

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 20-5539-GW-JPRx Date September 20, 2021
Title *Lonati, S.P.A., et al. v. Soxnet, Inc., et al.*

Present: The Honorable GEORGE H. WU, UNITED STATES DISTRICT JUDGE

Javier Gonzalez

Terri A. Hourigan

Deputy Clerk

Court Reporter / Recorder

Tape No.

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Fabio E. Marino, by telephone

None Present

**PROCEEDINGS: PLAINTIFFS' MOTION FOR ORDER AUTHORIZING SERVICE OF
PROCESS BY ALTERNATIVE MEANS [43]**

Court confers with Plaintiffs' counsel. The Tentative circulated and attached hereto, is adopted as the Court's Final Ruling. The Court GRANTS the Motion.

A status conference is set for October 25, 2021 at 8:30 a.m. Plaintiff is to file a status report by noon on October 20, 2021.

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I. Background

Plaintiffs Lonati, S.p.A. and PAM Trading Corporation brought this patent infringement action against Defendants Soxnet, Inc. and Zhejiang Yexiao Knitting Machinery Co., Ltd. for infringing three of Lonati's patents related to specialized knitting machines for socks and hosiery. Lonati accuses Yexiao of copying its patented toe-closing technology, which allows for the production of socks or stockings to take place on one machine. *See* Complaint ("Compl") ¶¶ 33-38, ECF No. 1. Lonati further accuses Yexiao of selling its infringing closed-toe sock knitting machines to Defendant Soxnet¹ and other customers in the United States. *See id.* ¶¶ 39-63.

Defendant Yexiao is a Chinese corporation with its principal place of business at No. 318 Jiangbei Road Datang, Zhuji, China. *Id.* ¶ 4. Plaintiffs attempted to effect service on Yexiao in accordance with the Hague Convention in October 2020 pursuant to Rule 4(f)(1) of the Federal Rules of Civil Procedure. *See* ECF No. 35 at 1-2. Plaintiffs confirm that the Central Authority for China submitted the Yexiao service request to the appropriate Chinese court, so Plaintiffs must now wait for the Chinese courts to complete their process and issue a Certificate of Service. Plaintiffs report that service times through the Hague Convention in China have increased exponentially due to the Covid-19 crisis, and Plaintiffs wish to effect service on Yexiao as soon as possible so that their patent infringement claims can be adjudicated. *Id.*

Plaintiffs submitted an unopposed Motion for Order Authorizing Service of Process by Alternative Means ("Mot."), ECF No. 43. In that motion, Plaintiffs sought to provide additional notice through facsimile to Yexiao's fax number provided on its corporate website and through email to (1) a corporate email address identified on Yexiao's corporate website; (2) an email address provided on Yexiao's Performa Invoice to Plaintiffs; (3) a corporate email address of a Yexiao manager from a profile of Yexiao on a third-party website; and (4) a corporate email address provided in a 2018 textile industry expo catalog. *See* Mot. at 9-10. The Court issued a ruling where it identified a split of authority and asked for supplemental briefing on whether the reasoning in *Facebook, Inc. v. 9 Xiu Network (Shenzhen) Tech. Co.*, 480 F. Supp. 3d 977, 983-87

¹ Plaintiffs and Defendant Soxnet reached a stipulation for entry of final judgment. *See* ECF No. 28.

(N.D. Cal. Aug. 19, 2020)), was applicable or whether one of the exceptions in the Hague Convention applied to Plaintiffs. *See* Ruling at 2-5, ECF No. 47. Before the Court now is supplemental briefing by Plaintiffs arguing that two exceptions under Article 15 of the Hague Convention are applicable. *See* Supplement to Motion for Order Authorizing Service of Process by Alternative Means (“Supp.”), ECF No. 48.

II. Legal Standard

Under Federal Rule of Civil Procedure 4(h)(2), a plaintiff can serve a foreign corporate defendant “in any manner prescribed by Rule 4(f) for serving an individual, except personal delivery.” Fed. R. Civ. P. 4(h)(2). Rule 4(f) states that a plaintiff may serve an individual: (1) by any internationally agreed means of service that is reasonably calculated to give notice, such as those authorized by the Hague Convention or the Service Abroad of Judicial and Extrajudicial Documents; (2) if there is no internationally agreed means, or if an international agreement allows but does not specify other means, by a method that is reasonably calculated to give notice . . . ; (3) by other means not prohibited by international agreement, as the court orders.” Fed. R. Civ. P. 4(f). “[T]he only requirements of Rule 4(f)(3) alternative service are that such service is: (1) ordered by the court, (2) not expressly prohibited by an international agreement, and (3) reasonably calculated to give the defendant notice and an opportunity to be heard, to comport with constitutional notions of due process.” *Sarieddine v. Vaptio, Inc.*, No. 20-CV-07785-VAP-MRWx, 2020 WL 8024863, at *2 (C.D. Cal. Dec. 2, 2020).

