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UNITED STATES DISTRICT COURT

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DISTRICT OF ARIZONA

8 Thomas McKenzie,

9 Plaintiff,

10 v.

11 Hero Industries; Hero Products Group;
12 I.C.T.C. Holdings Corporation (WA); I.C.T.C.
Holdings Corporation (Canada),

13 Defendants.

) CV 09-94 TUC DCB

) **ORDER**

14

15 Plaintiff filed his Complaint on February 19, 2009. He appears pro se. On March
16 23, 2009, Defendants filed a motion to dismiss. The Court held the motion in abeyance and
17 ordered Defendant I.C.T.C. Holdings Corporation (WA) to show cause why default should
18 not be entered against it for failing to file an Answer and ordered Plaintiff to file a Response
19 to the Motion to Dismiss. Both parties followed the directives of the Court, and on April 11,
20 2009, Defendants supplemented the Motion to Dismiss by filing a second Motion to Dismiss.
21 All issues have been fully briefed. The Court denies the Application for Entry of Default
22 against I.C.T.C. Holdings Corporation (WA) and the Motion to Dismiss for the reasons
23 explained below.

24

Introduction

25 Thomas J. McKenzie (“Plaintiff”) is a resident of Arizona and the legal owner of all
26 rights and interests in United States Patent No. 5,468,383, “Fluid Filter Holder”(“the 383
27 patent”). I.C.T.C. Holdings Corporation (WA) is a corporation located in Snohomish, WA
28 and is a wholly owned subsidiary of I.C.T.C. Holdings Corporation (Can), which is a

1 Canadian corporation whose principle place of business is Delta, British Columbia, Canada.
2 HERO Products Group is a working group of I.C.T.C. (Can) and is not an independent
3 business entity. HERO Industries does not exist as an entity.

4 Plaintiff claims Defendants negotiated for and received from Plaintiff twelve free
5 Fluid Filter Holders manufactured under the 383 patent in compliance with the notice
6 provisions of 35 U.S.C. §287. Plaintiff further claims that Defendants directly and
7 deliberately infringed on the 383 patent by the production and sale of the “Intake Syphon
8 Cage.” Plaintiff seeks injunctive relief under 35 U.S.C. § 283 and monetary damages under
9 35 U.S.C. § 284.

10 The Defendants ask the court for dismissal under Rules 12(b)(2), (3), (4) and (5) for
11 lack of personal jurisdiction, improper venue, insufficient process, insufficient service of
12 process, or alternatively to transfer venue to the United States District Court for the Western
13 District of Washington. Defendants admit I.C.T.C. (WA) was properly served under Fed.
14 R. Civ. P. 4. However, Defendants contend that service of process was insufficient for
15 I.C.T.C. (Can).

16 The Court finds that it has personal jurisdiction over both the Canadian and
17 Washington Defendants and that both have been properly served. This Court is a proper
18 venue for the action. The Court denies the Defendants’ Motion to Dismiss, except as to the
19 non-entity HERO Industries. All other pending motions are denied as moot. The case will
20 be set for a Rule 16, case management scheduling conference. Fed. R. Civ. P. 16.

21 Discussion

22 I. Personal Jurisdiction

23 The Court denies Defendants’ 12(b)(2) motion to dismiss for lack of personal
24 jurisdiction. The Court finds that it has general and specific personal jurisdiction over the
25 Defendants.

26 It is the burden of the Plaintiff to demonstrate personal jurisdiction. *Shute v.*
27 *Carnival Cruise Lines*, 897 F.2d 377, 379 (9th Cir. 1990), *rev’d on other grounds*, 499 U.S.

1 585 (1991). When a jurisdictional ruling is based solely on affidavits, dismissal is
2 appropriate only when a plaintiff has failed to make a prima facie showing of personal
3 jurisdiction. *Amoco Egypt Oil Co. v. Leonis Nav. Co., Inc.*, 1 F.3d 848, 850 (9th Cir. 1993).
4 “[T]he plaintiff need only demonstrate facts that if true would support jurisdiction over the
5 defendant.” *Doe v. Unocal Corp.*, 248 F.3d 915, 922 (9th Cir. 2001).

