



of business in Saint-Laurent, Quebec, Canada. Genfoot distributes, sells, and markets various outdoor footwear products. On October 11, 2002, Genfoot sent a letter to Payless alleging that a boot sold, distributed and marketed by Payless violated U.S. Patent No. 6,237,252 (“the ‘252 patent”) held by Genfoot. Genfoot threatened injunctive relief and substantial damages for the alleged infringement. In response, Payless brought this suit seeking a declaratory judgment of patent invalidity, unenforceability, and noninfringement of the ‘252 patent.

Genfoot filed a motion to dismiss for lack of personal jurisdiction in Kansas (Doc. 6).<sup>1</sup> Genfoot alleges that it is not qualified to do business in Kansas, maintains no Kansas mailing address or telephone listing, has no employees or sales agents that reside in Kansas, and maintains no books, records, or bank accounts in Kansas. Genfoot argues that it pays no taxes in Kansas, has not authorized an individual or corporation to accept service of process in Kansas, nor designated an individual or corporation to act as its agent in Kansas. Genfoot also alleges that it holds no meetings in Kansas, sells no products in Kansas, nor targets any advertising or marketing materials toward Kansas.

Genfoot operates a web site that directs customers to several retail locations in Kansas where consumers can purchase Genfoot’s products, including the product covered by the ‘252 patent. Genfoot owns Genfoot America, Inc. (“Genfoot America”), a wholly-owned subsidiary of Genfoot that is authorized to do business in Kansas. Genfoot America’s only customer in Kansas is Payless. Genfoot also uses a sales person who solicits sales from companies in Kansas approximately once a year. This sales person sells Genfoot products, including the product covered by the ‘252 patent, to

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<sup>1</sup>Genfoot filed a similar suit in the United States District Court for the District of Delaware; the Delaware court granted Payless’s Motion to Transfer that case to Kansas and this Court then consolidated the transferred case with the instant action.

national distributors who sell the product in Kansas.

## II. Controlling Law

At trial, the plaintiff has the burden of proving by a preponderance of the evidence that the court has personal jurisdiction over the defendant.<sup>2</sup> However, if a motion to dismiss for lack of jurisdiction is submitted prior to trial on the basis of affidavits and other written materials, the plaintiff need only make a prima facie showing to avoid dismissal for lack of personal jurisdiction.<sup>3</sup> The "well pled facts" of the complaint must be accepted as true if uncontroverted by the defendant's affidavits, and factual disputes at this pre-trial stage must be resolved in the plaintiff's favor if there are conflicting affidavits.<sup>4</sup>

In a patent infringement action against a nonresident defendant, personal jurisdiction is governed by the laws of the Federal Circuit.<sup>5</sup> With regard to procedural matters, the Federal Circuit generally follows the guidance of the regional court of appeals.<sup>6</sup> Thus, Tenth Circuit law governs which party has the burden of proof and how factual disputes will be resolved.<sup>7</sup>

In *OMI Holdings, Inc. v. Royal Insurance Company of Canada*,<sup>8</sup> the Tenth Circuit noted

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<sup>2</sup> *Fed. Deposit Ins. Corp. v. Oaklawn Apartments*, 959 F.2d 170, 174 (10th Cir. 1992).

<sup>3</sup> *Kuenzle v. HTM Sport-Und Freizeitgerate AG*, 102 F.3d 453, 456 (10th Cir. 1996).

<sup>4</sup> *Oaklawn Apartments*, 959 F.2d at 174.

