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PATENT LITIGATION, PERSONAL JURISDICTION, AND THE PUBLIC GOOD

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ABSTRACT

There is consensus among scholars, policymakers, and industry leaders that our patent system currently faces a crisis of confidence as a result of the proliferation of bad patents. For now, validity challenges asserted in litigation – usually as a defense to a claim of patent infringement – serve as the primary gatekeeper of patent quality. When an alleged infringer’s validity challenge is successful, the court invalidates the patent and the intellectual property enters the public domain where anyone may use it. This creates a “public good” which inures to the benefit of society at large.1 In recent years, scholars have proposed alternative reform measures to address the problem of bad patents, but little has been written about how our litigation system might be retooled to better serve the important public function of eradicating bad patents. This Article seeks to fill that void by examining, in particular, the underutilization of declaratory judgment actions to challenge suspect patents.

Validity challenges asserted in declaratory judgment actions have a significantly higher success rate than those raised in defense to infringement claims. Actions for declaratory relief can be particularly effective at invalidating bad patents because the alleged infringer rather than the patent holder chooses the forum and controls the timing of the suit. Yet declaratory relief actions make up a surprisingly small percentage of the total number of patent cases.

This Article argues that one reason so few declaratory judgment actions are filed is because of a longstanding but incorrect jurisdictional doctrine that precludes many alleged infringers from seeking declaratory relief in a convenient forum – the Federal Circuit’s categorical rule that patent holders will not be subject to personal jurisdiction in declaratory judgment actions based on cease-and-desist letters sent into the forum state. The Article then critically examines and rejects various possible justifications for that doctrine, ultimately demonstrating that the doctrine is both legally unsound and contrary to public policy. Finally, the Article concludes with a proposal that would empower alleged infringers with more robust declaratory judgment rights, facilitate validity challenges, and ultimately provide more of the public good of invalidating bad patents.

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INTRODUCTION

The patent system in the United States is intended to promote innovation by rewarding inventors who introduce new technologies into the public domain with the exclusive right to those inventions for a limited period of time.\(^2\) Despite this nation’s aversion to monopolistic power and anticompetitive conduct, our patent system has persisted because of its importance to our social and economic welfare.\(^3\) Yet, because a free market society sacrifices with each patent issued, only those inventions that demonstrate high standards of patentability should be protected.\(^4\) In recent years, these standards have been compromised, and as a result there are “bad” patents everywhere.\(^5\)

While patents continue to play a vital role in the American economy and legal system, this proliferation of bad patents threatens that system by distorting the marketplace and undermining the public’s

\(^2\) U.S. CONST. art. I, §8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited times to...Inventors the exclusive Right to their respective...Discoveries.”). In addition to incentivizing inventors, patents also facilitate the commercialization of inventions. See also infra Part I.A. (describing additional benefits afforded by the patent system).

\(^3\) See infra Part I.A. & n. 39 (explaining the role patents play with respect to economic development).


\(^5\) MARK LEMLEY, DOUG LICHMAN & BHAVEN SAMPAT, What to Do about Bad Patents?, Regulation, Vol. 28, NO. 4, pp. 10-13 (Winter 2005-06); see also infra Part I.A. & n. 44 (defining the term “bad” patents). By “bad” patents, I am referring to patents that should not have been granted by the Patent Office because they do not meet the minimum requirements for patentability. See JAY P. KEelan, Carrots & Sticks to Create a Better Patent System, 17 Berkeley Tech. L.J. 763, 765 n.6 (2002); see also ERIC WILLIAMS, Remembering the Public’s Interest in the Patent System – A Post-Grant Opposition Designed to Benefit the Public, 2006 B.C. Intell. Prop. & Tech. F. 110702, * 1 (2006) (“Labels describing bad patents range from ‘poor quality,’ ‘improvidently granted,’ ‘questionable,’ ‘trash,’ all the way to ‘absurd’.... [T]he labels share the same general meaning (they refer to patents that never should have been granted)....”).
confidence in all patents (even those “good” patents that were properly issued and should be enforced). This bad patent problem is not a new phenomenon, however. Scholars and policymakers alike have been proposing various solutions to the problem for years, including the adoption of new post-grant opposition rules that would allow bad patents to be challenged quickly and inexpensively via an administrative proceeding.

Yet, little attention has been paid to the question of why our current litigation system – specifically with respect to declaratory judgment suits – has not been more effective in addressing this bad patent problem. Nor has there been significant exploration or discussion of proposed modifications to our declaratory relief system that would make it easier for alleged patent infringers to obtain a declaration from a federal court that a patent is “bad” or invalid. This article seeks to fill that void.

Under our current system, litigation is the primary gatekeeper of patent quality. Patent quality is almost always at issue in patent infringement suits because accused infringers regularly defend on the ground that the patent is invalid. If the factfinder agrees, the patent will be held invalid as to the entire world, and that previously protected intellectual property will enter the public domain. A successful validity challenge thus creates a “public good” to be shared not only by other potential infringers, but society as a whole.

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6 See infra Part I.A. (describing the effect of bad patents).
7 See infra Part I.A. & n. 54 (describing various patent reform measures that have been proposed).
8 Ranganath Sudarshan, Nuisance-Value Patent Suits: An Economic Model and Proposal, 25 Santa Clara Computer & High Tech. L.J. 159, 170 (2008-09) (“Litigation is …one of the main gatekeepers of patent quality.”); Farrell & Merges, supra note 1, at 946-47 (acknowledging that litigation is the primary mechanism for eradicating bad patents and proposing new administrative review procedures to assist in the effort); Mark A. Lemley, Rational Ignorance at the Patent Office, 95 Nw. U. L. Rev. 1495, 1497 (2001) [hereinafter Lemley, Rational Ignorance] (“[S]ociety ought to resign itself to the fact that bad patents will issue, and attempt to deal with the problem ex post, if the patent is asserted in litigation.”).
9 See Lisa A. Dolak, Power or Prudence: Toward a Better Standard for Evaluating Patent Litigants’ Access to the Declaratory Judgment Remedy, 41 U.S.F. L. Rev. 407, 410 (2007) [hereinafter Dolak, Power or Prudence] (“A patent infringement defendant typically asserts one or more declaratory judgment counterclaims in response to the patentee’s claim(s) for patent infringement. Most commonly, infringement defendants request judgment on the ground that the patent at issue is invalid, unenforceable, and/or not infringed.”); Farrell & Merges, supra note 1, at 946-47 (“Litigation can invalidate bad patents issued by the USPTO. Patent invalidity is not only available as a defense in any infringement suit brought be a patentee, but patent invalidity may also be pleaded affirmatively since a patent challenger with a ‘reasonable apprehension’ of an infringement suit may sue to have a patent declared invalid.”).
10 See Blonder-Tongue, Labs., Inc. v. University of Ill. Found., 402 U.S. 313, 350 (1971) (holding that once a patent is invalidated, non-mutual collateral estoppel prevents the patent owner from ever asserting it again).
11 Lear, Inc. v. Adkins, 395 U.S. 653, 670 (1969) (“Surely the equities of the [patentee] do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.”); Joseph E. Stiglitz, Economic Foundations of Intellectual Property
Even more important to the fight against bad patents are declaratory judgment actions, whereby an alleged infringer sues a patent holder under the Declaratory Judgment Act asking a federal court to declare the patents at issue invalid.12 Declaratory judgment actions can be particularly effective because the alleged infringer chooses the forum and controls the timing of the suit, and these tactical advantages substantially increase the alleged infringer’s chances of proving the patent invalid.13 For years the Supreme Court has acknowledged the public function served by patent declaratory relief actions, and it consistently has adopted legal standards to facilitate these lawsuits.14

Yet, despite the significant benefits afforded alleged infringers who seek declaratory relief, and despite the Supreme Court’s efforts to make declaratory relief readily available to this group of litigants, only a small percentage of the patent cases filed annually are declaratory judgment actions.15 This, of course, begs the question: why aren’t alleged infringers playing a more proactive role in the battle against bad patents by filing more declaratory judgment actions?

There are a number of reasons why a party contemplating litigation of any type might ultimately opt not to file suit: litigation can be extraordinarily expensive, the process is lengthy, and the results are sometimes unpredictable.16 In the patent context, however, there are also

Rights, 57 Duke L.J. 1693, 1715 (2008) (“[W]hen a firm challenges a patent, it creates a public good, because if it successfully challenges a patent, that piece of knowledge enters the public domain, where anybody can use it.”); FARRELL & MERGES, supra note 1, at 952 (explaining that the decision in Blondet-Tongue “makes successful challenge a ‘public good’ among multiple infringers”).

12 28 U.S.C. § 2201 (1934) (providing that “[i]n a case of actual controversy within its jurisdiction…any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration.”).

13 See KIMBERLY A. MOORE, Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?, 79 N.C. L. Rev. 889, 920-21 (2001) [hereinafter MOORE, Forum Shopping in Patent Cases] (explaining that empirical evidence shows that alleged infringer is much more likely to win on issue of validity when it brings a declaratory judgment action); id. at 921-22 (“The most likely explanation for the declaratory judgment effect is that forum and timing really do matter.”); KIMBERLY A. MOORE, Judges, Juries & Patent Cases – An Empirical Peek Inside the Black Box, 99 Mich. L. Rev. 365, 404-06 (2000) [hereinafter MOORE, Judges, Juries & Patent Cases] (summarizing the empirical evidence and concluding that “[w]ho files the suit (patentee or alleged infringer) is a statistically significant predictor of who wins patent claims [as well as] validity, enforceability, and infringement.…”).

14 See, e.g., Blondet-Tongue, 402 U.S. at 350 (discussing line of Supreme Court cases that “eliminate[ ] obstacles to suit by those disposed to challenge the validity of a patent”); Lear, 395 U.S. at 670 (explaining the importance of validity challenges in light of the “public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain”).

15 See infra note 57 (stating that only about 10% of all patent cases filed annually are declaratory judgment actions).

16 See, e.g., GWENDOLYN G. BALL & JAY P. Kesan, Transaction Costs & Trolls: Strategic Behavior by Individual Inventors, Small Firms & Entrepreneurs in Patent Litigation, available at http://papers.ssrn.com/abstract=1337166, at 5 (Feb. 1, 2009) (“Patent suits are generally considered to be a form of ‘complex’ litigation and there is general agreement that the transaction costs associated with pursuing a patent lawsuit are high.”); DAVID L. SCHWARTZ, Practice Makes Perfect? An Empirical Study of Claim Construction
certain jurisdictional hurdles that alleged infringers must overcome before declaratory relief may be sought. The first of these jurisdictional hurdles requires the alleged infringer to prove that an actual case or controversy exists between the parties.\textsuperscript{17} Although traditionally this was a difficult burden to overcome and often precluded alleged infringers from seeking declaratory relief, the landscape changed when the Supreme Court relaxed the standard in \textit{MedImmune v. Genentech}.\textsuperscript{18} But the other jurisdictional hurdle – personal jurisdiction – remains a significant obstacle for alleged infringers wishing to challenge bad patents via declaratory relief.\textsuperscript{19}

As already noted, an important advantage of filing a declaratory judgment action is that the alleged infringer is able to choose the forum. The “choice forum” for most alleged infringers is home, meaning the state where the company’s principal place of business is located.\textsuperscript{20} However, the alleged infringer cannot file at home unless the patent holder is subject to personal jurisdiction there. And while the question whether a patent holder is subject to personal jurisdiction in a particular forum will depend on the facts of the case, alleged infringers seeking declaratory relief often have a similar story to tell: the alleged infringer received a cease-and-desist letter from the patent holder at its home office; the letter accuses the alleged infringer of infringement and offers a license; after studying the asserted patent, the alleged infringer then files a declaratory judgment action in federal court in its home state seeking a declaration that the patent is invalid and not infringed.\textsuperscript{21}


\textsuperscript{17} \textit{See infra} note 76 (explaining that plaintiff may only seek declaratory relief if there is a justiciable controversy under Article III).

\textsuperscript{18} 127 S.Ct. 764, 774 n.11 (2007) (questioning the Federal Circuit’s reasonable apprehension of suit standard for declaratory judgment jurisdiction in patent cases).

\textsuperscript{19} \textit{See, e.g.}, Avocent Huntsville Corp. v. Aten Int’l Co., 552 F.3d 1324, 1338 n.2 (Fed. Cir. 2008) (“While the Supreme Court recently altered the subject matter jurisdiction landscape by rejecting the ‘reasonable apprehension of suit test, the independent requirement of personal jurisdiction over the defendant remains an important and independent limit on the power of the federal courts.’”). Indeed, as I argue in a forthcoming article titled \textit{Personal Jurisdiction in Patent Declaratory Judgment Actions: The Federal Circuit’s Attempt to “Design Around” MedImmune}, several recent decisions by that court suggest that it has actually heightened the standard for establishing personal jurisdiction in patent declaratory judgment cases, thus averting the impact of \textit{MedImmune}.

\textsuperscript{20} \textit{See, e.g.}, Piper Aircraft Co. v. Reyno, 454 U.S. 235, 255-56 (1981) (“When the home forum has been chosen, it is reasonable to assume that this choice is convenient.”); Marschke v. Barry-Wehmiller Cos., Inc., 2009 WL 3379356, at *4 (W.D. Wisc. Oct. 16, 2009) (“A plaintiff typically chooses a home forum for convenience.”).

For years, many courts were willing to exercise jurisdiction over patent holders under these circumstances. They reasoned that federal due process standards were satisfied because the patent holder had the requisite minimum contacts with the forum, and because the forum state had a significant interest in providing its resident with a convenient court in which to seek redress.

Despite the soundness of this reasoning, the law unfortunately has been taken in a completely different direction. In a long line of cases, the United States Court of Appeals for the Federal Circuit has held that patent holders will not be subject to personal jurisdiction in declaratory judgment actions based solely on the sending of cease-and-desist letters into the forum state. Importantly, in crafting this rule, the Federal Circuit has acknowledged that a patent holder in this situation likely would have the requisite minimum contacts with the forum state. Nonetheless, because of fairness considerations, the court has concluded that cease-and-desist letters alone should not give rise to personal jurisdiction. More explicitly, the court held that exercising jurisdiction under these circumstances would not comport with traditional notions of fair play and substantial justice because it would discourage the settlement of patent disputes – a policy the Federal Circuit considered to be “manifest.” Thus, for the past two decades, this bright-line rule that cease-and-desist letters will not create personal jurisdiction has been implemented time and again with surprisingly few questions from either the academic or judicial communities.

This Article critically examines this longstanding categorical approach to personal jurisdiction in patent declaratory relief actions, and concludes that it is not only contrary to International Shoe and its progeny, but is also unsound from a policy perspective. Part I of the Article discusses the current bad patent problem in this country and explains how declaratory judgment actions are used to invalidate such patents. Part II addresses the jurisdictional hurdles faced by alleged infringers seeking declaratory relief and contends that, even though it is easier now to establish the requisite case or controversy, alleged infringers still are not seeking declaratory relief in large numbers because a convenient forum often is not available.

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22 *See infra* Part IV.B.1 and accompanying notes (summarizing decisions permitting the exercise of jurisdiction based on cease-and-desist letters).
23 *Id.*
24 *Red Wing Shoe* v. Hockerson, 148 F.3d 1355 (1998); *see also* *Avocent*, 552 F.3d at 1324; *Campbell Pet Co.* v. Miale, 542 F.3d 879 (Fed. Cir. 2008); *Akro Corp.* v. Luker, 45 F.3d 1541 (Fed. Cir. 1995).
26 *Red Wing Shoe*, 148 F.3d at 1360-61.
27 *Id.* at 1361.
28 *See, e.g.*, *Avocent*, 552 F.3d at 1324; *Campbell Pet*, 542 F.3d at 879; *Akro*, 45 F.3d at 1541.
In Part III, I turn to personal jurisdiction and provide an overview of the relevant law. Part IV then considers the application of personal jurisdiction principles in patent declaratory relief actions and analyzes the Federal Circuit’s definitive rule that cease-and-desist letters alone cannot create personal jurisdiction.

After examining the Federal Circuit’s rationale, I argue in Part V that this rule contradicts Supreme Court precedent, which provides that defendants with sufficient minimum contacts may only avoid jurisdiction on fairness grounds by making a “compelling case” that the exercise of jurisdiction would offend traditional notions of fair play and substantial justice. Under the Federal Circuit’s categorical approach, however, defendants are not required to satisfy this heavy burden; rather, courts simply presume in all cases that the exercise of jurisdiction based exclusively on cease-and-desist letters would be so unfair as to violate due process. This rule – which diverges from mainstream jurisdictional doctrine – is exactly the type of special rule for patent cases that the Supreme Court has eschewed recently.

Finally, Part VI concludes that in order for the Declaratory Judgment Act to realize its potential as a potent tool in the effort to eradicate bad patents, this categorical approach to personal jurisdiction must be reconsidered. I propose instead that the Federal Circuit evaluate personal jurisdiction in patent declaratory relief actions as the Supreme Court has mandated: on a case-by-case basis. I then explore the implications of this proposed approach, and conclude that empowering alleged infringers with more robust declaratory judgment rights will ameliorate our bad patent problem and, consequently, strengthen the U.S. patent system.

30 See infra Part V.B.
31 See MedImmune v. Genentech, 127 S.Ct. 764, 774 n.11 (2007) (holding that the Federal Circuit’s “reasonable apprehension of suit” test contradicted supreme Court precedent which requires courts to consider all the circumstances in deciding whether an actual case or controversy exists); eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) (rejecting the Federal Circuit’s general rule “that courts will issue permanent injunctions against patent infringement absent exceptional circumstances” because such categorical grants of relief are erroneous, and holding instead that the Federal Circuit should apply the traditional test for injunctive relief “according to well-established principles of equity”); see also S. J. PLAGER & LYNE E. PETTIGREW, Rethinking Patent Law’s Uniformity Principle: A Response to Nard and Duffy, 101 Nw. U. L. Rev. 1735, 1757 (2007) (noting that when the Federal Circuit has applied “special rules for patents at the expense of basic legal practices, the Supreme Court has not been reluctant in recent times to provide a corrective”).
32 See infra Part VI.A. (proposing a case-by-case approach to this jurisdictional issue).
33 Shaffer v. Heitner, 433 U.S. 186, 204 (1977) (“Mechanical or quantitative evaluations of the defendant’s activities in the forum could not resolve the question of reasonableness….’’); CHRISTOPHER D. CAMERON & KEVIN R. JOHNSON, 28 U.C. Davis L. Rev. 769, 834 (1995) (stating that with respect to personal jurisdiction the Supreme Court “has eschewed the opportunity to create definitive rules…[and has] mandated case-by-case, fact-specific inquiry.”).
34 My use of the phrase “declaratory judgment rights” refers to the right of alleged infringers to bring declaratory judgment actions. While I am not suggesting that the Declaratory Judgment Act creates substantive rights, see Beacon Theatres, Inc. v. Westover, 359 U.S. 500, 509 (1959) (stating that the Declaratory Judgment Act “leav[es]
I. **THE PROBLEM OF BAD PATENTS**\(^{35}\) AND THE DECLARATORY RELIEF SOLUTION

A. The Problem With Bad Patents

A patent represents a bargain between society and the inventor: in return for a limited period of exclusivity, the inventor introduces a new technology, discloses in detail the know-how behind that technology, and then donates that invention to the public once the patent expires.\(^ {36}\) Patents are vitally important to our economic and social welfare for at least three reasons.

