

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DNA GENOTEK INC.,)
)
Plaintiff,)
)
v.)
) Civ. No. 15-661-SLR
)
SPECTRUM DNA, SPECTRUM)
SOLUTIONS L.L.C., and SPECTRUM)
PACKAGING L.L.C.,)
)
Defendants.)

John W. Shaw, Esquire, and Karen E. Keller, Esquire of Shaw Keller LLP, Wilmington, Delaware. Counsel for Plaintiff. Of Counsel: David C. Doyle, Esquire, Brian M. Kramer, Esquire, John R. Lanham, Esquire, and Dean S. Atyia, Esquire of Morrison Foerster LLP San Diego, California.

David E. Moore, Esquire, Bindu A. Palapura, Esquire, and Stephanie E. O'Byrne, Esquire of Potter Anderson & Corroon LLP, Wilmington, Delaware. Counsel for Defendants. Of Counsel: Jeffrey E. Ostro, Esquire, Jonathan C. Sanders, Esquire, and JaeWon Lee, Esquire of Simpson Thacher Bartlett LLP, Palo Alto, California.

MEMORANDUM OPINION

Dated: December 14, 2016
Wilmington, Delaware


ROBINSON, District Judge

I. INTRODUCTION

Plaintiff DNA Genotek Inc. (“Genotek”) sued defendants Spectrum DNA, Spectrum Solutions L.L.C., and Spectrum Packaging L.L.C. (collectively, “Spectrum”) for patent infringement. (D.I. 1) Spectrum moved to dismiss for lack of personal jurisdiction. (D.I. 19) Although the court did not find persuasive Genotek’s argument that the record supported statutory jurisdiction under Delaware’s “dual jurisdiction” theory, the court denied the motion and ordered jurisdictional discovery. *DNA Genotek Inc. v. Spectrum DNA*, 159 F. Supp. 3d 477, 483 (D. Del. 2016). The parties have completed discovery, and Spectrum renewed its motion to dismiss for lack of personal jurisdiction. (D.I. 87) The court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338(a). For the reasons discussed below, Spectrum’s motion to dismiss is granted.

II. BACKGROUND

Genotek is a leading provider of products for biological sample collection, and the owner by assignment of United States Patent No. 8,221,381 B2 (the “’381 patent”). (D.I. 70 ¶¶ 8, 10) Spectrum manufactures a saliva collection device (“the accused product”) that, according to Genotek, infringes on the ’381 patent. (*Id.* at ¶ 6) Spectrum’s principal place of business is in Utah, and it manufactures the accused product in Utah and Malaysia. (*Id.*; D.I. 88 at 3) Spectrum does not have any offices, employees, or other physical presence in Delaware. (*Id.*) It does not own any property (real or personal) in Delaware, and it does not maintain any facilities or equipment in

Delaware. (*Id.*) Spectrum is not registered to do business in Delaware. (D.I. 88 at 8) Spectrum owns three websites, none of which contain any pricing information or allow for direct purchases of the accused product.

Spectrum manufactures the saliva collection device for Ancestry.com DNA LLC (“Ancestry”) pursuant to an October 2012 manufacturing agreement, as amended in September 2014. (D.I. 88 at 4) Ancestry sells a DNA testing service. (*Id.*) When a customer signs up for the service, Ancestry sends the customer a kit with the saliva collection device. (*Id.*) The customer deposits a saliva sample in the device and returns it for testing. (*Id.*) Spectrum and Ancestry operate independently and keep separate finances. (*Id.* at 4-5) Spectrum does not share any officers or directors with Ancestry. (*Id.* at 4) Neither company has an ownership interest in the other. (*Id.* at 5)

Under the manufacturing agreement, Ancestry owns the intellectual property rights to the accused product. (D.I. 88 at 4; D.I. 99, Ex. 6 §§ 1.17, 2.6, 13.2) Spectrum or its affiliates must manufacture, package, and label the accused products in accordance with Ancestry’s specifications. (D.I. 99, Ex. 6 §§ 1.13, 2.3) Ancestry is obligated to indemnify Spectrum for “[a]ny claim that the manufacture, use, sale, offer for sale, import, or other distribution of the Product infringes a patent....” (*Id.* at § 10.1(b)) Spectrum must indemnify Ancestry for any product liability claims. (*Id.* at § 10.2) Ancestry pays for and owns any custom tooling Spectrum uses to manufacture the accused product. (*Id.* at § 2.10) Spectrum must manufacture enough accused products to meet Ancestry’s product forecasts. (*Id.* at § 2.2) In January 2016, Ancestry’s Global Operations Manager sent an email with a draft forecast predicting the

sale of approximately 1,500,000 units of the accused product in the United States for year 2016.¹ (D.I. 99, Ex. 12)

