

1a

See Fed. Rule of Appellate Procedure 32.1 generally governing citation of judicial decisions issued on or after Jan. 1, 2007. See also U.S.Ct. of App. Fed. Cir. Rule 32.1.

United States Court of Appeals, Federal Circuit.  
NEW WORLD INTERNATIONAL, INC., National  
Auto Parts, Inc., Plaintiffs-Appellants  
v.  
FORD GLOBAL TECHNOLOGIES, LLC, Ford  
Motor Company, Defendants-Appellees

2017-1956

March 13, 2018

Appeal from the United States District Court for the Northern District of Texas in No. 3:16-cv-01112-M, Chief Judge Barbara M.G. Lynn.

**Attorneys and Law Firms**

Robert Glenn Oake, Jr., Oake Law Office, Allen, TX, argued for plaintiffs-appellants.

Sean Marotta, Hogan Lovells US LLP, Washington, DC, argued for defendants-appellees. Also represented by Jessica Lynn Ellsworth; Marc Lorelli,

Frank A. Angileri, Linda Mettes, Brooks Kushman PC, South-field, MI.

(Lourie, O'Malley, and Wallach, Circuit Judges).

**JUDGMENT**

Per Curiam

2a

This Cause having been heard and considered, it is  
Ordered and Adjudged:

**AFFIRMED. See Fed. Cir. R. 36.**

3a

United States District Court,  
N.D. Texas, Dallas Division.  
NEW WORLD INTERNATIONAL, INC., and  
National Auto Parts, Inc., Plaintiffs,

v.

FORD GLOBAL TECHNOLOGIES, LLC, and Ford  
Motor Company, Defendants.

NO. 3:16-CV-1112-M

Signed 03/22/2017

### **Attorneys and Law Firms**

Robert G. Oake, Jr., Oake Law Office, Allen, TX,  
Robert F. Maris, Maris & Lanier PC, Dallas, TX, for  
Plaintiffs.

Clyde Moody Siebman, Siebman, Burg, Phillips  
& Smith, LLP, Sherman, TX, Amy C. Leshan, Linda D.  
Mettes, Frank A. Angileri, Marc Lorelli, Brooks  
Kushman P.C., Southfield, MI, Elvin E. Smith, III, Law  
Offices of Elvin E. Smith III, Rockwall, TX, Stephanie  
Rene Barnes, Siebman Burg Phillips & Smith LLP,  
Plano, TX, for Defendants.

### **MEMORANDUM OPINION AND ORDER**

BARBARA M. G. LYNN, CHIEF JUDGE

Before the Court is the Motion to Dismiss of  
Defendant Ford Global Technologies, LLC (“FGTL”) for Res Judicata on Lack of Personal Jurisdiction and Improper Venue and Motion for Sanctions (the “First Motion to Dismiss”) [ECF No. 11], Plaintiffs' Amended Complaint [ECF No. 34], the Motion to Dismiss of Defendants FGTL and Ford Motor Company (“FMC”)

(the “Second Motion to Dismiss”) [ECF No. 47], Plaintiffs' Motion for Jurisdictional Discovery [ECF No. 59], and the parties' Notices regarding whether the Court needs to make determination of both Motions to Dismiss [ECF Nos. 63, 64]. For the following reasons, the First Motion to Dismiss is **DENIED** as moot, except with respect to arguments incorporated by reference in the Second Motion to Dismiss, the Second Motion to Dismiss is **GRANTED**, and Plaintiffs' Motion for Jurisdictional Discovery is **DENIED**.

## 1. PROCEDURAL BACKGROUND

This declaratory judgment action is brought by New World International, Inc. (“NWI”) and National Auto Parts, Inc. (“NAP”) against FGTL and FMC. Of significance to this case is an earlier action, filed in this Court on April 14, 2015, and styled *New World International Inc. and National Auto Parts, Inc. v. Ford Global Technologies, LLC*, Case No. 3:15-cv-1121 (the “2015 Action”). In the 2015 Action, NWI and NAP sought a declaratory judgment of invalidity and unenforceability of U.S. Design Patent No. D489,299 (“the '299 patent”) and U.S. Design Patent No. D501,685 (“the '685 patent”). The defendant in the 2015 Action was FGTL, which claimed that automotive parts sold by NWI and NAP were the subject of design patents assigned to FGTL. On March 16, 2016, the Court, on FGTL's motion, dismissed the 2015 Action and held that the Court lacked personal jurisdiction over FGTL. *New World Int'l, Inc. v. Ford Global Techs., LLC*, No. 3:15-cv-01121, 2016 WL 1069675, at \*1 (N.D. Tex. Mar. 16, 2016) (Lynn, J.). The Court also denied leave to amend the complaint on the grounds that NWI and NAP had been given ample

opportunities to plead facts indicative of personal jurisdiction, but had not done so. NWI and NAP are currently appealing the Court's ruling to the Federal Circuit. *See New World Int'l, Inc. v. Ford Global Techs., LLC*, No. 16-2097 (Fed. Cir. Apr. 14, 2016).

On April 25, 2016, NAP and NWI filed the Complaint in this case, again seeking a declaratory judgment against FGTL of invalidity and unenforceability of the '299 and '685 patents. Compl. [ECF No. 1] ¶¶ 23–27. Plaintiffs' Complaint in this case was almost identical to the proposed amended complaint NWI and NAP had asked the Court for leave to file in the 2015 Action and asserted no new factual allegations. *See* App. to 1st Mot. [ECF No. 13-1] at 40–47. The Complaint did not reference the Court's earlier Order dismissing the 2015 Action for want of personal jurisdiction, and instead repeated the same jurisdictional assertions that this Court had previously held insufficient. *See* Compl. ¶ 6.

On May 24, 2016, FGTL filed its Motion to Dismiss, or Alternatively to Transfer for Res Judicata, Lack of Personal Jurisdiction and Improper Venue, and Motion for Sanctions, arguing that res judicata bars the current action. In addition, FGTL moved for a sanctions, in the form of attorneys fees and costs, against NAP and NWI for unnecessarily multiplying proceedings. Def.'s 1st Mot. at 25. On June 14, 2016, NWI and NAP filed the First Amended Complaint, adding FMC as a Defendant, and seeking to invalidate three additional asserted patents that had been assigned to FGTL: U.S. Patents Nos. D492,801, D489,658, and D607,785 (“the '801 patent,” “the '658 patent,” and “the '785 patent,” respectively). Am. Compl. at 15–16. On July 19, 2016, FGTL and FMC filed a Motion to Dismiss for Res Judicata, Lack of Personal

Jurisdiction, Lack of Standing/Subject Matter Jurisdiction and Improper Venue, under Federal Rules of Civil Procedure 12 and 19 (the “Second Motion to Dismiss”), in which FGTL renewed its arguments to dismiss or transfer the case. On August 24, 2016, NWI and NAP filed a Motion for Jurisdictional Discovery.

## **2. FACTUAL BACKGROUND**

The Court adopts its summary of the factual background of this case from its Order dismissing NWI and NAP's claims in the 2015 Action:

The Defendant, Ford Global Technologies, LLC (“FGTL”), claims that automotive parts sold by the Plaintiffs are the subject of design patents. The Plaintiffs, who seek a declaratory judgment of invalidity, unenforceability, and non-infringement, are New World International, Inc. (“NWI”) and National Auto Parts, Inc. (“NAP”)—two automotive parts sellers located in Irving, Texas.

FGTL is incorporated in Delaware and headquartered in Michigan. It owns, manages, and licenses intellectual property. According to the Declaration of Damian Porcari, FGTL does not do any business in Texas nor have any employees or offices in Texas. It is a subsidiary of Ford Motor Company (“[FMC]”), also a Delaware company headquartered in Michigan. The Porcari Declaration states that FGTL does not make or sell automobiles or automotive products. FGTL licenses patents to [FMC] and LKQ Corporation (“LKQ”), a Delaware company headquartered in Illinois. [FMC] and LKQ do business in all fifty states. FGTL's relationship with LKQ arose out of earlier patent litigation. As part of a settlement, LKQ was granted a license by FGTL, giving LKQ a

right to import and sell aftermarket products covered by the patents which are the subject of the Plaintiffs' declaratory judgment action ("the License").

The License does "not prohibit FGTL and Ford ... from making, having made, importing, exporting, selling, offering for sale[,] distributing or licensing any products anywhere in the world that are branded, endorsed, manufactured or made by a Ford Associated Company," but it is "otherwise ... exclusive" to LKQ. It includes several provisions relating to litigation on the patents subject thereto.

The License makes clear that LKQ "has no right, title or interest in or to the FGTL Design Patents," and that LKQ has no "right to grant sublicenses." The License states that each party is "an independent contractor in the performance of each and every part of the license," and that "neither party has the power or authority to act as agent, employee or in any other capacity to represent, act for, bind or otherwise create or assume any obligation on behalf of the other party for any purpose whatsoever." The License states that LKQ may not use FMC's or FGTL's trademarks. It also requires LKQ to identify its products as "Non Original Equipment Aftermarket Part[s]."

From at least September, 2011, to November, 2013, FGTL sent various communications to NWI, including cease and desist letters, in which it accused NWI of infringing FGTL's patents, and threatened to initiate litigation. For example, in May of 2013, FGTL wrote NWI, advising that to prevent legal action against it, NWI had to "agree to refrain from importing or selling parts covered by Ford design patents." That letter, copied to LKQ, also stated that "LKQ Corporation may be able to assist you in the disposal of your existing inventory." LKQ then contacted NWI,

asking it to provide details regarding its inventory in order to “determine the most prudent disposal method.”

*New World Int'l, Inc. v. Ford Global Techs., LLC*, No. 3:15-cv-01121, 2016 WL 1069675, at \*1 (N.D. Tex. Mar. 16, 2016) (Lynn, J.).

As of the outset of this case, four of the five patents in suit in this case had been assigned to FGTL. App. to 2d Mot. [ECF No. 49] at 78–87. FMC assigned the '785 patent to FGTL on July 14, 2016, after the Amended Complaint was filed. *Id.* at 78.

### 3. LEGAL STANDARD

#### a. Res Judicata

Res judicata “bars the litigation of claims that either have been litigated or should have been raised in an earlier suit.” *Duffie v. United States*, 600 F.3d 362, 372 (5th Cir. 2010). “Under res judicata, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action.” *In re Paige*, 610 F.3d 865, 870 (5th Cir. 2010) (quoting *Allen v. McCurry*, 449 U.S. 90, 94 (1980)). “[A]t a minimum, ... courts [are] not required to adjudicate, nor defendants to address, successive actions arising out of the same transaction, asserting breach of the same duty.” *Nilsen v. City of Moss Point, Miss.*, 701 F.2d 556, 563 (5th Cir. 1983).

Res judicata applies where “(1) the parties to both actions are identical (or at least in privity); (2) the judgment in the first action is rendered by a court of competent jurisdiction; (3) the first action concluded with a final judgment on the merits; and (4) the same claim or cause of action is involved in both suits.” *Ellis*



v. Amex Life Ins. Co., 211 F.3d 935, 937 (5th Cir. 2000). To determine whether two suits involve the same claim under the fourth element, the critical issue is whether the two actions under consideration are based on “the same nucleus of operative facts.” In re Southmark Corp., 163 F.3d 925, 934 (5th Cir. 1999); *see also* Procter & Gamble Co. v. Amway Corp., 376 F.3d 496, 499 (5th Cir. 2004) (“If these [four] conditions are satisfied, all claims or defenses arising from a ‘common nucleus of operative facts’ are merged or extinguished.”). When res judicata applies, it “prohibits either party from raising any claim or defense in the later action that was or could have been raised in support of or in opposition to the cause of action asserted in the prior action.” Liberto v. D.F. Stauffer Biscuit Co., Inc., 441 F.3d 318, 327 n.28 (5th Cir. 2006) (quoting United States v. Shanbaum, 10 F.3d 305, 310 (5th Cir. 1994)). When considering whether res judicata applies, a judgment is treated as final even if it is on appeal. Pharmacia & Upjohn Co. v. Mylan Pharms., Inc., 170 F.3d 1373, 1380–81 (Fed. Cir. 1999); Praer v. El Paso Nat’l Bank, 417 F.2d 1111, 1112 (5th Cir. 1969).

