

09-3361-CV

United States Court of Appeals
for the
Second Circuit

CHLOÉ, a division of Richemont North America, Inc., CHLOÉ, S.A.,
Plaintiffs-Appellants,

ABC,

Plaintiff,

– v. –

QUEEN BEE OF BEVERLY HILLS, LLC, REBECCA RUSHING, also known
as Rebecca Grelier, MOHAMAD ALEXANDER ZARAFSHAN, also known as
Alexander Zar, JENNIFER SUNS, SUN-EYE PRODUCTIONS, INC. DEF,
2-20 JOHN DOES,

Defendants,

SIMONE UBALDELLI,

Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

**BRIEF OF *AMICUS CURIAE* INTERNATIONAL TRADEMARK
ASSOCIATION IN SUPPORT OF VACATUR AND REMAND**

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1, *amicus curiae* International Trademark Association (“INTA”) states that it is not a publicly-held corporation or other publicly-held entity. INTA does not have any parent corporation and no publicly-held corporation or other publicly-held entity holds 10% or more of INTA’s stock.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
STATEMENT OF INTEREST OF AMICUS CURIAE.....	3
I. THE DISTRICT COURT SHOULD HAVE EXERCISED PERSONAL JURISDICTION BECAUSE UBALDELLI OPERATED A HIGHLY INTERACTIVE WEBSITE THAT CAUSED HARM IN NEW YORK.	10
A. New York’s Long-Arm Statute Reaches Ubaldelli’s Tortious Conduct.	11
B. Asserting Personal Jurisdiction Against The Operator Of This Highly Interactive Website Is Consistent With Due Process.	13
II. THE DISTRICT COURT HAD JURISDICTION OVER UBALDELLI BASED ON HIS SALE OF AN INFRINGING PRODUCT TO PLAINTIFFS’ AGENT IN NEW YORK.	22
A. A Single Sale Is Sufficient To Support Jurisdiction.	23
B. Ms. Santana’s Status As A Representative Of The Plaintiffs Is Irrelevant.	25
C. The District Court Erred By Conflating Jurisdiction With The Merits Of The Case.	29
CONCLUSION.....	31

TABLE OF AUTHORITIES

CASES

<i>Alpha Int’l, Inc. v. T-Reprods., Inc.</i> , No. 02 Civ. 9586 (SAS), 2003 WL 21511957, at *2 (S.D.N.Y. July 11, 1002).....	24
<i>Banco Ambrosiano, S.A. v. Artoc Bank & Trust Ltd.</i> , 464 N.E.2d 432 (N.Y. 1984).....	13
<i>Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez</i> , 171 F.3d 779 (2d Cir. 1999).....	23
<i>Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez</i> , 305 F.3d 120 (2d Cir. 2002).....	10, 11, 12, 29
<i>Best Van Lines, Inc. v. Walker</i> , 490 F.3d 239 (2d Cir. 2007).....	13, 16, 19
<i>Brach’s Confections, Inc. v. Keller</i> , No. 03 C 2032, 2003 WL 22225617 (N.D. Ill. Sept. 24, 2003).....	15
<i>Burger King Corp. v. Rudzewicz</i> , 471 U.S. 462 (1985).....	13, 22, 25
<i>Calder v. Jones</i> , 465 U.S. 783 (1984).....	12, 13, 14, 25
<i>Carefirst of Md., Inc. v. Carefirst Pregnancy Centers, Inc.</i> , 334 F.3d 390 (4th Cir. 2003).....	18
<i>Cartier v. Samo’s Sons, Inc.</i> , No. 04 Civ. 2268 (RMB) (DFE), 2005 WL 2560382 (S.D.N.Y. Oct. 11, 2005).....	29
<i>Cartier v. Seah LLC</i> , 598 F. Supp. 2d 422 (S.D.N.Y. 2009).....	26
<i>Cartier v. Symbolix, Inc.</i> , 454 F. Supp. 2d 175 (S.D.N.Y. 2006).....	7
<i>Chloé v. Queen Bee of Beverly Hills, LLC (“Chloé I”)</i> , 571 F. Supp. 2d 518 (S.D.N.Y. 2008).....	10, 11, 12, 16, 17
<i>Chloé v. Queen Bee of Beverly Hills, LLC (“Chloé II”)</i> , 630 F. Supp. 2d 350 (S.D.N.Y. 2009).....	24, 26
<i>Citigroup Inc. v. City Holding Co.</i> , 97 F. Supp. 2d 549, 565 (S.D.N.Y. 2000).....	17

