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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

BAYER HEALTHCARE LLC,
Plaintiff,
v.
NEKTAR THERAPEUTICS, et al.,
Defendants.

Case No. 17-CV-05055-LHK

**ORDER DENYING MOTION TO
DISMISS AND GRANTING MOTION
TO TRANSFER**

Re: Dkt. No. 33

Plaintiff Bayer Healthcare LLC (“Bayer”) filed this suit seeking a declaratory judgment of patent non-infringement. *See* ECF Nos. 1, 30. Before the Court is Defendants’ motion to dismiss for lack of personal jurisdiction and improper venue or, in the alternative, to transfer this action to the United States District Court for the District of Delaware. ECF No. 33. Having considered the parties’ briefs, the relevant law, and the record in this case, the Court DENIES the motion to dismiss and GRANTS the motion to transfer.

I. BACKGROUND

A. Factual Background

Plaintiff Bayer is a Delaware corporation with a principal place of business in Whippany, New Jersey. First Amended Complaint (“FAC”), ECF No. 30, ¶ 3. Defendant Nektar

1 Therapeutics (“Nektar”) is a Delaware corporation with a principal place of business in San
2 Francisco, California. *Id.* ¶ 4. Defendant Baxalta Inc. is a Delaware corporation with a principal
3 place of business in Bannockburn, Illinois. *Id.* ¶ 5. Defendant Baxalta US is a Delaware
4 corporation with a principal place of business in Bannockburn, Illinois. *Id.* ¶ 6; Declaration of
5 Jeffrey Prowda, ECF No. 33-18, ¶ 7.¹ The Court includes additional facts as necessary to the
6 jurisdictional analysis in Section III, *infra*.

7 Bayer is a global life sciences company whose business includes research and development
8 of drug treatments for hemophilia A, a genetic blood coagulation disorder. FAC ¶¶ 22-23.
9 Patients with hemophilia A have “a deficiency of the functional human Factor VIII, a complex
10 protein that is critical for proper blood coagulation and control of bleeding.” *Id.* ¶ 23. At issue in
11 this case are Bayer’s pegylated Factor VIII replacement products. “Pegylation is a method by
12 which PEG molecules are attached to active biologic or chemical entities in an effort to impart
13 certain unique properties, such as potentially preventing degradation of the therapeutic product to
14 extend its half-life.” *Id.* ¶ 26. In the 1990s and early 2000s, Bayer custom ordered large PEG
15 molecules from Nektar’s predecessor-in-interest and Nektar. *Id.* ¶¶ 29-51.

16 In brief, Bayer accuses Nektar of misappropriating Bayer’s confidential information to
17 eventually obtain U.S. Patent No. 7,199,223 (the “223 Patent”), U.S. Patent No. 7,863,421 (the
18 “421 Patent”), U.S. Patent No. 8,143,378 (the “378 Patent”), U.S. Patent No. 8,247,536 (the
19 “536 Patent”), U.S. Patent No. 8,519,102 (the “102 Patent”), U.S. Patent No. 8,618,259 (the
20 “259 Patent”), and U.S. Patent No. 8,889,831 (the “831 Patent”) (collectively, the “Nektar
21 patents-in-suit”). *Id.* ¶¶ 1, 53-65, 103-44. Bayer filed the instant suit seeking a declaration that its
22 Factor VIII replacement product BAY 94-9027 (“BAY 94”) does not infringe the Nektar patents-
23 in-suit. *Id.* ¶ 1.

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¹ The FAC alleges that Baxalta US’s principal place of business is in California. However, for the reasons that the Court explains in Section III.A., below, the Court finds that Baxalta’s principal place of business is actually in Bannockburn, Illinois.

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B. Procedural History

The procedural history relevant to the instant order spans three cases in two districts. In December 2016, Bayer filed a suit in the District of Delaware against Baxalta Inc., Baxalta US, and Nektar (collectively, “Baxalta/Nektar”) that alleged that Baxalta’s Factor VIII protein product, Adynovate, infringes Bayer’s U.S. Patent No. 9,364,520. *Bayer HealthCare LLC v. Baxalta Inc.*, No. 16-1122 (D. Del.); ECF No. 33-2.

On August 30, 2017, Bayer filed its original complaint in the instant case in the Northern District of California. Bayer sought a declaratory judgment that BAY 94 does not infringe Defendants’ U.S. Patent No. 7,858,749 (the “’749 Patent”). ECF No. 1.

On September 15, 2017, Baxalta/Nektar filed an action in the District of Delaware alleging that BAY 94 infringes the Nektar patents-in-suit (the “2017 Delaware Action”). *Baxalta Inc. v. Bayer HealthCare LLC*, No. 17-1316 (D. Del.); ECF No. 33-3. The two cases in the District of Delaware have been deemed related and are both assigned to Judge Richard G. Andrews.

On September 19, 2017, Baxalta/Nektar provided Bayer with a covenant not to sue Bayer for infringement of the ’749 Patent and requested that Bayer dismiss the instant suit. *See* ECF No. 25 at 2; ECF No. 25-2.

On September 25, 2017, Bayer filed the FAC in the instant case. The FAC drops Bayer’s previous claim based on the ’749 Patent and instead seeks declaratory judgment on the same Nektar patents-in-suit that Baxalta/Nektar asserted in the 2017 Delaware Action.

On September 29, 2017, Bayer filed a motion to dismiss the 2017 Delaware Action or, in the alternative, to transfer it to the Northern District of California. ECF No. 33-4.

On October 10, 2017, Baxalta/Nektar filed the instant motion to dismiss or, in the alternative, to transfer to the District of Delaware. ECF No. 33 (“Mot.”).

On October 13, 2017, Baxalta/Nektar filed an opposition to Bayer’s motion to dismiss the 2017 Delaware Action. *Baxalta Inc. v. Bayer HealthCare LLC*, No. 17-1316, ECF No. 12 (D. Del. Oct. 13, 2017). On October 20, 2017, Bayer filed a reply. *Id.* at ECF No. 17.