6 To determine whether personal jurisdiction exists, the court must ask whether the
7 forum state’s long arm statute permits service of process and whether the assertion of
8 personal jurisdiction would violate due process. *Inamed Corp. v. Kuzmak*, 249 F.3d 1356,
9 1359 (Fed. Cir. 2001)(citing *Genetic Implant Sys., Inc. v. Core-Vent Corp.*, 123 F.3d 1455,
10 1458 (Fed. Cir. 1997)).

11 Arizona’s long arm statute reads as follows:

12 A court of this state may exercise personal jurisdiction over parties, whether found
13 within or without the state, to the maximum extent permitted by the Constitution of
14 this state and the Constitution of the United States. . .

15 Ariz. R. Civ. P. 4.2(a). Because Arizona’s long arm statute is coextensive with constitutional
16 due process limits, the inquiry collapses into the single question of whether finding
17 jurisdiction over the defendant is consistent with due process. *Inamed*, 249 F.3d at 1360.

18 To satisfy the due process clause of the Constitution, the Defendant must have
19 “certain minimum contacts such that the maintenance of the suit does not offend ‘traditional
20 notions of fair play and substantial justice.’” *International Shoe v. Washington*, 326 U.S.
21 310, 316 (1945). *International Shoe* and its progeny created a two-part test: 1) courts must
22 look to see if there are sufficient contacts to establish that a defendant could “reasonably
23 anticipate being haled into court” in the forum state, and 2) courts must determine if the
24 exercise of jurisdiction by the forum state would offend “traditional notions of fair play and
25 substantial justice.” *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474- 476 (1985). To
26 have personal jurisdiction over a defendant, the Court must find it has either general or
27 specific jurisdiction.

1 **A. Specific Jurisdiction**

2 Specific personal jurisdiction arises when a defendant has sufficient “minimum
3 contacts” with the forum state arising from, or related to the cause of action for which the
4 plaintiff brings suit. *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 801 (9th Cir.
5 2004). The court uses a three-pronged test to find specific jurisdiction: (1) whether the
6 defendant "purposefully directed" its activities to residents of the forum; (2) whether the
7 claim "arises out of or relates to" the defendant's activities with the forum; and (3) whether
8 assertion of personal jurisdiction is "reasonable and fair." *Id.* at 802 (*citing Lake v. Lake*, 817
9 F.2d 1416, 1421 (9th Cir. 1987)). If the plaintiff can satisfy the first two prongs, the defendant
10 must then “‘present a compelling case’ that the exercise of jurisdiction would not be
11 reasonable. ” *Id.* (*citing Burger King*, 471 U.S. at 476-78). “[J]urisdiction may not be
12 avoided merely because the defendant did not *physically* enter the forum state.” *Burger*
13 *King*, 471 U.S. at 476 (*emphasis in original*). The inquiry focuses on the commercial actor's
14 efforts and whether or not they are "purposefully directed toward residents of another state.”
15 *Id.*

16 For example, in *Burger King* the Court found personal jurisdiction existed because
17 the defendant "reached out beyond" the borders of its state and negotiated a franchise
18 agreement with a Florida corporation. *Id.* The Court held that the "quality and nature" of the
19 relationship to the company in Florida could in no sense be viewed as "random," "fortuitous,"
20 or "attenuated," and that the franchise agreement created a substantial connection with
21 Florida. *Id.* at 479-80.

22 Specific jurisdiction can be found when a defendant knowingly and deliberately
23 makes contacts with the plaintiff in the forum state. *Brainerd v. Governors of the University*
24 *of Alberta*, 873 F.2d 1257, 1259 (9th Cir. 1989). In *Brainerd*, the court found that defendant
25 purposefully directed its activities at the forum state when it received two phone calls and
26 responded to a letter from the plaintiff. *Id.* Because the cause of action stemmed from those
27 contacts, the Court found specific jurisdiction over a foreign defendant. *Id.* The Court in

1 *Brainerd* recognized a need to protect citizens of Arizona from injury caused within the state.
2 *Id.*; *Akro Corp. v. Luker*, 45 F.3d 1541, 1547 (Fed. Cir. 1995) (finding specific jurisdiction
3 over a non-resident in a patent violation suit based on correspondence between both parties).