<sup>5</sup> *Morrison Co., Inc. v. WCCO Belting, Inc.*, 35 F. Supp. 2d 1293, 1294 (D. Kan. 1999).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *OMI Holdings, Inc. v. Royal Ins. Co. of Canada*, 149 F.3d 1086, 1090 (10th Cir. 1998).

that because the Kansas long-arm statute is liberally construed by Kansas courts, jurisdiction is generally considered proper under Kansas law, and courts proceed directly to the due process issue. The Due Process Clause allows the exercise of personal jurisdiction over a nonresident defendant, if there are “minimum contacts” between the defendant and the forum state and maintenance of the suit does not offend “traditional notions of fair play and substantial justice” as embodied in the Due Process Clause.<sup>9</sup>

The minimum contacts standard may be met in one of two ways: specific jurisdiction or general jurisdiction. Payless does not contend that Genfoot is subject to general jurisdiction in Kansas. Rather, Payless asserts that there is specific personal jurisdiction, so this Court will only consider the existence of specific personal jurisdiction.

Specific jurisdiction exists if the nonresident defendant has “purposefully directed his activities at residents of the forum, and the litigation results from alleged injuries that arise out of or relate to the activities.”<sup>10</sup> Both the quantity and quality of the defendant’s contacts with the forum are considered.<sup>11</sup>

The Tenth Circuit uses a three-part test in determining the availability of specific jurisdiction:

- (1) the nonresident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposely avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws;
- (2) the claim must be one which arises out of or results from the defendant’s forum-related activities; and

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<sup>9</sup> *Red Wing Shoe Co., Inc. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1358 (Fed. Cir. 1998).

<sup>10</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985).

<sup>11</sup> *Id.* at 475.

(3) the exercise of jurisdiction must be reasonable and fair.<sup>12</sup>

### III. Discussion

#### A. Defendant engaged in activity “purposefully directed” toward the forum state

Payless must demonstrate a prima facie case that Genfoot engaged in activity purposefully directed toward Kansas.<sup>13</sup> Payless maintains that Genfoot purposefully directed activities toward Kansas by: sending a letter of infringement to Payless in Kansas; directing customers to Kansas stores through its web sites; conducting business within Kansas; soliciting business in Kansas through a sales agent; and selling products to national retailers that Genfoot knew would distribute those products in Kansas.

##### *Letters of Infringement*

Sending an infringement letter, without more, is insufficient to satisfy the requirements of due process when exercising jurisdiction over an out-of-state patentee.<sup>14</sup> Other activities are required for a court to exercise personal jurisdiction over a defendant.<sup>15</sup> In *Red Wing Shoe Company v. Hockerson-Halberstadt, Inc.*, the Federal Circuit acknowledged that even though infringement letters alone are often substantially related to the cause of action, and thus provide minimum contacts, the letters by themselves are not sufficient to meet the minimum requirements inherent in “fair play and

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<sup>12</sup> *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1360 (Fed. Cir. 2001) (citing *Akro Corp. v. Lucker*, 45 F.2d 1541, 1545 (Fed. Cir. 1995)).

<sup>13</sup> *Id.* (citing *Akro Corp. v. Lucker*, 45 F.2d 1541, 1545 (Fed. Cir. 1995)).

<sup>14</sup> *Red Wing Shoe Co.*, 148 F.3d at 1360; *Inamed*, 249 F.3d at 1361.

<sup>15</sup> *Red Wing Shoe Co.*, 148 F.3d at 1360; *Inamed*, 249 F.3d at 1361.

substantial justice.”<sup>16</sup> In this case, one letter of infringement was sent by Genfoot to Payless in Kansas. Even though the letter alone is not sufficient for due process, it supports the existence of minimum contacts.

### *Web Site*

A web site may form the basis of personal jurisdiction. Courts analyze the level and type of activity conducted on the web site in question to determine the propriety of personal jurisdiction.<sup>17</sup> In doing so, the Tenth Circuit places web sites on a spectrum.<sup>18</sup> A web site on one end of the spectrum allows the defendant to conduct business over the Internet. For example, personal jurisdiction is proper where the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet.<sup>19</sup> Conversely, a passive web site that does no more than make information available cannot, by itself, form the basis of jurisdiction.<sup>20</sup> An interactive web site allowing a user to exchange information with the host computer occupies the middle of the spectrum.<sup>21</sup> Then, the court examines the level of interactivity and commercial nature of the exchange of information on the web site to determine personal jurisdiction.<sup>22</sup> In the present case,

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<sup>16</sup> *Red Wing Shoe Co.*, 148 F.3d at 1360.

