

Chicago Daily Law Bulletin®

VOLUME 168, NO. 8E

LAW BULLETIN MEDIA.

What effect do cease and desist negotiations have on jurisdiction?

Question: Do cease and desist negotiations confer personal jurisdiction when suit is filed?

Discussion: Zipit Wireless Inc. is a Delaware corporation with a principal place of business in South Carolina. Zipit sent a cease and desist letter to Apple Inc., which is located in the Northern District of California. Zipit accused Apple of infringement on Zipit's patents directed to wireless instant messaging devices.

Over the course of three years, the parties exchanged several rounds of correspondence. At one point, Zipit's representatives met with Apple's representatives in Cupertino, California, to discuss a potential licensing deal to avoid infringement litigation. They even went so far as to exchange drafts of a license agreement. There was another meeting two years later. After that, there were

more email exchanges in which Zipit accused Apple of continuing patent infringement.

Apple filed a declaratory judgment action in the Northern District of California. Zipit brought a motion to dismiss the declaratory judgment action based on lack of personal jurisdiction. The district court granted the motion, holding that the exercise of personal jurisdiction is unconstitutional when all of the contacts were for the purpose of warning against infringement or negotiating license agreements.

Apple appealed to the U.S. Court of Appeals for the Federal Circuit. The Federal Circuit reversed and remanded. The Federal Circuit made it clear that there is no general rule against conferring jurisdiction based on an exchange of cease and desist letters.



IP NEWS CHALLENGE

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In this case, Zipit had "purposefully directed its activities to California when it sent multiple notice letters to [the

plaintiff] and traveled there to discuss the [plaintiff's] alleged patent infringement and potential licensing arrangements." The ongoing negotiations over a span of years made it reasonable to hold that Zipit had sufficient minimum contacts with California for personal jurisdiction.

Answer: It depends. In this case, there were sufficient minimum contacts for a party to reasonably foresee the filing of a declaratory judgment in the other party's home jurisdiction.

Case Cite: *Apple Inc. v. Zipit Wireless Inc.*, No. 2021-1760 (April 18, 2022).

Sur-Reply: Issuing a cease and desist letter always carries the potential for triggering a declaratory judgment action in an inconvenient jurisdiction. After this case, the risk increases the more the parties negotiate and have contact with each other.