<i>Corporate Campaign, Inc. v. Local 7837, United Paperworkers Int'l Union</i> , 697 N.Y.S.2d 37 (App. Div., 1st Dep't 1999).....	24
<i>Dakota Indus. v. Dakota Sportswear, Inc.</i> , 946 F.2d 1384 (8th Cir. 1991)	14
<i>Editorial Musical Latino Americana, S.A. v. Mar Int'l Records, Inc.</i> , 829 F. Supp. 62 (S.D.N.Y. 1993).....	24
<i>Elbex Video Kabushiki Kaisha v. Taiwan Regular Electronic Co.</i> , 93 Civ. 6160 (KMW), 1995 WL 224774, at *2-3 (S.D.N.Y. Apr. 14, 1995).....	28
<i>Energy Brands Inc. v. Spiritual Brands, Inc.</i> , 571 F. Supp. 2d 458 (S.D.N.Y. 2008)	12, 17
<i>George Reiner & Co. v. Schwartz</i> , 363 N.E.2d 551 (N.Y. 1977)	24
<i>Helicopteros Nacionales de Colombia, S.A. v. Hall</i> , 466 U.S. 408 (1984).....	22, 25
<i>Hsin Ten Enter. USA, Inc. v. Clark Enters.</i> , 138 F. Supp. 2d 449 (S.D.N.Y. 2000)	17, 20
<i>In re Vuitton et Fils S.A.</i> , 606 F.2d 1 (2d Cir. 1979)	27
<i>IO Group, Inc. v. Pivotal, Inc.</i> , No. C 03-5286 MHP, 2004 WL 838164 (N.D. Cal. Apr. 19, 2004).....	15
<i>ISI Brands, Inc. v. KCC Int'l, Inc.</i> , 458 F. Supp. 2d 81 (E.D.N.Y. 2006).....	28
<i>John Wiley & Sons, Inc. v. Swancoat</i> , No. 08 Civ. 5672 (JGK), 2009 WL 2486048 (S.D.N.Y. Aug. 14, 2009).....	21
<i>Kernan v. Kurz-Hastings, Inc.</i> , 175 F.3d 236 (2d Cir. 1999).....	19
<i>Liz Claiborne, Inc. v. Mademoiselle Knitwear, Inc.</i> , 13 F. Supp. 2d 430 (S.D.N.Y. 1998).....	11, 30
<i>Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.</i> , 799 F.2d 867 (2d Cir. 1986)	29
<i>Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.</i> , 426 F.3d 532 (2d Cir. 2005)	29
<i>Mashantucket Pequot Tribe v. Redican</i> , 309 F. Supp. 2d 309 (D. Conn. 2004)	14

<i>Mattel, Inc. v. Adventure Apparel</i> , No. 00 Civ. 4085 (RWS), 2001 WL 286728 (S.D.N.Y. Mar. 22, 2001).....	24, 26
<i>Mattel, Inc. v. Procount Bus. Servs.</i> , No. 03 Civ. 7234 (RWS), 2004 WL 502190 (S.D.N.Y. Mar. 10, 2004).....	26
<i>Panavision Int’l, L.P. v. Toeppen</i> , 141 F.3d 1316 (9th Cir. 1998).....	14
<i>Parke-Bernet Galleries v. Franklyn</i> , 256 N.E.2d 506 (N.Y. 1970)	24
<i>Pearson Educ., Inc. v. Shi</i> , 525 F. Supp. 2d 551 (S.D.N.Y. 2007).....	21
<i>People v. James</i> , 665 N.Y.S.2d 153 (App. Div., 4th Dep’t 1997)	26
<i>Philip Morris USA Inc. v. Veles Ltd.</i> , No. 06 Civ. 2988 (GBD), 2007 WL 725412 (S.D.N.Y. Mar. 12, 2007).....	24, 26
<i>Portfolio Solutions, L.L.C. v. ETF Portfolio Solutions, Inc.</i> , No. 08-12751, 2009 WL 111908 (E.D. Mich. Jan. 15, 2009).....	15
<i>Roberts-Gordon, LLC v. Superior Radiant Prods.</i> , 85 F. Supp. 2d 202 (W.D.N.Y. 2000)	15, 16
<i>Savage Universal Corp. v. Grazier Constr., Inc.</i> , 04 Civ. 1089 (GEL), 2004 WL 1824102 (S.D.N.Y. Aug. 13, 2004).....	17, 20
<i>Savin Corp. v. Savin Group</i> , 391 F.3d 439 (2d Cir. 2004).....	29
<i>Starmedia Network, Inc. v. Star Media Inc.</i> , No. 00 Civ. 4647 (DLC), 2001 WL 417118 (S.D.N.Y. Apr. 23, 2001)	20
<i>Stewart v. Vista Point Verlag</i> , No. 99 Civ. 4425 (LAP), 2000 WL 1459839 (S.D.N.Y. Sept. 29, 2000).....	28
<i>Sunlight Solutions, LLC v. Birnbaum</i> , No. 06-CV-683A, 2008 WL 724215 (W.D.N.Y. Mar. 17, 2008).....	17, 19
<i>Thomas Publ’g Co. v. Indus. Quick Search, Inc.</i> , 237 F. Supp. 2d 489 (S.D.N.Y. 2002).....	20
<i>Toys “R” Us, Inc. v. Step Two, S.A.</i> , 318 F.3d 446 (3d Cir. 2003).....	18
<i>Unique Indus. v. Sui & Sons Int’l Trading Corp.</i> , No. 05 Civ. 2744 (KMK), 2007 WL 3378256 (S.D.N.Y. Nov. 9, 2007)	28

