

THE HONORABLE THOMAS S. ZILLY

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

TIEN HSIN INDUSTRIES CO., LTD., a)
Taiwanese corporation, and FULL SPEED)
AHEAD, INC., a Washington corporation,)
)
Plaintiffs,)
)
v.)
)
CANE CREEK CYCLING COMPONENTS,)
a North Carolina corporation, and HOMER)
JOHN RADER III, an individual,)
)
Defendants.)

No. C07-1272 TSZ

**MOTION TO DISMISS
PLAINTIFFS' CLAIMS FOR LACK
OF PERSONAL JURISDICTION
AND INDISPENSABLE PARTY
AND OTHER RELIEF**

**NOTE ON MOTION CALENDAR:
OCTOBER 5, 2007**

MOTION

COMES NOW defendant Homer John Rader III, (hereinafter "defendant Rader" or "Defendant"), by and through his counsel, Lane Powell PC, and moves this Court for an Order dismissing plaintiffs' claims against him in this case for lack of personal jurisdiction over Defendant in the State of Washington. This motion is based upon: defendant Rader's Constitutional right to due process; Fed.R.Civ.P. 12(b)(2); and, RCW 4.28.185. In the event the Court dismisses plaintiffs' claims, defendant Rader also requests that the Court award him the reasonable attorneys' fees and costs necessarily incurred in defending this action, in

1 accordance with the provisions of RCW 4.28.185(5), and for dismissal of the underlying
2 action for lack of an indispensable party.

3 This motion is supported by the memorandum of authorities set forth below, and the
4 accompanying Declaration of Homer John Rader III. A proposed order dismissing Plaintiff's
5 claims accompanies this motion.

6 **MEMORANDUM IN SUPPORT OF MOTION TO DISMISS PLAINTIFFS' CLAIMS**

7 **I. INTRODUCTION/RELIEF REQUESTED**

8 Although defendant Rader contests Plaintiffs' substantive claims in this matter, this
9 motion focuses on a basic procedural defect in Plaintiffs' case — namely: That plaintiffs'
10 attempt to exercise personal jurisdiction over defendant Rader in Washington is a violation of
11 his fundamental right to Due Process. Accordingly, defendant Rader respectfully requests
12 that this Court dismiss Plaintiffs' claims pursuant to: (1) Fed. R. Civ. P. 12(b)(2) and RCW
13 4.28.185. Defendant Rader also seeks to recover his attorney's fees and costs, and for
14 dismissal of the remaining action for lack of an indispensable party.

15 **II. STATEMENT OF FACTS**

16 **A. Defendant Rader Has No Presence in Washington — He Is A Resident of the**
17 **State of Texas, and Lives and Works in That Jurisdiction Only.**

18 As is set forth in the supporting Declaration of defendant Rader, he is a life-long
19 resident of Texas. He has lived and worked in Dallas for more than 20 years. He has never
20 lived or worked in the State of Washington, nor does he have any real or personal property in
21 the State of Washington. His primary occupation is that of a real estate investor; however he
22 is the inventor and owner of the patent which forms the basis of plaintiffs' claims for
23 declaratory relief. Defendant Rader has never had business dealings with any entity in the
24 State of Washington, has never sent a cease and desist letter to anyone in Washington, has
25 never filed a patent infringement action against anyone in Washington, and has never
26

1 purposefully advertised for any business opportunity in Washington. (Rader Declaration, ¶¶
2 1-7; 12-17).

3 Significantly, defendant Rader has had no business dealings whatsoever with either
4 Tien Hsin Industries Co., Ltd. or Full Speed Ahead, Inc., in Washington or any other
5 jurisdiction. (Rader Declaration, ¶ 11).

6 **B. Defendant Rader's Only Involvement In This Dispute Is His Status As The**
7 **Inventor And Licensor Of the '770 Patent At Issue In This Case.**

8 Defendant Rader is a part-time inventor. In May 1984 he received U.S. Patent
9 4,446,884 for a "Take-up Reel With Controlled Rewind" for air hoses. In March 1992 he was
10 granted U.S. Patent 5,095,770 for a "Steering Bearing Assembly for Wheeled Vehicle," ("the
11 '770 Patent") which essentially is a front steering bearing assembly for connecting the front
12 forks, frame and handlebars of a bicycle. (This unit is commonly known in the bicycle
13 industry as a "headset.")¹

14 In March 1991, and prior to the issuance of the '770 Patent, defendant Rader entered
15 into an exclusive worldwide License Agreement with Dia-Compe, Inc., a New York
16 Corporation with its principal place of business in Fletcher, North Carolina. ("the License
17 Agreement") Through an asset transfer and subsequent corporate name change, defendant
18 Cane Creek Cycling Components, Inc. became the exclusive worldwide licensee under the
19 License Agreement. (Rader Declaration ¶¶ 8, 9).