4 A foreign act that is both aimed at and has an effect in the forum state satisfies the
5 purposefully directed portion of the specific jurisdiction test. *Bancroft & Masters, Inc. v.*
6 *Augusta Nat'l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000). To meet the effects test, the
7 defendant must have committed an act that was expressly aimed at the forum state. *Id.*
8 Though some harm must occur in that state, it does not necessarily have to be the brunt of
9 the harm. *Yahoo! Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, 433 F.3d 1199,
10 1207 (9th cir. 2006). Conduct is expressly aimed at a forum state when a defendant is alleged
11 to have engaged in wrongful conduct targeted at a plaintiff whom the defendant knows to be
12 a resident of the forum state. *Bancroft*, 223 F.3d at 1087.

13 In the case at hand, the Defendant has sold only twenty of the alleged infringing
14 products in Arizona in the last six years. Customers can either place an order through an
15 independent sales representative who then places the order with I.C.T.C. (WA), or customers
16 can directly order the product from I.C.T.C. (Can). The presence of independent sales
17 representatives in Arizona suggests Defendants purposefully direct this product into Arizona.
18 However, the small number of the “Intake Syphon Cage” kits sold in Arizona suggests the
19 product may not be purposefully directed into Arizona, but is instead only sold here in
20 response to unsolicited requests from Arizona residents.

21 Plaintiff claims that the Defendants¹ “negotiated for” twelve free versions of his
22 Fluid Filter Holder. The word “negotiate” is defined as: “to communicate with another party
23 for the purpose of reaching an understanding.” *Blacks Law Dictionary* (8th ed. 2004). Acts
24

25 ¹This allegation must be against Defendant I.C.T.C. Holdings Corporation (Can)
26 because Defendants admit that I.C.T.C. (WA) consists of a registered agent and an
27 independent contractor who is hired to pick up I.C.T.C. Can. mail at a post office in
28 Washington and deliver it to the Canadian office. (Response to OSC (doc. 13) at 2-3.)

1 of negotiation demonstrate purposeful direction of meaningful activities toward the Plaintiff,
2 a resident in the forum state, Arizona. The quality and nature of acts involving patent
3 negotiations culminating in Plaintiff sending 12 prototypes to Canada cannot be characterized
4 as fortuitous or random.

5 The cause of action clearly “arises out of” purposefully directed activities. The
6 Plaintiff alleges that after negotiating for and receiving his product, Defendants violated his
7 patent rights by the production and sale of the Intake Syphon Cage, some of the sales
8 occurring in Arizona.

9 The final prong of the test for exercising specific personal jurisdiction asks whether
10 it is reasonable and fair. In other words, would the Defendants reasonably expect to be haled
11 to court in Arizona? Defendants answer, no because fewer than one percent of sales of the
12 Intake Syphon Cage in the United States occurs in Arizona, with only 31 units being sold in
13 the last three years for a total of \$79.19. However, the Defendants deliberately entered into
14 negotiations with an Arizona resident regarding a patent that is now the subject of this
15 lawsuit. Defendants purposefully directed contacts to a resident of this state, they would
16 reasonably expect to face suit in Arizona especially one related to the subject of their
17 contacts.

18 Additionally, the contacts involved business transactions that have financially
19 benefitted Defendants and disadvantaged the Plaintiff, and indirectly the state economy
20 where Plaintiff resides. It is fair to exercise personal jurisdiction over Defendants because
21 Arizona has a strong interest in providing a forum to address economic injury to its residents.
22 *Akro*, 45 F.3d at 1547 (explaining Minnesota had interest in providing forum for resident
23 claiming foreign corporation was preventing it from manufacturing and marketing its
24 product); *Graham Engineering Corp. V. Kempt Products Ltd.*, 418 F. Supp. 915, 921-22
25 (Ohio 1976) (discussing economic consequences on the state as a basis for exercising
26 jurisdiction in the Ohio courts).

