

United States District Court  
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

ALIBABA.COM HONG KONG LTD, and  
ALIBABA.COM, INC.,

No. C 10-04457 WHA

Plaintiffs,

**ORDER DENYING MOTION  
FOR SUMMARY JUDGMENT**

v.

P.S. PRODUCTS, INC., and  
BILLY PENNINGTON,

Defendants.

\_\_\_\_\_  
AND RELATED COUNTERCLAIMS  
\_\_\_\_\_

**INTRODUCTION**

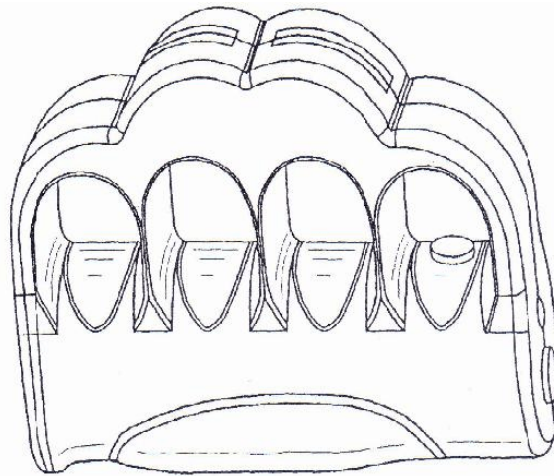
In this declaratory-relief action involving design patents covering stun guns, plaintiffs move for summary judgment of non-infringement. For the reasons stated below, the motion is **DENIED**.

**STATEMENT**

In August 2010 defendants, P.S. Products, Inc., and Billy Pennington filed suit against plaintiffs Alibaba.com, Inc., and Alibaba.com Hong Kong LTD, in the Eastern District of Arkansas for direct and indirect patent infringement. The case was dismissed for lack of personal jurisdiction over Alibaba in Arkansas. Shortly thereafter, Alibaba filed this instant declaratory action for non-infringement.

1 P.S. Products was (and is) a twelve-person company in Little Rock, Arkansas that sold  
2 self-defense supplies. The company’s owner, Billy Pennington, was the named inventor and  
3 owner of the design patents asserted in this action, U.S. Patent Nos. D561,294 S, D576,246 S,  
4 and D611,115 S. The patents claimed designs of stun guns. For example, the ’294S patent  
5 covered a stun-gun brass knuckle.

6 Figure 6 in ’294S Patent



17 Alibaba operated and promoted websites ([www.alibaba.com](http://www.alibaba.com) and [www.aliexpress.com](http://www.aliexpress.com))  
18 that provided an online market for sellers and buyers. Sellers posted images and information  
19 about the products that they wished to sell and paid Alibaba for listing their products. These  
20 third-party sellers were not owned, controlled, or affiliated with Alibaba, and manufactured and  
21 stored their own products (Wong Decl. ¶¶ 2–6).

22 The [www.alibaba.com](http://www.alibaba.com) website was designed to facilitate business to business sales. It  
23 was not a website like Amazon.com where goods could have been purchased on the site. Rather,  
24 the site only provided buyers with a mechanism to view sellers’ goods and then to contact the  
25 sellers to arrange the terms of the sale and delivery of goods outside the website. There was no  
26 “shopping cart” or payment facility on the website. Money could not have changed hands as  
27 between buyers and sellers (or anyone else) on the site, and Alibaba did not receive the purchase  
28 monies. Anyone could have joined the site for free and posted a limited number of listings.

1 Alibaba derived revenues by selling premium memberships whereby users paid an annual fee in  
2 exchange for the right to post additional products on the site and have their products displayed  
3 more prominently (Wong Decl. ¶¶ 3–6).

4 The [www.aliexpress.com](http://www.aliexpress.com) was also designed to facilitate viewing of product listings  
5 posted by third-party sellers. Unlike the [www.alibaba.com](http://www.alibaba.com) website, the [www.aliexpress.com](http://www.aliexpress.com)  
6 website permitted site users to purchase products listed by third-party sellers using an “escrow”  
7 payment service. The escrow payment service allowed the buyer to place the purchase monies in  
8 an escrow account which then released the money to the third-party seller upon confirmation that  
9 the buyer had received the ordered goods. Alibaba received a commission on the revenue from  
10 products actually sold (Wong Decl. ¶¶ 4–6).

11 Alibaba did not manually pre-screen or inspect the hundreds of thousands of new product  
12 listings posted by third parties on the Alibaba websites each day and contended that such manual  
13 screening was (and is) impractical (Wong Decl. ¶ 6). Alibaba had the authority to remove the  
14 listing of third-party products from its websites and allowed intellectual property owners to  
15 submit complaints via email, fax, and mail, if they thought that a listed product was infringing.

16 In January 2010, Pennington discovered that two allegedly infringing products were  
17 listed for sale on Alibaba’s website [www.alibaba.com](http://www.alibaba.com). One was produced by third-party Yijia  
18 Imports & Export Co., Ltd. The other product was made by Heng Wei Protective Equipment  
19 Manufacturing Co., Ltd. Both sellers were foreign companies. There is no evidence that these  
20 companies were affiliated with Alibaba in any way other than selling their products on Alibaba’s  
21 website. A few days after the discovery, Pennington sent Alibaba a letter advising that Alibaba  
22 was placing into the stream of commerce stun guns that were covered by his patents. Pennington  
23 included copies of his patents in the letter. It is unclear from the record when the allegedly  
24 infringing products were taken down.