20 Under the terms of the License Agreement, defendant Rader remained the owner of
21 the '770 patent. He retained control of the prosecution of the '770 application and any
22 continuations thereon, and remained responsible for maintenance of the patent. He retained
23 the ability to sue for infringement independent of his licensee, retained the right to file for
24 foreign patent rights and issue licenses in any country his licensee declined to pursue.
25 Defendant Rader retained the right of prior review and approval of the form and terms of any

26 ¹ The "headset" can also be used in other wheeled applications, such as tricycles, scooters, etc.

1 sublicense agreements issued by his licensee, and retained the right of prior review and
2 approval of any assignment of his licensee's rights under the License Agreement. Moreover,
3 in the event the License Agreement terminated for any reason, all rights granted under the
4 License Agreement returned to defendant Rader. (Rader Declaration ¶¶ 8-10, Exhibit 1 §
5 7.03).

6 While defendant Rader remains the owner of the '770 Patent, he does not make, sell,
7 offer to sell, sublicense, advertise, or otherwise market headset products incorporating the
8 '770 Patent design. He merely collects royalties from Cane Creek under the terms of the
9 exclusive Licensing Agreement. To the extent headset products based on the '770 Patent are
10 advertised, marketed, sold, offered for sale, or distributed in Washington or elsewhere in the
11 United States, such activities are strictly those of Cane Creek, its distributors, its authorized
12 sub licensees, or unauthorized infringers. (Rader Declaration ¶¶ 17, 18). Such activities are
13 not those of defendant Rader.

14 **III. ISSUE PRESENTED**

15 The fundamental issue presented by this motion is whether this Court should dismiss
16 plaintiffs' claims under Fed. R. Civ. P. 12(b)(2) and RCW 4.28.185 where defendant Rader
17 has no contacts whatsoever with the State of Washington. In the event of dismissal, defendant
18 Rader seeks his reasonable attorneys' fees and costs incurred in defending in Washington, and
19 dismissal of the underlying lawsuit for lack of an indispensable party.

20 **IV. EVIDENCE RELIED UPON**

21 In support of this motion, defendant Rader relies upon the accompanying Declaration
22 of Homer John Rader III in Support of Motion to Dismiss Plaintiff's Claims Due to Lack of
23 Personal Jurisdiction, dated September 12, 2007, and attached Exhibit 1.

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V. MEMORANDUM OF AUTHORITIES

A. **This Court Should Dismiss Plaintiff's Claims Pursuant to FRCP 12(b)(2) for Lack of Personal Jurisdiction.**

When a defendant files a motion to dismiss for lack of personal jurisdiction, it is the Plaintiff's burden to show that jurisdiction is proper. *Cognigen Networks, Inc. v. Cognigen Corp.*, 174 F. Supp. 2d 1134, 1137 (W.D. Wash. 2001) (citing *Lee v. City of Los Angeles*, 250 F.3d 668, 692 (9th Cir. 2001)). In this case, Plaintiff cannot meet the burden of showing that the exercise of personal jurisdiction over defendant Rader in Washington is proper under the Due Process clause of the Constitution and applicable Washington and federal authority. In fact, plaintiffs' Complaint and Amended Complaint make no factual allegations suggesting that defendant Rader has *any* contacts with Washington, much less contacts sufficient to make the exercise of personal jurisdiction over him in Washington "fair and reasonable."

Generally, suits involving patent rights are filed in federal district court rather than state courts through operation of 28 USC § 1338, which grants original and exclusive jurisdiction over patent cases to the federal district courts. While it is within Congress' power to define the scope of personal jurisdiction in federal court actions, and to do so independent of state law, Congress has not done so with respect to patent infringement cases involving domestic inventors and patent owners². Where there is no federal statute governing personal jurisdiction, under Fed.R.Civ.P. 4(e) courts look to the long-arm statute of the relevant jurisdiction, with the proviso that the exercise of jurisdiction must also satisfy the requirements of Constitutional due process. *Akro Corp. v. Luker*, 45 F.3d 1541, 1544 (Fed. Cir. 1995), *cert. den.* 515 U.S. 1122, 115 S.Ct. 2277, 132 L.Ed.2d 281 (1995). In Washington, the long-arm statute is co-extensive with the outer limits of due process; therefore in determining whether personal jurisdiction over defendant Rader is proper in this case, this Court must ensure that the Constitutional requirements for personal jurisdiction are

² *c.f.*, 35 U.S.C. § 293 addressing service of process for foreign patentees.

