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In Personam and Beyond the Grasp: In Search of Jurisdiction and Accountability for Foreign Defendants

Andrew F. Popper

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Cover Page Footnote

Professor of Law, American University, Washington College of Law. Thanks go to the following bright and hard-working Washington College of Law students: Irene A. Firippis, Lauren Diane Garry, Nicole Irwin, Laura C. Lanso, and Timothy Valley. Thanks also to Dean Claudio Grossman for his encouragement and support and to Microsoft, Inc. for assistance with student funding.

IN PERSONAM AND BEYOND THE GRASP: IN SEARCH OF JURISDICTION AND ACCOUNTABILITY FOR FOREIGN DEFENDANTS

Andrew F. Popper⁺

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Since its inception, the U.S. legal system has evinced a meaningful commitment to the protection of property.¹ This Article explores why certain

⁺ Professor of Law, American University, Washington College of Law. Thanks go to the following bright and hard-working Washington College of Law students: Irene A. Firippis, Lauren Diane Garry, Nicole Irwin, Laura C. Lanso, and Timothy Valley. Thanks also to Dean Claudio Grossman for his encouragement and support and to Microsoft, Inc. for assistance with student funding.

1. Even though the focus of this work, protection of private property from non-governmental parties, lacks an explicit home in the Constitution, the idea of protection of private property is central to our concept of justice. See John Locke, *The Second Treatise of Government: An Essay Concerning the True Original, Extent, and End of Civil Government*, in TWO TREATISES OF GOVERNMENT 267, 350–52 (Peter Laslett ed., Cambridge Univ. Press 1988)

property, specifically information technology and intellectual property (IT and IP), is so difficult to protect when used, stolen, or pirated by a foreign entity or individual. It is not a question of the wrongfulness of IT or IP theft. Intentional misconduct of this type is readily condemned and subject to sanction under U.S. law² and the laws of most other countries as well.³ For those sanctions to function, however, victims of such theft must have access to a robust, effective judicial system, and the court or other enforcement agency in that system must have personal jurisdiction over the defendant.

This Article focuses on the difficulty of securing personal jurisdiction (in personam jurisdiction) over non-U.S. defendants in U.S. courts. Given the fact that remedies for IP and IT theft are difficult to secure under the legal regimes of many growth markets—which collectively account for the bulk of goods available to U.S. consumers—those who steal IT and IP will not be held accountable unless they can be brought before a U.S. court or made subject to the authority of a U.S. state or federal agency, an unacceptable and all-too-common occurrence with devastating social and economic consequences.

This Article will explore the difficulties a victim of IT or IP theft faces when attempting to hold a foreign defendant accountable in United States courts. The Article begins by looking at the staggering costs that burden United States entities due to IT and IP theft. It then discusses the various legal roadblocks that prevent United States plaintiffs from exercising personal jurisdiction over defendants in United States courts. The Article explores the various tests courts have applied to determine whether the court has actual jurisdiction over. The Article concludes by examining several potential solutions to the jurisdiction problem, including state unfair trade actions, enforcement by the FTC, and federal legislation.

(1988) (explaining that mankind came together under governments as a means to preserve their property). Locke's influence on the U.S. legal system is hardly controversial—Locke asserted that protection of private property is the responsibility of government. See RICHARD A. EPSTEIN, TAKINGS: PRIVATE PROPERTY AND THE POWER OF EMINENT DOMAIN 17 (1985) (noting that, consistent with John Locke's belief that property protection is the purpose of government, the Constitution was meant to protect private property); Cecelia M. Kenyon, *Republicanism and Radicalism in the American Revolution: An Old-Fashioned Interpretation*, 19 WM. & MARY Q. 153, 172 n.13 (1962) (explaining that property was the dominant right during some periods of U.S. history, despite its omission from the Declaration of Independence); Lynda J. Oswald, *Property Rights Legislation and the Police Power*, 37 AM. BUS. L.J. 527, 535 (2000) (explaining that although John Locke stressed the preeminence of property, "[p]rotection of private property . . . [is not an] absolute in the U.S. legal system").

2. See 15 U.S.C. § 45(a)(1) (2006) ("unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful").

3. See *Anti-Counterfeiting Trade Agreement (ACTA)*, OFFICE OF THE U.S. TRADE REPRESENTATIVE, <http://www.ustr.gov/acta> (last visited Sept. 4, 2013) (discussing the several countries that most recently signed the Anti-Counterfeiting Trade Agreement, which was designed to thwart trademark and copyright theft around the world).

I. THE COST OF IT AND IP THEFT

The value of stolen IT and IP is staggering. A recent White House study noted that losses in 2008 alone could total as much as a trillion dollars.⁴ Considering only theft of domestic IP and IT by foreign entities, a standard estimate of annual loss is around \$200 billion.⁵ Although assessments of actual annual losses vary, sources estimate that between \$58 billion and \$1 trillion is lost each year.⁶ A report by the Organization for Economic Co-Operation and Development (OECD) found that “international trade in counterfeit and pirated products could have been up to USD 200 billion in 2005.”⁷ A 2011 International Trade Commission report found that IP theft by Chinese entities alone from U.S. companies with significant IP holdings exceeded \$48 billion in 2009.⁸ The International Chamber of Commerce estimates “the total magnitude of counterfeiting and piracy worldwide . . . to be well over US\$600 billion.”⁹

In the wake of this radical diminution of the value of IT and IP, incentives for creativity, invention, innovation, and efficiency falter. If left unsolved, the

4. WHITE HOUSE, CYBERSPACE POLICY REVIEW: ASSURING A TRUSTED AND RESILIENT INFORMATION AND COMMUNICATIONS INFRASTRUCTURE 2 (2009), available at http://www.whitehouse.gov/assets/documents/Cyberspace_Policy_Review_final.pdf.

5. Neal Asbury, *EU Turns Its Back on Intellectual Property Theft*, MONEY NEWS (Jul. 19, 2012), <http://www.moneynews.com/NealAsbury/EU-Intellectual-Property-Theft/2012/07/19/id/445817> (stating that the Office of the U.S. Trade Representative estimated total losses of \$200-\$250 billion in a single year).

6. See *Intellectual Property Theft*, FED. BUREAU OF INVESTIGATION, http://www.fbi.gov/about-us/investigate/white_collar/ipr/ipr (last visited Sept. 22, 2013) (estimating the cost at billions of dollars per year and noting that most of the theft is not domestic); U.S. CONGRESS JOINT ECON. COMM. CHAIRMAN'S STAFF, THE IMPACT OF INTELLECTUAL PROPERTY THEFT ON THE ECONOMY 2 (2012), available at http://www.jec.senate.gov/public/index.cfm?a=Files.Serve&File_id=aa0183d4-8ad9-488f-9e38-7150a3bb62be; BUS. SOFTWARE ALLIANCE, EIGHTH ANNUAL BSA GLOBAL SOFTWARE 2010 PIRACY STUDY 1 (2011), available at http://globalstudy.bsa.org/2010/downloads/study_pdf/2010_BSA_Piracy_Study-Standard.pdf; U.S. INT'L TRADE COMM'N, CHINA: EFFECTS OF INTELLECTUAL PROPERTY INFRINGEMENT AND INDIGENOUS INNOVATION POLICIES ON THE U.S. ECONOMY xiv (2011), available at <http://www.usitc.gov/publications/332/pub4226.pdf> (stating that losses attributable to Chinese theft of IT alone exceeded \$48 billion in 2009); BUS. ACTION TO STOP COUNTERFEITING AND PIRACY, ESTIMATING THE GLOBAL ECONOMIC AND SOCIAL IMPACTS OF COUNTERFEITING AND PIRACY 3 (2011), available at <http://www.iccwbo.org/Data/Documents/Bascap/Global-Impacts-Study—Full-Report/> (placing the value of losses at \$200 billion); STEPHEN E. SIWEK, INST. FOR POLICY INNOVATION, THE TRUE COST OF COPYRIGHT INDUSTRY PIRACY TO THE U.S. ECONOMY 5-9 (2007), available at http://www.ipi.org/ipi_issues/detail/the-true-cost-of-copyright-industry-piracy-to-the-us-economy.

7. ORG. FOR ECON. CO-OPERATION & DEV., THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY 4 (2007), available at <http://www.oecd.org/industry/ind/38707619.pdf> (estimating that annual losses from IT and IP theft could be as high as \$200 billion).

8. Press Release, U.S. Int'l Trade Comm'n, U.S. Firms Report Losing Sales, Profits, Royalties, and Brand Reputations Due to IPR Infringement in China Says USITC (May 18, 2011), available at http://www.usitc.gov/press_room/news_release/2011/er0518jj2.htm.

9. About, INTL' CHAMBER OF COMMERCE, available at <http://www.iccwbo.org/advocacy-codes-and-rules/bascap/about> (last visited Sept. 22, 2013).

problem of IT and IP theft threaten established and nascent businesses, large publically-traded companies, and start-ups—in short, the core of the U.S. economy. Furthermore, the theft of IT and IP perverts the marketplace, devastating U.S. companies that respect the rule of law and are thus undercut by those selling and using products made with stolen IT or IP.¹⁰

The notion of fair and equal treatment, in this instance making foreign entities subject to the same rules and sanctions as domestic entities, that is, a level playing field in the marketplace, is deeply embedded in our culture. Abraham Lincoln famously noted that one of the goals and purposes of civil government is, “that each [person] may have . . . an open field and a fair chance for [his] industry, enterprise, and intelligence.”¹¹ Achieving that “open field” and “fair chance” in the IT and IP fields, given the prevalence of IP and IT theft, will require aggressive judicial and regulatory action in state and federal venues.¹²

Unfortunately, legal problems associated with bringing those actions, specifically the restrictive and complicated rules governing in personam jurisdiction—the focus of this Article—stand in the way of just and appropriate remedies. Without legal recourse, IP and IT owners lose almost incalculable value, the entire U.S. market suffers, and, over time, millions of jobs will be lost.¹³

Given the magnitude of the harm caused by stolen IT and IP and deeply held beliefs regarding fairness and equal treatment, it would be reasonable to think that U.S. courts would be anxious to protect those harmed by overt misconduct. But the U.S. legal system has failed to resolve the in personam jurisdiction conundrum, and thus, has not provided a reliable mechanism to hold accountable foreign entities that inflict tangible harms on U.S. companies and consumers

10. See BUS. SOFTWARE ALLIANCE, *supra* note 6, at 4 (“Companies that do not pay for the programs they use to run their operations have an unfair cost advantage over companies that do, which skews competition.”).

11. Address by Abraham Lincoln to the 166th Ohio Regiment (Aug. 22, 1864), in X COMPLETE WORKS OF ABRAHAM LINCOLN 203 (John G. Nicolay & John Hay eds., 1894).

12. Owners of IP and IT protected by U.S. copyrights cannot assert those rights beyond U.S. borders. In other words, copyright entitlements do not extend extraterritorially, compounding the problem of IT and IP theft outside the United States. See *Kirtsaeng v. John Wiley & Sons*, 133 S. Ct. 1351, 1355–58 (2013) (declining to provide relief to copyright holders for foreign “first sales” followed by domestic resale of books copyrighted in the U.S.); *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260, 264 (1908) (deciding that the “force” of copyright laws do not extend outside the territorial United States); *Subafilms, Ltd. v. MGM-Pathe Commc’ns Co.*, 24 F.3d 1088, 1098 (9th Cir. 1994) (en banc), *cert. denied*, 513 U.S. 1001 (1994) (stating that copyright laws simply do not apply to infringing acts outside the U.S.); *Update Art, Inc. v. Modiin Publ’g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) (“It is well established that copyright laws generally do not have extraterritorial application.”); *Robert Stigwood Grp. Ltd. v. O’Reilly*, 530 F.2d 1096, 1101 (2d Cir. 1976) (“Copyright laws do not have extraterritorial operation.”).

13. See *Intellectual Property Theft: Get Real Facts and Figures* NAT’L CRIME PREVENTION COUNCIL, <http://www.ncpc.org/topics/intellectual-property-theft/facts-and-figures> (last visited Sept. 23, 2013) (explaining that intellectual property accounts for half of the United States’ exports, and detailing the various costs of counterfeiting and piracy).

through their theft of IT and IP. Dean and Professor Wendy Collins Perdue recently characterized the law in this area as “splintered,” noting that the Supreme Court, rather than facilitating access to the courts, has muddled the law.¹⁴ She further explains that the Court has announced doctrine that is “wrong, or . . . at least misleading,” and has hit a “new low” in terms of providing a remedial roadmap for victims of IP and IT theft.¹⁵

The jurisdictional limits over foreign entities in U.S. courts have allowed foreign IT and IP thieves to profit with impunity.¹⁶ Commenting on the difficulties private parties face protecting their interests, Professor John Parry explained, “non-U.S. manufacturers who entrust their product to a [domestic] distributor with the goal of serving the entire U.S. market will not be subject to personal jurisdiction in every state in which their products are sold.”¹⁷ Professor Parry further warned that foreign defendants will wantonly exploit this result.¹⁸ Professor Taylor Simpson-Wood recently noted that foreign producers can “insulate themselves from suit in the United States, irrespective of the injury caused by . . . employing . . . a Pontius Pilate-like washing of the hands via . . . [various] distribution scheme[s].”¹⁹ In short, IT and IP theft will continue and worsen if left unchecked and undaunted by the threat of any meaningful legal consequences.

II. DOCTRINAL ROADBLOCKS TO SECURING JURISDICTION OVER FOREIGN ENTITIES

When an entity is deprived of property, historic and basic notions of justice require a remedy because, as a general rule, where there is a right, there is a remedy.²⁰ How bizarre that such a fundamental principle falters and sometimes fails entirely when the entity engaged in the misconduct is foreign.

14. Wendy Collins Perdue, *What’s “Sovereignty” Got to Do with It? Due Process, Personal Jurisdiction, and the Supreme Court*, 63 S.C. L. REV. 729, 729 (2012).

15. *Id.*

16. See Andrew F. Popper, *Beneficiaries of Misconduct: A Direct Approach to IT Theft*, 17 MARQ. INTELL. PROP. L. REV. 27, 28–31 (2013); see also *supra* note 12 (explaining the difficulty inherent in holding foreign IT and IP thefts accountable).

17. John T. Parry, *Introduction: Due Process, Borders, and the Qualities of Sovereignty—Some Thoughts on J. Macintyre Machinery v. Nicastro*, 16 LEWIS & CLARK L. REV. 827, 850 (2012).

18. *Id.*

19. Taylor Simpson-Wood, *In the Aftermath of Goodyear Dunlop: Oyez! Oyez! Oyez! A Call for a Hybrid Approach to Personal Jurisdiction in International Products Liability Controversies*, 64 BAYLOR L. REV. 113, 156 (2012) (internal citations omitted).