<sup>17</sup> *Pound v. Airosol Co., Inc.*, No. 02-2632-CM, 2003 WL 22102142 at \*4 (D. Kan. Aug. 21, 2003).

<sup>18</sup> *Pound*, 2003 WL 22102142, at \*4 (citing *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997)).

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

Genfoot’s web site is not capable of taking orders from customers via the Internet. It is interactive, however, in its capability to direct customers to stores located in Kansas that sell Genfoot products. Genfoot’s web site for the product covered by the ‘252 patent also directs customers to retail outlets in Kansas. On both web sites, customers send information via the Internet regarding a chosen location. Using this information, the web sites return information to customers about stores selling Genfoot products in chosen locations. In this regard, Genfoot’s web sites fall in the middle category, requiring this Court to consider the level of interactivity and commercial nature of the exchange of information on the web sites. Although a customer is interacting with the web sites, this interaction alone likely is not sufficient for minimum contacts without a more substantial exchange of commercial information. Courts require something more that indicates the defendant purposefully directed its activities in a substantial way toward the forum state to find personal jurisdiction.<sup>23</sup>

*Business in Kansas*

“If the sale of a product of a manufacturer or distributor . . . is not simply an isolated occurrence, but arises from efforts of the defendants to serve, directly or indirectly, the market for its product . . . , it is not unreasonable to subject it to suit.”<sup>24</sup> In fact, “the forum State does not exceed its powers under the Due Process Clause if it asserts personal jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased by consumers

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<sup>23</sup> *Id.*; see *iAccess v. WEBcard Techs., Inc.*, 182 F. Supp. 2d 1183 (D. Utah 2002).

<sup>24</sup> *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1566 (Fed. Cir. 1994) (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1984)).

in the forum State.”<sup>25</sup> A party avails itself of the forum state’s stream of commerce when:

- (1) a product related to the cause of action is placed into the stream of commerce;
- (2) the party knew the likely destination of the product; and
- (3) the party’s conduct and connections with the forum state were such that they should reasonably have anticipated being brought into court there.<sup>26</sup>

Genfoot’s product covered by the ‘252 patent is sold to national distributors such as Sears and REI, according to a sales representative for Genfoot. These distributors then sell the product in their retail outlets located across the country, including Kansas. Absent a contrary agreement, a reasonable business person would expect products sold to a national distributor to be distributed and sold in the distributor’s retail outlets. In fact, this likely is the reason for selling to a national distributor. Certainly, Genfoot knew the product would be sold in Kansas when it, its sales agents, or independent contractors, sold the product to a national distributor with retail locations in Kansas. This knowledge is evidenced by the web sites that direct customers to these Kansas retail locations that sell Genfoot products.

The court in *Red Wing Shoe*, however, determined this argument was flawed, because it would subject a defendant to nationwide personal jurisdiction if it does business with a company that does nationwide business.<sup>27</sup> In fact, the court stated that doing business with a company that does business

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<sup>25</sup> *Id.*

<sup>26</sup> *Beverly Hills Fan Co.*, 21 F.3d at 1566.

<sup>27</sup> *Red Wing Shoe Co.*, 148 F.3d at 1361.

in a state is not the same as doing business in the state.<sup>28</sup> The cases cited by the court involved a unilateral act of another party that brought the defendant in tangential contact with the state.<sup>29</sup> This case, however, is not analogous, because Genfoot knew that its products would be sold in Kansas and Genfoot has other contacts with the forum. Its web sites that direct customers to Kansas retail locations supplied by national distributors point to this knowledge and serve as another contact with the state. Even if selling a product to a national distributor with the knowledge that the product will be sold in Kansas is not, by itself, sufficient for minimum contacts, it is a contributing factor. This coupled with Genfoot's other contacts with Kansas may suffice for minimum contacts.

