UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ZTE (USA) INC.,

               Plaintiff,

    v.

AGIS SOFTWARE DEVELOPMENT LLC,

               Defendant.

Case No. 18-cv-06185-HSG

ORDER DENYING MOTION TO SUPPLEMENT RECORD; DENYING MOTION TO DISMISS; AND DENYING MOTION FOR SANCTIONS

Re: Dkt. Nos. 41, 48, 107

Pending before the Court is Defendant AGIS Software Development LLC's ("AGIS Software") motion to dismiss the Second Amended Complaint ("SAC") for lack of personal jurisdiction and Defendant's motion for sanctions. *See* Dkt. Nos. 41, 48. The Court held a hearing on the motions and took them under submission on June 14, 2019. *See* Dkt. No. 85. Plaintiff subsequently filed a motion to supplement the record. *See* Dkt. No. 107. The Court finds this motion appropriate for disposition without oral argument and the matter is deemed submitted. *See* Civil L.R. 7-1(b).

Having carefully considered the parties' arguments, the Court **DENIES** Plaintiff's motion to supplement the record, **DENIES WITHOUT PREJUDICE** Defendant's motion to dismiss, and **DENIES** Defendant's motion for sanctions.

I.   BACKGROUND

A.   Procedural History

On June 21, 2017, AGIS Software filed a patent infringement action in the Eastern District of Texas against ZTE (USA) Inc., as well as ZTE Corporation and ZTE (TX) Inc. *See AGIS Software Dev. LLC v. ZTE Corp.*, No. 2:17-cv-517 (E.D. Tex. June 21, 2017) ("*AGIS I*"), ECF No.

1   for improper venue and transferred the action to the Northern District of California. *See AGIS I*,

2   ECF No. 85. In doing so, the district court reasoned that ZTE (USA) did not have a regular and

3   established place of business in the Eastern District of Texas. *Id.* at 3–7. ZTE (USA) requested

4   that the case be transferred to the Northern District of California, and the district court noted that

5   AGIS Software did not proffer an alternative. *Id.* at 7. AGIS Software subsequently filed a

6   voluntary dismissal, and the district court dismissed the patent infringement action without

7   prejudice. *See id.*, ECF Nos. 86, 87.

8   On the day of the dismissal, October 9, 2018, Plaintiff filed this declaratory judgment

9   action in the Northern District of California, initially naming three defendants: (1) AGIS

10   Software; (2) AGIS Holdings, Inc. ("AGIS Holdings"); and (3) Advanced Ground Information

11   Systems, Inc. ("AGIS Inc."). *See* Dkt. No. 1. Plaintiff later amended the complaint, removing

12   AGIS Holdings and AGIS Inc. as defendants. *See* Dkt. No. 18. In the operative Second Amended

13   Complaint ("SAC"), Plaintiff seeks a declaratory judgment of non-infringement or

14   unenforceability against Defendant AGIS Software as to five patents.[1] *See* Dkt. No. 39.

15   **B.   Factual Allegations**

16   Plaintiff alleges that Defendant AGIS Software is a wholly-owned subsidiary of AGIS

17   Holdings. *See* SAC ¶ 3. AGIS Software, for its part, is a Texas limited liability company with its

18   principal place of business in Texas. *See id.* ¶ 7. Plaintiff alleges that Defendant asserted the

19   same patents-in-suit in other patent infringement actions[2]; some of these actions were against

20   California-based companies; and as part of these cases, Defendant "conducted meaningful

21   enforcement activities in California," including traveling to and deposing witnesses there. *Id.*

22   ¶¶ 8–10.