20. 3 WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 19 (Wayne Morrison ed., 2001) (“[I]t is a general and indisputable rule, that where there is a legal right, there is also a legal remedy by suit or action at law, whenever that right is invaded”); see also *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 163–66 (1803) (quoting and expounding upon Blackstone’s language).

At a very basic level, a foreign defendant is subject to the jurisdiction of a U.S. court when there are sufficient *minimum contacts* to connect that entity with the forum state and when the proceeding contemplated is fair.²¹ Given the harm caused by stolen IT and IP noted in the prior section, regardless of the way one calculates losses, the resulting damage is massive and the contact anything but minimum. However, harm to victims has not been the common measure used to determine whether a court may exercise personal jurisdiction over a defendant.²²

A. *The Roots of In Personam Jurisdiction*

For more than one hundred years, the Supreme Court has attempted to provide guidance to lower courts on exercising in personam jurisdiction over foreign nationals.²³ Two basic requirements emerged. First, in light of the non-resident status of the defendant, the legal proceeding contemplated must be reasonable and fair in terms of the convenience of the forum, availability of evidence and witnesses, and other “traditional notions of fair play and substantial justice” fundamental to a fair trial.²⁴ Second, there must be an adequate relationship or connection between the defendant and the state, often framed in terms of the defendant’s contacts with the forum, factored by the wisdom of asserting jurisdiction over foreign entities, the efficiency of intended judicial action, and respect for other legal regimes.²⁵

U.S. courts are appropriately cautious when their actions have implications for foreign affairs because the powers over conducting foreign affairs reside with the executive and legislative branches of government.²⁶ Additionally, principals

21. Todd David Peterson, *The Timing of Minimum Contacts*, 79 GEO. WASH. L. REV. 101, 103, 150 (2010).

22. See *infra* Parts II.A-B (explaining how courts have traditionally defined personal jurisdiction).

23. Peterson, *supra* note 21, at 104 (noting that “[i]n the absence of meaningful principles established by the Supreme Court, the lower courts search for the significance of the Supreme Court’s caselaw in snippets and phrases taken out of context and then used as the basis for the courts’ opinions”).

24. *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)); Joel R. Paul, *Comity in International Law*, 32 HARV. INT’L L.J. 1, 76–77 (1991).

25. See *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 415–16 (1984); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 293–94 (1980).

26. See U.S. CONST. art. II, § 2 (vesting the power to conduct foreign affairs in the executive); U.S. CONST. art. I, § 8, cl. 3 (granting residual power over foreign affairs to the legislature). Nothing in Article III of the Constitution suggests the judiciary has a role to play in foreign affairs. Furthermore, the principles underlying the political question doctrine urge caution when cases extend beyond U.S. borders. See, e.g., *Baker v. Carr*, 369 U.S. 186, 211 (1962) (stating that “it is error to suppose that every case or controversy which touches foreign relations lies beyond judicial cognizance”); *Oetjen v. Central Leather Co.*, 246 U.S. 297, 302 (1918) (announcing that “[t]he conduct of the foreign relations of our Government is committed by the Constitution to the

of comity and deference to other sovereign states are appropriate for courts to consider.²⁷ However, it is troubling that U.S. courts are perceived as a hostile forum for domestic victims of misconduct by foreign entities. The unavailability of a forum for an injured plaintiff to seek a remedy in has serious consequences.²⁸ The notion that the courthouse doors are closed can lead to the degradation of clearly articulated rights, particularly in the intellectual property field.²⁹

The starting point for discussing in personam jurisdiction is *Pennoyer v. Neff*.³⁰ *Pennoyer* limited a state's power to "extend its process beyond" its borders,³¹ holding that a court cannot assert in personam jurisdiction over a foreign entity unless there is a sufficient and meaningful relationship between the entity and the forum state, most easily established by personal service or actual presence.³² In *International Shoe v. Washington*, decided more than a half century later, the Court held that states *could* extend their reach beyond their borders to out-of-state parties so long as there are "certain minimum contacts" between the party and the forum state,³³ as opposed to the actual presence or service of process required in *Pennoyer*.³⁴ The question after *International Shoe* became assessing the fairness of the contemplated proceeding and the nature of the defendants' contacts, both from a quantitative (how much value, money, impact, investment, etc.) and qualitative (of what type, legal interest, reliance, benefit from the forum state, etc.) perspective.³⁵

Executive and Legislative . . . Departments of the Government . . . not subject to judicial inquiry or decision").

27. See *Philips Med. Sys. Int'l B.V. v. Bruetman*, 8 F.3d 600, 604 (7th Cir. 1993) (defining comity in terms of the respect foreign nations owe each other); Paul *supra* note 24, at 3–4 (explaining that comity embraces notions of reciprocity and goodwill between sovereign nations).

28. Issachar Rosen-Zvi, *Just Fee Shifting*, 37 FLA. ST. U. L. REV. 717, 720 (2010) ("[A] legal regime that does not guarantee to all individuals that their claims of injustice will be heard sends a message of disrespect and reinforces their sense of unworthiness. As a consequence, the unequal access to justice yields a loss of legitimacy for the entire civil justice system and diminishes the acceptability of its adjudicative outcomes").

29. Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 GEO. MASON L. REV. 43, 61–62 (2010) (discussing forum selection difficulties imposed on alleged infringers seeking relief in patent suits by a Federal Circuit rule stating that patent holders are not subject to personal jurisdiction in the federal court of an alleged infringer's home state).

30. 95 U.S. 714 (1877).

31. 95 U.S. at 722.

32. See *id.* at 722–24.

33. 326 U.S. 310, 316 (1945).

34. *Id.* at 319–20.

35. See *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476–79 (1985) (listing various factors courts should consider in determining whether a defendant's contacts are sufficient to properly bring it within the forum state's jurisdiction).

In the wake of *International Shoe*, two tracks for in personam jurisdiction emerged: general jurisdiction and specific jurisdiction.³⁶ If a foreign entity has “substantial, continuous, and systematic” contacts with the forum state,³⁷ a court can exercise *general* jurisdiction over that entity.³⁸ General jurisdiction requires a level of contact with a forum state that approximates physical presence.³⁹ A foreign entity with contacts sufficient for general jurisdiction is fully subject to the laws of that state, much the same as an entity or individual domiciled in that state.⁴⁰ Evidence of contacts sufficient to establish general jurisdiction includes maintaining a business facility or office within the state, holding a license from the state, employing sales agents in the state, advertising or promotion targeting the state, solicitation of business within the state, or engaging in other acts that evince long-term presence in the forum state.⁴¹

If the contacts are insufficient to establish general jurisdiction, a court may still exercise *specific* jurisdiction over a defendant.⁴² Specific jurisdiction exists when contacts, although not substantial, continuous, and systematic, nonetheless reflect a conscious transactional engagement in the forum state⁴³ coupled with a

36. See *Burger King Corp.*, 471 U.S. at 473 n.15 (contrasting general and specific jurisdiction); *International Shoe*, 326 U.S. at 318 (discussing how a entity can confer in person jurisdiction, although not in terms of specific and general jurisdiction); *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1320 (9th Cir. 1998) (defining general and specific jurisdiction).

37. *Yahoo! Inc. v. La Ligue Contre Le Racisme*, 433 F.3d 1199, 1205 (9th Cir. 2006); *Burger King Corp.*, 471 U.S. at 471–73; *Helicopteros Nacionales De Colombia, S.A. v. Hall*, 466 U.S. 408, 414–19 (1984); *Mich. Nat’l Bank v. Quality Dinette, Inc.*, 888 F.2d 462, 466 (6th Cir. 1989). The requirement that an entity have substantial, continuous, and systematic contacts with the forum state is not without criticism. See Meir Feder, Goodyear, “Home,” and the Uncertain Future of *Doing Business Jurisdiction*, 63 S.C. L. REV. 671 (2012) (arguing that the standard is insufficient, and challenging the validity of “doing business” as a meaningful basis for jurisdiction); Harold G. Maier & Thomas R. McCoy, *A Unifying Theory for Judicial Jurisdiction and Choice of Law*, 39 AM. J. COMP. L. 249, 280 (1991) (challenging the legitimacy of general jurisdiction as a violation of the Due Process Clause).

38. *Helicopteros*, 466 U.S. at 415; *Yahoo!*, 433 F.3d at 1205.

39. *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d 1082, 1086 (9th Cir. 2000).

40. See *Helicopteros*, 466 U.S. at 414.

41. *Bancroft & Masters*, 223 F.3d at 1086.

42. The Supreme Court recently explained the distinction in *Goodyear Dunlop Tires Operations, S.A. v. Brown*:

A court may assert general jurisdiction over foreign (sister-state or foreign-country) [defendants] . . . when their affiliations with the State are so “continuous and systematic” as to render them essentially at home in the forum State. . . . Specific jurisdiction . . . depends on an “affiliatio[n] between the forum and the underlying controversy,” principally, activity or an occurrence that takes place in the forum State. . . . [S]pecific jurisdiction is confined to adjudication of “issues deriving from, or connected with, the very controversy that establishes jurisdiction.”

131 S. Ct. 2846, 2851 (2011) (citations omitted).

43. See *Carteret Sav. Bank, FA v. Shushan*, 954 F.2d 141, 147 (3d Cir. 1992); *N. Penn Gas Co. v. Corning Natural Gas Corp.*, 897 F.2d 687, 690 & n.2 (3d Cir. 1990); *Marvel Worldwide, Inc. v. Kirby*, 2010 WL 1655253, at *7 (S.D.N.Y. Apr. 14, 2010).

purposeful availment of the benefits and protections of the state.⁴⁴ Specific jurisdiction is transactional, case-specific, and unpredictable.⁴⁵ A set of targeted sales that are part of a marketing strategy, advertising, or other direct and specific relationships coupled with purposeful availment would probably be sufficient.⁴⁶

For those seeking redress for U.S.-based harms caused by foreign IP and IT theft, specific jurisdiction cases potentially pose a significant challenge. If a foreign entity has “set up shop” in the forum state (by having a place of business, employees, and localized marketing) and has a long-term, on-going business in that state, it is likely that the entity is subject to general jurisdiction and can be held accountable in court much like any resident of the state.⁴⁷ In contrast, when products made abroad using stolen IT or IP “appear” in a state and are sold by others, the challenge for victims is to show that the sale or use of the product is not an incidental or sporadic transaction that would fall outside of the requirements for specific jurisdiction.⁴⁸

The questions specific jurisdiction present are challenging, particularly for transactions that do not involve extensive contacts, multiple sales, or long-term transactions. In *McGee v. International Life Insurance*, the Court found that a single sale or contact could be sufficient to establish personal jurisdiction if the suit arises from that sale or contact.⁴⁹ The Court clarified *McGee* a few months after it was decided in *Hanson v. Denckla*.⁵⁰ The *Hanson* decision shifted the focus of the personal jurisdiction inquiry from the notion of a single sale or transaction to the more demanding *International Shoe* standard that centers on fairness, minimum contacts, and purposeful availment of the legal regime of the state.⁵¹ The *Hanson* Court held that the plaintiff must show that “the defendant

44. *Hanson v. Denckla*, 357 U.S. 235, 253 (1958); see *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 112–13 (1987) (plurality opinion); *Pervasive Software, Inc. v. Lexware GMBH & Co. KG*, 688 F.3d 214, 222 (5th Cir. 2012) (affirming the dismissal of the case for lack of personal jurisdiction because the defendant did not purposefully avail itself of the privilege of doing business in Texas); *Shamsuddin v. Vitamin Research Prods.*, 346 F. Supp. 2d 804, 813 (D. Md. 2004) (concluding that the court had no personal jurisdiction over a website operator that sold products on two occasions to residents of the forum state because web interactivity and two isolated sales did not rise to the level of purposeful availment).

45. See *LSI Indus., Inc. v. Hubbell Lighting, Inc.*, 232 F.3d 1369, 1375 (Fed. Cir. 2000) (“Neither the United States Supreme Court nor [the Federal Circuit] has outlined a specific test to follow when analyzing whether a defendant’s activities within a state are ‘continuous and systematic.’ Instead, a court must look at the facts of each case to make such a determination.”).

46. See *Asahi*, 480 U.S. at 112–13.

47. See *supra* notes 38–41 and accompanying text (discussing the requirements for general jurisdiction).

48. See *supra* notes 42–46 and accompanying text (discussing the requirements for specific jurisdiction).

49. 355 U.S. 220, 222 (1957).

50. *Hansen v. Denckla*, 357 U.S. 235, 253 (1958).

51. *Id.*

purposefully avail[ed] itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.”⁵²

Twenty years later, the Court refined *Hanson*, first in *Shaffer v. Heitner*, requiring that the defendant’s presence or contacts be sufficient to meet the due process fair play and reasonability requirements;⁵³ and second, in *Kulko v. Superior Court*, reiterating the minimum contacts test and discussing how the interests of the plaintiff and the state are factored into the inquiry.⁵⁴ In cases of IT or IP theft, to assert specific jurisdiction, a plaintiff must show that the defendant “‘purposely directed’ his activities at residents of the forum . . . and the litigation results from alleged injuries that ‘arise out of or relate to’ those activities.”⁵⁵ The conduct should be sufficient such that foreign national[s] should “‘reasonably anticipate being haled into court.’”⁵⁶ These requirements suggest that the conscious marketing choices and expectations of the defendant—the nature of the defendant’s action—not the harm to the plaintiff, are the central considerations in determining whether a court can assert personam jurisdiction over a defendant.

B. *Asahi and Nicastro: The Plot Thickens*

In 1987, the question of the *nature* of the sufficiency of a defendant’s actions or contact with the forum for purposes of in personam jurisdiction came to a head in *Asahi Metal Industry Co., Ltd. v. Superior Court*.⁵⁷ In *Asahi*, the plaintiff’s wife was killed when a motorcycle they were riding collided with a tractor.⁵⁸ The accident occurred in California and allegedly was caused by a defect in one of the motorcycle’s tires as well as a defect in the valve in that tire.⁵⁹ The tire was made by Cheng Shin Rubber, a Taiwanese company, and the valve was made by Asahi Metal Industry Co, Ltd., a Japanese company.⁶⁰

About twenty percent of Cheng Shin’s U.S. sales were in California, and although there was some disagreement on the issue between the parties, it is safe to conclude that a meaningful number of Cheng Shin tires sold in California had Asahi valves.⁶¹ Cheng Shin then filed a cross-claim against Asahi in California seeking indemnification.⁶² Before judgment, the plaintiff settled with Cheng

52. *Id.* (citing *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 319 (1945)).

53. 433 U.S. 186, 216 (1977).

54. 436 U.S. 84, 91–92 (1978).

55. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985) (quoting *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 774 (1984) and *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414 (1984)).

56. *World-Wide Volkswagen v. Woodson* 444 U.S. 286, 297 (1980).

57. 480 U.S. 102, 105 (1987).