Finally, the manufacturing agreement requires Spectrum to ship the accused products F.O.B. either to Ancestry's location in Utah or another location designated by Ancestry. (D.I. 99, Ex. 6 § 3) Genotek does not dispute Spectrum's assertion that it has not shipped any accused products to Delaware. (D.I. 88 at 3) Ancestry admits that it has sent "one or more" of the accused product to customers with addresses in Delaware. (D.I. 99, Ex. 22 at 3-4) In addition, two of Spectrum's counsel ordered Ancestry's genetic testing kit, which includes the accused product, from a storefront Ancestry maintains on the Amazon.com website.² (D.I. 100; D.I. 101) Thus, Genotek has presented evidence that at least three of the accused products have reached Delaware.

Ancestry and Spectrum are parties to a separate Purchase and Sales Commission Agreement, dated December 31, 2014, that permits Spectrum to buy some of the kits it manufactures for Ancestry and resell them to third parties. (D.I. 99, Ex. 10) Under that agreement, Spectrum pays Ancestry a fixed price per kit, plus a percentage

¹ Genotek also relies on an email from a Spectrum sales manager stating "over 2 million kits tested." (D.I. 98 at 10 (citing D.I. 99, Ex 8)) But it is not clear whether a tested kit equates to a sold kit. It is also unclear over what time span the 2 million kits were tested, making it hard to gauge the significance of this fact.

² There is some doubt whether the sales to Spectrum's counsel qualifies as competent evidence. The purchases occurred more than a year after the complaint was filed and after the court's resolution of the first motion to dismiss. (D.I. 100; D.I. 101) At a minimum, "the jurisdiction of the Court depends upon the state of things at the time of the action brought." *Forest Lab. Inc. v. Cobalt Lab. Inc.*, 2009 WL 605745, at *10 (D. Del. Mar. 9, 2009). Thus, evidence that the product has been introduced into the forum state "must have occurred prior to the filing of the complaint." *Id.* Because resolution of this motion does not depend on this particular evidence, the court need not resolve the issue.

of the net price to the end customer. (*Id.*) Spectrum has sold the accused product to five third-party customers, none in Delaware. (D.I. 88 at 5) At least ninety-nine percent of Spectrum's sales are to Ancestry. (D.I. 106 at 5; D.I. 98 at 4)

III. STANDARD OF REVIEW

Rule 12(b)(2) of the Federal Rules of Civil Procedure directs the court to dismiss a case when the court lacks personal jurisdiction over the defendant. Fed. R. Civ. P. 12(b)(2). Plaintiff bears the burden of establishing that sufficient minimum contacts have occurred between the defendant and the forum to support jurisdiction. See *Provident Nat'l Bank v. Cal. Fed. Sav. & Loan Ass'n*, 819 F.2d 434, 437 (3d Cir. 1987). To meet this burden, the plaintiff cannot "rely on the bare pleadings alone," *Quantum Loyalty Sys., Inc. v. TPG Rewards, Inc.*, 2009 WL 5184350, at *2 (D. Del. Dec. 23, 2009), but must produce "sworn affidavits or other competent evidence," *Time Share Vacation Club v. Atl. Resorts, Ltd.*, 735 F.2d 61, 67 n.9 (3d Cir. 1984). In reviewing the evidence, the court must accept as true all allegations of jurisdictional fact made by the plaintiff and resolve all factual disputes in the plaintiff's favor. *Miller Yacht Sales, Inc. v. Smith*, 384 F.3d 93, 97 (3d Cir. 2004); *Traynor v. Liu*, 495 F. Supp. 2d 444, 448 (D. Del. 2007). A plaintiff "need only establish a prima facie case of personal jurisdiction" when the court has not held an evidentiary hearing. *O'Connor v. Sandy Lane Hotel Co.*, 496 F.3d 312, 316 (3d Cir. 2007).

IV. DISCUSSION

There are two requirements to exercising personal jurisdiction over a defendant, one statutory and the other constitutional. Plaintiff must show that: (1) "there is a statutory basis for jurisdiction under the forum state's long arm statute;" and (2) "the

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