“Although a jurisdictional ruling is technically not an adjudication on the merits, [i]t has long been the rule that principles of res judicata apply to jurisdictional determinations—both subject matter and personal.” Comer v. Murphy Oil USC, Inc., 718 F.3d 460, 469 (5th Cir. 2013) (internal quotation marks removed); *see* Ins. Corp. of Ire., Ltd. v. Compagnie des Bauxites de Guinee, 456 U.S. 694, 703 n.9 (1982). Therefore, “the dismissal of a complaint for lack of jurisdiction ... adjudicate[s] the court's jurisdiction, and a second complaint cannot command a second consideration of the same jurisdictional claims.” *Id.* (quoting Boone v. Kurtz, 617 F.2d 435, 436 (5th Cir.

1980)). Dismissals for lack of jurisdiction do not “preclude a party from later litigating the same claim, provided that the specific defect has been corrected.” Baris v. Sulpicio Lines, Inc., 74 F.3d 567, 571 (5th Cir. 1996); Rolls-Royce Corp. v. Heros, Inc., 576 F. Supp. 2d 765, 777 (N.D. Tex. 2008) (“Thus ... dismissal under Rule 12(b)(2) does not prevent [Plaintiff] from filing the same claims *in another court where it appears that defendants are amenable to suit.*” (emphasis added)); 18A Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Fed. Prac. & Proc. § 4432, at 52 (2d ed. 2002) (“A judgment dismissing an action for want of personal jurisdiction, for example, may be clearly final and preclusive on the jurisdiction issue, but it is not on the merits for purposes of claim preclusion.”). However, such a dismissal precludes “relitigation of the specific issue of jurisdiction, venue, or joinder already resolved.” Baris, 74 F.3d at 571.

## **b. Personal Jurisdiction**

Federal Circuit law governs issues related to personal jurisdiction in declaratory judgment patent cases. Autogenomics, Inc. v. Oxford Gene Tech. Ltd., 566 F.3d 1012, 1016 (Fed. Cir. 2009) (quoting Avocent Huntsville Corp. v. Aten Int'l Co., 552 F.3d 1324, 1328 (Fed. Cir. 2008)). There are two types of personal jurisdiction—general and specific. Foreign corporations are subject to general jurisdiction only when their “affiliations with the State are so ‘continuous and systematic’ as to render them essentially at home in the forum State.” Goodyear Dunlop Tires Operations, S.A. v. Brown, 564 U.S. 914, 919 (2011) (citing Int'l Shoe Co. v. Washington, 326 U.S. 310, 317 (1945)); *see also* Daimler AG v. Bauman, — U.S. —, 134 S. Ct. 746,

754 (2014). When general jurisdiction does not exist, a court may exercise specific jurisdiction over a defendant only “if the cause of action ‘arises out of’ “ or ‘relates to’ the defendant's in-state activity.” Breckenridge Pharm., Inc. v. Metabolite Labs, Inc., 444 F.3d 1356, 1360–61 (Fed. Cir. 2006); *see also Daimler*, 134 S. Ct. at 754. To determine if specific jurisdiction exists, a court must inquire whether a defendant has purposefully directed its activities at the forum and, if so, whether the litigation results from alleged injuries that arise out of or relate to those activities. Breckenridge Pharm., Inc., 444 F.3d at 1363. If the Court finds these elements present, then the burden of proof shifts to the defendant, which, to support a finding against jurisdiction, must “present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.” *Id.*

In patent cases seeking a declaratory judgment, the harm alleged is the “wrongful restraint [by the patentee] of the free exploitation of non-infringing goods.” Avocent Huntsville Corp., 552 F.3d at 1332. To determine whether a patent holder is subject to specific jurisdiction in the forum where the declaratory judgment suit is brought, courts examine whether the patent holder “purposefully directed” its activities related to the enforcement or defense of the patent, and, if so, the extent to which the action “arises out of or relates to” such enforcement or defense. Avocent Huntsville Corp., 552 F.3d at 1332; *see generally Radio Sys. Corp. v. Accession, Inc.*, 638 F.3d 785, 790 (Fed. Cir. 2011).

### **c. Standing**

A federal court lacks subject matter jurisdiction to hear a case if the plaintiff lacks standing to bring his claim. See Warth v. Seldin, 422 U.S. 490, 498 (1975). The party invoking federal jurisdiction bears the burden of establishing standing. Lujan v. Defs. of Wildlife, 504 U.S. 555, 561 (1992). Standing is determined at the commencement of suit. *Id.* at 570 n.5.

Jurisdiction under the Declaratory Judgment Act requires an “actual controversy.” 28 U.S.C. § 2201(a). Because of this “actual controversy” requirement, a court may not adjudicate “a difference or dispute of a hypothetical or abstract character” or “one that is academic or moot.” Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 240 (1937). The declaratory judgment plaintiff bears the burden of proving that there is an actual controversy. See Fina Research, S.A. v. Baroid Ltd., 141 F.3d 1479, 1481 (Fed. Cir. 1998). Even if there is an actual controversy and thus jurisdiction, the exercise of that jurisdiction rests within the sound discretion of the district court. See, e.g., Serco Servs. Co. v. Kelley Co., 51 F.3d 1037, 1039 (Fed. Cir. 1995).

#### **4. DISCUSSION**

##### **a. FGTL'S First Motion To Dismiss**

In its First Motion to Dismiss, FGTL moved to dismiss under Rules 12(b)(2), (3), and (6), claiming that (1) res judicata bars NWI and NAP from relitigating the Court's determination in the 2015 Action that it lacks personal jurisdiction over FGTL; (2) this is a duplicative suit; (3) the Court does not have personal jurisdiction over FGTL; and (4) venue is improper. ECF No. 12 at 17–23. FGTL further argues that sanctions are warranted because the Plaintiffs

unnecessarily and improperly multiplied the proceedings by filing this case after the Court dismissed the 2015 Action. After FGTL's First Motion to Dismiss was filed, Plaintiffs filed the First Amended Complaint, naming FMC as an additional Defendant and adding three additional patents: the '801 patent, the '658 patent, and the '785 patent. Plaintiffs then responded to the First Motion to Dismiss, arguing that it should be denied as moot in light of the Amended Complaint, and making its own request for sanctions against FGTL.

After FGTL and FMC filed their Second Motion to Dismiss, the parties filed Notices of Position as to whether the Court needed to make determinations on both pending Motions to Dismiss. Plaintiffs ask the Court to deny the First Motion to Dismiss and Motion for Sanctions as moot in light of the Amended Complaint. ECF No. 64 at 1. In their Notice, Defendants appears to state that determination of both Motions to Dismiss is not necessary, stating the Court “need only address dismissal of the five [declaratory judgment] claims against FGTL once as a practical matter.” ECF No. 63 at 3. Defendants suggest numerous actions that the Court may take, including dismissing the case against FGTL on the original two patents subject to the First Motion to Dismiss and the remaining three on the Second Motion to Dismiss, or deciding only the sanctions portion of the First Motion to Dismiss, which Defendants claim was not mooted by the Amended Complaint, and rule in regard to the Plaintiffs' five declaratory judgment claims on the Second Motion to Dismiss. *Id.*

It is a generally accepted principle that the filing of an amended complaint supersedes the prior complaint. See King v. Dogan, 31 F.3d 344, 346 (5th Cir.

1994). A motion to dismiss that attacks the superseded complaint may be denied as moot. *See, e.g., Mangum v. United Parcel Servs.*, No. 3:09-CV-0385-D, 2009 WL 2700217, at \*1 (N.D. Tex. Aug. 26, 2009). However, a motion to dismiss that attacks the original complaint for deficiencies that persist in the amended complaint should not necessarily always be denied as moot. Rather, the court has the discretion to apply the original motion to dismiss to the amended complaint. *E.g., Davis v. Baylor Regional Med. Ctr. at Grapevine*, No. 3:11-cv-1350, 2013 WL 866173, at \*1 (N.D. Tex. Mar. 8, 2013) (“If some of the defects raised in the original motion remain in the new pleading, the court may simply consider the motion as being addressed to the amended pleading.” (quoting *Charles Alan Wright et al., Fed. Prac. & Proc. § 1476 (2010)*)).

Here, the Second Motion to Dismiss restates the Defendants' arguments concerning lack of personal jurisdiction, res judicata, and improper venue as were asserted in the First Motion to Dismiss, at times incorporating arguments by reference to the First Motion to Dismiss. The Second Motion to Dismiss also urges new arguments concerning lack of personal and subject matter jurisdiction as to FMC. The arguments made in the First Motion to Dismiss seem to be either expressly urged in the Second Motion to Dismiss or incorporated by reference.

Concerning sanctions, the Second Motion to Dismiss incorporates by reference from the First Motion to Dismiss FGTL's Motion for Sanctions, arguing that the sanctions request in the First Motion was not mooted by Plaintiffs' Amended Complaint. Defs.' 2d Mot. at 30. In their Notice to the Court on whether both Motions to Dismiss need to be decided, Plaintiffs argue that Defendants' Motion for Sanctions

was specifically directed towards the original, now-superseded Complaint, and therefore it should be denied as moot, because the original Complaint has no current legal effect. ECF No. 64 at 4. The Court disagrees. Defendants' Motion for Sanctions alleged that Plaintiffs unnecessarily multiplied and extended litigation by refileing the identical declaratory judgment claims on the '299 and '685 patents that were previously dismissed, a concern that applies with equal force to the Amended Complaint, which asserts the same declaratory judgment claims as did the original Complaint. Defendants' renewal of their request for sanctions in the Second Motion to Dismiss sufficiently demonstrates that "some of the defects raised in the original motion remain in the new pleading," such that the Court may consider those incorporated arguments as being applied to the Amended Complaint. *See Davis*, 2013 WL 866173, at \*1.

The Court concludes, therefore, that in light of the Amended Complaint and the Second Motion to Dismiss, the First Motion to Dismiss should be **DENIED** as moot, except to the extent that positions taken in the First Motion to Dismiss, including the request for sanctions, are incorporated by reference into the Second Motion to Dismiss.

#### **b. FGTL and FMC'S Second Motion to Dismiss**

In the Second Motion to Dismiss, FGTL and FMC move to dismiss under Rules 12(b)(1), (2), (3), and (6), and Rule 19(b), claiming that (1) res judicata bars the Plaintiffs from relitigating the Court's determination in the 2015 Action that they lacked personal jurisdiction over FGTL; (2) the Court lacks subject matter jurisdiction over FMC; (3) the Court

does not have personal jurisdiction over FMC or FGTL; (4) the Plaintiffs lack standing to bring a declaratory judgment action against FMC; (5) FGTL is an indispensable party; (6) the Court can discretionarily decline jurisdiction in this declaratory judgment action; and (7) venue is improper. Defs.' 2d Mot. at 16–30. FGTL further argues that sanctions are warranted because the Plaintiffs unnecessarily and improperly multiplied the proceedings by filing this case after the Court dismissed the 2015 Action. Plaintiffs ask that if the Court finds the evidence of personal jurisdiction over FGTL and FMC to be insufficient, it should allow jurisdictional discovery of FGTL's and FMC's contacts with Texas.

#### **i. Res Judicata Requires Dismissal of FGTL**

Defendants argue that res judicata prevents the Plaintiffs from disputing that this Court lacks personal jurisdiction over FGTL. Defs.' 2d Mot. at 17. The Court agrees. The conditions for res judicata as to the jurisdictional dispute are satisfied: the parties to both this and the earlier actions are identical, namely NWI, NAP, and FGTL; the Court that rendered the earlier judgment was competent; res judicata may be applied to the Court's determination that personal jurisdiction was lacking; and Plaintiffs brought declaratory judgment claims in the 2015 Action that involved the same “common nucleus of operative facts” as those claimed in this action, namely patent enforcement actions by FGTL and LKQ. *See Comer*, 718 F.3d at 469; *Procter & Gamble Co.*, 379 F.3d at 499; *New World Int'l, Inc. v.*, No. 3:15-cv-01121, 2016 WL 1069675, at \*1 (N.D. Tex. Mar. 16, 2016) (Lynn, J.).



