

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

SIMMONS BEDDING COMPANY, and
THE SIMMONS MANUFACTURING CO., LLC,

Plaintiffs,

v.

OPINION AND ORDER

11-cv-232-wmc

LEGGETT & PLATT, INC., and
L&P PROPERTY MANAGEMENT COMPANY,

Defendants.

In this patent litigation, plaintiffs Simmons Bedding Co. and Simmons Manufacturing Co., LLC (referred to collectively as “Simmons”) seek a declaratory judgment of non-infringement and invalidity regarding U.S. Patent No. 5,868,383, which is owned by defendants L&P Property Management Co. and licensed to defendants Leggett & Platt, LLC. Before the court is defendants’ motion to dismiss L&P Property for lack of personal jurisdiction and Leggett & Platt for lack of subject matter jurisdiction or, alternatively, to transfer venue to the United States District Court for the Western District of Missouri. (Dkt. #14.) Because this court lacks personal jurisdiction over defendant L&P Property, the patent holder, it will be dismissed. The court finds, nevertheless, that an Article III controversy remains between Simmons and defendant Leggett & Platt, as the sole licensee of the patent and the owner of L&P Property, and this suit can proceed against it without L&P Property as a party. In light of the jurisdictional issues, however, the court concludes that the Western District of Missouri is the more convenient forum and will transfer the case.

FACTS

A. Ownership and Licensing of the '383 Patent

U.S. Patent No. 5,868,383 (“the ‘383 patent”) concerns an automated method for manufacturing coil springs for mattresses. The original application for this patent was assigned by a Mid-West Spring Manufacturing Company to its current owner, defendant L&P Property. L&P Property is a corporation organized under the laws of Delaware with its principal place of business in South Gate, California. It is an operating company that owns intellectual property, real estate, production facilities, fixtures and equipment in in California, Utah, Missouri and Minnesota and employs more than 180 employees.

L&P Property is a wholly-owned subsidiary of defendant Leggett & Platt, LLC, a corporation organized under the laws of Missouri and located in Carthage, Missouri. At some point, Leggett & Platt assigned all of its intellectual property to L&P Property. In 1991, the parties executed a licensing agreement in which L&P Property granted a license on all of its intellectual property, including the ‘383 patent. (Alexander Dec., dkt. #18-8.) In exchange for royalties, L&P property gave Leggett & Platt the right to use and to sublicense all of its existing patents *and* any of its future patents immediately upon their creation or acquisition. (*Id.* at ¶ 2.2.)

The 1991 licensing agreement provides, in relevant part,

[L&P Property] hereby grants [Leggett & Platt] the non-exclusive right and license to use the Intellectual Property in connection with [Leggett & Platt’s] business, subject, however, to any and all license and royalty agreements currently in effect which L&P or its subsidiaries shall have heretofore granted to third parties... [Leggett & Platt] shall have the right to sublicense, assign or transfer the rights granted herein, but only with the consent of the [L&P

Property], which consent shall not be unreasonably withheld.

(*Id.* at ¶ 2.1.) The agreement does not speak expressly to whether Leggett & Platt may sue for infringement of the intellectual property on which it holds a license, although it does provide that “if [L&P Property Management] prosecutes any alleged infringement . . . , [Leggett & Platt] shall make all reasonable efforts to assist.” (*Id.* at ¶ 4.2.)

At the time that Simmons filed this lawsuit, Leggett & Platt held a non-exclusive license to use and sublicense the ‘383 patent from L&P Property under the above agreement. As noted, Leggett & Platt never directly owned the ‘383 patent. The named inventor of the ‘383 patent is Richard N. Codos, who is listed on the face of the patent as a resident of Warren, New Jersey. Codos is not currently an employee of either defendant. Codos assigned the patent application that would become the ‘383 patent to Mid-West Spring, which in turn assigned it to L&P Property. L&P Property has not licensed any other entities to practice the ‘383 patent.

B. Location of the Parties’ Operations

L&P Property is not registered to do business in Wisconsin and maintains no facilities, real estate, offices, telephone listings, employees, agents or bank accounts in Wisconsin. In the last five years, however, Leggett & Platt has supplied \$102 million worth of bedding components to Simmons’s factory in Janesville, Wisconsin, and \$17 million worth of similar components to its factory in Neenah, Wisconsin. Representatives of Leggett & Platt regularly visit the Janesville factory, including weekly visits to approve returns of defective components.

Plaintiffs Simmons Bedding Co. and Simmons Manufacturing Co., LLC are corporations organized under the laws of Delaware with their principal place of business in Atlanta, Georgia. Although founded in Wisconsin, Simmons no longer has a corporate presence in the state. Simmons developed the accused technology at its engineering facility, the Simmons Institute for Technology and Education, in Norcross, Georgia.

While Simmons manufactures and sells products nationwide, its largest manufacturing facility is in Janesville, Wisconsin. The Janesville factory produces more of the accused products than any other Simmons' factory. Simmons owns no manufacturing or retail facilities in Missouri, but does own a factory in Shawnee Mission, Kansas, which manufactures some products destined for sale in Missouri.