On October 24, 2017, Bayer filed an opposition to Baxalta/Nektar’s motion to dismiss the

1 instant case. ECF No. 36 (“Opp’n”). On October 31, 2017, Baxalta/Nektar filed a reply. ECF
2 No. 37 (“Reply”).

3 On January 22, 2018, the Court ordered Baxalta/Nektar to file an unredacted copy of their
4 2005 license agreement. ECF No. 46. On January 24, 2018, Baxalta/Nektar filed an
5 administrative motion to file under seal their unredacted 2005 Exclusive Research, Development,
6 License and Manufacturing and Supply Agreement (“the 2005 Agreement”), as well as several
7 amendments to the 2005 Agreement and a separate 2008 Exclusive License Agreement (“the 2008
8 Agreement”). ECF No. 48.

9 **II. LEGAL STANDARD**

10 **A. Rule 12(b)(2)**

11 Where a defendant moves to dismiss a suit for lack of personal jurisdiction pursuant to
12 Federal Rule of Civil Procedure 12(b)(2), the plaintiff bears the burden of establishing that
13 jurisdiction is proper. *Boschetto v. Hansing*, 539 F.3d 1011, 1015 (9th Cir. 2008). Where, as
14 here, the defendant’s motion is based on written materials rather than an evidentiary hearing, the
15 plaintiff need only make a prima facie showing of jurisdictional facts to withstand a motion to
16 dismiss for lack of personal jurisdiction. *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218,
17 1223 (9th Cir. 2011) (citing *Brayton Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1127
18 (9th Cir. 2010)); *see also Celgard, LLC v. SK Innovation Co.*, 792 F.3d 1373, 1378, (Fed. Cir.
19 2015) (“When the district court’s determination of personal jurisdiction is based on affidavits and
20 other written materials, and no jurisdictional hearing is conducted, the plaintiff usually bears only
21 a prima facie burden.”). At this stage of the proceeding, “uncontroverted allegations in plaintiff’s
22 complaint must be taken as true, and conflicts between the facts contained in the parties’ affidavits
23 must be resolved in plaintiff’s favor.” *Brayton Purcell*, 606 F.3d at 1127 (internal quotation
24 marks, citations, and alterations omitted); *see also Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*,
25 566 F.3d 1012, 1017 (Fed. Cir. 2009) (same).

26 **B. Personal Jurisdiction**

27 Because the issue of personal jurisdiction in a declaratory action for non-infringement is
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1 “intimately related to patent law,” Federal Circuit law governs. *Breckenridge Pharm., Inc. v.*
2 *Metabolite Labs., Inc.*, 444 F.3d 1356, 1361 (Fed. Cir. 2006). “Determining whether jurisdiction
3 exists over an out-of-state defendant involves two inquiries: whether a forum state’s long-arm
4 statute permits service of process and whether assertion of personal jurisdiction violates due
5 process.” *Autogenomics*, 566 F.3d at 1017. “California’s long-arm statute permits service of
6 process to the full extent allowed by the due process clauses of the United States Constitution,” so
7 “the two inquiries collapse into a single inquiry: whether jurisdiction comports with due process.”
8 *Xilinx, Inc. v. Papst Licensing GmbH & Co. KG*, 848 F.3d 1346, 1353 (Fed. Cir. 2017) (internal
9 quotation marks omitted).

10 Due process precludes a court from asserting jurisdiction over a defendant unless the
11 defendant has minimum contacts with the forum state such that an exercise of jurisdiction would
12 not offend “traditional conception[s] of fair play and substantial justice.” *Int’l Shoe Co. v.*
13 *Washington*, 326 U.S. 310, 320 (1945). The minimum contacts requirement ensures “that
14 nonresidents have fair warning that a particular activity may subject them to litigation within the
15 forum.” *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir.1994)
16 (citations omitted).

17 The “minimum contacts” requirement can be satisfied in two ways: general jurisdiction or
18 specific jurisdiction. General jurisdiction applies where a nonresident defendant’s “affiliations
19 with the State are so ‘continuous and systematic’ as to render it essentially at home in the forum
20 state.” *Daimler AG v. Bauman*, 571 U.S. 117, 134 S. Ct. 746, 761 (2014) (quoting *Goodyear*
21 *Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915, 131 S. Ct. 2846, 2851 (2011)). Where
22 general jurisdiction is inappropriate, the court may still exercise specific jurisdiction where “the
23 defendant has purposefully directed his activities at residents of the forum and the litigation results
24 from alleged injuries that arise out of or relate to those activities.” *Deprenyl Animal Health, Inc.*
25 *v. Univ. of Toronto Innovations Found.*, 297 F.3d 1343, 1350-51 (Fed. Cir. 2002) (quoting *Inamed*
26 *Corp. v. Kuzmak*, 249 F.3d 1356, 1360 (Fed. Cir. 2001)).

27 If the minimum contacts requirement is satisfied for general jurisdiction, the inquiry ends.

1 See *Daimler*, 134 S. Ct. at 762 n. 20 (noting that when under general jurisdiction analysis, “if a
2 corporation is genuinely at home in the forum state . . . [a fairness factor analysis] would be
3 superfluous”). On the other hand, when “it has been decided that a defendant purposefully
4 established minimum contacts within the forum State” to sustain specific jurisdiction, “these
5 contacts may be considered in light of other factors to determine whether the assertion of personal
6 jurisdiction would ‘comport with fair play and substantial justice.’” *Burger King Corp. v.*
7 *Rudzewicz*, 471 U.S. 462, 476 (1985) (quoting *Int’l Shoe*, 326 U.S. at 320).