First, patents “promote the Progress of Science and useful Arts”\(^ {37}\) by stimulating inventive activity, which is a key factor in our nation’s economic success.\(^ {38}\) Equally important is the role patents play in encouraging commercialization of inventions: “[p]atents get inventions put to use.”\(^ {39}\) Finally, patents assist in the dissemination of

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\(^{35}\) **LEMLEY, LICHTMAN & SAMPAT, supra** note 5, at 10-13.

\(^{36}\) **ROBERT P. MERGES, PETER S. MENNELL & MARK A. LEMLEY, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE** 120 (Revised 4th ed. 2007).

\(^{37}\) **U.S. CONST. art. I, § 8, cl. 8.**

\(^{38}\) **See Strategy for American Innovation, supra** note 4, at 14 (“Innovation is the key to global competitiveness, new and better jobs, a resilient economy, and the attainment of essential national goals.”); **STEPHEN M. McJOHN, PATENTS: HIDING FROM HISTORY**, 24 Santa Clara Computer & High Tech. L.J. 961, 965 (2008) (“Influential figures often credited the patent system for the widespread technological advances in the United States, along with its economic benefits.”); **MERGES, MENNELL & LEMLEY, supra** note 36, at 120 (“Although the overall contribution of the patent system to the Industrial Revolution has been a matter of debate in historical circles, it seems no coincidence that the patent system matured alongside the early industrial technologies.”); **ROBERT MAZZOLENI & RICHARD R. NELSON, BENEFITS AND COSTS OF STRONG PATENT PROTECTION: A CONTRIBUTION TO THE CURRENT DEBATE**, 27 Research Policy 273, 281 (1998) (“In some areas, patent rights certainly are economically and socially productive in generating invention, spreading technological knowledge, inducing innovation and commercialization, and providing some degree of order in the development of broad technological prospects.”); **ARTI K. RAL, GROWING PAINS IN THE ADMINISTRATIVE STATE: THE PATENT OFFICE’S TROUBLED QUEST FOR MANAGERIAL CONTROL**, 157 U. PENN. L. REV. 2051, 2058 (2009) (noting that “startup-driven innovation will be an important component of any plan to move the U.S. economy out of severe recession”).

\(^{39}\) **ANDREW BECKERMAN-RODAU, F. SCOTT KIEFF, LAWRENCE SUNG & THOMAS WOOLSTON, THE NEW PRIVATE ORDERING OF INTELLECTUAL PROPERTY: THE EMERGENCE OF**
technical information. That information, or “know how,” becomes part of the public domain, allowing others to improve upon or design around the patented invention.

Notwithstanding these benefits that patents afford, in recent years we have seen a groundswell of dissatisfaction with our patent system. Although the patent system has been criticized for an array of reasons, one primary concern voiced by many is the proliferation of bad patents. Bad patents are patents that should not have been granted by the Patent Office because they do not meet the requirements for patentability. If, for example, an inventor was allowed to patent a technology that was already within the public domain, or if the inventor failed to disclose sufficient detail to allow others to practice the invention, then society would not be getting what it bargained for. This would not, in Thomas Jefferson’s words, be the type of invention that is “worth to the public the embarrassment of an exclusive patent.”

Bad patents pose threats on many fronts. When bad patents are enforced, a company’s funds may be diverted from research and development to litigation costs. These increased litigation costs, in turn, may lead to higher consumer prices.

But even when unenforced, bad patents may distort the marketplace by discouraging or delaying potential competitors from


\[MERGES, MENNELL & LEMLEY, supra note 36, at 28\] (noting that one benefit of the patent system is the “disclosure of new technology”).
\[See, e.g., See MATTHEW SAG & KURT ROHDE, Patent Reform and Differential Impact, 8 Minn. J.L. Sci. & Tech. 1, 2-3 (2007)\] (noting the widespread dissatisfaction with the current patent system); FARRELL & MERGES, supra note 1, at 944 (discussing the “standard litany of concerns about patent quality”).
\[See LEMLEY, LICHTMAN & SAMPAT, supra note 5, at 10-13; KESAN, supra note 5, at 765 n.6 defining “bad” patents as those that “should not have been granted by the Patent Office after a reasonable search and review of the relevant prior art”; WILLIAMS, supra note 5, at 161 (“Labels describing bad patents range from ‘poor quality,’ ‘improvidently granted,’ ‘questionable,’ ‘trash,’ all the way to ‘absurd’…. [T]hese labels share the same general meaning (they refer to patents that never should have been granted).”)).
beyond dispute that we have a bad patent problem in this country. For example, bad patents often force competitors to take certain steps to avoid litigation that ultimately harm the consuming public. Rather than risk an infringement suit, a competitor faced with a bad patent might pursue an alternative research area, thus allowing the owner of the suspect patent to dominate the market and keep prices high. Alternatively, competitors sometimes decide to license patents of questionable validity because the cost of potential litigation outweighs the cost of the license.

And finally, but perhaps most importantly, the existence of bad patents calls into question the legitimacy of all patents (even those “good” patents that were properly issued and that should be enforced). This phenomenon reduces the overall value of patent protection and undermines the public’s confidence in the patent system at large.

While there may be some disagreement as to the cause, it is beyond dispute that we have a bad patent problem in this country. So
the question now is what can we do to address it? The scholarly literature is replete with discussion of our broken patent system and proposals for change.\textsuperscript{52} Indeed, many of these proposals have been considered by Congress, which has been working on comprehensive patent reform legislation since 2005.\textsuperscript{53} Yet, as is often the case with the legislative approach to reform, there has been persistent opposition to certain provisions of the legislation that has derailed Congress’s efforts time and again.\textsuperscript{54} Thus, litigation remains the primary gatekeeper of patent quality. Accordingly, the next section discusses how litigation, and declaratory relief actions in particular, can and should be used to address the problem of bad patents.

B. Declaratory Relief Actions: A Solution to Bad Patents?

The vast majority of patent cases are brought by patent holders who are seeking damages or equitable relief for infringement of their patents (hereinafter “Standard Patent Infringement Suits”).\textsuperscript{55} In some situations, however, alleged infringers may sue patent holders under the participants raised concerns about the number of questionable patents issued.”); LEMLEY, LICHTMAN & SAMPAT, supra note 5, at 10-13 (“Bad patents are everywhere: covering obvious inventions like the crustless peanut butter and jelly sandwich, ridiculous ideas like a method of exercising a cat with a laser pointer, and impossible concepts like traveling faster than the speed of light.”); LEMLEY & SAMPAT, supra note 50, at 181 (“A growing chorus of voices is sounding a common refrain: the U.S. Patent and Trademark Office is issuing far too many bad patents.”); KESAN, supra note 5, at 763 (“It is widely recognized that the Patent Office grants overly-broad patents because it has deficient knowledge of the relevant prior art, especially in high technology areas with significant nonpatent prior art.”); MERGES, supra note 50, at 589 (“There are persistent reports that patents in the software area, and perhaps especially, patents for ‘business methods’ implemented in software, are of extremely poor quality.”); Barack Obama’s Patent Reform Initiatives, Patently O, available at http://www.patentlyo.com/patent/2007/11/barak-obamas-pa.html (Nov. 14, 2007) (stating that then-candidate Obama recognizes the importance of patent quality and the problems posed by “dubious patents”).\textsuperscript{52} See, e.g., LEMLEY, LICHTMAN & SAMPAT, supra note 5, at 10-13; KESAN, supra note 5, at 763; THOMAS, supra note 50, at 322-40 ( canvassing the prevailing patent reform proposals); MARK A. LEMLEY & KIMBERLY A. MOORE, Ending Abuse of Patent Continuations, 84 B.U. L. Rev. 63 (2004); MERGES, supra note 50, at 589; FARRELL & MERGES, supra note 1, at 960-68 (proposing ways to fix the examination procedure to reduce the number of invalid patents issued).\textsuperscript{53} See Patent Reform Act of 2010, S. 515, S. 610, H.R. 1260, 111th Cong. (2010); Patent Reform Act of 2007, S. 1145, H.R. 1908, 110th Cong. (2007); Patent Reform Act of 2006, S. 3818, 109th Cong. (2006); Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005); see also Fish & Richardson, 2010 Patent Law Reform Update, available at http://www.fr.com/news/articledetail.cfm?articleid=490 (providing a timeline of patent law reform over the past several years).\textsuperscript{54} Patent Reform Act suffers serious setback, stalled in Senate, http://arstechnica.com/tech-policy/news/2008/05/patent-reform-act-suffers-serious-setback-stalled-in-senate.ars (May 5, 2008).\textsuperscript{55} See MOORE, Forum Shopping in Patent Cases, supra note 13, at 920 (stating that, of the 1209 patent cases that were tried between 1995 and 1999, 86% were filed by patent holders); ARON LEVKO, VINCENT TORRES & JOSEPH TEELUCKSINGH, A Closer Look, 2008 Patent Litigation Study: Damages Awards, Success Rates and Time-to-Trial, at 10, available at http://www.pwc.com/extweb/pwcpublications.nsf/docid/EBCl44CF6229C1E785257424005F9A2B/Sfile/2008_pati6nt_litigation_study.pdf (indicating that 91% of the patent cases identified were brought by patent holders, while only 9% were filed as declaratory judgment actions by the alleged infringers).
Declaratory Judgment Act seeking a declaration that the patents at issue are invalid and not infringed by plaintiff’s products (hereinafter “Patent Declaratory Relief Actions”).

The Declaratory Judgment Act, which was enacted in 1934, provides that “[i]n a case of actual controversy within its jurisdiction...any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration.” The Act further provides that “[a]ny such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.”

Congress passed the Declaratory Judgment Act in order to provide parties whose legal rights and business relations were uncertain with the ability to have those disputes resolved in federal court. Congress was particularly concerned with the rights of alleged patent infringers who had been threatened with suit, but were unable to ask a court to determine their rights. Professor Edson R. Sunderland, a proponent of the Declaratory Judgment Act, attempted to persuade Congress by describing the plight of alleged patent infringers:

56 See 28 U.S.C. § 2201 (providing that “[i]n a case of actual controversy within its jurisdiction...any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration.”). In Standard Patent Infringement Suits, the defendant (i.e., the alleged infringer) typically responds with various affirmative defenses, including that the asserted patents are invalid and not infringed. Similarly, the defendant in a Patent Declaratory Relief Action will almost always counterclaim for patent infringement. Thus, Standard Patent Infringement Suits and Patent Declaratory Relief Actions are often mirror images of each other, with the only difference being who the plaintiff and defendant are in each suit. See, e.g., PAUL M. JANICKE, “Maybe We Shouldn’t Arbitrate”: Some Aspects of the Risk/Benefit Calculus of Agreeing to Binding Arbitration of Patent Disputes, 39 Hous. L. Rev. 693, 714 n.135 (2002) (stating that declaratory judgment action is basically an inverted patent infringement suit); DOERNBERG & MUSHLIN, The Trojan Horse, supra note 34, at 570-71.


58 Id.

59 Although there were no debates in Congress regarding the Declaratory Judgment Act in 1934 – the year it ultimately passed – legislation proposing a federal declaratory relief remedy had been introduced in Congress every year between 1919 and 1932. See DOLAK, Power or Prudence, supra note 9, at 408 n.6. The legislative history from these prior Congressional sessions demonstrates that the primary goal of the Act was to eliminate uncertainty. See, e.g., Hearing on H.R. 10143 Before the House Comm. On the Judiciary, 67th Cong. 16 (1922) (statement of Rep. Sumners) (noting that the purpose of the declaratory judgment statute is “[t]o remove uncertainty); 1928 Hearings on H.R. 5623 Before a Subcomm. Of the Senate Comm. On the Judiciary, 70th Cong. 16 (1928) [hereinafter 1928 Senate Hearings] (stating that the declaratory judgment remedy was “a useful expedient to litigants who would otherwise have acted at their peril, or at best would have been exposed to harrowing delay”).

60 See 1928 Senate Hearings, supra note 59, at 35; LORELEI RITCHIE DE LARENA, Re-Evaluating Declaratory Judgment Jurisdiction in Intellectual Property Disputes, 83 Ind. L.J. 957, 965 (2008) (“[P]atents were specifically mentioned at the early congressional hearings as a prime example of the injustice reaped when a party could sit on its rights and allow the alleged infringer to accrue liability for damages without a reciprocal right to sue.”).
I assert that I have a right to use a certain patent. What am I going to do about it? There is no way I can litigate my right, which I claim, to use that device, except by going ahead and using it, and you [the patent holder] can sit back as long as you please and let me run up just as high a bill of damages as you wish to have me run up, and then you may sue me for the damages, and I am ruined, having acted all the time in good faith and on my best judgment, but having no way in the world to find out whether I had a right to use that device or not.61

This scenario has been described alternatively as a patent owner’s use of a “scarecrow” patent,62 or a patent owner’s engagement in “a danse macabre, brandishing a Damoclean threat with a sheathed sword.”63

Since its enactment, courts have consistently recognized the importance of the Declaratory Judgment Act in patent cases, both because it protects alleged infringers from this danse macabre, and because of the vital role this Act plays in the effort to eradicate bad patents.64 An accused infringer who is threatened with a patent of questionable validity has the power to file suit in federal court seeking a declaration that the patent is invalid.65 If the court agrees and declares the patent invalid, then that patent is invalid against the entire world (including competitors other than the alleged infringer), and consequently becomes worthless to the owner.66

There are certain perceived tactical advantages of pursuing declaratory relief in patent cases, namely that it allows the accused

61 See 1928 Senate Hearings, supra note 59, at 35.
62 Cardinal Chem. Co. v. Morton Int’l, Inc., 508 US. 83, 95-96 (1993) (noting that this was the phrase used by Learned Hand in Bresnick v. United States Vitamin Corp., 139 F.2d 239, 242 (2nd Cir. 1943), to describe this unfortunate situation between a patentee and alleged infringer).
64 See Lear, 395 U.S. at 670 (explaining the importance of validity challenges in light of the “public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain”); Business Forms Finishing Serv. v. Carson, 452 F.2d 70, 75 (7th Cir. 1971) (emphasizing “the public interest in a judicial determination of a worthless patent”); see also see also LISA A. DOLAK, Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer, 38 B.C. L. Rev. 903, 911 (1997) (“In providing a route for an alleged infringer to challenge the applicability and validity of a patent, the Act also serves the policies underlying the patent laws.”); GREGORY GERALD KENYON, Patent Law: The Res Judicata Effect of Consent Decrees in Patent Litigation – Lear, Inc. v. Adkins Takes a Back Seat, 18 U. Dayton L. Rev. 139, 140 (1992) (“Throughout the development of American patent law, federal courts have recognized the desirability of subjecting invalid patents to judicial scrutiny.”).
65 See 28 U.S.C. § 2201; DOLAK, Power or Prudence, supra note 9, at 410-11 ("[A] patent challenger may, in appropriate circumstances, institute patent litigation in federal court by filing a complaint requesting a declaration of patent invalidity, unenforceability, or noninfringement.").
66 See Blonder-Tongue, 402 U.S. at 350 (holding that, once a patent is invalidated non-mutual collateral estoppel prevents the patent owner from over asserting it again).
infringer to choose the forum and to control the timing of the suit. And the empirical evidence confirms these perceptions. Studies show, for example, that accused infringers who assert validity challenges in declaratory relief actions have a much higher chance of success on the merits.

More specifically, one study conducted by then-Professor (now Judge) Kimberly Moore determined that in Standard Patent Infringement Suits, the patent holder wins on the issue of validity 76% of the time, while in Patent Declaratory Relief Actions, patent holders have only a 40% win rate on validity. In other words, an alleged infringer increases the chances of proving a patent invalid by 36% when initiating a declaratory judgment action instead of simply waiting to be sued for patent infringement. Judge Moore found that accused infringers who filed declaratory judgment actions enjoyed similar advantages with respect to the issues of patent enforceability and infringement. Based on her research, Judge Moore concludes that “[t]he most likely

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68 See MOORE, Forum Shopping in Patent Cases, supra note 13, at 920-21 (explaining that empirical evidence shows that alleged infringer is much more likely to win on issue of validity when it brings a declaratory judgment action); MOORE, Judges, Juries & Patent Cases, supra note 13, at 404-06 (summarizing the empirical evidence and concluding that “[w]ho files the suit (patentee or alleged infringer) is a statistically significant predictor of who wins patent claims [as well as] validity, enforceability, and infringement….’’); LEVKO, TORRES & TEELUCKSINGH, supra note 55, at 10 (stating that accused infringers improve their chance of success when they are plaintiffs in declaratory judgment actions rather than defendants in infringement suits).

69 MOORE, Judges, Juries & Patent Cases, supra note 13, at 404-06 & Fig. 13; MOORE, Forum Shopping in Patent Cases, supra note 13, at 920-21.

70 MOORE, Judges, Juries & Patent Cases, supra note 13, at 406 & Fig. 13; see also MOORE, Forum Shopping in Patent Cases, supra note 13, at 920-21.

71 Unenforceability, like invalidity, is an affirmative defense to patent infringement. See MOORE, Judges, Juries & Patent Cases, supra note 13, at 391 n.105. The defense may be raised, for example, if the patent applicant or his representative engaged in inequitable conduct before the PTO. See Impax Labs., Inc. v. Aventis Pharm., Inc., 468 F.3d 1366, 1374 (Fed. Cir. 2006) (“To prove that a patent is unenforceable due to inequitable conduct, the alleged infringer must provide clear and convincing evidence of (1) affirmative misrepresentations of a material fact, failure to disclose material information, or submission of false material information and (2) an intent to deceive.”).