C. Assertions of Infringement

In January 2011, Simmons introduced a new mattress coil, which it calls the "Smart Response" coil, at a trade show in Las Vegas. At the show, a representative of Leggett & Platt informed a member of Simmons' board of directors that he believed the new coil infringed the '383 patent.

On February 14, 2011, Gene B. Kartchner sent a letter to Simmons' Executive Vice President and General Counsel in Atlanta, Georgia, repeating these same infringement allegations. (Alexander Dec., dkt. #18-3.) Kartchner is Vice President of L&P Property and Chief Intellectual Property Counsel for Leggett & Platt, but he signed the letter only on behalf of Leggett & Platt. The letter is written on Leggett & Platt letterhead, and in it he states that he is sending the letter "at the instruction of Leggett's senior management." The letter also states that Kartchner "discussed the patent and

[Simmons'] legal position at length with Leggett's senior management," that "Leggett management" believes the coil infringes their patents and that "Leggett strongly prefers" a resolution in which Simmons stops manufacturing the accused coils. The letter was sent to Simmons' corporate offices in Atlanta, Georgia.

On March 17, 2011, outside counsel representing both Leggett & Platt *and* L&P Property sent a second letter to Simmons in Atlanta. This letter referred to the two corporations collectively as L&P and threatened to sue Simmons for infringement unless a resolution was reached by April 1st. Again, this letter was sent to Simmons' corporate offices in Atlanta.

On March 30, 2011, Simmons brought this action for declaratory judgment. Six days later, on April 5, 2011, Leggett & Platt entered into a new licensing agreement with L&P Property for the '383 patent. The new licensing agreement gives Leggett & Platt "an exclusive right to practice the '383 patent and to manufacture, market, distribute, import, offer to sell, and sell" products using the '383 patent. (Alexander Dec., dkt. #18-7, at ¶ 2.1) The new license expressly permits L&P Property to bring actions against third parties for patent infringement but, like the 1991 agreement, does not grant to or withhold from Leggett & Platt the right to enforce the '383 patent. Instead, the license simply states that "[n]othing in this Agreement shall be construed as an obligation upon either party to bring or prosecute actions or lawsuits against third parties for infringement of the '383 patent." (*Id.* at ¶ 2.3.)

On April 14, 2011, L&P Property and Leggett & Platt filed suit in the United States District Court for the Western District of Missouri in Kansas City, Missouri,

alleging that Simmons' Smart Response coils infringe the '383 patent. *Leggett & Platt, Inc. v. Simmons Bedding Co.*, Case No. 3:11-CV-5041 (W.D. Mo.). The courthouse for the Southwestern Division in Carthage, Missouri, where plaintiff filed its infringement lawsuit, is 150 miles from Simmons' Shawnee Mission facility in Kansas. By mutual agreement, the parties have exchanged service of process in both actions.

OPINION

A. Personal Jurisdiction

Federal Circuit law governs issues of personal jurisdiction in patent suits. *Silent Drive, Inc. v. Strong Indus.*, 326 F.3d 1194, 1201 (Fed. Cir. 2003). A district court may exercise personal jurisdiction over a properly served defendant if two requirements are met: (1) jurisdiction exists under the state long-arm statute; and (2) the exercise of jurisdiction comports with due process. *Trintec Indus. v. Pedre Promotional Prods. Inc.*, 395 F.3d 1275, 1279 (Fed. Cir. 2005). Defendants have not argued that the Wisconsin long-arm statute differs from the due process requirements, so the court will treat this issue as waived, and the only issue is whether exercising jurisdiction over defendants is consistent with due process.¹

¹ Plaintiff asserts, and defendants effectively concede, that the reach of the Wisconsin long arm statute is co-extensive with due process, and so this court will proceed as though this is so for purposes of this case, notwithstanding the specific language of the Wisconsin long arm statute, Wis. Stat. § 801.05, and the common practice of Wisconsin courts in treating the two requirements separately. *E.g. Stayart v. Hance*, 2007 WI App 204, 305 Wis. 2d 380, 740 N.W.2d 168 (2007).

A court may exercise personal jurisdiction over a defendant consistent with the Due Process Clause of the Fourteenth Amendment provided the defendant has “certain minimum contacts with [the forum state] such that maintenance of the suit does not offend traditional notions of fair play and substantial justice.” *Int’l Shoe Co. v. Wash.*, 326 U.S. 310, 316 (1945). A party is subject to general personal jurisdiction if it has “continuous and systematic” contacts with the forum state. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 416 (1984). A defendant who is not subject to general jurisdiction may still be subject to specific personal jurisdiction if:

(1) the defendant purposefully directed its activities at residents of the forum, (2) the claim arises out of or relates to those activities, and (3) assertion of personal jurisdiction is reasonable and fair. With respect to the last prong, the burden of proof is on the defendant, which must “present a compelling case that the presence of some other considerations would render jurisdiction unreasonable” under the five-factor test articulated by the Supreme Court in *Burger King*.