8 In *Daimler*, the U.S. Supreme Court established that a court may assert general jurisdiction
9 over a nonresident defendant only when the defendant’s “affiliations with the State are so
10 ‘continuous and systematic’ as to render it essentially at home in the forum State.” 134 S. Ct. at
11 761 (quoting *Goodyear*, 131 S. Ct. at 2851); see also *NexLearn, LLC v. Allen Interactions, Inc.*,
12 859 F.3d 1371, 1375 (Fed. Cir. 2017) (stating same standard). “[O]nly a limited set of affiliations
13 with a forum will render a defendant amenable to all-purpose jurisdiction there. ‘For an
14 individual, the paradigm forum for the exercise of general jurisdiction is the individual’s domicile;
15 for a corporation, it is an equivalent place, one in which the corporation is fairly regarded as at
16 home.’” *Daimler*, 134 S. Ct. at 760 (quoting *Goodyear*, 131 S. Ct. at 2853-54); see also *BNSF Ry.*
17 *Co. v. Tyrrell*, 137 S. Ct. 1549, 1558 (2017) (same). The Court rejected the argument that a
18 nonresident defendant should be subject to general jurisdiction “in every State in which [the
19 defendant] engages in a substantial, continuous, and systematic course of business,” finding that
20 such a holding would be “unacceptably grasping.” *Daimler*, 134 S. Ct. at 760. Nevertheless, the
21 Court noted that in an “exceptional case,” “a corporation’s operations in a forum other than its
22 formal place of incorporation or principal place of business may be so substantial and of such a
23 nature as to render the corporation at home in that State.” *Id.* at 761 n. 19.

24 For specific jurisdiction, the Federal Circuit applies a three-part test: “(1) whether the
25 defendant purposefully directed its activities at residents of the forum; (2) whether the claim arises
26 out of or relates to the defendant’s activities with the forum; and (3) whether assertion of personal
27 jurisdiction is reasonable and fair.” *Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324,

1 1331-32 (Fed. Cir. 2008) (internal quotation marks omitted). “The first two factors correspond
2 with the minimum contacts prong of the [*International Shoe Co. v. Washington*, 326 U.S. 310
3 (1945)] analysis, and the third factor corresponds with the fair play and substantial justice prong of
4 the analysis.” *Id.* (quoting *Inamed*, 249 F.3d at 1360 (internal quotation marks omitted))
5 (alteration added in *Xilinx*).

6 **III. DISCUSSION**

7 Bayer alleges in the FAC that Baxalta US has a principal place of business in California.
8 FAC ¶ 6. Bayer also alleges that the Court has personal jurisdiction over the Baxalta Defendants
9 because the Baxalta Defendants “purposefully direct their activities to residents of this District,
10 have numerous, continuous, and systematic contacts with this District, and therefore, have
11 purposefully availed themselves of the privilege of conducting activities within this District.” *Id.*

12 ¶ 14. Furthermore, Bayer alleges that the Baxalta Defendants have employees and manufacturing
13 facilities in California, purchase materials manufactured in this district as part of the product
14 supply chain for the Adynovate product, and sell and market their products in California. *Id.*

15 ¶¶ 14, 16-17. The Baxalta Defendants argue that they are not subject to either this Court’s general
16 or specific personal jurisdiction. Mot. at 8-10. The Court first addresses general jurisdiction and
17 then turns to specific jurisdiction.

18 **A. The Court Does Not Have General Jurisdiction Over the Baxalta Defendants**

19 Bayer does not explicitly invoke general jurisdiction in the FAC, but Bayer does make two
20 jurisdictional allegations that arguably implicate general jurisdiction. First, Bayer alleges that
21 Baxalta US’s principal place of business is in California, FAC ¶ 6, which, if true, would support a
22 finding of general jurisdiction over Baxalta US. *See BNSF*, 137 S. Ct. at 1558. Baxalta US
23 contends that Bayer is mistaken and that Baxalta US’s principal place of business is actually in
24 Bannockburn, Illinois. Mot. at 9. In support, Baxalta US offers the Statement of Information that
25 Baxalta US filed with the California Secretary of State, which lists Bannockburn, Illinois, as the
26 location of Baxalta US’s principal executive office. *See* ECF No. 33-1 ¶ 6. Baxalta US also offers
27 the declaration of Jeffrey Prowda, the head corporate counsel at Shire Pharmaceuticals LLC. ECF

1 No. 33-18 (“Prowda Decl.”). Both Shire Pharmaceuticals and Baxalta US are wholly owned
2 indirect subsidiaries of Shire plc. *Id.* ¶ 3. Prowda declares that Baxalta US’s principal place of
3 business is in Bannockburn, Illinois. *Id.* ¶ 7.

4 The Federal Circuit has stated that at the motion to dismiss stage, “a district court must
5 accept the *uncontroverted* allegations in the plaintiff’s complaint as true and resolve any factual
6 conflicts in the affidavits in the plaintiff’s favor.” *Autogenomics*, 566 F.3d at 1017 (quoting *Elecs.*
7 *For Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1349 (Fed. Cir. 2003) (emphasis added in
8 *Autogenomics*)). In the instant case, Defendants have produced evidence that contradicts the
9 allegations in Plaintiff’s FAC about Baxalta US’s principal place of business. Thus, the Court
10 need not accept as true Plaintiff’s allegation about Baxalta US’s principal place of business. In
11 addition, Bayer has not offered any evidence, in the form of affidavits or otherwise, to the
12 contrary. As a result, the Court finds that Baxalta US’s principal place of business is in
13 Bannockburn, Illinois. Accordingly, the Court does not have general jurisdiction over Baxalta US
14 based on Baxalta US’s principal place of business.²