58. *Id.*

59. *Id.* at 105–06.

60. *Id.* at 106.

61. *Id.* at 106–07.

62. *Id.*

Shin Rubber and the various other defendants, leaving only the indemnity suit.⁶³ Cheng Shin asserted that the court had in personam jurisdiction over Asahi based on the fact that Asahi could foresee the presence of its products in California and was unquestionably aware that a meaningful number of its valves would be incorporated into tires sold in California.⁶⁴

Asahi argued that it was not subject to the jurisdiction of the California courts because it never contemplated being sued in the U.S., had no employees, offices, or real estate in California, and because it did not make direct sales or solicit business in California.⁶⁵

Based on these facts, the Supreme Court granted certiorari and asked

whether the mere awareness on the part of a foreign defendant that the components it manufactured . . . would reach the forum State [and enter] the stream of commerce constitutes “minimum contacts” between the defendant and the forum State such that the exercise of jurisdiction “does not offend ‘traditional notions of fair play and substantial justice.’”⁶⁶

The Court found that even if one assumes Asahi was aware that Cheng Shin products containing Asahi valves were sold in California, and even if the products were, broadly defined, in the stream of commerce, Asahi did not “purposefully avail itself of the California market. . . . It did not create, control, or employ the distribution system that brought its valves to California.”⁶⁷ Consequently, the Court found that Asahi had insufficient contacts to satisfy the Due Process minimum contact rules.⁶⁸

On the question of fairness and substantial justice, the Court noted that because the defendant Asahi was a foreign company (raising problems of convenience and witness availability) and because the *plaintiff*, Cheng Chin was not a California resident, the interest of the forum state was limited.⁶⁹ This is an important consideration for IT and IP theft cases and suggests that an action against a foreign entity brought by a state resident or the state Attorney General on behalf of the state might be treated differently than an action brought by a non-resident. As discussed later in this Article, a state court has a powerful interest in hearing claims brought by the state on behalf of its residents.⁷⁰ The *Asahi* Court made this distinction clear, explaining that when there are minimum contacts and the *plaintiff* is a state resident (or is the state itself), “the exercise

63. *Id.* at 106.

64. *Id.* at 107–08.

65. *See id.*

66. *Id.* at 105 (citing *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)).

67. *Id.* at 112.

68. *Id.* at 113.

69. *Id.* at 113–14.

70. *See infra* text accompanying notes 241–245.

of jurisdiction will justify even the serious burdens placed on the alien defendant.”⁷¹

In reaching its decision regarding jurisdiction over foreign defendants, the Court noted concerns about fairness, convenience, and international relations.⁷² The Court cautioned that “[g]reat care and reserve should be exercised when extending our notions of personal jurisdiction into the international field.”⁷³ Nowhere in the *Asahi* opinion does the Court suggest that similar care should be given to protecting the rights and entitlements of domestic victims of wrongful conduct.

It is unclear whether the Court intended to rewrite the requirements for in personam jurisdiction in *Asahi*, an atypical case involving a component-part third-party indemnification dispute between an out-of-state entity and an out-of-the-United States entity. This was not a case involving the rights of an in-state plaintiff harmed by the acts of a foreign defendant. Though written by a divided court,⁷⁴ *Asahi* initiated a jurisprudential mudslide, dividing both federal circuits and state courts.⁷⁵ A decade and a half later, the rifts in *Asahi*

71. *Asahi*, 480 U.S. at 114.

72. *See id.* at 114–15.

73. *Id.* at 116 (citing *United States v. First Nat’l City Bank*, 379 U.S. 378, 404 (1965) (Harlan, J., dissenting)).

74. In fact, *Asahi* is hardly as crisp legal precedent or a clear determination of the law. The case generated three opinions, and only the first part of the first opinion, written by Justice O’Connor, was joined by a majority of the Court. In the remainder of her plurality opinion, Justice O’Connor was joined by only Chief Justice Rehnquist and Justices Powell and Scalia. *Id.* Justices Brennan, White, Marshall, and Blackmun concurred separately in a second opinion, and Justice Stevens, White, and Blackmun wrote a third opinion. *Id.* at 116, 121.

75. *Asahi* (and its many interpretations) has been cited to thousands of times by state and federal courts and is the subject of countless law review articles. *See, e.g.*, Rodger D. Citron, *The Last Common Law Justice: The Personal Jurisdiction Jurisprudence of Justice John Paul Stevens*, 88 U. DET. MERCY L. REV. 433 (2011); Diane S. Kaplan, *Paddling up the Wrong Stream: Why the Stream of Commerce Theory is Not Part of the Minimum Contacts Doctrine*, 55 BAYLOR L. REV. 503 (2003); Todd David Peterson, *The Timing of Minimum Contacts After Goodyear and McIntyre*, 80 GEO. WASH. L. REV. 202 (2011); Bruce Posnak, *The Court Doesn’t Know Its Asahi from Its Wortman: A Critical View of the Constitutional Constraints of Jurisdiction and Choice of Law*, 41 SYRACUSE L. REV. 875 (1990); Linda J. Silberman, “Two Cheers” for International Shoe (and None for Asahi): An Essay on the Fiftieth Anniversary of International Shoe, 28 U.C. DAVIS L. REV. 755 (1995); Howard B. Stravitz, *Sayonara to Minimum Contacts: Asahi Metal Industry Co. v. Superior Court*, 39 S.C. L. REV. 729 (1988); Danielle Tarin & Christopher Macchiaroli, *Refining the Due Process Contours of General Jurisdiction Over Foreign Manufacturers*, 11 J. INT’L BUS. & L. 49 (2012); Christine M. Wiseman, *Reconstructing the Citadel: The Advent of Jurisdictional Privity*, 54 OHIO ST. L.J. 403, 424–37 (1993) (criticizing *Asahi*.); Earl M. Maltz, Comment, *Unraveling the Conundrum of the Law of Personal Jurisdiction: A Comment on Asahi Metal Industry Co. v. Superior Court of California*, 1987 DUKE L.J. 669 (1987); Kristianna L. Sciarra, Note, *A Gap in Personal Jurisdiction Reasoning: An Analysis of J. McIntyre Machinery, Ltd. v. Nicastro*, 31 QUINNIAC L. REV. 195 (2013).

were still present in the Court, as evident in the Court's more recent *Nicastro*⁷⁶ and *Goodyear*⁷⁷ decisions.

However one reads *Asahi*, the case reflects the Court's abundant concern for foreign defendants and leaves domestic plaintiffs with an uncertain burden. In her plurality opinion, Justice O'Connor's concluded that "[t]he placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum state" such that the court could exercise personal jurisdiction over the defendant.⁷⁸ In a separate opinion, Justice Brennan disagreed, accepting the argument that the knowing and foreseeable placement of a product in the stream of commerce is sufficient for the purposes of establishing personam jurisdiction.⁷⁹ Justice O'Connor's perspective could make it difficult for victims of foreign IP or IT theft to "hale" into court a foreign defendant who merely uses or sells, on their own or through domestic retailers, goods made with stolen IT or IP.⁸⁰ Justice Brennan's perspective makes bringing such cases more feasible—but his opinion was not endorsed by a majority of the Court.⁸¹ As the next section indicates, the split between these two points of view persists.

In 2011, the Court decided *J. McIntyre Machinery, Ltd. v. Nicastro*, a case that raised many of the questions posed and only partially answered in *Asahi*.⁸² During the course of his employment, plaintiff Robert Nicastro, a New Jersey resident, sustained permanent disabling injuries to his hand while using a machine manufactured by the British company, J. McIntyre Machinery.⁸³ The machine was imported into the United States by an Ohio company and then sold to Nicastro's employer.⁸⁴ J. McIntyre Machinery sold four machines that ended up in New Jersey, sent representatives to U.S. trade shows, held U.S. patents on some of its products, and, through a U.S. distributor, advertised its products in the United States.⁸⁵ In short, the machines were intended for use in the United States and had entered the U.S. stream of commerce.⁸⁶

A plurality of the Court held that although the defendant directed activities at and benefited from U.S. commerce, it had not purposefully availed itself of New

76. See *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2785 (2011) (plurality opinion); see also *infra* notes 82–95 and accompanying text (discussing the *Nicastro* decision).

77. See *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2853–54 (2011).

78. *Asahi*, 480 U.S. at 112.

79. *Id.* at 116–17 (Brennan, J., concurring).

80. See *id.* at 115–16.

81. See *id.* at 116–17.

82. 131 S. Ct. 2780, 2785 (2011) (plurality opinion).

83. *Id.* at 2786.

84. *Id.* at 2796–97 (Ginsburg, J., dissenting).

85. *Id.* at 2786.

86. See *id.*

Jersey law by directing conduct specifically at the state.⁸⁷ Even if the goods were in the state's stream of commerce, the plurality explained that a defendant must both target the forum state and purposely avail itself of the rights and protections of that state.⁸⁸ In other words, a defendant's actions in seeking the protection of the forum or using its laws was the proper measure of the sufficiency of the contacts with the state, not the foreseeable presence of their products.⁸⁹

Although *Nicastro* could have clarified the confusion left by *Asahi*, the Court was unable to make a clear statement of the law to guide future courts. The case was decided by a plurality and rejected (to the extent a plurality can be dispositive⁹⁰) the idea that a foreseeable sale in a state on its own is sufficient for in personam jurisdiction.⁹¹ When a defendant's product is merely in the stream of commerce and is foreseeably made available for sale in the forum state, the *Nicastro* plurality opinion dictates that there is insufficient contact for purposes of specific or general jurisdiction.⁹²

Justice Breyer noted in his concurrence in *Nicastro* that although the foreign "[m]anufacturer permitted, indeed wanted, its independent American Distributor to sell its machines to anyone in America willing to buy them," it was unfair to hale the defendant into court without more extensive contacts with the forum state.⁹³ Justice Breyer also expressed concern for small foreign defendants who cause injury to persons in the United States, stating that it is "unfair" to hold these defendants accountable in court because of the burden of requiring foreign entities "to understand not only the tort law of every State, but also the wide variance in the way courts within different States apply that law."⁹⁴ Concern over fairness for foreign defendants dominates the Court's opinions on personal jurisdiction matters⁹⁵—but the court does not appear to express equal concern for domestic victims of misconduct. It should not be so difficult to protect

87. *Id.* at 2790–91 (explaining that the defendant did not engage in activity in New Jersey "that reveal an intent to invoke or benefit from the protection of its laws" and therefore is not subject to in personam jurisdiction in that state).

88. *See id.* at 2788 (citing *Hanson v. Denckla*, 357 U.S. 235, 253 (1958)); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 298 (1980).

89. *See id.* at 2788–89.

90. *See* Mark Alan Thurmon, Note, *When the Court Divides: Reconsidering the Precedential Value of Supreme Court Plurality Decisions*, 42 DUKE L.J. 419 (1992); John F. Davis & William L. Reynolds, *Juridical Cripples: Plurality Opinions in the Supreme Court*, 1974 DUKE L.J. 59, 62 (1974).

91. *See Nicastro*, 131 S. Ct. at 2788–89.

92. *See id.* at 2789.

93. *Id.* at 2791–92 (Breyer, J., concurring).

94. *Id.* at 2794.

95. *GSS Grp. Ltd v. Nat'l Port Auth.*, 680 F.3d 805, 813 (D.C. Cir. 2012) (citing *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2850–51, 2853 (2011); *Nicastro*, 131 S. Ct. at 2789–90)) (explaining that the Supreme Court and the D.C. Circuit have repeatedly allowed foreign corporations to challenge the personal jurisdiction claims using "the full measure of due process protections").

interests that are so fundamental—specifically interests in IP or IT created by a U.S. entity or person.

III. MISCONDUCT, MINIMUM CONTACTS, AND MAXIMUM CONFUSION

As just discussed, there is abundant precedent detailing when courts are *prohibited* from exercising jurisdiction over foreign defendants. But do clear and uniform criteria exist to indicate when it is *permissible* for a court to protect the interests of those victimized by foreign entities and individuals?

There is logic to the notion that a product that is foreseeably present in the United States and designed for domestic sales should be sufficient to establish in personam jurisdiction over a foreign user or seller. However, the plurality in *Nicastro* noted that a single transaction or isolated sale of a product is insufficient to support jurisdiction—even if the presence of the product in the forum state is foreseeable.⁹⁶ Instead, a regular flow of goods in a particular jurisdiction must be coupled with actions demonstrating that the seller or manufacturer availed themselves of the market opportunities *and* the rights and protections of the legal system in the forum state.⁹⁷ Justice Breyer’s concurrence in *Nicastro* also suggests that the importance of evidence indicating a “specific effort” by the defendant to sell its product in the forum state, such as lists of potential customers in the forum state or advertising or marketing in the forum state.⁹⁸ Foreign manufacturers that steal IP and IT and then sell their products through U.S. wholesalers and retailers often will have little need for the indicia of state contacts suggested by both the *Nicastro* plurality and Justice Breyer in his concurrence.

A. Domestic Subsidiaries

Given the profitability of IT or IP theft and the difficulties associated with establishing in personam jurisdiction over foreign defendants, it is worth asking whether the minimum contacts problem might be solved when the seller or user in the forum state is a subsidiary of a foreign parent company.⁹⁹ If the subsidiary is owned and fully controlled by the foreign parent company, the chances of

96. *See Nicastro*, 131 S. Ct. at 2788.

97. *See id.*

98. *Id.* at 2792.

99. *See Am. Tel. & Tel Co. v. Compagnie Bruxelles Lambert*, 94 F.3d 586, 591 (9th Cir. 1996) (holding that a foreign parent corporation’s relationship with its domestic subsidiary was insufficient to establish personal jurisdiction); *Hargrave v. Fibreboard Corp.*, 710 F.2d 1154, 1159, 1161 (5th Cir. 1983) (holding that a foreign corporation did not fall within the reach of the Texas long-arm statute because, as a parent company, it did not have enough control over its domestic subsidiary to establish personal jurisdiction); *Boryk v. De Havilland Aircraft Co.*, 341 F.2d 666, 668 (2d Cir. 1965) (stating that for purposes of establishing personal jurisdiction, under New York law it is immaterial whether the parent corporation or the subsidiary engaged in the activities at issue).

hauling the parent into a U.S. court increases.¹⁰⁰ But it is insufficient to rely on the subsidiary's contact with the forum state to reach the parent company for personal jurisdiction purposes, regardless of how the corporate relationship between the parent and subsidiary is structured.¹⁰¹ For example, in *Hargrave v. Fiberboard Corp.*, the court explained that: “[g]enerally, a foreign parent corporation is not subject to the jurisdiction of a forum state merely because its subsidiary is present or doing business there; the mere existence of a parent-subsidiary relationship is not sufficient to warrant the assertion of jurisdiction over the foreign parent.”¹⁰² Instead, to establish personal jurisdiction over the parent company, the parent must exert “such domination and control over its subsidiary ‘that they do not in reality constitute separate and distinct corporate entities but are one and the same corporation for purposes of jurisdiction.’”¹⁰³

The problem, of course, is that foreign entities that engage in IT theft or use stolen IT in the production of goods are probably smart enough to keep their subsidiaries separate, or to use independent sellers within the United States with whom they do not have formal long-term corporate ownership relationships. In *Hargrave*, the court found that a domestic company can be construed as a dependent subsidiary based on the amount of the subsidiary's stock the parent controls and the extent to which the parent and subsidiary share headquarters, officers, directors, corporate formalities, accounting systems, and overall authority for the day-to-day operation of the subsidiary.¹⁰⁴ From a broad perspective, it is unclear how many parties involved in IT and IP theft cases would meet that test.