Breckenridge Pharm., Inc. v. Metabolite Labs., Inc., 444 F.3d 1356, 1363 (Fed. Cir. 2006) (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477 (1985)). When a court rules on a motion to dismiss for lack of personal jurisdiction based on the written submissions without an evidentiary hearing, the plaintiff bears the burden of proof, but it “need only make a prima facie showing that defendants are subject to personal jurisdiction” and the court should “resolve any factual conflicts . . . in the plaintiff’s favor.” *Elec. For Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1349 (Fed. Cir. 2003).

Simmons argues, and defendants again do not contest, that this court has general jurisdiction over Leggett & Platt by virtue of its business contacts with Wisconsin.

Simmons does not maintain that L&P Property, on its own, has sufficient contacts with this district to be subject to general or specific jurisdiction. Rather, it argues that the Leggett & Platt's contacts may be imputed to its wholly-owned subsidiary, L&P Property, because Leggett & Platt assigns its patents to L&P Property as a ploy to shield itself from declaratory actions in forums not of its own choosing.

Simmons' argument relies primarily on the Federal Circuit's decision in *Dianippon Screen Mfg. Co., Ltd. v. CFMT, Inc.*, 142 F.3d 1266 (Fed. Cir. 1998), the specific set of facts of which require recounting and contrasting with those here. The defendant CFMT was the wholly-owned subsidiary of the defendant CMT. The subsidiary was purely a patent-holding company, not an operating company. The parent assigned all of its patents to the subsidiary and, in exchange for royalties, received exclusive licenses. The subsidiary retained the rights to sublicense the patent and sue for infringement. The corporations had overlapping officers, two of whom accused the plaintiff of infringement. An attorney retained as outside counsel for both defendants threatened to sue plaintiff in a phone message left at an office in California. Subsequently, that same attorney went to California in an attempt to negotiate a possible sublicense. None of these agents identified whether they were acting on behalf of the parent or subsidiary, although the Federal Circuit ultimately found that the language used, as well as CFMT's position as patent owner, indicated they were acting for both.

After the negotiations failed, the plaintiff brought a declaratory judgment action in California against both corporations. The district court dismissed the subsidiary for lack of personal jurisdiction, because it found that only the parent was involved in the threats

to sue and the sublicense negotiations. The court then dismissed the parent corporation because the patent-holder was an indispensable party in Dianippon's suit to invalidate its patent. The Federal Circuit reversed on both grounds, holding that personal jurisdiction existed over the wholly-owned subsidiary and, in the alternative, that it was not an indispensable party.

In finding personal jurisdiction, the Federal Circuit first reversed the trial court's conclusion that the subsidiary had no contacts with the forum state. *Id.* at 1270-71. The court explained that the individuals who threatened to sue and negotiated the license were agents of both corporations, and made no effort to clarify that they were acting only for the parent corporation. *Id.* at 1270. Moreover, only the subsidiary had the power to sue or negotiate a license. *Id.* Consequently, the court found that the threats to sue and the negotiation for the sublicense were "attributable (at a minimum) to [the subsidiary]." *Id.* The patent-holding subsidiary had issued the threats to sue in California, attempted to negotiate a sublicense with the plaintiff in California, licensed its parent corporation to sell products that practiced the patent in California and collected royalties from those California sales. *Id.* at 1271. The court held, as it had in previous cases, that the subsidiary had established minimum contacts by sending infringement letters into the forum state and licensing a competitor and distributor to sell patented products in the forum state. *Id.* (citing *Akro Corp. v. Luker*, 45 F.3d 1541, 1548 (Fed. Cir. 1995); *Genetic Implant Systems, Inc. v. Core-Vent Corp.*, 123 F.3d 1455, 1458 (Fed. Cir. 1997)).

Last, the *Dianippon* court found that it was fair and reasonable to exercise jurisdiction over the subsidiary, because the parent had orchestrated its relationship so

that it controlled the subsidiary and could use it to avoid declaratory judgment jurisdiction:

While a patent holding subsidiary is a legitimate creature and may provide certain business advantages, it cannot fairly be used to insulate patent owners from defending declaratory judgment actions in those fora where its parent company operates under the patent and engages in activities sufficient to create personal jurisdiction and declaratory judgment jurisdiction.

142 F.3d at 1271. Given that the court had already found sufficient minimum contacts attributable directly to the subsidiary, this broad statement -- as to the fairness of exercising personal jurisdiction over a wholly-owned subsidiary based on the conduct of its parent company -- is arguably no more than *dicta*. For this same reason, it is at best unclear whether the *Dianippon* decision represents an exception to the general rule that each defendant must have sufficient minimum contacts with the forum.