III. Discussion

Plaintiffs submit that two exceptions, both under Article 15 of the Hague Convention, apply. The first exception provides that the Court may enter a default judgment against Defendant Yexiao even in the absence of a certificate of service when: “(a) the document was transmitted by one of the methods provided for in this convention; (b) a period of time of not less than six months, considered adequate by the judge in the particular case, has elapsed since the date of the transmission of the document; (c) no certificate of any kind has been received, even though every reasonable effort has been made to obtain it through the competent authorities of the State addressed.” *See* Hague Convention, Article 15; Supp. at 2-4. The second exception provides that the Court may authorize alternative forms of service in cases of urgency. *See id.* at 4-10. Plaintiffs seek permission to move for entry of default and a permanent injunction against Defendant Yexiao, or in the alternative, request that the Court authorize service of process

through email and facsimile. *See id.* at 10-11.

The Court finds that Plaintiffs have not yet made a sufficient showing that the Court may enter a default against Yexiao. While Plaintiffs have provided a declaration confirming that they have fulfilled all requirements specified in Article 15 of the Hague Convention, *see* Declaration of Marilyn Ortiz (“Ortiz Decl.”) ¶¶ 3-9, the Court recognizes that this is a relatively unexplored area of the law and is wary of granting default without any indication of actual notice received by Defendants. As to the requirements of Article 15, Plaintiffs submit that on September 21, 2020, they transmitted all relevant documents, with translations, to the Chinese Central Authority for service to Yexiao. *Id.* ¶ 5. The documents were transmitted nearly a year ago, which the Court considers adequate and exceeds the required six months specified in Article 15. *Id.* Finally, the Court finds that Plaintiffs have made every reasonable effort to obtain a certificate through the competent Chinese authorities, but no certificate of any kind has been received. The Court notes that Plaintiffs repeatedly contacted Chinese authorities through their foreign process server to inquire about the status of service – *e.g.*, specifically, on September 21, 2020; October 19, 2020; November 11, 2020; February 12, 2021; August 2, 2021; September 9, 2021; and September 13, 2021. *Id.* ¶ 7. Despite these repeated attempts to inquire about the status of service, Plaintiffs have been told that the only thing they can do is to “simply wait for the China courts to complete the process and issue a Certificate of Service.” *Id.* ¶ 8. As all three requirements of Article 15 that allows for entry of judgment even in the absence of a certificate of service or delivery have been satisfied, Plaintiffs aver that the Court has the authority to grant a default. *See, e.g., Media Trademark & Licensing Ltd. v. COINGEEKLTD.COM*, No. CV-21-00214-PHX-DWL, 2021 WL 2895289, at *6 (D. Ariz. July 9, 2021) (“Thus, if Plaintiff is unable to serve the Registrants via the Hague Service Convention after at least six months of diligent effort, Plaintiff may file a motion for default judgment.”); *Ballinger v. Top Swords, Inc.*, No. 4:17-CV-0063-HLM, 2018 WL 6137617, at *3 (N.D. Ga. Sept. 11, 2018) (finding “that entry of a default is appropriate under Article 15 of the Hague Service Convention” when all three requirements of Article 15 are satisfied); *RE/MAX, LLC v. Shenzhen Remax Co., Ltd*, No. 15-CV-02496-REB-CBS, 2017 WL 10992338, at *2 (D. Colo. Sept. 8, 2017) (“The plaintiff complied with Article 15, ¶ 2(a), (b), and(c) of the Hague Convention. The record demonstrates that all defendants are in default under the Hague Convention.”); *CGI Techs. & Sols. Inc. v. Acacio*, No. 17- CV-01943-JVS-KES, 2019 WL 978097, at *4 (C.D. Cal. Jan. 4, 2019) (finding

that the Hague Convention allows for entry of default but declining to enter default for other reasons).

The Court, however, is wary of implicating due process concerns by granting default without any indication of actual notice, as here. At least one district court has shared the concern. *See Kiss Nail Prod., Inc. v. Shenzhen Jinri Elec. Appliance Co.*, No. 18-CV-05625-PKC-AYS, 2020 WL 4679631, at *4-*5 (E.D.N.Y. July 23, 2020) (collecting cases where courts discussed the relationship between default judgment under Article 15 and actual notice). As Plaintiffs have not addressed the possible due process concerns implicated by granting a default judgment without actual notice, the Court is not yet convinced that granting default under Article 15 of the Hague Convention is proper.