Specifically, the Amended Complaint alleges that general jurisdiction over FGTL exists in Texas “because FGTL is essentially a patent holding company for Ford, and due to the parent-subsidiary relationship between Ford and FGTL, the imposition of general personal jurisdiction over FGTL is reasonable and fair due to the general personal jurisdiction over Ford.” Am. Compl. ¶ 9. However, in the 2015 Action, this Court considered whether general jurisdiction existed over FGTL in Texas, and concluded that it did not. General jurisdiction confers personal jurisdiction “even when the cause of action has no relationship to those contacts,” *Grober v. Mako Prods.*, 686 F.3d 1335, 1346 (Fed. Cir. 2012), and thus the Court concludes that the fact that three additional patents were asserted in the Amended Complaint and that FMC was added as a defendant makes no difference as to whether general jurisdiction over FGTL exists. In the 2015 Action, NWI and NAP made numerous arguments for general jurisdiction,<sup>1</sup> but notably made no arguments regarding FMC's contacts with Texas, which NWI and NAP now assert. *New World Int'l, Inc.*, 2016 WL 1069675, at \*3 n.1. Res judicata prohibits NWI and NAP from arguing that FMC's contacts with Texas confer general jurisdiction, as those arguments could have been made in the earlier action. See *Liberto*, 441 F.3d at 327 n.28 (noting that when res judicata applies, it “prohibits either party from raising any claim ... in the later action that was or could have been raised ... in the prior action”).

Furthermore, NWI and NAP are precluded from arguing that there is specific jurisdiction in Texas over FGTL. The Amended Complaint alleges there is specific personal jurisdiction over FGTL because it has threatened to sue NWI and NAP for design patent

infringement, FGTL has entered into an exclusive license agreement with LKQ that covers the patents in suit, and that FGTL and LKQ, as FGTL's licensee, have engaged in patent enforcement and protection efforts in and directed towards Texas. Am. Compl. ¶ 7. Plaintiffs made virtually the same allegations in support of specific personal jurisdiction in the 2015 Action:

NWI and NAP ... claim that this Court has specific jurisdiction over FGTL because it sent cease and desist letters to them in Texas, LKQ does business in Texas, and LKQ has assisted FGTL in its efforts to enforce the patents at issue.

*New World Int'l, Inc. v. Ford Global Techs., LLC*, 2016 WL 1069675, at \*4 (N.D. Tex. Mar. 16, 2016).

The Court in the 2015 Action found that NWI and NAP failed to demonstrate that FGTL purposefully directed enforcement activities at Texas, and thereby concluded that “NWI and NAP [had] not made out a prima facie case supporting a finding of specific jurisdiction over FGTL.” *Id.* at \*7. Because NWI and NAP rely on the same “common nucleus of operative facts” in both this and the earlier 2015 Action in making their claim for specific jurisdiction— namely the patent licensing relationship between FGTL and LKQ—the Court concludes that NWI and NAP are attempting to relitigate the issue of specific jurisdiction over FGTL on the basis of its licensing agreements with LKQ. Res judicata prohibits such duplicative litigation, and NWI and NAP's claims against FGTL are, therefore, barred.

NWI and NAP claim that the Amended Complaint contains “additional acts of extrajudicial enforcement” not present in the 2015 Action or the original Complaint in this case. Pls.’ Resp. [ECF No. 53] at 14. These “additional acts” consist of allegations that LKQ contacted NWI’s suppliers and urged them not to supply patented parts to NWI and NAP; conversations between the LKQ executives and the Vice President of NWI concerning settlement and attempts to resolve the pending litigation;<sup>2</sup> and LKQ’s alleged refusal to sell patented parts to NWI and NAP. Am. Compl. ¶¶ 49, 50, 51, 54, 55.

The Court can disregard these “additional acts” for several reasons. Firstly, NWI and NAP have not alleged any changed circumstances or recent discoveries that explain their failure to include these alleged jurisdictional facts in the 2015 Action, and therefore, they are estopped from relitigating the issue of personal jurisdiction based on facts that were available in the 2015 Action. *See Deckert v. First Wachovia Student Fin. Servs., Inc.*, 1991 WL 346395 (N.D. Tex. June 13, 1991), *aff’d*, 963 F.2d 816 (5th Cir. 1992) (“[P]laintiff is barred from litigating any issues ... which, with the use of diligence, might have been tried in the prior suit.”); *cf. Vielma v. Eureka Co.*, 218 F.3d 458, 468 (5th Cir. 2000) (“In cases where a party seeks to amend her complaint after entry of judgment, [the Fifth Circuit has] consistently upheld the denial of leave to amend where the party seeking to amend has not clearly established that he could not reasonably have raised the new matter prior to the trial court’s merits ruling.”). Secondly, it is unlikely these additional allegations of extrajudicial enforcement would have been sufficient to alter the Court’s decision in the 2015 Action finding no personal jurisdiction over FGTL. The

Federal Circuit has indicated that communications seeking to end a dispute through settlement or a licensing provision are insufficient to give rise to personal jurisdiction. See Radio Sys. Corp. v. Accession, Inc., 638 F.3d 785, 791 (Fed. Cir. 2011); Red Wing Shoe Co., Inc. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1361 (Fed. Cir. 1998) (“Although the Rules [of Evidence] do not explicitly make evidence of such negotiations inadmissible to establish personal jurisdiction, the policy underlying the Rules supports an approach that fosters settlement of infringement claims.”). Furthermore, the Amended Complaint does not allege which suppliers LKQ allegedly contacted to prevent supply of patented parts to NWI, whether the alleged communications were specifically directed towards Texas and succeeded in disrupting NWI's business relationships with the suppliers, or whether FGTL directed or acted in concert with LKQ's alleged communications to NWI's suppliers, other than the bare allegation that the communication was “done in cooperation with FGTL.” Am. Compl. ¶ 49.

For the foregoing reasons, the Court concludes that personal jurisdiction over FGTL is lacking and, in light of the earlier decision in the 2015 Action, NWI and NAP are barred from contesting the lack of personal jurisdiction over FGTL.<sup>3</sup>

## **ii. The Court Lacks Subject Matter Jurisdiction Over FMC**

The question that remains is whether NWI and NAP's claims against FMC can proceed without FGTL. Defendants argue that FGTL is an indispensable party under Federal Rule of Civil Procedure 19, and because the Court lacks personal jurisdiction over FGTL, the

entire case must be dismissed. Alternatively, Defendants argue that NWI and NAP lack standing to assert a declaratory judgment claim against FMC, that the Court lacks personal and subject matter jurisdiction over FMC, that venue is improper, and that the Court should decline to exercise declaratory judgment jurisdiction over FMC. Without reaching Defendants' other arguments, the Court concludes that NWI and NAP lack standing to bring this declaratory judgment action solely against FMC, and accordingly, the Court lacks subject matter jurisdiction.

Only a patent owner or an exclusive licensee has constitutional standing to bring an infringement suit. *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005). A parent corporation does not hold rights associated with patents owned by a subsidiary. See *Dole Food Co. v. Patrickson*, 538 U.S. 468, 475 (2003) (“A corporate parent which owns the shares of a subsidiary does not, for that reason alone, own or have legal title to the assets of the subsidiary.”); *DePuy, Inc. v. Zimmer Holdings, Inc.*, 384 F. Supp. 2d 1237, 1238–40 (N.D. Ill. 2005) (dismissing a patent infringement suit brought by the corporate parent of the patentee, holding it was an “entity that does not own the property right that it is suing to enforce”). Accordingly, a parent corporation generally has no standing to bring an infringement suit for a patent that its subsidiary owns. See *GMP Techs., LLC v. Zicam, LLC*, 2009 WL 5064762, at \*2 (N.D. Ill. Dec. 9, 2009); *DePuy*, 384 F. Supp. 2d at 1238 (holding that a corporation did not have standing to sue for patent infringement simply because the patentee was the corporation's wholly owned subsidiary); see also *GPS Indus., Inc. v. Altex Corp.*, No. 07-CV-0831-K, 2009 WL 2337921, at \*2 (N.D. Tex. July 27, 2009).

\*9 A patent owner may license all its substantial rights in patents, in which case the transfer is tantamount to an assignment of those patents to the exclusive licensee, conferring standing to sue solely on that licensee. Alfred E. Mann Found. for Sci. Research v. Cochlear Corp., 604 F.3d 1354, 1358–59 (Fed. Cir. 2010). However, a licensee under a nonexclusive licensing agreement has no right to sue for patent infringement. Id. at 1360 (citing Propat Int'l Corp. v. RPost, Inc., 473 F.3d 1187, 1193–94 (Fed. Cir. 2007)). When there is an exclusive license agreement, but the exclusive license does not transfer sufficient rights to make the licensee the equivalent of the patent owner, either the licensee or the licensor may sue, but both of them generally must be joined as parties to the litigation. Id. (citing Aspex Eyewear, Inc. v. Miracle Optics, Inc., 434 F.3d 1336, 1344 (2006)).

“[A] declaratory judgment action alleging that a patent is invalid and not infringed [is] the mirror image of a suit for patent infringement.” VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1583 (Fed. Cir. 1990). Accordingly, a party that lacks standing to bring an infringement suit is not a proper defendant to a declaratory judgment action for noninfringement. See Fina Research, S.A. v. Baroid Ltd., 141 F.3d 1479, 1481 (Fed. Cir. 1998); GMP Techs., LLC, 2009 WL 5064762, at \*2.

As the parties invoking the Court's declaratory jurisdiction, NWI and NAP bear the burden to establish that jurisdiction existed at the time the claim for declaratory relief was filed, and that it has continued since. Steffell v. Thompson, 415 U.S. 452, 459 n.10 (1974). Here, FGTL owned four of the five patents-in-suit at the time the Amended Complaint was filed. App. to 2d Mot. at 78–83; see Sealant Sys. Intern., Inc.

*v. TEK Global, S.R.L.*, 616 Fed.Appx. 987, 990 (Fed. Cir. 2015) (“[T]he relevant standing inquiry focuses on the time at which a given claim is asserted....”). The '785 patent was owned by FMC at the time the Amended Complaint was filed, but was wholly assigned to FGTL shortly thereafter. App. to 2d Mot. at 78. FGTL is a wholly owned subsidiary of FMC. Porcari Decl. ¶ 2, App. to 2d Mot. at 86. Accordingly, when the Amended Complaint was filed, FMC would have lacked standing to bring an infringement suit for four of the patents-in-suit, and therefore FMC was not, and is not, the proper defendant to a declaratory noninfringement action concerning the '299, '658, '685 and '801 patents. Furthermore, although FMC, along with LKQ, is a licensee of FGTL, Plaintiffs have not argued that FGTL's license with FMC is exclusive or transfers sufficient rights to make FMC a putative patent owner with standing to bring a patent infringement suit.

Instead, NWI and NAP argue that NWI and NAP had standing against FMC when the suit was initially filed, due to FMC's then-ownership of the '785 patent. Pls.' Resp. [ECF No. 53] at 26; App. to 2d Mot. at 78. “The question,” NWI and NAP assert, is “whether this Court lost subject matter jurisdiction over [FMC] when the '785 [p]atent was assigned.” Pls.' Resp. at 26. NWI and NAP maintain that, after assignment of the '785 patent from FMC to FGTL, “the case became moot as to [FMC] and FGTL became the successor in interest to the '785 [p]atent.” *Id.*

The Court determined in the 2015 Action that personal jurisdiction over FGTL is lacking. The Court further concludes that action is preclusive to Plaintiffs' jurisdictional claims here, and that in FGTL's absence, the Court lacks subject matter jurisdiction in this case. NWI and NAP are correct that their case against FMC

became moot after it assigned the '785 patent to FGTL. Cf. *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005) (“Thus, when Schreiber transferred the '860 patent and became a mere non-exclusive licensee, Schreiber lost standing to sue for infringement and the case became moot.”). Mootness is a threshold subject matter jurisdiction issue, *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 102–04 (1998), and is an exception to “the long-standing rule in the Federal courts that jurisdiction is determined at the time the suit is filed and, after vesting, cannot be ousted by subsequent events, including action by the parties.” *F. Alderete Gen. Contractors, Inc. v. United States*, 715 F.2d 1476, 1480 (Fed. Cir. 1983). Thus, although NWI and NAP may have had declaratory judgment standing against FMC on account of FMC's ownership of the '785 patent when suit was filed, their case against FMC became moot after FMC assigned the '785 patent to FGTL.