25 Afterward, more allegedly infringing products appeared on Alibaba’s websites (27 on  
26 [www.alibaba.com](http://www.alibaba.com) and two on [www.aliexpress.com](http://www.aliexpress.com)) in the seven months prior to the lawsuit  
27 (Pennington Decl. Exhs. H–JJ). None of these 29 new products was sold by the same sellers  
28 listed in Pennington’s January 2010 notification. Like the previous sellers, there is no evidence

1 that these new sellers had any affiliation with Alibaba other than selling their products on  
2 Alibaba’s website.

3 In August 2010, both Pennington and Alibaba attended and had sales booths at a trade  
4 show in Las Vegas. Pennington was selling his stun guns at the trade show. Alibaba’s booth  
5 had computer terminals where people could view the Alibaba websites. Pennington went to  
6 Alibaba’s booth and viewed some of the allegedly infringing products on the websites using  
7 Alibaba’s computer terminals (Pennington Decl. ¶¶ 63–66; Marton Decl. Ex. 6 at No. 12;  
8 Pennington Dep. at 99–104). It is unclear which products Pennington viewed.

9 Pennington did not notify Alibaba about the aforementioned 29 allegedly infringing  
10 products that appeared on Alibaba’s websites between February and August 2010 until filing suit  
11 in August 2010. Alibaba took down these listings within two days (Wong Decl. ¶¶ 22–24).

12 Now, Alibaba moves for summary judgment of non-infringement on all claims of direct  
13 and indirect infringement.

14 **ANALYSIS**

15 Summary judgment is proper when the “pleadings, depositions, answers to  
16 interrogatories, and admissions on file, together with the affidavits, show that there is no genuine  
17 issue as to any material fact and that the moving party is entitled to judgment as a matter of law.”  
18 FRCP 56(c). An issue is genuine only if there is sufficient evidence for a reasonable fact-finder  
19 to find for the non-moving party, and material only if the fact may affect the outcome of the case.  
20 *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248–49 (1986).

21 **1. DIRECT INFRINGEMENT.**

22 In order to be liable for direct infringement, an accused infringer must make, use, offer to  
23 sell, or sell a product embodying the patented design in the United States, or import such a  
24 product into the United States. 35 U.S.C. 271(a).

25 Determining whether there has been an offer-for-sale in the context of patent law requires  
26 the application of traditional contract law principles to the particular case. An offer is defined as  
27 “the manifestation of willingness to enter into a bargain, so made as to justify another person in  
28 understanding that his assent to that bargain is invited and will conclude it.” *Linear Technology*

1 *Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1048–50 (Fed. Cir. 2001). There is no controlling decision  
2 as to whether an online marketplace, such as Alibaba’s websites, can be liable for direct patent  
3 infringement. Under an application of traditional contract law, the relevant inquiry is whether a  
4 person shopping on Alibaba’s websites would have reasonably believed that Alibaba, and not  
5 third-party sellers, was the seller with title or possession of a product who could have entered  
6 into a contract to transfer title or possession.

7 There is a factual dispute as to whether a reasonable buyer going on [www.aliexpress.com](http://www.aliexpress.com)  
8 would have believed that Alibaba itself was making an offer to sell the allegedly infringing  
9 products. The name of the “supplier” is only in small font. Moreover, “supplier” may be  
10 interpreted to mean manufacturer but that Alibaba is owner of the products. The buyer submits a  
11 payment to Alibaba, not the “supplier.” This order must construe these facts in a light favorable  
12 to Pennington. Therefore, the motion for summary judgment of no direct infringement  
13 is **DENIED**.

14 **2. INDUCED INFRINGEMENT.**

15 Whoever actively induces infringement of a patent shall be liable as an infringer. 35  
16 U.S.C. 271(b). Liability for induced infringement “requires knowledge that the induced acts  
17 constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060,  
18 2068 (2011). It is not enough to show deliberate indifference to a known risk that a patent exists.  
19 If knowledge of *infringement* is not shown, then the patent owner must prove willful blindness,  
20 which requires that “(1) the defendant must subjectively believe that there is a high probability  
21 that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.”  
22 *Id.* at 1270. It is insufficient to show that defendant “merely knows of a substantial and  
23 unjustified risk of such wrongdoing.” *Id.* at 1271.

24 There is a genuine factual dispute as to whether Alibaba took deliberate actions to avoid  
25 learning of infringement. The record shows that Pennington sent Alibaba a notice of  
26 infringement in January 2010. It is unclear when Alibaba took down those allegedly infringing  
27 items. Construing the facts in a light favorable to Pennington, a reasonable jury could find that  
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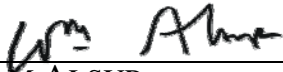
Alibaba induced infringement by deliberately maintaining the allegedly infringing item on its website for an unduly long period.

**CONCLUSION**

For the reasons stated, plaintiff's motion for summary judgment of non-infringement is **DENIED**.

**IT IS SO ORDERED.**

Dated: May 11, 2012.

  
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WILLIAM ALSUP  
UNITED STATES DISTRICT JUDGE