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

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In Search of Jurisdiction and Accountability for Foreign Defendants

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Contents

Introduction
I. The Cost of IT and IP Theft
II. Doctrinal Roadblocks to Securing Jurisdiction over Foreign Entities
   a. The Roots of In Personam Jurisdiction
   b. Asahi and Nicastro –the Plot Thickens
III. Misconduct, Minimum Contacts, and Maximum Confusion
   a. Domestic Subsidiaries
   b. Non-Affiliated Users or Sellers
IV. Calder and the Effect of Intentionality on In Personam Jurisdiction
   a. The Calder Doctrine
   b. Aiming and the Brunt
V. A Beginning: The First (of Hopefully Many) State Unfair Competition Cases and the Potential for FTC Action
   a. State Unfair Trade Laws
   b. The Federal Trade Commission
VI. Concluding Perspectives

Introduction

Since its inception, the U.S. legal system has evinced a meaningful commitment to the protection of property. This work explores why certain property, specifically information technology and

* 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 at 123, in John Locke, TWO TREATISES OF GOVERNMENT, at 267, 342 (Peter Laslett ed., Cambridge Univ. Press 1988) (1690). Locke’s influence on the U.S. legal system is hardly controversial – and Locke asserted that protection of private property is the
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. law and the laws of most other countries as well. For those sanctions to work, 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.

The focus of this work is 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 -- unless those who steal IT and IP can be brought before a U.S. court or made subject to the authority of a U.S. state or federal agency, they will be unaccountable, an unacceptable and all-too-common occurrence with devastating social and economic consequences.

I. The Cost of IT and IP Theft

The value of stolen IT and IP is staggering. A recent White House study suggests the cost is as much as a trillion dollars over the last decade.\(^2\) Looking just at theft of domestic IP and IT by foreign entities, a standard estimate of annual loss is in the neighborhood of $200 billion.\(^3\) While sources vary regarding actual annual losses, at the low end is an estimate of $58 billion – and $1 trillion at the upper end.\(^4\) An OECD report tracking losses eight years ago found “international responsibility of government. See also Richard A. Epstein, TAKINGS: PRIVATE PROPERTY AND THE POWER OF EMINENT DOMAIN, 17 (1985) (relying on John Locke and noting that the purpose of the Constitution was “the protection of private property [that] Locke considered the purpose of government”); Lynda J. Oswald, Property Rights Legislation and the Police Power, 37 AM. BUS. L.J. 527, 535 (2000) (explaining that while John Locke urged the preeminence of property, “protection of private property . . . [it is not an] absolute in the U.S. legal system”); Cecelia M. Kenyon, Republicanism and Radicalism in the American Revolution: An Old-Fashioned Interpretation, 19 WM. & MARY Q. 153, 172 n.13 (1962).\(^2\) 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 at 2 (noting that losses in 2008 alone could be as high as $1 trillion).


trade in counterfeit and pirated products could have been up to USD 200 billion in 2005... A 2011 International Trade Commission Report found that IT theft in China alone exceeded $48 billion. An International Chamber of Commerce Report found, “the total magnitude of counterfeiting and piracy worldwide is estimated to be well over US$600 billion...”

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 problem of IT and IP theft threaten established and nascent businesses, large publicly traded companies and start-ups – in short, the core of the U.S. economy. The theft of IT and IP not only harms the creators of that IT and IP, it also perverts the marketplace, devastating U.S. companies that respect the rule of law who are undercut by those selling and using products made with stolen IT or IP.

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

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9 In addition to questionable protection through the courts, IP and IT owners who have U.S. copyright protection cannot assert those rights beyond the borders. Copyright entitlements do not extend extraterritorially, compounding the problem of IT and IP theft outside the U.S. Kirbyaeng v. John Wiley & Sons, 568 U.S. ___, ___ S.Ct. ___, 2013 U.S. LEXIS 2371 (March 19, 2013) (providing no relief to copyright holders for foreign “first sales” followed by domestic resale of U.S. copyrighted books); Subafilms, Ltd. v. MGM-Pathe Communications, 24 F.3d 1088, 1095–98 (9th Cir.) (en banc), cert. denied, 513 U.S. 1001 (1994) (copyright laws simply do not apply to infringing acts outside the U.S.); United Dictionary Co. v. G. & C. Merriam Co., 208 U. S. 260, 264 (1908) (the “force” of copyright laws do not extend outside the territorial United States); Update Art, Inc. v. Modiin Publishing, Ltd., 843 F.2d 67, 73 (2d Cir. 1988) (“It is well established that copyright laws generally do not have extraterritorial application.”); The Robert Stigwood Group Ltd. v. O’Reilly, 530 F.2d 1096, 1101 (2d Cir. 1976) (“Copyright laws do not have extraterritorial operation.”).
Unfortunately, the legal problems associated with those actions, specifically the restrictive and complicated rules for in personam jurisdiction – the focus of this paper – stand in the way of just and appropriate remedies. Without legal recourse, IP and IT owners lose almost incalculable value, the whole of the U.S market suffers, and, over time, millions of jobs will be lost.\footnote{Intellectual Property Theft: Get Real Facts and Figures - The Research: Facts and Figures Illustrate the Extent of Intellectual Property Theft, http://www.ncpc.org/topics/intellectual-property-theft/facts-and-figures-}

Given the magnitude of the harm caused by stolen IT and IP and deeply held beliefs regarding fairness and equal treatment, one would think U.S. courts would be anxious to protect those harmed by overt misconduct. The U.S. legal system, however, has failed to resolve the in personam jurisdiction conundrum and thus has not provided a reliable mechanism to hold accountable foreign entities that inflict real and tangible harms on U.S. companies and consumers 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, announcing doctrine that is “wrong, or at least misleading” hitting a “new low” in terms of providing a remedial roadmap for victims of IP and IT theft.\footnote{Wendy Perdue Collins, What’s Sovereignty Got To Do With It? Due Process, Personal Jurisdiction, and the Supreme Court, 63 SOUTH CAROLINA L. REV. 729 (2012).}

The limits on jurisdiction of U.S. courts over foreign entities discussed in this paper have allowed foreign IT and IP thieves to profit with impunity. Commenting on the difficulties private parties face protecting their interests, Professor John Carey explained that “non-US manufacturers who entrust their product to a [domestic] distributor with a goal of serving the entire US market will not be subject to personal jurisdiction in every state in which their products are sold. There is no doubt that foreign defendants will make vigorous use of that result wherever possible. . . .”\footnote{John T. Perry, Introduction: Due Process, Borders, and the Qualities of Sovereignty—Some Thoughts on J. Macintyre Machinery v. Nicastro, 16 LEWIS AND CLARK LAW REV. 827 (2012).} 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].”\footnote{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).} In short, if unchecked and undaunted by the threat of any meaningful legal consequences, theft of IT and IP will continue and worsen.

II. Doctrinal Roadblocks to Securing Jurisdiction over Foreign Entities

When a deprivation of property occurs, historic and basic notions of justice require a remedy – \emph{ubi jus, ibi remedium} – where there is a right, there is a remedy.\footnote{3 William Blackstone, COMMENTARIES ON THE LAWS OF ENGLAND 23 (Dawsons of Pall Mall 1966) (1768) (“[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”), quoted in Marbury v. Madison, 5 U.S. 137, 163–66 (1803).} How bizarre that such a
funds the principle falters and sometimes fails entirely when the entity engaged in the misconduct is foreign.

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. Given the harm caused by stolen IT and IP noted in the prior section, regardless of the way one calculates losses, the damage is massive and the contact anything but minimum. However, harm to victims has not been the common measure to determine personal jurisdiction.

a. The Roots of In Personam Jurisdiction

For more than a hundred years, the Supreme Court has attempted to provide guidance to lower courts on in personam jurisdiction over foreign nationals. 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. 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.

U.S. courts are appropriately cautious when their actions have implications for foreign affairs. Additionally, principals of comity and deference to other sovereign states are appropriate. However, the notion that U.S. courts are a hostile forum for domestic victims of misconduct by foreign entities is troubling at best. The unavailability of a forum for an injured plaintiff has

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15 Todd David Peterson, The Timing of Minimum Contacts, 79 GEO. WASH. L. REV. 101 (2010) (noting, “[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”).


18 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 (providing residual power to the legislature, but nothing in Article III suggests the judiciary has a role to play in foreign affairs). The principles underlying the political question doctrine urge caution when cases extend beyond the 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 Executive and Legislative [and] not subject to judicial inquiry or decision”).