Finally, in light of Genfoot's conduct and connections with the forum, it should reasonably have anticipated being brought into court in Kansas. Not only did Genfoot send a letter of infringement into the state, utilize web sites directing customers to Kansas retail locations, and through distributors, sell Genfoot products in the state, but it also maintained a client relationship with Payless in Kansas. A sales person, acting for the benefit of Genfoot, sold Genfoot products to Payless. At least two sales people, at various times, maintained a relationship with Payless for the purpose of selling Genfoot products. Genfoot may have no business place in Kansas and alleges that it does no business in Kansas, but Genfoot should reasonably have anticipated being brought into court in Kansas because of its conduct and connections with the forum.

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<sup>28</sup> *Id.*

<sup>29</sup> *Id.* See *World-Wide Volkswagen*, 444 U.S. at 299 (no jurisdiction over an out-of-state automobile distributor whose only tie to the forum resulted from a customer's decision to drive there); *Kulko v. Cal. Super. Ct.*, 436 U.S. 84 (1978) (no jurisdiction over a divorced husband whose only affiliation with the forum was created by his former spouse's decision to settle there); *Hanson v. Denckla*, 357 U.S. 235 (1958) (no jurisdiction over a trustee whose only connection with the forum resulted from the settlor's decision to exercise her power of appointment there).

## **B. Injury arose out of or related to the activity**

The second minimum contacts consideration requires that the injury arose out of or related to Genfoot's activity in the forum.<sup>30</sup> In a patent infringement case where the allegedly infringing party seeks declaratory judgment, the injury is "a wrongful restraint on the free exploitation of non-infringing goods."<sup>31</sup> The Federal Circuit has acknowledged some merit to the argument that the restraint, or the threat of litigation through an infringement letter, arises out of the patent-holder's contacts with the forum.<sup>32</sup> The Federal Circuit has further stated that letters of infringement "are often substantially related to the cause of action, even if alone, they are not sufficient to meet Due Process requirements."<sup>33</sup> Therefore, the letter of infringement that Genfoot sent to Payless meets this requirement.

The injury, or threat of litigation, does not necessarily arise out of Genfoot's web sites and Genfoot's other business contacts with Kansas through Payless, its sales personnel, and national distributors. The injury is related to these activities in the forum state. Regardless, there is some question whether contacts that are related to the cause of action, but are not so closely related that the cause of action arises out of them, are a sufficient basis to exercise specific jurisdiction. The District of Kansas has applied a "but for" test requiring a causal connection between the defendant's forum

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<sup>30</sup> *Inamed Corp.*, 249 F.3d at 1360 (Fed. Cir. 2001) (citing *Akro Corp.*, 45 F.2d at 1545 (Fed. Cir. 1995)).

<sup>31</sup> *Red Wing Shoe Co.*, 148 F.3d at 1360.

<sup>32</sup> *Id.* (considering, but declining to adopt the mirror image rule, which finds letters of infringement to be only tangentially related to the injury of making, using or selling the patented product).

<sup>33</sup> *Id.*

activities and the plaintiff's injuries.<sup>34</sup> Therefore, if a claim is made possible by or lies in the wake of the transaction of business in Kansas, minimum contacts are present.<sup>35</sup>

**C. Assertion of jurisdiction is reasonable and fair**

The final portion of the due process analysis allows the defendant to “present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.”<sup>36</sup> Genfoot has the burden to prove that even if minimum contacts exist, the requirements of due process cannot be met because the forum is not reasonable and fair. Reasonableness is determined by several factors:

- (1) the burden on the defendant;
- (2) the interests of the forum state;
- (3) the plaintiff's interest in obtaining relief;
- (4) the interstate judicial system's interest in obtaining the most efficient resolution of controversies; and
- (5) the shared interest of several states in furthering fundamental substantive social policies.<sup>37</sup>

