Even assuming, *arguendo*, that the “burden issues [*alone*] are [not] of constitutional magnitude” to render personal jurisdiction constitutionally unreasonable, Trimble Br. 27, the first factor, in combination with the other fairness factors (discussed below) and the limited nature of PerDiemCo’s contacts with the forum establish the requisite compelling case.

b. Factor 2, “the Forum State’s Interest in Adjudicating the Dispute,” Is, at Worst, Neutral

Regarding the second factor, Trimble merely states that it is based in California and cites *Xilinx* for the generic proposition that California has interests in “commerce and scientific development” and “protecting its residents from unwarranted claims of patent infringement.” Trimble Br. 25 (citing 848 F.3d at

1356). But such a conclusory argument glosses over both the facts and a complete picture of California's true interests.

First, although it is headquartered in Sunnyvale, California, Trimble is a “publicly-traded *global* business with locations in over *thirty countries* and annual revenues *exceeding* \$2 billion dollars.” Appx33 ¶ 37 (emphasis added). It is a Delaware company that has facilities in the Eastern District of Texas. Appx1209; Appx32 ¶ 29. Not even Trimble's Chief IP counsel is located in California. *E.g.*, Appx1318. Moreover, Appellants declined to cite to anything in the record to support that Trimble “develops and markets products in California”—let alone that it does so with respect to accused products or methods, or that such business activities are more prominent in California than in any other U.S. forum. Trimble Br. 25. Appellants decline, and declined at the trial court, to identify anything distinct about its business activities or customers in California that would establish the Northern District of California's “substantial interest” in resolving the instant declaratory claims. This district has no more interest than any of the 93 other judicial districts in which Trimble contends that it operates the accused processes. *See* Appx1344.

Second, the Appellants' analysis of this factor wholesale ignores that ISE, the Trimble subsidiary that PerDiemCo initially approached for license negotiations, is based in Iowa. Appx1209. ISE is Plaintiff in this case, and

California has no legally cognizable interest in adjudicating alleged infringement of PerDiemCo's patents by this Iowa entity.

Third, Appellants' policy argument highlighting California's interests in "commerce and scientific development" necessarily extends to California-based patent-holders. *Trimble Br. 25*. Accordingly, California inarguably also has a compelling interest in ensuring that its technology businesses and inventors are able to attempt to realize value from their patented inventions in a reasonable fashion, thereby encouraging scientific development in California leading to patent rights. Consistent with *Red Wing Shoe* policy, realization of value from federally-granted intellectual property rights would be substantially undermined if California-based patent holders (like *all* patent, trademark, or copyright holders) would be subject to personal jurisdiction in a far flung forum just because they reached out to alleged infringers and attempted to negotiate a nonexclusive license. Accordingly, California has a strong interest in maintaining *Red Wing Shoe* policy, which, in the instant case, cuts *against* California's alleged interest in adjudicating the dispute.

Thus, the "forum state's interest" factor, is neutral or weighs slightly in in favor of a finding that personal jurisdiction over PerDiemCo is "constitutionally unreasonable."

c. Factor 3, “the Plaintiff’s Interest in Obtaining Convenient and Effective Relief,” is Unavailing

Regarding the third factor, Appellants’ argument is nothing more than quotation from *Xilinx* suggesting that Trimble “‘indisputably has an interest in protecting itself from patent infringement [allegations] by obtaining relief ‘from a nearby federal court’ in its home forum.’” Trimble Br. 25 (citing 848 F.3d at 1356; brackets in Trimble Br.). Again, such a conclusory argument ignores important facts.

As an initial matter, Appellants make no argument that it cannot obtain “effective relief” if it were required to adjudicate its declaratory judgment claims in another forum. Thus, “effective relief” portion of factor three is irrelevant.

The “convenient ... relief” portion of factor adds precious little to the analysis. First, Appellants’ conclusory analysis of this factor wholesale ignores that for ISE, the Iowa-based plaintiff, the Northern District of California is not “a nearby federal court in its home forum.” Importantly, Appellants have admitted that “*substantially all* witnesses and documents relating to [PerDiemCo]’s allegations against ISE are in Iowa,” and not in California. Appx1209 (emphasis added).