72 MOORE, Judges, Juries & Patent Cases, supra note 13, at 406 & Fig. 13 (concluding that patent holders won on the issue of enforceability 82% of the time when they filed the suit, but only 45% of the time when defending against a declaratory judgment action); id. (concluding that patent holders won on the issue of infringement in 75% of Standard Patent Infringement Suits, but only won on infringement in 47% of Patent Declaratory Relief Actions); see also MOORE, Forum Shopping in Patent Cases, supra note 13, at 921 (“Who selects the forum is also a statistically significant predictor of…enforceability and infringement….’’). Interestingly, the procedural posture of the case does not appear to impact a patent holder’s chances of success on the question of willfulness. Id. at 921.
explanation for the declaratory judgment effect is that forum and timing really do matter.\textsuperscript{73}

In light of this evidence, it can be said with some confidence that declaratory relief is a powerful and effective tool for alleged infringers. Yet of the thousands of patent cases filed in this country each year, declaratory judgment actions represent only a small percentage.\textsuperscript{74} So why aren’t alleged infringers filing more Patent Declaratory Relief Actions? The next Part of this Article discusses certain jurisdictional hurdles to declaratory relief and explores whether they might explain why alleged infringers are not taking a more proactive role in the fight against bad patents.

II. JURISDICTIONAL HURDLES IN PATENT DECLARATORY RELIEF ACTIONS

Before an accused patent infringer may seek declaratory relief in federal court, it must overcome two jurisdictional hurdles: it must first prove that there is declaratory judgment jurisdiction, meaning that there is a justiciable case or controversy;\textsuperscript{75} and then it must show that the defendant patent holder is subject to personal jurisdiction wherever the suit was filed.\textsuperscript{76} While the courts have eased the first of these

\textsuperscript{73} See Moore, Forum Shopping in Patent Cases, supra note 13, at 921-22; see also Kevin M. Clermont & Theodore Eisenberg, Exorcising the Evils of Forum Shopping, 80 Cornell L. Rev. 1507, 1511-12 (1995) (concluding that in civil actions generally there is a statistically significant difference in plaintiff win rate when the suit proceeds in a forum selected by the plaintiff (58%) compared to when the suit is transferred to a forum preferred by the defendant (29%)). Some might question this and wonder whether the declaratory judgment effect might instead be explained by a difference in the quality or strength of the patents challenged via declaratory relief. In other words, perhaps this higher rate of success is attributable to the fact that alleged infringers tend to seek declaratory judgments with respect to weaker and more vulnerable patents. However, Judge Moore considered this theory and was able to dismiss it. See Moore, Forum Shopping in Patent Cases, supra note 13, at 922-23 (“Economic theory suggests that it is not likely that the difference in win rate in tried cases may be attributable solely to declaratory judgments being stronger cases for the infringer. This element would be factored into litigation strategy and would impact the selection of cases for trial. Hence, the difference in win rate is not likely to be attributable to a factor that can be predicted by the parties as part of their outcome estimations.”). Judge Moore also determined that this declaratory judgment effect occurs only in cases before a jury, not a judge, see Moore, Judges, Juries & Patent Cases, supra note 13, at 405 (“Who filed the suit is a statistically significant predictor of who wins patent claims in jury trials, but not in bench trials.”), which further undermines the theory that the strength of the patent alone explains alleged infringers’ greater success rate in declaratory relief actions.

\textsuperscript{74} See Moore, Forum Shopping in Patent Cases, supra note 13, at 921 (noting that 14% of 1209 patent cases studied were declaratory judgment actions filed by alleged infringer); Levko, Torres & Teelucksingh, supra note 55, at 10 (stating that declaratory judgment actions represent about 9% of all patent cases).

\textsuperscript{75} Aetna Life, 300 U.S.at 240-41 (holding that court may only hear declaratory judgment action when there is a justiciable case or controversy under Article III); Gen Probe v. Vysis, 359 F.3d 1376, 1379 (2004) (“The Declaratory Judgment Act only supports jurisdiction in the event of an ‘actual controversy.’”), reversed on other grounds by MedImmune v. Genentech, 127 S.Ct. 764 (2007).

\textsuperscript{76} Ruhgas AG v. Marathon Oil Co., 526 U.S. 574, 583-84 (1999) (distinguishing between the “two jurisdictional bedrocks” of subject matter jurisdiction and personal jurisdiction, rejecting the notion that “subject matter jurisdiction is ever and always the more
jurisdictional burdens recently, the second remains a major obstacle for alleged infringers seeking to challenge bad patents.

A. Declaratory Judgment Jurisdiction: A Better Standard for Alleged Infringers

It has long been established that “the mere existence of a potentially adverse patent” is insufficient for an alleged patent infringer to bring a declaratory judgment action. Instead, there must be an actual case or controversy before declaratory relief may be sought. This requirement, referred to as declaratory judgment jurisdiction, precludes federal courts from issuing the type of advisory opinions forbidden by Article III of the Constitution.

For years, alleged patent infringers were required to satisfy a two-part test to prove that a case or controversy existed to support a declaratory relief action: (i) that the alleged infringer had a reasonable apprehension of suit at the time it filed the action; and (ii) that the alleged
infringer produced or was prepared to produce an allegedly infringing product. The “reasonable apprehension” prong of this test often posed an obstacle to declaratory relief because it required alleged infringers to show either an explicit threat or some other conduct by the patent holder that created an objectively reasonable apprehension of an infringement suit. Under this standard, patentees often were able to avoid creating declaratory judgment jurisdiction by choosing their words carefully when communicating with alleged infringers.

In *Gen-Probe v. Vysis*, the Federal Circuit applied the reasonable apprehension standard to hold that a non-repudiating licensee could not sue for declaratory relief because there was no actual case or controversy. The court reasoned that a licensee in good standing does not have a reasonable apprehension of suit because the patent holder cannot sue the licensee for infringement since the conduct is permitted under the license. It also considered the policy implications of allowing licensees in *Gen-Probe*’s position to sue for declaratory relief:

> [P]ermitting Gen-Probe to pursue a lawsuit without materially breaching its license agreement yields undesirable results. Vysis voluntarily relinquished its statutory right to exclude by granting Gen-Probe a nonexclusive license. In so doing, Vysis chose to avoid litigation as an avenue of enforcing its rights. Allowing this action to proceed would effectively defeat those contractual covenants and discourage patentees from granting licenses. In other words, in this situation, the licensor would bear all the risk, while licensee would benefit from the license’s effective cap on damages or royalties in the event its challenge to the patent’s scope or validity fails.

Thus, after *Gen-Probe*, in order for a licensee in good standing to seek declaratory relief, it needed to breach the license agreement (for example by ceasing royalty payments), so as to create a reasonable apprehension of suit.

The *Gen-Probe* rule reached the Supreme Court a few years later in *MedImmune v. Genentech*. In an 8-to-1 decision, the Court reversed the Federal Circuit and held that, as far as Article III is concerned, a non-repudiating licensee is not required to terminate or breach its license agreement before seeking a declaratory judgment. The licensee should not have to “bet the farm, so to speak, by taking the violative action.” Instead, the Court instructed, the question whether a justiciable

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81 See, e.g., Shell Oil Co. v. Amoco Corp., 970 F.2d 885, 888 n.2 (Fed. Cir. 1992).
82 *Gen-Probe*, 359 F.3d at 1380.
83 See Shell Oil, 970 F.2d at 889 (holding that oblique charges of infringement, or “jawboning,” were not sufficient grounds to create a reasonable apprehension of suit).
84 359 F.3d 1376.
85 Id. at 1381-82.
86 Id. at 1382.
87 127 S.Ct. 764.
88 Id. at 777.
89 Id. at 772.
controversy exists will be determined on a case-by-case basis in light of all the circumstances. Applying that standard, the Court concluded that there was indeed a sufficient case or controversy to support MedImmune’s request for declaratory relief. Importantly, in reaching this decision, the Supreme Court criticized the reasonable apprehension prong of the Federal Circuit’s test, stating that it appeared to conflict with Supreme Court precedent. The Federal Circuit quickly responded to MedImmune by abandoning the reasonable apprehension prong, and announcing that it would use the “all the circumstances” test generally applied in cases brought under the Declaratory Judgment Act. That test asks “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

While the parameters of this “all the circumstances” test for declaratory judgment jurisdiction in patent cases continue to develop and

90 Id.
91 Id. at 777.
92 Id. at 774 n.11. Specifically, the Supreme Court said:

Even if Altvater could be distinguished as an “injunction” case, it would still contradict the Federal Circuit’s “reasonable apprehension of suit” test (or, in its evolved form, the “reasonable apprehension of imminent suit” test, Teva Pharm. USA, Inc. v. Pfizer, Inc., 395 F.3d 1324, 1333 (2005)). A licensee who pays royalties under compulsion of an injunction has no more apprehension of imminent harm than a licensee who pays royalties for fear of treble damages and an injunction fatal to his business. The reasonable-apprehension-of-suit test also conflicts with our decisions in Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270, 273, 61 S.Ct. 510, 85 L.Ed. 826 (1941), where jurisdiction obtained even though the collision-victim defendant could not have sued the declaratory-judgment plaintiff-insurer without first obtaining a judgment against the insured; and Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239, 57 S.Ct. 461, 81 L.Ed. 617 (1937), where jurisdiction obtained even though the very reason the insurer sought declaratory relief was that the insured had given no indication that he would file suit. It is also in tension with Cardinal Chemical Co. v. Morton Intl, Inc., 508 U.S. 83, 98, 113 S.Ct. 1967, 124 L.Ed.2d 1 (1993), which held that appellate affirmance of a judgment of noninfringement, eliminating any apprehension of suit, does not moot a declaratory judgment counterclaim of patent invalidity.

93 SanDisk, 490 F.3d at 1380 (“The Supreme Court’s opinion in MedImmune represents a rejection of our reasonable apprehension of suit test.”); Teva, 482 F.3d at 1339 (“[B]ecause the Supreme Court in MedImmune cautioned that our declaratory judgment reasonable-apprehension-of-suit test “contradict[s]” and “conflicts” with its precedent, these Federal Circuit tests have been “overruled by ... an intervening ... Supreme Court decision.””).
94 Teva, 482 F.3d at 1339 (stating that it would apply the Supreme Court’s “all the circumstances” test to determine declaratory judgment jurisdiction).
95 MedImmune, 127 S.Ct. at 771 (quoting Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270, 273 (1941)).
evolve, there is a clear consensus that this post-\textit{MedImmune} standard for establishing a case or controversy is much more lenient and favorable to alleged patent infringers. Indeed, many predicted that this relaxation of the standard would lead to a significant rise in the number of declaratory relief actions filed. So far, though, these predictions have not proved accurate. Perhaps this can be explained by the fact that alleged infringers still must overcome the second jurisdictional hurdle: personal jurisdiction.

B. Personal Jurisdiction: Why Can't Alleged Infringers Sue at Home?

The primary advantage of filing a declaratory judgment action is that, as the plaintiff, the alleged infringer chooses the forum where the validity and infringement of the patent will be determined. In most instances, an alleged infringer would prefer to file a declaratory judgment action in its home state, meaning where the company's principal place of business is located. While there may be some

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96 In \textit{SanDisk}, the Federal Circuit rejected the reasonable apprehension test and held that “Article III jurisdiction may be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do.” 480 F.3d at 1381. Interestingly, the court now appears to be backtracking from this position. \textit{See Prasco}, 537 F.3d at 1336 (“\textit{P}roving a reasonable apprehension of suit is one of multiple ways that a declaratory judgment plaintiff can satisfy the more general all-the-circumstances test to establish that an action presents a justiciable Article III controversy.”).
98 \textit{See, e.g.}, 1 Eckstrom's Licensing in For. & Dom. Ops. § 8C:14 (2009) (“In a decision likely to lead to an increase in litigation, the Supreme Court in \textit{MedImmune} held that the licensee need not terminate or be in breach of its license agreement before it can seek such a declaratory judgment.”); PHILIP NELSON & PAUL CONOVER, \textit{Patent Notice Letters After the Supreme Court's MedImmune Decision: Prelude to a Deal or a License to Sue?}, 49-AUG Orange County Law. 38, 42 (2007) (“An amendment to the declaratory judgment statute by Congress or further clarification from the Supreme Court may also be needed to avoid an expensive and unnecessary increase in pre-emptive litigation that will likely result from the \textit{MedImmune} decision.”); JENNIFER L. COLLINS & MICHAEL A. CICERO, \textit{The Impact of MedImmune Upon Both Licensing & Litigation}, 89 J. Pat. & Trademark Off. Soc'y 748, 756 (2007) (“This increased likelihood of declaratory judgment actions by licensees may have a chilling effect on licensors' desire to license patents -- particularly on the licensors' desire to license future patents.”); CHARLES S. BARQUIST & JASON A. CROTTY, \textit{MedImmune v. Genentech: The Supreme Court Upends the Federal Circuit's Declaratory Judgment Jurisprudence}, \url{http://www.law.com/jsp/article.jsp?id=1169806049217} (Jan. 29, 2007) (“The decision may also increase the number of declaratory judgment actions challenging the validity of patents, particularly in areas such as biotechnology where patents may be particularly vulnerable to written description and enablement challenges….”).
100 \textit{See supra} note 13 (discussing tactical advantages of declaratory judgment actions).
101 \textit{See infra} note 270 (canvassing declaratory judgment cases to show that alleged infringers almost always sue at home).
tactical advantages to filing on one’s “home turf,” there are also less insidious reasons for choosing such a forum, such as convenience, cost, and familiarity with the court’s local rules. However, an alleged infringer may seek declaratory relief at home only if the patent holder is subject to personal jurisdiction there.

The question whether a patent holder will be subject to personal jurisdiction in the alleged infringer’s home state will depend, of course, on the facts of each case. That said, the circumstances leading to declaratory judgment actions often follow the same pattern: the patent holder identifies a potential infringer; the patent holder sends a cease-and-desist letter to the alleged infringer’s principal place of business; the alleged infringer studies the patent and believes it is invalid; the alleged infringer files a declaratory relief action in federal court in its home state; and the patent holder moves to dismiss for lack of personal jurisdiction.

Anyone with a rudimentary understanding of personal jurisdiction would probably expect such a motion to dismiss to be denied since the cause of action arose from the patent holder’s contact with the forum state (i.e., the sending of the cease-and-desist letter), and such circumstances usually support the exercise of specific jurisdiction. Yet, in a long line of cases, the Federal Circuit has held that patent holders in this situation should not be subject to personal jurisdiction. Consequently, for many alleged infringers contemplating declaratory relief, the only “choice” is to file suit in an inconvenient and potentially unfriendly forum, such as where the patent holder is incorporated or headquartered. In other words, the Federal Circuit’s rule largely eliminates the primary advantage of declaratory relief – choice of forum – which, in turn, causes alleged infringers to forego declaratory relief and allows many bad patents to go unchallenged.

If we are serious about the Declaratory Judgment Act becoming an effective weapon in the fight against bad patents, then the time has come to take a hard look at this rule. Questions concerning the legal and policy justifications for this rule are explored in detail in Parts IV and V. Before addressing them, however, the next Part provides some basic background information regarding the law of personal jurisdiction.

103 See, e.g., Asymetrix, 1995 WL 843059, at 3 (describing a typical fact pattern in a patent declaratory judgment action); SUDARSHAN, supra note 8, at 160 (“The pattern is familiar. Corporations receive a letter in the mail from a patent holding company inviting a ‘discussion’ regarding the company’s patent portfolio. The corporation allegedly infringes this portfolio, and the holding company invites it to participate in a ‘licensing program.’”).
104 See infra Part III.A. (explaining the requirements of specific jurisdiction); see also Avocent, 552 F.3d at 1333 (stating that cease-and-desist letters “might be expected to support an assertion of specific jurisdiction over the patentee because the letters are purposefully directed at the forum and the declaratory judgment action arises out of the letters”) (internal citations omitted).
105 See supra note 24 (setting forth the Federal Circuit cases establishing this rule).
III. THE FUNDAMENTALS OF PERSONAL JURISDICTION

The doctrine of personal jurisdiction, which can be traced at least as far back as the Supreme Court’s decision in *Pennoyer v. Neff*, limits a court’s ability to bind a particular defendant to the judgment of the court. Notions of due process and state sovereignty comprise the theoretical foundation for the personal jurisdiction doctrine. More specifically, the jurisdiction of courts considering state law cases is constrained by the Fourteenth Amendment, while the Fifth Amendment limits jurisdiction in patent and other federal question cases. Notwithstanding this distinction, the test for personal jurisdiction usually applies across the board – to state and federal claims alike in both state and federal courts.

*See also* PATRICK J. BORCHERS, *The Death of the Constitutional Law of Personal Jurisdiction: From Pennoyer to Burnham and Back Again*, 24 U.C. Davis L. Rev. 19, 25 (“Supreme Court intervention in state court assertions of personal jurisdiction did not, as one may sometimes gather, begin with *Pennoyer*.”).

*Pennoyer*, 95 U.S. at 733 (stating that “[s]ince the adoption of the Fourteenth Amendment ... [t]he enforcement [of judgments may be] resisted, on the ground that ... [t]he court has no jurisdiction”).


*See, e.g.*, World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 293-94 (1980). *Pennoyer*, 95 U.S. at 733. *But see* BORCHERS, supra note 106, at 25 (arguing that the Fourteenth Amendment does not limit the jurisdictional reach of state courts).

*See, e.g.*, Peay v. Bellsouth Med. Assistance Plan, 205 F.3d 1206, 1210 (10th Cir. 2000) (“More specifically, in federal question cases, personal jurisdiction flows from the Due Process Clause of the Fifth Amendment.”); Republic of Panama v. BCCI Holdings, 119 F.3d 935, 942 (11th Cir. 1997) (“It is well established that when, as here, a federal statute provides the basis for jurisdiction, the constitutional limits of due process derive from the Fifth, rather than the Fourteenth, Amendment.”); *Red Wing Shoe*, 148 F.3d at 1358 n.1 (“This court has stated that the Due Process Clause at issue for personal jurisdiction in a patent case is that of the Fifth Amendment, and not the Fourteenth.”); *Akro*, 45 F.3d at 1544 (“Because subject matter jurisdiction over Akro’s action exists by virtue of a federal question, rather than diversity of the parties, the Due Process Clause that is at issue here is the Due Process Clause of the Fifth Amendment.”) (internal quotations omitted). Most courts and commentators have assumed that the limits imposed by the Fifth Amendment with respect to personal jurisdiction are comparable to those imposed on the states by the Fourteenth Amendment. In a recent article, however, Professor Wendy Purdue critically examines that assumption and concludes that purposeful availment should not be a factor in the Fifth Amendment jurisdictional analysis, and that jurisdiction under the Fifth Amendment should be assessed based on the effects in the United States as a whole. *See* WENDY PERDUE, *Aliens, The Internet, and “Purposeful Availment”: A Reassessment of Fifth Amendment Limits on Personal Jurisdiction*, 98 NW. L. Rev. 455, 470-71 (2004).