NWI and NAP argue that “[s]ince [NWI] had standing to sue [FMC] when suit was filed and FGTL is [FMC's] successor in interest regarding the '785 [p]atent, if personal jurisdiction existed over Ford, then personal jurisdiction exists over FGTL.” Pls.' Resp. at 28. Even if this were true, the Court has already determined that NWI and NAP are barred by res judicata from contesting personal jurisdiction over FGTL. Further, although Plaintiffs' argument could support a finding of personal jurisdiction over FGTL, it provides no basis for finding that jurisdiction exists over FMC in FGTL's absence.

Plaintiffs assert no other arguments in support of the Court's jurisdiction over FMC. The Court, therefore, holds that subject matter jurisdiction is lacking in this declaratory judgment action against



FMC. Any standing against FMC that NWI and NAP had on account of the '785 patent' was lost when the patent was assigned to FGTL and the case mooted. The Court may not adjudicate a dispute that "is academic or moot," and therefore, the Court determines that it lacks subject matter jurisdiction. *Aetna Life Ins. Co.*, 300 U.S. at 240.

### **c. Motion for Jurisdictional Discovery**

NWI and NAP alternatively seek jurisdictional discovery of extrajudicial coordinated enforcement efforts by FGTL, LKQ, and FMC, and the full extent of FMC's continuous and systematic affiliations with Texas. ECF No. 59 at 2. The Motion is **DENIED**. As discussed, NWI and NAP cannot collaterally attack the Court's judgment dismissing FGTL for lack of personal jurisdiction, and thus jurisdictional discovery as to FGTL's contacts will have no effect on the Court's finding of no personal jurisdiction. Furthermore, the jurisdictional discovery requested as to FMC will have no impact on the Court's judgment that subject matter jurisdiction is lacking.

## **5. SANCTIONS**

Defendants move for sanctions in both the First and Second Motion to Dismiss on the grounds that NWI and NAP frivolously multiplied this proceedings by filing this second lawsuit after the Court dismissed the 2015 Action for want of personal jurisdiction. Plaintiffs NWI and NAP and their counsel, Robert G. Oake, Jr., are **ORDERED** to appear before Judge Barbara M. G. Lynn on April 17, 2017, at 9:00 A.M., in Courtroom 1570, 1100 Commerce Street, Dallas, Texas, to show

cause why sanctions should not be imposed against them for violating 28 U.S.C. § 1927 and/or Federal Rule of Civil Procedure 11(b).

## 6. CONCLUSION

Because the Court lacks personal jurisdiction over FGTL and lacks subject matter jurisdiction over FMC, it need not reach Defendants' arguments that the case should be dismissed as a duplicative suit, for improper venue, for ineffective service, and for failure to join an indispensable party under Rule 19(b). Defendants' First Motion to Dismiss [ECF No. 11] is **DENIED** as moot, except with respect to arguments incorporated by reference in the Second Motion to Dismiss, Defendants' Second Motion to Dismiss [ECF No. 47] is **GRANTED**, and Plaintiffs' Motion for Jurisdictional Discovery [ECF No. 59] is **DENIED**. **SO ORDERED.**

### Footnotes

1NWI and NAP argued that general jurisdiction exists over FGTL for four reasons: first, vehicles and parts covered by FGTL's design patents are continuously and systematically sold in Texas; second, Ford's website says that FGTL has technology and intellectual property available for licensing and sale throughout the United States; third, FGTL entered into an "alliance" with a Texas company to develop technology; and finally, FGTL's licensee, LKQ, operates in Texas. New World Int'l, Inc., 2016 WL 1069675, at \*3. The Court concluded that these contacts were insufficient to establish general jurisdiction in Texas for FGTL under the analysis of *Daimler. Id.*

2Specifically, the Amended Complaint alleges that LKQ executives called NWI's Vice President in connection with the pending lawsuit and said that “FGTL had a huge litigation budget and the lawsuit would be extremely expensive for New World,” and “that as long as [NWI] dropped the lawsuit and stopped selling the Ford items, that's all that FGTL wanted.” Am. Compl. ¶ 50. The Amended Complaint also describes another telephone conversation in which LKQ executives “explained that LKQ was the exclusive licensed aftermarket distributor for FGTL parts and asked if New World would be willing to drop its lawsuit if LKQ were willing to sell to New World.” *Id.* ¶ 51. It also alleges that an “officer of LKQ also has contacted an officer of New World to inquire whether LKQ can purchase New World.” *Id.* ¶ 54.

3The Court makes this decision despite NWI and NAP's appeal of the 2015 Action currently pending before the Federal Circuit. *See New World Int'l, Inc. v. Ford Global Techs., LLC*, No. 16-2097 (Fed. Cir. Apr. 14, 2016). Both Federal and Fifth Circuit law state that res judicata applies even if the earlier judgment is on appeal. *Pharmacia & Upjohn Co. v. Mylan Pharms., Inc.*, 170 F.3d 1373, 1380–81 (Fed. Cir. 1999); *Praer v. El Paso Nat'l Bank*, 417 F.2d 1111, 1112 (5th Cir. 1969). This appears to be the case even when the order being appealed is not a “final judgment,” as in this case. “[T]he law is well settled that the pendency of an appeal has no effect on the finality or *binding effect of a trial court's holding.*” *Pharmacia & Upjohn Co.*, 170 F.3d at 1381 (emphasis added) (citing *Deposit Bank v. Board of Councilmen of City of Frankfort*, 191 U.S. 499 (1903)). Furthermore, in the event the Federal Circuit reverses the Court's finding of no personal jurisdiction

28a

over FGTL in this 2015 Action, dismissing FGTL from this case on res judicata grounds would not impact the Plaintiffs' ability to continue to litigate their claims in the 2015 Action.

29a

Filed: 05/29/2018

NOTE: This order is nonprecedential.

United States Court of Appeals for the Federal Circuit  
NEW WORLD INTERNATIONAL, INC.,  
NATIONAL AUTO PARTS, INC.,  
Plaintiffs-Appellants

v.

FORD GLOBAL TECHNOLOGIES, LLC, FORD  
MOTOR COMPANY,  
Defendants-Appellees  
2017-1956

Appeal from the United States District Court for  
the Northern District of Texas in No. 3:16-cv-01112-M,  
Chief Judge Barbara M.G. Lynn.

ON PETITION FOR PANEL REHEARING AND  
REHEARING EN BANC

Before PROST, Chief Judge, NEWMAN, LOURIE,  
DYK, MOORE, O'MALLEY, REYNA, WALLACH,  
TARANTO, CHEN, HUGHES, and STOLL, Circuit  
Judges.

PER CURIAM.

ORDER

Appellants New World International, Inc. and National Auto Parts, Inc. filed a combined petition for panel rehearing and rehearing en banc. The petition was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc was

30a

referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on June 5, 2018.

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court

31a

3/16/16

**IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF TEXAS DALLAS**

NEW WORLD INTERNATIONAL, INC.,  
and NATIONAL AUTO PARTS, INC.,

Plaintiffs,

v.

FORD GLOBAL TECHNOLOGIES, LLC, §

Defendant.

**AMENDED MEMORANDUM OPINION AND  
ORDER**

NO. 3:15-CV-01121-M

**AMENDED MEMORANDUM OPINION AND  
ORDER**

Before the Court are Defendant's Motion to Dismiss for Duplicative Suit, Lack of Personal Jurisdiction, Improper Venue, Ineffective Service, and Lack of Declaratory Judgment Standing [Docket Entry #13], and Plaintiffs' Motion for Jurisdictional Discovery [Docket Entry #40]. For the reasons discussed below, Defendant's Motion to Dismiss is **GRANTED** and Plaintiffs' Motion for Jurisdictional Discovery is **DENIED**.

**I. FACTUAL BACKGROUND**

The Defendant, Ford Global Technologies, LLC ("FGTL"), claims that automotive parts sold by the

Plaintiffs are the subject of design patents. The Plaintiffs, who seek a declaratory judgment of invalidity, unenforceability, and non-infringement, are New World International, Inc. (“NWI”) and National Auto Parts, Inc. (“NAP”)—two automotive parts sellers located in Irving, Texas.

FGTL is incorporated in Delaware and headquartered in Michigan [Docket Entry #14, Ex. 2 (Decl. of Damian Porcari)]. It owns, manages, and licenses intellectual property. According to the Declaration of Damian Porcari, FGTL does not do any business in Texas nor have any employees or offices in Texas. It is a subsidiary of Ford Motor Company (“Ford”), also a Delaware company headquartered in Michigan. The Porcari Declaration states that FGTL does not make or sell automobiles or automotive products. FGTL licenses patents to Ford and LKQ Corporation (“LKQ”), a Delaware company headquartered in Illinois. Ford and LKQ do business in all fifty states [Docket Entry #43 at 5 n.6]. FGTL’s relationship with LKQ arose out of earlier patent litigation [Docket Entry #26 at 2]. As part of a settlement, LKQ was granted a license by FGTL, giving LKQ a right to import and sell aftermarket products covered by the patents which are the subject of the Plaintiffs’ declaratory judgment action (“the License”). *Id.*

The License does “not prohibit FGTL and Ford . . . from making, having made, importing, exporting, selling, offering for sale[,] distributing or licensing any products anywhere in the world that are branded, endorsed, manufactured or made by a Ford Associated Company,” but it is “otherwise . . . exclusive” to LKQ [Docket Entry 33 at § 3.1]. It includes several provisions relating to litigation on the patents subject



thereto.

The License makes clear that LKQ “has no right, title or interest in or to the FGTL Design Patents,” *id.* § 7.1, and that LKQ has no “right to grant sublicenses,” *id.* at § 3.2. The License states that each party is “an independent contractor in the performance of each and every part of the license,” and that “neither party has the power or authority to act as agent, employee or in any other capacity to represent, act for, bind or otherwise create or assume any obligation on behalf of the other party for any purpose whatsoever.” *Id.* at § 19.1. The License states that LKQ may not use Ford’s or FGTL’s trademarks. *Id.* at § 7.2. It also requires LKQ to identify its products as “Non Original Equipment Aftermarket Part[s].” *Id.* at § 9.2.

From at least September, 2011, to November, 2013, FGTL sent various communications to NWI, including cease and desist letters, in which it accused NWI of infringing FGTL’s patents, and threatened to initiate litigation. For example, in May of 2013, FGTL wrote NWI, advising that to prevent legal action against it, NWI had to “agree to refrain from importing or selling parts covered by Ford design patents” [Docket Entry #26-1 at 15–16]. That letter, copied to LKQ, also stated that “LKQ Corporation may be able to assist you in the disposal of your existing inventory.” LKQ then contacted NWI, asking it to provide details regarding its inventory in order to “determine the most prudent disposal method” [Docket Entry #26-1 at 69].

## II. PROCEDURAL BACKGROUND

NWI and NAP filed this suit in April of 2015, seeking a declaratory judgment of non-infringement and invalidity. FGTL has moved to dismiss under

Rules 12(b)(1)–(5), claiming: 1) this is a duplicative suit; 2) this Court does not have personal jurisdiction over it; 3) venue is improper; 4) service of process was improper; and 5) Plaintiffs do not have standing. NWI and NAP urge that if the Court finds the evidence of personal jurisdiction over FGTL to be insufficient, it should allow jurisdictional discovery of FGTL’s contacts with Texas.