Second, Trimble has a global operation, extraordinary annual revenue of more than \$2 Billion, and has its Chief IP counsel in Colorado, outside of California. Appx33 ¶ 37. These facts strongly suggest that it would be, at most,

minimally inconvenient for Trimble to litigate outside of the Northern District of California. To wit, in contesting PerDiemCo's motion at the trial court, Trimble was unable to even contend that "substantially all"—or even *most*—relevant witnesses and evidence are located in California: Rather, Appellants merely argued that "*many of* the Trimble witnesses and documents relevant to the accused products in this case are located in California." Appx1209 (emphasis added).

Third, Appellants at least suggested that its interest in the Northern District of California for "this case" was because, as to PerDiemCo, it presented "an inconvenient suit in an unfriendly jurisdiction." Appx1220. Such statement casts doubt upon whether the Northern District of California was, in fact, selected due to its alleged convenience for Trimble.

Thus, "the plaintiff's interest" factor is relatively neutral and should be given little or no weight in the fairness factor analysis.

d. Factor 4, "the Interstate Judicial System's Interest in Obtaining the Most Efficient Resolution of Controversies," Compellingly Counsels for Affirmance

As discussed at length in Section IV.A.1.b, above, *Red Wing Shoe* declared that its policy "squarely invokes" this fourth factor of "a proper Due Process analysis." *Id.* at 1361. Because PerDiemCo's contacts with California are indisputably limited to informing Trimble of its alleged infringement and

attempting to negotiate a license to settle the claim in good faith, *Red Wing Shoe's* policy and guidance are directly applicable to the fact pattern at bar.

“The most efficient resolution of controversies” is settlement—and, more specifically, settlement prior to involvement by the courts. Thus, encouraging such settlement is squarely “in the interstate judicial system’s interest.” Rejecting personal jurisdiction over patentees in PerDiemCo’s position encourages patentees to inform accused infringers of injuries caused and negotiate in good faith toward settlement. Without such policy, injured patentees would be dis-incentivized from attempting to settle prior to filing suit: Simply put, they would sue first and talk later. *Red Wing Shoe*, 148 F.3d at 1361; *Yahoo!*, 433 F.3d at 1208. On the other side of the coin, without such policy, accused infringers could expect to be denied notice of alleged patent infringement injuries and opportunities to resolve such disputes outside of court processes. *Id.*

Accordingly, this fourth factor powerfully supports a finding that personal jurisdiction over PerDiemCo is “constitutionally unreasonable.”

e. Factor 5, the “Shared Interest of the Several States in Furthering Fundamental Substantive Social Policies” Compellingly Counsels for Affirmance

Regarding the fifth factor, Appellants merely quote *Xilinx* for the generic proposition that, the “the states’ substantive interests do not significantly diverge ‘because ‘the same body of federal patent law would govern the patent

[infringement] claim irrespective of the forum.’” Trimble Br. 26 (citing 848 F.3d at 1356; brackets in Trimble Br.). But this argument entirely fails to address the factor at issue, namely the “*shared* interest of the several States in furthering *fundamental substantive social policies*.”

With reference to factors four and two, encouraging settlement of disputed claims is a “fundamental substantial social polic[y].” Thus, furthering it is a significant interest shared by the several states, as well as the federal judiciary. Accordingly, this fifth factor powerfully supports the denial of personal jurisdiction over PerDiemCo.

3. PerDiemCo’s Limited Contacts with the Northern District of California Parallel the *Red Wing Shoe* Fact Pattern and Are Easily Distinguishable from Other Cases Finding Personal Jurisdiction

Appellants have been unable to identify *any* authority where personal jurisdiction was found based on a level of forum contacts akin to (or less than) PerDiemCo’s paltry and indirect contacts with the Northern District of California

a. PerDiemCo’s Forum Contacts Are Akin to Those in *Red Wing Shoe*

As explained by the District Court, “*Jack Henry* doesn’t overturn *Red Wing Shoe*: rather, *Jack Henry* applies *Red Wing Shoe* and comes to a different result based on the facts of the case.” Appx8. The same is true on the facts here.