19 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).

serious consequences, and the notion that the “courthouse door is closed” can lead to the degradation of clearly articulated rights particularly in the intellectual property field.

The starting point for discussing in personam jurisdiction is *Pennoyer v. Neff.* *Pennoyer* limited a state’s power to “extend its process beyond” its borders, finding that a court cannot assert in personam jurisdiction over a foreign entity unless there is a sufficient and meaningful relationship with the forum state most easily established by personal service or actual presence. 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 were “certain minimum contacts” with the forum state as opposed to the actual presence or service of process required in *Pennoyer.* The question after *International Shoe,* of course, became one 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.

In the wake of *International Shoe,* two tracks emerged for in personam jurisdiction: general jurisdiction and specific jurisdiction. If a foreign entity has “substantial, continuous, and systematic contacts” with the forum state, a court can exercise general jurisdiction over that entity. 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. General jurisdiction requires a level of contact with a forum state that approximates physical presence.

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21 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.”)


24 95 U.S. at 722.


26 *Id.* 319.

27 *Burger King Corp. v. Rudzewicz,* 471 U.S. 462, 471–72 (1985) (holding that requisite minimum contacts are required as a matter of Due Process).

28 *International Shoe,* 326 U.S. at 318; *Burger King Corp,* 471 U.S. at 473 n.15 (1985) (contrasting general and specific jurisdiction); *Panavision Int'l, L.P. v. Toeppen,* 141 F.3d 1316, 1320 (9th Cir. 1998).


30 *Helicopteros,* 466 U.S. at 415; *Yahoo! v. La Ligue Contre le Racisme et l'Antisemitisme,* 433 F.3d 1199, 1205 (9th Cir. 2006).

31 *Bancroft and Masters v. Augusta National,* 223 F.3d 1082, 1086 (9th Cir. 2000).
Evidence of general jurisdiction would be the maintenance of a business facility, offices, licensing, sales agents, advertising or promotion targeting a particular state, solicitation of business, or other acts that evince long-term presence.  

If the contacts are less pervasive than required for general jurisdiction, a court may exercise specific jurisdiction over a defendant.  Specific jurisdiction exists when contacts, while not substantial, continuous, and systemic, nonetheless reflect a conscious transactional engagement in the state coupled with a purposeful availment of the benefits and protections of the forum state.  Specific jurisdiction is transactional, case-specific, and unpredictable.  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.

For those seeking redress for the 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 (having a place of business, employees, and localized marketing) and has a long-term, on-going business, it is likely that it is subject to general jurisdiction and can be held accountable in court much the same as any resident of the state.  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 be outside the requirements for specific jurisdiction.

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 a single sale or a single contact could be sufficient: “[a] single purposeful contact is sufficient to confer personal jurisdiction if the cause of action arises from that contact.” McGee was clarified months after it was decided by Hansen v. Helicopteros Nacionales, 466 U.S. at 415.

The Supreme Court recently explained the distinction in Goodyear Dunlop Tires Operations, S.A. v. Brown, 131 S.Ct. 2846, 2851 (2011) (citations omitted): “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 ‘affiliation 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.’”


Lake Assocs. v. DNZ Products, — F.Supp.2d ———, 2012 WL 3573892, at *5, (D. Or. Aug. 20, 2012) (quoting Synthes (U.S.A.) v. G.M. Dos Reis Jr. Ind. Com de Equip. Medico, 563 F.3d 1285, 1297 (Fed. Cir. 2009) (“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 forum are continuous and systematic.’ Instead, the ‘court must look at the facts of each case to make such a determination.’”).


Denkla,\textsuperscript{39} which shifted the focus from the notion of a single sale or transaction to the more demanding set of tests found in \textit{International Shoe} centering on fairness, minimum contacts, and purposeful availment of the legal regime of the state. \textit{Hansen} held that the plaintiff must show that “the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws . . . .”\textsuperscript{40}

Twenty years later, the Court refined \textit{Hansen} in \textit{Shaffer v. Heitner},\textsuperscript{41} requiring that presence or contacts of the defendant to be sufficient to meet the due process fair play and reasonability requirements, and \textit{Kulko v. Superior Court},\textsuperscript{42} reiterating the minimum contacts test and discussing the interests of the plaintiff and the state. In cases of IT or IP theft, for specific jurisdiction, a plaintiff must show that the defendant “purposely direct his activities at residents of the forum . . . and the litigation results from alleged injuries that arise out of or are related to those activities.”\textsuperscript{43} The conduct should be sufficient such that foreign national[s] should “reasonably anticipate being haled into court . . . .”\textsuperscript{44} 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 the presence or absence of in personam jurisdiction.

\textbf{b. Asahi and Nicastro – the Plot Thickens}

In 1987, the question of the \textit{nature} of the sufficiency of defendant’s actions or contact with the forum for purposes of in personam jurisdiction came to a head in \textit{Asahi Metal Indus. v. Superior Court}.	extsuperscript{45} In that case, the plaintiff’s wife was killed when a motorcycle they were riding collided with a tractor. The accident occurred in California and allegedly was caused by a defect in one of the motorcycle tires as well as a defect in the valve in that tire. The tire was made by Cheng Shin Rubber, a Taiwanese company, and the valve was made by Asahi Metal Industry Company, a Japanese company.

About 20\% of Cheng Shin’s U.S. sales were in California, and while there was some disagreement between the parties, it is safe to conclude that a meaningful number of Chen Shin tires sold in California had Asahi valves. Before judgment, the plaintiff settled with Cheng Shin Rubber. Chen Shin then filed a cross-claim against Asahi in California seeking indemnification.\textsuperscript{46} Chen 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 products were sold in California.

Asahi argued that it was not subject to the jurisdiction of the California courts because it had insufficient contacts with the forum state, the trial would be highly inconvenien, an

\textsuperscript{40} \textit{Hanson}, 357 U.S. at 253.
\textsuperscript{41} 433 U.S. 186, 216 (1977).
\textsuperscript{42} 436 U.S. 84, 91 (1978).
\textsuperscript{43} \textit{Burger King, Corp. v. Rudzewicz}, 471 U.S. 462 (1985).
\textsuperscript{44} \textit{Id. at} 474 (quoting \textit{World-Wide Volkswagen v. Woodson} 444 U.S. 286, 297 (1980)).
\textsuperscript{45} 480 U.S. 102 (1987).
\textsuperscript{46} \textit{Id.}
indemnification claim could and should be litigated in Japan, and that it never contemplated being sued in the U.S.  Further, Asahi had no employees, offices, or real estate in California, nor did it make direct sales or solicit business in California.

Based on these facts, the Court 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.’”47

The Court found that even if one assumes Asahi was aware of the California sales of the Chen Shin products with the Asahi valves and the products were, broadly defined, in the stream of commerce, Asahi did not “purposefully avail itself of the California market. . . . It [had] no office, agents, employees, or property in California [and did not] advertise or otherwise solicit business in California. It [was not involved in the] distribution system that brought its valves to California.” Consequently, the Court found insufficient contacts to satisfy the Due Process minimum contact rules.48

On the question of fairness and substantial justice, the Court noted that since the defendant Asahi was a foreign company (raising problems of convenience and witness availability) and since the plaintiffs (Cheng Chin is the plaintiff in the cross-claim) were not California residents, the interest of the forum state was limited. 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 all the state might be treated differently than an action brought by a non-resident. As noted later in this paper, a state court has a powerful interest in hearing claims brought by the State on behalf of its residents. The Asahi Court made clear this distinction, finding that when there are minimum contacts and the plaintiffs are state residents (or the state itself), “the exercise of jurisdiction will justify even the serious burdens placed on the alien defendant.”49

The Court concluded with guidance on the assertion of jurisdiction over foreign defendants, noting concerns about fairness and convenience as well as international relations. Relying on a 1965 case, the Court cautioned that “[g]reat care and reserve should be exercised when extending our notions of personal jurisdiction into the international field.”50 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 anyone’s guess whether the Court intended to re-write requirements for in personam jurisdiction in an atypical case involving a component-part third-party indemnification dispute between two foreign entities (one out-of-state and the other out-of-the-U.S.). This was not a case

48 Id. at 112.
49 Id. at 114.
involving the rights of an in-state plaintiff harmed by the acts of a foreign defendant. Though written by a divided court,51 Asahi initiated a jurisprudential mudslide, dividing federal circuits and state courts.52 As became evident a decade and a half later, the rifts in Asahi are still present on the Court and evident in the Court’s more recent Nicastro53 and Goodyear54 decisions, discussed infra.