The Court, however, authorizes Plaintiffs' request for alternative service through email and facsimile because of urgency. Article 15 of the Hague Convention provides that "the judge may order, in case of urgency, any provisional or protective measures." And "[s]uch measures have been interpreted to include 'special forms of service.'" Supp. at 4-5 (citing Notes of Advisory Committee on 1993 Amendment to Rule 4). The Court finds that Plaintiffs have made an adequate showing as to urgency by showing that they would suffer irreparable harm if they do not enjoin Yexiao and others from selling infringing machines in direct competition to Plaintiffs. *See* Supp. at 5-7. The Court agrees with Plaintiffs that by continuing to allow Yexiao to sell infringing machines to customers while waiting for the Chinese Central Authority to effect service would cause irreparable harm in the form of lost sales to a competitor, a loss in future business, a loss of future customer relationships, and a loss of future goodwill. *Id.* at 7. The risk of irreparable harm is only exacerbated because the automated closed-toe circular knitting market is niche such that every customer and sale is especially valuable. *Id.* The Court thus finds that Plaintiffs fall within the urgency exception of Article 15 of the Hague Convention by establishing irreparable harm.

The Court also finds that allowing alternative service under the urgency exception of Article 15 of the Hague Convention, as here, comports with the requirements of Federal Rule of Civil Procedure 4(f)(3). "[T]he only requirements of Rule 4(f)(3) alternative service are that such service is: (1) ordered by the court, (2) not expressly prohibited by an international agreement, and (3) reasonably calculated to give the defendant notice and an opportunity to be heard, to comport with constitutional notions of due process." *Sarieddine*, 2020 WL 8024863, at

*2. Here, Plaintiffs seek to effect alternative service through a fax number and four separate email addresses. *See* Supp. at 11. Alternative service in case of urgency, as here, is not expressly prohibited by an international agreement but is expressly *allowed* as an exception to the usual requirements of the Hague Convention. The Court further finds that the requested service by facsimile and email is reasonably calculated to give the Defendant notice and opportunity to be heard and comports with constitutional notions of due process. Plaintiffs obtained the fax number and one corporate email from Yexiao’s “Contact Us” page from the Yexiao corporate website. Mot. at 3. For another email, Plaintiffs already communicated with a Yexiao sales representative and completed an order for two infringing machines through the email. *Id.* at 4. Finally, the remaining two emails were provided by Yexiao as contact information on a textile industry expo catalog and on a third-party website that was doing a profile on Yexiao. *Id.* at 5. As Plaintiffs already communicated with Yexiao representatives through one of the email addresses and the others are held out by Yexiao as legitimate contact channels, the Court finds that facsimile and email are reasonably calculated to provide Yexiao with adequate notice and opportunity to respond. *See, e.g., Overstock.com, Inc. v. Visocky*, No. 17-CV-1331-LMB-TCB, 2018 WL 5075511, at *4 (E.D. Va. Aug. 23, 2018) (“Service of process through electronic and online communications, such as email and social networking messages, generally satisfy constitutional due process”); *Suntech Power Holdings Co. v. Shenzhen Xintian Solar Tech. Co.*, No. 08-CV-01582-H-NLS, 2008 WL 11337501, at *2 (S.D. Cal. Sept. 12, 2008) (finding alternative service by facsimile and email to a Chinese defendant satisfies due process concerns); *Sport Lisboa e Benfica - Futebol SAD v. Doe 1*, No. CV-18-2978-RSWL-E, 2018 WL 4043182, at *3 (C.D. Cal. Aug. 21, 2018).

As stated previously, this area of law is still relatively unexplored and the Court is unconvinced at this time that, even if the Hague Convention allows it, due process concerns are not implicated by levying a default judgment on a Defendant that has no actual notice of the action. *See Kiss Nail Prod.*, 2020 WL 4679631, at *4-*5. The Court thus orders Plaintiffs to effect service through facsimile and email as delineated above.

IV. Conclusion

Based on the foregoing discussion, the Court **GRANTS** Plaintiffs’ Motion for an Order Authorizing Service of Process by Alternative Means. Plaintiffs must attempt to effect service by facsimile or email before the Court will determine whether default judgment is appropriate. If

Plaintiffs eventually move for default judgment under Article 15 of the Hague Convention, the Court expects Plaintiffs to discuss the effect of a lack of actual notice, if still applicable.