Like the *Red Wing Shoe* defendant, PerDiemCo's contacts to the forum are limited to communications asserting infringement by a forum resident and attempting to compromise the legal claim via a nonexclusive license. 148 F.3d at 1357-58. Both sets of negotiations spanned many months, included the exchange of infringement analyses, and (allegedly) gave rise to declaratory judgment subject matter jurisdiction¹⁶. *Id.* at 1357. When it comes to assessing the reasonableness and fairness of forcing an entity to submit to personal jurisdiction in a foreign forum, the fact pattern at bar and that of *Red Wing Shoe* are virtually identical.

b. Jack Henry Is Distinguishable on its Facts

Jack Henry is easily distinguishable. First, and perhaps most importantly, its defendant, PET, did substantially more than “sending *ordinary* cease and desist letters into a forum, without more.” *New World*, 859 F.3d at 1038 (emphasis added). PET sent deceptive, bad faith cease-and-desist letters to Jack Henry's customers and it eschewed the express invitation to compromise all of its legal claims with Jack Henry, who had indemnified all eleven banks. 910 F.3d at 1202-03. By contrast, PerDiemCo's relevant contacts exclusively consisted of informing Trimble's counsel of the accused infringement, substantiating such accusations with claim charts, and attempting to license the patents in compromise of its legal

¹⁶ The *Red Wing Shoe* defendant “responded with a rebuttal of Red Wing's [non]-infringement analysis” and, by way of an imposition of a time limit for license negotiations, at least implicitly “threatened to sue.” *Id.* at 1357; Trimble Br. 29.

claims of infringement—all in a good faith attempt to settle its infringement claim.¹⁷ There is no colorable argument to the contrary.

Second, in *Jack Henry*, the forum state had general jurisdiction over PET and the declaratory judgment district was adjacent to the PET’s home district. 910 F.3d at 1205, *see also* Appx9. By contrast, California does not have general jurisdiction over PerDiemCo, Appx5-6, and PerDiemCo’s home district, the Eastern District of Texas (as well as the District of D.C. where PerDiemCo’s owner resides) is far from the Northern District of California. A defendant’s being subject to general jurisdiction in a state is not “irrelevant,” to fairness factor two, “the forum *State*’s interest in adjudicating the dispute.” *Compare* Trimble Br. 31 *with Jack Henry*, 910 F.3d at 1205-06. And the defendant’s proximity to the forum impacts factor one, “the burden on the defendant.” *Id.* at 1206.

Third, in *Jack Henry*, PET undertook a “licensing program, with threats of litigation, directed to the Banks conducting banking activity in the Northern District [of Texas]” wherein PET sent “[s]imilar letters and attachments” to each of eleven banks. *Id.* at 1205, 1201-02. Here, Appellants do not even allege that PerDiemCo undertook a campaign of sending manifold “similar” communications

¹⁷ Additionally, PerDiemCo identified an ISE customer as infringing, but indicated its willingness to forgo noticing the customer so long as Appellants and PerDiemCo remained engaged in negotiations. Appx1326.

directed at companies tied to the forum. To the contrary, PerDiemCo's initial contact with Trimble (as opposed to ISE) was made by *Trimble's* Colorado-based counsel. Appx1316-1318. Accordingly, the import of factor two, "the forum State's interest in adjudicating the dispute" is substantially less here than in *Jack Henry*. 910 F.3d at 1205-06.

Fourth, the *Jack Henry* Court highlighted PET's declaration that its "sole business is to enforce its intellectual property." *Id.* at 1201, 1205. It does not appear that *Jack Henry's* result was substantially influenced by this fact. *Id.* Nonetheless, PerDiemCo is not an NPE. *See* footnote 1, above.

Last, but not least, *Jack Henry* is readily distinguishable because PET did not argue that personal jurisdiction in the forum would be "inconvenient or unreasonable or unfair," "or that any of the other factors supports a finding that jurisdiction would be unfair." 910 F.3d at 1204-05, 1206. By contrast PerDiemCo, has made a "compelling case that the presence of some other considerations would render jurisdiction unreasonable." *Burger King*, 471 U.S. at 477.

c. Appellants' Other Federal Circuit Authority Is Unavailing

Throughout their brief, Appellants repeatedly cite *Xilinx*, which found personal jurisdiction over the declaratory judgment defendant, Pabst. That case, however, is easily distinguishable on its facts, and indeed the *Xilinx* Court expressly noted that that Pabst "has done more than just" engage in the contacts

contemplated by *Red Wing Shoe*. 848 F.3d at 1357. First, three Pabst representatives traveled into the forum state to negotiate a settlement of the claims that lead to the *Xilinx* declaratory judgment action. *Id.* Second, as discussed, in Section IV.A.2.c above, above, the *Xilinx* defendant was a foreign NPE, which mitigated its burden of litigating in the district. *Id.* Third, and perhaps more importantly, Papst “repeatedly availed itself of the California federal court system—at least seven times—by filing patent infringement lawsuits there.” *Id.* PerDiemCo has not traveled to California, is not a foreign NPE, and has never filed a lawsuit in California. Appx771 ¶ 7.