### III. ANALYSIS

#### a. DEFENDANT’S MOTION TO DISMISS

##### i. Personal Jurisdiction

Because jurisdiction is a threshold issue, courts must address it before considering the merits of a case. *Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 93–94 (1998). Federal Circuit law governs issues related to personal jurisdiction in declaratory judgment patent cases. *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1016 (Fed. Cir. 2009) (quoting *Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1328 (Fed. Cir. 2008)). When the court determines personal jurisdiction on affidavits and other similar written materials, without a hearing, generally the plaintiff must satisfy only a prima facie case. *Celgard, LLC v. SK Innovation Co.*, 792 F.3d 1373, 1378 (Fed. Cir. 2015). Under such a burden, factual disputes are to be resolved in the plaintiff’s favor. *Id.*

To exercise personal jurisdiction over a defendant, a court must conclude that the forum’s long-arm statute is satisfied, and that assertion of personal jurisdiction under the circumstances does not violate due process. *Genetic Implant Sys., Inc. v.*

*CoreVent Corp.*, 123 F.3d 1455, 1458 (Fed. Cir. 1997) (citing *Burger King Corp. v. Redzewicz*, 471 U.S. 462, 471–76 (1985)). Because “[t]he Texas long-arm statute extends to the limits of the Constitution,” only the due process prong of the test is at issue. *Stroman Realty, Inc. v. Antt*, 528 F.3d 382, 385 (5th Cir. 2008).

There are two types of personal jurisdiction—general and specific. Foreign corporations are subject to general jurisdiction only when their “affiliations with the State are so ‘continuous and systematic’ as to render them essentially at home in the forum State.” *Goodyear Dunlop Tires Operations, S.A. v. Brown*, \_\_\_ U.S. \_\_\_, 131 S. Ct. 2846, 2851 (2011) (citing *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 317 (1945)); *Daimler AG v. Bauman*, \_\_\_ U.S. \_\_\_, 134 S. Ct. 746, 754 (2014).

When general jurisdiction does not exist, a court may exercise specific jurisdiction over a defendant only “if the cause of action ‘arises out of’ or ‘relates to’ the defendant’s in-state activity.” *Breckenridge Pharm., Inc. v. Metabolite Labs, Inc.*, 444 F.3d 1356, 1360–61 (Fed. Cir. 2006); *Daimler*, 134 S. Ct. at 754. To determine if specific jurisdiction exists, a court must inquire whether a defendant has purposefully directed its activities at the forum and, if so, whether the litigation results from alleged injuries that arise out of or relate to those activities. *Breckenridge Pharm., Inc.*, 444 F.3d at 1363. If the Court finds these elements present, then the burden of proof shifts to the defendant, which, to support a finding against jurisdiction, must “present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.” *Id.*

In patent cases seeking a declaratory judgment, the harm alleged is the “wrongful restraint [by the patentee] of the free exploitation of non-infringing

goods.” *Avocent Huntsville Corp.*, 552 F.3d at 1332. To determine whether a patent holder is subject to specific jurisdiction in the forum where the declaratory judgment suit is brought, courts examine whether the patent holder “purposefully directed” there activities related to the enforcement or defense of the patent, and, if so, the extent to which the action “arises out of or relates to” such enforcement or defense. *Avocent Huntsville Corp.* 552 F.3d at 1332; *see generally Radio Sys. Corp. v. Accession, Inc.*, 638 F.3d 785, 790 (Fed. Cir. 2011).

*ii. General Jurisdiction*

NWI and NAP argue that general jurisdiction exists over FGTL in Texas because FGTL’s contacts with Texas are “continuous, systematic, and substantial” [Docket Entry #26 at 11]. In *Daimler*, the Supreme Court held that general jurisdiction over a nonresident defendant exists only when the defendant’s “affiliations with the State are so ‘continuous and systematic’ as to render it essentially at home in the forum State.” *Daimler*, 134 S. Ct. at 761 (quoting *Goodyear*, 131 S. Ct. at 2851). The Supreme Court rejected the notion that a nonresident defendant is subject to general jurisdiction “in every State in which [the defendant] engages in a substantial, continuous, and systematic course of business,” finding such an approach “unacceptably grasping.” *Id.* at 760. The Supreme Court held that only in an “exceptional case” will “a corporation’s operations in a forum other than its formal place of incorporation or principal place of business . . . be so substantial and of such a nature as to render the corporation at home in that State.” *Id.* at 761 n. 19; *see Monkton Ins. Servs., Ltd. v. Ritter*, 768

F.3d 429, 432 (5th Cir. 2014) (holding that it is “incredibly difficult to establish jurisdiction in a forum other than the place of incorporation or principal place of business”).

NWI and NAP argue that general jurisdiction exists for four reasons: first, vehicles and parts covered by FGTL’s design patents are continuously and systematically sold in Texas; second, Ford’s website says that FGTL has technology and intellectual property available for licensing and sale throughout the United States; third, FGTL entered into an “alliance” with a Texas company to develop technology; and finally, FGTL’s licensee, LKQ, operates in Texas.<sup>1</sup>

Sale in Texas of vehicles and repair parts allegedly covered by the patents is insufficient to establish general jurisdiction over FGTL. In *Daimler*, the Supreme Court rejected general jurisdiction over Daimler in a state even though it had “multiple offices, continuous operations, and billions of dollars’ worth of sales.” 134 S. Ct. at 772 (Sotomayor, J., concurring). The activity by FGTL here is considerably less significant. Ford’s website stating that FGTL offers intellectual property for license and sale cannot establish general jurisdiction over FGTL under the analysis of *Daimler*. Such activity does not constitute that extensive business within a forum necessary to support a finding of general jurisdiction. Next, FGTL’s alliance with a Texas company to develop technology does not render it “essentially at home” in Texas.<sup>2</sup> See *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998) (“A business relationship with a company in the forum is clearly insufficient. In simple terms, doing business with a company that does business in [Texas] is not the same

as doing business in [Texas].”).

Finally, FGTL’s licensing relationship with LKQ does not create general jurisdiction over FGTL. Even if, contrary to the Court’s conclusion, LKQ’s contacts could be imputed to FGTL for purposes of general jurisdiction, NWI and NAP have not shown that LKQ is subject to general jurisdiction in Texas. The evidence NWI and NAP have presented—a print out from LKQ’s website showing it has several business locations in Texas—does not support a conclusion that either it or FGTL have the requisite scope and magnitude of Texas contacts to support a finding of general jurisdiction. *See generally Xilinx, Inc. v. Papst Licensing GMBH & Co. KG*, 2015 WL 4149166 (N.D. Cal. July 9, 2015) (facts that defendant brought patent infringement suits in California courts, had licensing agreements with California companies, gained revenues from California firms, and had California-based counsel did not support general jurisdiction).

*iii. Specific Jurisdiction*

NWI and NAP alternatively claim that this Court has specific jurisdiction over FGTL because it sent cease and desist letters to them in Texas, LKQ does business in Texas, and LKQ has assisted FGTL in its efforts to enforce the patents at issue [Docket Entry #26 at 10–11].

NWI and NAP acknowledge that merely sending cease and desist letters to a person in a state does not subject the sender to specific jurisdiction there. *Radio Sys. Corp.*, 638 F.3d at 789; *see Avocent*, 552 F.3d at 1333 (quoting *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360–61 (Fed. Cir. 1998)). As the Federal Circuit expressed in

*Red Wing Shoe*, “[m]ere threats of infringement directed at the forum are not sufficient to satisfy due process requirements.” 148 F.3d at 1361.

For there to be specific jurisdiction over a patent holder defending a declaratory judgment action, “there must be ‘other activities’ directed at the forum *and related to the cause of action* besides the letters threatening an infringement suit.” *Avocent Huntsville Corp.*, 552 F.3d at 1333. Patent enforcement efforts or licensing agreements that impose “enforcement obligations with a party residing or regularly doing business in the forum” could be sufficient. *Id.* at 1334. However, a patent holder’s efforts to commercialize a patent have been held not to be activities related to the patent’s enforcement that give rise to specific jurisdiction. *Radio Sys. Corp.*, 638 F.3d at 789.

The only “other activity” NWI and NAP rely upon as a basis for specific jurisdiction is the License between FGTL and LKQ. When “a defendant-licensor has a relationship with an exclusive licensee headquartered or doing business in the forum state, the inquiry requires close examination of the license agreement.” *Breckenridge*, 444 F.3d at 1366. An exclusive license may constitute “other activity” for jurisdictional purposes if it “contemplate[s] a relationship beyond [a] royalty or cross licensing payment, such as granting both parties the right to litigate infringement cases or granting the licensor the right to exercise control over the licensee’s sales or marketing activities.” *Id.*

A close examination of the LKQ License reveals that it does not impose continuing obligations on FGTL to enforce or defend the patents in Texas nor give LKQ an independent right to enforce those patents, and it does not give FGTL control over

LKQ's business operations. That relationship between FGTL and LKQ does not create nationwide jurisdiction over FGTL in declaratory judgment patent cases where the independent entity LKQ is doing business.

In the jurisdictional context, the Federal Circuit has drawn a distinction between a licensor's relationship with an exclusive licensee and a licensor's relationship with a non-exclusive licensee. *Xilinx, Inc.*, 2015 WL 4149166; *see, e.g., Akro Corp. v. Luker*, 45 F.3d 1541, 1546 (Fed. Cir. 1995) (holding that jurisdiction is proper where the defendant grants an *exclusive* license that includes the right to litigate infringement claims in the forum); *Red Wing Shoe Co.*, 148 F.3d at 1361 (noting that, in *Akro*, the Federal Circuit “emphasized the exclusive nature of the license, stating that ‘the exclusivity of [the] license agreement . . . created continuing obligations’ between the patentee and the forum.”). Although the grant of a non-exclusive license to an in-state licensee does not subject the licensor to personal jurisdiction in that state, the grant of an exclusive license may support personal jurisdiction over the licensor if the license imposes specific enforcement obligations on the licensor or licensee. *See Breckenridge*, 444 F.3d at 1366 (“the defendant is subject to personal jurisdiction in the forum state by virtue of its relationship with its exclusive forum state licensee *if* the license agreement, for example, requires the defendant-licensor, and grants the licensee the right, to litigate infringement claims.” (emphasis added)).

The parties dispute whether the License is, in fact, exclusive. NWI and NAP point out that in court documents FGTL has referred to LKQ as its “exclusive licensee.” FGTL claims that the License is not



exclusive for jurisdictional purposes, because FGTL has also granted Ford a license of the patents and maintains that it has referred to LKQ as an “exclusive licensee” only with respect to aftermarket parts. Indeed, the License itself expressly provides that it does “not prohibit FGTL and Ford . . . from making, having made, importing, exporting, selling, offering for sale[,] distributing or licensing any products anywhere in the world that are branded, endorsed, manufactured or made by a Ford Associated Company . . . but shall *otherwise* be exclusive.” [Docket Entry 33 at § 3.1] (emphasis added).

For purposes of this analysis, the Court finds the LKQ License to be exclusive. There is no “bright-line rule that a party cannot be an exclusive licensee of a patent if others have the right to license the patent . . . a licensee is an exclusive licensee of a patent if it holds any of the exclusionary rights that accompany a patent.” *WiAV Solutions LLC v. Motorola, Inc.*, 631 F.3d 1257, 1266 (Fed. Cir. 2010). LKQ has an exclusive license to import and sell aftermarket parts, and FGTL’s License with LKQ “eliminate[d] any possibility of [FGTL] entering into any type of licensing arrangement” with NWI and NAP. It is thus exclusive. *Akro*, 45 F.3d at 1546.