However one reads Asahi, it reflects abundant concern for foreign defendants and left domestic plaintiffs with an uncertain burden. Justice O’Connor’s plurality opinion rejected the notion that in personam jurisdiction necessarily can be found with single sales and limited contacts, even if the contact or sales are foreseeable and intentional and even if such sales were in the “stream of commerce” of the state. In a separate opinion, Justice Brennan disagreed, accepting the argument that knowing and foreseeable placement of a product in the “stream of commerce” of a state is adequate for purposes of in personam jurisdiction. The O’Connor 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 a domestic retailers, goods made with stolen IT or IP. The Brennan perspective makes such cases more viable – but Brennan’s opinion was not endorsed by a majority of the Court in the primary opinion in the case. As the next section indicates, the split between these two points of view persists.

51 In fact, one would be hard-pressed to see Asahi as crisp legal precedent or a clear determination of 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. In the remainder of her opinion (a plurality), Justice O’Connor was joined only by Chief Justice Rehnquist and Justices Powell and Scalia. Justices Brennan, White, Marshall, and Blackmun concurred separately in a second opinion, and Justice Stevens, White, and Blackmun wrote a third opinion.


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

A plurality of the Court held that while the defendant benefited from U.S. commerce, it had not “personally avail[ed] itself of the privilege of conducting activities within the forum State, thus [not invoked] the benefits and protections of its laws.” Even if the goods were in the state’s stream of commerce, the plurality found a defendant (1) must target the forum state and (2) purposely avail itself of the rights and protections of that state. The plurality held that 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.

While the case could have clarified the confusion left by *Asahi*, the Court was unable to make a crisp and clear statement to guide future courts. The case was decided by a plurality and rejected (to the extent a plurality can be dispositive) the idea that a targeted, foreseeable sale in a state on its own is sufficient for in personam jurisdiction. If the best that can be said is that a product is in the stream of commerce and foreseeably made available for sale in the forum state, the *Nicastro* plurality found that insufficient for purposes of specific or general jurisdiction.

Justice Breyer noted in his concurrence in *Nicastro* that while 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. Justice Breyer noted his concern for small foreign defendants who have caused injury to persons in the U.S. He characterized as “unfair” making foreign defendants accountable in court, expressing concern about the burden of making foreign entities “understand not only the tort law of every State, but also the wide variance in the way courts within different States apply that law.”

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55 131 S. Ct. at 2780 (2011).
56 Id. at 2787-88, citing *Hanson v. Denckla*, 357 U.S. 235, 253 (1958).
58 *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. at 2789.
59 Id. at 2791.
60 Id. at 2794.
dominates the opinions\textsuperscript{61} – and one is hard-pressed to find an equal concern for U.S victims of misconduct. Further, just how this is any more unfair than it would be for out-of-state domestic defendants who cause injury is not part of the dialogue. Interests that are so fundamental – specifically IP or IT created by a U.S. entity or person – ought not be so difficult to protect.

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, raising this obvious question: 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 if a product is foreseeably present in the U.S., designed for domestic sales, that should be sufficient for finding in personam jurisdiction over a foreign user or seller. However, the plurality in \textit{Nicastro} found a single transaction or isolated sales of a product is insufficient to support jurisdiction – even if the presence is foreseeable.\textsuperscript{62} 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.\textsuperscript{63} Justice Breyer’s concurrence in \textit{Nicastro} also suggests the importance of evidence of special domestic customer lists that the foreign manufacturer has developed, coupled with property the manufacturer owns, employees the foreign manufacturer retains, or proof of other tangible resources.\textsuperscript{64} It is not hard to imagine that 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 both the plurality and Justice Breyer’s concurrence in \textit{Nicastro}.

\textbf{a. Domestic Subsidiaries}

Given the profitability of those involved with IT or IP theft and the difficulties associated with in personam jurisdiction, it is worth asking whether the minimum contact problem might be solved if the seller or user in the forum state is a subsidiary of a foreign parent company.\textsuperscript{65} If the

\textsuperscript{61} \textit{GSS Grp. v. Nat’l Port Auth.}, 680 F.3d 805 (D.C. Cir. 2012) (“Both the Supreme Court and this court have repeatedly held that foreign corporations may invoke due process protections to challenge the exercise of personal jurisdiction. . . . See, e.g., \textit{Goodyear}, 131 S. Ct. at 2850–51, 2853; \textit{J. McIntyre}, 131 S. Ct. 2785, 2789–90 . . . .In each of those instances, the foreign defendant was . . . “alien to our constitutional system” [yet] the court did not hesitate to afford the defendant the full measure of due process protection. (internal citations and footnotes omitted).

\textsuperscript{62} \textit{J. McIntyre}, 131 S. Ct. at 2784.

\textsuperscript{63} \textit{Id}.

\textsuperscript{64} See \textit{Jones v. Fairbanks Reconstruction Corp.}, No. 11-cv-437, 2012 WL 3990089 (D. Me. Sept. 11, 2012) (“This ‘mere awareness’ that products will reach Maine via the stream of commerce cannot support the exercise of specific jurisdiction . . . .(citing \textit{Asahi} & \textit{Goodyear}). . . . [The] stream of commerce doctrine cannot serve as a basis for general personal jurisdiction.”(citations omitted)).

\textsuperscript{65} \textit{Am. Tel. & Tel Co. v. Compagnie Bruxelles Lambert}, 94 F.3d 586, 590 (9th Cir. 1996); \textit{Hargrave v. Fibreboard Corp.}, 710 F.2d 1154, 1159 (5th Cir. 1983); \textit{Boryk v. De Havilland Aircraft Co.}, 341 F.2d 666 (2d Cir. 1965).
subsidiary is owned and fully controlled by the foreign parent, the chances of haling the parent into a U.S. court increases. However the corporate relationship is articulated, because the minimum contact rule is about personal jurisdiction, there must be something about the parents’ personal contact with the forum state – not just the subsidiary’s contact.

In *Hargrave v. Fiberboard*,66 the court held: “Generally 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 a foreign parent.” The parent must exert “domination and control of its subsidiary [such that] they do not in reality constitute a separate and distinct corporate entity but are one in the same corporation for purposes of jurisdiction . . . .”67

The problem, of course, is that foreign entities engaged in IT theft or using 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 have no formal long-term corporate ownership relationship. In *Hargrave*, the court found that a domestic company can be construed as a dependent subsidiary based on the amount of stock of the subsidiary the parent controls, the extent to which they share headquarters, officers, director, corporate formalities, accounting systems, and overall authority for the day-to-day operation of the subsidiary.68 Looking broadly at IT and IP theft over the last decade, it is not clear how many parties involved in these cases would meet that test.

b. Non-affiliated Users or Sellers

Outside of a parent-subsidiary relationship, the rules begin to blur, depending on the state and the circumstances. Illinois for example, has a fairly broad (and somewhat unique) interpretation of the elemental fairness requirements in personam jurisdiction. Recently those standards were set out in *Russell v. SNFA*: “To determine reasonableness, courts consider the following factors: (1) the burden on the defendant; (2) the forum states’ interest in resolving the dispute; (3) the plaintiff’s interest in obtaining relief; (4) the interest of the effects forums, including the forum state, in the most efficient resolution of the dispute; (5) the interests of the effected forums in the advancement of substantive social policies.”69 For the minimum contact formulation, *Russell* is one of a handful of post-*Nicastro* cases following Brennan’s stream of commerce theory.

The *Russell* case involved a deadly 2003 Agusta helicopter crash. The helicopter was built in Italy, with parts made in France, exported through a German company, and ultimately ended up in Illinois where the accident occurred.70 The court found it noteworthy that the defendant SNFA did “not deny that it knew that Agusta helicopters were sold throughout the United States… [and did] not deny that it knew Agusta had an American subsidiary for purposes of distribution….” Relying on the reasonable foreseeability of the presence of the product - thus satisfying Brennan’s stream of commerce test – the Illinois court exercised jurisdiction over the

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66 *Hargrave*, 710 F.2d at 1159.
67 *Id.*
68 *Id.* at 1160.
70 *Russell*, 965 N.E.2d at 3-4.
foreign defendants. That the defendant knowingly accessed the legal system of the state or contemplated and planned to benefit from that system was not established, thus diluting the overblown importance of conscious availment in *Nicastro*. Unfortunately, *Russell* is the exception, not the rule.