*See* A. BENJAMIN SPENCER, *Jurisdiction to Adjudicate: A Revised Analysis*, 73 U. Chi. L. Rev. 617, 624-25 (2006) (explaining that general rule is that personal jurisdiction of a federal court is limited to that of the state court in which the federal court is located). There are some exceptions to this rule where Congress has provided for nationwide jurisdiction in certain types of cases. *See, e.g.*, Busch v. Buchman, Buchman & O’Brien Law Firm, 11 F.3d 1255, 1258 (5th Cir. 1994) (stating that nationwide jurisdiction exists when claims are brought under the federal securities laws); Ferree v. Life Ins. Co. of North Am., 2006 WL 2025012, at *9 (N.D. Ga. July 17, 2006) (stating that ERISA
The test for personal jurisdiction involves a two-step inquiry: does the forum’s long-arm statute permit service of process?; and would the exercise of jurisdiction be inconsistent with due process? Because the long-arm statutes of most states authorize the exercise of personal jurisdiction over nonresidents to the full extent permitted by due process, this two-step inquiry often folds into one: would the court offend due process by exercising personal jurisdiction over the defendant? This Article does not address any particular state’s long-arm statute, but instead focuses exclusively on the question whether the exercise of personal jurisdiction comports with due process.

In its landmark International Shoe v. Washington decision, the Supreme Court held that due process allows defendants only to be sued where they are subject to personal jurisdiction, meaning where they have meaningful “contacts, ties, or relations” with the forum state, and thus could reasonably anticipate being haled into court there. In other words, a court cannot force a defendant to defend a lawsuit in a state unless the defendant has the requisite “minimum contacts” with that state. Courts use various tests to determine whether, in a given case, there have been sufficient contacts between the defendant and the forum state.

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112 International Shoe, 326 U.S. at 319.
113 See Burnham v. Superior Court of Cal., 495 U.S. 604, 639 n.14 (1990) (White, J., concurring) (“That States are more likely to expand their jurisdiction is illustrated by the adoption by many States of long-arm statutes extending the reach of personal jurisdiction to the limits established by the Federal Constitution.”); JEFFREY A. VAN DEITTA & SHIV K. KAPOOR, Extraterritorial Personal Jurisdiction for the Twenty-First Century: A Case Study Reconceptualizing the Typical Long-Arm Statute to Codify and Refine International Shoe After Its First Sixty Years, 3 Seton Hall Circuit Rev. 339, 345 (2007) (“The trend of the states is unquestionably towards construing and/or changing the long-arm statutes to reach to the limits of due process, thus showing the desire of most states to have personal jurisdiction over nonresidents coterminous with due process.”); JEFFREY J. UTERMHOLE, Maryland’s Diminished Long-Arm Jurisdiction in the Wake of Zavian v. Foundy, 31 U. Balt. L. Rev. 1, 6-7 (2001) (“Not all long-arm statutes are created equal: the overwhelming majority of states…extend personal jurisdiction to the full extent permitted by the due process decisions of the Supreme Court.”).
114 See, e.g., Johnston v. Multidata Systems Intern. Corp., 523 F.3d 602, 609 (5th Cir. 2008) (“Because the Texas long-arm statute extends to the limits of federal due process, the two-step inquiry collapses into one federal due process analysis.”); Trintec Indus., Inc. v. Pedre Promotional Prods., Inc., 395 F.3d 1275, 1279 (Fed. Cir. 2005) (“Sometimes these two inquiries coalesce into one because the reach of the state long-arm statute is the same as the limits of the due process clause, so that the state limitation collapses into the due process requirement.”); Elicott Mach. Corp., Inc. v. John Holland Party Ltd., 995 F.2d 474, 477 (4th Cir. 1993) (“Because the Maryland legislature designed its long-arm statute to extend personal jurisdiction to the limits allowed by federal due process, our normal two-step inquiry merges into one.”).
115 326 U.S. at 319; World-Wide Volkswagen, 444 U.S. at 297.
116 International Shoe, 326 U.S. at 319.
A. General vs. Specific Jurisdiction

Personal jurisdiction is often categorized as either general jurisdiction or specific jurisdiction.\(^{117}\) The nature of conduct required to meet the “minimum contacts” requirement depends on whether plaintiff asserts a general or specific jurisdiction theory. In order to be subject to a court’s general jurisdiction, the defendant must have “continuous and systematic” contacts with the forum state.\(^{118}\) Assuming such contacts exist, courts may exercise jurisdiction over the defendant with respect to any type of lawsuit even if the action is not related to the defendant’s contacts with the forum state.\(^{119}\)

Specific jurisdiction, on the other hand, requires less pervasive contacts between defendant and the forum state. But under this doctrine, courts are only permitted to exercise jurisdiction over a defendant if the lawsuit arises out of or is related to the defendant’s contacts with the forum.\(^{120}\) In this situation, the “‘relationship among the defendant, the forum, and the litigation,’ is the essential foundation of in personam jurisdiction.”\(^{121}\)

In assessing whether this relationship among the defendant, the forum, and the litigation supports the exercise of specific jurisdiction, courts consider whether the defendant “purposely avail[ed] itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.”\(^{122}\) This purposeful availment requirement ensures that parties will not have to defend against lawsuits

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117 See, e.g., Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408, 414-15 (1984). This personal jurisdiction framework was first proposed in a 1966 article published in the Harvard Law Review. Arthur T. von Mehren & Donald T. Trautman, Jurisdiction to Adjudicate: A Suggested Analysis, 79 Harv. L. Rev. 1121 (1966). In that article, Professors von Mehren and Trautman coined the term “specific jurisdiction” to refer to “the power to adjudicate with respect to issues deriving from, or connected with, the very controversy that establishes jurisdiction to adjudicate,” while they called the “exercise [of] power to adjudicate any kind of controversy when jurisdiction is based on relationships, direct or indirect, between the forum and the person or persons whose legal rights are to be affected… general jurisdiction.” Id. at 1136. A more recent proposal is that general and specific jurisdiction can be distinguished by “whether the relationship of defendant’s contacts to the dispute impacts the court’s analysis of the requisite constitutional connection for jurisdiction.” Charles W. “Rocky” Rhodes, Clarifying General Jurisdiction, 34 Seton Hall L. Rev. 807, 819 (2004) [hereinafter Rhodes, Clarifying General Jurisdiction]. Others argue that there are not actually separate categories of jurisdiction, but that general and specific jurisdiction represent two ends of a continuous spectrum. See William Richman, A Sliding Scale to Supplement the Distinction Between General and Specific Jurisdiction, 72 Cal. L. Rev. 1328, 1345 (1984).

118 Helicopteros, 466 U.S. at 414-15.

119 Id.

120 Id. at 414 n.8. While the Supreme Court has been clear that specific jurisdiction confers narrower jurisdictional power than general jurisdiction, because it has failed to define specific personal jurisdiction precisely, there is significant inconsistency among lower courts regarding the scope of the specific jurisdiction doctrine. See Linda Sandstrom Simard, Exploring the Limits of Specific Personal Jurisdiction, 62 Ohio St. L.J. 1619, 1620-21 (2001).

121 Helicopteros, 466 U.S. at 414 (quoting Shaffer, 433 U.S. at 204).

in different states based solely on random, fortuitous, or attenuated contacts, or based on the unilateral activity of a third party.\textsuperscript{123} Yet even a single contact may be sufficient for specific jurisdiction if it is directly and substantially related to the plaintiff’s claims.\textsuperscript{124}

Due process also mandates that the exercise of specific jurisdiction be fair and reasonable, meaning that it must comport with traditional notions of fair play and substantial justice.\textsuperscript{125} Various factors are considered in this “fairness” analysis, including (i) the burden on the defendant, (ii) the interests of the forum state, (iii) the plaintiff’s interest in obtaining relief, (iv) the interstate judicial system’s interest in obtaining the most efficient resolution of controversies, and (v) the states’ shared interest in furthering fundamental substantive social policies.\textsuperscript{126} This list is not exhaustive, however, and the ultimate decision as to whether specific jurisdiction lies is based on the totality of


\textsuperscript{124} Mcghee, 355 U.S. at 220.

\textsuperscript{125} Asahi Metal Industry Co., Ltd. v. Superior Court of Cal., 480 U.S. 102, 103 (1987). There is also disagreement about whether the fairness factors apply to general jurisdiction as well. See Metropolitan Life Ins. Co. v. Robertson-Ceco, 84 F.3d 560, 573 (2d Cir. 1996) (“[E]very circuit that has considered the question has held, implicitly or explicitly, that the reasonableness inquiry is applicable to all questions of personal jurisdiction, general or specific.”) (emphasis in original); Rhodes, Clarifying General Jurisdiction, supra note 117, at 899-900 (arguing that the fairness factors “should be incorporated into the general jurisdiction calculus”). But see Metropolitan Life, 84 F.3d at 576 (Walker, J., dissenting) (“The majority’s adoption of a bifurcated personal jurisdiction test, which extends to the general jurisdiction context the Supreme Court’s holdings in the specific jurisdiction cases of World-Wide Volkswagen and Asahi, erodes the doctrinal foundation established in International Shoe.”) (internal citations omitted); Pierre Pierrot, General Jurisdiction Over Foreign Corporations: All That Glitters Is Not Gold Issue Mining, 14 Rev. Litig. 741, 777 (1995) (arguing that “the inquiry whether a foreign corporation is amenable to general jurisdiction should begin and end with continuous and systematic contacts analysis, and the Volkswagen fair and reasonable factors should play no role.”); Jim Pielmeier, Email to Civ Pro Listserv, Nov. 2, 2008 (on file with author) (“I know several courts have considered the five factors in general jurisdiction cases. In my view, however, this is flat out inappropriate.”); John B. Oakley, Email to Civ Pro Listserv Nov. 4, 2008 (on file with author) (“I view the application of reasonableness/fairness analysis by some courts of appeals to ostensible instances of what would otherwise be ‘general jurisdiction’ to manifest either deep confusion about the concept of general jurisdiction, or uncertainty about the extent of the Supreme Court’s endorsement of that concept.”).

\textsuperscript{126} Asahi, 480 U.S. at 113.
the circumstances.\textsuperscript{127} That said, assuming plaintiff establishes that defendant has the requisite minimum contacts with the forum state, defendant would have to make a “compelling case” to defeat jurisdiction on fairness grounds.\textsuperscript{128}

\textbf{B. Stream of Commerce Theory of Personal Jurisdiction}

An alternative basis for personal jurisdiction is the stream of commerce theory whereby a forum state may assert jurisdiction over an entity that “delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum State.”\textsuperscript{129} While the parameters of the stream of commerce doctrine have not been well defined by the Supreme Court,\textsuperscript{130} most lower courts have adopted some permutation of this test for personal jurisdiction.\textsuperscript{131} Thus, corporate defendants, many of whom distribute goods on a national (if not international) scale, are often subject to jurisdiction in states where they have no physical presence or significant operations under this stream of commerce theory of jurisdiction.\textsuperscript{132}

\textbf{C. The “Effects Test” Theory of Personal Jurisdiction}

The “effects” test theory of personal jurisdiction, as the name suggests, focuses on the effects of a defendant’s intentional conduct toward a particular plaintiff in the plaintiff’s home state.\textsuperscript{133} The Supreme

\begin{footnotesize}
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\item \textsuperscript{127} \textit{World-Wide Volkswagen}, 444 U.S. at 292.
\item \textsuperscript{128} \textit{Burger King}, 471 U.S. at 477.
\item \textsuperscript{129} \textit{World-Wide Volkswagen}, 444 U.S. at 298.
\item \textsuperscript{130} \textit{Asahi}, 480 U.S. at 113. In \textit{Asahi}, a majority of the justices could not agree as to the requirements for personal jurisdiction under a stream of commerce theory. One opinion, authored by Justice O’Connor, found that “[t]he placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum State,” and that the requisite something “more” might be marketing, advertising, service, or design done with the forum in mind. Id. at 112. Justice Brennan opined, by contrast, that placing a product in the stream of commerce with an awareness “that the final product is being marketed in the forum State” is all that is necessary to subject a defendant to jurisdiction. Id. at 117.
\item \textsuperscript{131} Compare Dehmlow v. Austin Fireworks, 963 F.2d 941, 947 (7th Cir. 1992) (adopting Justice Brennan’s stream of commerce test), Barone v. Rich Brothers Interstate Display Fireworks Co., 25 F.3d 610, 613-15 (8th Cir. 1994) (accord), \textit{with} Bridgeport Music, Inc. v. Still N The Water Publ’g, 327 F.3d 472, 479-80 (6th Cir. 2003) (adopting Justice O’Connor’s stream of commerce plus test); Lesnick v. Hollingsworth & Vose Co., 35 F.3d 939, 945-46 (4th Cir. 1994) (accord); Boit v. Gar-Tec Prods., Inc., 967 F.2d 671, 683 (1st Cir. 1992) (accord). Other courts have refused to adopt either test, and instead continue to analyze stream of commerce questions under \textit{World-Wide Volkswagen}. \textit{See, e.g.}, Irving v. Owens-Corning Fiberglas Corp., 864 F.2d 383, 386 (5th Cir. 1989) (“Because the [Supreme] Court’s splintered view of minimum contacts in \textit{Asahi} provides no clear guidance on this issue, we continue to gauge contacts with Texas by the stream of commerce standard as described in \textit{World-Wide Volkswagen} and embraced in this circuit.”); Pennzoil Prods. Co. v. Colelli & Assoc., Inc., 149 F.3d 197, 205 (3d Cir. 1998) (stating that most circuit courts have “avoided choosing one position over the other” and instead decided cases based on the facts).
\item \textsuperscript{132} \textit{World-Wide Volkswagen}, 444 U.S. at 294 (“As technological progress has increased the flow of commerce between the States, the need for jurisdiction over nonresidents has undergone a similar increase.”).
\end{itemize}
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Court first proposed this test in *Calder v. Jones*, a case in which Shirley Jones, a well-known entertainer, brought a defamation action in California state court against the Florida-based *National Enquirer*, the editor of the magazine, and the author of the allegedly defamatory article.\(^{134}\) Although there was no dispute about the magazine being subject to jurisdiction in California, the individual defendants, both of whom were Florida residents with no relevant contacts in California, moved to dismiss for lack of personal jurisdiction.\(^{135}\)

The Supreme Court held that California could exercise jurisdiction over the individual defendants because the defendants expressly aimed their actions at California, and they knew the article would have a potentially devastating impact on Ms. Jones who lived in California.\(^{136}\) Under these circumstances, “[a]n individual injured in California need not go to Florida to seek redress from persons who, though remaining in Florida, knowingly cause injury in California….”\(^{137}\) In other words, defendants should reasonably anticipate being haled into court in states where they intentionally cause injury.\(^{138}\)

These basic tenets of personal jurisdiction generally apply to cases across the board, including in patent litigation.\(^{139}\) Sometimes, though, conduct that amounts to purposeful contact sufficient for jurisdiction in one context may fall short in another. Thus, questions about what happens when these general principles of personal jurisdiction are applied to patent cases are taken up in Part IV.

**IV. Personal Jurisdiction in Patent Cases**

In both Standard Patent Infringement Suits and Patent Declaratory Relief Actions, the defendant must, of course, be subject to personal jurisdiction in the state where the lawsuit has been filed.\(^{140}\)

\(^{134}\) *Id.* at 784-85.
\(^{135}\) *Id.* at 784-86.
\(^{136}\) *Id.* at 791.
\(^{137}\) *Id.* at 789-90.
\(^{138}\) *Id.*

\(^{139}\) *See* Richard K. Greenstein, *The Nature of Legal Argument: The Personal Jurisdiction Paradigm*, 38 Hastings L.J. 855, 856 (1987) (“The doctrine of personal jurisdiction, as historically articulated by the Supreme Court, is consistent and coherent -- although it may not yield a single test that will determine the answer to jurisdictional questions in all cases, it defines the constitutional dimensions of jurisdiction over persons as comprising a group of specific, intertwined, but irreconcilable themes and attendant principles.”).

\(^{140}\) *See supra* note 76 (discussing the personal jurisdiction requirement in patent cases).

In addition, the lawsuit must be filed in the proper venue as discussed *infra* Part IV.A. In patent cases, Federal Circuit law governs substantive patent law issues, while the law of the regional circuits generally applies to procedural questions. GFI, Inc. v. Franklin Corp., 265 F.3d 1268, 1272 (Fed. Cir. 2001). The Federal Circuit has fashioned an exception, however, when the procedural question is “intimately involved in the substance of enforcement of the patent right.” *Id.* Because the Federal Circuit has determined that questions of personal jurisdiction fall within these parameters, its law is controlling. *See* Silent Drive, Inc. v. Strong Indus., Inc., 326 F.3d 1194, 1201 (Fed. Cir. 2003). One recent article argues that the Federal Circuit should abandon this choice-of-law framework and instead adopt a rule where the law of the Federal Circuit is always
Defendants in patent cases may be subject to personal jurisdiction under a general jurisdiction theory if the defendant has continuous and systematic contacts with the forum state. More often, however, the assertion of personal jurisdiction in Standard Patent Infringement Suits and Patent Declaratory Relief Actions is grounded on a theory of specific jurisdiction, so the remainder of the discussion in this Part focuses on that jurisdictional theory.

