

M-I DRILLING FLUIDS UK LTD. v. DYNAMICS AIR LTDA, Appeal No. 2016-1772 (Fed. Cir. May 14, 2018). Before Reyna, Hughes, and Stoll. On appeal from D. Minn. (Judge Montgomery).

Background:

M-I Drilling Fluid UK Ltd. (M-I Drilling), owner of a number of patents drawn to systems for transferring drill cutting waste from oil drilling rigs to receiving ships, and its US exclusive licensee, together sued Dynamics Air Ltda. (DAL) for patent infringement.

DAL is a Brazilian corporation having its principal place of business in Brazil and is a subsidiary of a company having its principal place of business in Minnesota. DAL contracted with the Brazilian company Petrobras to install and operate pneumatic conveyance systems aboard ships. DAL ultimately installed the systems on two U.S.-flagged ships, which was the accused patent infringement.

In the district court, DAL moved to dismiss the complaint for lack of personal jurisdiction, arguing that it would be inconsistent with the due process requirements of Fed. R. Civ. P. 4(k)(2), even though the alleged infringement occurred on U.S.-flagged ships, which DAL did not dispute was U.S. territory.

The court granted the motion, its rationale being that the contract did not identify the specific ships upon which DAL would be required to install and operate the pneumatic conveyance systems and as such, DAL "did not purposefully" direct its activities within the United States.

M-I Drilling appealed to the Federal Circuit.

Issue/Holding:

Did the district court err in holding that personal jurisdiction was lacking? Yes, reversed and remanded.

Discussion:

The court began its discussion of precedent holding that Rule 4(k)(2) "serves as a federal long-arm statute, which allows a district court to exercise personal jurisdiction over a foreign defendant whose contacts with the United States, but not with the forum state, satisfy due process."

The court found that the district court erred by focusing on the contract rather than on the "nature and extent of the commercialization of the accused products or services." Even after M-I Drilling notified DAL about its alleged infringement, DAL continued to service the U.S.-flagged ships. The court found that this was sufficient to establish that DAL had "purposefully directed its activities at the United States" and held that DAL had "not met its burden to present a compelling case that the assertion of personal jurisdiction over it is unreasonable or unfair."

Judge Reyna filed a concurring opinion "to provide additional reasoning why the exercise of personal jurisdiction [in the present case] does not offend traditional notions of fair play and substantial justice."