Similar to *Russell* is *Willemsen v. Invacare*, a post-*Nicastro* opinion from Oregon. Plaintiff’s mother was killed in a fire allegedly caused by a defect in the battery of her motorized wheelchair. Plaintiffs are Oregon residents. Invacare built the wheelchair at its Ohio plant. The battery was manufactured by CTE, a Taiwanese company. CTE made its batteries pursuant to contract specifications set by Invacare and agreed to indemnify Invacare for liability resulting from problems with the battery. CTE disputed the finding of personal jurisdiction, claiming that much like *Asahi*, local courts in its domicile (Thailand) were more convenient. CTE argued further that there were insufficient contacts with Oregon to satisfy the requirements for in personam jurisdiction set out in *Nicastro*.

The Oregon court disagreed, suggesting that neither *Asahi* nor *Nicastro* provided a clear signal on critical personal jurisdiction questions. The court found that when “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 . . . .” Freed from the most restrictive parts of the plurality in *Nicastro*, the court found an adequate relationship between the state and the defendant CTE. This decision was based on the number of sales and the indemnification agreement that suggested CTE anticipated a role in legal proceedings, thus meeting the availment requirement. The court noted as sufficient “a regular course of sales” or “regular . . . flow” of the defendant’s product into the forum state. The court found such activities can form a foundation for specific jurisdiction since one could conclude that under these circumstances, a foreign defendant “anticipated the need to defend against the very sort of claim that the plaintiffs [filed in this case] . . . .”

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 of liability from those sales. Foreseeability of presence is a logical factor to consider – and one that is not the norm. Outside of cases like *Russell* or *Willemsen* or subsidiary relationships that meet the criteria mentioned above, victims of IT or IP theft are left with the uncertainty of *Asahi* and the negative text of the *Nicastro* plurality. For many items produced abroad using stolen IP or IT and designed for sale in the world, it is not clear how personal jurisdiction can be established.

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73 *Id.* at 877.
74 *Id.*
75 *Id.*
76 *World-Wide Volkswagen Corp*. 444 U.S. at 295 (“Yet ‘foreseeability’ alone has never been a sufficient benchmark for personal jurisdiction under the Due Process Clause.”).
U.S., if the most that can be said is that they are foreseeably present, in personam jurisdiction is unlikely to be found. As noted earlier, per Justice O’Connor’s plurality opinion, foreseeability presence, simpliciter, is insufficient for minimum contacts.

Justice O’Connor’s plurality opinion has generated a quarter century of debate and a pronounced conflict between the circuits. As the dissenting opinion in Nicastro points out, the post-Asahi measures of in personam jurisdiction leave something to be desired. Contact with a forum, if measured by marketing strategies, employees, property, advertising, and access to or benefits from the legal system of the state, have nothing to do with the selling price of a product – yet courts use both the value of sales, selling price, and the volume of sales to measure the sufficiency of contacts. As Justice Ginsburg noted: “By 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, see Nelson v. Park Indus. Inc., 717 F.2d 1120 (7th Cir. 1983). cigarette lighters, or wire-rope splices, the Court would presumably find the defendant amenable to suit in that State.” Consider that benefiting from the market available in a particular state was translated into “targeting” a forum state – and targeting was measured by bulk sales and price, this seems hardly a rational approach.

The question of whether stream of commerce, foreseeable presence, or something more is required has been answered differently by courts. Professor Angela McLaughlin recently studied the variation – or more accurately, disagreement – between the circuits. Based on her research, she concluded that 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 Eight Circuit appears to follow both, the Ninth Circuit follows Justice O’Connor, the Tenth Circuit follows both, the Eleventh Circuit follows Justice Brennan, and the Federal Circuit has declined to decide the question. For victims of IT or IP theft, this disconcerting discord generated by Asahi and Nicastro only 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 around the importance of knowing placement of a product into the stream of commerce of a state. The problem in Justice O’Connor’s opinion is not one of clarity: “The placement of product into the stream of commerce, without more, is not an act of the defendant purposely directed at the forum state.” It is the implication that is troubling. Consider that under this formulation, deciding to sell goods

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78 Asahi, 480 U.S. at 102-107.
80 717 F.2d 1120 (7th Cir. 1983).
81 See Oswalt v. Scripto, Inc., 616 F.2d 191 (5th Cir. 1980)
82 Hedrick v. Daiko Shoji Co., 715 F.2d 1355 (9th Cir. 1983).
83 Nicastro, 131 S. Ct. 2804, Dissent, per Justice Ginsburg, N.15, in text citations moved to footnotes.
85 Id. at 727-28 app’x A.
86 Asahi, 480 U.S. at 112 (O’Connor, J. discussing stream of commerce theory).
in the forum state and then selling those goods is not sufficient to make a company or a seller subject to the laws of that state.

Justice Brennan’s *Asahi* view differs fundamentally on the meaning of stream of commerce: “[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. . . . A defendant who has placed goods in the stream of commerce benefits economically from the retail sale of the final product in forum state, and indirectly benefits from the state’s laws that regulate and facilitate commercial activity. . . .”87 Under this formulation, deciding to sell goods in the forum state and then selling those goods is probably sufficient for in personam jurisdiction. The problem, however, is that this formulation is outright rejected by the plurality in *Nicastro.*88

According to Justice Kennedy’s opinion in *Nicastro* (writing for himself, Roberts, Scalia, and Thomas), Justice Brennan was simply wrong.89 According to the dissent in *Nicastro*, Brennan was on the right track90 – and yet, as of today, to be blunt, there is no track. This dissonance enables courts, if they chose, to chart their own path on the question of in personam jurisdiction.

The language of a recent case from the New Mexico Court of Appeals reflects the void: “Because *J. McIntyre Machinery* 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.”91

A federal court in Georgia has a similar approach: “The Supreme Court has held that “placing goods into the stream of commerce ‘with the expectation that they will be purchased by consumers within the forum State’ may indicate purposeful availment” [quotes omitted]. . . . [citing *Nicastro*]. [However, in] *Asahi* . . . four Justices believed that a defendant must do “something more” than merely deliver its product into the stream of commerce . . . . [citing Justice O’Connor’s opinion in *Asahi*]. . . . [T]he Supreme Court has declined to reconcile the two approaches.”92

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87 *Id.* at 117 (Brennan, J., concurring in part).
88 *J. McIntyre*, 131 S. Ct. at 2789 (“But Justice Brennan's concurrence, advocating a rule based on general notions of fairness and foreseeability, is inconsistent with 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.”)
89 *Id.* at 2789.
90 *Id.* at 2803 (Ginsburg, J., dissenting).
Prior to Nicastro, courts had begun to use the Brennan stream of commerce test more liberally.\(^{93}\) For example, in Dow Chemical Canada v. Superior Court\(^ {95}\) the court focused on an O’Connor-like view of purposeful availment and targeted activities conducted within the forum state and denied in personam jurisdiction, notwithstanding the foreseeable presence of the defendant’s product in the forum state. In Van Heeswyk v. Jabiru Aircraft,\(^ {96}\) the court applied Nicastro, finding that “predictable” contacts were insufficient. 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.” 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.

While 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 accountability.\(^ {97}\) In Oticon, Inc. v. Sebotek Hearing Systems,\(^ {98}\) the federal court, interpreting both New Jersey and Supreme Court jurisprudence, found that while “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.”\(^ {99}\)

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\(^{93}\) Vang v. Whitby Tool & Eng’g Co., 484 F. Supp. 2d 966 (D. Minn. 2007) (finding jurisdiction over a company that was neither licensed or had agents or property in the state but sold its product within the state through a distributor was aware that the product would be used in the forum state); Barone v. Rich Bros. Interstate Display Fireworks Co., 25 F.3d 610 (8th Cir. 1994) (applying stream of commerce theory); Falkirk Mining Co. v. Japan Steel Works, Ltd., 906 F.2d 369 (8th Cir. 1990).

\(^{94}\) AFTG-TG, LLC v. Nuvoton Tech. Corp., 689 F.3d 1358, 1367 (Fed. Cir. 2012) (finding a lack of jurisdiction and acknowledging that Nicastro was not definitive on the efficacy of the stream of commerce approach); Sieg v. Sears Roebuck & Co., 855 F. Supp. 2d 320 (M.D. Pa. 2012); but see Original Creations, Inc. v. Ready Am., Inc., 836 F. Supp. 2d 711 (N.D. Ill. 2011) (finding that since Nicastro was decided by a plurality, courts are free to follow the law of their forum or circuit and apply the stream of commerce test).

