

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

RESONANT SENSORS INCORPORATED; §  
RESONANT OPTICS INCORPORATED; §  
and BOARD OF REGENTS OF THE §  
UNIVERSITY OF TEXAS SYSTEM, §

Plaintiffs, §

v. §

SRU BIOSYSTEMS, INC., §

Defendant. §

Civil Action No. 3:08-cv-1978-M

**FILED UNDER SEAL**

**MEMORANDUM OPINION AND ORDER**

Before the Court is Plaintiffs’ Motion for Leave to Amend Complaint to Join X-Body, Inc. (“X-Body”) as a Defendant [Docket Entry #151]. For the reasons discussed below, the Motion is **GRANTED**. Plaintiffs shall file their Third Amended Complaint joining X-Body as a Defendant within seven days of the date of this Order.

**I. BACKGROUND**

On November 6, 2008, Plaintiffs filed their Original Complaint against Defendant SRU Biosystems, Inc. (“SRU”) [Docket Entry #1], accusing SRU of infringing their patents, and seeking a declaratory judgment of non-infringement of Defendant’s patents. In response, SRU asserted several counterclaims, alleging infringement of SRU’s patents and seeking a declaratory judgment of non-infringement of Plaintiffs’ patents.

On January 3, 2012, SRU announced its decision to dissolve and liquidate its assets. [Docket Entry #143]. Prior to dissolving, SRU sold to X-Body substantially all of SRU’s assets, including the patents-in-suit and SRU’s counterclaims in this lawsuit. In their Motion, Plaintiffs

argue that X-Body's acquisition of those assets renders X-Body a necessary party to this lawsuit. SRU and X-Body oppose joinder on the basis that this Court lacks personal jurisdiction over X-Body. In response, Plaintiffs argue that the Court can exercise personal jurisdiction over X-Body on two alternative grounds: (1) Plaintiffs have made a *prima facie* showing that X-Body has sufficient minimum contacts with Texas; and (2) Plaintiffs have made a *prima facie* showing of successor liability under Texas law so that SRU's contacts with Texas are imputed to X-Body. The sole legal question presented is whether this Court can exercise personal jurisdiction over X-Body.

## II. LEGAL STANDARD

Federal Circuit law governs the issue of personal jurisdiction in patent infringement and related declaratory judgment actions. *Deprenyl Animal Health, Inc. v. Univ. of Toronto Innovations Found.*, 297 F.3d 1343, 1348 (Fed. Cir. 2002). Under Federal Circuit precedent, the assumption of personal jurisdiction over a nonresident defendant involves a two-step inquiry. *Hildebrand v. Steck Mfg. Co.*, 279 F.3d 1351, 1354 (Fed. Cir. 2002). First, the defendant must be amenable to service of process under the forum state's long-arm statute. Second, the exercise of jurisdiction must comport with the Due Process Clause of the Fourteenth Amendment. *See International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945). Because the Texas long-arm statute has been interpreted to extend as far as due process permits,<sup>1</sup> the Court's inquiry is limited to whether the exercise of personal jurisdiction over the defendant comports with due process requirements. *HollyAnne Corp. v. TFT, Inc.*, 199 F.3d 1304, 1307 (Fed. Cir. 1999).

Exercising personal jurisdiction over a nonresident defendant is consistent with due process when (1) that defendant has purposefully availed itself of the benefits and protections of the forum state by establishing "minimum contacts" with the forum state, and (2) the exercise of

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<sup>1</sup> See *American Type Culture Collection, Inc. v. Coleman*, 83 S.W.3d 801, 806 (Tex. 2002).

jurisdiction over that defendant does not offend “traditional notions of fair play and substantial justice.” *Panda Brandywine Corp. v. Potomac Elec. Power Co.*, 253 F.3d 865, 867 (5th Cir. 2001) (internal citations omitted). Both prongs of the due process test must be met for a district court to exercise personal jurisdiction over a defendant. *Ruston Gas Turbines, Inc. v. Donaldson Co.*, 9 F.3d 415, 421 (5th Cir. 1993).

