

Patent Enforcement Letters may Create Personal Jurisdiction

Wednesday, January 30, 2019

Addressing personal jurisdiction for declaratory judgment actions, the US Court of Appeals for the Federal Circuit found that there was personal jurisdiction over the plaintiff, and that there is no generalized rule that letters charging patent infringement can never serve as the basis to create personal jurisdiction. [Jack Henry & Assocs. v. Plano Encryption Techs. LLC](#), Case No. 16-2700 (Fed. Cir. Dec. 7, 2018) (Newman, J) (Stoll, Wallach, JJ, concurring).

Plano Encryption Technologies (PET), whose sole business is to enforce its intellectual property, sent letters to several banks alleging that their mobile applications infringed PET's patents, and threatened litigation. Although PET's registered address is in the Eastern District of Texas, PET is established in the state of Texas and is registered to do business throughout the state. Each of the banks have their principal offices, branches or customers in the Northern District of Texas (ND TX). Jack Henry, which developed the mobile applications for the banks, responded to the infringement allegations and stated that it was indemnifying the banks for any liability. Jack Henry and several of the banks filed a declaratory judgment against PET in ND TX. PET moved to dismiss, arguing that its contact with ND TX did not subject it to personal jurisdiction, and thus venue was improper. The district court agreed and dismissed the case. Jack Henry and the banks appealed.

The Federal Circuit found that PET's contacts with ND TX did not offend due process and that, accordingly, PET was subject to personal jurisdiction and venue was proper in ND TX. PET cited the Federal Circuit's 1998 decision in *Red Wing Shoe v. Hockerson-Halberstadt* and its 2008 decision in *Avocent Huntsville v. Aten Int'l* for the proposition that patent enforcement letters can never provide the basis for jurisdiction in a declaratory judgment action. The Court found that in those decisions, it did not establish a general rule applicable to all circumstances, all forms of contacts and all locales. Rather, the Court found that a district court must consider a variety of interests when assessing jurisdiction and venue, including minimum contacts with the jurisdiction and other due process factors.

The Federal Circuit found that PET did not dispute that it had minimum contacts with ND TX. Turning to the due process analysis, the Court explained that the primary concern is whether the exercise of personal jurisdiction is fair and reasonable, noting that where a defendant has purposefully directed its activities at forum residents, it must present a compelling case that jurisdiction is unreasonable. The Court found that PET did not assert that jurisdiction in ND TX was inconvenient, unduly burdensome, unreasonable or unfair. To the contrary, PET was subject to general jurisdiction in the state and undertook a licensing program with threats of litigation directed at forum residents. The Court also found that ND TX had a substantial interest in the matter given that the threatened litigation was directed to several banks residing and conducting business in the forum. Therefore, the Court concluded that PET was subject to personal jurisdiction and venue was proper in ND TX.

Justices Stoll and Wallace wrote separately to state that the Federal Circuit should revisit its precedent in *Red Wing Shoe* and its progeny to the extent that those decisions fail to fully consider the assessment of due process factors once minimum contacts have been established.



Article By [McDermott Will & Emery](#)
[Lisa A. Peterson](#) IP Update

[Intellectual Property](#)
[Litigation / Trial Practice](#)
[Federal Circuit / U.S. Court of Spec.](#)
[Jurisdiction](#)

Source URL: <https://www.natlawreview.com/article/patent-enforcement-letters-may-create-personal-jurisdiction>