1 met. *Id.*; *Chan v. Society Expeditions, Inc.*, 39 F.3d 1398, 1404-05 (9th Cir.1994), *cert. den.*
2 514 U.S. 1004, 115 S.Ct. 1314, 131 L.Ed.2d 196 (1995).

3 In the case of infringement suits and declaratory judgment actions claiming patent
4 invalidity and non-infringement, the district courts must apply applicable Federal Circuit
5 precedent³ in determining personal jurisdiction issues. *Red Wing Shoe Co., Inc. v.*
6 *Hockerson-Halbertadt, Inc.*, 148 F.3d 1355, 1358 (Fed. Cir. 1998), (*citing: Beverly Hills Fan*
7 *Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1564-65 (Fed. Cir. 1994) and *Akro Corp. v.*
8 *Luker, supra* 45 F.3d at 1543); *see also, Genetic Implant Systems, Inc. v. Core-Vent Corp.*,
9 123 F.3d 1455 (Fed. Cir. 1997). Under the due process clause of the Constitution, a Court can
10 assert jurisdiction over a non-resident defendant only if it has a threshold level of “minimum
11 contacts” with the forum state such that “traditional notions of fair play and substantial
12 justice” are not offended. *Akro Corp., supra* 45 F.3d at 1545 (*citing: International Shoe Co.*
13 *v. Washington*, 326 U.S. 310, 316, 66 S. Ct. 154, 158, 90 L. Ed. 95 (1945)).

14 In this context, the Constitutional standard is satisfied if the “defendant has a
15 continuous and systematic presence in the forum state, in which case general jurisdiction is
16 said to exist, or if the claim arises out of the defendant’s forum-directed activities, when
17 specific jurisdiction may be asserted.” *Cognigen, supra* 174 F. Supp. 2d at 1337 (*citing:*
18 *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414, 104 S. Ct. 1868, 80 L.
19 Ed. 2d 404 (1984)) (emphasis added). Accordingly, personal jurisdiction over a defendant
20 may be either “general or specific.” *Stairmaster Sports/Medical Products v. Pacific Fitness*
21 *Corporation*, 916 F. Supp. 1049, 1052 (W.D. Wash. 1994). There is no basis for either
22 general or specific jurisdiction over defendant Rader in this action.

23 **1. There Is No Basis for General Jurisdiction Over Defendant Rader in**
24 **Washington.** General jurisdiction exists when a defendant is domiciled in the forum state or

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26 ³ The Federal Circuit analysis is consistent with that of the Ninth Circuit. *Stairmaster, infra*,
916 F. Supp. 1049, 1056 (W.D. Wash. 1995)

1 his activities in the forum are “substantial” or “continuous and systematic.” *Panavision*
2 *International, L.P. v. Toebben*, 141 F.3d 1316, 1320 (9th Cir. 1998) (quoting: *Helicopteros*
3 *Nacionales*, 466 U.S. at 414-16, 104 S. Ct. at 1872-73). Defendant Rader is not domiciled in
4 Washington and has no presence in Washington, period. Defendant Rader certainly does not
5 have a “continuous or systematic” presence in Washington — indeed, plaintiffs make no such
6 allegation in their complaint. In this regard, the complaint and amended complaint merely
7 allege:

8 ...Defendants have conducted, or sought to conduct, business in this judicial
9 district... Complaint and Amended Complaint, ¶ 9.

10 Plaintiffs allege no specific factual basis for this assertion against defendant Rader. . .
11 because there is none. Defendant Rader has no presence in Washington either directly or
12 “through” any other entity. (*See generally*, Rader Declaration) The fact that he collects
13 royalties from his exclusive licensee, Cane Creek (a North Carolina Company), does not make
14 him amenable to personal jurisdiction in Washington, even if Cane Creek conducts business
15 in that forum. *Red Wing Shoe Co.*, *supra* 148 F.3d at 1361.

16 **2. There Is No Basis for Specific Jurisdiction Over Defendant Rader in**
17 **Washington.** Under both Washington and federal precedent, specific jurisdiction analysis
18 involves a three-part test. *Panavision International*, *supra* 141 F.3d at 1320. In this regard,
19 Plaintiff must prove the following:

- 20 (1) Activities purposefully directed at the forum state;
- 21 (2) A relationship between such activities and the cause of action; and,
- 22 (3) That the exercise of personal jurisdiction would be fair and reasonable,
23 considering the forum’s interest in adjudicating the dispute versus the burden
24 on an out-of-state defendant of defending in the forum state.

