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Plaintiff's Declaratory Action Not Anticipatory Litigation Due to Patentee's Delayed Response to Licensing Request

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The Central District of California denied a defendant's motion to dismiss or transfer plaintiff's first-filed declaratory judgment action based on defendant's later-filed patent infringement suit in Wisconsin. Though suit was seemingly imminent when defendant advised plaintiff it might be infringing defendant's patents, plaintiff responded by requesting a licensing agreement in lieu of litigation. The court found that plaintiff's action was not anticipatory forum-shopping litigation because plaintiff only filed suit after defendant neglected to respond to its licensing offer.

Plaintiff and defendant are both tool manufacturers. Defendant sent a letter notifying plaintiff that some of plaintiff's products may infringe defendant's tooling patents. When the parties could not resolve the dispute, defendant informed plaintiff that it would sue plaintiff for patent infringement and indicated that it was preparing both state and federal complaints. In response, plaintiff offered to consider a licensing agreement with defendant instead of risking litigation, which defendant never responded to. Three months after plaintiff's outreach for a license, plaintiff filed a declaratory judgment action in the Central District of California that its products did not infringe defendant's patents. Five days later, defendant sued plaintiff for patent infringement in Wisconsin and moved to dismiss or transfer the California case.

In deciding whether to dismiss or transfer the case, the California court noted that the first-to-file rule generally applies. The rule favors the first action filed—in this case, the California case over the later-filed Wisconsin case. The court, however, explained that the first-to-file

rule is not absolute and considered defendant's arguments that several factors warranted an exception to the rule in this situation, including: bad-faith anticipatory litigation and forum shopping, convenience, and jurisdiction over the parties.

In this case plaintiff's action was not anticipatory because it only filed the California case after defendant failed to respond for three months to its licensing request. According to the court, plaintiff "cannot be expected to wait around indefinitely" for a defendant to file suit. The court also found that plaintiff did not engage in improper forum shopping because plaintiff filed suit in its home district rather than some "random district that is disconnected from its operations."

Defendant likewise failed to show that Wisconsin was a more convenient forum to warrant transferring the action because neither plaintiff nor defendant was headquartered in Wisconsin and most of the evidence regarding infringement would be in California because that is where plaintiff's research operations were located. The fact that most of the inventors lived in Wisconsin was not enough to warrant transfer because neither party's "core operations" were in Wisconsin.

There was also no dispute that all parties were subject to jurisdiction in California. Even if there were a question of proper jurisdiction, the court noted that communications threatening suit or licensing offers, like the ones sent to plaintiff here, can establish personal jurisdiction.

Thus, because defendant failed to show any exception disfavoring the first-to-file rule, the court denied defendant's motion to dismiss or transfer the California case to Wisconsin.

Practice Tip: A patent owner considering an infringement suit must be diligent in communicating to an alleged infringer its intent to file suit and in filing its complaint. Delaying action on a potential claim risks allowing an infringer to preempt the patent owner with a declaratory judgment action, thereby gaining control of litigation as the plaintiff.

Harbor Freight Tools USA, Inc. v. Champion Power Equipment, Inc., 2-24-cv-08722 (CDCA Feb. 13, 2025) (Stephen V. Wilson)

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