However, LKQ’s doing business in Texas does not constitute purposeful direction of enforcement activity chargeable to FGTL. In *Akro*, in which the Federal Circuit first recognized that an exclusive license could support a finding of specific jurisdiction against the licensor in declaratory judgment patent cases, the license imposed mutual *requirements* on the licensee and licensor to litigate infringement suits. *Akro*, 45 F.3d at 1546 (the license required the patent holder to “defend and pursue any infringements against

his patent” and granted the licensee the power to litigate infringement suits, and thus was held to have created “continuing obligations” related to enforcement of the patent in the forum). In *Genetic Implant Systems, Inc.*, the licensor authorized the exclusive distributor to use its trademarks in marketing and distributing products covered by patents, and had conducted business in the state, developing a customer base and goodwill which potentially enhanced its distributor’s sales in the state. 123 F.3d at 1459. In *Breckenridge Pharmacy*, the licensee, with the licensor’s consent, had the right to sue for patent infringement on its own behalf, and the parties obligated themselves to “discuss in good faith the appropriate action, if any, with respect to [infringers].” 444 F.3d at 1366–67. The license granted the licensee “full control of the prosecution or maintenance” of any patent or application that the licensor abandoned or permitted to lapse,” and the evidence showed that the patent holder and licensee frequently coordinated in litigating infringement claims, and were often represented jointly by the same counsel. *Id.* Further, the licensor agreed to consult with the licensee regarding marketing of the covered products. *Id.*

Nothing in the LKQ License compels FGTL to take affirmative action in Texas or to defend the patents at issue in Texas, nor does it give LKQ enforcement rights over the patents. FGTL alone has “the right to determine what action, if any, is to be taken” to enforce the patents, and FGTL may defend the patent in the forum “or not, at FGTL’s discretion.” If a party sues LKQ for infringement, “FGTL will have the right at its discretion to handle such a claim, demand, or suit in any manner whatsoever.” Thus, there is no “continuing obligation” for FGTL to litigate

patent suits in Texas, and LKQ is not authorized to initiate lawsuits against alleged infringers or to defend against allegations of infringement without FGTL's written consent. [Docket Entry 33 at § 3.2] ("If any claim, demand or suit for infringement will be asserted against LKQ . . . [w]ith FGTL's prior written consent, LKQ may handle such a claim, demand, or suit in a manner agreed upon by the parties.") (emphasis added).

Similarly, in contrast to the situation in *Genetic Implant Systems*, FGTL does not have authority under the License to control LKQ's business or marketing decisions. [Docket Entry #14, Ex. 2]. NWI and NAP merely point to a provision in the License stating that LKQ must accurately identify its products as "Non Original Equipment Aftermarket Part[s]," and characterize that that provision as constituting "control" over LKQ's marketing. In the Court's view, this requirement does not show that FGTL has "the right to exercise control" over LKQ's marketing activities.

NWI and NAP have presented no evidence that FGTL alone, or together with LKQ, has engaged in any other enforcement activity, such as initiating lawsuits in Texas, nor that it has engaged in any kind of extrajudicial enforcement by, for example, interfering with NWI and NAP's business relationships.<sup>3</sup> *Compare with Autogenomics, Inc. v.* 566 F.3d at 1019 ("harming plaintiff's business activities in forum state is a sufficient additional factor to justify the exercise of personal jurisdiction."); *Campbell Pet Co. v. Miale*, 542 F.3d 879, 886 (Fed. Cir. 2008) (finding jurisdiction over a patentee who engaged in "extra-judicial patent enforcement," by enlisting a third party to remove defendant's products from a trade show that was being held in the forum); *Viam Corp. v. Iowa Exp. Imp*,

*Trading Co.*, 84 F.3d 424, 430 (Fed. Cir. 1996) (finding jurisdiction where defendants had “initiated a suit seeking to enforce the same patent . . . in the same district court”).

NWI and NAP argue that LKQ has assisted FGTL in enforcement activities, but in support they point only to the letter from FGTL stating that LKQ may be able to assist with disposal of infringing products and the letter from LKQ regarding possible disposal of those products. NWI and NAP concede the cease and desist communications cannot form the basis of specific personal jurisdiction. *See, e.g., Silent Drive*, 326 F.3d at 1202 (“[L]etters threatening suit for patent infringement sent to the alleged infringer by themselves ‘do not suffice to create personal jurisdiction.’” (quoting *Red Wing Shoe*, 148 F.3d at 1359–60) (emphasis added)); *Catalyst Medium Four, Inc. v. CardShark, LLC*, 2015 WL 1412591, at \*1 (W.D. Tex. Mar. 26, 2015) (a letter threatening to sue if the alleged infringer did not enter into a license agreement, and stating that “litigation will remain an option until this matter is resolved,” did not support the exercise of jurisdiction). The communications to NWI fall within the realm of cease and desist communications.

NWI and NAP have failed to make a prima facie case that FGTL purposefully directed enforcement activities at Texas. *See Breckenridge Pharm., Inc.*, 444 F.3d at 1363. The Supreme Court recently admonished against “exorbitant exercises of all-purpose jurisdiction” over foreign corporations where that “global reach” prevents corporations from “structur[ing] their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.” *Daimler*, 134 S. Ct. at 746. Patent holders cannot structure their primary

conduct with such assurances if the patent holder is subject to jurisdiction wherever its licensee decides to do business.

The Court finds that NWI and NAP have not made out a prima facie case supporting a finding of specific jurisdiction over FGTL.

**b. PLAINTIFFS' MOTION FOR JURISDICTIONAL DISCOVERY**

NWI and NAP alternatively seek jurisdictional discovery of FGTL's sales and licensing activity in Texas. A motion for jurisdictional discovery in a declaratory judgment patent case is not an issue unique to patent law, and thus is governed by the law of the regional circuit. *Autogenomics, Inc.*, 566 F.3d at 1021. In the Fifth Circuit, a plaintiff must make a preliminary showing of jurisdiction to support jurisdictional discovery by making "factual allegations that suggest with reasonable particularity the possible existence of the requisite contacts." *HEI Res., Inc. v. Venture Research Inst.*, 2009 WL 2634858, at \*7 (N.D. Tex. Aug 26, 2009) (citing *Fielding v. Hubert Burda Media, Inc.*, 415 F.3d 419, 429 (5th Cir. 2005)). A plaintiff must state what facts it believes discovery would uncover and how those facts would support personal jurisdiction. *Kelly v. Syria Shell Petroleum Dev. B.V.*, 213 F.3d 841, 855 (5th Cir. 2000).

NWI and NAP request discovery regarding only *general* jurisdiction [Docket Entry #45 at 1]. They seek to "determine how many contacts FGTL has with the State of Texas including how much FGTL technology has been licensed and/or sold to companies in Texas." *Id.* NWI and NAP have not

made a preliminary showing of general jurisdiction, having failed to present factual allegations suggesting contacts between FGTL and Texas that are so *systematic* and so *continuous* that FGTL is essentially at home here. *Daimler*, 134 S. Ct. at 761. They also fail to state what specific information they expect jurisdictional discovery to uncover, instead offering the vague assertion that it will uncover “FGTL’s contacts with the State of Texas including the technology that FGTL has licensed and/or sold” [Docket Entry #40 at 2].

NWI and NAP have not provided the Court with any basis for concluding that this is the “exceptional case” where it may exercise general jurisdiction over a corporation not headquartered or incorporated in Texas. NWI and NAP’s request for jurisdictional discovery appears to the Court to be a fishing expedition unsupported by any detailed showing or likelihood of discovery of jurisdictional facts. *Catalyst Medium Four, Inc. v. CardShark, LLC*, 2015 WL 1412591, at \*8 (W.D. Tex. Mar. 26, 2015). The Court therefore exercises its discretion to disallow such discovery.

#### IV. CONCLUSION

Because the Court lacks personal jurisdiction over FGTL, it need not reach FGTL’s arguments that the case should be dismissed for duplicative suit, improper venue, ineffective service, and lack of declaratory judgment standing. Defendant’s Motion to Dismiss for Lack of Personal Jurisdiction [Docket Entry #13] is **GRANTED**, and Plaintiffs’ Motion for Jurisdictional Discovery [Docket Entry #40] is **DENIED**.

**SO ORDERED.**

March 16, 2016.

Footnotes

<sup>1</sup> NWI and NAP have not claimed general jurisdiction over FGTL based on the contacts of Ford, and have presented no evidence regarding Ford's contacts with Texas. The Court therefore will not address that issue.

<sup>2</sup> NWI and NAP provided a press release from 2006 stating that Ford and FGTL entered into a "commercial innovation and software marketing alliance" with UGS Corp., a Texas-based company, to develop "commercial product lifecycle management (PLM) technology" [Docket Entry #26-1 at 79]. Through that alliance, FGTL would "collaborate with UGS Corp. to provide early input into the development of new PLM solutions and . . . gain immediate access to the new technology, while UGS [would be] able to more quickly bring new commercial PLM software to market." *Id.*

<sup>3</sup> FGTL's lawsuit against NWI in Minnesota is not relevant to this inquiry. Filing a suit against a Texas citizen in a different forum does not constitute enforcement activity within this state. *See Juniper Networks, Inc. v. SSL Servs., LLC*, 2009 WL 3837266 (N.D. Cal. Nov. 16, 2009), *aff'd* 2010 WL 5140471 (Fed. Cir. 2010).

48a

IN THE UNITED STATES DISTRICT COURT FOR  
THE NORTHERN DISTRICT OF TEXAS DALLAS  
DIVISION  
CIVIL ACTION NO. 3:16-cv-01112-K

NEW WORLD INTERNATIONAL, INC.,  
and NATIONAL AUTO PARTS, INC.,

Plaintiffs,

v.

FORD GLOBAL TECHNOLOGIES, LLC, and FORD  
MOTOR COMPANY

Defendants.

A JURY IS DEMANDED

**FIRST AMENDED COMPLAINT FOR  
DECLARATORY JUDGMENT**

New World International, Inc. (New World) and National Auto Parts, Inc. (National Auto Parts) (jointly Plaintiffs), for their First Amended Complaint for Declaratory Judgment against Ford Global Technologies, LLC (FGTL) and Ford Motor Company (Ford) (jointly Defendants), state and allege as follows:

**I. PARTIES**

1. Plaintiff New World is a corporation organized and existing under the laws of the State of Texas, with a principal place of business at 1720 E. State Highway 356, Irving, Texas, which is



located in this judicial district.

2. Plaintiff National Auto Parts is a corporation organized and existing under the laws of the State of Texas, with a principal place of business at 1720 E. State Highway 356, Irving, Texas, which is located in this judicial district.
3. On information and belief, Ford Global Technologies, LLC (FGTL), is a corporation organized and existing under the laws of the State of Delaware with a principal office and principal place of business at 30600 Telegraph Road, Suite 2345, Bingham Farms, Michigan 48025. On information and belief, FGTL is a wholly owned subsidiary of Ford Motor Company and manages intellectual property and technology commercialization matters for Ford Motor Company. FGTL has been served with an Original Complaint and has filed a Motion to Dismiss (Doc. 11) and Brief in Support (Doc. 12).
4. On information and belief, Defendant Ford Motor Company (Ford) is a Delaware corporation with its principal office located at 1 American Road, Dearborn, Michigan 48126. Ford is a company authorized to do and doing business in the State of Texas whose agent for service of process is CT Corporation Systems at 1999 Bryan Street, Suite 900, Dallas Texas 75201-3136.

## **II. JURISDICTION AND VENUE**

5. This Complaint arises under the Patent Laws of

the United States, 35 U.S.C. § 100 et seq. and the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, based upon an actual controversy between the parties to declare that certain design patents owned by FGTL and Ford are not infringed by Plaintiffs, and are invalid and unenforceable.

6. This Court has original jurisdiction over the subject matter of these claims pursuant to 28 U.S.C. §§ 1331 and 1338(a).
7. This Court has specific personal jurisdiction over FGTL because (a) FGTL has threatened to sue and has sued New World, and has threatened to sue, directly and/or indirectly, National Auto Parts, for alleged design patent infringement for selling automotive body repair parts allegedly covered by design patents owned by FGTL, (b) FGTL has entered into an exclusive license agreement with LKQ Corporation (LKQ), which is doing business in Texas on a substantial and regular basis, and the exclusive license agreement contemplates a continuing relationship between FGTL and LKQ beyond a royalty or cross licensing payment as described further herein, and (c) FGTL and LKQ as exclusive licensee of FGTL have engaged in multiple extra-judicial efforts in and directed toward Texas against Plaintiffs in an effort to enforce the subject design patents and to protect the validity of the subject design patents such that the assertion of specific personal jurisdiction over FGTL in this district would not violate fair play and substantial justice as described further

herein. Plaintiffs claim herein arises out of or relates to the above-described activities of FGTL and LKQ.