B. Non-Affiliated Users or Sellers

Beyond the parent-subsidiary relationship, the rules begin to blur, and depend largely on the state and the circumstances. Illinois, for example, has adopted a fairly broad (and somewhat unique) interpretation of the elemental fairness requirement of personam jurisdiction.¹⁰⁵ Recently that standard was set out in *Russell v. SNFA*:

To determine reasonableness, courts consider the following factors: (1) the burden on the defendant; (2) the forum state's interest in resolving the dispute; (3) the plaintiff's interest in obtaining relief; (4) the interest of the affected forums, including the forum state, in the

100. See *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 479 n.22 (1985).

101. See *Am. Tel. & Tel. Co.*, 94 F.3d at 590; *Hargrave*, 710 F.2d at 1159.

102. *Hargrave*, 710 F.2d at 1159.

103. *Id.* (quoting 2 J. MOORE & J. LUCAS, *MOORE'S FEDERAL PRACTICE* ¶ 4.25[6], 4-273 (2d ed. 1982)).

104. See *id.* at 1160–61.

105. See *Russell v. SNFA*, 946 N.E.2d 1076, 1085 (Ill. App. Ct. 2011), *aff'd*, 987 N.E.2d 778 (Ill. 2013).

most efficient resolution of the dispute; and (5) the interest of the affected forums in the advancement of substantive social policies.¹⁰⁶

The *Russell* case involved the deadly crash of an Agusta helicopter in 2003. The helicopter, which ultimately ended up in Illinois where the crash occurred, was built in Italy with French parts and exported to the United States through a German company.¹⁰⁷ The court found it noteworthy that the defendant SNFA did not disclaim knowledge of Agusta helicopters sales in the United States or Agusta's American subsidiary that distributed helicopters in the United States.¹⁰⁸ Relying on the reasonable foreseeability of the presence of the product—thus following Justice Brennan's stream of commerce test outlined in *Asahi*—the Illinois court concluded that exercising personal jurisdiction over the foreign defendants was proper.¹⁰⁹ The Court did not discuss whether the defendant knowingly accessed the legal system of the state or contemplated and planned to benefit from that system, thus diluting the importance of purposeful availment emphasized by *Nicastro*. Unfortunately, *Russell* is the exception, not the rule.¹¹⁰

In *Willemsen v. Invacare Corp.*, a post-*Nicastro* opinion from Oregon, the plaintiffs' mother was killed in a fire allegedly caused by a defect in the battery charger of her motorized wheelchair.¹¹¹ Plaintiffs were residents of Oregon.¹¹² Invacare built the wheelchair at its Ohio plant and the wheelchair's battery charger was manufactured by CTE, a Taiwanese company.¹¹³ CTE made its battery chargers in accordance with contract specifications set by Invacare and agreed to indemnify Invacare for liability resulting from problems with the chargers.¹¹⁴ CTE disputed the finding of personal jurisdiction, claiming that it has not purposefully availed itself of the privilege of conducting business in Oregon.¹¹⁵ CTE reasoned that Invacare targeted Oregon; thus under *Nicastro*, the possibility that CTE could have foreseen that its battery chargers may be sold or used in Oregon is insufficient to establish personal jurisdiction in Oregon courts.¹¹⁶

106. *Id.*

107. *Id.* at 1079.

108. *Id.* at 1085.

109. *Id.* at 1087; *see also* *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 116–17 (1987) (Brennan, J., concurring).

110. *See* Greg Saetrum, Note, *Righting the Ship: Implications of J. McIntyre v. Nicastro and How to Navigate the Stream of Commerce in Its Wake*, 55 ARIZ. L. REV. 499, 505, 507 (2013) (quoting *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2789 (2011) (plurality opinion)) (noting that courts tend to rely on Justice O'Connor's test more than Justice Brennan's because Brennan's test is less stringent and is inconsistent with the proper exercise of judicial power).

111. 282 P.3d 867, 870 (Or. 2012), *cert. denied*, 133 S. Ct. 984 (2013).

112. *Id.*

113. *Id.* at 869–70.

114. *Id.*

115. *Id.* at 871.

116. *Id.* at 872.

The Oregon court disagreed with CTE, suggesting that neither *Asahi* nor *Nicastro* provided a clear answer to critical personal jurisdiction questions.¹¹⁷ The court stated that “[w]hen . . . ‘a fragmented Court decides a case and no single rationale explaining the result enjoys the assent of five Justices, the holding of the Court may be viewed as that position taken by those Members who concurred in the judgment on the narrowest grounds.’”¹¹⁸ Freed from strictures of the *Nicastro* plurality opinion, the court found that CTE had minimum contacts with Oregon such that CTE has purposefully availed itself of Oregon law.¹¹⁹ The court reasoned that CTE’s large number of sales to Invacare and the indemnification agreement between the companies suggested that CTE anticipated a role in potential legal proceedings.¹²⁰ The court looked to Justice Breyer’s concurring opinion in *Nicastro*, which explained that “without evidence of a ‘regular . . . flow or a regular course of sales’ in [the forum state] . . . was insufficient to establish personal jurisdiction over the out-of-state-defendant,” and found that CTE’s pattern of sales demonstrated a “regular flow or regular course of sales in Oregon.”¹²¹ The court found such activities can form a foundation for specific jurisdiction because under these circumstances, a foreign defendant could “anticipate[] the need to defend against the very sort of claim that the plaintiffs [filed in this case].”¹²² In sum, the *Willemsen* court held that it “does not offend traditional notions of fair play and substantial justice” to exert jurisdiction over a foreign company that benefits from sales in a state, foresees those sales, and therefore, anticipates the potential for liability from those sales.¹²³

Foreseeability of presence, although a logical factor to consider, has not traditionally defined the personal jurisdiction analysis.¹²⁴ Outside of cases like *Russell* or *Willemsen* or those cases involving subsidiary relationships that meet the criteria mentioned above, victims of IT or IP theft are left with the uncertainty of *Asahi* and the negative implications of the *Nicastro* plurality.¹²⁵ If the most that can be said about items designed for sale in the United States and produced abroad using stolen IP or IT is that they are foreseeably present in

117. *Id.* at 875–76.

118. *Id.* at 873 (quoting *Marks v. United States*, 430 U.S. 188, 193 (1977) (internal quotation marks omitted)).

119. *Id.* at 875.

120. *Id.* at 877.

121. *Id.* at 873–74 (quoting *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2791–92 (2011) (plurality opinion) (internal quotation marks omitted)).

122. *See id.* at 877.

123. *Id.*

124. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 295 (1980) (“Yet ‘foreseeability’ alone has never been a sufficient benchmark for personal jurisdiction under the Due Process Clause.”).

125. *See Popper supra* note 16, at 46 (discussing the implications of *Asahi* and *Nicastro* on determining personal jurisdiction for foreign defendants in the IT or IP industries); *see also infra* text accompanying notes 134–155).

a forum state, then in personam jurisdiction is unlikely to be found. Per Justice O'Connor's plurality opinion in *Asahi*, foreseeable presence, without more, is insufficient to establish the minimum contacts necessary for the exercise of personal jurisdiction.¹²⁶

Justice O'Connor's plurality opinion has generated a quarter century of debate and pronounced conflict among the circuits.¹²⁷ As Justice Ginsburg's dissenting opinion in *Nicastro* points out, the post-*Asahi* measures of in personam jurisdiction leave something to be desired.¹²⁸ Not least of all, the plurality's use of the value of sales, selling price, and the volume of sales as measures of the sufficiency of contacts¹²⁹ creates a troubling means of quantifying or qualifying a defendant's contacts with a forum, especially considering other contact measures, such as marketing strategies, number of employees, presence of property, advertising, and access to or benefits from the legal system of the state, which have nothing to do with the selling price of a product.¹³⁰ Justice Ginsburg noted that "[b]y dollar value, the price of a single machine represents a significant sale. Had a manufacturer sold in New Jersey \$24,900 worth of flannel shirts—as in *Nelson v. Park Industries*—cigarette lighters, or wire-rope splices, the Court would presumably find the defendant amenable to suit in that State."¹³¹ As alluded to by Justice

126. *Asahi Metal Indus. Co., v. Superior Court*, 480 U.S. 102, 112 (1987) (plurality opinion).

127. *Choice Healthcare Inc. v. Kaiser Found. Health Plans*, 615 F.3d 364, 373 (5th Cir. 2010) (noting that the circuits differ over whether to follow Justice O'Connor's or Justice Brennan's approach); see Angela M. Laughlin, *This Ain't the Texas Two Step Folks: Disharmony, Confusion, and the Unfair Nature of Personal Jurisdiction Analysis in the Fifth Circuit*, 37 CAP. U. L. REV. 681, 681, 703–04 (2009).

128. See *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2803 (2011) (Ginsburg, J., dissenting).

129. *Id.* at 2786, 2790 (plurality opinion) (highlighting the fact that only four of the defendant's machines ended up in the forum state).

130. See *id.* at 2803 n.15 (Ginsburg, J., dissenting). As the *Asahi* court explained, "designing the product for the market in the forum States, advertising in the forum State, establishing channels for providing regular advice to customers in the forum State, or marketing the product through a distributor who has agreed to serve as the sales agent in the forum State" are all means of demonstrating purposeful availment of the forum state's market. *Asahi*, 480 U.S. at 112.

131. *Nicastro*, 131 S. Ct. at 2803 n.15 (internal citations omitted). In *Nelson v. Park Industries, Inc.*, the Seventh Circuit, sitting in diversity, found that the court could exercise personal jurisdiction over a foreign manufacturer and distributor under Wisconsin law because the manufacturer and distributor of flannel shirts were aware that they had indirectly served and economically benefited from a national distribution scheme established by their secondary distributor, which distributed thousands of flannel shirts nation-wide. 717 F.2d 1120, 1126–27 (7th Cir. 1983). The Fifth Circuit came to a similar conclusion in *Oswalt v. Scripto, Inc.*, holding that the court could exercise personal jurisdiction over a Japanese cigarette lighter manufacturer of under Texas law that distributed millions of cigarette lighters nationwide indirectly through an exclusive distributor. 616 F.2d 191, 197–98 (5th Cir. 1980). The Ninth Circuit also reached a similar conclusion in *Hedrick v. Daiko Shoji Co.*, holding that the court could exert personal jurisdiction over a foreign wire-rope splice manufacturer under Oregon law because the manufacturer was aware that it put over 300,000 splices annually into the foreign stream of commerce for ships that could end up at Oregon ports. 715 F.2d 1355, 1357–58 (9th Cir. 1983).

Ginsburg, the plurality's approach is hardly rational because it translated availment of the benefits from a forum state's market into measuring "targeting" a forum state by bulk sales and price.

Courts have given varied answers to the question of whether stream of commerce, foreseeable presence, or something more is required. Professor Angela Laughlin recently studied the variation—or more accurately, disagreement—between the circuits on the issue.¹³² Based on her research, she concluded that five circuits follow Justice O'Connor's approach, three circuits follow Justice Brennan's approach, and three circuits have declined to decide the issue.¹³³ For victims of IT or IP theft, this discord generated by *Asahi* and *Nicastro* adds to the instability in the field and suggests that conventional protection of property rights is unavailable or unreliable in Article III courts.

Much of the controversy generated by *Asahi* involves disagreements about the importance of a defendant's knowing placement of a product into the forum state's stream of commerce.¹³⁴ The problem in Justice O'Connor's plurality opinion is not one of clarity. Instead, it is the implication that is troubling. Under Justice O'Connor's formulation, deciding to sell goods in the forum state, and then carrying out that intention by selling those goods in the state is not sufficient to make a company or a seller subject to the laws of that state.¹³⁵

Justice Brennan's view in *Asahi* differs fundamentally on the meaning of stream of commerce. Under his formulation, deciding to sell goods in the forum state, and then selling those goods in the state probably is sufficient to establish in personam jurisdiction over the entity or individual.¹³⁶ The problem, however, is that this formulation is outright rejected by the plurality in *Nicastro*.¹³⁷

132. See Laughlin, *supra* note 127, at 681 (2009).

133. *Id.* at 703–04, app. at 727–28. Specifically, the First Circuit follows Justice O'Connor, the Second Circuit is inconclusive, the Third Circuit is inconclusive, the Fourth Circuit follows Justice O'Connor, the Fifth Circuit follows Justice Brennan (with some qualifications), the Sixth Circuit follows Justice O'Connor, the Seventh Circuit appears to follow Justice Brennan, the Eighth Circuit follows Brennan (although some of the lower courts appear to follow O'Connor), the Ninth Circuit follows Justice O'Connor, the Tenth Circuit is inconclusive, the Eleventh Circuit follows Justice O'Connor, and the Federal Circuit has declined to decide the question. *Id.*

134. See *Nicastro*, 131 S. Ct. at 2786, 2788 (plurality opinion) (noting that the court's decision "may be responsible in part for [the New Jersey Supreme Court's] error regarding the stream of commerce" analysis); see also Sciarra, *supra* note 75, at 200 (discussing the effect of the *Asahi* court's split decision on the stream of commerce analysis in post-*Asahi* cases).

135. *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 112 (1987) (plurality opinion) ("The placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum State.").

136. See *id.* at 117 (Brennan, J., concurring) ("[S]tream of commerce refers . . . to the regular and anticipated flow of products from manufacture to distribution to retail sale. As long as a participant in this process is aware that the final product is being marketed in the forum State, the possibility of a lawsuit there cannot come as a surprise.").