15 Second, Bayer alleges that the Baxalta Defendants have continuous and systematic
16 contacts with this District. FAC ¶ 14. It is not clear from the FAC whether Bayer intended this
17 allegation to invoke general jurisdiction, as the same paragraph of the FAC also contains language
18 typically associated with specific jurisdiction, such as purposeful direction. *See id.* (“This Court
19 has personal jurisdiction over Baxalta Inc. and Baxalta US because they purposefully direct their
20 activities to residents of this District, have numerous, continuous, and systematic contacts with
21 this District, and therefore, have purposefully availed themselves of the privilege of conducting
22 activities within this District.”). In any event, Defendants argued in their motion that the Baxalta
23 Defendants are not subject to general jurisdiction and Bayer did not respond to this argument in its
24 opposition. Instead, Bayer only argued that the Baxalta Defendants are subject to specific
25 jurisdiction. *See Opp’n* at 9-14. As such, Bayer has effectively conceded that the Baxalta
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27 ² Bayer concedes in the FAC that Baxalta Inc.’s—as opposed to Baxalta US’s—principal place of
28 business is in Bannockburn, Illinois. FAC ¶ 5.

1 Defendants are not subject to general jurisdiction. *See Shorter v. L.A. Unified Sch. Dist.*, No. CV
 2 13-3198 ABC, 2013 WL 6331204, at *5 (C.D. Cal. Dec. 4, 2013) (collecting cases for the
 3 proposition that failure to address an argument raised in a motion to dismiss constitutes a
 4 concession or waiver).

5 If Bayer had not conceded the lack of general jurisdiction, the Court could still exercise
 6 general jurisdiction over the Baxalta Defendants if the Baxalta Defendants’ “affiliations with the
 7 State are so ‘continuous and systematic’ as to render [them] essentially at home in” California.
 8 *Daimler*, 134 S. Ct. at 761. However, the Court finds that the allegations in the FAC and
 9 opposition—that the Baxalta Defendants have employees and a manufacturing facility in
 10 California, maintain a partnership with California-based Nektar, buy products made in California,
 11 and sell products in California—are not enough to support a finding that the Baxalta Defendants
 12 are “essentially at home in” California. *NexLearn*, 859 F.3d at 1375 (quoting *Daimler*, 134 S. Ct.
 13 at 754). Merely conducting business in California from a home base in Illinois does not render a
 14 company “at home” in California, even when such business generates substantial revenue. In
 15 *Daimler*, the United States Supreme Court held that Daimler AG, the German manufacturer of
 16 Mercedes-Benz automobiles, was not subject to general jurisdiction in California “despite its
 17 multiple offices, continuous operations, and billions of dollars’ worth of sales there.” 134 S. Ct. at
 18 772 (Sotomayor, J., concurring). In *BNSF*, the United States Supreme Court held that BNSF was
 19 not “essentially at home in” Montana even though BNSF had more than 2,000 employees and
 20 more than 2,000 miles of track in Montana. 137 S. Ct. at 1559. Finally, in *Helicopteros*
 21 *Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 418 (1984), the United States Supreme Court
 22 held that “mere purchases, even if occurring at regular intervals, are not enough to warrant a
 23 State’s assertion of” general jurisdiction. Under these precedents, the Court concludes that the
 24 Baxalta Defendants’ contacts with California are not so substantial or of such a quality to render
 25 the Baxalta Defendants essentially at home in California. *Daimler*, 134 S. Ct. at 761 n.19. Thus,
 26 the Court does not have general jurisdiction over the Baxalta Defendants.

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1 to sell, selling, or importing of arguably infringing products in the forum, but instead arises out of
2 or relates to the activities of the defendant patentee in enforcing the patent or patents in suit.” *Id.*
3 “The relevant inquiry for specific personal jurisdiction purposes then becomes to what extent has
4 the defendant patentee ‘purposefully directed [such enforcement activities] at residents of the
5 forum,’ and the extent to which the declaratory judgment claim ‘arises out of or relates to those
6 activities.’” *Id.* (quoting *Breckenridge*, 444 F.3d at 1363) (alterations in original).

7 Notably, neither the FAC nor the opposition identifies any enforcement activity that the
8 Baxalta Defendants are alleged to have taken in California related to the Nektar patents-in-suit.
9 Instead, Bayer rests entirely on (1) the Baxalta Defendants’ commercialization of the Nektar
10 patents-in-suit in California, and (2) the Baxalta Defendants’ ongoing obligations pursuant to their
11 licensing agreement with Nektar. *See* Opp’n at 9-13. The Court addresses these grounds in turn.

12 **1. Efforts to Commercialize a Patent Are Not Relevant Contacts in the Declaratory**
13 **Judgment Context**

14 Bayer alleges that the Baxalta Defendants have a variety of contacts in California related to
15 the commercialization of the Nektar patents-in-suit. Specifically, Bayer alleges that the Baxalta
16 Defendants “purchase materials (e.g., polyethylene glycol polymers (“PEG”)) from Nektar that are
17 manufactured in this District for a portion of the product supply chain for Adynovate.” FAC ¶ 16.
18 “In exchange, [the Baxalta Defendants] are responsible for development and commercialization of
19 Adynovate and remit substantial royalty payments to Nektar in this District in the form of:
20 escalating royalties between 4-6 percent on global net revenue of Adynovate up to \$1.2 billion in
21 revenue, 13% royalty for revenue above \$1.2 billion, and additional tiered revenue milestone
22 payments based upon global net revenue of Adynovate.” *Id.* Bayer alleges that the Baxalta
23 Defendants “have also purposefully directed their activities at consumer-residents of this forum in
24 a systematic and continuous manner,” including by marketing and selling their products in
25 California. *Id.* ¶ 17; Opp’n at 7. In addition, at the time that Bayer filed the FAC, the Baxalta
26 Defendants had manufacturing facilities and employees in California. FAC ¶ 14; Opp’n at 6-7.