The test for specific personal jurisdiction in both Standard Patent Infringement Suits and Patent Declaratory Relief Actions is identical: (i) whether the defendant purposefully directed its activities at residents of the forum; (ii) whether the claim arises out of or relates to the defendant’s activities within the forum; and (iii) whether the assertion of personal jurisdiction is reasonable and fair. Assuming the first two requirements – which I will refer to as the “contacts portion” of the test – are satisfied, a defendant may only challenge jurisdiction based on the “fairness factor” if he can make a compelling case that some other consideration would render the exercise of jurisdiction unreasonable. In other words, “such defeats of otherwise constitutional personal jurisdiction ‘are limited to the rare situation in which the plaintiff’s interest and the state’s interest in adjudicating the dispute in the forum are so attenuated that they are clearly outweighed by the burden of subjecting the defendant to litigation within the forum.’”


*See, e.g., Avocent, 552 F.3d at 1331-32 (“[I]n the context of patent infringement litigation….an assertion of general jurisdiction requires that the defendant have continuous and systematic contacts with the forum state…..”) (internal quotations omitted); Alien Technology Corp. v. Intermec, Inc., 2007 WL 63989, at *7 (D.N.D. Jan. 4, 2007) (holding that patent owner sued by alleged infringer for declaratory relief is subject to general jurisdiction in North Dakota based on continuous and systematic contacts).*

*In patent cases, plaintiffs sometimes rely on the stream of commerce or effects test theories of personal jurisdiction to prove purposeful availment. *See, e.g., Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1568 (Fed. Cir. 1994)) (applying stream of commerce theory to hold that defendant was subject to personal jurisdiction in Virginia); Northbrook Digital LLC v. Vendio Servs., Inc., 2008 WL 2390740, at *10-11 (D. Minn. Apr. 4, 2008) (noting that the Federal circuit sometimes uses the effects test in patent declaratory judgment actions); Kowalski v. Integral Seafood LLC. 2006 WL 3313815, *3 (D. Hawaii 2006) (“[T]he relevant question is whether the knowing infringement of a foreign patent constitutes ‘individualized targeting’ or is merely a ‘foreseeable effect’ of the infringer’s actions.”); *see also Steven M. Reiss, Applying the Effects Test Theory of Personal Jurisdiction in Patent Infringement Actions, 23 AIPLA Q.J. 99, 104 (1995) (arguing that the effects test should apply to patent infringement actions when the defendant is alleged to be an intentional infringer).*


*Akro*, 45 F.3d at 1549 (citing *Burger King*, 471 U.S. at 477); *see also Dole Food Co. v. Watts, 303 F.3d 1104, 1117 (9th Cir. 2002) (“A number of our cases emphasize the heavy burden on both domestic and foreign defendants in proving a ‘compelling case’ of unreasonableness to defeat jurisdiction.”).

*Akro*, 45 F.3d at 1549 (quoting *Beverly Hills Fan*, 21 F.3d at 1568).
Despite that the same jurisdictional test is used in both Standard Patent Infringement Suits and Patent Declaratory Relief Actions, when applied, the results are quite different. As discussed in the following subsections, patent holders tend to have a much easier time proving defendants are subject to personal jurisdiction in Standard Patent Infringement Suits than alleged infringers do in Patent Declaratory Relief Actions.

A. Jurisdiction in Patent Infringement Suits: “Anything Goes”

Patent holders generally may file infringement suits in any federal district court where the personal jurisdiction and venue requirements are satisfied. While these technically are separate requirements, the patent venue statute provides that “[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides…,” and a corporation “resides” in any judicial district where personal jurisdiction is proper. Thus, in the usual patent case where the alleged infringer is a corporation, the venue and personal jurisdiction inquiries collapse into a single determination.

Applying the three-part specific jurisdiction test, this means that alleged infringers – most of whom are corporations that engage in interstate and international commerce – frequently are subject to jurisdiction in practically any federal court in the country because: (i) the alleged infringer purposefully directs its activities at residents of the forum state by selling or offering to sell the accused product there; (ii) the claim – patent infringement – arises out of or relates to the defendant’s activities within the forum; and (iii) the assertion of personal jurisdiction is reasonable and fair. Consequently, as Judge Moore has explained, “anything goes” for personal jurisdiction in patent

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146 MOORE, Forum Shopping in Patent Cases, supra note 13, at 895.
147 Id.
148 28 U.S.C. § 1391(c) (1948) (“[A] defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.”); VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1584 (Fed. Cir. 1990) (holding that defendant corporation resides in district where it was subject to jurisdiction at time patent infringement action was filed).
149 See MOORE, Forum Shopping in Patent Cases, supra note 13, at 895.
150 The alleged infringer might purposefully avail itself by selling its products directly in the forum or indirectly under the stream of commerce theory.
151 Avocent, 552 F.3d at 1332 (explaining that specific jurisdiction is “easily discerned” in Standard Patent Infringement suits because “the claim both ‘arises out of’ and ‘relates to’ the defendant’s alleged manufacturing, using, or selling of the claimed invention”); see also MOORE, Forum Shopping in Patent Cases, supra note 13, at 895 (“Personal jurisdiction requirements are usually met if the defendant sells, offers to sell, or licenses others to sell products to residents of the forum. Hence, any company that operates in national commerce is likely subject to personal jurisdiction in many possible districts.”); R. SCOTT WEIDE, Patent Enforcement Deterrence: Liberal Assertions of Personal Jurisdiction in Declaratory Judgment Actions, 65 UMKC L. Rev. 177, 179 (1996) (“More often than not, a defendant has its principle place of business in one jurisdiction, but ships, sells and/or manufactures goods in a number of other jurisdictions. The patentee is likely to be able to establish personal jurisdiction over the alleged infringer in any or all of these jurisdictions.”).
infringement cases, which means that patent holders often have the freedom to select from several convenient and friendly forums.\textsuperscript{152}

This expansive choice-of-forum right bestows on patent holders certain benefits in infringement litigation.\textsuperscript{153} It permits patent holders to select a convenient forum, which usually means filing the lawsuit in the plaintiff’s home state.\textsuperscript{154} It also enables patent holders to file suit in courts that, for one reason or another, are considered “friendly” to patentees.\textsuperscript{155} In short, patent holders get to forum shop; and putting aside whether forum shopping is essentially good or bad for our litigation system,\textsuperscript{156} there is no question that choice of forum is a significant advantage for plaintiffs. As explored below, however, the Federal Circuit has deprived many alleged infringers of this advantage with its misguided rule regarding personal jurisdiction in Patent Declaratory Relief Actions.

\textbf{B. Jurisdiction in Declaratory Relief Actions}

The same three-part test for specific jurisdiction that applies in Standard Patent Infringement Suits applies in Patent Declaratory Relief Actions as well. Yet the jurisdictional analysis used in these two types of cases diverges due to the nature of the legal claim involved. Unlike Standard Patent Infringement Suits, the claim in a Patent Declaratory Relief Action does not relate to infringement, but concerns the “wrongful restraint by the patentee on the free exploitation of non-infringing goods…[such as] the threat of an infringement suit.”\textsuperscript{157} Simply put, “the nature of the claim in a declaratory judgment action is ‘to clear the air of infringement charges.’”\textsuperscript{158}

Thus, in analyzing specific jurisdiction in Patent Declaratory Relief Actions, the manufacture, use, or sale of the allegedly infringing product in the forum is irrelevant since that conduct has no relationship with the claim. The pertinent inquiry instead is whether the defendant

\textsuperscript{152} MOORE, \textit{Forum Shopping in Patent Cases}, supra note 13, at 894.
\textsuperscript{153} SEINFELD, \textit{supra} note 102, at 138 ("The literature on forum choice strongly suggests that attorneys seriously consider the advantage of litigating on familiar procedural turf and that the commonality of procedural rules across the federal system supplies a meaningful benefit to attorneys called upon to litigate in different courts across the country.").
\textsuperscript{154} WEIDE, \textit{supra} note 151, at 179.
\textsuperscript{155} Courts may be considered friendly to patentees for a variety of reasons, including because cases move to trial quickly, juries tend to grant large damage awards, or the court is unlikely to grant summary judgment. \textit{See} MOORE, \textit{Forum Shopping in Patent Cases}, \textit{supra} note 13, at 895.
\textsuperscript{156} Compare KIMBERLY JADE NORWOOD, \textit{Shopping for a Venue: The Need for More Limits on Choice}, 50 U. Miami L. Rev. 267, 329-30 (1996) (arguing that forum shopping is a sanctionable offense), with DEBRA LYN BASSETT, \textit{The Forum Game}, 84 N.C. L. Rev. 333, 333 (2006) ("Forum shopping is not a form of ‘cheating’ by those who refuse to play by the rules. Playing by the rules includes the ability of plaintiff’s counsel to select - and the ability of defendant’s counsel to attempt to counter -- the set of rules by which the litigation ‘game’ will be played.").
\textsuperscript{157} Avocent, 552 F.3d at 1332.
\textsuperscript{158} \textit{Id.} (quoting \textit{Red Wing Shoe}, 148 F.3d at 1360).
patent owner has engaged in enforcement activities with respect to the patent(s) in suit, whether those activities have been purposefully directed at residents of the forum, and the extent to which the claim for declaratory relief “arises out of” or is “related to” those activities.\textsuperscript{159}

This naturally begs the question of what is meant by “enforcement activities.” Consider a hypothetical case in which the patent holder (a resident of State X) filed an infringement suit in State Y against the alleged infringer (a resident of State Y) regarding U.S. Patent No. 1,234,567 (“the ‘567 patent”). Assume the alleged infringer was served with the complaint, but the patent holder voluntarily dismissed the suit without prejudice before the defendant answered. Based on the allegations of the complaint, the defendant knows the patent holder believes it is infringing and defendant is concerned the patent holder will sue it again in the future. Under these circumstances, the alleged infringer could sue for declaratory relief in State Y because the patent holder engaged in enforcement activities regarding the ‘567 patent (i.e., filing the prior lawsuit), those activities were directed at a resident of State Y, and the claim for declaratory relief “arises out of” or is “related to” those activities.

But in the usual circumstances, patent holders want to avoid litigation by resolving potential infringement disputes out of court. It is therefore “standard operating procedure” for patentees who believe that their patents are being infringed to send a cease-and-desist letter to the alleged infringer.\textsuperscript{160} Traditionally, these letters would describe the relevant patent(s), accuse the recipient of infringement, and threaten a lawsuit (either explicitly or implicitly) if the allegedly infringing activity did not stop.

In recent years, though, many patent holders (non-practicing entities in particular) have been using cease-and-desist letters to coerce alleged infringers into license agreements rather than to inform others of their patent rights or urge the cessation of allegedly infringing activity.\textsuperscript{161} Unlike typical patent owners who are concerned with market exclusivity, non-practicing entities “obtain patents, not to make, use, or sell new products, but solely to force third parties to purchase licenses.”\textsuperscript{162} In order for such a business model to succeed, these patentees often send out hundreds of cease-and-desist letters in hopes that at least a few of the

\textsuperscript{159} Id. at 1332-33.

\textsuperscript{160} WEIDE, supra note 151, at 179.

\textsuperscript{161} See, e.g., Open LCR.com, Inc. v. Rates Tech., Inc., 112 F.Supp.2d 1223, 1228 (D. Colo. 2000) (stating that the patent holder “was more interested in negotiating a license agreement than enforcing its patent rights”); SUDARSHAN, supra note 8, at 160 (describing how patent holders “contact dozens of potential defendants...offering preferable licensing fees to companies who settle early”).

\textsuperscript{162} JEREMIAH CHAN & MATHEW FAWCETT, Footsteps of the Patent Troll, 10 Intell. Prop. L. Bul. 1, 1 (Fall 2005); see also JASON RANTANEN, Slaying the Troll: Litigation as an Effective Strategy Against Patent Threats, 23 Santa Clara Comp. & High Tech. L.J. 159, 164 (2006) (“[A] patent troll acquires patents for the sole purpose of using them to obtain a revenue stream from a firm that engages in activities arguably falling within the scope of the patent.”).
recipients will acquiesce to their demands and take a license agreement in order to avert litigation.\textsuperscript{163} Patent holders are willing to engage in this practice of indiscriminately issuing licensing letters because they know that such conduct – even mailing hundreds of letters to the same forum – will not subject them to jurisdiction there.\textsuperscript{164}

While this practice of sending out cease-and-desist letters to force alleged infringers into licensing agreements has grown recently, the question whether it would offend due process to exercise jurisdiction based exclusively on a cease-and-desist letter is not new.\textsuperscript{165} For years before the Federal Circuit even existed,\textsuperscript{166} district judges grappled with this question and, not surprisingly, often disagreed on the answer.

1. Early Cases

Since Congress passed the first Patent Act in 1790, the strength of the patent right in this country has ebbed and flowed over time.\textsuperscript{167} The 1970s, for example, marked a period of weak patent enforcement where courts commonly held patents invalid thereby precluding recovery for infringement.\textsuperscript{168} Perhaps in times like these – when patent protection is weak – alleged infringers file more patent declaratory relief actions because their chances of success are significantly higher.\textsuperscript{169} This, in turn, might explain why in the 1970s we see for the first time several reported decisions in patent declaratory judgment cases addressing the question whether cease-and-desist letters can give rise to personal jurisdiction.


\textsuperscript{164} Id.

\textsuperscript{165} See infra Part IV.B.1. (canvassing early cases that addressed this jurisdictional question).


\textsuperscript{168} BARTON, supra note 167, at 449; SEAN M. MCEDOWNEY, New Insights on the “Death” of Obviousness: An Empirical Study of District Court Obviousness Opinions, 2006 Stan. Tech. L. Rev. 4, ¶ 35 (2006) (finding that district courts were less likely to hold a patent invalid as obvious during a five-year period in the 1990s than during a five-year period in the 1970s); JOHN R. ALLISON & MARK A. LEMLEY, Empirical Evidence on the Validity of Litigated Patents, 26 AIPLA Q.J. 185, 206 (1998) (reporting that only about 35% of litigated patents were held valid in the 1970s); ROBERT P. MERGES, Commercial Success & Patent Standards: Economic Perspectives on Innovation, 76 Cal. L. Rev. 805, 821 (1988) (same).

\textsuperscript{169} ALLISON & LEMLEY, supra note 168, at 206 (reporting that in the 1970s only about 35% of litigated patents were held valid, while in the 1990s the figure increased to about 65%).
a. **Chromium Line of Cases**

These early cases evolved along two contrary lines. The first line of cases, beginning with *Chromium Industries v. Mirror Publishing & Plating Company*,\(^{170}\) holds that the exercise of personal jurisdiction over patent owners in states where cease-and-desist letters are received comports with due process.\(^{171}\) These district courts reasoned that the contacts portion of the specific jurisdiction test was satisfied either because the cause of action arose from the patent holder’s contact with the forum state (i.e., sending the cease-and-desist letter),\(^{172}\) or because of the “effects” the patent holder’s conduct had on the plaintiff in the forum state.\(^{173}\)

Having determined that defendants had purposefully availed themselves of the forum state, these district courts then considered whether they should refuse to exercise jurisdiction on fairness grounds:

\[\text{[T]his court finds that [defendant] has purposefully directed acts at a forum resident with the intent of having an effect in}\]


\(^{171}\) Id. (“This court has in personam jurisdiction over the defendant…by reason of defendant’s notification to the plaintiff of infringement of the Letendre Patent No. 3,341,348 in this jurisdiction, and defendant’s threats to proceed with ‘coercive litigation’ in the event that the plaintiff refused to comply with the notification.”); see also *Asymetrix*, 1995 WL 843059, at *3 (W.D. (“District courts in this circuit, when confronted with similar facts to those here, i.e., when defendant’s contacts with the forum state have been limited to sending letters charging patent infringement and threatening litigation, have uniformly held that the exercise of personal jurisdiction over the defendants is proper.”)); Burbank Aeronautical Corp. II v. Aeronautical Development Corp., Ltd., 1990 WL 261395, *1 (C.D. Cal. 1990) (holding that the exercise of jurisdiction over defendant that sent cease-and-desist letters to California comported with due process); Velcro Group Corp. v. Billarant, 692 F.Supp. 1443, 1448 (D.N.H. 1988) (holding that plaintiff “VELCRO has made a prima facie showing that defendants, by warning VELCRO and its customers…that fastening tapes sold by VELCRO infringe then ‘921 patent, purposefully directed its activities at VELCRO, a New Hampshire corporation”); Concord Labs, Inc. v. Ballard Med. Prods., 701 F. Supp. 272, 276 (D.N.H. 1988) (holding that defendant was subject to personal jurisdiction in New Hampshire because it sent letters charging patent infringement and threatening enforcement to plaintiff in that state); Dolco Packaging Corp. v. Creative Industries, Inc., 1986 WL 84366, *2 (C.D. Cal. 1986) (“The gravamen of Dolco’s claim for declaratory relief is the sending into California by Creative of a letter threatening Dolco with litigation for patent infringement and thus posing a threat to Dolco’s activities and sales in California. This forum related activity is sufficient to satisfy due process requirements for the exercise of ‘limited’ personal jurisdiction….”); Chamfer Eng’g, Inc. v. Tapco Int’l, Inc., 82 F.R.D. 33 (D. Minn. 1979) (“The sending of such a letter into Minnesota is sufficient to satisfy due process and establish jurisdiction over the sender.”).

\(^{172}\) See, e.g., *Burbank*, 1990 WL 261395, at *2 (“This complaint appears to have been filed as a direct result of the letters sent by defendants to plaintiff. Therefore, this claim is the result of defendants’ patent-protecting activities, which were directed to California residents.”).

\(^{173}\) See, e.g., *Concord*, 701 F. Supp. at 276 (“Since the brunt of the harm would be felt in New Hampshire at the plaintiff’s principal place of business, jurisdiction is proper in New Hampshire based on the effects of the defendants out-of-state-conduct.”); Velcro, 692 F. Supp. at 1448 (“[J]urisdiction is proper in New Hampshire because the ‘effects’ of defendants’ out-of-state conduct make it reasonable and fair to require them to conduct their defense in New Hampshire.”); *Dolco*, 1986 WL 84366, at *2 (“[T]his Court finds that Creative has purposefully directed acts at the forum resident with the intent of having an effect in California and thereby purposefully availed itself of the privilege of conducting activities in this forum.”).
[the forum state] and thereby purposefully availed itself of the privilege of conducting activities in this forum. As a result…, there is a presumption of reasonableness in the exercise of jurisdiction…. [and] [d]efendant has not satisfied its burden of overcoming that presumption by presenting a compelling case that jurisdiction would be unreasonable.”