In *Precor Inc. v. Keys Fitness Products*, the Federal Circuit determined that personal jurisdiction was not unreasonable for a Taiwanese corporation who sold products through distributors

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<sup>34</sup> *Pound, Inc.*, 2003 WL 22102142, at \*6; *SBKC Serv. Corp. v. 1111 Prospect Partners, L.P.*, 969 F. Supp. 1254, 1259 (D. Kan. 1997); *Source Assocs. Inc. v. Suncast Group*, 709 F. Supp. 1023, 1025 (D. Kan. 1989); *US Sprint Comm. Co. v. Boran*, 716 F. Supp. 505, 510 (D. Kan. 1988); *Grimandi v. Beech Aircraft Corp.*, 512 F. Supp. 764, 767 (D. Kan. 1981).

<sup>35</sup> *Pound*, 2003 WL 22102142, at \*6.

<sup>36</sup> *Inamed*, 249 F.3d at 1360 (citing *Akro*, 45 F.3d at 1546).

<sup>37</sup> *Asahi Metal Indus. Co. v. Super. Ct. of Cal.*, 480 U.S. 102, 113 (1987).

in the forum to customers in the forum.<sup>38</sup> Although Genfoot’s distributors are not organized in Kansas, they do have retail locations in Kansas and sell to customers in Kansas. Payless, a Genfoot distributor, has its principal place of business in Kansas.

Most importantly, however, the Federal Circuit noted that the foreign corporation in *Precor* did not establish a “compelling case” of unreasonableness to the district court.<sup>39</sup> Likewise, Genfoot has failed to describe the specific burdens it would endure by being subject to jurisdiction in Kansas. Genfoot’s motions merely assert that jurisdiction is not reasonable and fair due to its lack of minimum contacts with the forum state. To meet its burden, assuming minimum contacts exist, Genfoot should have discussed why assertion of jurisdiction would not be reasonable or fair.

In *Precor*, the Federal Circuit determined that jurisdiction was reasonable for several reasons. The state had a significant interest in adjudicating a case involving a company with its principal place of business in the state and acts that occurred within the state.<sup>40</sup> The party arguing for personal jurisdiction had an interest in having the infringement suit heard in the state where it primarily transacted its business and had corporate offices.<sup>41</sup> The case could be most efficiently heard in the jurisdiction where it commenced, and the court noted that all states have “well-defined interests in commerce and scientific

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<sup>38</sup> 178 F.3d 1313 (Table), 1999 WL 55298 at \*3 (Fed. Cir. Feb. 5, 1999).

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

development.”<sup>42</sup> Similarly, these factors apply to the present case. Therefore, due to Genfoot’s failure to present a “compelling case” of unreasonableness and the significant factors weighing in favor of reasonableness, it would be reasonable to exert personal jurisdiction over Genfoot in Kansas.

#### **IV. Conclusion**

Genfoot is subject to specific personal jurisdiction in Kansas. Genfoot purposefully availed itself of the privilege of conducting activities in Kansas by cumulatively sending a letter of infringement to Kansas, utilizing web sites that direct consumers to Kansas retail locations to buy Genfoot products, conducting business in Kansas through a sales representative, and selling its products in Kansas through distributors with Kansas retail locations. The injury, or alleged wrongful restraint on the free exploitation of allegedly non-infringing goods, relates to Genfoot’s contacts with Kansas, and Genfoot failed to present a compelling case that the exercise of jurisdiction in Kansas would be unreasonable. Therefore, Genfoot is subject to specific personal jurisdiction in Kansas.

**IT IS THEREFORE ORDERED BY THE COURT** that Genfoot’s motion to dismiss (Doc. 6) is DENIED.

IT IS SO ORDERED.

Dated this 21<sup>st</sup> day of September 2004

S/ Julie A. Robinson  
Julie A. Robinson  
United States District Judge

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<sup>42</sup> *Id.*