

Client Alert

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New York Personal Jurisdiction: Infringers Beware

A recent holding by the United States Circuit Court for the Second Circuit suggests that the sale of a single infringing good and its shipment into New York may constitute sufficient grounds for a New York court to exercise personal jurisdiction over a trademark infringer. (*Chloé v. Queen Bee of Beverly Hills, LLC*, 09-3361-cv (2d Cir. Aug. 5, 2010)). The court also asserted that in evaluating whether a defendant's contacts with New York are sufficient to maintain jurisdiction, a court may consider the defendant's sales of other goods into New York in addition to those infringing the plaintiff's mark. In its own words, the Circuit Court "updat[ed] [its] jurisprudence on personal jurisdiction in the age of internet commerce" and opened the door for personal jurisdiction to be found where as few as a single infringing item has been shipped into New York.

BACKGROUND

Chloé, a fashion company and seller of women's clothing and accessories, originally brought suit against Queen Bee for trademark infringement based on Queen Bee's sale of counterfeit Chloé handbags. Chloé pointed to an internet order placed by Chloé's agent that was delivered into New York. Queen Bee also sold at least thirty-eight other Chloé bags to other customers around the country and made at least fifty-two sales of non-Chloé merchandise to customers in New York. The District Court found these contacts insufficient to exercise personal jurisdiction, but the Circuit Court vacated and remanded.

LEGAL STANDARD

To determine personal jurisdiction over a foreign entity not doing business in New York, a New York court must consider (a) whether New York's long-arm statute applies and (b) whether the exercise of personal jurisdiction would comport with due process. The exercise of personal jurisdiction will comport with due process where the defendant both (i) has "sufficient minimum contact" with the state to justify the court's exercise of personal jurisdiction and (ii) it is reasonable to exercise personal jurisdiction under the circumstances of the particular case. In evaluating sufficient minimum contact, courts consider only contact with the state that relates to — or has a nexus with — plaintiff's cause of action.

NEW YORK'S LONG-ARM STATUTE

In evaluating whether New York's long-arm statute applies, courts may look to *New York Civil Practice Laws & Rules Section 302(a)(1)*, which applies the statute where a defendant "transacts any business within the state or contracts anywhere to supply goods or services in the state." In that respect, the Circuit Court stated that even the "single act of shipping a counterfeit Chloé bag might well be sufficient, by itself, to subject [the defendant] to the jurisdiction of a New York court under *section 302(a)(1)*." Ultimately, the court did not rely on this position but instead pointed out that "Queen Bee also operated a highly interactive website offering such bags for sale to New York consumers...and engaged in fifty-two other transactions where merchandise was shipped to New York." When "viewed in their totality," the court found that these factors provided grounds for applying the long-arm statute because they "demonstrate [the defendant's] purposeful availment of the benefits of transacting business in New York."

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DUE PROCESS

In the second step of analysis, the Circuit Court left the door open as to whether the sale and shipment of one infringing good into New York constitutes sufficient grounds for exercising personal jurisdiction. Rather than directly focusing on the shipment of the single Chloé bag into New York, the court expressed a willingness to also consider the defendant's sale and shipment of non-Chloé merchandise into New York. The District Court had found that non-Chloé merchandise did not have a nexus to Chloé's trademark infringement claim and could not be considered when evaluating sufficient minimum contact, but the Circuit Court described this application of the nexus requirement as too narrow. Even though Chloé could only point to one instance of infringement of its trademark in New York, the other fifty-two items shipped to New York could be considered as evidence that the Chloé shipment was not a "one-off transaction" but was instead "a part of a larger business plan purposefully directed at New York consumers."

CONCLUSION

While the Circuit Court did not ultimately have to decide whether the sale of one infringing good and its shipment into New York alone constitutes sufficient grounds for personal jurisdiction, the language of this case potentially opens that door. The court noted that a "single act...might well be sufficient" to exercise personal jurisdiction, and in instances where that act is accompanied by an interactive website or the defendant's shipment of other goods into New York, the court expressed a willingness to consider those factors as additional support.

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