Thus, the courts in the Chromium line of cases concluded that exercising jurisdiction based on cease-and-desist letters comports with due process.

b. **Conwed Line of Cases**

The courts in the second line of cases, including *Conwed Corporation v. Nortene, S.A.*, considered the same jurisdictional question, but reached the opposite conclusion: that jurisdiction based exclusively on a threatening letter would violate due process. Notably, though, the rationale used by the Conwed courts varied.

Some of these courts held that it was the contacts portion of the specific jurisdiction test that was not satisfied because the cause of action did not arise out of the defendant’s activities in the forum state. In so holding, these courts assumed that defendant’s contact was the letter and that the cause of action was patent infringement, and then concluded that there was no specific jurisdiction because the letter did not cause the alleged patent infringement. This view never gained much traction, however, as will be discussed further in the next section.

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174 *Dolco*, 1986 WL 84366, at *2 (emphasis added); see also *Asymetrix*, 1995 WL 843059, at *3 (“[T]here is a presumption here that the exercise of jurisdiction is reasonable because the plaintiff has shown that [defendant] purposefully directed its threatening telephone calls and other communications to the plaintiff in the forum state. Defendant has failed to overcome this presumption by presenting a compelling case that jurisdiction would be unreasonable. Therefore, the court denies the defendant’s motion to dismiss for lack of jurisdiction.”); *Burbank*, 1990 WL 261395, at *3 (“[T]here is a presumption of reasonableness because it is not disputed that defendants purposefully directed the letters threatening suit to California residents. Defendants have not presented a compelling reason why jurisdiction would be unreasonable….Therefore, the Court finds that jurisdiction over defendants would not be unreasonable under the circumstances.”).


177 As the *Ryobi* court explained:

[T]his declaratory judgment action did not arise out of [defendant]’s mailing a letter to [plaintiff] concerning the design of one of their products. The letter did not cause any alleged patent infringement. The essential transaction here is the granting of a patent in Washington, D.C. and [plaintiff]’s subsequent manufacture of an allegedly infringing product. The letter did not create any cause of action on [plaintiff]’s part.
The other decisions in the *Conwed* group of cases presumed that defendant’s contacts with the forum state were sufficient, but held that there was no personal jurisdiction on fairness grounds. According to these courts, exercising jurisdiction based on cease-and-desist letters would be unconstitutionally unfair because it would discourage the settlement of lawsuits, and because “such a rule would unjustifiably treat the victim as the wrongdoer.” Ultimately, it was this latter line of reasoning that the Federal Circuit adopted and that continues to control today.


179 *Conwed*, 404 F.Supp. at 506 n.8. The *Conwed* court’s rationale, as set forth below, was cited and followed by the *Rheodyne, Harley-Davidson*, and *Classic Golf* courts:

It is not the rule, nor has it ever been the rule so far as this Court is aware, that a plaintiff cannot demand recourse from a wrongdoer without submitting to the jurisdiction of the wrongdoer’s forum. Such a rule would leave the victim only three options: he could forego his rights entirely; he could attempt to settle the dispute without litigation, but at the price of submitting to the jurisdiction of a distant forum; or he could sue without any warning – the blitzkrieg nature of the attack being necessary to avoid vulnerability to foreign jurisdiction.

A rule foreclosing options in this manner would be improper for two reasons. First, it would positively discourage the settlement of disputes, in direct conflict with other rules of law. As noted earlier in this opinion, settlement conferences are protected and encouraged. Since such conferences cannot take place unless some kind of demand has been made by the potential plaintiff, the initial demand must also be protected and even encouraged.

Second, such a rule would unjustifiably treat the victim as the wrongdoer. It is undoubtedly true that some threats of infringement action are made in bad faith for the purpose of engaging in unfair competition. But to base a generally applicable jurisdictional rule on this occasional practice would be extreme.... It would offend traditional notions of substantial justice and fair play to hold that the written notice of infringement necessary to commence the running of damages submits the patentee to the foreign jurisdiction of the infringer.

180 *Red Wing Shoe*, 148 F.3d at 1360-61 (holding that permitting jurisdiction to be grounded on cease-and-desist letters alone “would not comport with principles of fairness”).
2. Federal Circuit Cases

In the late 1970s, federal courts were sharply divided on many important patent law issues. Congress responded in 1982 by creating the Federal Circuit to bring uniformity and consistency to our patent system.\(^{181}\) As discussed above, one such point of division among the courts related to this question whether cease-and-desist letters alone could create personal jurisdiction. So, it is not surprising that the Federal Circuit eventually was called upon to resolve this split.

a. **Akro v. Luker**

In *Akro Corporation v. Luker*,\(^ {182}\) plaintiff Akro Corporation (“Akro”) filed a declaratory judgment action in its home state of Ohio seeking a declaration that U.S. Patent No. 4,871,602 (“the ‘602 patent”) was invalid and not infringed.\(^ {183}\) The ‘602 patent was owned by defendant Ken Luker, a California resident. Before Akro filed the action, Luker had (i) sent several cease-and-desist letters to Akro in Ohio, and (ii) entered into an exclusive license agreement regarding the ‘602 patent with Akro’s primary competitor in Ohio.\(^ {184}\)

Luker moved to dismiss for lack of personal jurisdiction on the grounds that he had never been to Ohio.\(^ {185}\) Luker argued, *inter alia*, that “warning letters from…an out-of-state patentee cannot, without more, support personal jurisdiction in an action for a declaratory judgment of patent invalidity and non-infringement.”\(^ {186}\) In other words, Luker advanced the position taken by the courts in the *Conwed* line of cases.

In response to this argument, the Federal Circuit noted that while Luker had accurately described the holding in the *Conwed* line of cases, they were inapposite.\(^ {187}\) Specifically, the court explained, defendant had contacts with the forum state other than the cease-and-desist letter: an exclusive licensing agreement with one of plaintiff’s local competitors.\(^ {188}\)

\(^{182}\) 45 F.3d 1541 (Fed. Cir. 1995).
\(^{183}\) *Id.* at 1542.
\(^{184}\) *Id.* at 1542-43.
\(^{185}\) *Id.* at 1542.
\(^{186}\) *Id.* at 1548.
\(^{187}\) *Id.* at 1548-49.
\(^{188}\) The court said:

The cases Luker cites on this particular point, however accurately described, are simply inapposite. The case at bar involved an additional activity aimed at the forum state – namely, the patentee’s exclusive licensing of one of the accused infringer’s competitors within the forum state. Luker’s exclusive license agreement with Akro’s local competitor Pretty Products undoubtedly relates to Akro’s challenge to the validity and enforceability of the ‘602 patent.

*Id.*
Thus, the Akro court neither accepted nor rejected the Conwed line of reasoning, but left that question to be decided at a later time.

b. Genetic Implant v. Core-Vent

About two years after Akro, the Federal Circuit revisited the question of personal jurisdiction in patent declaratory relief actions in Genetic Implant Systems, Inc. v. Core-Vent Corporation.189 There, as in Akro, the court concluded there were sufficient contacts with the forum state for jurisdiction because defendant “did more than send cease-and-desist letters to [plaintiff] in Washington.”190

While the holding of Genetic Implant is not remarkable, the court made the following important comment elsewhere in the opinion:

We have held that sending infringement letters, without more activities in a forum state, is not sufficient to satisfy the requirements of due process. Other activities are required in order for a patentee to be subject to personal jurisdiction in the forum.191

Although this statement is dicta, it is noteworthy for at least two reasons. First, the only case the Federal Circuit cited in support of this statement was Akro, which, as explained above, did not decide the question whether cease-and-desist letters could create jurisdiction.192 Second, it was this statement from Genetic Implant that the Federal Circuit relied upon when it finally addressed this jurisdictional question head on in the Red Wing Shoe case.

c. Red Wing Shoe v. Hockerson193

The parties involved in this case were Red Wing Shoe Company (“Red Wing Shoe”), a footwear manufacturer that was incorporated and headquartered in Minnesota, and Hockerson-Halberstadt, Inc. (“Hockerson”), a patent-holding company that was incorporated in Louisiana with its principal place of business in New Mexico.194 Hockerson was the holder of U.S. Patent No. 4,322,895 (“the ‘895 patent”), which claims an athletic shoe that provides additional support and stability for the wearer’s heel.195

In the mid-1990s, Red Wing Shoe received multiple letters at its headquarters in Minnesota from Hockerson alleging that Red Wing Shoe’s products infringed the ‘895 patent. The letters offered Red Wing

189 123 F.3d 1455 (Fed. Cir. 1997).
190 Id. at 1458.
191 Id.
192 Id.; see also supra Part IV.B.2. (summarizing the Federal Circuit’s decision in Akro).
193 148 F.3d 1355 (Fed. Cir. 1998).
194 Id. at 1357.
195 Id.
Shoe a license to the ‘895 patent, and threatened to sue for infringement if such a license was not taken.\(^\text{196}\)

Believing its products did not infringe, Red Wing Shoe sued Hockerson in federal court in Minnesota seeking a declaration that the ‘895 patent was not infringed, invalid, and unenforceable.\(^\text{197}\) Hockerson moved to dismiss on the grounds that it was not subject to personal jurisdiction in Minnesota simply because it sent cease-and-desist letters to Red Wing Shoe there. The district court granted Hockerson’s motion to dismiss for lack of personal jurisdiction, and Red Wing Shoe appealed.\(^\text{198}\)

On appeal, the Federal Circuit first determined that the Minnesota long-arm statute is co-extensive with the Fourteenth Amendment, and then turned to the constitutional question of whether exercising jurisdiction based exclusively on cease-and-desist letters violates due process.\(^\text{199}\) The Federal Circuit began its analysis with the statement from *Genetic Implant* that “without more, such letters are not sufficient to satisfy the requirements of Due Process in declaratory judgment actions.”\(^\text{200}\) Yet, realizing that this conclusory statement was no longer enough, the court sought to provide an explanation for this rule.\(^\text{201}\)

The court began with the contacts portion of the specific jurisdiction test and considered whether defendant’s contacts with Minnesota gave rise to the cause of action.\(^\text{202}\) There did not appear to be any dispute about the nature of defendant’s contacts, which were limited to the warning letters sent to Red Wing Shoe. There was a question, however, about how to characterize the cause of action.\(^\text{203}\)

The Federal Circuit acknowledged that some lower courts viewed the cause of action in declaratory judgment suits as a patent infringement claim. As a result, those courts concluded that the cause of action “does not arise out of cease-and-desist letters, which bear only a tangential relationship” to the claim.\(^\text{204}\) After considering this rationale, the Federal Circuit rejected it since the cause of action is not a claim for patent infringement.\(^\text{205}\)

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\(^{196}\) Id.

\(^{197}\) Id.

\(^{198}\) Id. at 1357-58.

\(^{199}\) Id. at 1358.

\(^{200}\) Id. at 1360.

\(^{201}\) Id. at 1359-60.

\(^{202}\) Id. at 1360.

\(^{203}\) Id. at 1360.

\(^{204}\) Id.; *see also supra* note 176 and accompanying text (identifying several cases where courts dismissed for lack of personal jurisdiction based on a finding that defendant’s contacts did not give rise to the cause of action).

\(^{205}\) As the court explained:

[This mode of analysis overlooks the genuine purpose of declaratory judgment actions. In the event a patentee casts its]
Instead, the court characterized the cause of action as a request for declaratory relief, and explained that “the injury of which a declaratory judgment plaintiff complains….is the wrongful restraint on the free exploitation of non-infringing goods.” 206 One such restraint, the court posited, is the “threat of an infringement suit, as communicated in a cease-and-desist letter.” 207 Thus, under these circumstances, the cease-and-desist letter does in fact give rise to the plaintiff’s cause of action, which means the contacts portion of the test is satisfied and dismissal for lack of jurisdiction is not justified on these grounds. 208

The Red Wing Shoe court then considered the fairness prong of the due process test and concluded that it was a “better explanation” for the court’s rule that cease-and-desist letters alone are not sufficient to create personal jurisdiction:

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…[because it] would… provide[e] disincentives for the initiation of settlement negotiations. 209

The court believed, in other words, that permitting jurisdiction under these circumstances would discourage settlement of patent disputes. And since the policy favoring settlement was deemed “manifest” by the court, it was crucial to adopt a jurisdictional rule that would promote, rather than hinder, such a policy. 210 Moreover, the court reasoned, a contrary rule would undermine the interstate judicial system’s interest in obtaining the most efficient resolution of

net of cease-and-desist letters too widely and entangles some non-infringing products, a plaintiff may have little recourse other than a declaratory judgment action to disentangle its non-infringing business. In those instances, the cease-and-desist letters are the cause of the entanglement and at least partially give rise to the plaintiff’s action.

Red Wing Shoe, 148 F.2d at 1360; id. ("[C]ease-and-desist letters alone are often substantially related to the cause of action (thus providing minimum contacts)…. "); see also Avocent, 552 F.3d at 1333 ("[A declaratory relief] claim neither directly arises out of nor relates to the making, using, offering to sell, selling, or importing of arguably infringing products in the forum, but instead arises out of or relates to the activities of the defendant patentee in enforcing the patent or patents in suit."); Silent Drive, 326 F.3d at 1202 (acknowledging that cease-and-desist letters “are purposefully directed at the forum and [that] the declaratory judgment action arises out of the letters”) (internal citations omitted).

206 Red Wing Shoe, 148 F.3d at 1360.
207 Id.
208 Id.; see also Silent Drive, 326 F.3d at 1202 (acknowledging that cease-and-desist letters “are purposefully directed at the forum and [that] the declaratory judgment action arises out of the letters”) (internal citations omitted).
209 Red Wing Shoe, 148 F.3d at 1360-61.
210 Id. at 1361.
controversies -- one of the five fairness factors delineated by the
Supreme Court in *World Wide Volkswagen* and *Burger King*. So, even
though “the sending of infringement letters would satisfy the minimum
contacts requirement of due process,” the Federal Circuit has decided
that there should be an exception in patent declaratory judgment actions
because of “policy considerations unique to the patent context,”
namely the need to promote out-of-court settlements of patent disputes.

Since *Red Wing Shoe*, the Federal Circuit has reiterated time and
again that cease-and-desist letters are insufficient for personal
jurisdiction. And while a few lower courts have questioned the
soundness of this rule, it has gone largely unchallenged until now. The
remainder of this Article demonstrates why it is time to reevaluate this
misguided jurisdictional rule, and explains how empowering alleged
infringers with more robust declaratory judgment rights will help to
alleviate our current bad patent problem.

V. CEASE-AND-DESIST LETTERS: A PROPER
JURISDICTIONAL ANALYSIS

Federal courts in patent declaratory judgment actions
categorically prohibit the exercise of jurisdiction based on cease-and-desist letters. The theory, as has been discussed, is that permitting
jurisdiction under such circumstances would discourage the settlement of
patent disputes and, therefore, offend traditional notions of fair play and
substantial justice. Yet a close examination of this rule reveals that it not
only contradicts Supreme Court personal jurisdiction jurisprudence, but
is unsound from a policy perspective as well.

In a typical scenario where an alleged infringer sues for
declaratory relief after receiving a cease-and-desist letter, the contacts
portion of the test is met. Assume, for example, that a corporate patent
owner residing in Texas sends a cease-and-desist letter to the Los
Angeles headquarters of a California corporation, and that the alleged
infringer files a declaratory judgment action in federal court in Los

211 Id.
212 *Silent Drive*, 326 F.3d at 1206 (discussing holding of *Red Wing Shoe*).
213 Id.
214 See, e.g., *Campbell Pet*, 542 F.3d at 879 (reiterating the holding of *Red Wing Shoe*);
*Silent Drive*, 326 F.3d at 1202 ("We have decided that under the [fairness] test[] the
sending of letters threatening infringement is not sufficient to confer personal jurisdiction."); *Inamed Corp. v. Kazmaier*, 249 F.3d 1360-61 (Fed. Cir. 2001) (citing cases
holding that cease-and-desist letters are insufficient for personal jurisdiction).
215 See, e.g., *Overstock.com, Inc. v. Furnace Brook, LLC*, 420 F.Supp.2d 1217, 1221-22
(D. Utah 2005) ("The principles of fair play and substantial justice that afford a patentee
sufficient latitude to inform others of its patent rights without subjecting itself to the
jurisdiction in a foreign forum, also might suggest that it is fair and reasonable to subject
patent trolls to personal jurisdiction in the fora in which they attempt to club alleged
infringers into signing license agreements") (internal quotations omitted); *Open
LCR.com*, 112 F.Supp.2d at 1229 ("It does not seem at all unreasonable that a patentee
who knowingly attempts to force license agreements in a distant forum based on invalid
patents should foresee being hailed into court in that forum.").
216 See, e.g., *Silent Drive*, 326 F.3d at 1206; *Red Wing Shoe*, 148 F.2d at 1360.
Angeles. If defendant challenges personal jurisdiction, plaintiff will be able to satisfy the contacts portion of the test because the patent holder purposefully directed its activities at a California resident (i.e., by mailing the cease-and-desist letter there), and the claim for declaratory relief arises out of those activities in California. 217 Hence, in refusing to exercise jurisdiction, the Federal Circuit relied exclusively on the fairness prong, so that too will be the focus of my analysis here.

A. The Fairness Inquiry

The Supreme Court announced in *International Shoe* that the exercise of personal jurisdiction must comport with “traditional notions of fair play and substantial justice,” 218 and it repeated this sentiment in numerous cases that followed. 219 For years, however, this was merely an abstract and undefined concept. 220 It was not until the Court decided *World-Wide Volkswagen v. Woodson* that this abstract notion of fairness was instantiated in any meaningful way.

In *World-Wide Volkswagen*, the plaintiffs were New York residents who purchased an automobile in New York and then drove it to Oklahoma where they were injured in an accident. 221 Plaintiffs filed suit in Oklahoma against the retailer and wholesaler of the automobile, but since both of these defendants were incorporated in New York and conducted no business in Oklahoma, the Court dismissed for lack of personal jurisdiction given plaintiffs’ inability to satisfy the contacts portion of the test. 222

More relevant to this Article, though, is the Court’s commentary regarding the fairness inquiry. The Court explained that the question whether jurisdiction is constitutionally fair implicates two separate interests: the individual defendant’s liberty interest and interstate federalism. 223 With respect to the former, due process protects out-of-

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217 Cf. Red Wing Shoe, 148 F.2d at 1360; see also Avocent, 552 F.3d at 1333 (stating that cease-and-desist letters “might be expected to support an assertion of specific jurisdiction over the patentee because the letters are purposefully directed at the forum and the declaratory judgment action arises out of the letters”); *Silent Drive*, 326 F.3d at 1202 (“[E]ven though the [cease-and-desist] letters are ‘purposefully directed’ at the forum and the declaratory judgment action ‘arises out of’ the letters, letters threatening suit for patent infringement sent to the alleged infringer by themselves ‘do not suffice to create personal jurisdiction….’”).