23   Defendant now moves to dismiss the complaint, contending that notwithstanding

24   Plaintiff's allegations, the Court lacks personal jurisdiction over AGIS Software. *See* Dkt. No. 41;

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[1] U.S. Patent Nos. 8,213,970; 9,408,055; 9,445,251; 9,467,838; and 9,749,829 (the "patents-in-

27   suit").
[2] *See AGIS I*; *AGIS Software Dev. LLC v. Huawei Device USA Inc. et al.*, No. 2:17-cv-513 (E.D.
Tex.); *AGIS Software Dev. LLC v. LG Electronics, Inc.*, No. 2:17-cv-515 (E.D. Tex.); *AGIS*

1   *see also* SAC ¶ 3. Defendant also seeks monetary sanctions against Plaintiff for filing this action

2   in the Northern District of California without a proper basis for exercising personal jurisdiction.

3   *See* Dkt. No. 48. In support of its motion to dismiss, Defendant has filed a declaration from

4   Malcolm K. Beyer, Jr., Defendant's Chief Executive Officer, stating that Mr. Beyer resides in

5   Florida and that AGIS Software:

6   • is the "sole and exclusive owner" of the patents-in-suit;

7   • is not registered to do business in California;

8   • does not have a registered agent for service of process in California;

9   • does not have "offices, employees, equipment, bank accounts or other assets in

10   California";

11   • does not pay taxes in California;

12   • does not manufacture or sell products in California;

13   • does not solicit or engage in business in California;

14   • does not recruit employees in California;

15   • does not own, rent, or lease any property in California;

16   • has not filed a lawsuit in California; and

17   • has not retained counsel in California related to enforcing the patents-in-suit.

18   *See* Dkt. No. 41-1 ¶¶ 4–22.

19   Plaintiff does not dispute these facts. Rather, Plaintiff alleges that the Court should

20   consider contacts that Defendant's related entities have with California. *See* Dkt. No. 59 at 8–10.

21   Additionally, after Defendant's motion to dismiss and motion for sanctions had been heard and

22   taken under submission, Plaintiff filed a motion to supplement the record. *See* Dkt. No. 107. In it,

23   Plaintiff seeks to add two transcripts, which it states "suggest that AGIS conducted and solicited

24   business in California." *See id.* at 3.

25   **II.   LEGAL STANDARD**

26   Federal Rule of Civil Procedure 12(b)(2) authorizes a defendant to seek dismissal of an

27   action for lack of personal jurisdiction. *See* Fed. R. Civ. P. 12(b)(2). Federal Circuit law governs

1   *Metabolite Labs., Inc.*, 444 F.3d 1356, 1361 (Fed. Cir. 2006). In analyzing personal jurisdiction,

2   the Federal Circuit engages in a two-part inquiry: (1) whether the state's long-arm statute

3   authorizes service of process on the defendant; and (2) whether the exercise of jurisdiction

4   comports with due process. *Celgard, LLC v. SK Innovation Co.*, 792 F.3d 1373, 1377 (Fed. Cir.

5   2015).

6   Where a state, like California, "authorize[s] its courts to exercise jurisdiction over persons

7   on any basis not inconsistent with . . . the Constitution of the United States," *see Walden v. Fiore*,

8   571 U.S. 277, 283 (2014), federal courts ask whether the exercise of jurisdiction over a defendant

9   "comports with the limits imposed by federal due process," *Daimler AG v. Bauman*, 571 U.S. 117,

10   125 (2014); *see also* Cal. Civ. Proc. Code § 410.10 (California's long-arm statute is co-extensive

11   with the federal due process clause). "Due process requires that the defendant have sufficient

12   'minimum contacts with [the forum state] such that maintenance of the suit does not offend

13   traditional notions of fair play and substantial justice.'" *Celgard*, 792 F.3d at 1377 (quoting *Int'l*

14   *Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)).

15   There are two categories of personal jurisdiction a plaintiff can invoke: general and

16   specific. *LSI Indus. Inc. v. Hubbell Lighting, Inc.*, 232 F.3d 1369, 1375 (Fed. Cir. 2000).