137. See *Nicastro*, 131 S. Ct. at 2789 (plurality opinion) ("But Justice Brennan's concurrence, advocating a rule based on general notions of fairness and foreseeability, is inconsistent with the

Although the dissent in *Nicastro* considered Brennan to be on the right track,¹³⁸ as of today, no track is apparent. This dissonance enables courts, if they choose, to chart their own path on the question of in personam jurisdiction.¹³⁹ For example, a New Mexico court chose to follow its own precedents until the Supreme Court resolves whether stream of commerce theory is applicable.¹⁴⁰ A federal court in Georgia has taken a similar approach; after noting the dispute in the Court over whether stream of commerce theory is valid, the Georgia court explained that under federal circuit precedent the theory could, at best, questionably support general jurisdiction and did not support specific jurisdiction in a patent infringement case unless there was evidence of enforcement activity.¹⁴¹

Before *Nicastro*, courts had begun to use the Brennan stream of commerce test more liberally.¹⁴² But since *Nicastro* was decided, courts have been less inclined to follow the Brennan test.¹⁴³ For example, in *Dow Chemical Canada v. Superior Court* the court adopted an O'Connor-like view of purposeful availment and activities targeted toward the forum state and concluded that denied in personam jurisdiction could not be asserted, notwithstanding the

premises of lawful judicial power. This Court's precedents make clear that it is the defendant's actions, not his expectations, that empower a State's courts to subject him to judgment.").

138. *Nicastro*, 131 S. Ct. at 2803 (Ginsburg, J., dissenting).

139. See, e.g., *Sproul v. Rob & Charlies, Inc.*, 304 P.3d 18, 33 (N.M. Ct. App. 2012); *Atlantis Hydroponics v. Int'l Growers Supply*, 915 F. Supp. 2d 1365, 1373–74 (N.D. Ga. 2013).

140. *Sproul*, 304 P.3d at 33 ("Because [*Nicastro*] did not produce a majority opinion adopting either Justice O'Connor's or Justice Brennan's stream of commerce theory . . . [we] adhere to our [in-state] precedents, at least until the United States Supreme Court resolves the twenty-five-year-old uncertainty over whether stream of commerce theory is sufficient to establish the required minimum contacts and, if so, how it should be applied.").

141. *Atlantis Hydroponics*, 915 F. Supp. 2d at 1373–79 (evaluating a declaratory judgment request in a patent infringement dispute between two hydroponics supply companies).

142. See, e.g., *Barone v. Rich Bros. Interstate Display Fireworks Co.*, 25 F.3d 610, 612–13, 615 (8th Cir. 1994) (applying the stream of commerce theory to find personal jurisdiction when the manufacturer knew its products were entering the forum state via its distribution network and had benefited from the distribution); *Falkirk Mining Co. v. Japan Steel Works, Ltd.*, 906 F.2d 369, 376 (8th Cir. 1990) (declining to find personal jurisdiction over a defendant when there was no evidence of minimum contacts or distribution-related knowledge on behalf of the defendant); *Vang v. Whitby Tool & Eng'g Co.*, 484 F. Supp. 2d 966, 973 (D. Minn. 2007) (finding personal jurisdiction over a company that was neither licensed nor had agents or property in the state, but that sold its product within the forum state through a distributor, and thus was aware that the product would be used in the forum state).

143. See *AFTG-TG, LLC v. Nuvoton Tech. Corp.*, 689 F.3d 1358, 1367 (Fed. Cir. 2012) (finding a lack of personal jurisdiction and acknowledging that *Nicastro* was not definitive on the efficacy of the stream of commerce theory); *Sieg v. Sears Roebuck & Co.*, 855 F. Supp. 2d 320, 324 (M.D. Pa. 2012) (ruling that exercising personal jurisdiction over the third party defendant would constitute an overly broad exercise of the stream of commerce rule). But see *Original Creations, Inc. v. Ready Am., Inc.*, 836 F. Supp. 2d 711, 717 (N.D. Ill. 2011) (concluding that because the *Nicastro* plurality "[did] not discard the stream of commerce theory," courts are free to follow the law of their forum or circuit and apply the stream of commerce test).

foreseeable presence of the defendant's product in the forum state.¹⁴⁴ In *Van Heeswyk v. Jabiru Aircraft*, the court applied *Nicastro*, and concluded that the mere fact that it was "predictable" that the defendant's product would end up in the forum state was insufficient to establish personal jurisdiction.¹⁴⁵ The court noted that there was a distinct difference between the predictability or foreseeability that the defendant's goods would be sold in the state and those instances where the defendant "can be said to have targeted the forum."¹⁴⁶ Whether foreign manufacturers that produce goods made with or using stolen IT or IP target a particular state will be difficult to predict in many, if not most, cases.

Although it seems only fair that victims should be able to bring a claim in any state where they have been adversely affected, the targeting requirement remains an obstacle to holding thieves accountability.¹⁴⁷ In *Oticon v. Sebotek Hearing Systems, LLC*, the federal court, interpreting both New Jersey and Supreme Court jurisprudence, found that although "*Nicastro* does not clearly or conclusively define the breadth and scope of the stream of commerce theory . . . *Nicastro* stands for the proposition that targeting the national market is *not* enough to impute jurisdiction to all the forum States."¹⁴⁸ In short, *Nicastro* has left litigants in a state of confusion regarding the appropriate analysis to apply when determining questions of personal jurisdiction, especially in cases of

144. See 134 Cal. Rptr. 3d 597, 603 (Cal. Ct. App. 2011) (holding that mere awareness of the defendant's product finding its way into the forum state, a single sale, or even a number of sales within a state would be insufficient to establish personal jurisdiction in the absence of targeting, purposeful availment, or sustained and continuous contact), *cert. denied*, 2012 Cal. LEXIS 4535 (Cal. 2012), 133 S. Ct. 427 (2012).

145. 276 P.3d 46, 52 (Ariz. Ct. App. 2012) (citing *Nicastro*, 131 S. Ct. at 2788).

146. *Id.* (quoting *Nicastro*, 131 S. Ct. at 2788).

147. The Federal Circuit, echoing the plurality in *Nicastro*, has not formulated its own standards to be more accommodating to those who seek to protect copyrighted material or IP or IT that is otherwise protected by the government. The Federal Circuit requires a plaintiff to demonstrate that the defendant purposefully availed themselves of the protections and benefits of the forum state and that the exercise of jurisdiction would not offend traditional notions of fair play and substantial justice. See *Bluestone Innovations Tex. v. Formosa Epitaxy*, 822 F. Supp. 2d 657, 660 (E.D. Tex. 2011) (citing *Int'l Shoe* 326 U.S. at 316–20; *Burger King*, 471 U.S. at 462); *Emissive Energy v. SPA Simrad*, 788 F. Supp. 2d 40, 43–44 (D.R.I. 2011); *Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1332 (Fed. Cir. 2008) (quoting *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1363 (Fed. Cir. 2006); *LSI Industries, Inc. v. Hubbell Lighting, Inc.*, 232 F.3d 1369, 1375 n.5 (Fed. Cir. 2000); *Akro v. Luker*, 45 F.3d 1541, 1544–45 (Fed. Cir. 1995).

148. 865 F. Supp. 2d 501, 513 (D.N.J. 2011).

foreign defendants.¹⁴⁹ The Supreme Court does not seem inclined to lift the fog and clear the air.¹⁵⁰

IV. CALDER AND THE EFFECT OF INTENTIONALITY ON IN PERSONAM JURISDICTION

A different way of thinking about the problem explained above is to consider it in terms of the underlying substantive act: theft, which is an intentional act of misconduct. IP and IT theft, as intentional acts causing harm are not in the same category as negligent acts and thus, are subject to a different jurisdictional calculus.¹⁵¹ The *Nicastro* plurality opinion recognized this distinction and explained that “in some cases, as with an intentional tort, the defendant might well fall within the state’s authority by reason of his attempt to obstruct its laws.”¹⁵² The *Nicastro* plurality’s reference to *Calder*-like reasoning¹⁵³ raises a fundamental question: because theft of IT or IP is an intentional act, what would prevent a court from using “*Calder*-effect” jurisdiction as a basis to exert in personam jurisdiction over a foreign manufacturer using stolen IT whose products are exported to and sold in the United States?

149. One commentator notes that *Nicastro* “left long-standing questions about personal jurisdiction over foreign manufacturers foggy.” Greg Ryan, *High Court Leaves Liability Jurisdiction Foggy for Foreign Cos.*, LAW 360 (Oct. 9, 2012, 10:24 PM), www.law360.com/articles/385022/-high-court-leaves-liability-jurisdiction-foggy-for-foreign-cos. There is one alternative mode of analysis based on Federal Rule of Civil Procedure 4(K)(2), which provides that a federal court can establish personal jurisdiction over a defendant “[i]f the exercise of jurisdiction is consistent with the United States Constitution and the laws of the United States, serving a summons or filing a waiver of service is also effective. . . to establish personal jurisdiction over the person of any defendant is not subject to jurisdiction in any state’s courts of general jurisdiction.” FED. R. CIV. P. 4(k)(2). For this provision to apply, “the plaintiff’s claim must arise under federal law, the defendant must not be subject to jurisdiction in any state’s courts of general jurisdiction, and exercise of jurisdiction must comport with due process.” *Touchcom, Inc. v. Bereskin & Parr*, 574 F.3d 1403, 1412 (Fed. Cir. 2009) (explaining that “Rule 4(k)(2) was adopted to ensure that federal claims will have a U.S. forum if sufficient national contacts exist”). Another, perhaps more important, for IP and IT cases depends on whether there is a more convenient forum for resolution of the claim in the United States or abroad. *Sinochem Int’l Co. v. Malay. Int’l Shipping Corp.*, 549 U.S. 422, 435–36 (2007) (finding that because the contacts, parties, and the initial legal dispute were more conveniently heard in China, the case should be dismissed on forum non conveniens grounds, leaving the question of personal jurisdiction unanswered).

150. See Ryan, *supra* note 159 (stating that “Supreme Court clarification may be slow to arrive” because Justice Breyer does not want to reinterpret jurisdictional rules “until presented with a case involving ‘modern concerns’ such as e-commerce”).

151. *Bazley v. Tortorich*, 397 So.2d 475, 480 (La. 1981) (quoting O. W. HOLMES, THE COMMON LAW 3 (1881)) (“Universally, harmful conduct is considered more reprehensible if intentional. . . . ‘Even a dog distinguishes between being stumbled over and being kicked.’”).

152. *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2787 (2011) (plurality opinion).

153. See *id.*; cf. *Calder v. Jones*, 465 U.S. 783, 789–90 (1984) (holding that the court had personal jurisdiction when intentional conduct, performed outside of the forum state but directed towards the state, allegedly caused tortious injury in the forum state).

A. *The Calder Doctrine*

Calder-effect jurisdiction permits courts to provide a remedy for acts of intentional misconduct where the jurisdictional focus is primarily on the act performed outside of the forum state that causes harm within the forum state, rather than on the *Asahi/Nicastro* commercial connections of the defendant to the forum.¹⁵⁴ *Calder* does not apply to “untargeted negligence”¹⁵⁵ and does not require a case-by-case assessment of the intentional act in question to determine if act was expressly aimed at the forum state.¹⁵⁶ Although *Calder* was a libel case,¹⁵⁷ courts have recognized that “[t]he Supreme Court did not intend the *Calder* ‘effects’ test to apply only to libel cases.”¹⁵⁸ Given the unquestionable condemnation of intentional misconduct indicated by *Calder*, courts should be more inclined to protect their residents from the domestic harms arising from such misconduct (even if the misconduct occurred abroad, particularly if no other domestic forum is available for the resolution of their claims).¹⁵⁹

Unfortunately, courts and commentators do not uniformly apply or understand *Calder*-effects jurisdiction.¹⁶⁰ For example, in *Guidry v. United States Tobacco*,

154. See *Calder*, 465 U.S. at 789–90.

155. *Id.* at 789.

156. *Washington Shoe Co. v. A-Z Sporting Goods Inc.*, 704 F.3d 668, 675 (9th Cir. 2012) (quoting *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 807 (9th Cir. 2004); *Imo Indus., Inc. v. Kiekart AG*, 155 F.3d 254, 261 (3d Cir. 1998) (holding that *Calder* can be applied to a variety of intentional torts).

157. 465 U.S. at 785.

158. *Wallace v. Herron*, 778 F.2d 391, 395 (7th Cir. 1985), *cert. denied*, 475 U.S. 1122 (1986); *Allred v. Moore & Peterson*, 117 F.3d 278, 286–87 (5th Cir. 1997) (quoting *Wallace*, 778 F.2d at 395); see also *Emissive Energy Corp. v. SPA-Simrad, Inc.*, 788 F. Supp. 2d 40, 46 (D. R.I. 2011) (“Although the Federal Circuit has yet to apply the ‘effects’ test in an ordinary patent infringement suit, it has endorsed a broad application of personal jurisdiction under *Calder*.”).

159. This principle is recognized in the Restatement (Second) of Conflict of Laws:

When the act was done with the intention of causing the particular effects in the state, the state is likely to have judicial jurisdiction though the defendant has no other contact with the state. This will almost surely be so when the effect involves injury to person or damage to tangible property.

RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 37 cmt. e (1988 revision); see also *Id.* § 36 cmt. c (1971) (“A state has an especial interest in exercising judicial jurisdiction over those who commit torts within its territory.”).

160. Compare *Allred*, 117 F.3d at 286 (“[T]he effects test is not a substitute for a nonresident’s minimum contacts that demonstrate purposeful availment of the benefits of the forum state.”), and *Brokerwood Prods. Int’l (U.S.), Inc. v. Cuisine Crotone, Inc.*, 104 F. App’x 376, 382 (5th Cir. 2004) (declining to exercise personal jurisdiction over the defendant when the plaintiff had not alleged evidence of intentionally aiming conduct at the forum state) with *Miller Yacht Sales, Inc. v. Smith*, 384 F.3d 93, 96 n.2 (3d Cir. 2004) (stating that under *Calder* “a party is subject to personal jurisdiction in a state when his or her tortious actions were intentionally directed at that state and those actions caused harm in that state”), and *Guidry v. United States Tobacco Co.*, 188 F.3d 619, 628 (5th Cir. 1999) (“[A]n act done outside the state that has consequences or effects within the state will suffice as a basis for jurisdiction in a suit arising from those consequences if the effects are seriously harmful and were intended or highly likely to follow from the nonresident defendant’s conduct.”).

the court applied the *Calder* “effects” test and found that the commission of an intentional tort by a nonresident “within the state, or an act outside the state that causes tortious injury within the state . . . amounts to sufficient minimum contacts within the state by the defendant to constitutionally permit courts within that state, including federal courts, to exercise personal adjudicative jurisdiction over the tortfeasor and the causes of actions arising from the offenses or quasi-offenses.”¹⁶¹ Some courts have held that even a single intentional act giving rise to injury in a forum state can be sufficient for a finding of minimum contacts under *Calder*.¹⁶²

But some courts have concluded that *Calder*-effects jurisdiction requires more than one act and may not serve as a substitute for a finding of minimum contacts demonstrating purposeful availment within the forum state.¹⁶³ Professor Cassandra Burke Robertson recently urged against an expansive reading of *Calder*-effects jurisdiction.¹⁶⁴ She noted that the Supreme Court “has not revisited” *Calder*-effect jurisdiction since its original decision in 1984 and questioned whether a misunderstanding of *Calder* could lead to circumvention of basic procedural requirements established for in personam jurisdiction.¹⁶⁵ She also referenced *Nicastro*, noting that the exception for intentional torts from the purposeful availment requirement remains unclear, though reasonable minds can differ on this point.¹⁶⁶

B. Aiming and the Brunt

The most challenging aspect of applying *Calder* to a foreign manufacturer’s theft of IP or IT, however, is how to address the express “aiming” requirement. Under *Calder*, the acts of the defendant must have targeted or been aimed at the forum state.¹⁶⁷ Some years ago, the Second Circuit held that if a defendant has “reason to believe” that its intentional misconduct would cause harm in a

161. 188 F.3d at 628; see also *Janmark, Inc. v. Reidy*, 132 F.3d 1200, 1202 (7th Cir. 1997) (“[T]here can be no serious doubt after *Calder v. Jones* . . . that the state in which the victim of a tort suffers the injury may entertain a suit against the accused tortfeasor.”).