27 With regard to these commercialization efforts, Federal Circuit precedent squarely states

1 that efforts to commercialize a patent are not relevant contacts for the purposes of a specific
2 jurisdiction analysis in the declaratory judgment context. *See Autogenomics*, 566 F.3d at 1020
3 (“only enforcement or defense efforts related to the patent rather than the patentee’s own
4 commercialization efforts are to be considered for establishing specific personal jurisdiction in a
5 declaratory judgment action against the patentee”); *Avocent*, 552 F.3d at 1336 (“[A] defendant
6 patentee’s mere acts of making, using, offering to sell, selling, or importing products—whether
7 covered by the relevant patent(s) or not—do not, in the jurisdictional sense, relate in any material
8 way to the patent right that is at the center of any declaratory judgment claim for non-
9 infringement, invalidity, and/or unenforceability.”). Specifically, because a declaratory judgment
10 action does not arise out of or relate to commercialization efforts, commercialization efforts will
11 not satisfy the second prong of the specific jurisdiction test. *See Avocent*, 552 F.3d at 1332 (A
12 declaratory judgment action “neither directly arises out of nor relates to the making, using,
13 offering to sell, selling, or importing of arguably infringing products in the forum, but instead
14 arises out of or relates to the activities of the defendant patentee in enforcing the patent.”). Thus,
15 the Federal Circuit has explained that commercialization efforts “may in the aggregate justify the
16 exercise of *general* jurisdiction over the patentee, they do not establish a basis for *specific*
17 jurisdiction in this context.” *Id.* at 1336.

18 The Federal Circuit’s decision in *Radio Systems Corp. v. Accession, Inc.*, 638 F.3d 785
19 (Fed. Cir. 2011), is instructive. In that case, the plaintiff, Radio Systems Corporation, had a
20 principal place of business in Tennessee, while the defendant, Accession, was based in New
21 Jersey. *Id.* at 787. Accession’s president and sole employee, Mr. Sullivan, sent letters and emails
22 and made telephone calls to Radio Systems “designed to interest the company in licensing” Mr.
23 Sullivan’s patent for a portable pet access door. *Id.* at 787-88. Mr. Sullivan also traveled to
24 Tennessee to demonstrate his invention and signed a nondisclosure agreement that contained a
25 Tennessee forum selection clause. *Id.* at 787-88, 792. The Federal Circuit held that “Mr.
26 Sullivan’s attempts to interest Radio Systems in a business transaction relating to his product were
27 not ‘enforcement or defense efforts.’ Instead, Mr. Sullivan’s correspondence with Radio Systems

1 was focused on generating a market” for his product. *Id.* at 790. “The fact that Mr. Sullivan
2 focused on Radio Systems in his effort to commercialize his invention therefore d[id] not render
3 his activities in Tennessee sufficient for the exercise of specific personal jurisdiction” in Radio
4 Systems’s later declaratory judgment case. *Id.*

5 Similarly, in *Avocent*, the Federal Circuit rejected the plaintiff’s argument that the
6 defendant was subject to specific jurisdiction in a declaratory judgment case based on the
7 defendant’s sales of goods in the forum state. 552 F.3d at 1338. Specifically, the plaintiff alleged
8 that plaintiff’s products were available for sale in the forum state, that the defendant purposefully
9 directed the products to the forum state through direct sales activities, and that the products were
10 offered for sale in the forum state through the internet and local retailers. *Id.* at 1327. The Federal
11 Circuit held that “the mere sale of defendant’s products—whether covered by the patents in suit or
12 not—is not sufficient to establish specific personal jurisdiction in a declaratory judgment suit.” *Id.*
13 at 1338.

14 Likewise, in *Red Wing Shoe*, 148 F.3d at 1357-58, the defendant commercialized its patent
15 in the forum state through thirty-four non-exclusive licensees, “all of which sold products in” the
16 forum state and six of which maintained retail stores there. *Breckenridge*, 444 F.3d at 1364. The
17 Federal Circuit held “that the mere receipt of royalty income from sales in the forum state was
18 insufficient to ground personal jurisdiction” in a declaratory judgment action.” *Id.* (describing
19 holding of *Red Wing Shoe*).

20 Finally, in *Autogenomics*, the plaintiff, a California company, brought a declaratory
21 judgment action against the defendant, a British company. 566 F.3d at 1014. The plaintiff alleged
22 that the defendant’s representatives flew to California to attempt to negotiate a licensing
23 agreement and that the defendant entered into non-exclusive licenses with about ten California
24 companies. The plaintiff also alleged that the defendant entered into a joint venture with a
25 California company that included a supply agreement in which the defendant purchased supplies
26 from the California company. *Id.* at 1015. Representatives of the defendant also attended three
27 scientific conferences in California. Finally, the defendant sold products to a California company.

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1 *Id.* at 1015-16. Applying *Avocent*, the Federal Circuit held that the plaintiff “ha[d] failed to allege
2 sufficient activities ‘relat[ing] to the validity and enforceability of the patent’ in addition to the
3 cease-and-desist communications” to support specific jurisdiction over the defendant. *Id.* at 1021
4 (quoting *Avocent*, 552 F.3d at 1336 (second alteration in original)).

5 Accordingly, in the instant case, the Baxalta Defendants’ activities in California related to
6 the commercialization of the Nektar patents-in-suit—including buying and manufacturing
7 precursor materials, selling Adynovate, and remitting royalty payments to Nektar—cannot confer
8 specific jurisdiction over the Baxalta Defendants in this declaratory judgment action because the
9 declaratory judgment action does not arise out of or relate to the Baxalta Defendants’
10 commercialization activities. *See Autogenomics*, 566 F.3d at 1021; *Avocent*, 552 F.3d at 1334-36.