24 *Akro Corp*, *supra* 45 F.3d at 1546-49; *Langlois v. Déjà Vu, Inc.*, 984 F. Supp. 1327, 1333
25 (W.D. Wash. 1997) (citing *International Shoe Co. v. Washington*, 326 U.S. 310, 319, 666
26 *S. Ct. 154, 160, 90 L. Ed. 95 (1945)*). Plaintiff must satisfy each of these requirements to

1 meet the burden of showing that “this Court’s exercise of jurisdiction over an out-of-state
2 defendant would not offend notions of ‘fair play and substantial justice.’” *International Shoe*,
3 326 U.S. at 319, 66 S. Ct. at 160). Plaintiffs cannot meet any of the three requirements
4 necessary for the exercise of specific personal jurisdiction over defendant Rader.

5 a. **Plaintiff Cannot Show “Purposefully Directed Activities.”** The
6 “purposeful availment” requirement ensures that a “nonresident defendant will not be hailed
7 into court based upon ‘random, fortuitous or attenuated’ contacts with the forum state.”
8 *Panavision International, supra*, 141 F.3d at 1320 (quoting *Burger King Corp. v. Rudzewicz*,
9 471 U.S. 462, 475, 105 S. Ct. 2174, 2183-84, 85 L. Ed. 2d 528 (1985)). This requirement is
10 satisfied if the defendant “deliberately has engaged in significant activities within a State, or
11 has *created continuing obligations between himself and residents of the forum.*” *Akro Corp.*,
12 *supra* 45 F.3d at 1545 (emphasis in original). The essential question is whether the defendant
13 has sufficient “minimum contacts” with a forum to put him on notice that he might reasonably
14 expect to be hailed into the courts of that forum regarding the effects of such activities.
15 “‘Random,’ ‘fortuitous,’ or ‘attenuated’ contacts do not count in the minimum contacts
16 calculus. Similarly, contacts resulting from the ‘unilateral activity’ of others do not count.”
17 *Red Wing Shoe Co., supra* 148 F.3d at 1359 (quoting *Burger King*, 471 U.S. at 475).

18 In the present case, defendant Rader simply has ***no contacts with Washington.*** He
19 does not reside in Washington, he has no property in Washington, he does not do business in
20 Washington, he has no licensees in Washington, he does not advertise in Washington, nor has
21 he ever attempted to develop a client list or client base in Washington. He does not make,
22 sell, offer to sell, or otherwise market any products covered by the ‘770 Patent. Moreover, he
23 has had no dealings with either plaintiff ***anywhere***, much less in Washington. Notably, he has
24 never sent either plaintiff a “cease and desist letter” accusing them of patent infringement, nor
25 has he instructed his personal attorneys to do so. (Rader Declaration, ¶¶ 1-7, 11-19).

1 Defendant Rader's only tenuous connection to the plaintiffs is the fact that he licensed
2 his patent to Cane Creek, and Cane Creek later had business dealings with plaintiffs,
3 including the issuance of a sublicense to Tien Hsin. Neither of these activities create personal
4 jurisdiction over defendant Rader. Even if a licensee has extensive contacts⁴ with a state, that
5 is insufficient to submit the licensor to jurisdiction in the state. *Red Wing Shoe Co., supra*
6 148 F.3d at 1361. "In simple terms, doing business with a company that does business in
7 [Washington] is not the same as doing business in [Washington]." *Id.* Further, even if
8 defendant Rader receives royalty income from Cane Creek for sales made in Washington,
9 such fact would be "equally irrelevant." "[F]or purposes of jurisdiction over [defendant
10 Rader], any financial benefits accruing to [Rader] from [his] licensees' relations with
11 [Washington] are irrelevant." *Id.* at 1362.

12 **b. Without Forum-Related Activities, There Can Be No Causal**
13 **Connection.** Under the facts of this case, it is anomalous to suggest that plaintiffs can meet
14 the second prong of a due process analysis. The issues of whether the '770 patent is invalid,
15 or whether plaintiffs' products infringe the '770 patent have nothing to do with anything
16 defendant Rader has done in Washington. It is simply impossible to show a causal connection
17 to forum-related activities where there are no forum-related activities in the first place. As
18 Judge Brown of the District of Columbia Superior Court once wryly noted, "You can't make
19 rabbit stew without a rabbit."

20 **c. Plaintiffs Cannot Show That the Exercise of Specific Personal**
21 **Jurisdiction Over Defendant Rader Is "Fair" or "Reasonable."** Defendant Rader has not
22 purposefully availed himself of the laws of Washington. Further, plaintiffs' claims do not
23 arise from any forum-related activities by defendant Rader. Thus, Rader does not have the
24 burden of showing that jurisdiction is unreasonable — the third prong of the personal

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26 ⁴ This factor is presented as an "even if" premise, and should not be construed as an admission that Cain Creek is subject to personal jurisdiction in Washington.