So, what does the Federal Circuit's *Dianippon* decision tell us about this court's jurisdiction over Leggett & Platt as licensee and L&P Property as patent holder? Certainly, the relationship between the parent and subsidiary in *Dianippon* is similar to the relationship between Leggett & Platt and L&P Property. L&P Property is a wholly-owned subsidiary of Leggett & Platt. The two corporations have overlapping officers and employees. And while L&P Property is an operating company rather than a mere holder of intellectual property rights, it nevertheless plays the same practical role for purposes of this suit, given that its operations appear unrelated to its holding of the intellectual property rights at issue here. Moreover, officers and lawyers who work for both Leggett & Platt and L&P Property have accused Simmons of infringement and threatened to sue,

without apparent concern for the distinction between their roles as agents for Leggett & Platt or L&P Property.

In contrast, however, *none* of these actions were directed at anyone or anything in the Western District of Wisconsin. The original infringement accusations were made in Las Vegas to an officer of a Delaware corporation with its principal place of business in Georgia. The letter from Kartchner repeating these accusations and the letter from outside counsel threatening to file suit were sent to Simmons' corporate officers in Georgia. Even if these accusations and letters are attributable to L&P Property, they were not directed at this forum or individuals in this forum.

Simmons argues persuasively that Leggett & Platt has purposefully availed itself of Wisconsin markets to sell products in Wisconsin unrelated to the '383 patent and that the fairness and forum-shopping concerns at stake in *Dianippon* should apply equally when the court has general jurisdiction over the parent corporation. *See Alien Tech. Corp. v. Intermec, Inc.*, No. 3:06-cv-51, 2007 WL 63989, at *7 (D.N.D. Jan. 4, 2007) (under *Dianippon*, general jurisdiction over defendant manufacturer was sufficient to exercise jurisdiction over its patent-holding subsidiary and its parent corporation, because all three were operating as one entity). But these arguments ignore that the Federal Circuit in *Dianippon* discussed whether it was fair to subject the subsidiary to suit in that forum only *after* finding the subsidiary had contacts with the forum.

Plaintiff rightly points out alternative language that apparently imputes actions of the wholly-owned subsidiary to its parent for jurisdictional purposes, but the *Dianippon* did not expressly reject the first element of personal jurisdiction: each defendant must

have minimum contacts with the forum state. *Rush v. Savchuk*, 444 U.S. 320, 332 (1980). Even if this were the import of *Dianippon*, it would still require more than proof that Leggett & Platt owned L&P Property and Leggett & Platt threatened suit. At minimum, Leggett & Platt, like the parent in *Dianippon*, would have had to threaten Simmons with infringement *in this district* before its subsidiary could be said to have imputed contacts sufficient to subject it to this court’s personal jurisdiction.²

Simmons is asking this court to impute all of Leggett & Platt’s general contacts with this state to its subsidiary L&P Property. When a parent and its subsidiary are operating as alter egos, then courts can impute their jurisdictional contacts to one another, but this is consistent with due process only because the two corporations are acting as the same entity. *Systems Div., Inc. v. Teknek Electronics, Ltd.*, 253 Fed. Appx. 31, 37 (Fed. Cir. 2007); *Minnesota Min. & Mfg. Co. v. Eco Chem, Inc.*, 757 F.2d 1256, 1265 (Fed. Cir. 1985). Simmons has not only failed to establish that Leggett & Platt and L&P Property generally operate as a single entity, the evidence is to the contrary. Simmons has, therefore, failed to make a prima facie showing that L&P Property has any meaningful contacts with this district, whether direct or imputed, much less contacts sufficient to warrant this court’s exercise of personal jurisdiction over it with regard to the

² It was for this conduct that the Federal Circuit in *Dianippon* found the parent company deserving of a “chutzpah” award for arguing “that a parent company can incorporate a holding company in another state, transfer its patents to the holding company, arrange to have those patents licensed back to itself by virtue of its complete control over the holding company, and threaten its competitor with infringement without fear of being a declaratory judgment defendant, save perhaps in the State of incorporation of the holding company.” 142 F.3d at 1271.

matters in dispute here. Accordingly, L&P Property must be dismissed as a party to this action.

B. Article III Standing, Prudential Standing and Indispensability

Leggett & Platt further argues that, without L&P Property, this case must be dismissed because it would have lacked standing to sue to enforce L&P Property's rights under the Patent Act, or at least did at the time this suit was filed. Simmons replies that, even if L&P Property is a necessary party as the patent owner, it is not an indispensable party under the factors defined in Fed. R. Civ. P. 19(b), so the suit may and should in equity and good conscience proceed against Leggett & Platt alone. *Dainippon*, 142 F.3d at 1272. Resolving this dispute requires untangling the relationship between Article III standing, prudential standing under the Patent Act and the joinder rules under Fed. R. Civ. P. 19. Federal Circuit law governs the issue of standing under the patent statutes and the Constitution, while regional circuit law governs the issue of indispensability. *A123 Systems, Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1220 (Fed. Cir. 2010).