\(^{95}\) 202 Cal. App. 4th 170 (Cal. Ct. App. 2011) (the 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 outside of meeting targeting, purposeful availment, or the sustained and continuous contact requirements).


\(^{97}\) While one might think the Federal Circuit would formulate its own standards and perhaps be more accommodating to those who seek to protect copyrighted material or IP or IT that otherwise enjoys governmental protection, that is not the case. The Federal Circuit requires a plaintiff to demonstrate that the defendant availed themselves purposefully of the protections and benefits of the forum state involved and that the exercise of jurisdiction does not offend traditional notions of fair play and substantial justice echoing the plurality in Nicastro. 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); Bluestone Innovations Tex. v. Formosa Epitaxy, 822 F. Supp. 2d 657 (E.D. Tex. 2011), citing Int’l Shoe 326 U.S. at 316-320; Burger King, 471 U.S. at 462. See e.g., Emissive Energy v. SPA Simrad, 788 F. Supp. 2d 40 (D.R.I. 2011).


\(^{99}\) Id. 865 F. Supp. 2d at 513.
In short, *Nicastro* has left litigants in a state of confusion. One commentator notes that *Nicastro* “left long-standing questions about personal jurisdiction over foreign manufacturers foggy…” The Supreme Court does not seem inclined to lift the fog and clear the air.

**IV. Calder and the Effect of Intentionality on In Personam Jurisdiction**

A different way of thinking about the problem above is to take a step back and consider the underlying substantive act: theft, which is undeniably an intentional act of misconduct. Characterized as IP and IT thieves, defendants fall in a special jurisdictional category: jurisdiction over perpetrators of intentional misconduct. Intentional acts causing harm are simply not in the same category as negligent acts and they allow for a different jurisdictional calculus. In the plurality opinion of *Nicastro*, after referring to the Shirley Jones libel case, *Calder v. Jones*, the Court recognized the distinction and held as follows: “[I]n 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.” The *Nicastro* decision’s reference to *Calder* raises a fundamental question: since theft of IT or IP is an intentional act, what would prevent a court from recognizing “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?

**a. The Calder Doctrine**

*Calder-*effect jurisdiction permits courts to provide a remedy for acts of intentional misconduct where the jurisdictional focus is more on the act performed outside the forum state that causes harm within the forum state rather than on the *Asahi/Nicastro* commercial connection of the defendant to the forum. To be clear, *Calder* does not apply to “untargeted negligence” and does require a case-by-case assessment of the intentional act in question to determine if the

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100 There is one alternative mode of analysis based on Fed. R. Civ. P. 4(K)(2) providing that if a “defendant is not subject to jurisdiction in any state’s court of general jurisdiction . . . exercise of jurisdiction is consistent with the United States Constitution. . . .” Fed. Rules Civ. Proc. Rule 4. For this provision to apply, the plaintiff’s claim must arise under federal law and the basic fairness requirements of due process must be satisfied. *Touchcom v. Bereskin & Parr*, 574 F.3d 1403, 1413 (Fed. Cir. 2009). To an extent, this rule can be seen as default federal court jurisdiction, although the application of the minimum contacts and due process rules have rendered this provision the exception and not the rule for most cases in which forum jurisdiction is contested. Perhaps more importantly for IP and IT cases, if there is an available forum for resolution of a claim in the U.S. or abroad, the case rule does not apply. *Sinochem Int’l Co. v. Malay. Int’l Shipping Corp.*, 549 U.S. 422 (2007) (finding that since the contacts, parties, and the initial legal dispute where more conveniently heard in China, the case must be dismissed).


102 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.”).


104 *Nicastro*, 131 S.Ct. at 2787.

105 *Calder*, 465 U.S. at 789-90.
aiming requirement is met. While Calder was a libel case, courts have recognized that "[t]he Supreme Court did not intend the Calder 'effects' test to apply only in libel cases." Given the unquestionable condemnation of intentional misconduct, 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. This principal is recognized in the Restatement (2nd) of Conflict of Laws: "When the act was done with the intention of causing the particular effect [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."

In Guidry v. United States Tobacco, the court found that the commission of an intentional tort "within the state, or an act outside the state that causes tortious injury within the state, [constitutes] 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." 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.

Unfortunately, Calder-effects jurisdiction is not perceived uniformly by courts or commentators. Some courts have found Calder-effects jurisdiction requires more than one act and may not be a substitute for a finding of minimum contacts demonstrating purposeful

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106 Washington Show v. A-Z Sporting Goods Inc., 704 F.3d 668, 675 (9th Cir. 2012); Imo Indus. v. Kiekart AG, 155 F. 3d 254, 261 (3d Cir. 1998) (holding that Calder can be applied to a variety of intentional torts).
107 465 U.S. at 785.
109 RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 37 cmt. e (1971); See §36 cmt. a, cmt. c ("A state has an especial interest in exercising judicial jurisdiction over those who commit torts within its territory.").
110 188 F.3d 619, 628 (5th Cir. 1999); 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.").
111 Wein Air Alaska, Inc. v. Brandt, 195 F.3d 208, 211 (5th Cir. 1999).
112 Current case law is in conflict. Compare Calder minimum contact cases: Allred v. Moore & Peterson, 117 F.3d 278, 286 (5th Cir. 1997) ("the 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 Intl (U.S.), Inc. v. Cuisine Crotone, Inc., 104 F. App'x 376, 381-82 (5th Cir. 2004) with Calder non-minimum contact cases: Miller Yacht Sales, Inc. v. Smith, 384 F.3d 93, 96 n.2 (3d Cir. 2004) (Calder subjects a party “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. U.S. 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 of 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.").
availment within the forum state.113  Professor Cassandra Burke Robertson recently discussed Calder-effects jurisdiction, urging against an expansive reading.114  She noted that the Supreme Court “has not revisited” Calder jurisdiction since its decision in 1984 and questioned whether a misunderstanding of Calder could lead to circumvention of basic procedural requirements established for in personam jurisdiction. She referenced Nicastro, noting that the exception for intentional torts remains unclear, though reasonable minds can differ on this point.115

b. Aiming and the Brunt

The most apparent challenge with applying Calder to a foreign manufacturer’s theft of IT, however, is how to address the express “aiming” component for such IP or IT theft.116 Calder requires that the acts of the defendant are aimed at or target the forum state.117 Some years ago, the Second Circuit held that if a defendant has “reason to believe” that its intentional misconduct would cause harm in a particular state, that might suffice to satisfy the aiming requirement in a Calder-effects case.118

Theft of IT or IP has highly predictable consequences. 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. 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 (since firms, in order to gain a competitive advantage, will -- at least on the margins -- invest greater resources into stealing IT and fewer resources into innovation, product improvements, etc.). 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 the aiming requirement is an open question.

In Calder, the fact that the source of the libel (the National Enquirer) had large circulation in California, the state in which plaintiff Shirley Jones brought suit, was sufficient for the Court to find that the defendant had “aimed” at California or could anticipate being haled into court in that state.119 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 the goods in question in

115 Dissenting opinion of Justice Ginsburg, joined by Justice Sotomayor and Justice Kagan. Nicastro at 2794; Cassandra Burke Robertson, at 1303 (noting disagreement between various courts).
117 Id.
118 Chaiken v. VV Pub’l’g. Corp., 119 F. 3d 1018, 1029 (2nd Cir. 1997).
many cases of IT or IP theft are sold in many states. 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? Since 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.” The 11th circuit is one of the few to address the question of intentionality and aiming in Calder. In Licciardello v. Lovelady, the court found that the Calder-effects test is focused on intentionality and purposefulness and not on the intention to have a specific effect in a particular forum. Licciardello suggests that it is perfectly reasonable to hale into court a defendant who engages in intentional misconduct – indeed, it is foreseeable.

The Calder opinion itself does not resolve the question of the extent to which a defendant must aim its misconduct at a particular jurisdiction. Instead, it made the assumption that intentional misconduct creates a separate category for the assessment of jurisdiction without resolving the meaning “express aiming.” Thus, not surprisingly, opinions vary regarding aiming in Calder-effects cases. In IMO Industries v. Kiekert, the court found that a forum state must be the “focal point” of the intentional misconduct of a defendant in order to satisfy the requirements of Calder-effects jurisdiction. The Third Circuit then surveyed other circuits and found a similar perspective in the first, fourth, fifth, eight, and tenth circuits.