218 326 U.S. 310.

219 See, e.g., *Shaffer*, 433 U.S. at 203; *Hanson*, 357 U.S. at 259; *McGee*, 255 U.S. at 222.


221 444 U.S. at 288-89.

222 *Id.* at 299.

223 *Id.* at 291-92; see also *Perdue*, supra note 110, at 468 (“In *World-Wide Volkswagen*, the Court observes that the limitations on personal jurisdiction perform two distinct functions. One is allocating sovereignty among the states of our federal system…. The
state defendants from the burden of litigating in distant or inconvenient forums. As for the latter, the Due Process Clause acts “as an instrument of interstate federalism,” ensuring that “states, through their courts, do not reach out beyond the limits imposed upon them by their status as coequal sovereigns in a federal system.” Thus, even if it would not be burdensome for an out-of-state defendant to litigate in the forum, there might still be a due process violation if exercising jurisdiction would cause the forum state to exceed its sovereign adjudicative powers.

In light of these two distinct interests, the Court then delineated five factors to consider in evaluating whether the exercise of jurisdiction would be fair and reasonable: (i) the burden on the defendant, (ii) the forum state’s interest in adjudicating the dispute, (iii) the plaintiff’s interest in obtaining convenient and effective relief, (iv) the interstate judicial system’s interest in obtaining the most efficient resolution of controversies, and (v) the states’ shared interest in furthering fundamental substantive social policies. The first of these factors, other is protecting the defendant against the burdens of litigating in a distant or inconvenient forum.” (internal quotations omitted). Yet there has been significant commentary since World-Wide Volkswagen criticizing the Court’s claim that the personal jurisdiction analysis implicates matters of state sovereignty. See, e.g., MARTIN H. REDISH, Due Process, Federalism, and Personal Jurisdiction: A Theoretical Evaluation, 75 Nw. U. L. Rev. 1112 (1981). Indeed, at times the Court itself has called World-Wide Volkswagen into question. See Compagnie, 456 U.S. at 702 (“The requirement that a court have personal jurisdiction flows not from Art. III, but from the Due Process Clause. The personal jurisdiction requirement recognizes and protects and individual liberty interest. It represents a restriction on judicial power not as a matter of sovereignty, but as a matter of individual liberty.”); see also SPENCER, supra note 111, at 623 (“Regarding the relationship between state sovereignty, interstate federalism, and personal jurisdiction doctrine, the Court has vacillated between endorsement and rejection of the relevance of these two concepts, giving varying degrees of weight or no weight to sovereignty and federalism as legitimate underpinnings of the law of personal jurisdiction.”).

224 World-Wide Volkswagen, 444 U.S. at 292; International Shoe, 326 U.S. at 319 (explaining that, in conducting the due process analysis for personal jurisdiction, “[a]n estimate of the inconveniences which would result to the corporation from a trial away from its home or principal place of business is relevant”) (internal quotations omitted); see also REDISH, supra note 223, at 1133 (referring to this interest as “litigation inconvenience” and explaining that it includes “the imposition of significant burdens and expenses, resulting from the need to travel to the forum in question and to transport evidence and witnesses long distances”).

225 World-Wide Volkswagen, 444 U.S. at 294.

226 Id. at 292; see also Hanson, 357 U.S. at 251 (“Those restrictions [on personal jurisdiction] are more than a guarantee of immunity from inconvenient or distant litigation. They are a consequence of territorial limitations on the power of the respective States…..”).

227 World-Wide Volkswagen, 444 U.S. at 294; see also DANIELLE KEATS CITRON, Minimum Contacts in a Borderless World: Voice Over Internet Protocol and the Coming Implosion of Personal Jurisdiction Theory, 39 U.C. Davis L.R. 1481, 1510 (2006) (“[T]he Due Process Clause limits a state’s sovereign adjudicative powers and…such limits cannot be satisfied by showing that it would not be inconvenient for the nonresident to defend itself in the forum.”).

228 World-Wide Volkswagen, 444 U.S. at 292; see also JAMES WEINSTEIN, The Federal Common Law Origins of Judicial Jurisdiction: Implications for Modern Doctrine, 90 Va. L. Rev. 169, 227 (2004) (“Although the defendant’s contacts with the forum state are the touchstone of modern personal jurisdiction doctrine, Supreme Court decisions have identified several ‘second stage balancing’ factors as relevant to determining whether a
“which [is] always a primary concern,” relates to the individual defendant’s liberty interest, while the others concern interstate federalism. Although this is not an exhaustive list of what may be considered in a personal jurisdiction analysis, these five factors have become the bedrock of the due process fairness inquiry.

Soon after World Wide-Volkswagen, the Supreme Court decided additional cases, including Burger King v. Rudzewicz and Asahi v. Superior Court, which further refined the fairness analysis for personal jurisdiction. The Court clarified, for example, that none of the fairness factors is determinative, and that courts deciding personal jurisdiction must consider the totality of the circumstances in each individual case. Moreover, the Court held that “where a defendant who purposefully has directed his activities at forum residents seeks to defeat jurisdiction, he must present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.” Stated otherwise, once the plaintiff has satisfied the contacts portion of the specific jurisdiction test, the burden shifts to the defendant who must then overcome a presumption that the exercise of jurisdiction would be fair and reasonable.

So, with these standards in mind, this Article now returns to the question whether exercising jurisdiction over an out-of-state defendant based exclusively on cease-and-desist letters is, in fact, unconstitutionally unfair as the Federal Circuit has proclaimed.

B. Jurisdiction Based on Cease-and-Desist Letters: Fair and Reasonable in Most Circumstances

Since Red Wing Shoe was decided more than a decade ago, federal courts have reflexively refused to exercise personal jurisdiction based on cease-and-desist letters. Indeed, some courts have even applied this rule to defendants who send multiple cease-and-desist letters...
to different alleged infringers within the forum state.\textsuperscript{235} Furthermore, this rule has been extended outside the patent context to preclude the exercise of jurisdiction in copyright and trademark cases as well.\textsuperscript{236}

From a macro perspective, one must question this “cookie cutter” approach to personal jurisdiction as antithetical to the Supreme Court’s admonition that jurisdiction should be decided case-by-case based on the relationship among the defendant, the forum, and the litigation.\textsuperscript{237} The personal jurisdiction analysis is supposed to be a fact-intensive one;\textsuperscript{238} yet the Federal Circuit’s categorical rule takes most facts out of the equation. Courts applying this rule do not consider other factors essential to the fairness inquiry: the burden on the defendant; the forum state’s interest in adjudicating the dispute; the plaintiff’s interest in obtaining convenient and effective relief; and the states’ shared interest in furthering fundamental substantive social policies.\textsuperscript{239} Nor do these courts require defendants to make a “compelling case” that the exercise of jurisdiction would be unfair.\textsuperscript{240} If courts were to conduct the proper jurisdictional analysis, they would conclude that in most circumstances the exercise of jurisdiction based on cease-and-desist letters is fair and reasonable.

\textsuperscript{235} See, e.g., Big Lots Stores, Inc. v. Sorensen Research & Development Trust, 2009 WL 4547599, *5 (S.D. Ohio Dec. 2, 2009) (holding that defendant was not subject to personal jurisdiction in Ohio despite sending multiple cease-and-desist letters to plaintiff in the forum); Overstock, 420 F.Supp.2d at 1221-22 (reluctantly following the rule of Red Wing Shoe to hold that out-of-state defendant who sent multiple cease-and-desist letters to plaintiff in Utah was not subject to personal jurisdiction there).

\textsuperscript{236} See, e.g., Integrity Mgmt. of FL, LLC v. Dental Websmith, Inc., 2008 WL 4372878, *4-5 (D. Neb. Sept. 19, 2008) (holding that cease-and-desist letter did not subject defendant to personal jurisdiction in copyright declaratory relief action); Laboratory Corp. of Am. Holdings v. Schumann, 474 F.Supp.2d 758, 762 (M.D.N.C. 2006) (“Even if the letters are considered to be acts initiated by defendants, these sorts of letters, which are routine in...trademark cases, are not enough by themselves to allow for jurisdiction. This is because basic fairness requires that a party be able to inform another party of an alleged dispute without subjecting itself to jurisdiction in a far away forum.”) (internal citation omitted).

\textsuperscript{237} Calder, 465 U.S. at 789; see also Gordy v. Daily News, L.P., 95 F.3d 829, 835 (9th Cir. 1996) (“There is no mechanical or quantitative test for jurisdiction under the International Shoe reasonableness standard, and we shall not attempt to list all the factors that might, in a different case, be part of an assessment of the reasonableness of subjecting a defendant to jurisdiction.”); Core-Vent Corp. v. Nobel Indus. AB, 11 F.3d 1482, 1487 (9th Cir. 1993) (“[T]he personal jurisdiction inquiry cannot be answered through the application of a mechanical test but instead must focus on the relationship among the defendant, the forum, and the litigation within the particular factual context of each case.”); CAMERON & JOHNSON, supra note 33, at 834 (stating that, with respect to personal jurisdiction, the Supreme Court “has eschewed the opportunity to create definitive rules...[and has] mandated case-by-case, fact-specific inquiry.”).


\textsuperscript{239} World-Wide Volkswagen, 444 U.S. at 292.

\textsuperscript{240} Burger King, 471 U.S. at 477 (“[W]here a defendant who purposefully has directed his activities at forum residents seeks to defeat jurisdiction, he must present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.”).
1. The Promotion of Settlement Justification

The Federal Circuit’s jurisdictional rule regarding cease-and-desist letters has been justified on one ground only: the promotion of out-of-court settlements of patent disputes. As will be explained, however, this rationale is critically flawed.

First and foremost, the “promotion of settlement” justification for this categorical approach to jurisdiction is flawed because it is premised on a faulty assumption – that it is necessarily in society’s best interest to settle patent disputes. Of course there are important benefits to out-of-court settlements, including reduced costs and expediency. Sometimes, though, settlement is contrary to the public interest, particularly in the patent context.

241 See Red Wing Shoe, 148 F.3d at 1360-61; see also Baig v. Coca-Cola Co., 2009 WL 1470176, *4 (N.D. Ill. May 27, 2009) (“The courts have long recognized strong policy reasons for encouraging parties to settle disputes by letter before initiating litigation. Invoking personal jurisdiction on the basis of such settlement efforts would chill these policy goals.”).

242 See, e.g., Schering-Plough Corp. v. F.T.C., 402 F.3d 1056, 1075 (Fed. Cir. 2005) (“There is no question that settlements provide a number of private and social benefits as opposed to the inveterate and costly effects of litigation. Patent litigation breeds a litany of direct and indirect costs, ranging from attorney and expert fees to the expenses associated with discovery compliance. Other costs accrue for a variety of reasons, be it the result of uncompromising legal positions, differing strategic objectives, heightened emotions, lawyer incompetence, or sheer moxie.”).

243 MICHAEL L. SEIGEL, Pragmatism Applied: Imagining a Solution to the Problem of Court Congestion, 22 Hofstra L. Rev. 567, 619-20 (1994). As Professor Seigel explains:

Settlement can also be contrary to the public interest. In some cases a litigant settles precisely because he seeks to avoid a public airing of the dispute. Sometimes, of course, a party legitimately wishes to protect its privacy. But often, the avoidance of the formal and public fact finding of a trial is intended to keep the public in the dark about potential harms caused by a party’s activity or product. The private disposition of a case is especially deleterious to other litigants who may remain ignorant about potential discovery material and even evidence as a result of being unable to make use of work done and information gathered by their predecessors. In most instances, settlement also circumvents the entry of judgment, thereby denying future litigants the benefits of collateral estoppel or res judicata.

Settlement also eliminates the formal resolution of many legal issues that would have provided guidance for future conduct by individuals facing similar situations. Indeed, settlement permits parties to circumvent the law, thereby generally weakening the rule of law. In addition, it permits a party to resolve a case without having to take any blame; to pay money without having to admit liability. If not immoral, this is at best an amoral resolution of the matter. Finally, in a more general sense, settlement avoids the cathartic and cleansing function served by well publicized trials. Parties to a dispute are denied their “day in court.” Members of the public are denied their chance to learn about, contemplate, and come to terms with the behavior of their fellow citizens. They are robbed of the
In both Standard Patent Infringement Suits and Patent Declaratory Relief Actions the validity of the patent is almost always at issue. When either of these types of cases is settled, the alleged infringer often enters into a license agreement, and the question of patent validity remains undecided. Under these circumstances, the patent holder is permitted to continue to enforce the patent, exclude competition, and keep consumer prices high, even though that patent may very well be invalid.

In sharp contrast, when a case is litigated to judgment and the patent is held invalid, that decision is binding not only on the parties before the court, but as to future litigants as well. When an alleged infringer successfully challenges a patent, it creates a “public good” because that intellectual property enters the public domain where everyone can use it. Thus, while settlement may advantage the private parties involved in the case, the real benefit to the public comes when patent cases are litigated because that is the only way to invalidate bad patents.

Indeed, the Supreme Court has acknowledged this “public function served by patent litigation” on more than one occasion. To that end, the Court has declared that the interest of the public in

opportunity to experience the sense that justice has been served – or a sense of outrage that it has been denied.

Id.; see also OWEN M. FISS, Against Settlement, 93 Yale L.J. 1073, 1082-87 (1984) (describing the social benefits of litigation and explaining how settlement can impose serious costs on the general community); Brief for the United States as Amicus Curiae in FTC v. Schering-Plough Corp., 2006 WL 1358441, at *8 (May 17, 2006) (noting that not all settlements are consistent with the public interest).

244 See LESLIE, Patents of Damocles, supra note 45, at 156 (“[I]n many license agreements – especially those resulting from settlement negotiations – the accused infringer always either explicitly or implicitly acknowledges the patent’s validity.”) (internal citations omitted).

245 See Blonder-Tongue, 402 U.S. at 350 (holding that once a patent is invalidated, non-mutual collateral estoppels prevents the patent holder from ever asserting it again); SUDARSHAN, supra note 8, at 170 (“[A] defendant with strong invalidity defenses who nevertheless succumbs to a nuisance-value settlement deprives all prospective future defendants who might have benefited from a preclusive invalidity finding.”).

246 STIGLITZ, supra note 11, at 1715.


248 Devex, 461 U.S. at 658; see also Lear, 395 U.S. at 670 (discussing the value of litigation in challenging patent validity); Autogenomics, Inc. v. Oxford Gene Tech. Ltd., 566 F.3d 1012, 1027 (Fed. Cir. 2009) (Newman, J., dissenting) (“The evolving law under MedImmune facilitates challenge to adversely held patents.”); DREYFUSS, supra note 46, at 706 n.109 (noting that the policy on which Lear was based was “facilitating the challenge of bad patents”). Congress has also acknowledged the important role that validity challenges play in eradicating bad patents. See Hatch-Waxman Act of 1984 § 101 (codified as amended at 21 U.S.C. § 355(j)(1) (2000 & Supp. III 2003)) (incentivizing generic pharmaceutical companies to challenge invalid patents by providing them with limited market exclusivity).
eradicating bad patents is equally if not more important than the interest of patent holders in protecting their inventions.\textsuperscript{249} Despite this guidance from the Court, the Federal Circuit has fashioned a jurisdictional rule that elevates patent holders’ interests above those of the public. At a time when our nation faces a widespread bad patent problem that threatens the vitality and legitimacy of our patent system, such a rule should not be tolerated.

Moreover, even assuming that the settlement of patent disputes were a legitimate public policy objective, there is no evidence that the Federal Circuit’s rule precluding jurisdiction based on cease-and-desist letters significantly increases the rate at which patent disputes are settled. Courts have theorized that patent holders would be less willing to attempt settlement, and instead would file suit at home, if they knew that sending a cease-and-desist letter would subject them to jurisdiction in the alleged infringer’s home forum.\textsuperscript{250} Yet this theory is undermined by the fact that patentees in other contexts continue to send cease-and-desist letters even when there is a possibility that they will end up being sued in a distant forum.

Indeed, there are countless cases where patent holders who would potentially be subject to personal jurisdiction in the alleged infringer’s home state (under specific jurisdiction, general jurisdiction, or stream of commerce theories), nonetheless choose to attempt negotiation through a cease-and-desist letter rather than simply filing suit in their home state.\textsuperscript{251} Let us consider the \textit{Akro} case as an example.\textsuperscript{252} In that case, Luker – the patent holder who resided in California – sent several cease-and-desist letters to Akro in Ohio. After Akro sued for declaratory relief in Ohio, Luker moved to dismiss for lack of personal jurisdiction. The court denied the motion because Luker had contacts with the forum state other than the cease and desist letter – namely, an exclusive license agreement with one of Akro’s competitors in Ohio.

According to the \textit{Red Wing Shoe} court, a defendant like Luker would not send a cease-and-desist letter for fear of subjecting himself to jurisdiction in the alleged infringer’s home state. Rather, Luker would simply file a patent infringement action in California or some other

\textsuperscript{249} \textit{Lear}, 395 U.S. at 670 (“Surely the equities of the [patentee] do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.”); Pope Mfg. Co. v. Gormully, 144 U.S. 224, 234 (1892) (“‘It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected by his monopoly….‘”).

\textsuperscript{250} See, e.g., \textit{Baig}, 2009 WL 1470176, at *4 (“If a cease and desist letter subjects the rights holder to jurisdiction in the infringing party’s forum, the rights holder will be strongly encouraged to file suit in its home forum instead of pursuing informal resolution.”).


