IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

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K.W. MUTH COMPANY, INC. and
MUTH MIRROR SYSTEMS, LLC,

Plaintiffs,

v.

GENTEX CORPORATION,

Defendant.

OPINION AND
ORDER

06-C-0378-C

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This is a civil action for patent infringement in which plaintiff K.W. Muth Company, Inc. and Muth Mirror Systems, LLC, contend that defendant Gentex Corporation has infringed plaintiffs' U.S. Patent No. 6,045,243 by manufacturing, selling and offering for sale certain Razor mirror products for use on automobiles and other vehicles. Defendant has moved to dismiss the action for lack of personal jurisdiction or for improper venue or, in the alternative, for transfer of the case to the federal court in the Eastern District of Michigan, where defendant has filed an action for declaratory relief and infringement. In the Michigan suit, defendant contends that the products it is selling do not infringe plaintiffs' U.S. Patent No. 6,005,724 and that certain products manufactured and sold by plaintiffs infringe

defendant's U.S. Patent No. 6,111,683. Defendant makes no assertions involving the '243 patent. Defendant filed its action on June 29, 2006, less than two weeks before plaintiffs filed this action.

The initial question is whether this court can exercise personal jurisdiction over defendant. I conclude that it can and that venue is proper in this district. I conclude also that because the patent at issue in this case is not at issue in the case filed in the Eastern District of Michigan, the first to file rule does not come into play. Finally, defendant has not shown that this case should be transferred to the Eastern District of Michigan under 28 U.S.C. § 1404(a).

The parties do not dispute the following facts material to resolution of the pending motions.

UNDISPUTED FACTS

Defendant Gentex Corporation is a Michigan corporation with its principal place of business in Zeeland, Michigan. It is not registered to do business in Wisconsin and has no offices, no manufacturing facilities and no employees in this state. It has not manufactured, used, offered for sale or sold any allegedly infringing products in Wisconsin. It develops, manufactures and markets proprietary electro-optical products for use in the automotive industry and is the world leader in the field of electrochromics, the science of reversibly

darkening materials by applying electricity.

Plaintiff K.W. Muth Co., Inc. is a Wisconsin corporation with its principal place of business in Wisconsin. Plaintiff Muth Mirror Systems, LLC is a Wisconsin limited liability company that has its principal place of business in Wisconsin. Both entities are registered to do business in Michigan and do business there on a continuous and systematic basis through the sale of products to the automotive industry. Plaintiff Muth Mirror Systems maintains a sales office in Bingham Farms, Michigan. Plaintiffs own several patents and manufacture products for the automotive industry, including mirrors.

In 2005 or earlier, defendant began developing new exterior rearview mirror elements that it refers to collectively as the "Razor mirror." This mirror has an element that includes a single aperture with a light assembly set behind it so as to project light through the aperture in the mirror element. Defendant has not made, sold or offered the Razor mirror for sale in the state of Wisconsin. Most of its sales activity relating to the mirror has occurred in Michigan.

Following defendant's initial offers for sale of the Razor mirror, plaintiffs began contacting defendant's customers and alleging that the mirror infringed one or more claims of plaintiffs' patents. (The parties do not say which ones; presumably, they do not include the '243 patent because defendant did not refer to it in its suit in Michigan.) Plaintiffs stated that they intended to sue defendant and possibly others for patent infringement.

Reacting to these threats, defendant filed a suit against plaintiffs in the Eastern District of Michigan on June 29, 2006, alleging five causes of actions: (1) a request for declaration of non-infringement of plaintiffs' '724 patent; (2) a request for declaration of the invalidity of plaintiffs' '724 patent; (3) a claim of infringement by plaintiffs of defendant's '683 patent; (4) a claim of breach of contract; and (5) a claim of tortious interference with business relations.

After being served, plaintiffs filed this action alleging the infringement of plaintiffs' '243 patent by defendant's Razor mirrors.

Plaintiffs and defendant have a long-standing business relationship that predates an alliance agreement they negotiated and signed in 1998. Defendant has regularly purchased components from plaintiffs and paid royalties to plaintiffs. Since May 1998, defendant's officers and employees have visited plaintiffs in Wisconsin on at least three occasions to discuss business and have communicated with plaintiffs in Wisconsin.

Hundreds of thousands of defendant's products (but not its Razor mirror or its SBZD) have been placed on GM vehicles produced in Janesville, Wisconsin, through third-party distributors. On occasion, defendant sends representatives to Janesville to address quality concerns that arise in connection with defendant's products. If defendant is permitted to sell the Razor mirror, it will be placed on GM vehicles produced in Janesville.