Rule 19 is intended to encourage joinder of all materially interested parties in a single lawsuit to protect interested parties and avoid the waste of judicial resources. *Askew v. Sheriff of Cook Cnty.*, 568 F.3d 632, 634 (7th Cir. 2009). Courts employ a two-step analysis under Rule 19. *Extra Equipamentos E Exportacao Ltda. v. Case Corp.*, 361 F.3d 359, 361 (7th Cir. 2004). The court must first determine whether the party is necessary; that is, if the party could be joined, it would have to be joined for one of the reasons in Rule 19(a). *Id.* This first step is straightforward here, since it "is well established that a patentee is a necessary party to an action on the patent, whether it be a coercive action

or a declaratory judgment suit.” *Delano Farms Co. v. Cal. Table Grape Com'n*, 655 F.3d 1337, 1342 (Fed. Cir. 2011); *A123 Systems*, 626 F.3d at 1217.

The second step is to determine whether in equity and good conscience the action should proceed among the existing parties or be dismissed, by weighing the four “interests” listed in Fed. R. Civ. P. 19(b). *See also Provident Tradesmen’s Bank & Trust Co. v. Patterson*, 390 U.S. 102, 109 (1968). This is a much closer question. As the party seeking dismissal for inability to join a necessary party, Leggett & Platt bears the burden of persuasion on the fairness and prejudice issues. *Clinton v. Babbitt*, 180 F.3d 1081, 1088 (9th Cir. 1999); *Lenon v. St. Paul Mercury Ins. Co.*, 136 F.3d 1365, 1372 (10th Cir. 1998); *Ilan-Gat Engs., Ltd. v. Antigua Intern. Bank*, 659 F.2d 234, 242 (D.C. Cir. 1981).

In a suit for patent infringement, the Patent Act supplies the basis for federal question jurisdiction and creates the legal interests that form the basis for Article III standing. Only the “patentee” and “successors in title” may sue for patent infringement under the Patent Act. 35 U.S.C. §§ 100(d), 261, 281. If the owner has transferred all substantial rights under the patent to a licensee, then the transfer is an assignment of the title and the assignee may sue as the “effective patentee” without joining the patent owner. *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 873-76 (Fed. Cir. 1991).

If an exclusive licensee has less than all substantial rights in the patent, then the licensee has standing under the Patent Act to sue for infringement only if it joins the patent owner (except in several narrow circumstances not applicable here). *Weinar v. Rollform Inc.*, 744 F.2d 797 (Fed. Cir. 1984). An exclusive licensee must join the patent

holder to meet this statutory standing requirement, even though it has a sufficient legal interest in the patent to confer constitutional standing under Article III. *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1346-48 (Fed. Cir. 2001). The statutory standing requirement is a prudential limit on the exercise of jurisdiction. Its goal is to avoid the prejudice that may result from successive suits exposing accused infringers to inconsistent judgments and to protect the interest of a patent-holder in choosing his forum. *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1031-32 (Fed. Cir. 1995). These prudential concerns are similar to the interests listed in Rule 19(b), and the prudential standing doctrine does not require an exclusive licensee to join the patent holder if these “prudential concerns are not at play.” *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 (Fed. Cir. 2007).

In contrast, if a licensor reserves the right to grant similar licenses, then the licensee is a non-exclusive or “bare” licensee. The bare licensee has no standing to sue for or to join a suit for infringement under the Patent Act or under the constitution. *Ortho Pharm.*, 52 F.3d at 1032; *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1553-54 (Fed. Cir. 1995). Although non-exclusive licensees have economic incentives to exclude alleged infringers, they have no property right in the patent monopoly and, therefore, no legal interest that suffers injury from infringement. *Id.* at 1031-32. For that reason, non-exclusive licensees do not merely lack prudential standing; they lack sufficient injury-in-fact to confer standing under Article III of the United States Constitution. *Morrow*, 499 F.3d at 1341, 1344.

Which of these three categories – patent-owner or assignee, exclusive licensee with less than all substantial rights, or non-exclusive licensee – a party falls into is determined by their objective rights under the operating license agreements at the time a complaint is filed, without respect to representations made by the licensee, *A123 Systems*, 626 F.3d at 1218, or agreements entered after the complaint was filed, even if the complaint is later amended, *GIA Tech., Inc. v. Reconversion Tech., Inc.*, 93 F.3d 774, 780 (1996); *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 n. 3 (Fed. Cir. 2005).

Because the 2011 licensing agreement was executed only after Simmons filed its complaint, the operative licensing agreement between Leggett & Platt and L&P Property for the ‘383 patent is the 1991 licensing agreement. Under the 1991 agreement, Leggett & Platt received rights to use the ‘383 patent and to sublicense the patent, but L&P Property retained the right to license the ‘383 patent to others and the right to enforce it. Moreover, as a non-exclusive licensee, Leggett & Platt had no constitutional standing to sue or join a suit for infringement of the ‘383 patent. As the patent owner, L&P Property was, therefore, at least arguably a necessary party at the time Simmons initiated this declaratory action.