8. This Court has specific personal jurisdiction over Ford because (a) Ford has threatened to sue New World, and has threatened to sue, directly and/or indirectly, National Auto Parts, for alleged design patent infringement for selling automotive body repair parts allegedly covered by one or more design patents owned by Ford, (b) Ford and FGTL have entered into an exclusive license agreement with LKQ Corporation (LKQ), which is doing business in Texas on a substantial and regular basis, and the exclusive license agreement contemplates a continuing relationship between Ford, FGTL, and LKQ beyond a royalty or cross licensing payment as described further herein, and (c) Ford, FGTL, and LKQ as exclusive licensee of Ford and FGTL have engaged in multiple extra-judicial efforts in and directed toward Texas against Plaintiffs in an effort to enforce the subject design patents and to protect the validity of the subject design patents such that the assertion of specific personal jurisdiction over Ford in this district would not violate fair play and substantial justice as described further herein. Plaintiffs claim herein arises out of or relates to the above-described activities of Ford, FGTL, and LKQ.
9. This Court has General Jurisdiction over Ford because as described below, Ford's affiliations with this forum are so substantial, continuous,

and systematic as to render Ford essentially at home in Texas. This Court has general jurisdiction over FGTL because FGTL is essentially a patent holding company for Ford, and due to the parent-subsidary relationship between Ford and FGTL, the imposition of general personal jurisdiction over FGTL is reasonable and fair due to the general personal jurisdiction over Ford.

10. Venue is proper in this District under 28 U.S.C. §§ 1391 (b), (c), (d) and 1400 (b).

### **III. BACKGROUND**

#### **A. Ford and FGTL in Texas**

11. Ford has a strong historical connection to the State of Texas and to this Judicial District. On June 16, 1903, Henry Ford founded Ford in Dearborn, Michigan. Six years later, in 1909, Henry Ford came to Dallas, Texas and opened a two-man sales office. The first Ford assembly plant opened in Dallas at Canton and Williams in 1914. In 1925, the plant was moved to 5200 East Grand where it continued to operate until February 27, 1970. A decal stating “Built in Texas by Texans” was placed on the back window of each car. During World War II, 94,345 Jeeps and 6,286 military trucks were manufactured at the East grand Plant.
12. Although the Ford manufacturing plants are no longer operating in Texas, Ford continues to have a substantial, continuous, and systematic presence in Texas. On information and belief,

Ford currently has a network of 256 authorized Ford Dealerships in Texas that service, solicit, and sell Ford vehicles to Texas residents. Texas has the most Ford dealerships in the nation, with no other state coming even close (the second ranked state, California, has 175). Four of the five Patents-in-Suit involve the F-150 Truck. In 2013, Ford sold 124,978 F-150 Trucks in Texas, which ranked Texas number one and accounted for 16.58% of F-150 sales. By contrast, the second ranked state, California, had only 6.18% of sales. On information and belief, Ford's sales of vehicles into Texas are substantial, continuous, and systematic.

13. On information and belief, Ford has a Dallas Regional Office located in Plano, Texas with 70 employees, a Ford Credit Business Center located in Irving, Texas with 154 employees, a High Velocity Center located in Fort Worth, Texas with 36 employees, a FCSD Regional Office located in Houston, Texas with 27 employees, and a High Velocity Center located in Houston, Texas with 38 employees.
14. On information and belief, Ford currently is licensed to do business in Texas and first made application for a permit to do business in Texas on January 29, 1910. It has filed at least 60 corporate documents with the Texas Secretary of State from January 29, 1910 to present including Application for Certificate of Authority, Application for Amended Certificate of Authority, Change of Registered Agent/Office, Assumed Name Certificate, Public

Information Report, and Certificate of Assumed Business Name. Ford has appointed an agent for service of process in Texas.

15. Ford regularly litigates and defends cases in Texas.
16. On information and belief, Ford: finances Texas Ford dealers and consumers; promotes sales incentives and rebate programs with Texas dealers and consumers; enters into indemnity agreements with Texas dealers; certifies Texas dealers to perform repairs on Ford vehicles; trains Texas mechanics and technicians; provides procedures to follow when making repairs on Ford vehicles; sends Ford representatives into Texas to assist with warranty matters; sends Ford recall notices to Texas residents who own Ford vehicles regardless of whether the vehicle was purchased from a dealer; advertises in Texas through web sites, pop-up ads, television ads, radio ads, internet ads, and print ads; requires Texas dealers to advertise within specified Ford parameters; and requires Texas dealers to conform to Ford signage and appearance requirements.
17. Ford has entered into an exclusive licensing agreement with LKQ Corporation (LKQ) with regard to Ford design patents and LKQ Corporation does business in Texas on a regular and substantial basis.
18. On information and belief, FGTL is a wholly owned subsidiary of Ford and essentially acts as

a patent holding company for Ford.

**B. Automotive Body Repair Parts and Design Patents**

19. Before the mid-1970s, automobile manufacturers such as Ford enjoyed a practical monopoly on automotive body repair parts. However, after increases in technology allowed third parties to create quality repair parts, the monopoly was broken, which resulted in substantially lower prices. Manufacturers such as Ford and its patent holding company FGTL then turned to design patents in an effort to regain the monopoly and charge higher prices.

**C. History of Design Patent Litigation over Automotive Body Repair Parts**

20. In the first case to reach the Federal Circuit regarding design patents on automotive repair parts, the Federal Circuit upheld a district court's denial of a preliminary injunction requested by Chrysler Corporation on a design patent on a repair part fender. In the Chrysler case, the Federal Circuit found, inter alia, that substantial questions were raised regarding the validity of the design patent due to its functional nature.
21. On December 6, 2005, FGTL filed a complaint in the International Trade Commission (ITC) against a number of companies for design patent infringement and these companies challenged the validity of the patents (Inv. No. 337-TA-557).

An amended complaint was filed on December 12, 2005. The fourteen design patents asserted by FGTL were D496,890, D493,552, D497,579, D503,135, D496,615, D502,561, D492,044, D491,119, D503,912, D495,979, D492,801, D501,685, D489,299, and D489,658.

22. During the course of the ITC proceedings, FGTL dropped four patents from the proceeding. The dropped patents are D492,801 (Headlamp), D501,685 (Headlamp), D489,299 (Hood), and D489,658 (F-150 Side Mirror). The four patents that were dropped by FGTL from the ITC proceedings are four of the five patents included in this case. Of the design patents remaining in the ITC Action, three were invalidated based on the public use bar (D491,119, D503,912, D495,979) and the rest were found not to be invalid by the ITC and were found to be infringed. The ITC ruling was appealed to the Federal Circuit Court of Appeals. During the pendency of the appeal (on or about March 30, 2009), the parties entered into a settlement agreement whereby Ford and FGTL granted the primary defendant LKQ/Keystone an exclusive license to, inter alia, sell the Ford and FGTL patented parts. The Federal Circuit did not substantively review the ITC Order and the ITC order is not binding on a federal district court.
23. A second ITC Complaint was filed by FGTL on May 2, 2008 (Inv. No. 337-TA651) concerning United States Design Patents D498,444 (front bumper fascia), D501,162 (front bumper fascia -



GT), D510,551 (hood), D508,223 (fender), D500,717 (side view mirror), D539,448 (tail lamp), D500,969 (rear bumper fascia -base), and D500,970 (rear bumper fascia GT). On or about March 30, while this case was pending, the parties entered into a settlement agreement (referred to in the paragraph above) and the investigation was terminated.

24. Ford and FGTL then continued to threaten companies such as New World with patent infringement for selling automotive repair parts. The patent infringement threats made by Ford and FGTL included United States Design Patents D492,801 (F-150 Headlamp) (Ex. 1), D501,685 (F-150 Headlamp) (Ex. 2), D489,299 (F-150 Hood) (Ex. 3), D489,658 (F-150 Side Mirror) (Ex. 4), and D607,785 (Vehicle Lower Grille) (Ex. 5) (Patents-in-Suit). FGTL is assignee of D492,801, D501,685, D489,299, and D489,658, and Ford Motor Company is assignee of D607,785. In response to these threats, the Automotive Body Parts Association (ABPA) brought suit against FGTL in the Eastern District of Texas (EDTX) based on association standing. The ABPA lawsuit sought to invalidate the FGTL design patents with the defenses of functionality and patent exhaustion. FGTL attempted to dismiss the ABPA Lawsuit due to lack of associational standing, but the motion was denied.
25. FGTL then brought a motion to transfer venue. A magistrate judge issued a report and recommendation (R&R) that the case should be transferred to the Eastern District of Michigan

(EDMI), and ABPA filed extensive written objections and a motion to consider supplemental evidence for a de novo review of the R&R. The objections were based, inter alia, on the failure to consider evidence and witnesses in and near the EDTX and the failure to consider inconvenience to ABPA's witnesses. While the objections were pending, the magistrate judge became a district court judge and ordered the transfer. The order of transfer makes no reference to the objections. ABPA is challenging the court's right to conduct a de novo review of its own R&R.

26. Before ABPA filed motions challenging the order of transfer, the case file was transferred by the clerk to the EDMI prior to the twenty-one day waiting requirement mandated by the EDTX local rules. ABPA's position is that the premature transfer is void. The EDTX court stated that its order directed the clerk to transfer the case "immediately," but the transfer order does not say "immediately" and does not include any other temporal term. ABPA filed a petition for writ of mandamus based on procedural issues, which was denied by the Federal Circuit. ABPA then filed a writ of certiorari to the United States Supreme Court, which currently is pending.
27. On January 29, 2015, FGTL filed suit against New World, Auto Lighthouse Plus, LLC, and United Commerce Centers, Inc. in the EDMI for alleged patent infringement and willful patent infringement. The nine patents included in the

lawsuit are D493,552 (Vehicle Headlamp), D501,685 (Vehicle Headlamp), D496,890 (Vehicle Grill), D489,299 (Vehicle Hood), D493,753 (Vehicle Hood), D498,444 (Front Bumper Fascia), D501,162 (Front Bumper Fascia), D510,551 (Hood), and D539,448 (Vehicle Taillamp). After ABPA pointed out that inclusion of the two patents involved in the ABPA Lawsuit (D489,299 and D501,685) could be considered by the EDTX court in the EDTX case transfer analysis, FGTL filed an amended complaint and dropped these two patents from the case.

28. On March 30, 2015, Auto Lighthouse, which has a registered office address in the EDTX, then filed suit over the two dropped patents (D489,299 and D501,685) in the EDTX. In the “related case” section of the civil cover sheet, Auto Lighthouse properly referenced Judge Mazzant and the ABPA Lawsuit, virtually assuring that Judge Mazzant would be assigned the case for judicial economy purposes.
29. On April 14, 2015, New World and NAP filed suit against FGTL in the NDTX over the two dropped patents (D489,299 and D501,685). The case was filed in the NDTX because, inter alia, this is where New World and NAP have their principal place of business. After this case was filed, for litigation efficiency and judicial economy reasons, and for other reasons unrelated to the particular Judges assigned to the cases, Auto Lighthouse did not request service in the case filed in the EDTX.

30. FGTL filed a motion to dismiss for lack of personal jurisdiction in the NDTX case and the motion was granted. New World and NAP filed a motion for leave to amend the complaint, which was denied. The case then was appealed to the Federal Circuit Court of Appeals and the appeal is pending.
31. The instant case was filed on April 25, 2016.

**D. The Ford and FGTL Exclusive Licensing Agreements with LKQ**

32. Ford, FGTL, and LKQ have entered into exclusive license agreements related to the Patents-in-Suit. The exclusive license agreements create continuing relationships between Ford, FGTL and LKQ with regard to the enforcement and defense of the Patents-in-Suit and the marketing rights of LKQ. The exclusive licensing agreements currently are under an “attorney eyes only” designation so the relevant paragraphs will be referred to only by paragraph number. A motion will be made to file the exclusive license agreements under seal.
33. The first exclusive licensing agreement was entered into between FGTL, Ford, and LKQ and has an effective date of April 1, 2009 (2009 Agreement). In the 2009 Agreement, FGTL and Ford are defined and collectively referred to as “Ford.” The second exclusive licensing agreement was entered into by FGTL and LKQ and has an effective date of October 1, 2011 (2011 Agreement). The 2009 and 2011 Agreements are

substantively similar, but the term “Ford” is replaced with the term “FGTL” in many places in the 2011 Agreement.