An important contrast to IMO is Cole v. Tobacco Institute. In that case, the defendant, a non-U.S. tobacco company, evinced knowledge of potential liability in the U.S. and employed personnel who knowingly perpetuated fraud regarding the risks of tobacco use. Based on these

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121 Licciardello v. Lovelady, 544 F.3d 1280, 1287-88 (11th Cir. 2008).
122 Id. at 1287; see also Indianapolis Colts, Inc. v. Metro. Baltimore Football Club Ltd. Partnership, 34 F.3d 410, 411, 412 (7th Cir. 1994) (upholding the assertion of Calder-effects jurisdiction against a Canadian defendant, a professional sports team, even though the only contact with the forum state was the periodic broadcast of the team’s games); Revell v. Lidov, 317 F.3d 467, 475 (5th Cir. 2002) (“[t]he 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.”).
123 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).
124 Bancroft, 223 F.3d at 1088 (requiring express aiming in addition to foreseeability of contact or harm).
127 Id. at 260; see Blecha at 895 (referring to Noonan v. Winston, 135 F.3d 85 (1st Cir.1998); Esab Group v. Centricut, 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).
circumstances, the court rejected the notion of a precise focal point as a requirement for “express aiming,” finding instead that a defendant could not escape the jurisdiction of the court if its wrongdoing covered multiple jurisdictions. *Cole* held that when a defendant’s misconduct is aimed at the entire United States, there are sufficient minimum contacts in every state.  

The *Cole* court referred to *Commonwealth of Massachusetts v. Philip Morris*, which interpreted *Calder* as follows: “The fact that the alleged intentional wrongful act was directed at many states instead of just one should not have the result that [the defendant] cannot be sued anywhere in the United States. . . . Rather, 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 for that alleged wrongdoing where [it] caused injury.” While 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.

There is also a debate surrounding the question of whether *Calder*-effects jurisdiction requires the forum state to bear the core or “brunt” of the defendant’s misconduct. In *Yahoo! v. La Ligue Contre le Racisme et l’Antisemitisme*, the court found the quantum of harm was not the appropriate measure for the sufficiency of contact in *Calder*-effects jurisdiction, holding that “it does not matter that even more harm might have been suffered in another state.” It makes little sense to limit *Calder*-effects jurisdiction, in terms of the “brunt” requirement, solely to the forum in which the most harm is felt.

Woven throughout the discussion of *Calder* is the notion of notice and foreseeability, both central to the due process argument at the core of the minimum contacts debate. *Calder*, like *Asahi* and *Nicastro*, posed the question of whether a defendant fairly can be brought before a court of a particular state based on the foreseeability that the defendant’s actions might cause harm in that state.

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129 Id. at 816; Stephen Blecha, note __, at 895.
131 Id. at *25-26*, slip op. at 15.
132 “[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.” *Janmark, Inc. v. Reidy*, 132 F.3d 1200, 1202 (7th Cir. 1997).
133 *Calder*, 465 U.S. at 789.
134 433 F.3d 1199, 1205 (9th Cir. 2006).
135 Id. at 1207.
136 *Weather Underground, Inc. v. Navigation Catalyst Sys., Inc.*, No. 09-10756, 2011 U.S. Dist. LEXIS 30633, at *8–9* (E.D. Mich. Mar. 24, 2011) (“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’. . . .”) (citation omitted); id. (“To credit Defendant’s argument, the Court has to conclude that a corporation can only suffer effects in one location.”); 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) (“The ‘brunt’ of the harm need not be suffered in the forum state. If a jurisdictionally sufficient amount of harm is suffered in the forum state, it does not matter that even more harm might have been suffered in another state.” ).
harm to an entity or an individual within that state. The Court centered on the capacity of a defendant to “reasonably anticipate being haled into court” as a consequence of the defendant’s contacts with the forum state. 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 just foreseeable, it is inevitable.

Justice Ginsberg’s dissent in Nicastro made clear that if a defendant’s misconduct is experienced in numerous jurisdictions, courts in any of those jurisdictions ought to be able to protect the citizens of those jurisdictions and find in personam jurisdiction over the defendant. Calder-effects jurisdiction allows just that outcome and does not violate “traditional notions of fair play and substantial justice.” If the defendant reasonably anticipates being “haled into court, the due process concerns begin to dissipate.”

While Calder-effects jurisdiction holds out potential for both owners of IT and IP whose products are stolen as well as competitors who are affected adversely by such theft, conflicting views of the case render it potentially problematic as a primary source of justice for victims of IT and IP theft. In the end, the jurisdictional puzzle of Asahi, compounded by the multiple opinions in Nicastro and the varying interpretations of Calder, make state and federal courts unreliable fora to resolve such claims. How then can the legal system protect the competitive market or the interests of the owners of IT and IP? Two obvious approaches are state enforcement of unfair trade of unfair competition laws and 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, Ankour Kapoor reported on the problem of IT theft in the December 2012 ABA Antitrust Newsletter. He approximates that “more than $60 billion . . . of IT is stolen each year.” Citing the 2011 BSA Global Software Piracy Study, Kapoor characterizes IT

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138 Calder, 465 U.S. at 790.
139 Nicastro, 131 S. Ct. at 2804.
141 Remick v. Manfredy, 238 F.3d 248, 253 (3d Cir. 2001).
142 Patrick J. Borchers, J. McIntyre Machinery, Goodyear, and the Incoherence of the Minimum Contacts Test, 44 CREIGHTON L. REV. 1245, 1245 (2011) (J. McIntyre is “a disaster” and the best that can be said is that 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) (McIntyre “exacerbated rather than ameliorated the doctrinal confusion” and revealed “a disappointing level of judicial competence”).
144 Id. at 1.
thief as “rampant” and “consequential.” Because of the difficulties of securing jurisdiction by
conventional means, he acknowledged the value in action by state attorneys generals or a federal
regulatory agency. Kapoor suggests that the theft of IT followed up with 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 foreign entities. 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,
and in two states, unfair trade or unfair competition cases have been initiated.

a. State Unfair Trade

In fall 2012, the first public state unfair trade case targeting stolen IP and IT was filed when the
Office of the Attorney General of the State of Massachusetts initiated an action against Narong
Seafood Company pursuant to Massachusetts General Law 93A which prohibits unfair
competition. Based on statements of the Attorney General, Martha Coakely, Narong used
pirated or stolen IT to produce its goods in Thailand and then exported those products to the
United States where they were sold in Massachusetts. The Massachusetts Attorney General
declared that the use of unlicensed software in these circumstances was an unfair method of
competition and provided Narong with an unfair advantage over businesses operating in
Massachusetts that pay for their software. Rather than fighting the claim, Narong settled,
paying a $10,000 civil fine and agreeing to cease the use of unlicensed or stolen IT or IP in
conjunction of the manufacture or sale of its products. In a statement issued after the case was

Standard.pdf.
146 Ankur Kapoor & Constantine Cannon, Deterring IT Theft in Manufacturing Will Spur Innovation and
Growth, (American Bar Association, Section of Antitrust Law), available at
http://www.naag.org/assets/files/pdf/signons/FTCA%20Enforcement%20Final.PDF.
149 Narong Seafood Stung by Suit, BANGKOK POST BUSINESS, Oct. 23, 2012,
http://www.bangkokpost.com/business/economics/317953/narong-seafood-stung-by-suit; Press Release,
Attorney General Martha Coakley, Company Fined for Using Pirated Software to Gain Unfair Advantage
updates/press-releases/2012/2012-10-18-narong-seafood-co.html; Patricia Resende, State Fines Thai
Company for Pirated Software Use, BOSTON BUSINESS JOURNAL, Oct. 18, 2012,
http://www.masshigh.tech.com/stories/2012/10/15/daily46-State-fines-Thai-company-for-pirated-
software-use.html.
150 Id.
settled, Attorney General Coakely stated that those “using unlicensed software should not gain unfair cost advantage over rivals who play by the rules.”

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

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.” 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. Deprived of “competitive advantage[.] . . . [companies] may . . . downsize in the United States and relocate overseas, resulting in the permanent loss of jobs and manufacturing in California and elsewhere.”