Appellants also extensively rely on *Genetic Veterinary*, the facts of which bear almost no resemblance to the instant matter. 933 F.3d 1302. In relevant part, that case assessed personal jurisdiction over the defendant Laboklin, a German company, which had received an exclusive license to commercialize a German University’s patent in the United States via sublicensing. *Id.* at 1307. Personal jurisdiction was evaluated under Fed. R. Civ. P. 4(k)(2), and accordingly contacts with the entire United States were considered. *Id.* at 1309. The Court found “minimum contacts” “based upon LABOKLIN’s sending of the cease-and-desist letter [to plaintiff] together with its commercial sublicenses.” *Id.* at 1310-11. As to the fairness prong, the Court explained that the defendant was “not merely a remote patentee assisting a U.S. company with enforcement, but instead, it is the

U.S. enforcer,” which outweighed the defendant’s burden of litigating in the United States. *Id.* at 1311 (emphasis in original). Accordingly, the Court found jurisdiction to be “‘reasonable and fair’ because LABOKLIN has purposefully availed itself of the benefits and protections of U.S. laws through its commercial sublicensing as well as its enforcement of a U.S. patent” and because a contrary result would mean that no other forum would have been available to the plaintiff. *Id.* Here, there is no dispute that Appellants would have been able to file their declaratory judgment action in at least the Eastern District of Texas, rendering *Genetic Veterinary* inapposite.

C. The District Court’s Alleged Burden Switching Was Harmless

Throughout its brief, Appellants pick at supposed errors in the district court’s opinion and highlight language that supports its irrelevant arguments against its straw man interpretation of *Red Wing Shoe*. *E.g.*, Trimble Br. 29 (“the district court purported to obey a bright-line rule”); 30-31 (referencing the discussion of “general jurisdiction” in *Jack Henry*). On *de novo* review, these are a distraction from the issues this Court must actually assess.

One statement made by the district court and quoted by Appellants is, however, worthy of additional discussion. In correctly concluding, “that exercising specific personal jurisdiction over of PerDiemCo would be constitutionally unreasonable,” the trial court stated, “as Trimble cannot meet its burden, the Court

holds that PerDiemCo is not subject to specific personal jurisdiction in California.” Appx10; *see* Trimble Br. 28-29. Despite this statement, the district court *did* understand the appropriate burdens. It explained that the plaintiff bears the overall “burden of making a prima facie showing of ... specific personal jurisdiction over each defendant it has sued.” Appx4 (citing *Calder v. Jones*, 465 U.S. 783, 790 (1984)). And, it further understood that burden shifting was required after “minimum contacts” were demonstrated:

If the plaintiff succeeds in satisfying each of the first two prongs, the burden shifts to the defendant to present a compelling case that the exercise of jurisdiction would not be constitutionally reasonable.

Appx6 (citing *Breckenridge*, 444 F.3d at 1363). Thus, it is, at worst, unclear if the district court misapplied burdens during its analysis.

But regardless of whether the district court erroneously flipped the parties’ burdens regarding the “fair play and substantial justice” prong, such error was harmless. This Court reviews the district court’s personal jurisdiction ruling *de novo*. *Accord* Trimble Br. 16. And, PerDiemCo, above, has made a “compelling case that the presence of some other considerations would render jurisdiction unreasonable.” *Burger King*, 471 U.S. at 477.

D. *Red Wing Shoe* Cannot Be Overturned by a Panel Decision

Nothing in *Bristol-Myers* or any other Supreme Court decision overrules the law or policy of *Red Wing Shoe*. As discussed in Section IV.A.1, above, and as

confirmed by this Court in *Jack Henry* and *Genetic Veterinary, Red Wing Shoe* remains viable and may be applied consistent with Supreme Court precedent. *E.g.*, *Genetic Veterinary*, 933 F.3d at 1312. Accordingly, a three-judge panel of this Court lacks the authority to overturn *Red Wing Shoe*. *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563 (Fed. Cir. 1991) (holding that “decisions of a three-judge panel of this court cannot overturn prior precedential decisions”). To the extent this Court seeks to overturn *Red Wing Shoe*—and not merely clarify or reiterate its holdings, an *en banc* panel would be required.