11 **2. The Baxalta/Nektar Licensing Agreement Does Not Confer Specific Jurisdiction**

12 Bayer next contends that “[t]he Federal Circuit has held that [the specific jurisdiction] test
13 is met where an out-of-state defendant collaborates with an in-state defendant pursuant to an
14 exclusive license agreement.” Opp’n at 9 (citing *Breckenridge*, 444 F.3d at 1365-67; *Akro Corp.*
15 *v. Luker*, 45 F.3d 1541, 1548-49 (Fed. Cir. 1995)). However, Bayer’s formulation of this principle
16 omits several important concepts from the precedents that make a difference here.

17 First, in all of the relevant Federal Circuit cases, the defendant took some type of
18 enforcement action—usually sending a cease and desist letter into the forum. *See New World*
19 *Int’l, Inc. v. Ford Global Techs., LLC*, 859 F.3d 1032, 1036 (Fed. Cir. 2017) (defendant sent three
20 cease and desist letters into forum); *Autogenomics*, 566 F.3d at 1019 (district court found that
21 email and in-person communications were analogous to cease and desist letters); *Avocent*, 552
22 F.3d at 1327 (defendant sent three cease and desist letters); *Breckenridge*, 444 F.3d at 1360
23 (defendant sent three cease and desist letters); *Red Wing*, 148 F.3d at 1357 (defendant sent three
24 letters alleging infringement); *Genetic Implant Sys., Inc. v. Core-Vent Corp.*, 123 F.3d 1455, 1457
25 (Fed. Cir. 1997) (defendant sent three letters alleging infringement and repeatedly and publicly
26 threatened to sue); *Viam Corp. v. Iowa Exp.-Imp. Trading Co.*, 84 F.3d 424, 430 (Fed. Cir. 1996)
27 (defendants had initiated suit to enforce the same patent against another party in the same district);

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1 *Akro*, 45 F.3d at 1542 (defendant sent seven warning letters).

2 The Federal Circuit has determined that “send[ing] a cease and desist letter to a potential
3 plaintiff in [a] particular forum” satisfies the first two parts of the specific jurisdiction test in a
4 declaratory judgment action because sending the letter constitutes purposeful direction and a
5 declaratory judgment action “arises out of or relates to” a cease and desist letter. *New World*, 859
6 F.3d at 1037. “Under the third part of the test, however, [the Federal Circuit] has held that it is
7 improper to predicate personal jurisdiction on the act of sending ordinary cease and desist letters
8 into a forum, without more.” *Id.* at 1037-38. However, “if the defendant patentee purposefully
9 directs activities [in addition to cease and desist letters] at the forum which relate in some material
10 way to the enforcement or the defense of the patent, those activities may suffice to support specific
11 jurisdiction.” *Avocent*, 552 F.3d at 1336. As a result, in some cases, the Federal Circuit has then
12 determined whether the terms of an exclusive license agreement with a licensee who operates in
13 the forum state are enough, when combined with the cease and desist letters, to make the exercise
14 of jurisdiction reasonable under the third part of the specific jurisdiction test. *New World*, 859
15 F.3d at 1038 (citing *Avocent*, 552 F.3d at 1334).

16 Here, Bayer does not allege that the Baxalta Defendants took any affirmative act of
17 enforcement in California related to the Nektar patents-in-suit. This lack of enforcement
18 distinguishes the instant case from the Federal Circuit precedents discussed above, in which the
19 defendants had sent cease and desist letters or had taken analogous enforcement action. Bayer
20 cites no case where a court has held that a license agreement, without some additional affirmative
21 act of enforcement, is sufficient to confer specific jurisdiction in a declaratory judgment case
22 brought by a third party. Nor is the Court aware of such a case. Indeed, the United States
23 Supreme Court’s recent decision in *Bristol-Myers Squibb Co. v. Superior Court of California, San
24 Francisco County*, 137 S. Ct. 1773 (2017), suggests otherwise. In *Bristol-Myers Squibb*, the
25 United States Supreme Court held that Bristol-Myers Squibb’s “decision to contract with a
26 California company” to distribute its product nationally was not a sufficient basis for California
27 courts to exercise specific jurisdiction over Bristol-Myers Squibb where there were no allegations

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1 that Bristol-Myers Squibb engaged in any relevant acts in California. *Id.* at 1783. Applied here,
2 *Bristol-Myers Squibb* suggests that the licensing agreement, standing alone as the only contact
3 related to the declaratory judgment action, would not support specific jurisdiction over the Baxalta
4 Defendants.

5 Even if an exclusive license agreement could confer jurisdiction without an accompanying
6 act of enforcement, Bayer’s characterization of the Federal Circuit’s treatment of exclusive license
7 agreements still paints with too broad a brush. The Federal Circuit explained in *New World* that
8 “the mere existence of an exclusive license does not support a finding of specific jurisdiction.”
9 859 F.3d at 1038. Rather, “the question of specific jurisdiction over a nonresident patent holder in
10 a case involving an exclusive license ‘requires close examination of the license agreement.’” *Id.*
11 at 1039 (quoting *Breckenridge*, 444 F.3d at 1366). “For example, a license that establishes no
12 relationship between a patent holder and a licensee beyond the payment and receipt of royalty
13 income is not sufficient, because a declaratory judgment action does not typically ‘arise from or
14 relate to’ a patent holder’s efforts to license or commercialize its patent.” *Id.* at 1038. “On the
15 other hand, a license that obligates the patent holder to defend or enforce the patent may be
16 sufficient to establish specific personal jurisdiction, because a declaratory judgment action
17 typically arises from the patent holder’s actions to enforce or defend its patent in the forum.” *Id.*
18 “What matters, then, is whether the agreement between the patent holder and the exclusive
19 licensee imposes an obligation on the patent holder to enforce or defend the patent on behalf of the
20 licensee that is engaged in exploiting the patent rights in the forum state.” *Id.* at 1039.