Consistent with the positions taken in this research, the *Ningbo* complaint notes that “state laws, federal laws, and international treaties do not address the pernicious downstream effects of such piracy. . . .” Given the insufficiency of private remedies, the *Ningbo* case could establish a format for accountability. The State asserts that the “use of pirated software to gain a competitive . . . can . . . be remedied by proscribing such tactics as an unfair method of competition under California law.” That potential exists in the vast majority of states.

The unfair trade and unfair competition laws of most states encompass the wrongs alleged in the California and Massachusetts proceedings. Every state has an unfair competition law, many

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154 *Id.* at 1.
155 Ningbo Complaint, 5-6.
156 Ningbo Complaint at 5-6.
157 Ningbo Complaint at 7.
158 Ningbo Complaint at 8.
160 *Id.* at 107–08 (“every state has an unfair competition statutory regime”).
quite similar to the statutes in Massachusetts and California.\textsuperscript{161} State unfair competition laws apply to stolen property and to circumstances where the competitive market is distorted and the pricing structure compromised by unlawful acts. Foreign producers relying on stolen IT and IP and domestic sellers aware of the theft can hardly claim that the pursuit of legal recourse through the state comes as a surprise.

Although defendants might seek to skirt liability because of the complexity and uncertainty generated by the in personam jurisdiction cases 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.\textsuperscript{162} \textit{Asahi} and \textit{Nicastro} have made it difficult for private victims of IT and IP theft to secure a judicial remedy, but state enforcement cases have separate goals – the state-wide protection of fair competition, innovation, creativity, and invention – and hopefully will sidestep some of the problems of those cases.\textsuperscript{163} As a Nevada court noted some years ago in a case against the rock band Judas Priest, “[t]he exercise of jurisdiction [over a foreign entity] is not unreasonable, because the state has a strong interest in protecting its citizens. . . . While it is true that the members of Judas Priest will now be forced to defend a lawsuit in a country distant from their own, it is more equitable to place such a burden on them, and not the plaintiffs, because the band members consciously and deliberately chose to develop a world-wide market.”\textsuperscript{164}

It hardly seems controversial to recognize that states have an interest in protecting their own citizens. In \textit{Le Manufacture Francaise Des Pneumatiques Michelin v. Dist. Court In & for Jefferson County},\textsuperscript{165} the court recognized the importance of “plaintiffs' interest in obtaining convenient and effective relief. . . . [T]he plaintiffs would be hard pressed to pursue this litigation in France. In addition, this state has an interest in providing a forum to its citizens injured by the alleged tortious conduct of nonresidents.” In \textit{State v. NV Sumatra Tobacco Trading, Co.},\textsuperscript{166} the court found “[t]he exercise of jurisdiction over [defendant] Sumatra . . . reasonable and fair. While it may be inconvenient for Sumatra to travel to the United States to defend the action against it, the State's interest in exercising jurisdiction outweighs any such inconvenience.” Since the Massachusetts and California cases are among the first instances of state enforcement of unfair trade or unfair competition statutes in IT and IP theft cases, it remains to be seen

\textsuperscript{161} E.g. S.D. CODIFIED LAWS, §§ 37-24-1 et. seq.; TENN. CODE ANN. § 47-18-104-(Consumer protection Act of 1977); TEX. BUS. & COM. CODE ANN. § 17.41 et. seq.; UTAH CODE ANN. §§ 13.5a-103, 13.5-17, 13.11-4, et. seq.; VT. STAT. ANN. tit. 9, § 2453; VA. CODE ANN. §§ 59.1-196, et. seq.; WASH. REV. CODE ANN. § 19.86.010 et. seq.; W. VA. CODE ANN. § 46a-6-101 et. seq.; WIS. STAT. ANN. § 100.20; WYO. STAT. ANN. § 40-12-105.

\textsuperscript{162} Some of the materials that follow are based on and draw from my earlier article, Andrew Popper, \textit{Beneficiaries of Misconduct: A Direct Approach to IT Theft}, 17 MARQ. INTELL. PROP. L. REV. 27 (2013).


\textsuperscript{165} 620 P.2d 1040, 1043 (Colo. 1980) (emphasis added).

\textsuperscript{166} 666 S.E.2d 218, 219 (S.C. 2008).
whether the broad interests of a state, as a complainant, will be accorded a more expansive reading of the in personam cases jurisprudence discussed in the paper.

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 answerable for their misconduct – and the state unfair trade and unfair competition laws can serve that function. For example, North Carolina declares unlawful “[u]nfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce.”\(^{167}\) Regular use of stolen goods to gain an unfair competitive advantage over those who abide by the law, obviously falls within the reach of that provision. Iowa and Missouri both prohibit “unfair practices”\(^{168}\) with a goal of preserving and protecting the competitive market.\(^{169}\)

These laws hold out the potential of deterring\(^{170}\) misconduct throughout the supply chain, even if they may not uniformly provide a meaningful private remedy.\(^{171}\) That said, simple fairness suggests that “[o]ne 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’.\(^{172}\) By the public implementation and enforcement of these statutes, the gain for private victims,\(^{173}\) at a minimum, is the benefit, downstream, of a vibrant competitive market environment.\(^{174}\) Some states conceive of these claims broadly (“all statutory and non-statutory causes of action arising out of business conduct which is contrary to honest practice in industrial or commercial matters. . .”\(^{175}\)) while others do not.\(^{176}\) One thing is clear: thus far, the potential

\(^{167}\) N.C. GEN. STAT. § 75-1.1(a) (2010).

\(^{168}\) IOWA CODE § 714.16(2)(a) (West 2010); MO. REV. STAT. § 407.020(1) (Supp. 2008) (focused on fraud and misrepresentation).

\(^{169}\) Johnson v. City of Pleasanton, 982 F.2d 350 (9th Cir. 1992).

\(^{170}\) Andrew Popper, In Defense of Deterrence, 87 ALBANY L. REV. 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.”).


for private 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. 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.

Though the meaning of unfair competition varies, theft of IT and IP is clearly illegal in any conception of the term. Moreover, once a case is properly before a court in an unfair trade case, there is a good argument that the power exists to secure a remedy that includes non-U.S. defendants, and also an argument that remedies can be confined to property or interests in the forum state only.

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 to direct its energy to this profoundly unfair method of competition pursuant to Section 5 of the FTC Act that condemns “unfair methods of competition” and “unfair or deceptive acts or practices.” The power of this legislation allows the FTC to “consider[] public values beyond simply those enshrined in the letter or encompassed in the spirit of the antitrust laws.” Those values certainly include condemning as unfair theft of IT and IP, whether by foreign or domestic

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176 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 [unfair competition or unfair trade] statutes”).
178 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))).
179 See State ex rel. Miller v. Cutty’s Des Moines Camping Club, Inc., 694 N.W.2d 518, 526 (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.”).
180 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.”).
181 Cf. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 48, cmt. c (1995) (“Although 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.”).
183 See FTC v. Sperry & Hutchinson, 405 U.S. 233, 244 (1972) (“[T]he Federal Trade Commission . . . considers public values beyond simply those enshrined in the letter or encompassed in the spirit of the antitrust laws.”).
entities. Moreover, the power of the FTC extends beyond domestic borders\textsuperscript{184} if the foreign action has “a direct, substantial, and reasonably foreseeable effect” on U.S. markets.\textsuperscript{185}

The FTC could also conduct a rulemaking designed to create standards for supply chain review by domestic sellers or, without going to the time and expense of a rulemaking, issue guidelines that establish criteria to make clear the obligation of domestic importers and sellers to determine if foreign providers are relying on stolen IP or IT.\textsuperscript{186}

The FTC could also 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.\textsuperscript{187} Such enforcement would be particularly justified with respect to manufacturers located in jurisdictions in which meaningful remedies for IT theft in the local courts are difficult to obtain.

In order to carry out their legislative mandate, federal agencies must, from time to time, reach beyond the territorial United States in order to protect domestic interests and ensure accountability. A recent SEC action reflects this approach and addresses the in personam jurisdiction question as follows: “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.”\textsuperscript{188} 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, the issuance of “best practices” standards or guidelines – both of which can be done at a low cost and with a minimum of process, would be a step in the right direction and would send a powerful message.