E. To the Extent that this Court Overturns *Red Wing Shoe*, it Would Be Constitutionally Improper to Retroactively Subject PerDiemCo to Personal Jurisdiction Based on a Sea Change in Law that Was *Not* “Reasonably Foreseeable”

“By requiring that individuals have fair warning that a particular activity may subject them to the jurisdiction of a foreign sovereign, the Due Process Clause gives a degree of predictability to the legal system that allows potential defendants to *structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.*” *Burger King*, 471 U.S. at 472 (quoting *Shaffer v. Heitner*, 433 U.S. 186, 218 (1977) (Stevens, J., concurring in judgment), and *World-Wide Volkswagen*, 444 U.S. at 297; internal punctuation omitted, emphasis added). “The foreseeability that is critical to Due Process analysis is that the defendant's conduct and connection with the forum State are

such that he *should reasonably anticipate* being haled into court there.” *Burger King*, 471 U.S. at 474 (quoting *World-Wide Volkswagen*, 444 U.S. at 297; internal punctuation omitted, emphasis added).

Under *Red Wing Shoe* and progeny, both as properly interpreted and in Appellants’ straw-man version, PerDiemCo could not have “reasonably anticipate[d]” being haled into the Northern District of California based on its limited contacts with Trimble. *Contra* Br. 30 (“it can reasonably expect to face a declaratory judgment suit in California.”). *Red Wing Shoe* and progeny provided PerDiemCo with “minimum assurance as to where [demand letters and settlement negotiations with an accused infringer] will and will not render them liable to suit.” *Burger King*, 471 U.S. at 472 (internal quotations omitted).

Accordingly, even if this Court substantially overturns *Red Wing Shoe* prospectively for future declaratory judgment defendants (and it should not), personal jurisdiction over PerDiemCo would still fail to pass constitutional muster. It would be nonsensical to change the Federal Circuit’s law of personal jurisdiction, *retroactively* apply the new law to past actions, and declare the legal sea change *foreseeable* to PerDiemCo. Such a retroactive application would run afoul of Due Process because it would *necessarily* have denied PerDiemCo the ability to “structure [its] primary conduct” to avoid suit in the Northern District of

California—for example, by filing suit in the Eastern District of Texas or another forum prior to informing Trimble of its patent rights. *Burger King*, 471 U.S. at 472.

V. CONCLUSION

For the foregoing reasons, the District Court did not err in dismissing Appellants' Declaratory Judgment Action for lack of personal jurisdiction over PerDiemCo. Therefore, PerDiemCo respectfully requests that this Court affirm the District Court's order of dismissal.

April 13, 2020

Respectfully submitted,

/s/ Laurence M. Sandell

Laurence M. Sandell

Edward Naidich

Lei Mei

MEI & MARK LLP

818 18th Street NW, Suite 410

Washington, DC 20006

Telephone: 202-567-6417

Patrick J. Coyne

FINNEGAN, HENDERSON, FARABOW

GARRETT & DUNNER LLP

901 New York Ave., N.W.

Washington, D.C. 20001-4413

Telephone: (202) 408-4000

Robert F. McCauley

FINNEGAN, HENDERSON, FARABOW

GARRETT & DUNNER LLP

3300 Hillview Avenue

Palo Alto, CA 94304

Telephone: (650) 849-6600

Jency J. Matthew

FINNEGAN, HENDERSON, FARABOW

GARRETT & DUNNER LLP

Two Freedom Square

11955 Freedom Drive

Reston, VA 20190-5675

Telephone: (571) 203-2700

*Counsel for Defendant-Cross-Appellant
PerDiemCo LLC.*

PROOF OF SERVICE

I, Laurence M. Sandell, hereby certify that on April 13, 2020, a copy of the foregoing **[CORRECTED] RESPONSE BRIEF OF DEFENDANT-CROSS-APPELLANT PERDIEMCO LLC** was served via the ECF Filing System on all counsel of record.

Upon acceptance by the Court of the e-filed document, six paper copies of the brief will be submitted to the Court, via hand delivery, within the time provided in the Court's rules.

April 13, 2020

/s/ Laurence M. Sandell

Laurence M. Sandell

*Counsel for Defendant-Cross-Appellant
PerDiemCo LLC.*

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1. This brief complies with the type-volume limitation of Federal Circuit Rule 32(a) (and Federal Circuit Rule 28.1(e)(2)(B)(i)) because this brief contains 13,142 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).
2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14-point font and Times New Roman type style.

April 13, 2020

/s/ Laurence M. Sandell
Laurence M. Sandell

*Counsel for Defendant-Cross-Appellant
PerDiemCo LLC.*