34. The 2009 and 2011 Agreements establish joint and continuing obligations by and between FGTL, Ford, and LKQ to cooperate in the enforcement and defense of the Ford and FGTL design patents. The Agreements also contains marketing restrictions placed on LKQ. The relevant language is contained in the following paragraphs of the licensing agreements: 2.2, 6.2, 7.1, 8.1, 8.2, 9.2, 9.3, 9.4, 9.6, 9.8, and 10.1

**D. Patent Enforcement and Protection Efforts by FGTL, Ford, and LKQ**

46. Ford and FGTL sent a cease desist letter to New World on or about September 28, 2011. The letter stated, inter alia, that “[w]e have successfully enforced our patents before the United States International Trade Commission” and that “Ford has granted LKQ Corporation the exclusive right to import and sell aftermarket products covered by the patents in Attachment B.” The letter further states “LKQ has informed Ford that neither they, nor their distributors, have provided authorized products to New World International” and “[a]uthorized parts should have a red sticker saying “Non-Original Equipment Aftermarket”. The letter stated “we ask that you immediately cease and desist from offering for sale, selling or importing products that infringe the patents in Attachment B.” The cease and desist communications from

Ford and FGTL (including emails and letters sent to New World in Texas) regarding Ford and FGTL design patents (including the Patents-in-Suit) continued through and including November 13, 2013.

47. The cease and desist communications include a letter sent by LKQ to New World in Texas stating: “I am writing on behalf of LKQ Corporation regarding the recent “cease and desist” letter delivered to your company by Damian Porcari of Ford;” “[a]s Mr. Porcari stated in his letter, we are contacting you regarding the proper disposal of your inventory that violates Ford design patents;” “[w]e attempted to contact you by telephone without success;” and “[p]lease call me at the number below to review the details of your inventory, so we can determine the most prudent disposal method.”
48. LKQ Corporation has been purchasing repair part distributors that compete with LKQ in the United States. On information and belief, due to these acquisitions, LKQ currently has approximately seventy percent of the market for automotive body repair parts in the United States.
49. On information and belief, LKQ uses its market power and its exclusive license agreements with Ford and FGTL to stop the supply of repair parts to Plaintiffs. On information and belief, LKQ has contacted and communicated with parts suppliers of New World to warn the

suppliers not to supply any patented parts to New World or LKQ will not purchase repair parts from the suppliers. On information and belief, some of the repair parts suppliers, including those that in the past either have supplied, or are capable of supplying, repair parts covered by the Patents-in-Suit, have offices and distribution facilities in Texas and in this judicial district. These contacts and communications by LKQ with these suppliers were intended to prevent Plaintiffs from obtaining parts in Texas from these suppliers and in this Judicial District. On information and belief, the communications from LKQ either were made into Texas and/or were made outside of Texas with the intent that the communication would be forwarded into Texas to the supplier's location in Texas. On information and belief, LKQ's actions in contacting the suppliers to prevent the suppliers from selling patented parts to Plaintiffs, including the parts covered by the Patents-in-Suit, was done in cooperation with FGTL and under LKQ's joint continuing contractual obligations with FGTL in the State of Texas.

50. In early to middle March of 2015, Rob Wagman (Wagman), the President and CEO of LKQ, telephoned the vice-president of New World, Joseph Tsai (Tsai), in Irving, Texas. Wagman and Tsai talked about the lawsuit going on between FGTL and the ABPA. Wagman mentioned that he also knew there was a lawsuit between FGTL and New World. Wagman explained that FGTL had a huge litigation

budget and the lawsuit would be extremely expensive for New World. Wagman explained that as long as they dropped the lawsuit and stopped selling the Ford items, that's all that FGTL wanted. Tsai called Wagman back the following week to tell him New World had no interest.

51. On or about June 3, 2015, Victor Casini (Casini), the senior vice president, general counsel and corporate secretary of LKQ called Tsai in Irving, Texas. Casini explained he knew that FGTL and the ABPA were in a lawsuit and that New World was involved. Casini explained LKQ was the exclusive licensed aftermarket distributor for FGTL parts and asked if New World would be willing to drop its lawsuit if LKQ were willing to sell to New World. The telephone conversation was followed by two emails sent to Tsai in Texas by Casini regarding pricing.
52. On March 16, 2015, in a Sur-Reply filed in Case No. 4:13-CV-00705, United States District Court, Eastern District of Texas (Doc. #90, p. 1, ¶4), FGTL stated:

Indeed, the ABPA goals are not fully aligned with the interests of even member New World – who unlike the ABPA is subject to treble damages for willful infringement and may wish to resolve the litigation through settlement. The ABPA, however, would lose any associational standing to maintain this suit if the infringement defendants settle. The lack of a decision-maker about the infringement is a significant reason



that Ford Global was forced to directly bring suit against the three related infringers to stop the infringement. (emphasis in original).

53. The contacts and communications from LKQ to New World into Texas indicate that LKQ is acting in concert with FGTL to threaten and intimidate New World into dropping the ABPA v. FGTL case, settling the case wherein FGTL had sued New World, and to stop selling the FGTL patented parts so that ABPA would potentially lose associational standing to challenge the validity and enforceability of the FGTL design patents in the case where ABPA sued LKQ.
54. An officer of LKQ also has contacted an officer of New World to inquire whether LKQ can purchase New World. If LKQ buys New World, then ABPA would potentially lose associational standing to challenge the validity and enforceability of the FGTL design patents in the case where ABPA sued LKQ.
55. As part of its continuing effort to prevent Plaintiffs from obtaining FGTL patented parts in Texas, including the parts covered by the Patents-in-Suit, LKQ has refused to sell the patented parts to Plaintiffs unless Plaintiffs also purchase at least 50% non-patented items with the 50% patented items. LKQ now has refused to sell Ford patented parts to New World.
56. The cooperative actions of FGTL and LKQ in instructing parts suppliers not to supply

Plaintiffs with certain parts in Texas has harmed Plaintiffs' ability to purchase and sell the patented parts and also has harmed Plaintiffs ability to sell other parts that normally would be sold to a customer if Plaintiffs had the ability to sell the patented parts. For example, if repair of a Ford F-150 Pickup Truck requires a hood and/or headlamp and Plaintiffs are unable to supply the hood and/or headlamp, then Plaintiffs are more likely to lose the complete repair business because repair shops have a reluctance to buy parts piece meal from different suppliers.

57. LKQ is doing business in the State of Texas and in this judicial district on a regular and substantial basis.

#### **IV. COUNT I. REQUEST FOR DECLARATORY JUDGMENT**

58. New World and National Auto Parts repeat and reallege each of the allegations in the preceding paragraphs as if fully set forth herein.
59. Ford and/or FGTL have accused New World of infringing and willfully infringing the Patents-in-Suit. Ford and/or FGTL have accused National Auto Parts, directly and/or indirectly, of infringing and willfully infringing the Patents-in-Suit. New World and National Auto Parts assert that they are not infringing the Patents-in-Suit because, *inter alia*, the Patents-in-Suit are invalid and unenforceable.
60. There is an actual, substantial, immediate, and

continuing controversy between New World and National Auto Parts, and Ford and FGTL regarding Ford's and FGTL's assertion of the Patents-in-Suit. A declaration of rights is both necessary and appropriate to establish that New World and National Auto Parts are not committing patent infringement and willful patent infringement by offering for sale and selling automotive body repair parts allegedly covered by the Patents-in-Suit. This action seeks a declaration that the Patents-in-Suit are invalid and/or unenforceable under 35 USC §§ 102, 103, 112 and/or the doctrines of patent exhaustion and/or functionality and/or patent misuse and are not infringed or willfully infringed by New World and National Auto Parts.

61. New World and National Auto Parts are being injured by Ford's and FGTL's threats of patent infringement and assertion of the Patents-in-Suit.
62. The requested relief can redress the injury being suffered by New World and National Auto Parts. A declaratory judgment of patent invalidity, patent unenforceability, and patent non-infringement regarding the Patents-in-Suit and an injunction preventing Ford and FGTL from enforcing such design patents will permit New World and National Auto Parts to purchase, offer for sale, and sell automotive body repair parts for Ford Motor Company automobiles without the threat or potential consequences of design patent infringement litigation.

**V. PRAYER FOR JUDGMENT AND RELIEF**

WHEREFORE, New World and National Auto

Parts respectfully request the Court enter judgment as follows:

A. Declaring that United States Design Patents D492,801 (F-150 Headlamp), D501,685 (F150 Headlamp), D489,299 (F-150 Hood), D489,658 (F-150 Side Mirror), and D607,785 (Vehicle Lower Grille) directed toward automotive body repair parts are invalid, unenforceable, and are not infringed or willfully infringed by New World and National Auto Parts;

B. Permanently enjoining Ford and FGTL from enforcing or attempting to enforce the Patents-in-Suit directed toward automotive body repair parts against New World and National Auto Parts;

C. An award of costs of suit to New World and National Auto Parts; and

D. Such other and further relief as the Court deems proper and just.

**VI. DEMAND FOR JURY TRIAL**

Plaintiffs New World and National Auto Parts, pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, demands a trial by jury on all issues triable by right by a jury.

Respectfully submitted,  
/s/ Robert G. Oake, Jr.

Robert G. Oake, Jr.  
Texas State Bar No. 15154300  
Oake Law Office

69a

825 Market Street, Suite 250  
Allen, Texas 75013  
(214) 207-9066  
rgo@oake.com

Attorney for Plaintiffs New World and National Auto  
Parts

70a

IN THE UNITED STATES DISTRICT COURT FOR  
THE NORTHERN DISTRICT OF TEXAS DALLAS  
DIVISION  
CIVIL ACTION NO. 3:16-cv-01112-K

NEW WORLD INTERNATIONAL, INC.,  
and NATIONAL AUTO PARTS, INC.,

Plaintiffs,

v.

FORD GLOBAL TECHNOLOGIES, LLC, and FORD  
MOTOR COMPANY

Defendants.

Affidavit of Joseph Tsai

1. My name is Joseph Tsai. I am fully qualified to make this declaration and have personal knowledge of the facts stated herein
2. I am Vice-President at New World International, Inc., (New World), which is a plaintiff in the above-referenced action. New World is located at 1720 East State Highway 356 in Irving, Texas 75060. New World is in the business of distributing aftermarket automotive body parts.
3. In early to middle March of 2015, Rob Wagman, the President and CEO of LKQ Corporation (LKQ), telephoned me in Irving, Texas. We talked about the lawsuit going on between Ford Global Technologies, LLC (FGTL) and the

Automotive Body Parts Association (ABPA). Rob mentioned that he also knew there was a lawsuit between FGTL and New World. Rob explained that FGTL had a huge litigation budget and the lawsuit would be extremely expensive for New World. Rob Wagman explained that as long as we dropped the lawsuit and stopped selling the Ford items, that's all that FGTL wanted. I called Rob Wagman back the following week to tell him we had no interest.

4. Victor Casini, the senior vice president, general counsel and corporate secretary of LKQ called me in Irving, Texas on June 3, 2015. Victor Casini explained he knew that FGTL and the ABPA were in a lawsuit and that New World was involved. He explained they were the exclusive licensed aftermarket distributor for FGTL parts and asked if we would be willing to drop the lawsuit if LKQ were willing to sell to us. The telephone conversation was followed by two emails sent to me in Texas by Victor Casini regarding pricing.
5. An officer of LKQ contacted an officer of New World to inquire whether LKQ can purchase New World.
6. In the past, LKQ has refused to sell Ford patented parts to New World unless New World also purchases at least 50% non-patented items with the 50% patented items. As of the date of this declaration, LKQ is refusing to sell Ford patented parts to New World.
7. I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

s/Joseph Tsai

72a