

## 3 Views Of Stream-Of-Commerce Jurisdiction For Infringing IP

By **Bryan Wilson and Yuqing Cui** (May 14, 2020, 1:31 PM EDT)

A plaintiff patent owner often resorts to the stream-of-commerce theory to obtain specific personal jurisdiction over a non-U.S. defendant selling accused infringing products solely through a third-party e-commerce website.

Unfortunately, the U.S. Supreme Court has yet to reach a consensus on the standard of the stream-of-commerce theory. Absent clear guidance, three recent district court opinions discussed below are part of a continuous development of the standard among lower courts.

### Evolution of the Stream-of-Commerce Theory

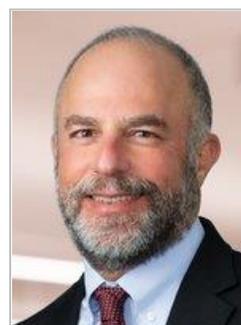
The Supreme Court first attempted to articulate the standard of the stream-of-commerce theory that resulted in a 4-4 split and two main competing tests in *Asahi Metal Industry Co. v. Superior Court*.

Under Justice William Brennan's knowledge approach, a defendant satisfies purposeful availment requirement with the mere placement of a product into the stream of commerce and with the knowledge that the product will eventually be used in the forum state.[1]

Under Justice Sandra Day O'Connor's approach, in contrast, the mere awareness that the stream of commerce may or will sweep the production into the forum state is insufficient, without more.[2] What more is required, Justice O'Connor explains, is additional conduct that may indicate a defendant's intent or purpose to serve the forum state's market.[3]

Subsequently, the U.S. Court of Appeals for the Federal Circuit refused to join the debate between the two approaches in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*[4] There, the Federal Circuit found personal jurisdiction because there were sufficient contacts to find personal jurisdiction under either approach.[5]

More than two decades later, the Supreme Court revisited this issue in *J. McIntyre Machinery Ltd. v. Nicastro* but declined to resolve the split.[6] As a result, the Federal Circuit adheres to the Beverly Hills Fan line of cases and declines to take a position on this theory.[7]



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The continued absence of guidance has left the lower courts to develop its own standards. Most try to emulate Beverly Hills Fans and exercise specific personal jurisdiction only when both approaches are satisfied. Three most recent district court opinions suggest that although more is required than mere awareness, the standard may be lenient.

### **Ultravision Technologies v. GoVision**

In Ultravision Technologies LLC v. GoVision LLC,[8] the court found specific personal jurisdiction under the stream-of-commerce theory based on two facts: (1) defendant's subsidiary invoiced a customer based in the forum state for the accused product; (2) defendant's catalog stated it sold products to a customer based in the forum state and some of those products are used in the forum.

Regarding fact (1), the court did not require anything more than the parent-subsidary relationship, relying on a Federal Circuit precedent that found personal jurisdiction where only the defendant's sister company sold to the forum state.[9] But there, although the defendant's sister company sold the accused products, it was defendant that shipped them to buyers based on addresses provided by the sister company. It was the purposeful shipment that constituted the conduct that was more than mere awareness. The defendant in Ultravision, in contrast, was merely the parent company of the subsidiary that made the actual sales without the conduct manifesting its purpose or intent.

Regarding fact (2), defendant submitted a declaration clarifying the catalog's statement about the sale was in fact a mistake. Another defendant's subsidiary, rather than defendant itself, made the allegedly infringing sales. But the court rejected this argument because, viewing all facts in light most favorable to the plaintiff, defendant made the allegedly infringing sales.

In sum, what more than awareness boils down to (1) being related to a company that made allegedly infringing sales, and (2) making a statement about having made allegedly infringing sales, even if those statements were false.

### **Largan Precision v. Ability Opto-Electronics Technology**

In Largan Precision Co. Ltd. v. Ability Opto-Electronics Technology Co. Ltd.,[10] the court exercised specific personal jurisdiction over a component-maker of HP Inc. laptops on two grounds: (1) finished products incorporating infringing products are consistently available for sale in the forum state, and (2) defendant had sought out the U.S. market by claiming the U.S. as its main market in its annual report and by seeking and receiving patents in the U.S.