These minimum contacts may be analyzed in terms of general or specific jurisdiction. *Helicopteros Nacionales de Colombia S.A. v. Hall*, 466 U.S. 408, 414 (1984). Specific jurisdiction exists when the contacts with the forum state arise from, or are directly related to, the cause of action. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472–73 (1985). General jurisdiction is present when the nonresident has other “continuous and systematic” contacts with the forum unrelated to the pending litigation. *Helicopteros Nacionales*, 466 U.S. at 414; *Electronics for Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1349 (Fed. Cir. 2003). The “minimum contacts” prong, for specific jurisdiction purposes, is satisfied by actions, or even just a single act, by which the nonresident defendant “purposefully avails itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of its laws.” *Burger King Corp.*, 471 U.S. at 475. The nonresident’s “purposeful availment” must be such that the defendant “should reasonably anticipate being haled into court” in the forum state. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

If a defendant has minimum contacts with the forum, the court must consider next whether the exercise of personal jurisdiction would “offend traditional notions of fair play and substantial justice.” *Helicopteros Nacionales*, 466 U.S. at 414. In doing so, the court examines: (1) the defendant’s burden; (2) the forum state’s interests; (3) the plaintiff’s interest in convenient and effective relief; (4) the judicial system’s interest in efficient resolution of

controversies; and (5) the state's shared interest in furthering fundamental social policies. *Ruston Gas Turbines, Inc.*, 9 F.3d 415 at 421.

Where, as here, the issue of personal jurisdiction is decided on affidavits and other written materials, a plaintiff need only make a *prima facie* showing that the defendant is subject to personal jurisdiction. *See Electronics for Imaging*, 340 F.3d at 1349. The court must accept the uncontroverted allegations of the complaint as true, and resolve any factual conflicts in favor of the plaintiff. *Id.* Once the plaintiff has shown that there are sufficient minimum contacts to satisfy due process, it becomes the defendant's burden to present a "compelling case that the presence of some other considerations would render jurisdiction unreasonable." *Id.* at 1350–51 (quoting *Burger King*, 471 U.S. at 477).

### III. ANALYSIS

The Court begins with an analysis of whether Plaintiffs have made a *prima facie* showing that X-Body has minimum contacts with Texas. *See Electronics for Imaging*, 340 F.3d at 1349. Nothing in the record before the Court suggests that X-Body has engaged in continuous and systematic activity within Texas, which would subject it to general jurisdiction in Texas. Because Plaintiffs have failed to carry that burden, the Court focuses exclusively on whether specific jurisdiction exists.

#### A. Prong One of the Due Process Test: "Minimum Contacts"

X-Body, a Delaware corporation with its principal place of business in Massachusetts, submitted an affidavit from its Executive Chair and Director purporting to show that it does not have "minimum contacts" with Texas, because, among other things: (1) X-Body has no officers, employees, or representatives in Texas; (2) X-Body owns no real or personal property in Texas and has no manufacturing facilities, mailing address, telephone number, or bank account in

Texas; (3) X-Body has never transacted business in Texas; (4) X-Body has never been registered to do business in Texas; (5) X-Body has not sold any products directly to Texas-based customers; and (6) X-Body has brought no litigation in federal or state court in Texas. Declaration of Richard W. Wagner. X-Body thus argues that it has not purposefully directed activities in Texas sufficient to give rise to specific jurisdiction in this forum.

X-Body's lengthy list of "non-contacts" with Texas misses the mark. The Court predicates personal jurisdiction over X-Body on two specific contacts, unaddressed by X-Body, that relate to this controversy. First, X-Body acquired substantially all of SRU's assets relevant to this lawsuit.<sup>2</sup> Specifically, X-Body acquired: (1) SRU's patents-in-suit and SRU's counterclaims for patent infringement against Plaintiffs; and (2) SRU's counterclaims for alleged negligent misrepresentation, fraud, and civil conspiracy.<sup>3</sup> See SRU's Answer to Pls.' Second Am. Compl. [Docket Entry #91]. Second, X-Body, as the current owner of SRU's allegedly infringing products, may be liable for indirect infringement by continuing the sale of such products in Texas, and by continuing to allegedly induce infringement by others in Texas of Plaintiffs' patents.<sup>4</sup> The Court finds these contacts sufficient to satisfy due process requirements.

The U.S. Court of Appeals for the First Circuit in, *Pritzker v. Yari*, rejected a personal jurisdiction challenge by a defendant who had only one relevant contact with the forum—

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<sup>2</sup> In their respective briefs, SRU and X-Body do not dispute that X-Body acquired SRU's counterclaims as a result of the Bill of Sale, and do not address Plaintiffs' argument that such acquisition establishes personal jurisdiction over X-Body.

<sup>3</sup> The Court is aware that Defendant's Motion to Dismiss, pending before the Court, seeks to moot SRU's counterclaims for patent infringement by offering a covenant not to sue on the SRU patents. Neither X-Body nor SRU have sought to drop SRU's other claims for negligent misrepresentation, fraud, and civil conspiracy. Therefore, because X-Body inherited counterclaims against Plaintiffs that SRU has not moved to dismiss, the Court's analysis is not affected by its prospective ruling on the Defendant's Motion to Dismiss.