Defendant sells and advertises fire control products through distributors in

Wisconsin, at least five of which are located in Madison, Wisconsin. (Its website shows a total of 21 distributors in Wisconsin.) It has an alliance with Johnson Controls, a Wisconsin corporation in the automotive industry. The alliance is the result of Johnson Controls' acquisition of Prince Corp., a Michigan company with which defendant had established an alliance.

According to defendant's SEC filing, its net sales income for the three months ending June 30, 2005, was $132,384,445. For the same period, its revenue from automotive products was $126,124,967 and its revenue from fire protection products was $6,259,478.

OPINION

A. Personal Jurisdiction

Personal jurisdiction is a two-step process that begins with determining whether a defendant is subject to jurisdiction under Wisconsin's long-arm statute, Wis. Stat. § 801.05. Kopke v. A. Hartrodt S.R.L., 2001 WI 99, ¶ 8, 245 Wis. 2d 396, 629 N.W.2d 662; see also Akro Corp. v. Luker, 45 F.3d 1541, 1544 (Fed. Cir. 1995) (Ohio statute governs determination whether federal court sitting in Ohio could exercise jurisdiction over California resident in federal patent dispute). If the state statute subjects the defendant to jurisdiction, the court must then determine whether the exercise of that jurisdiction is consistent with due process requirements. Plaintiff bears the minimal burden of making a

prima facie showing that the constitutional and statutory requirements for the assumption of personal jurisdiction are satisfied. Kopke, 2001 WI at ¶ 8, 245 Wis. 2d at 409, 629 N.W.2d at 667-68.

Wis. Stat. § 801.05(1) authorizes courts in the state to exercise jurisdiction over (1) persons present in the state when served; (2) natural persons domiciled within the state; (3) domestic corporations or limited liability companies; and, of relevance in this case, (4) persons "engaged in substantial and not isolated activities within this state, whether such activities are wholly interstate, intrastate, or otherwise." Id. Plaintiffs focus on this subsection of the statute, pointing to what they characterize as defendant's "systematic and continuous" activities within the state. PKWare v. Meade, 79 F. Supp. 2d 1007, 1012 (E.D. Wis. 2000). These activities include the formal alliances defendant has with plaintiffs and with Johnson Controls, defendant's Wisconsin distribution system for sales of its fire protection equipment, the use of defendant's technology in products incorporated into hundreds of thousands of vehicles manufactured by GM in Janesville and defendant's visits in Wisconsin to plaintiffs' headquarters and to the GM plant in Janesville.

In response, defendant has two arguments: its Wisconsin sales of fire protection equipment are limited and account "for only about 0.05% of [defendant's] total annual sales in 2005," Dft.'s Reply, dkt. #15, at 3 n.2; and plaintiffs have not shown that defendant's contacts with Wisconsin relate to plaintiffs' cause of action, as required under Nagel v. Crain

Cutter Co., 50 Wis. 2d 638, 648-50, 184 N.W.2d 876, 881-82 (1971). The first argument is not particularly persuasive. With annual sales revenue of approximately $520,000,000, 0.05% of defendant's total annual sales would be more than $2,500,000 in revenue for fire protection products alone.

Defendant places too much weight on Nagel. Although there is discussion in that case about the need for a relationship between a defendant's contacts with Wisconsin and the cause of action, the case holds that such a relationship is but one factor to be considered along with the quantity, nature and quality of defendant's contacts with the forum state, the state's interest in the action and the convenience to the parties. Id. at 648, 184 N.W.2d at 881. In Nagel, the plaintiff was a Wisconsin resident who had licensed a patent to a California corporation in exchange for a unit royalty. When the corporation advised Nagel that it would not pay any more royalties, Nagel sued it in Wisconsin. The Supreme Court of Wisconsin upheld the trial court's findings that the defendant had only one customer in Wisconsin, with whom it conducted business by mail and to whom its gross sales were approximately $4500; the defendant had not entered the state except on one occasion some years before the filing of the suit; and the plaintiff's cause of action was entirely unrelated to defendant's activities in Wisconsin.

In contrast to the minimal contacts with Wisconsin that the California corporation had in Nagel, plaintiffs have shown that defendant has had numerous contacts with the

state, chief among them its two alliances with Wisconsin companies and its network of distributors within the state. Generally, a defendant will be found to have "substantial and not isolated" contacts with the state if he has "solicit[ed], create[d], nurture[d], or maintain[ed], whether through personal contacts or long-distance communications, a continuing business relationship with anyone in the state." Stauffacher v. Bennett, 969 F.2d 455, 457 (7th Cir. 1992). Defendant has established such substantial and not isolated contacts. Moreover, plaintiffs' suit is not unrelated to defendant's visits to Wisconsin to consult on the quality of the mirrors placed on GM vehicles. It concerns a patent for mirrors, albeit mirrors that have not yet been sold to GM, but if sold will be placed on vehicles manufactured in this district.