17   "General jurisdiction arises when a defendant maintains 'continuous and systematic' contacts with

18   the forum state even when the cause of action has no relation to those contacts." *LSI Indus. Inc.*,

19   232 F.3d at 1375 (quoting *Helicopteros Nacionales de Colombia, S.A. v. Hall,* 466 U.S. 408, 414–

20   16 (1984)). "Specific jurisdiction 'arises out of' or 'relates to' the cause of action even if those

21   contacts are 'isolated and sporadic.'" *Id.* (quoting *Burger King Corp. v. Rudzewicz,* 471 U.S. 462,

22   472–73 (1985)).

23   When a district court's determination of personal jurisdiction is based on affidavits and

24   other written materials rather than an evidentiary hearing, the plaintiff only bears the burden of

25   making a prima facie showing of jurisdictional facts. *Celgard*, 792 F.3d at 1378. Under a prima

26   facie standard, the court must resolve all factual disputes, including conflicts in affidavits, in the

27   plaintiff's favor. *Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1329 (Fed. Cir.

28   2008).

1   **III.   ANALYSIS**

2   **A.   Personal Jurisdiction**

3   Plaintiff asserts that the Court has both general and specific jurisdiction over Defendant.[3]

4   *See* SAC ¶ 7. Because Plaintiff relies, at least in part, on the contacts of Defendant's related

5   entities—particularly AGIS Inc.—for purposes of establishing personal jurisdiction, the Court first

6   addresses Plaintiff's imputation argument.

7   **i.   Imputation**

8   Plaintiff posits that AGIS Software is a sham entity designed to preclude jurisdiction

9   outside the Eastern District of Texas.[4] *See* SAC ¶ 11; *see also* Dkt. No. 59 at 1, 4–10. As such,

10   Plaintiff argues that the activities of AGIS Inc. "should be attributed" to AGIS Software and that

11   "the two entities should be treated jointly for personal jurisdiction." *See* Dkt. No. 59 at 10.

12   The Federal Circuit has cautioned that "the corporate form is not to be lightly cast aside"

13   and "the corporate entity should be recognized and upheld, unless specific, unusual circumstances

14   call for an exception." *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1380 (Fed. Cir. 1998).

15   Nevertheless, the corporate form is not intended to frustrate personal jurisdiction. *See In re*

16   *Microsoft Corp.*, 630 F.3d 1361, 1364–65 (Fed. Cir. 2011) (collecting cases). Accordingly, "the

17   contacts of a third-party may be imputed to the defendant under either an agency or alter ego

18   theory." *Celgard*, 792 F.3d at 1379. Courts have invoked these theories where (1) "there is a

19   unity of interest and ownership such that separate personalities [of the two entities] no longer

20   exist"; and (2) "failure to disregard [their separate identities] would result in fraud or injustice."

21   *See Ranza v. Nike, Inc.*, 793 F.3d 1059, 1073 (9th Cir. 2015) (quotations omitted).

22   _____

23   [3] To the extent Plaintiff suggests that the district court in *AGIS I* addressed the issue of personal
     jurisdiction, the Court is not persuaded. The district court only analyzed venue under 28 U.S.C.
24   § 1400(b), and was careful to acknowledge that its analysis was limited to the specific facts before
     it. *See AGIS I*, ECF. No. 85 at 6, n.5. The Court is similarly unpersuaded that the district court's
25   personal jurisdiction analysis in *Life360, Inc. v. Advanced Ground Information Systems, Inc.*, No.
     5:15-cv-00151-BLF (N.D. Cal.), somehow settles the issue, as AGIS Software was not a party to
26   that suit. The Court thus conducts its own independent analysis.
     [4] The Court declines Defendant's invitation to disregard Plaintiff's imputation argument because
27   Plaintiff raised it in opposition, *see* Dkt. No. 47 at 2–3. The nature of Defendant and AGIS Inc.'s
     relationship directly bears on the question of personal jurisdiction. *Cf. Beverly Hills Fan Co. v.*
     Royal Sovereign Corp., 21 F.3d 1558, 1562–63 (Fed. Cir. 1994) (considering declaration

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