\textsuperscript{252} See supra Part IV.B.2.a. (discussing \textit{Akro} in detail).
jurisdiction where he prefers to litigate. But we know from Akro and other cases like it that this simply is not true; patent holders continue to send cease-and-desist letters. And, contrary to what the Federal Circuit suggests, this is perfectly rational behavior. Litigation – particularly patent litigation – is extremely expensive, the process is lengthy, and the results are often unpredictable.\(^\text{253}\) Thus, many (if not most) patentees will opt to send a cease-and-desist letter because the risk of being sued for declaratory relief in the alleged infringer’s home state is outweighed by the potential benefits derived from that letter: the possibility of an out-of-court settlement.\(^\text{254}\)

Last, but certainly not least, the Federal Circuit’s attempt to justify its jurisdictional rule on the ground that “this policy [of promoting settlement] squarely invokes one of the considerations enumerated by the Supreme Court for the [fairness] prong of a proper Due Process analysis” – namely, the interstate judicial system’s interest in obtaining the most efficient resolution of controversies – is similarly unpersuasive.\(^\text{255}\) The Federal Circuit misinterpreted and misapplied this fairness factor. This factor, which is derived from interstate federalism concerns and acts as a “specification[] of the proper allocation of judicial authority among the states,” is concerned with the\(^\text{256}\) interstate judicial system’s interest in efficiently resolving controversies. In other words, the relevant inquiry is whether it would be more efficient to resolve the case in State X or in State Y, not whether it would be more efficient to resolve the case by litigation or by an out-of-court settlement.\(^\text{257}\) The Federal Circuit’s reliance on this factor, therefore, was misplaced.

\(^{253}\) See supra note 15 and cases cited therein (discussing the nature of patent litigation).

\(^{254}\) Some might argue that the Federal Circuit’s jurisdictional rule does in fact promote settlement because it causes many alleged infringers to settle. But this can hardly be characterized as settlement promotion; rather, these alleged infringers are forced to settle because, as a result of this jurisdictional rule, they usually do not have the option of seeking declaratory relief in their home state. See Sudarshan, supra note 8, at 160 (discussing how many alleged infringers opt to settle rather than litigate even when they have meritorious defenses); Kline, supra note 21, at 273 (arguing that alleged infringers often settle rather than sue for declaratory relief because a convenient forum is unavailable).

\(^{255}\) Red Wing Shoe, 148 F.3d at 1361.

\(^{256}\) Weinstein, supra note 228, at 227-28; see also World-Wide Volkswagen, 444 U.S. at 292 (“Implicit in this emphasis on reasonableness is the understanding that the burden on the defendant, while always a primary concern, will in an appropriate case be considered in light of other relevant factors, including…the interstate judicial system’s interest in obtaining the most efficient resolution of controversies….”).

\(^{257}\) See, e.g., Highline Capital Corp. v. Ahdoot, 2008 WL 486020, *13 (D. Colo. Feb. 20, 2008) (“[A]s to the interstate judicial system’s interest in obtaining the most efficient resolution of controversies, this factor focuses on whether Colorado is the most efficient place to litigate this dispute, and depends on factors such as: (1) the location of witnesses; (2) where the wrong underlying the lawsuit occurred; and (3) whether jurisdiction is necessary to prevent piecemeal litigation.”); Campbell v. Johnson & Towers, Inc., 123 F.Supp.2d 329, 337 (D.S.C. 1999) (“The interstate judicial system will gain the most efficient resolution of the controversy by litigating the dispute in South Carolina because the vessel is located in South Carolina, and therefore, all surveys, inspections, removal of the engines, and discovery relating to the vessel’s damage have been and will be conducted in South Carolina.”).
2. Consideration of Other Fairness Factors

The preceding critique illuminates several failings of this jurisdictional rule regarding cease-and-desist letters. Yet, an additional and perhaps equally compelling criticism is the apparent lack of consideration by the Federal Circuit of any of the other fairness factors in crafting this rule.

a. Burden on Defendant

A primary factor in deciding whether personal jurisdiction lies is the burden on the defendant. It is essential to “estimate…the inconveniences” to the parties since protection of the individual defendant’s liberty interest is paramount to the due process analysis. So when a patent holder sends a cease-and-desist letter to an alleged infringer in another state, and then attempts to avoid jurisdiction, the court always should consider whether it would actually cause a severe inconvenience or undue burden for the defendant to litigate there.

In some circumstances, a patent holder may be able to make a compelling case that it would be too burdensome to litigate in a distant forum. For example, if an individual inventor of limited means is sued for declaratory relief, he may be able to prove that the litigation is “so gravely difficult and inconvenient” that he would be at a “severe disadvantage” in comparison to the alleged infringer. Individual inventors (unlike corporate patent owners) rarely threaten patent litigation, however, because the risk of triggering a costly and prolonged declaratory relief suit is usually too high.

So, instead, most of the parties in patent suits are for-profit corporations. And while many of those are small to medium-sized companies, they are very likely to have the financial wherewithal to defend a lawsuit in another state which, in reality, is not that much more expensive than defending a lawsuit at home.

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258 World-Wide Volkswagen, 444 U.S. at 292 (“[T]he burden on the defendant [is] always a primary concern….”).
259 International Shoe, 326 U.S. at 319; SPENCER, supra note 111, at 623 (“The burden on the defendant is typically given the most weight.”).
260 Burger King, 471 U.S. at 478.
261 Id. at 478 (quoting The Bremen v. Zapata Off-Shore Co., 407 U.S. 1, 18 (1972)).
262 BALL & KESAN, supra note 16, at 5 (stating that the costs of patent litigation “can be a particular barrier to small firms and individual inventors seeking to defend their patent rights”); STEVE SEIDENBERG, Troll Control, available at http://www.abajournal.com/magazine/article/troll_control/ at 1 (Sept. 24, 2006) (“Only an infinitesimal percentage of small inventors can muster the resources to defend their property – to spend millions of dollars and many years trying to collect through the courts…So in 99 percent of cases, the large companies get the IP for free. It is a great business model, but only for large companies.”).
263 BALL & KESAN, supra note 16, at 31 (demonstrating that vast majority of parties involved in large sample of patent cases were private firms).
264 Id.
265 While it is usually more expensive to litigate in a distant forum, see, e.g., Tracy O. Appleton, The Line Between Liberty and Union: Exercising Personal Jurisdiction Over
important to keep in mind that the question here is whether it would be unduly burdensome for the defendant to litigate the case in State X rather than State Y, not whether the cost of the litigation itself is too much for the defendant to bear. In most instances where corporate defendants are involved the answer to this question will be no; this is especially true in today’s world where modern transportation, technology, and legal services have facilitated nationwide (and, indeed, worldwide) litigation.266

b. Forum State’s Interest

A proper jurisdictional analysis should also encompass the forum state’s interest in adjudicating the dispute. Some have even suggested that this is the most important factor to be considered.267 At the very least, we know what the Supreme Court has told us: “A state has a ‘manifest interest’ in providing its residents with a convenient forum for redressing injuries inflicted by out-of-state actors.”268 Where an alleged infringer receives a cease-and-desist letter in its home state and files a declaratory judgment action there, that state clearly has such a manifest interest. Indeed, the Federal Circuit has recognized this “manifest interest” in other contexts,269 and nothing is different here. Thus, this factor should weigh in favor of subjecting the patent holder to jurisdiction in the alleged infringer’s home forum.

c. Convenient and Effective Relief for Plaintiff

The third fairness factor to consider is plaintiff’s interest in obtaining convenient and effective relief. The hypothetical posed by this

Officials from Other States, 107 Colum. L. Rev. 1944, 2003 n.239 (2007) (quoting Michael A. Scodro, the Deputy Solicitor General of Illinois, who explained that “every aspect” of litigation in distant forum “is likely to have some... additional costs involved,” including conducting discovery, participating in discussions with judge and other parties by phone, and sending attorneys to distant forum to handle more dispositive motions and hearings), these additional costs are negligible when compared to the total cost of an average patent lawsuit. See Ball & Kes, supra note 16, at 5 (citing previous studies showing that “legal costs of patent litigation run[] from half a million dollars to three million dollars per suit or $500,000 per claim at issue per side”).

Burger King, 471 U.S. at 474 (explaining that “modern transportation and communications have made it much less burdensome” for defendants to litigate in distant forums); David J. Gerber, Prescriptive Authority: Global Markets as a Challenge to National Regulatory Systems, 26 Hous. J. Int’l L. 287, 301 (2004) (“The actual cost for business firms to litigate disputes in distant fora is reduced by technological developments, such as the increased effectiveness and speed of communication, and by the growth of transnational law firms and legal alliances.”).


See, e.g., Akro, 45 F.3d at 1549 (stating that Ohio had a “manifest interest” in providing plaintiff, a resident of the state, a convenient forum for redressing the restraint of its production of goods by means of a non-infringed, invalid and/or unenforceable patent); Beverly Hills Fan, 21 F.3d at 1568 (holding that Virginia had a manifest interest in discouraging injuries within its boundaries including design patent infringement actions).
Article assumes the alleged infringer sues at home. The plaintiff’s home state is presumptively convenient, and that choice of forum is entitled to greater deference than if the lawsuit was filed elsewhere. Apart from convenience, the freedom to sue at home also furthers the plaintiff’s interest in obtaining effective relief. As explained earlier, alleged infringers who pursue declaratory relief substantially increase their chances of proving the patents-in-suit invalid. This “declaratory judgment effect” is a direct result of the plaintiff’s ability to choose its home forum. And so, like the others, this factor also favors jurisdiction based on cease-and-desist letters.

d. Fundamental Substantive Social Policies

The final fairness factor, which implicates the states’ shared interests in furthering fundamental substantive social policies, warrants a bit more discussion. Although the Federal Circuit did not invoke this factor to justify its jurisdictional rule, perhaps it could have. The court might have argued that such a jurisdictional rule would further a fundamental substantive social policy, namely the promotion of out-of-court settlement of patent disputes. Of course such an argument suffers from the false premise mentioned earlier: that settlement of patent disputes is necessarily in the public’s best interest. Often this is not the case since the invalidation of a patent, unlike settlement, creates a “public good.”

But I would like to put that concern aside for the moment to consider the following hypothetical: when Red Wing Shoe was decided, the public benefitted more from a policy that promoted settlement of patent disputes than one that encouraged those suits to be litigated to judgment. If that were true – and I am assuming it is for argument’s sake – then perhaps, at the time it was adopted, the Federal Circuit’s rule was justifiable as furthering a fundamental substantive social policy.

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271 Piper Aircraft, 454 U.S. at 255-56 (“When the home forum has been chosen, it is reasonable to assume that this choice is convenient.”).

272 Id. at 255 (“[P]laintiff’s choice of forum is entitled to greater deference when the plaintiff has chosen the home forum.”).

273 See supra Part I.B.

274 MOORE, Forum Shopping in Patent Cases, supra note 13, at 921-22 (“The most likely explanation for the declaratory judgment effect is that forum and timing really do matter.”).

275 See supra Part V.B.1.

276 FARRELL & MERGES, supra note 1, at 952.
Yet the question whether a substantive social policy is “fundamental” surely is subject to change over time. A social policy that was considered fundamental a century ago actually may be illegal today. And even within a much shorter timeframe, social policy priorities may shift rather quickly.

While it is difficult to pinpoint exactly when our bad patent problem began, it was not until the final years of the 1990s that this topic became the subject of significant scholarly debate. Over the next several years, lawmakers began acknowledging the problem, market participants were calling for reform, and the Supreme Court was deciding landmark cases that, at least indirectly, addressed the proliferation of bad patents. So, to put it simply, a lot has changed since Red Wing Shoe was decided little more than a decade ago.

Given this clear shift in policy priorities, it is time that this jurisdictional rule – which was adopted exclusively for policy reasons – be retooled. This brings us to the final Part of this Article, which proposes a method for addressing this jurisdictional question going forward, and demonstrates how such an approach will help remedy the bad patent problem our system currently faces.


279 See, e.g., Lawrence Lessig, The Problem with Patents, The Industry Standard, May 3, 1999, p. 20 (criticizing recent tendency of Patent Office to grant “bad” patents); Merges, supra note 50, at 589 (criticizing PTO’s issuance of too many bad patents); Lemley, Rational Ignorance, supra note 8, at 1497 (recognizing the problem of bad patents).

280 See supra note 53 (setting forth Congress’s recent proposals to reform the patent system).


282 See, e.g., KSR Int’l Co. v. Teleflex, Inc., 550 U.S. 398, 419 (2007) (easing the obviousness standard by holding that the Federal Circuit’s “teaching, suggestion, or motivation” test for obviousness should be flexibly applied, not as “rigid and mandatory formulas”); MedImmune, 127 S.Ct. at 774 n.11 (rejecting Federal Circuit’s “reasonable apprehension of suit” test, and thus making it easier for alleged infringers to challenge patents via declaratory relief); eBay, 547 U.S. at 391 (rejecting the Federal Circuit’s general rule “that courts will issue permanent injunctions against patent infringement absent exceptional circumstances” because such categorical grants of relief are erroneous, and holding instead that the Federal Circuit should apply the traditional test for injunctive relief “according to well-established principles of equity”).
IV. The Future of Personal Jurisdiction in Patent Declaratory Relief Actions

A. The Case-by-Case Approach

For reasons that I have just outlined, the exercise of personal jurisdiction over nonresident defendants based on cease-and-desist letters will usually comport with due process. In some limited circumstances, however, this rule should not apply. So this question, like all questions of personal jurisdiction, should be considered on a case-by-case basis.

What, then, would this case-by-case approach look like here? Of course, courts would have to begin with the contacts portion of the personal jurisdiction test to ensure that the defendant patent holder had purposefully availed itself of the forum state by sending a cease-and-desist letter to the alleged infringer there. As the Federal Circuit has already acknowledged, this portion of the test is generally going to be satisfied when the alleged infringer sues in its home state where the threatening letter was received.

Once the contacts portion of the test is met, jurisdiction over the defendant is presumed to be fair and reasonable. At that point, the defendant patent holder may only avoid jurisdiction by making a compelling case that the exercise of jurisdiction would offend traditional notions of fair play and substantial justice. In most cases it would be quite difficult for defendants to satisfy this burden, as I explained in Part V of this Article.

Yet there may be exceptions. If, for instance, the patent holder was an individual inventor or a non-profit organization, the defendant may be able to make a compelling case that defending the lawsuit in a distant forum would be so burdensome as to render the exercise of jurisdiction unconstitutionally unreasonable. Alternatively, if the alleged infringer was previously headquartered in the forum state, but has since moved, the defendant may be able to show that the forum state has no significant interest in the litigation. And, of course, there may be other

283 See supra Part V.II.B.
284 See SIMARD, supra note 120, at 1620 (noting that personal jurisdiction is a case-by-case analysis); CAMERON & JOHNSON, supra note 33, at 834 (stating that with respect to personal jurisdiction the Supreme Court “has eschewed the opportunity to create definitive rules…[and has] mandated case-by-case, fact-specific inquiry”).
285 See supra Part IV.B.2.
286 See, e.g., Ibrahim v. Department of Homeland Sec., 538 F.3d 1250, 1259 (9th Cir. 2008) (“[B]ecause he purposefully directed his order toward California, we presume that jurisdiction is reasonable.”); CHARLES W. “ROCKY” RHODES, Liberty, Substantive Due Process, and Personal Jurisdiction, 82 Tul. L. Rev. 567, 571 (2007) (“[I]f the nonresident defendant has committed the purposeful acts that establish the necessary ties to the forum, the exercise of jurisdiction is presumed reasonable unless the defendant can make a ‘compelling case’ that the fair play factors ‘would render jurisdiction unreasonable.’”) (quoting Burger King, 471 U.S. at 477).
287 Burger King, 471 U.S. at 477.
factors that could overcome the presumption of reasonableness that we cannot now envisage.

Thus, a case-by-case analysis is the proper method to follow in patent declaratory judgment cases. Such a flexible approach allows courts to consider the “relationship among the defendant, the forum, and the litigation” as the Supreme Court has mandated, and has important policy implications for invalid patents as well.

B. Patent Declaratory Relief and the Public Good

There is little doubt that the Federal Circuit’s jurisdictional rule provides some benefits: it increases predictability for litigants and eases the burden on courts. But by discouraging litigation and forcing alleged infringers into settlement, it also undermines one of the very important public functions served by patent litigation – the elimination of bad patents. When an alleged infringer successfully challenges a patent, the patent is invalidated and the intellectual property enters the public domain where anyone is allowed to use it. This creates a public good to be shared not only by other potential infringers, but by society as a whole.

My proposed approach to this jurisdictional issue would promote the creation of these public goods by facilitating patent validity challenges via declaratory relief. In particular, it empowers alleged infringers with more robust declaratory judgment rights by allowing them to seek declaratory relief at home. By providing a convenient and friendly forum, alleged infringers are encouraged to seek declaratory relief instead of either settling or waiting to be sued for infringement in a forum chosen by the patent holder.

This ability to seek declaratory relief at home is so important because validity challenges asserted in declaratory judgment actions are significantly more likely to be successful than those raised in standard patent infringement suits. In other words, declaratory judgment actions are particularly effective at providing the public good of invalidating bad patents. Thus, by facilitating the filing of these lawsuits, this case-by-case approach to jurisdiction will effect positive change – the elimination of invalid patents that misappropriate public domain concepts.

288 Helicopteros, 466 U.S. at 414.
289 See, e.g., Devex, 461 U.S. at 658 (noting the public interest served by patent litigation); Lear, 395 U.S. at 670 (discussing the value of litigation in challenging patent validity).
290 See Farrell & Merges, supra note 1, at 952 (explaining that the decision in Blonder-Tongue “makes successful challenge a ‘public good’ among multiple infringers”); see also Stiglitz, supra note 11, at 1715; Thomas, supra note 49, at 333 (recognizing that patent validity challenges exhibit the characteristics of public goods).
CONCLUSION

For years, validity challenges raised during litigation have served as the primary gatekeeper of patent quality. This system is far from perfect, as evidenced by the persistent commentary about our widespread bad patent problem. Yet there is a bright spot in this otherwise bleak period for our patent system: declaratory relief.

Declaratory judgment actions are particularly good at invalidating bad patents. But alleged infringers are unlikely to seek declaratory relief in large numbers unless they can do so in a convenient and friendly forum. The Federal Circuit’s current bright-line rule precluding personal jurisdiction based on cease-and-desist letters often makes this impossible. That this jurisdictional rule undermines the public policy favoring validity challenges is troubling enough. Even worse, this rule – which has gone largely unchallenged until now – contradicts Supreme Court personal jurisdiction jurisprudence. The Court has made clear recently that it strongly disfavors special rules like this for patent cases and believes that Federal Circuit law should fall in line with mainstream doctrine.

In the end, declaratory relief has the potential to be very effective at providing the public good of invalidating bad patents. Thus, we should be moving toward legal standards and policy initiatives that encourage, not dissuade, the filing of these lawsuits. Adopting the jurisdictional proposal contemplated in this Article would be a first step in that direction.