27 The Court finds there is specific jurisdiction over the Defendants.
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1 **B. General Jurisdiction**

2 In a controversy unrelated to defendant’s contacts with the forum state, general
3 personal jurisdiction arises over a non-resident defendant when the defendant engages in
4 “continuous and systematic general business contacts” in the forum state. *Tuazon v. R.J.*
5 *Reynolds Tobacco Co.*, 433 F.3d 1163, 1169 (9th Cir. 2006); *Schwarzenegger*, 374 F.3d at
6 801 (citing *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 416
7 (1984)). The test for general jurisdiction has been expressed many times as a
8 determination of whether the defendant has a continuous and substantial presence in the
9 forum state so that being haled to appear in the state would not offend traditional notions
10 of fair play and substantial justice. *Best Lock Corp. v. Ilco Unican Corp.*, 32 U.S.P.Q.2d
11 1223 (S.D. Ind. 1994). General jurisdiction should be an exacting standard as it permits a
12 defendant to be haled into court in the forum state to answer for any of its activities
13 anywhere in the world. *See Brand v. Menlove Dodge*, 796 F.2d 1070, 1073 (9th Cir.
14 1986) (collecting cases where general jurisdiction was denied despite defendant’s
15 significant contacts with the forum state). “The standard for general jurisdiction is high;
16 contacts with a state must ‘approximate physical presence’” *Tuazon*, 433 F.3d at 1169
17 (citing *Bancroft*, 223 F.3d at 1086).

18 In *Schwarzenegger*, the California court failed to find general jurisdiction over a
19 car dealership in Ohio whose contacts included purchasing automobiles from a California
20 importer, retaining the services of California-based training and direct mail marketing
21 companies, and maintaining a website accessible by California residents. 374 F.3d at
22 801. In *Best Lock Corp.*, a patent infringement case, the defendant sold over \$500,000
23 worth of products through the efforts of independent sales representatives to 37 customers
24 in Indiana. 32 U.S.P.Q.2d at 1223. Despite this resulting in less than 1% of the
25 defendant’s total sales, the court found general jurisdiction. *Id.* “With that much activity
26 it cannot be said that Ilco would not fairly expect to be haled into court in Indiana” *Id.* In
27 *Tuazon*, the court found general jurisdiction over the defendant when it derived \$145-240

1 million in annual revenues from that state and maintained an office and staff of permanent
2 employees. 433 F.3d at 1169.

3 Here, the Plaintiff has provided sworn affidavits stating that Defendants sell their
4 products in multiple locations throughout Arizona, including the big-box retailer Home
5 Depot. If this is true, the Defendants have a continuous and systematic presence in the
6 forum state. With sales activity in such multiple retail outlets, Defendants can be
7 expected to face suit in Arizona. Defendants admit that all sales of products in the United
8 States are made through I.C.T.C. (WA). (Motion to Dismiss (doc. 19) at 3.) Therefore,
9 the Court finds general personal jurisdiction over both I.C.T.C. Defendants.

10 The Court denies Defendants' 12(b)(2) motion to dismiss for lack of personal
11 jurisdiction.

12 **II. Proper Venue**

13 The Court finds venue is proper. The Defendants' 12(b)(3) motion to dismiss for
14 improper venue and their motion to transfer venue are denied.

15 In a patent case, venue is proper if the forum state can find personal jurisdiction
16 over the defendant. *Trintec Industries, Inc. V. Pedre Promotional Prod. Inc.*, 395 F.3d
17 1275, 1280 (Fed. Cir. 2005); *see Walter Kidde Portable Equipment v. Universal Security*
18 *Instruments*, 304 F. Supp. 2d 769, 770 (N. Carolina 2004) (finding venue was proper in a
19 patent case when the court had personal jurisdiction over defendant for selling the
20 infringing product through distributors in that forum state). "Unless the balance is
21 strongly in favor of the defendant, the plaintiff's choice of forum should rarely be
22 disturbed." *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947).

