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Patent Holders Now Have More Reason to “*Trimble*” at the Thought of Triggering a Declaratory Judgment Action

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One risk patent holders assume in sending demand or cease and desist letters to potential infringers is that the recipient may respond by filing a declaratory judgment action, and thus initiate suit in a local and/or advantageous forum for the infringer. In such a scenario, the patent holder is often thrust into a lawsuit wholly or partially unprepared and in a venue not of their choice.

In *Trimble Inc. v PerDiemCo LLC.*, 2019-2164 (Fed. Circ. 2021), the Federal Circuit recently clarified when a recipient of a demand letter may satisfy jurisdictional requirements to initiate a declaratory judgment action, which could potentially impact how and when a patent holder sends a demand or cease and desist letter.

In *Trimble*, the Federal Circuit reversed a District Court decision dismissing a declaratory judgment action for lack of personal jurisdiction, and instead held that jurisdiction was proper in view of patent holder PerDiemCo’s twenty-two licensing communications with Trimble. In the District Court case, PerDiemCo argued successfully that the Federal Circuit’s prior decision in *Red Wing Shoe* essentially stood for the *per se* rule that demand letters cannot be the basis for personal jurisdiction in a forum state “solely by informing a party who happens to be located there of suspected infringement.”

The Federal Circuit disagreed and delineated the differences between the facts of the present case and *Red Wing Shoe*. Particularly, the Federal Circuit noted the increased number of communications (twenty-two) and escalating tone of PerDiemCo’s communications, the increased number of patents asserted against an increased number of products, the provision of a draft complaint by PerDiemCo to Trimble, and the fact that PerDiemCo identified the legal counsel that would eventually file the case.

The Federal Circuit also noted a number of recent changes to venue jurisprudence, including the U.S. Supreme Court decision in *TC Heartland* that shifted many patent cases away from the patent-friendly Eastern District of Texas. The court clarified that there were no

patent-specific personal jurisdiction statutes that uniquely favored patent holders.

PRACTICE NOTE

The *Trimble* decision seems to suggest on one hand that “tone policing” and limiting the content and number of communications to a potential infringer may help avoid personal jurisdiction. However, there are also signs that the barrier for accused infringers to initiate declaratory judgment actions has effectively been lowered and there is a general shift to more permissive venue selection rules.

Trimble also adds to the expanding arsenal that accused patent infringers may rely on; adding declaratory judgment actions in a favored venue to other popular options such as seeking patent invalidation via *inter partes* review.

The increased susceptibility to declaratory judgment action may also impact the costs associated with patent enforcement. For example, gathering the necessary evidence to file for patent infringement can involve substantial legal costs when compared to drafting a simple demand letter seeking negotiation. The lack of notice derived from issuing demand letters can also make showing willful infringement (and obtaining treble damages) more difficult.

Moving forward, patent holders might think twice about contacting potential infringers with demand letters. Instead, it may become more common for patent holders to file an infringement complaint first to secure venue and control the pace of litigation before reaching out to potential infringers to negotiate or make demands.