162. See *Wien Air Alaska, Inc. v. Brandt*, 195 F.3d 208, 211 (5th Cir. 1999).

163. See *MLS Nat’l Med. Evaluation Servs. v. Templin*, 812 F. Supp. 2d 788, 799–800 (E.D. Mich. 2011); *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 804–05, 807 (9th Cir. 2004) (citing *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000)); *Kwik-Kopy Corp. v. Byers*, 37 F. App’x 90, *5 (5th Cir. 2002).

164. Cassandra Burke Robertson, *The Inextricable Merits Problem in Personal Jurisdiction*, 45 U.C. DAVIS L. REV. 1301, 1356–57 (2012).

165. *Id.* at 1303, 1356.

166. Robertson, *supra* note 164, at 1303, 1340 (citing *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2785 (2011) (plurality opinion)) (noting the disagreement between various courts over the exception for intentional tort cases).

167. *Calder v. Jones*, 465 U.S. 783, 789 (1984).

particular state, that might suffice to satisfy the aiming requirement in a *Calder*-effects case.¹⁶⁸

The consequences of IT and IP theft are highly predictable. Products made with stolen IP or IT have a lower cost of production and, therefore, have the potential to artificially undercut costs incurred by, and prices offered by, a company that respects property rights and uses legal IT in its operations.¹⁶⁹ This results in a market distortion and is harmful to both competitors who abide by the rule of law and pay for their IT and IP and to competition generally because it incentivizes firms—at the margins—to attempt to gain a competitive advantage by investing greater resources into stealing IT and fewer resources into innovation and product improvements.¹⁷⁰ This will be true—and quite foreseeable—in *any state* where goods made through IT or IP piracy enter the stream of commerce. Whether recognition of this pernicious effect satisfies *Calder*'s aiming requirement is unresolved.

In *Calder*, the fact that the source of the libel (the *National Enquirer*) had large circulation in the state in which plaintiff Shirley Jones brought suit, was sufficient for the Court to find that the defendant had “aimed” activity at California or could anticipate being haled into court in that state.¹⁷¹ Using that reasoning in the case of IT or IP theft, if goods produced by a foreign defendant made with or using stolen IT or IP have significant sales in one state, the defendant should anticipate being haled to court in that state. The problem is that in many cases of IT or IP theft, the goods in question are sold in *many* states.¹⁷² Does that mean there is *Calder*-effects jurisdiction in all states where the product is sold—or only in those states where the sales are substantial? Because the Supreme Court has not clarified the meaning of *Calder*, one can only surmise what the outcome might be in any particular case.

Professor A. Benjamin Spencer explained that “perpetrators of intentional torts can ‘anticipate being haled into court’ in the place where the targets of their wrongful actions reside.”¹⁷³ The Eleventh Circuit is one of the few circuits to address the question of intentionality and aiming raised by *Calder*. In *Licciardello v. Lovelady*, the court found that the *Calder*-effects test is focused on the intentionality and purposefulness of the act directed at a specific individual and not on the intention to have a specific effect in a particular

168. *Chaiken v. VV Publ'g. Corp.*, 119 F.3d 1018, 1029 (2d Cir. 1997) (explaining that the defendant did not have sufficient minimum contacts with the forum state, because, among other reasons, he did not have reason to believe that his conduct was aimed at the forum state).

169. See *supra* 10 and accompanying text.

170. See BUS. SOFTWARE ALLIANCE, *supra* note 6, at 3–4.

171. *Calder*, 465 U.S. at 784, 789–90.

172. See ORG. FOR ECON. CO-OPERATION & DEV., *supra* note 7, at 5 (discussing the vast magnitude of IT and IP theft).

173. A. Benjamin Spencer, *Terminating Calder: “Effects” Based Jurisdiction in the Ninth Circuit After Schwarzenegger v. Fred Martin Motor Co.*, 26 WHITTIER L. REV. 197, 202 (2004) (quoting *Calder*, 465 U.S. at 790).

forum.¹⁷⁴ *Licciardiello* suggests that it is perfectly reasonable to hale into court a defendant who engages in intentional misconduct directed at an individual in the forum state because it is a foreseeable consequence.¹⁷⁵

The *Calder* opinion itself does not resolve the question of the extent to which a defendant must aim its misconduct at a particular jurisdiction for personal jurisdiction to attach.¹⁷⁶ Instead, the court assumed that intentional misconduct creates a separate category for the assessment of jurisdiction in intentional tort cases without resolving the meaning of “express aiming.”¹⁷⁷ Thus, not surprisingly, opinions vary regarding the aiming requirement in *Calder*-effects cases.¹⁷⁸ In *IMO Industries v. Kiekert*, the court found that a forum state must be the “focal point” of the defendant’s intentional misconduct to satisfy the *Calder*-effects jurisdiction requirements.¹⁷⁹ In reaching its decision, the Third Circuit surveyed other circuits and found a similar interpretation in the First, Fourth, Fifth, Eighth, and Tenth Circuits.¹⁸⁰

An important contrast to *IMO* is *Cole v. Tobacco Institute*.¹⁸¹ In *Cole*, the defendant, a non-U.S. tobacco company, evinced knowledge of potential liability in the United States and employed personnel who knowingly perpetuated fraud regarding the risks of tobacco use.¹⁸² Based on these circumstances, the court implicitly rejected the notion of a precise focal point as

174. 544 F.3d 1280, 1287–88 (11th Cir. 2008).

175. *Id.*; see also *Indianapolis Colts, Inc. v. Metro. Baltimore Football Club Ltd. P’ship*, 34 F.3d 410, 411, 412 (7th Cir. 1994) (upholding the assertion of *Calder*-effects jurisdiction against a Canadian defendant, a professional sports team, in a trademark infringement suit even though the only contact with the forum state was the periodic broadcast of the team’s games because alleged harm would be felt predominately in the forum state). However, some courts also require a defendant to have knowledge that his action targets the forum state in order for a court in the forum state to assert personal jurisdiction. See *Revell v. Lidov*, 317 F.3d 467, 475 (5th Cir. 2002) (“The defendant must be chargeable with knowledge of the forum at which his conduct is directed in order to reasonably anticipate being haled into court in that forum.”).

176. See *Calder*, 465 U.S. 789–90 (explaining that the defendant’s misconduct was clearly aimed at the forum state, but failing to establish specific guidelines for subsequent determinations of what constitutes “aiming”); see also *Ziegler v. Indian River County*, 64 F.3d 470, 473 (9th Cir. 1995) (holding that the commission of an intentional tort that had an effect in the forum state met the requirements of *Calder* without additional documentation of contacts).

177. See *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d at 1087–88 (requiring express aiming in addition to foreseeability of contact or harm).

178. See Stephen Blecha, Note, *Chipping Away at the Illinois Brick Wall: The Use of Calder Jurisdiction in State Indirect Purchaser Litigation*, 2012 U. ILL. L. REV. 879, 895 (2012) (setting out the varying positions on *Calder*’s express aiming requirement).

179. *IMO Indus., Inc. v. Kiekert AG*, 155 F.3d 254, 265 (3d Cir. 1998).

180. *Id.* at 261–63 (citing *Noonan v. Winston Co.*, 135 F.3d 85 (1st Cir. 1998); *Esab Grp., Inc. v. Centricut, Inc.*, 126 F.3d 617 (4th Cir. 1997), *cert denied* 523 U.S. 1048 (1998); *Far W. Capital, Inc. v. Towne*, 46 F.3d 1071 (10th Cir. 1995); *Gen. Electric Capital Corp. v. Grossman*, 991 F.2d 1376 (8th Cir. 1993); and *Southmark Corp. v. Life Investors, Inc.*, 851 F.2d 763 (5th Cir. 1998)); see also Blecha, *supra* note 178, at 895.

181. 47 F. Supp. 2d 812 (E.D. Tex. 1999).

182. *Id.* at 813, 816–17.

a requirement for “express aiming,” holding instead that a defendant could not escape the jurisdiction of the forum state court if its wrongdoing covered multiple jurisdictions.¹⁸³ The *Cole* court held that when a defendant’s misconduct is aimed at the entire United States, there are sufficient minimum contacts in every state in which the misconduct caused injury.¹⁸⁴ Although the case law on this point is limited, it makes little sense to allow a defendant to avoid accountability anywhere on the premise that it caused multiple harms everywhere.¹⁸⁵

There is also a debate as to whether *Calder*-effects jurisdiction requires the forum state to bear the “brunt” of the defendant’s misconduct.¹⁸⁶ In *Yahoo! v. La Ligue Contre le Racisme et l’Antisemitisme*, the court determined that the quantum of harm felt by the forum state was not the appropriate measure for the sufficiency of contact in *Calder*-effects jurisdiction, holding that a forum state can assert personal jurisdiction if it experienced some harm, “it does not matter that even more harm might have been suffered in another state.”¹⁸⁷ As other courts have similarly recognized, it makes little sense to limit *Calder*-effects jurisdiction solely to the forum in which the most harm is felt.¹⁸⁸

Woven throughout the court’s discussion in *Calder* are the notions of notice and foreseeability,¹⁸⁹ both are central to the due process argument at the core of the minimum contacts debate. *Calder*, like *Asahi* and *Nicastro*, posed the question of whether it is fair to bring a defendant before a particular state’s court based on the foreseeability that the defendant’s actions might cause harm to an entity or an individual within that state.¹⁹⁰ The *Calder* Court focused on a

183. *See id.* at 815–16.

184. *Id.*; Blecha, *supra* note 178, at 895. In reaching its decision, the *Cole* court referred to *Commonwealth v. Phillip Morris*. *Cole*, 47 F. Supp. 2d at 815–16 (citing *Commonwealth v. Phillip Morris, Inc.*, No. 957378, 1998 WL 1181992, at *25–26 (Mass. Super. Ct. Mar. 20, 1998)). In this case, the court interpreted *Calder* as follows: under *Calder*, the fact that [the defendant] aimed its alleged wrongdoing at the entire United States gives it the requisite ‘minimum contacts’ with each state where that alleged intentional wrongdoing caused injury. *Phillip Morris*, 1998 WL 1181992, at *26.

185. *See Janmark, Inc. v. Reidy*, 132 F.3d 1200, 1202 (7th Cir. 1997) (“[T]here can be no serious doubt after *Calder v. Jones* . . . that the state in which the victim of a tort suffers the injury may entertain a suit against the accused tortfeasor.” (citations omitted)).

186. Blecha, *supra* note 178, at 895; *see Calder*, 465 U.S. 783, 789 (1984).

187. 433 F.3d 1199, 1207 (9th Cir. 2006).

188. *See, e.g., Weather Underground, Inc. v. Navigation Catalyst Sys., Inc.*, No. 09-10756, 2011 WL 1120106, at *3 (E.D. Mich. Mar. 24, 2011) (citing *Calder*, 465 U.S. at 791) (“The Court rejects the notion that for purposes of the *Calder* effects test, the brunt of the injury must occur at the ‘nerve center.’ *Calder* does not require that the harm occur at the principal place of business, merely that the tortious conduct was ‘calculated to cause injury. . . .’”); *id.* (“To credit Defendant’s argument, the Court has to conclude that a corporation can only suffer effects in one location. That cannot be the case.”); *see also Marten v. Godwin*, 499 F.3d 290, 297 (3d Cir. 2007); *Yahoo! v. La Ligue Contre le Racisme et l’Antisemitisme*, 433 F.3d 1199, 1207 (9th Cir. 2006).

189. *See Calder*, 465 U.S. at 789–90.

190. *See id.*; Sarah H. Ludington, *Aiming at the Wrong Target: The ‘Audience Targeting’ Test for Personal Jurisdiction in Internet Defamation Cases*, 73 OHIO ST. L.J. 541, 546–47 (2012).

defendant's capacity to "reasonably anticipate being haled into court" as a consequence of the defendant's contacts with the forum state.¹⁹¹ In the case of the use of stolen IP or IT by foreign manufacturers that export to the United States, an effect on competition and on competitors within any state in which their products are sold is not only foreseeable, it is inevitable.

Justice Ginsberg's dissent in *Nicastro* made clear that if numerous jurisdictions experience a defendant's misconduct, courts in any of those jurisdictions ought to be able to protect the citizens by exercising in personam jurisdiction over the defendant.¹⁹² *Calder*-effects jurisdiction allows just that outcome and does not violate "traditional notions of fair play and substantial justice."¹⁹³ Due process concerns decrease if the defendant reasonably anticipates being "haled into court."¹⁹⁴

While *Calder*-effects jurisdiction holds out potential for both IT and IP owners whose products are stolen and competitors who are adversely affected by such theft, conflicting views on what the case allows and requires also render *Calder* potentially problematic as a primary source of justice for victims of IT and IP theft.¹⁹⁵ The jurisdictional puzzle of *Asahi*, compounded by the multiple opinions in *Nicastro* and the varying interpretations of *Calder*, render state and federal courts unreliable fora to resolve such claims.¹⁹⁶ How then can the legal system protect the competitive market or the interests of the owners of IT and IP? Two potential approaches are (1) state enforcement of unfair trade and unfair competition laws and (2) a federal enforcement action or the issuances of rules or guidelines.

V. A BEGINNING: THE FIRST TWO (OF HOPEFULLY MANY) STATE UNFAIR COMPETITION CASES AND THE POTENTIAL FOR FTC ACTION

In December 2012, Ankur Kapoor reported on the problem of IT theft in the December 2012 ABA Antitrust Newsletter.¹⁹⁷ He cited a study that estimating

191. *Calder*, 465 U.S. at 790 (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

192. *See J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2804 (2011) (Ginsburg, J., dissenting).

193. *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

194. *See World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

195. *See supra* Part IV.