23 A district court can transfer any civil action to any other district court in the
24 interest of justice. 28 U.S.C.A. §1404 (2006). For patent cases, 28 U.S.C.A. §1400
25 provides:

26 Any civil action for patent infringement may be brought in the judicial district
27 where the defendant resides, or where the defendant has committed acts of

1 infringement and has a regular and established place of business.
2 28 U.S.C.A. § 1400(b) (2006). Congress further stated that a defendant “resides” in a
3 forum state where “it is subject to personal jurisdiction at the time the action is
4 commenced.” 28 U.S.C. § 1391(c) (2006). The language in § 1391(c) reveals a “clear
5 intention” to supplement § 1400(b). *VE Holding Corp. v. Johnson Gas Appliance Co.*
6 917 F.2d 1574, 1580 (Fed. Cir. 1990). In *VE Holding*, the court performed a detailed
7 analysis of historical interpretations of both §1400 (b) and § 1391(c). *Id.* It concluded
8 that in the 1988 amendment to §1391(c), Congress intended to apply the definition in
9 §1391 of “resides” to § 1400(b). *Id.* at 1577-1581.

10 In this case, the Court finds personal jurisdiction exist over the Defendants,
11 therefore, venue is proper in this Court. The 12(b)(3) motion to dismiss for improper
12 venue and the motion to transfer venue are denied.

13 **III. Sufficient Service of Process**

14 The Court finds service of process to be sufficient and denies Defendants’
15 12(b)(4) and (5) motions to dismiss for insufficient process and insufficient service of
16 process. Defendants admit that I.C.T.C. (WA) was properly served. (Motion to Dismiss
17 (doc. 19) at 8.) The dispute arises over proper service of I.C.T.C. (Can).

18 To properly serve a corporation beyond any judicial district in the United States,
19 the plaintiff must do so in accordance with the Hague Convention if service is done
20 within a country that abides by the Convention. Fed R. Civ. P. 4(f)(1). Canada is such a
21 country. Although the Hague Convention does not expressly provide for service by mail,
22 the Ninth Circuit has concluded that service by certified mail is not excluded by the
23 Convention. *Brockmeyer v. May*, 383 F.3d 798, 802 (9th Cir. 2004). The Hague
24 Convention states that a person may send judicial documents by mail directly to persons
25 abroad unless the country of origin objects to such method. *Service of Process Abroad*,
26 122 F.R.D. 63, 70 (West 1989). Canadian law defers to the province when determining
27

1 proper service of a corporation. *Service of Documents SOR/1998-106*, §130(1)(c). British
2 Columbia law allows for service on a corporation by personal service or in any manner
3 provided by the *Business Corporations Act. British Columbia Rule of Court 11(2)(b)*
4 (2009). The *Business Corporations Act* allows for service to a corporation by “registered
5 mail to the registered office of the corporation”. *Canada Business Corporations Act, R.S.*,
6 ch C-44 (1985). Therefore, neither Canadian nor British Columbia law directly objects
7 to service by mail. Instead, service by registered mail is allowed.

8 Therefore, I.C.T.C. (Can) has been properly served under the Laws of the United
9 States, Canadian Law, and British Columbia Law. The Court denies Defendant’s
10 12(b)(4) and (5) Motion to Dismiss for insufficient service and insufficient service of
11 process.

12 **Conclusion**

13 The Court denies Defendants’ motions to dismiss under Rules 12(b)(2), (3), (4),
14 and (5), except for dismissing non-entities HERO Industries and HERO Products Group.
15 The Court denies Defendants’ motion to transfer venue under 28 U.S.C. 1404 (a).

16 **Accordingly,**

17 **IT IS ORDERED** that the Application for Entry of Default (document 2) is
18 DENIED.

19 **IT IS FURTHER ORDERED** that Motions to Dismiss (documents 5 and 19)
20 are DENIED, except for dismissal of non-entities Defendants HERO Industries and
21 HERO Products.

22 **IT IS FURTHER ORDERED** that the Motion to Transfer Venue (document 19)
23 is DENIED.

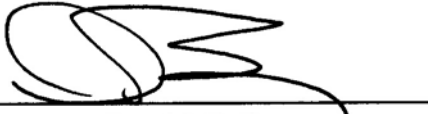
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1 **IT IS FURTHER ORDERED** that all other pending motions (documents 12,
2 28, and 29) are DENIED AS MOOT.

3 DATED this 29th day of July, 2009.

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7 David C. Bury
8 United States District Judge

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