Of course, to find that L&P Property were actually necessary, this court would have to ignore the practical realities of Leggett & Platt’s exclusive ownership of L&P Property itself, making its so-called “non-exclusive” license *in law* anything but *in practice*. Indeed, there is obviously more than a whiff of gamesmanship in defendants’ position. As noted, six days after this suit was filed, defendants executed the 2011 agreement giving Leggett & Platt exclusive rights to use the ‘383 patent so that it would have

standing to join the infringement suit with L&P Property in Missouri, which is conveniently Leggett & Platt's home forum.

In fairness, Leggett & Platt operated under the non-exclusive license for an extended period of time prior to this action with all attendant risks (such as there were, given it ultimately controlled the patent-holder and the patent-holder never licensed anyone else to use the patent). Moreover, plaintiffs themselves have been playing a similar game by seeking under threat of imminent suit to proceed in a forum of its choosing as a nominative plaintiff seeking declaratory relief.

In the end, all of this maneuvering for leverage – while interesting for lawyers and expensive for clients – amounts to nothing. The difference between Leggett & Platt's non-exclusive license and the non-exclusive licenses considered by the Federal Circuit in *A123 Systems*, 626 F.3d at 1218, *GIA Tech., Inc. v. Reconversion Tech., Inc.*, 93 F.3d 774, 780 (1996), and *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 n. 3 (Fed. Cir. 2005), is that the patent owner and licensee in those cases were operating at arms-length. In contrast, Leggett & Platt is non-exclusive in name only. This fact is best demonstrated by its seamless transition to exclusive licensee within a week of suit, apparently for the sole purpose that Leggett & Platt could join the suit in Missouri. Although technically Leggett & Platt lacked standing to sue, it controlled the actions of L&P Property and demonstrated that control.

On these facts, the court is not persuaded that the Seventh Circuit would reach a different decision about L&P Property's indispensability than the Federal Circuit did about the patent-holding subsidiary in *Dainippon*. In *Dainippon*, the court concluded that,

even if the subsidiary were not subject to personal jurisdiction, the subsidiary's argument that it was indispensable under Rule 19(b) was "wholly unconvincing." *Dianippon*, 142 F.3d at 1272 (applying Ninth Circuit law). The parent corporation will adequately protect the interests of its wholly-owned subsidiary, whose actions it fully controlled. *Id.* Their interests are aligned, and they even sought joint representation, as have Leggett & Platt and LEP Property. *Id.* For similar reasons, the Seventh Circuit has expressed "great difficulty seeing how a 100 percent subsidiary could ever be an indispensable party." *Extra Equipamentos*, 361 F.3d at 364. Since this circuit's law applies on the question of indispensability and Federal Circuit law governs on statutory standing, little more need be said about the Rule 19 issue or the prudential statutory standing issue.

Finally, a declaratory judgment action will satisfy the constitutional case or controversy requirement if "the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (quoting *Md. Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). It is a "bedrock rule that a case or controversy must be based on a real and immediate injury or threat of future injury that is caused by the defendants." *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1339 (Fed. Cir. 2008). Considering all the circumstances of the present case, Simmons faced a real and imminent threat of infringement suit over the '383 patent, a threat ultimately "traceable" to Leggett & Platt.³ *Id.* Whether or not Leggett & Platt lacked technical standing as a

³ Despite Leggett & Platt's attempt to hide behind a license that was non-exclusive in

non-exclusive licensee to bring or join an infringement lawsuit under the ‘383 patent, Simmons faced a real threat of injury from Leggett & Platt and, therefore, has Article III standing to maintain a declaratory action against it. Therefore, the court will deny Leggett & Platt’s motion to dismiss the declaratory action against it for lack of Article III and prudential standing.

C. Motion to Transfer Venue

In the alternative, Leggett & Platt argues the case should be transferred to the Western District of Missouri. Transfer of venue is governed by 28 U.S.C. § 1404(a), which provides that “[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to another district court or division where it might have been brought.” 28 U.S.C. § 1404(a). Regional circuit law governs decisions to transfer patent actions, because it is a procedural matter common to other civil cases. *Winner Int’l Royalty Corp. v. Wang*, 202 F.3d 1340, 1352 (Fed. Cir. 2000). Simmons does not dispute that the Western District of Missouri is an appropriate venue, nor could it.⁴ As the moving party, Leggett & Platt has the burden to establish that the

name only, the court not only agrees with Simmons that Leggett & Platt represented that it had rights in the ‘383 patent (Plt. Br., dkt. #17, at 5), but finds that its control of L&P Property and its ability to cause L&P Property to issue an exclusive license made the threat of an infringement suit all too certain. As Simmons points out, “[i]f defendant has expressly charged a current activity of the plaintiff as an infringement, there is clearly an actual controversy, certainty has rendered apprehension irrelevant, and one need say no more.” *Arrowhead Indus. Water, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988).

⁴ Defendants’ position that there is no case or controversy between Simmons and Leggett & Platt may have precluded Simmons from filing its declaratory action in Missouri, but this difficulty is removed now that Leggett & Platt is an exclusive licensee.

transfer serves (1) the convenience of the parties and witnesses and (2) the interests of justice. *Coffey v. Van Dorn Iron Works*, 796 F.2d 217, 219-20 (7th Cir. 1986).

