

JACK HENRY & ASSOCIATES, INC. v. PLANO ENCRYPTION TECHNOLOGIES LLC,  
Appeal No. 2016-2700 (Fed. Cir. December 7, 2018). Before Newman, Wallach and Stoll.  
Appealed from N.D. Tex. (Judge Godbey).

Background:

Plano is a non-practicing entity whose sole business is enforcement of its intellectual property. Plano sent letters to eleven Texas banks identifying Plano's patents and asserting that the banks' software infringed the patents. The letters also offered licenses and referenced a lawsuit already pending between Plano and another bank. Jack Henry, who provides the software to the banks, was not directly contacted by Plano but became involved when the banks filed a declaratory action in the Northern District of Texas seeking a ruling of invalidity and non-infringement.

Plano moved for dismissal, asserting venue was improper due to Plano having its registered place of business in the Eastern District of Texas. The district court granted Plano's motion, finding that the letters threatening suit for patent infringement were not sufficient to create personal jurisdiction in the Northern District of Texas.

Issue/Holding:

Did the district court err in holding that Plano's actions did not subject it to jurisdiction in the Northern District of Texas? Yes, reversed and remanded.

Discussion:

On appeal, the Federal Circuit applied due process to the determination of specific jurisdiction and venue using three relevant factors: (1) whether the defendant "purposefully directed" its activities at residents of the forum; (2) whether the claim "arises out of or relates to" the defendant's activities within the forum; and (3) whether assertion of personal jurisdiction is "reasonable and fair."

With respect to the "minimum contacts" factors (1) and (2), the Federal Circuit determined Plano purposefully directed its activities at banks in the Northern District, and the declaratory action arises out of Plano's patent licensing activities in the Northern District. With respect to factor (3), the Federal Circuit held that jurisdiction in the Northern District was "reasonable and fair" because, despite Plano being registered in the Eastern District, Plano's only business is enforcing its intellectual property rights, and that enforcement was occurring in the Northern District with letters containing detailed accusations of infringement toward the banks residing in the forum. Finally, Plano failed to present a compelling case that it would experience substantial inconvenience absent a change of venue. The Federal Circuit reversed the district court's dismissal of the declaratory action, concluding that Plano is subject to personal jurisdiction in the Northern District.