

Federal Circuit Patent Bulletin: *New World Int'l, Inc. v. Ford Global Techs., LLC*

June 9, 2017

"[W]hen the patentee enters into an exclusive license or other obligation relating to the exploitation of the patent by such licensee or contracting party in the forum, the patentee's contractual undertaking may impose certain obligations to enforce the patent against infringers. By such conduct, the patentee may be said to purposefully avail itself of the forum and to engage in activity that relates to the validity and enforceability of the patent."

On June 8, 2017, in *New World Int'l, Inc. v. Ford Global Techs., LLC*, the U.S. Court of Appeals for the Federal Circuit (Prost, Bryson,* Wallach) affirmed the district court's dismissal of New World's action seeking a declaratory judgment of noninfringement of U.S. Design Patents No. D489,299, which related to a vehicle hood exterior, and No. D501,685, which related to a vehicle head lamp. for lack of personal jurisdiction over FGTL. The Federal Circuit stated:

For personal jurisdiction, the nonresident defendant must have "certain minimum contacts with [the forum] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" For minimum contacts in the context of specific jurisdiction, the plaintiff must show that the defendant "has purposefully directed his activities at residents of the forum, and [that] the litigation results from alleged injuries that arise out of or relate to those activities." If those minimum contacts are sufficient, the defendant may point to other factors "to determine whether the assertion of personal jurisdiction would comport with 'fair play and substantial justice.'" This court has articulated those requirements in the form of a three-part test: "(1) whether the defendant 'purposefully directed' its activities at residents of the forum; (2) whether the claim 'arises out of or relates to' the defendant's activities with the forum;

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and (3) whether assertion of personal jurisdiction is 'reasonable and fair.'" Under the first two parts of the test, as applied in the patent context, the question is what minimum contacts are necessary to establish personal jurisdiction over a nonresident defendant for a declaratory judgment of noninfringement or invalidity of a patent. [T]he defendant purposefully directs his activities at residents of the forum when the defendant sends a cease and desist letter to a potential plaintiff in that particular forum. And a subsequent declaratory judgment action by that potential plaintiff "arises out of or relates to" the defendant's activity—namely, the cease and desist letter. Under the third part of the test, however, [i]t 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. One such activity that this court has recognized may meet the minimum contacts requirement is the grant of an exclusive license to a licensee that resides or regularly does business in the forum. To be sure, the mere existence of an exclusive license does not support a finding of specific jurisdiction. For example, a license that establishes no relationship between a patent holder and a licensee beyond the payment and receipt of royalty income is not sufficient, because a declaratory judgment action does not typically "arise from or relate to" a patent holder's efforts to license or commercialize its patent. On the other hand, a license that obligates the patent holder to defend or enforce the patent may be sufficient to establish specific personal jurisdiction, because a declaratory judgment action typically arises from the patentholder's actions to enforce or defend its patent in the forum. . . . What matters, then, is whether the agreement between the patent holder and the exclusive licensee imposes an obligation on the patent holder to enforce or defend the patent on behalf of the licensee that is engaged in exploiting the patent rights in the forum state. That question is important because a patent holder's undertaking of such continuing enforcement obligations to a party that does business in the forum may qualify as purposeful availment by the defendant of the privilege of conducting activities within the forum state.

[I]n a declaratory judgment action against a nonresident patent holder, "we have consistently required the defendant to have engaged in 'other activities' that relate to the enforcement or the defense of the validity of the relevant patents." One example of such an "other activity" is "entering into an exclusive license agreement or other undertaking which imposes enforcement obligations with a party residing or regularly doing business in the forum." Exclusive license agreements and other undertakings that impose enforcement obligations on a patentee or its licensee "reflect the kind of 'other activities' that support specific personal jurisdiction in a declaratory judgment action." "[I]f the defendant patentee purposefully directs activities at the forum which relate in some material way to the enforcement or the defense of the patent, those activities may suffice to support specific jurisdiction." [W]hen the patentee enters into an exclusive license or other obligation relating to the exploitation of the patent by such licensee or contracting party in the forum, the patentee's contractual undertaking may impose certain obligations to enforce the patent against infringers. By such conduct, the patentee may be said to purposefully avail itself of the forum and to engage in activity that relates to the validity and enforceability of the patent. . . .

We have already rejected the idea that the mere existence of an exclusive license, regardless of its content, establishes specific jurisdiction over the licensor. Instead, “the inquiry requires close examination of the [exclusive] license agreement,” because “our case law requires that the license agreement contemplate a relationship beyond royalty or cross-licensing payment, such as granting both parties the right to litigate infringement cases.” Contrary to New World’s contention, we have not held that an indemnity provision is a sufficient basis for specific jurisdiction. . . . Nor would it make sense to hold that an indemnity provision like the one in the FGTL-LKQ license agreement independently satisfies due process. That provision requires FGTL to indemnify LKQ for design patent suits initiated by third parties-e.g., a suit alleging infringement of a third party’s patent by LKQ’s products. But insuring LKQ against those third-party claims of infringement does not arise out of or relate to the “enforcement or the defense of the [Ford design] patent[s],” as required for specific jurisdiction in a declaratory judgment action. Thus, while other indemnity clauses could involve the enforcement or defense of the licensor’s patents, the clause at issue in this case does not. . . .

In sum, under the license agreement, FGTL retains nearly complete control over the patent enforcement decision. New World has not shown that the obligations contemplated in the license have resulted in an undertaking by FGTL to enforce or defend the patents with LKQ. Therefore, although the license to the licensee doing business in the forum is exclusive, the license does not impose a sufficient obligation on the patent holder regarding the enforcement of the patent rights to subject the patent holder to specific jurisdiction there. Nor has New World pointed to any additional activities in the forum beyond the license that would give rise to specific jurisdiction.