Section 1404(a) “permits a ‘flexible and individualized analysis’ and affords district courts the opportunity to look beyond a narrow or rigid set of considerations in their determinations.” *Research Automation, Inc. v. Schrader-Bridgeport Int’l, Inc.*, 626 F.3d 973, 978 (7th Cir. 2010) (quoting *Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29 (1988)). Factors affecting convenience include “the availability of and access to witnesses;” “each party’s access to and distance from resources in each forum;” and “the location of material events and the relative ease of access to sources of proof.” *Id.* The “interests of justice” identifies a distinct set of concerns, including “docket congestion and likely speed to trial in the transferor and potential transferee forums; each court’s relative familiarity with the relevant law; [and] the relationship of each community to the controversy.” *Id.*

1. First-to-File

Simmons argues that its choice of forum is entitled to deference under the Federal Circuit’s first-to-file rule. After Leggett & Platt threatened to file suit by April 1, 2011, Simmons filed this declaratory action on March 30, 2011. The Declaratory Judgment Act permits courts to decline to exercise jurisdiction, but the Federal Circuit has held that trial courts should exercise their discretion to retain declaratory actions in patent cases, “unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, requires otherwise.” *Genentech, Inc. v. Eli Lilly and Co.*, 998 F.2d 931, 938 (Fed. Cir. 1993). While Simmons notes correctly that Federal Circuit law

governs application of the first-to-file rule in patent cases, *id.*, Simmons has conflated the Federal Circuit's first-to-file rule with the transfer analysis under § 1404(a), which is governed by regional circuit law. *Winner Int'l Royalty Corp*, 202 F.3d at 1352.

In the Seventh Circuit, the order of filing is simply one consideration and there is no presumption or preference in favor of the first forum. *Research Automation*, 626 F.3d at 979-82. The choice is entitled to less deference when, as here, a plaintiff filed the suit in anticipation of an impending suit by its opposition. *Id.*

In any case, even the Federal Circuit's first-to-file rule is not a "rigid, mechanical solution" for decisions about discretionary jurisdiction. *Id.* The presumption in favor of the first-filed action is weakened where, as here, a declaratory judgment action and a mirror-image infringement are filed in a race to the courthouse. *Micron Technology, Inc. v. Mosaid Technologies, Inc.*, 518 F.3d 897, 904 (Fed. Cir. 2008). "Instead of relying solely on considerations such as tenuousness of jurisdiction, broadness of case, and degree of vestment, as in this case, or automatically going with the first filed action, the more appropriate analysis takes account of the convenience factors under 28 U.S.C. § 1404(a)." *Id.* To reduce the incentives for a race to the courthouse, the Federal Circuit has found that courts may consider "a party's intention to preempt another's infringement suit," as well as "the convenience and availability of witnesses, or absence of jurisdiction over all necessary or desirable parties, or the possibility of consolidation with related litigation, or considerations relating to the real party in interest." *Id. See also Serco Services Co., L.P. v. Kelley Co., Inc.*, 51 F.3d 1037, 1039-40 (Fed. Cir. 1995). The court

considers the fact that Simmons filed its action first, but does not, therefore, give that factor presumptive weight.

2. Convenience of the Parties, Witnesses and Access to Evidence

A plaintiff's choice of forum receives deference when the plaintiff files suit in its home forum because it likely chose that forum for convenience. *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 255-56 (1981). Wisconsin, however, is not Simmons' home forum. Simmons' largest factory is in Wisconsin, but Simmons is incorporated in Delaware and its principal place of business is in Georgia. Furthermore, "where, as here, the case involves two identical suits in distinct venues, this factor loses its significance entirely: each case has a plaintiff, and one of them will necessarily be disturbed." *Research Automation*, 626 at 979. Accordingly, Simmons' choice of forum also warrants limited deference. Leggett & Platt filed its mirror-image infringement suit in its home forum in Missouri. Missouri would be an inconvenient forum for Simmons, which has no significant operations in Missouri, but Wisconsin is equally inconvenient for Leggett & Platt.⁵ The convenience of the parties is a wash.

⁵ Simmons' further argument that Leggett & Platt has filed previous litigation in this court merits little consideration. The analysis of transfer motions varies with the circumstances of each case, regardless of prior or current litigation. A convenient forum for the party in one context may not necessarily be convenient forum for the same party in another context. *See Van Dusen v. Barrack*, 376 U.S. 612, 622 (1964) (§ 1404(a) requires "individualized, case-by-case consideration of convenience and fairness"); *Gemini IP Tech, LLC. v. Hewlett-Packard Co.*, No. 07-C-205-S, 2007 WL 2050983, at *1-*2 (W.D. Wis. July 16, 2007) (granting defendant's motion to transfer despite argument that defendant had litigated in forum previously because "[e]ach case must be judged on its own practicalities" and "[a] corporation does not forfeit its right to claim greater convenience in another forum because . . . it has litigated here in the past").