The first ground amounts to nothing more than the fact that defendant injected the accused products into the stream of commerce. The second ground is more interesting. Echoing Ultravision, the opinion suggests that corporate statements can constitute conduct that indicate purpose or intent. In addition, securing intellectual property rights related to the accused products is also a relevant conduct. Notably, these conducts are not directed to the forum state but to the U.S. as a whole.

### **Slyce Acquisition v. Syte-Visual Conception**

In Slyce Acquisition Inc. v. Syte-Visual Conception Ltd.,[11] the court found personal jurisdiction over a defendant that provided software incorporated into Kohl's Corp.'s mobile app used by residents of the forum state. The conduct that is more than mere awareness was only the defendant's presumed knowledge that Kohl's has its second largest number of stores in the forum state.

## Pleading Stream-of-Commerce Theory

In light of these recent opinions, to plead adequate facts to obtain specific personal jurisdiction over a non-U.S. defendant selling accused products through an e-commerce website, a plaintiff may consider (1) obtaining statements from the defendant about its targeted market, (2) defendant's IP strategy in the U.S., and (3) its customer's geographic distribution.

It is important to keep in mind that not all lower courts have taken such lenient approaches. For example, in *Dareltech LLC v. Xiaomi Inc.*,<sup>[12]</sup> the court refused to credit the defendant's employee statement, otherwise unsupported, on a podcast that it had a new showroom in Manhattan.

Furthermore, the stream-of-commerce theory requires actual sales into the forum state. This might be difficult to obtain without discovery, creating a catch-22 problem: on one hand, without discovery, plaintiff cannot obtain evidence of actual sales; on the other hand, plaintiff cannot obtain judicial discovery without first pleading sufficient facts, such as actual sales, in its complaint. This problem is particularly thorny given the court's reluctance to credit plaintiff-orchestrated sales.<sup>[13]</sup>

One potential solution is to obtain import records. In *Advantek Marketing Inc. v. Shanghai Walk-Long Tools Co.*,<sup>[14]</sup> the plaintiff submitted a record of the defendant's importation of the infringing products into the U.S. through the forum state. Together with a receipt showing one actual sale to a forum state's resident from a third-party e-commerce website, the court found personal jurisdiction over the defendant manufacturer, even though it is unclear from the record whether the sale was plaintiff-orchestrated or not.

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[1] *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102 (1987) (opinion concurring in part and concurring in the judgment).

[2] *Id.* at 112.

[3] *Id.*

[4] *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1566–67 (Fed. Cir. 1994)

[5] *Id.*

[6] *J. McIntyre Machinery, Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011)

[7] *AFTG-TG, LLC v. Nuvoton Tech. Corp.*, 689 F.3d 1358 (Fed. Cir. 2012).

[8] No. 2-18-cv-00100, 2020 U.S. Dist. LEXIS 40781, at \*19–\*23 (E.D. Tex. Mar. 9, 2020).

[9] *Polar Electro Oy v. Suunto Oy*, 829 F.3d 1343 (Fed. Cir. 2016).

[10] No. 6-19-cv-00257, 2020 U.S. Dist. LEXIS 18697, at \*13–\*25 (E.D. Tex. Feb. 5, 2020).

[11] No. 6-19-cv-00257, 2020 U.S. Dist. LEXIS 9451, at \*4–\*10 (W.D. Tex. Jan. 10, 2020).

[12] No. 1-18-cv-08729, 2019 U.S. Dist. LEXIS 121727, at (S.D.N.Y. Jul. 22, 2019).

[13] See, e.g., *Telebrands Corp. v. Altair Instruments, Inc.*, No. 2-18-cv-16234, 2019 U.S. Dist. LEXIS 136594, at \*16–\*18 (D.N.J. Aug. 13, 2019) (finding no specific personal jurisdiction because the only sales into forum state was made by plaintiff's investigator).

[14] No. 2-19-cv-05326 (C.D. Cal. Dec. 16, 2019).