A substantial report on the problem of IT and IP theft was recently released by the White House.\textsuperscript{189} It was developed with the input of the following agencies: the Departments of Agriculture, Commerce, Health and Human Services, Homeland Security, Justice, State, and the Treasury, the U.S. Trade Representative, and the U.S. Copyright Office.\textsuperscript{190} Notably, the FTC was not involved. The report urges the establishment of mechanisms to secure supply chains and recites the accomplishment of various domestic and transnational entities to address the

\textsuperscript{187} Federal Trade Commission Act 15 U.S.C. 41-58 (2000) (provides the Commission power to secure injunctive relief against those who are engaged in unfair or deceptive act, though nothing in the Act allows for individual claim by those who are the victims of the misconduct).
\textsuperscript{190} 2011 U.S.I.P. Report at 7.
problem. Based on this report, the commitment of federal resources seems substantial – and an invitation for the FTC to engage in the effort.

VI. Concluding Perspectives

Professor Taylor Simpson-Wood recently examined the problems with in personam jurisdiction generated by both the Nicastro case (discussed earlier) and its companion, Goodyear Dunlop Tires Operation v Brown. 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.” She suggests that stream of distribution or stream of commerce theories should suffice “sans the minimum contact analysis.”

Like Nicastro, Goodyear did nothing to simplify the problem of dealing with foreign entities engaged in misconduct that has a pernicious effect and negative consequences for the U.S. economy. If anything, it rendered more difficult the task of plaintiffs who are victims of foreign IT or IP theft by “clarifying that the overly complicated stream of commerce theory of personal jurisdiction does not apply to general in personam jurisdiction analysis.” Even when confronting egregious misconduct, including the charge of overt violation of human rights, the

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191 2011 U.S.I.P. Report at 18-19: “Tracking and Reporting of Enforcement Activities: DHS seizure . . .for counterfeit pharmaceuticals rose nearly 200 percent to 1,239. The overall number of DHS IPR seizures rose 24 percent to 24,792. Counterfeit and pirated goods seized via express carrier services increased by 16 percent over FY 2010 and 65 percent over FY 2009. Counterfeit consumer safety and critical technology merchandise seizures rose 44 percent in FY 2011 to more than $60 million. FBI initiated 235 IPR investigations, made 93 arrests, secured 79 indictments, and obtained 79 convictions. . . . DOJ saw sentences resulting from its prosecutions of IPR crimes increase in severity, with a doubling in the number of sentences of 60+ months and a tripling of sentences of 37-60 months. . . . Nine partner agencies including criminal investigative agencies from the DOD and NASA as well as the FBI, ICE HSI, and CBP launched Operation Chain Reaction. This is a coordinated and comprehensive initiative targeted to curtailing the flow of counterfeit items into the U.S. Government supply chain. CBP led a year-long initiative within the Asia Pacific Economic Cooperation (APEC) targeting counterfeit pharmaceuticals . . . in coordination with INTERPOL, the World Customs Organization (WCO), and law enforcement in 81 countries. . . .”


194 Id.

195 Goodyear Dunlop Tires Operation, at 2851 et. seq. (In Goodyear, plaintiff was killed in a bus accident in France. The plaintiff’s parents alleged that the accident was the result of a defect in tires produced by defendant Goodyear in North Carolina and then sold primarily for use outside the U.S. The tires were not sold in North Carolina. The court found that for corporate liability in cases of this nature “the paradigm” for the “exercise of general jurisdiction” and the focus is on the jurisdiction “the corporation . . . fairly regard[s] as at home.”).

Court has seemed unwilling to declare the U.S. courts a friendly forum when the defendant is foreign.\textsuperscript{197} Another commentator, Professor Charles W. “Rocky” Rhodes, is likewise critical of the Court’s failure to provide guidance on legal standards or relief to those who are victims of misconduct by foreign entities.\textsuperscript{198} Rhodes characterizes the decisions of the court in \textit{Nicastro} and \textit{Goodyear} as “embracing a rigid formalism” and making use of a “fictional basis” for jurisdictional limitations that frustrate the legitimate interests of those entitled to relief in the United States. Rhodes notes that the court has long rejected the notion of “doing business” as a basis for jurisdiction,\textsuperscript{199} perhaps necessitating legislative action to address the deeply problematic uncertainties in the field.\textsuperscript{200}

A comment in the Fordham Law Review recently observed: “[I]n 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.”\textsuperscript{201} The logic and fairness behind this position is clear. As one court noted: “[I]n this age of WTO and GATT one can expect further globalization of commerce, and it is only reasonable that companies that distribute allegedly defective products through regional distributors in this country . . . anticipate being haled into court by plaintiffs in their home states.”\textsuperscript{202} Unfortunately, that reasoning does not appear in \textit{Asahi}, \textit{Nicastro}, or \textit{Goodyear}.

Hope for a viable and reliable theory for victims of IT and TP theft after \textit{Nicastro} and \textit{Goodyear} seems faint at best. Dean and Professor Wendy Collins Perdue recently wrote about both cases, finding the Court sharply divided on critical jurisdictional questions.\textsuperscript{205} Looking at the opinions of Justice Kennedy and Justice Ginsberg in \textit{Nicastro}, Dean Purdue characterizes the assertions in both opinions regarding jurisdiction to be simply incorrect. She argues that Justice Kennedy’s position in \textit{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.”\textsuperscript{204} She goes on to note that “Kennedy apparently believes that states have no power or authority separate than what is conferred by the defendant.”\textsuperscript{205} This position takes “party autonomy” to a new and troubling level. While courts have long recognized that parties

\textsuperscript{197} \textit{Kiobel v. Royal Dutch Petroleum Co.}, 132 S.Ct. 472 (U.S. 2011) (limiting the application of the Alien Tort Claims Act to individuals, giving corporations a free ride).


\textsuperscript{199} \textit{Id} at 430 (citing \textit{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.”)).

\textsuperscript{200} Rhodes at 435.


\textsuperscript{204} \textit{Id.} at 741.

\textsuperscript{205} \textit{Id.}
may agree to apply the law of a particular state when entering into a contract, the options do not include selecting no law, no state, and no accountability.\footnote{M/S Bremen v. Zapata Off-Shore Co., 407 U.S. 1, 8-12 (1972). Party autonomy is not without its critics, See 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) and compare 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).}

It is hard to see another way to read cases like \textit{Nicastro}, leaving most victims of overt IT and IP theft without a clear path to secure justice in the courts, outside the reading of \textit{Calder} suggested earlier. Public enforcement or regulatory action at the state or federal level can sanction those engaged in this misconduct and send a clear message regarding the public will to address the problem.

Assuming the Supreme Court is disinclined to back away from \textit{Nicastro}, unwilling to switch gears and adopt Justice Brennan’s stream of commerce approach, and unlikely to revisit \textit{Calder} clarifying the unresolved aiming issues, one remaining option for improving the possibility of private relief is federal legislation that enables injured parties better access to U.S. courts. Thus far, that approach has not fared well in Congress.\footnote{THE FOREIGN MANUFACTURERS LEGAL ACCOUNTABILITY ACT OF 2010, H.R. 4678, 111th Cong. (2010) (as reported by H. Comm. on Energy and Commerce) provided a straightforward legislative solution but was not passed.} In my view, a legislative solution is fair, constitutional, and necessary.\footnote{Before the Committee on Energy and Commerce, United States House of Representatives, 111th Congress, Second Session, June 16, 2010, H.R. 4678, The Foreign Manufacturers Legal Accountability Act \url{http://democrats.energycommerce.house.gov/documents/20100616/Popper.Testimony.06.16.2010.pdf} (The author testified that this 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.”).}

Whether such legislation has a political future is another question. In 2010, the last time a bill was submitted to address these problems, it died a quiet death without ever coming to the floor of the House.\footnote{Hearing on H.R. 4678, the “Foreign Manufacturers Legal Accountability Act,” and H.R. 5156, the “Clean Energy Technology Manufacturing and Export Assistance Act,” Subcommittee on Commerce, Trade and Consumer Protection (June 16, 2010) \url{http://democrats.energycommerce.house.gov/index.php?q=hearing/hearing-on-hr-4678-the-foreign-manufacturers-legal-accountability-act-and-hr-5156-the-clean-}} However, the idea is solid and responds to Justice O’Connor’s invitation in \textit{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.210

In the absence of federal legislation, protection of basic property rights compel state unfair trade
enforcement along the lines of the Massachusetts and California proceedings discussed in this
work or FTC action. Those avenues must be pursued and widened. Governmental initiatives of
this type will stimulate innovation, creativity, invention, and produce incentives for efficiency.
They will have a stabilizing effect on the competitive market. Finally, they can help avoid the
loss of another trillion dollars in the next decade.

210 Asahi, 480 U.S. at 113.