Similarly, the parties attempt to identify relevant documents and witnesses from Simmons in Wisconsin and Missouri, but their attempts are unconvincing. Defendants contend that Simmons has a factory in Kansas near the Missouri courthouse that makes the contested mattress coils, while Simmons responds that its factory in this Janesville makes 25% of its contested coils, more than any other factory. They each claim that documents relating to the coils are likely located at these facilities, such as documents about the processes and equipment to manufacture the accused product and their volume of production. They also assert that employee witnesses likely live nearby, such as the plants' respective operations managers. In reality, Simmons' manufacturing facilities are largely irrelevant for a dispute about the coil itself. The coil was designed at Simmons' facility in Georgia, and engineers with knowledge of the design are more likely located there. Moreover, the location of documents is of limited importance in patent litigation since "technological advancements have diminished traditional concerns related to ease of access to sources of proof and the cost of obtaining attendance of witnesses." *Milwaukee Elec. Tool Corp. v. Black & Decker (N.A.) Inc.*, 392 F. Supp. 2d 1062, 1064 (W.D. Wis. 2005). The location of the parties' employee witnesses is also not a heavily weighted factor because such "witnesses within the control of the party calling them, such as employees, will appear voluntarily." *Adams v. Newell Rubbermaid Inc.*, No. 07-C-313-S, 2007 WL 5613420, at *3 (W.D. Wis. Aug. 21, 2007).

Further, neither party has identified any relevant non-party witnesses whose convenience would be served by litigation in Wisconsin. There is, however, one exception. Insofar as L&P Property is no longer a party in this case, its employees are

non-party witnesses outside this courts' subpoena power. *See Milwaukee Elec. Tool Corp. v. Black & Decker (N.A.) Inc.*, 392 F. Supp. 2d 1062, 1064 (W.D. Wis. 2005). Although Missouri appears to be an equally inconvenient for L&P Property, since its principal place of business is in California, L&P Property consented to jurisdiction in Missouri and controls its employees. On balance, therefore, Missouri is a slightly more convenient forum for non-party witnesses. Thought ever so slightly given Leggett & Platt's control over L&P Property and its employees, has established that the convenience factors weigh slightly in favor of transfer.

3. Interests of Justice

The decisive consideration in this case is the interests of justice. The case has a only a minimal connection to this forum, in that a portion of the alleged infringing activity occurs at a manufacturing facility in this district. The central concerns for this case are speedy resolution and the ability to consolidate cases with all desirable parties. *Coffey*, 796 F.2d at 221.

Simmons principal argument is that the interests of justice favor this court's speedy resolution. Over the past two years, the median time to trial in the Western District of Missouri was 21 months longer than this district. Simmons has an interest in speedy resolution so its manufacturing need not operate under the cloud of increasing potential liability.

The court finds it more important, however, that only the District Court for the Western District of Missouri will have jurisdiction over all of the desirable parties. The Federal Circuit has noted repeatedly that the "absence of jurisdiction over all necessary or

desirable parties” is a sound reason for deciding to dismiss an earlier-filed declaratory action. *Research Automation*, 626 F.3d at 980-82; *Micron Tech.*, 518 F.3d at 904–05; *Electronics for Imaging, Inc. v. Coyle*, 394 F.3d 1341, 1347-48 (Fed. Cir. 2005). The same reason applies to the transfer analysis under § 1404(a). The cases in Wisconsin and Missouri involve the same products and patents, but only the Western District of Missouri has jurisdiction over L&P Property, the patent holder. L&P Property has consented to personal jurisdiction in the Western District of Missouri. If transferred, this case can be consolidated with the existing suit by L&P Property and conserve “time, energy and money.” *Continental Grain Co. v. Barge FBL-585*, 364 U.S. 19, 26 (1960) (“To permit a situation in which two cases involving precisely the same issues are simultaneously pending in different District Courts leads to the wastefulness of time, energy and money that § 1404(a) was designed to prevent.”) On balance, the interests of justice favor transferring the case. Although this conclusion may reward Leggett & Platt’s gamesmanship with respect to jurisdiction, in fairness both sides were playing games with their respective choices of forum.

After considering all relevant factors under 28 U.S.C. § 1404(a), the court, therefore, is satisfied that convenience slightly favors transfer and the interests of justice clearly weigh in favor of transferring this case to the United States District Court for the Western District of Missouri.

ORDER

IT IS ORDERED that

1. Defendants' Motion to Dismiss for Lack of Jurisdiction (dkt. #14) is GRANTED as to defendant L&P Property Management Co., and DENIED as to defendant Leggett & Platt, Inc.
2. Defendants' Motion to Transfer Venue to the United States District Court for the Western District of Missouri (dkt. # 14) is GRANTED.
3. The clerk of court is directed to transmit the file to the United States District Court for the Western District of Missouri as soon as possible.

Entered this 27th day of March, 2012.

BY THE COURT:

/s/

WILLIAM M. CONLEY
District Judge