21 In *Akro*, for example, “the nonresident patent holder (1) granted a resident licensee, an
22 Ohio corporation, the right to sue alleged infringers on the patent holder’s behalf and (2) agreed to
23 ‘defend and pursue any infringement against [the] patent.’” *New World*, 859 F.3d at 1038
24 (quoting *Akro*, 45 F.3d at 1543). “The patent holder therefore incurred continuing obligations in
25 the forum related to the enforcement or defense of the licensed patent: The resident licensee was
26 free to sue third parties for infringement, which the patent holder was then obligated to ‘defend
27 and pursue’; the patent holder assumed a complementary obligation to affirmatively pursue

1 potential infringers of the patent; and the patent holder was obligated to defend any action
2 challenging the patent.” *Id.* The Federal Circuit thus held that even though the patentee did not
3 itself do business in Ohio, “the patent holder’s continuing obligation to pursue any infringement
4 clearly contemplated enforcement against any infringers in Ohio, where the licensee was based
5 and competed with others.” *Id.* Similarly, in *Breckenridge*, where the patentee’s obligations were
6 not phrased as strongly as the patentee’s in *Akro*, the patentee nonetheless assumed the obligation
7 to discuss any enforcement action with its licensee in good faith “and then to cooperate in any
8 subsequent action.” *Id.* at 1039.

9 By contrast, in *New World*, the Federal Circuit found that a license agreement that
10 contained an indemnity provision related to third-party infringement claims and a provision that
11 prevented the patentee from “unreasonably refus[ing] a request by [the licensee] to enforce”
12 patents did not create enough of an obligation on the patentee to support specific jurisdiction. *See*
13 *id.* at 1040-42.

14 The Baxalta/Nektar license agreements are distinguishable from the agreements that the
15 Federal Circuit has found to support specific jurisdiction in at least two ways. First, in each of the
16 relevant Federal Circuit cases, “the patentee enters into an exclusive license or other obligation
17 relating to the exploitation of the patent by [a] licensee or contracting party in the forum, and the
18 patentee’s contractual undertaking may impose certain obligations to enforce the patent against
19 infringers. By such conduct, the patentee may be said to purposefully avail itself of the forum and
20 to engage in activity that relates to the validity and enforceability of the patent.” *Avocent*, 552
21 F.3d at 1336. In other words, the patentee has purposefully availed itself of the forum state, in
22 part by assuming enforcement or defense obligations that likely involve litigation in the forum
23 state, where the licensee is exploiting the patent. In the instant case, by contrast, it is the licensee
24 who is potentially being subjected to personal jurisdiction in a forum state where the patentee is
25 based. It is not clear from the precedents whether the logic in the Federal Circuit’s cases
26 necessarily covers this reverse situation, where it is less obvious that a licensee exploiting a patent
27 in another state has purposefully availed itself of the patentee’s home state. In any event, the

1 Court does not rely on this distinction, because the terms of the Baxalta/Nektar license agreements
2 do not impose the level of obligation on either the patentee or the licensee that would be sufficient
3 to confer specific jurisdiction here.

4 Specifically, unlike the exclusive licensing agreements that the Federal Circuit has found
5 to confer jurisdiction when combined with cease and desist letters, neither the 2005 Agreement
6 nor the 2008 Agreement obligates the Baxalta Defendants to defend or enforce the patents. *See id.*
7 at 1038-40. Under the 2005 Agreement, the Baxalta Defendants in some situations “have the
8 right, but not the obligation, to bring and control” or to “carry out” an action to enforce the
9 patents. *See* 2005 Agreement, ECF No. 48-4, at 17.2.2.B and 17.2.3A. In addition, if Nektar
10 determines that the Baxalta Defendants are a necessary party in an enforcement action, the Baxalta
11 Defendants consent to be joined. *Id.* at 17.2.2.A and 17.2.3.B. The 2005 Agreement does not,
12 however, require that the Baxalta Defendants actively participate or even cooperate in such an
13 action. *See id.* Similarly, under the 2008 Agreement, the Baxalta Defendants in some
14 circumstances “have the right, but not the obligation, to bring and control” an enforcement action.
15 *See* 2008 Agreement, ECF No. 48-21, at 3.3.a.

16 Far from being a continuing obligation related to patent enforcement of the type that were
17 at issue in *Breckenridge* or *Akro*, these license agreement terms explicitly disclaim imposing any
18 enforcement or defense obligation on the Baxalta Defendants. *See* 2005 Agreement at 17.2.2.B
19 and 17.2.3A (stating that the Baxalta Defendants have “the right, but not the obligation” to bring
20 suits); 2008 Agreement at 3.3.a (same). Thus, the only mandatory obligation that the Baxalta
21 Defendants assumed related to enforcement or defense of the patents is to consent to be joined if
22 Nektar deems joinder necessary. Unlike *Akro*, the Agreements do not require the Baxalta
23 Defendants to affirmatively pursue any enforcement or defense actions. Unlike *Breckenridge*, the
24 Agreements here do not even require the Baxalta Defendants’ continuing cooperation or active
25 participation in a suit brought by Nektar. As such, the Court finds that the obligations created by
26 the 2005 and 2008 Agreements are more akin to those in *New World*, where the Federal Circuit
27 found no specific jurisdiction, than those in *Akro* or *Breckenridge*.

1 Thus, even if the terms of a license agreement standing alone could be enough to confer
2 specific jurisdiction, the terms of these particular license agreements are not enough. *See New*
3 *World*, 859 F.3d at 1043 (“although the license to the licensee doing business in the forum is
4 exclusive, the license does not impose a sufficient obligation on the patent holder regarding the
5 enforcement of the patent rights to subject the patent holder to specific jurisdiction there”).
6 Accordingly, the Court finds that it lacks specific jurisdiction over the Baxalta Defendants.

