

ALERT

Federal Circuit Patent Bulletin: *NexLearn, LLC v. Allen Interactions, Inc.*

June 20, 2017

"To the extent [certain pre-patent] activities are 'related' [to the] later development of [an accused product], they are too attenuated to form a sufficient contact giving rise to [a] claim of infringement. [The] patent infringement claim does not arise proximately from these activities which occurred before [the patentee] ever had a property right."

On June 19, 2017, in *NexLearn, LLC v. Allen Interactions, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Moore,* Schall, Hughes) affirmed the district court's dismissal for lack of personal jurisdiction over Allen in NexLearn's suit alleging infringement of U.S. Patent No. 8,798,522, which related to a computer program for social simulation. The Federal Circuit stated:

Pursuant to 28 U.S.C. § 1367(a), "it is well established—in certain classes of cases—that, once a court has original jurisdiction over some claims in the action, it may exercise supplemental jurisdiction over additional claims that are part of the same case or controversy." To exercise supplemental jurisdiction, the district court "must first have original jurisdiction over at least one claim in the action." NexLearn alleges that personal jurisdiction exists for its patent infringement claim, the only claim over which it asserts the district court possesses original jurisdiction. A district court can exercise personal jurisdiction over an out-of-state defendant pursuant to either general or specific jurisdiction. Under general jurisdiction, a district court can "hear any and all claims against [out-of-state defendants] when their affiliations with the State are so 'continuous and systematic' as to render them essentially at home in the forum State." Specific jurisdiction instead "focuses on the relationship among the defendant, the forum, and the litigation." To comport with due process, the out-of-state defendant

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Practice Areas

Intellectual Property
Patent

must have “minimum contacts” with the forum State “such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.” . . . To determine whether specific jurisdiction exists we apply a three-part test, in which we determine whether: (1) the defendant purposefully directed its activities to the forum State; (2) the claims arise out of or relate to those activities (collectively, the minimum contacts prong); and (3) the assertion of jurisdiction is reasonable and fair. We hold that NexLearn failed to allege sufficient minimum contacts with Allen to warrant the exercise of specific jurisdiction over its patent infringement claim in Kansas.

Many of the contacts NexLearn asserts confer specific jurisdiction over Allen occurred prior to the ‘522 patent’s issuance. . . . Allen’s pre-issuance emails, presentations, and advertisements are not relevant to NexLearn’s claim that Allen “infringes at least claims 1, 3–9, 11, 12, 14, and 25 of the ‘522 patent.” Specific jurisdiction requires that the plaintiff’s suit “arises out of or relates to the defendant’s contacts with the forum.” If a defendant purposefully derives benefit from his activities within a forum, he may be sued in that forum “for consequences that arise proximately from such activities.” Allen’s emails, presentations, and advertisements predating August 5, 2014 cannot constitute infringing acts giving rise to NexLearn’s claim because they did not occur “during the term of the patent.” Because NexLearn’s infringement claim does not proximately arise from these actions, they are not relevant to our specific jurisdiction inquiry.

To the extent Allen’s SimWriter trial activities are “related” to Allen’s later development of ZebraZapps, they are too attenuated to form a sufficient contact giving rise to NexLearn’s claim of infringement. NexLearn’s patent infringement claim does not arise proximately from these activities which occurred before NexLearn ever had a property right. This conduct is too far removed from NexLearn’s infringement claim to be a relevant jurisdictional contact. The provisions within the NDA and EULA likewise do not render Allen subject to specific jurisdiction in Kansas. . . . We agree with the district court’s determination that Allen’s contacts predating the issuance of the ‘522 patent are not relevant contacts for establishing specific jurisdiction over NexLearn’s patent infringement claim. . . .

We evaluate Allen’s website as we would any other contact under a specific jurisdiction theory; for there to be minimum contacts, there must be evidence that Allen purposefully availed itself of Kansas and that NexLearn’s claim arises out of or relates to those contacts. The existence of Allen’s website, without more, is insufficient to show that Allen has minimum contacts with Kansas. . . . Allen’s inclusion of Kansas in its dropdown of all states on its website is not enough to subject Allen to jurisdiction in Kansas. Allen’s address selector may indicate its amenability to selling ZebraZapps to Kansas residents, but it does not establish minimum contacts arising out of or related to the infringement claim. While a Kansas resident could purchase ZebraZapps from Allen’s website, what is missing is any evidence that such a sale has taken place. Apart from the NexLearn employee that unsuccessfully attempted to purchase ZebraZapps, NexLearn does not even allege that any Kansas resident has accessed Allen’s ZebraZapps website. There is no evidence that Allen’s website facilitated the making, using, offering, or selling of ZebraZapps in Kansas in order to connect Allen’s website with NexLearn’s patent infringement claim. In this respect, Allen’s website is conceptually no different than operating an out-of-state store. That a store would accept payment from a hypothetical out-of-state resident and ship its product there does not create a substantial connection for an infringement claim between the store and the

hypothetical resident's forum State. The store's willingness to enter future transactions with out-of-state residents does not, without more, show purposeful availment of each State in which it would, but has not yet, provided or even offered a sale. Something more is needed—whether it be actual sales, targeted advertising, or contractual relationships—to connect the defendant's infringing acts of making, using, offering, or selling its product with the forum State. What is sufficient may vary from case to case, but it cannot be that the mere existence of an interactive website, like the existence of an out-of-state store, is "suit-related conduct . . . creat[ing] a substantial connection with the forum State." . . .

We affirm the district court's dismissal of NexLearn's remaining claim for breach of contract for lack of subject matter jurisdiction. NexLearn's complaint asserts the District of Kansas has original subject matter jurisdiction over only its patent infringement claim, resting its breach of contract claim on "supplemental jurisdiction pursuant to 28 U.S.C. § 1367." While neither party disputes that a claim for patent infringement falls within the district court's subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1338(a), the district court's dismissal of that claim for lack of personal jurisdiction left no remaining claim over which the district court could exercise original subject matter jurisdiction. A district court cannot exercise supplemental jurisdiction over a claim where original subject matter jurisdiction does not exist. Because we affirm the district court's dismissal of NexLearn's patent infringement claim for lack of personal jurisdiction, we affirm the district court's dismissal of NexLearn's supplemental claim for breach of contract.