Having shown that defendant is subject to the exercise of jurisdiction in Wisconsin, plaintiffs must show that such jurisdiction is consistent with the due process clause. "The Due Process Clause protects an individual's liberty interest in not being subject to the binding judgments of a forum with which he has established no meaningful '"contacts, ties, or relations.'" Burger King Corp. v. Rudzewicz, 471 U.S. 462, 471-72 (1985) (quoting International Shoe Co. v. Washington, 326 U.S.310, 319 (1945)). The Supreme Court has held that foreseeability is critical to a due process analysis, that is, the defendant's conduct and connection with the forum must be such that it should reasonably anticipate being haled into court there. Id. at 475 (quoting World-Wide Volkswagen v. Woodson, 444 U.S. 286,

297 (1980)). In defining when a potential defendant should "reasonably anticipate" out-of-state litigation, the Court has held that the essential question is whether the defendant has committed "some act by which [it] purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." Hanson v. Denckla, 357 U.S. 235, 253 (1958). "This 'purposeful availment' requirement ensures that a defendant will not be haled into a jurisdiction solely as a result of 'random,' 'fortuitous,' or 'attentuated' contacts." Burger King Corp., 471 U.S. at 474 (quoting Keeton v. Hustler Magazine, Inc. 465 U.S. 770, 774 (1984)).

In pursuing its alliances with Wisconsin corporations, establishing a network of distributors for its fire protection products and sending representatives into Wisconsin on a frequent basis, defendant has purposefully availed itself of the privilege of conducting activities within this state. It would not offend the principles of due process to require it to defend a law suit in this district. Burger King Corp., 471 U.S. at 476 (because defendant "has availed [itself] of the privilege of conducting business in Florida and because [its] activities are shielded by the 'the benefits and protections' of the forum's laws it is presumptively not unreasonable to require him to submit to the burdens of litigation in that forum as well") (quoting Hanson, 357 U.S. at 253).

Given defendant's purposeful availment, Wisconsin has an interest in adjudicating the dispute. Plaintiffs have an obvious interest in obtaining convenient and effective relief.

Defendant would not be burdened unduly by having to defend in this district because it has ongoing contacts with entities within the state.

With respect to the final two factors that must be considered, defendants have not shown that the exercise of personal jurisdiction over them would have an adverse effect on either the interstate judicial system's interest in obtaining the efficient resolution of controversies or the shared interest of the states in furthering fundamental substantive social policies.

B. Venue

28 U.S.C. § 1400(b) authorizes suits for patent infringement to be brought in the judicial district "where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." "[F]or purposes of venue . . . a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." 28 U.S.C. § 1391. Under this provision, the court must determine whether the defendant corporation has contacts within the district sufficient to subject it to personal jurisdiction "if the district were a separate state." Id.

Defendant has at least five distributors within the Western District of Wisconsin that sell its fire protection products and its representatives visit the GM plant in this district

whenever there are quality questions about its mirrors. These contacts are sufficient to show that defendant has availed itself intentionally of the privileges of doing business in this district and that a court in this district could exercise personal jurisdiction over it. Therefore, I find that venue in this district is proper.

C. Section 1404(a) Transfer

As its default position, defendant asks for a transfer of the case pursuant to 28 U.S.C. § 1404(a), which allows for a transfer of any civil action to "any other district or division where it might have been brought" for the convenience of parties and witnesses, in the interest of justice. Defendant has failed to show any reason for transfer, other than the existence of the suit in the Eastern District of Michigan, which does not involve the patent at issue in this case.

According to plaintiffs, the important fact witnesses in the case are their inventors and the engineers that designed the Razor mirror, all of whom reside in Wisconsin. Plaintiffs anticipate taking depositions of defendant's personnel in the Western District of Michigan, where defendant's headquarters is located, not in Eastern District of Michigan, where defendant's suit is pending. Plaintiffs expect that the primary witnesses will be experts whose residences could be anywhere in the world.

The interests of justice tend to favor plaintiff because it is likely that this case can be

tried more quickly in this district than in the Eastern District of Michigan, which has more pending cases per judgeship than this district.

The two lawsuits involve distinct patents. The '243 patent at issue in this case is not asserted by either plaintiffs or defendant in the Michigan action.

Plaintiffs' choice of forum is given deference. In the absence of any compelling reason to find that this case should be transferred to the Eastern District of Michigan, plaintiffs' choice should be honored.

ORDER

IT IS ORDERED that defendant Gentex Corporation's motion to dismiss for lack of personal jurisdiction or improper venue or for transfer of this action to the Eastern District of Michigan is DENIED.

Entered this 22nd day of September, 2006.

BY THE COURT:

/s/

BARBARA B. CRABB
District Judge