196. *See* Patrick J. Borchers, J. McIntyre Machinery, Goodyear, and the Incoherence of the Minimum Contacts Test, 44 CREIGHTON L. REV. 1245, 1245 (2011) (stating that *Nicastro* "is a disaster" and, at best, the Court "performed miserably"); Allan Ides, Foreword: A Critical Appraisal of the Supreme Court's Decision in *J. McIntyre Machinery, Ltd. v. Nicastro*, 45 LOY. L.A. L. REV. 341, 345 (2012) (noting that *Nicastro* "exacerbated rather than ameliorated the doctrinal confusion" and revealed "a disappointing level of judicial competence").

197. Ankur Kapoor, *Deterring IT Theft in Manufacturing Will Spur Innovation and Growth*, A.B.A. SEC. ANTITRUST L.-ST. ENFORCEMENT COMMITTEE, Fall 2012, 10-11.

that over \$60 billion of IT is stolen annually.¹⁹⁸ Kapoor characterized IT theft as “rampant” and the effects of such theft as “consequential.”¹⁹⁹ He acknowledged the value in action by state attorneys general or a federal regulatory agency as means of combatting unfair competition resulting from IT theft.²⁰⁰ Kapoor suggests that IT theft followed by sales of products derived from such stolen property would be within Section 5 of the Federal Trade Commission Act and would be sufficient to allow the FTC to take action against the foreign entities.²⁰¹ Thus far, the FTC has taken no direct action.

State attorneys general, on the other hand, have begun to respond. As Kapoor notes, in November 2011 eighty percent of the attorneys general in the United States signed a petition urging the FTC to take action designed to deter foreign manufacturers from using stolen IT,²⁰² and in two states, unfair trade or unfair competition cases have been initiated against foreign manufacturers.²⁰³

A. State Unfair Trade

The first public state unfair trade case targeting stolen IP and IT was filed in fall 2012 by the Office of the Attorney General of the State of Massachusetts against Narong Seafood Company pursuant to Massachusetts General Law 93A which prohibits unfair competition.²⁰⁴ The Massachusetts Attorney General alleged that Narong used pirated IT to produce goods in Thailand that were then exported to the United States and sold in Massachusetts.²⁰⁵ The Massachusetts Attorney General declared that the use of unlicensed software in these circumstances was an unfair method of competition that provided Narong with an unfair advantage over businesses operating in Massachusetts that pay for their software.²⁰⁶ Rather than fighting the claim, Narong settled, paying a \$10,000 civil fine and agreeing to cease using unlicensed or stolen IT or IP in conjunction with the manufacture or sale of its products.²⁰⁷ In a statement issued after the case was settled, Attorney General Coakely stated that “[b]usinesses using

198. *Id.* at 10 (citing BUSINESS SOFTWARE ALLIANCE, SHADOW MARKET: 2011 BSA GLOBAL SOFTWARE PIRACY STUDY (9th ed. 2012), available at <http://globalstudy.bsa.org/2011>).

199. *Id.*

200. *Id.* at 10–11.

201. *Id.* at 10 (referencing Federal Trade Commission Act, 15 U.S.C. § 45(a)(1)).

202. *Id.*; Letter from the Nat'l Ass'n of Att'ys. Gen. to the Fed. Trade Comm'n (Nov. 4, 2011), available at <http://www.naag.org/assets/files/pdf/signons/FTCA%20Enforcement%20Final.PDF>.

203. See *infra* notes 204–219 and accompanying text (discussing cases filed in Massachusetts and California against foreign entities who allegedly used stolen IT to fabricate products).

204. See Press Release, Attorney Gen. of Mass. Martha Coakley, Co. Fined for Using Pirated Software to Gain Unfair Advantage Over Mass. Bus. (Oct. 18, 2012), available at <http://www.mass.gov/ago/news-and-updates/press-releases/2012/2012-10-18-narong-seafood-co.html>.

205. *Id.*

206. *Id.*

207. *Id.*

unlicensed software should not gain an unfair cost advantage over rivals who play by the rules.”²⁰⁸

In January 2013, California initiated two similar cases, *State v. Ningbo Beyond Home Textile*,²⁰⁹ and *State v. Pratibha Syntex*.²¹⁰ California Attorney General Kamala D. Harris warned that “[c]ompanies across the globe should be on notice that they will be held accountable in California for stealing our intellectual property.”²¹¹ The Office of the California Attorney General issued a press release emphasizing that suits of this nature are essential to protect the interests of IP and IT owners, the competitive market, and the State of California, which has lost 400,000 jobs and \$1.6 billion as a result of the IP and IT piracy.²¹²

The contentions in the *Ningbo* complaint are direct and powerful. The complaint alleges that foreign IT and IP theft give producers “a critical short-term advantage over their American competitors by not paying licensing fees to software developers.”²¹³ The actions “can stunt the development of . . . software” and thus flatten innovation and efficiency by U.S. technology providers and U.S. producers and sellers.²¹⁴ Deprived of this competitive advantage, American companies may opt to downsize and move overseas, which would result in the permanent loss of jobs throughout the United States.²¹⁵

Consistent with the positions taken in this Article, the *Ningbo* complaint notes that, “state laws, federal laws, and international treaties do not address the pernicious downstream effects of such piracy.”²¹⁶ The State asserted in the *Ningbo* complaint that the solution to this problem should be to deem foreign entities’ use of stolen IT or IP an unfair method of competition.²¹⁷ Given the present insufficiency of private remedies, the *Ningbo* case could establish a format for accountability.

The remedy suggested in the *Ningbo* case is available to Attorneys General throughout the country, as nearly every state has unfair trade and unfair competition laws that encompass the wrongs alleged in the California and Massachusetts proceedings.²¹⁸ State unfair competition laws apply to stolen

208. *Id.*

209. See Complaint, *State v. Ningbo Beyond Home Textile Co.*, No. BC 499771 (Cal. Super. Ct. Jan. 24, 2013) [hereinafter *Ningbo* Complaint].

210. Complaint, *State v. Pratibha Syntex Ltd.*, No. BC 499751 (Cal. Super. Ct. Jan. 24, 2013).

211. Press Release, Office of the Attorney Gen. Kamala D. Harris Files Unfair Competition Lawsuits Over Use of Pirated Software in Apparel Indus., Jan. 24, 2013, available at <http://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-files-unfair-competition-lawsuits-over-use>.

212. *Id.*

213. *Ningbo* Complaint, *supra* note 209, at ¶¶ 5–6.

214. *Id.* at ¶ 6.

215. *Id.* at ¶ 7.

216. *Id.* at ¶ 8.

217. *Id.*

218. See Krista Correa, *All Your Face Are Belong To Us: Protecting Celebrity Images in Hyper-Realistic Video Games*, 34 HASTINGS COMM. & ENT. L.J. 93, 107–108 (2011); See, e.g.,

property and to circumstances where the competitive market is distorted and the pricing structure compromised by unlawful acts. In light of the prevalence of such laws, foreign producers relying on stolen IT and IP (as well as domestic sellers aware of the theft) can hardly claim to be surprised by a state's pursuit of legal recourse.

Although defendants might seek to skirt liability because of the complexity and uncertainty generated by the in personam jurisdiction cases, *Asahi* and *Nicastro*, discussed in this work, state enforcement actions targeting one or more aspects of foreign supply chains are a vital and legitimate alternative approach to the problem.²¹⁹ These state enforcement cases seek to provide statewide protection for fair competition, innovation, creativity, and invention, and hopefully will sidestep some of the problems presented for IT and IP theft victims by the *Asahi* and *Nicastro* decisions.²²⁰ As a Nevada court noted some years ago in a case against the rock band Judas Priest, states have a strong interest in protecting their citizens, therefore, jurisdiction over a foreign entity that has knowingly developed a global market is proper when harm in the state results from the entity's actions.²²¹

It hardly seems controversial to recognize that states have an interest in protecting their own citizens.²²² But because Massachusetts and California are among the first states to enforce unfair trade or unfair competition statutes in IT and IP theft cases, it remains to be seen whether the broad interests of a state, as

S.D. CODIFIED LAWS, § 37-24-1 (2004 & Supp. 2012); TENN. CODE ANN. § 47-18-104 (2001 & Supp. 2012); TEX. BUS. & COM. CODE ANN. § 17.46 (West 2011); UTAH CODE ANN. §§ 13-5a-103, 13-5-17, 13-11-4 (LexisNexis 2009 & Supp. 2012); VT. STAT. ANN. tit. 9, § 2453 (2006 & Supp. 2012); VA. CODE ANN. § 59.1-200 (2006 & Supp. 2013); WASH. REV. CODE ANN. § 19.86.020 (West 2013); W. VA. CODE ANN. § 46A-6-104 (LexisNexis 2006); WIS. STAT. ANN. § 100.20 (West 2010); WYO. STAT. ANN. § 40-12-105 (2011).

219. Some of the materials that follow are based on and draw from my earlier article, Andrew Popper, *Beneficiaries of Misconduct: A Direct Approach to IT Theft*, 17 MARQ. INTELL. PROP. L. REV. 27 (2013).

220. Austen L. Parrish, *Reclaiming International Law From Extraterritoriality*, 93 MINN. L. REV. 815, 848-49 (2009) ("U.S. domestic laws, applied extraterritorially, are now routinely used to influence international policy."); Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT'L L. 587, 592-96 (1997).

221. *Judas Priest v. Second Judicial Dist. Court of State of Nev.*, 760 P.2d 137, 139 (Nev. 1988) (explaining that it was "equitable" for Judas Priest's band members to defend against a lawsuit in a foreign country because the band "consciously and deliberately chose to develop a world-wide market").

222. See *Le Manufacture Francaise Des Pneumatiques Michelin v. District Court*, 620 P.2d 1040, 1048 (Colo. 1980) (recognizing the importance of "the plaintiffs' interest in obtaining convenient and effective relief," and explaining that not only would it be difficult for the plaintiffs to attempt to litigate abroad, but that "*this state* has an interest in providing a forum to its citizens injured by the alleged tortious conduct of nonresidents" (emphasis added)); *State v. NV Sumatra Tobacco Trading Company*, 666 S.E.2d 218, 223 (S.C. 2008) (holding that "[t]he exercise of jurisdiction over [defendant] Sumatra [was] reasonable and fair . . . [because] *the State's interest* in exercising jurisdiction outweighs any . . . inconvenience" caused by requiring the defendant to defend the case in the United States (emphasis added)).

a complainant, will be accorded a more expansive reading of the in personam cases jurisprudence discussed in this Article.

Although foreign producers and sellers who use stolen IT in their business operations might find a safe haven in the jurisprudential chaos that comes in the wake of the *Nicastro* decision, they should be held accountable for their misconduct. State unfair trade and unfair competition laws can serve that function.²²³ These laws have the potential to deter misconduct throughout the supply chain,²²⁴ even if they may not uniformly provide a meaningful private remedy.²²⁵ That said, simple notions of fairness suggest that “one who has used his intellectual, physical, or financial powers to create a commercial product should be afforded judicial relief from a competitor who seeks to ‘reap what he has not sown.’”²²⁶ By the public implementation and enforcement of these statutes, private victims gain, at a minimum, the downstream benefits of a vibrant competitive market environment.²²⁷ Some states conceive of these claims broadly,²²⁸ while others do not.²²⁹ Thus far, the potential for private

223. For example, regular use of stolen goods to gain an unfair competitive advantage over those who abide by the law falls within the scope of a North Carolina law prohibiting “[u]nfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce.” See N.C. GEN. STAT. § 75-1.1(a) (2011). Similarly, Iowa and Missouri both prohibit “unfair practices” in an effort to preserve and protect the competitive market. See IOWA CODE ANN. § 714.16(2)(a) (West 2003); MO. ANN. STAT. § 407.020(1) (West 2011) (focused on fraud and misrepresentation).

224. Andrew F. Popper, *In Defense of Deterrence*, 75 ALBANY L. REV. 181, 181, 202 (2011) (“To claim that punishment has no effect on other market participants is to deny our collective experience. . . . Money approximates loss and covers expenses. It can alter financial possibilities and provide remedial potential. Justice requires more: the avoidance of similar harms, or deterrence.”).

225. See Michael Flynn & Karen Slater, *All We Are Saying Is Give Business a Chance: The Application of State UDAP Statutes to Business-to-Business Transactions*, 15 LOY. CONSUMER L. REV. 81, n.45 (2003) (discussing private right of action and noting that forty-eight states provide for a private right of action, but explaining that states have different specifications for who can assert the right). Texas is one of the states that provides a private right of action. See TEX. BUS. & COM. CODE ANN. § 17.46 (West 2011).

226. Rudolf Callmann, *He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition*, 55 HARV. L. REV. 595, 612 (1942).

227. Miguel Deutch, *Unfair Competition and the “Misappropriation Doctrine” a Renewed Analysis*, 48 ST. LOUIS U. L.J. 503, 545 (2004) (evoking the free rider problem); see also Kenney v. Hanger Prosthetics & Orthotics, Inc., 269 S.W.3d 866, 871 (Ky. Ct. App. 2007) (explaining that the field of unfair competition has been expanded to protect the skills and labor of competitors).

228. *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 14 (5th Cir. 1974) (“The law of unfair competition is the umbrella for all statutory and nonstatutory causes of action arising out of business conduct which is contrary to honest practice in industrial or commercial matters”); *Rehab. Specialists, Inc. v. Koering*, 404 N.W.2d 301, 305–06 (Minn. Ct. App. 1987) (describing unfair competition broadly as “a general category of torts which courts recognize for the protection of commercial interests”).

229. Constance A. Anastopoulo, *Bad Faith: Building a House of Straw, Sticks, or Bricks*, 42 U. MEM. L. REV. 687, 690 (2012) (“most states do not permit a private right of action under their

claims related to IT and IP theft based on current case law, outside of cases brought by state attorneys general, has not substantially slowed down the rate of foreign piracy.²³⁰ The significant cost of investigation at home and abroad, litigation costs, and the complexities associated with enforcement of judgments place this option beyond the reach of most victims. In contrast, public unfair trade cases can address a whole range of misconduct, harness the resources of a state attorney general, and do not require a showing of a personal harm.²³¹

Although the meaning of unfair competition varies, theft of IT and IP is clearly illegal under any conception of the term.²³² Moreover, once the issue is properly before a court in an unfair trade case, there is a good argument that the court has the power to provide the victim with a remedy, even if a foreign defendant committed the wrong.²³³ Similarly, it is arguable that remedies can be confined to property or interests in the forum state only.²³⁴

B. The Federal Trade Commission

Another approach for dealing with stolen IP or IT and its effects on U.S. commerce would be for the FTC pursue this profoundly unfair method of competition under Section 5 of the FTC Act, which condemns “[u]nfair methods of competition” and “unfair or deceptive acts or practices.”²³⁵ This legislation

[unfair competition or unfair trade] statutes”); Flynn & Slate, *supra* note 225, at 87–88 (explaining that some state limit who can take advantage of their unfair trade statutes).