7 **C. Jurisdictional Discovery is Not Warranted**

8 In its opposition, Bayer makes a passing request for jurisdictional discovery if the Court
9 determines that Bayer has not sufficiently pleaded sufficient facts to support personal jurisdiction.
10 Opp’n at 14. Ninth Circuit law controls this request for discovery. *See Patent Rights Protection*
11 *Grp. LLC v. Video Gaming Techs., Inc.*, 603 F.3d 1364, 1371 (Fed. Cir. 2010). In the Ninth
12 Circuit, “discovery should ordinarily be granted where pertinent facts bearing on the question of
13 jurisdiction are controverted or where a more satisfactory showing of the facts is necessary.” *Laub*
14 *v. U.S. Dep’t of the Interior*, 342 F.3d 1080, 1093 (9th Cir. 2003) (quoting *Butcher’s Union Local*
15 *No. 498 v. SDC Inv., Inc.*, 788 F.2d 535, 540 (9th Cir. 1986)). But a court can deny jurisdictional
16 discovery “when it is clear that further discovery would not demonstrate facts sufficient to
17 constitute a basis for jurisdiction,” *Am. W. Airlines, Inc. v. GPA Group, Ltd.*, 877 F.2d 793, 801
18 (9th Cir. 1989) (quoting *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 430 n. 24
19 (9th Cir. 1977)), or where the request for discovery is “based on little more than a hunch that it
20 might yield jurisdictionally relevant facts,” *Boschetto v. Hansing*, 539 F.3d 1011, 1020 (9th Cir.
21 2008).

22 Here, the Court finds that permitting jurisdictional discovery would be futile. Defendants
23 largely do not dispute the contacts with California that Bayer identified as relevant to the Court’s
24 analysis. Rather, Defendants argued that those contacts were not related to enforcing the patent, as
25 the Federal Circuit’s precedent requires. The Court’s decision turned on the lack of any alleged
26 enforcement activities in California, not on the sheer volume of the Baxalta Defendants’
27 commercial contacts with California. Bayer does not specify what kind of information it

1 anticipates obtaining in jurisdictional discovery. *Cf. Patent Rights*, 603 F.3d at 1371 (finding
2 abuse of discretion where district court denied jurisdictional discovery to plaintiff who had
3 submitted a declaration identifying facts “that made it apparent that additional discovery may
4 unearth facts sufficient to support the exercise of personal jurisdiction”). Indeed, the Court is
5 unable to imagine what type of relevant enforcement activity jurisdictional discovery might
6 uncover about which Bayer does not already know. For example, Bayer would surely already be
7 aware if the Baxalta Defendants had sent Bayer cease and desist letters in California. Whether the
8 Baxalta Defendants have filed court actions to enforce the Nektar patents-in-suit would also be
9 publicly available information. Moreover, Bayer now has access to unredacted copies of the
10 licensing agreements between Nektar and the Baxalta Defendants. Accordingly, the Court finds
11 that “it is clear that further discovery would not demonstrate facts sufficient to constitute a basis
12 for jurisdiction.” *Am. W. Airlines*, 877 F.2d at 801. Bayer’s request for jurisdictional discovery is
13 thus DENIED.

14 **D. Transfer Pursuant to 28 U.S.C. § 1631**

15 Defendants ask that the Court transfer this case to Delaware if it is not dismissed.
16 Defendants invoke 28 U.S.C. § 1404(a), but because the Court has determined that it lacks
17 personal jurisdiction over the Baxalta Defendants, the Court finds that 28 U.S.C. § 1631 is the
18 applicable statute. “Under a provision of the Federal Courts Improvement Act, 28 U.S.C. § 1631,
19 if a court finds that there is a want of jurisdiction the court shall transfer the action to any other
20 such court in which the action could have been brought ‘if it is in the interest of justice.’” *Miller*
21 *v. Hambrick*, 905 F.2d 259, 262 (9th Cir. 1990). “Normally transfer will be in the interest of
22 justice because normally dismissal of an action that could be brought elsewhere is ‘time-
23 consuming and justice-defeating.’” *Id.* (quoting *Goldlawr, Inc. v. Heiman*, 369 U.S. 463, 467
24 (1962)).

25 Here, the instant action could have been brought in the District of Delaware. This fact is
26 evidenced most directly by the 2016 Delaware Action, in which Bayer sued Baxalta/Nektar in
27 Delaware. Bayer has not sought to transfer that case. Moreover, all the parties are incorporated in

1 Delaware, which means that the District Court in Delaware has general jurisdiction over all the
2 parties. *See Goodyear*, 564 U.S. at 924.

3 The Court also finds that it is in the interest of justice to transfer this case to Delaware for
4 at least two reasons. First, as the Ninth Circuit stated in *Miller*, “dismissal of an action that could
5 be brought elsewhere is time-consuming and justice-defeating.” 905 F.2d at 262. It also produces
6 unnecessary costs for the parties. Second, the Court finds that it is in the interest of justice to
7 transfer this case to Delaware so that it can be heard by the same judge who is already hearing the
8 parties’ two related Delaware actions. There is significant overlap between the instant case and
9 the 2017 Delaware Action. Transfer would thus decrease the risk of inconsistent rulings and
10 would save judicial time and resources because only one court will need to learn the subject matter
11 underlying the patents. *See Chang v. Biosuccess Biotech, Co.*, No. 14-CV-425-LHK, 2014 WL
12 12703706, at *3 (N.D. Cal. May 30, 2014).

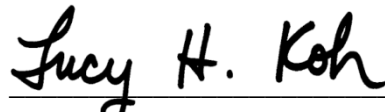
13 **IV. CONCLUSION**

14 For the foregoing reasons, the Court DENIES Defendants’ motion to dismiss and DENIES
15 Bayer’s request for jurisdictional discovery. The Court GRANTS Defendants’ motion to transfer
16 the case to the District of Delaware pursuant to 28 U.S.C. § 1631. The Clerk shall transfer the
17 case to the District of Delaware and close the case file in this district.

18 **IT IS SO ORDERED.**

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20 Dated: March 12, 2018



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22 LUCY H. KOH
23 United States District Judge

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