<sup>4</sup> While X-Body maintains that it did not "directly" sell any products to Texas-based customers or directly engage in business in Texas, Plaintiffs allege that X-Body is liable for indirect infringement by continuing the business of SRU and continuing to actively induce infringement by other companies of Plaintiffs' patents in Texas. Plaintiffs provide no affidavit or declaration to support these allegations in their proposed Third Amended Complaint, but Plaintiffs have submitted a copy of the Bill of Sale, SRU's Plan of Liquidation, and a press release announcing X-Body's sale of SRU's BIND-line of products, which Plaintiffs allege infringe their patents. These factual submissions provide support for Plaintiffs' allegation that X-Body is inducing the infringement of Plaintiffs' patents.

acquiring an interest in a lawsuit involving control over property. 42 F.3d 53, 61–62 (1st Cir. 1994). Observing that “in order to be subject to the jurisdiction of the forum state, a nonresident need have only one contact with the forum, so long as the contact is meaningful,” the court concluded that “by knowingly acquiring an economically beneficial interest in the outcome of a Puerto–Rico based lawsuit that involved control over property located in Puerto Rico, [the defendant] necessarily exhibited sufficient minimum contacts to subject it to the district court’s exercise of specific *in personam* jurisdiction.” *Id.* (internal citations omitted). The *Pritzker* court reasoned that “[o]ther than physical presence, [the court] c[ould] imagine few contacts that are more integral to a forum than acquiring a financial stake in forum-based litigation concerning forum-based property.” *Id.* The First Circuit found this “path of inquiry...neither long nor winding.” *Id.*

Similarly, in *Johnson v. Long Beach Mort. Loan Trust 2001-4*, 451 F. Supp. 2d 16 (D.D.C. 2006), the district court concluded that it could exercise personal jurisdiction over a nonresident defendant trust company that had only two contacts with the District of Columbia: (1) the defendant trust company held a security interest in plaintiff’s property in the District of Columbia; (2) the defendant trust company took an assignment of plaintiff’s mortgage note, and drew a revenue stream from plaintiff’s mortgage payments. The district court found these two contacts sufficient to satisfy due process requirements. *Id.* at 32.

While the facts in the instant case are admittedly somewhat different from those in *Pritzker* and *Johnson*, the reasoning of these decisions supports jurisdiction here. Here, while X-Body did not acquire any real property located in Texas, X-Body holds an interest in the intellectual property from which this dispute arises. This contact is “neither irregular nor casual.” *Int’l Shoe*, 326 U.S. at 320. X-Body committed an affirmative, purposeful act in

acquiring such interests, and it cannot be unexpected that X-Body must be joined to defend against an adverse claim to the patents it now owns. By acquiring an economic stake in this litigation, in the purest sense, X-Body demonstrates that it has purposefully availed itself of the benefits and protections of enforcing this forum's law, and accepted its concomitant burdens. The Court finds that X-Body's knowing acquisition of an economic stake in SRU's counterclaims and X-Body's indirect inducement of infringement of Plaintiffs' patents in Texas are sufficient to establish minimum contacts.

B. Prong Two of the Due Process Test: Traditional Notions of Fair Play and Substantial Justice

The Court considers next whether its exercising personal jurisdiction would violate traditional notions of fair play and substantial justice. It concludes that it would not do so. Texas has an interest in the litigation over infringing products in Texas. Texas also has a substantial interest in protecting Texas citizens, which Plaintiffs are, from unwarranted claims of patent infringement. Considering Plaintiffs' choice of forum and SRU and X-Body's alleged inducement of infringement in the Texas market, the Court finds exercising personal jurisdiction here comports with due process. The Court is not convinced that this is one of the "rare" situations in which sufficient minimum contacts exist but where the exercise of jurisdiction would be unreasonable.<sup>5</sup> See *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994) (citing *Burger King*, 471 U.S. at 477).

#### IV. CONCLUSION


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<sup>5</sup> In light of the Court's finding, the Court declines to reach the issue of whether X-Body is SRU's successor-in-interest such that SRU's contacts are imputed to X-Body.

The Court finds that X-Body is subject to the Court's personal jurisdiction. Accordingly, Plaintiffs are **GRANTED** leave to file their Third Amended Complaint joining X-Body as a Defendant.

**SO ORDERED.**

Dated: November 16, 2012.

  
**BARBARA M. G. LYNN**  
**UNITED STATES DISTRICT JUDGE**  
**NORTHERN DISTRICT OF TEXAS**