230. See C. Owen Paepke, *An Economic Interpretation of the Misappropriation Doctrine: Common Law Protection for Investments in Innovation*, 2 HIGH TECH. L.J. 55, 63 (1987); Courtney W. Franks, Comment, *Analyzing the Urge to Merge: Conversion of Intangible Property and the Merger Doctrine in the Wake of Kremen v. Cohen*, 42 HOUS. L. REV. 489, 522 (2005); Rob Calia, *Increase in IP Seizures Demonstrates Scope of Global Counterfeiting and Piracy*, GLOBAL INTELLECTUAL (Jan. 10, 2012), <http://globalipcenter.com/increase-ip-seizures-demonstrates-scope-global-counterfeiting-and-piracy/> (noting that seizures of pirated goods have increased 325 percent over the past decade).

231. See *supra* notes 204–30 and accompanying text.

232. See, e.g., *United Labs., Inc. v. Kuykendall*, 403 S.E.2d 104, 109 (N.C. Ct. App. 1991) (“No precise definition of ‘unfair methods of competition’ . . . exists. . . . ‘Rather, the fair or unfair nature of particular conduct is to be judged . . . against the background of actual human experience and by determining its intended and actual effects upon others.’”) (quoting *McDonald v. Scarboro*, 370 S.E.2d 680, 684 (N.C. Ct. App. 1988)); see also *State ex rel. Miller v. Cutty’s Des Moines Camping Club, Inc.*, 694 N.W.2d 518, 525 (Iowa 2005) (“What is an ‘unfair practice’? On its face the term is dizzying in its generality. . . . [C]ourts have determined statutes that prohibit ‘unfair practices’ are designed to infuse flexible equitable principles into consumer protection law so that it may respond to the myriad of unscrupulous business practices modern consumers face.”).

233. See RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 53 (1971) (“A state has power to exercise judicial jurisdiction to order a person, who is subject to its judicial jurisdiction, to do an act, or to refrain from doing an act, in another state.”).

234. Cf. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 48, cmt. c (1995) (“[A]lthough a court may have jurisdiction to grant broader relief, an injunction protecting the right of publicity should ordinarily be limited to conduct in jurisdictions that provide protection comparable to the forum state.”).

235. See 15 U.S.C. § 45(a)(1) (2006).

gives the FTC the power to “consider[] public values beyond simply those enshrined in the letter or encompassed in the spirit of the antitrust laws.”²³⁶ Those values certainly include condemning theft of IT and IP as unfair, whether by committed by foreign or domestic entities. Moreover, the enforcement power of the FTC extends beyond domestic borders if the foreign action “ha[s] a direct, substantial, and reasonably foreseeable effect” on U.S. markets.²³⁷

The FTC could also conduct a rulemaking designed to create standards for supply chain review by domestic sellers or, issue informal guidelines establishing criteria to clarify the obligations borne by domestic importers and sellers to determine if foreign providers are relying on stolen IP or IT.²³⁸ Alternatively, the FTC could initiate enforcement actions, targeting domestic sellers, importers, or foreign entities that sell products manufactured by companies that use stolen IT or IP in their business operations.²³⁹ Bringing such enforcement actions would be particularly justified with respect to manufacturers located in jurisdictions in which a meaningful remedy for IT theft would be difficult to obtain in the local courts.

In order to carry out their legislative mandate, federal agencies must occasionally reach beyond the territorial United States in order to protect domestic interests and ensure accountability.²⁴⁰ To turn a blind eye to practices that cost U.S. entities hundreds of billions of dollars each year borders on abdication. At a bare minimum, issuing “best practices” standards or guidelines—both of which can be done relatively easy and cheaply, would be a step in the right direction and would send a powerful message to foreign IT and IP thieves.

The White House recently released a substantial report on the problem of IT and IP theft.²⁴¹ The report was developed with the input from the Departments

236. *FTC v. Sperry & Hutchinson Co.*, 405 U.S. 233, 244 (1972).

237. 15 U.S.C. § 45(a)(3)(A); see Andrew Serwin, *The Federal Trade Commission and Privacy: Defining Enforcement and Encouraging the Adoption of Best Practices*, 48 SAN DIEGO L. REV. 809, 821 (2011).

238. See Serge Mezhburd, *The Unintelligible Standard: Rethinking the Mandate of the FTC from a Nondelegation Perspective*, 57 N.Y.U. ANN. SURV. AM. L. 361, 366–72 (2000) (explaining the history and mechanics of FTC rulemaking power).

239. See Federal Trade Commission Act, ch. 311, 38 Stat. 717 (1914) (codified as amended at 15 U.S.C. §§ 41–58) (providing the FTC power to secure injunctive relief against those who are engaged in unfair or deceptive act). But nothing in the Act allows for individual claims by the victims of the misconduct.

240. See *S.E.C. v. Straub*, 921 F. Supp. 2d 244, 259 (S.D.N.Y. 2013) (“Although it might not be convenient for Defendants to defend this action in the United States, Defendants have not made a particular showing that the burden on them would be ‘severe’ or ‘gravely difficult.’ . . . [I]f the SEC could not enforce the FCPA against Defendants in federal courts in the United States, Defendants could potentially evade liability altogether.”); *S.E.C. v. Unifund SAL*, 910 F.2d 1028, 1033 (2d Cir. 1990) (discussing the exercise of personal jurisdiction over foreign entities).

241. See U.S. INTELLECTUAL PROP. ENFORCEMENT COORDINATOR, ANNUAL REPORT ON INTELLECTUAL PROPERTY ENFORCEMENT (2012) http://www.whitehouse.gov/sites/default/files/omb/IPEC/ippec_annual_report_mar2012.pdf.

of Agriculture, Commerce, Health and Human Services, Homeland Security, Justice, State, and the Treasury, as well as the U.S. Trade Representative and the U.S. Copyright Office.²⁴² Notably, the FTC was not involved. The report urges the establishment of mechanisms to secure supply chains and recites the accomplishments of various domestic and transnational entities that have addressed the problem.²⁴³ This report indicates that the substantial federal resources have been committed and appears to invite the FTC to engage in the effort.

VI. LOOKING FORWARD

Professor Taylor Simpson-Wood recently examined the problems with in personam jurisdiction generated by both the *Nicastro* case and its companion, *Goodyear Dunlop Tires Operation v. Brown*.²⁴⁴ After noting the failure of the Court to craft meaningful guidance to deal with international defendants in product liability cases, Professor Simpson-Wood noted that one can only hope that in the future the Court will adopt “a more expansive view of general jurisdiction.”²⁴⁵ She suggests that stream of distribution or stream of commerce theories should suffice “sans the minimum contact analysis.”²⁴⁶

Like *Nicastro*, *Goodyear* failed to simplify the problem of holding accountable foreign entities whose misconduct has a pernicious effect on and negative consequences for the United States economy.²⁴⁷ If anything, *Goodyear* rendered the task of plaintiffs who are victims of foreign IT or IP theft more difficult by “clarifying that the overly complicated stream of commerce theory of personal jurisdiction does not apply to general in personam jurisdiction analysis.”²⁴⁸ Even when confronting egregious misconduct, including alleged overt human rights violations, the Court has seemed unwilling to declare United States courts a friendly forum for foreign defendants.²⁴⁹

Another commentator, Professor Charles W. “Rocky” Rhodes, is likewise critical of the Court’s failure to provide guidance on legal standards or relief to

242. *Id.* at 1.

243. *Id.* at 18–20.

244. Simpson-Wood, *supra* note 19, at 154–57 (citing *Goodyear Dunlop Tires Operation v. Brown*, 131 S. Ct. 2846, 2851 (2011)).

245. *Id.* at 155–56.

246. *Id.* at 156.

247. *See Goodyear*, 131 S. Ct. at 2851–54. In *Goodyear*, the plaintiff was killed in a bus accident in France. *Id.* at 2851. The plaintiff’s parents alleged that the accident was the result of a defect in the bus’s tires, which were produced by defendant Goodyear in North Carolina and then sold primarily for use outside the United States. *Id.* at 2851–52. The tires were not sold in North Carolina. *Id.* at 2852. The Court found that “the paradigm forum for the exercise of general jurisdiction is . . . one in which the corporation is fairly regarded as at home.” *Id.* at 2853–54.

248. S. Wilson Quick, Comment, *Staying Afloat in the Stream of Commerce: Goodyear, McIntyre, and the Ship of Personal Jurisdiction*, 37 N.C.J. INT’L L. & COM. REG. 547, 550 (2011).

249. *See Kiobel v. Royal Dutch Petroleum Co.*, 133 S.Ct. 1659, 1669 (2013) (limiting the application of the Alien Tort Claims Act to individuals, giving corporations a free ride).

those who are victims of misconduct by foreign entities.²⁵⁰ Rhodes characterizes the Court's decisions in *Nicastro* and *Goodyear* as overly formalistic and accuses the Court of using a fictional basis for jurisdictional limitations that frustrates the interests of those legitimately entitled to relief in the United States.²⁵¹ Rhodes notes that the Court has long rejected the notion of "doing business" as a basis for jurisdiction,²⁵² perhaps necessitating legislative action to address the deeply problematic uncertainties in the field.²⁵³

A Note in the *Fordham Law Review* recently observed: "In a global economy, where a manufacturer produces machines hoping to sell them in as many places as possible, it is not unfair to subject that manufacturer to suit in a place where it hopes, but does not necessarily anticipate, to do business."²⁵⁴ The logic and fairness behind this position is clear. As one court noted: "In this age of NAFTA and GATT one can expect further globalization of commerce, and it is only reasonable for companies that distribute allegedly defective products through regional distributors in this country to anticipate being haled into court by plaintiffs in their home states."²⁵⁵ Unfortunately, that reasoning does not appear in *Asahi*, *Nicastro*, or *Goodyear*.

Additionally, Dean and Professor Wendy Collins Perdue recently wrote about *Nicastro* and *Goodyear*, finding the Court sharply divided on critical jurisdictional questions.²⁵⁶ Looking at the opinions of Justice Kennedy and Justice Ginsberg in *Nicastro*, Dean Perdue characterizes the assertions in both opinions regarding jurisdiction to be simply incorrect.²⁵⁷ She argues that Justice Kennedy's position in *Nicastro* "suggests that Kennedy believes that defendants have a liberty interest in not being subject to the governmental authority of the state with which they have not affirmatively affiliated themselves."²⁵⁸ She further notes that "Kennedy apparently believes that states have no power or authority separate than what is conferred by the defendant."²⁵⁹ This position takes "party autonomy" to a new and troubling level. Although courts have long recognized that parties may agree to apply the law of a particular state when

250. Charles W. "Rocky" Rhodes, *Nineteenth Century Personal Jurisdiction Doctrine in a Twenty-First Century World*, 64 FLA. L. REV. 387, 388–90 (2012).

251. *See id.* at 433–34.

252. *Id.* at 430 (citing *McGee v. Int'l Life Ins. Co.*, 355 U.S. 220, 222 (1957)) ("In a continuing process of evolution this Court accepted and then abandoned 'consent,' 'doing business,' and 'presence' as the standard for measuring the extent of state judicial power over such corporations.").

253. *Id.* at 435.

254. Peter R. Bryce, Note, *Whither Fairness? In Search of a Jurisdictional Test After J McIntyre Machinery v. Nicastro*, 80 FORDHAM L. REV. 2975, 3006 (2012) (citations omitted).

255. *Barone v. Rich Bros. Interstate Display Fireworks Co.*, 25 F.3d 610, 615 (8th Cir. 1994).

256. *See Perdue, supra* note 14, at 729.

257. *See id.*

258. *Id.* at 741.

259. *Id.*

entering into a contract, the options do not include selecting no law, no state, and no accountability.²⁶⁰

Assuming the Supreme Court is disinclined to back away from *Nicastro*, unwilling to adopt Justice Brennan's stream-of-commerce approach, and unlikely to revisit *Calder* to clarify the unresolved aiming issues, one remaining option is to enact federal legislation that provides injured parties better access to U.S. courts. A legislative solution is fair, constitutional, and necessary.²⁶¹

Whether such legislation has a political future is another question. The last time a bill was submitted to address these problems, it died without ever coming to the floor of the House.²⁶² However, legislation is a promising solution and response to Justice O'Connor's invitation in *Asahi*: "Congress could, consistent with the Due Process Clause of the Fifth Amendment, authorize federal court personal jurisdiction over alien defendants based on the aggregate of *national* contacts, rather than on the contacts between the defendant and the State in which the federal court sits."²⁶³

VII. CONCLUSION

Hope for a viable and reliable theory for victims of IT and IP theft after *Nicastro* and *Goodyear* seems faint at best. It is hard to see another way to read cases like *Nicastro*, leaving most victims of overt IT and IP theft without a clear path to secure justice in the courts, outside the reading of *Calder* suggested earlier. Public enforcement or regulatory action at the state or federal level can sanction those engaged in such misconduct and send a clear message regarding the public will to address the problem.

In the absence of federal legislation, protection of basic property rights must be accomplished through state unfair trade enforcement actions along the lines

260. *Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1, 8–12 (1972). Party autonomy is not without its critics. Compare William J. Woodward, Jr., *Constraining Opt-Outs: Shielding Local Law and Those It Protects from Adhesive Choice of Law Clauses*, 40 LOY. L.A. L. REV. 9, 33–34 (2006), with Patrick J. Borchers, *Forum Selection Agreements in the Federal Courts After Carnival Cruise*, 67 WASH. L. REV. 55, 66 (1992) (reviewing the "strong sense of the importance of party autonomy" evident in Supreme Court cases).

261. See *Foreign Manufacturers Legal Accountability Act: Hearing on H.R. 4678 Before the Subcomm. on Commerce, Trade & Consumer Prot. of the H. Comm. on Energy & Commerce*, 111th Cong. 41 (2010) (statement of Andrew F. Popper, Professor of Law, American University, Washington College of Law) (testifying that the proposed legislation was "a strong bill that is constitutionally sound, beneficial to consumers, beneficial to U.S. businesses, and consistent with the domestic laws and practices of many of our major trading partners. It levels the civil liability landscape, stripping foreign manufacturers of an unfair advantage. It addresses a powerful but understandable loophole in our legal system, facilitating access to the courts by injured consumers. By making possible litigation against those who place into the stream of commerce dangerous, defective, and even deadly goods, the bill triggers corrective justice incentive mechanisms of the tort system. When you create the realistic possibility for liability, you activate incentives to make safer and more efficient products.").

262. Rhodes, *supra* note 250, at 434–35.

263. *Asahi Metal Indus. Co. v. Super. Ct.*, 480 U.S. 102, 113 n* (1987) (plurality opinion).

of the Massachusetts and California proceedings discussed in this Article or FTC action. These avenues must be pursued and widened. Governmental initiatives of this type will stimulate innovation, creativity, and invention while producing incentives for efficiency. They will also have a stabilizing effect on the competitive market. Finally, they can help avoid the loss of another trillion dollars in the next decade.