<i>Zippo Mfg. Co. v. Zippo Dot Com, Inc.</i> , 952 F. Supp. 1119 (W.D. Pa. 1997)	1, 10, 16, 17
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STATUTES

15 U.S.C. § 1114(1)(a).....	30
N.Y. C.P.L.R. § 302(a)	11
N.Y. C.P.L.R. § 302(a)(1).....	24
N.Y. C.P.L.R. § 302(a)(3).....	12, 19
N.Y. Penal Law § 40.05.....	26

OTHER AUTHORITIES

Carratu International, Plc, Rise in Counterfeit Market Linked to Terrorist Funding, (June 26, 2002).....	7
2 JEROME GILSON, GILSON ON TRADEMARKS § 5.19[6][g] (2008)	7
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY – EXECUTIVE SUMMARY, “THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY – EXECUTIVE SUMMARY” (2007)	7
S. Rep. No. 98-526 (1984).....	27
U.S. Chamber of Commerce, Global Intellectual Property Center, Facts About IP – Intellectual Property Drives Economic Growth.....	6

INTRODUCTION

The International Trademark Association (“INTA”) submits this brief *amicus curiae* to explain the two legal errors committed by the district court in its dismissal for lack of personal jurisdiction of plaintiff-appellants’ trademark infringement claims against defendant-appellee Simone Ubaldelli.

First, the district court used the wrong legal standard in determining whether personal jurisdiction existed based on Ubaldelli’s operation of a highly interactive website promising to ship counterfeit merchandise “anywhere in the continental United States.” Instead of analyzing the application of the New York long-arm statute and of Due Process to Ubaldelli’s tort, the district court held that forum contacts in addition to Ubaldelli’s highly interactive website were needed to support jurisdiction. As such, the court misapplied the “sliding scale of interactivity” for websites articulated in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997), because it failed to distinguish between mere “interactive” websites, which require additional forum contacts for jurisdiction, and “highly interactive” sites like Ubaldelli’s, which do not.

Second, the district court erred in holding that Ubaldelli’s actual sale of a \$1,200 counterfeit CHLOÉ handbag to plaintiffs’ paralegal in New

York was insufficient to establish personal jurisdiction because the paralegal was not herself confused as to the source of the product. This reasoning conflates the threshold issue of personal jurisdiction with the merits of the claim. It also misconstrues the cause of action because actual confusion is not necessary to establish trademark counterfeiting.

Furthermore, the purchaser's identity and state of mind is irrelevant to whether Ubaldelli purposefully availed himself of the privileges of New York. Ubaldelli showed purposeful availment because he advertised the counterfeit products on his highly interactive website, offered to ship anywhere in the continental United States, and actually shipped a counterfeit product to a purchaser in New York.

These legal errors threaten to undermine trademark owners' efforts to protect their brands and prevent consumers from being deceived by counterfeiters. A key way brand owners regularly fight counterfeiting is by identifying sellers of counterfeit products and having investigators purchase samples for evaluation. The district court's ruling that such a purchase is a "manufactured" contact insufficient to support personal jurisdiction will encourage counterfeiters to ply their trade on the Internet nationwide with

less fear of having to defend their conduct in trademark owners' home jurisdictions.

The growth of the commercial Internet has dramatically increased the counterfeiting problem because it enables counterfeiters to create, at relatively little expense, highly interactive websites reaching consumers nationwide. To combat online counterfeiting, brand owners must likewise be able to use the Internet in their policing efforts, and to replicate the kind of purchases that unsuspecting consumers make from counterfeiters' websites. These counterfeiters should not be able to avoid answering for their infringement in jurisdictions in which they provide interactive services, and they should not be able to thwart enforcement when they actually ship counterfeit product into a jurisdiction, regardless of the identity of the purchaser.

Accordingly, *amicus curiae* respectfully requests that the Court vacate the judgment of the district court, reverse its dismissal of Ubaldelli for lack of personal jurisdiction, and remand this case for further proceedings.

STATEMENT OF INTEREST OF AMICUS CURIAE

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property

concepts as essential elements of trade and commerce. INTA has over 5,600 members in more than 190 countries. Its members include trademark owners, law firms, private investigators, and other professionals who regularly assist brand owners in the creation, protection and enforcement of their trademarks. All of INTA's members share the goal of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition.

INTA members frequently are participants in trademark litigation as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent and fair principles of trademark and unfair competition law. INTA has substantial expertise and has participated as an *amicus curiae* in numerous cases involving significant trademark issues, including in this Court.¹

¹ Cases in which INTA has filed *amicus* briefs include *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, 546 U.S. 957 (2005) (mem.); *KP Permanent Make-Up, Inc. v. Lasting Impression I Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco*

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with all major pieces of federal trademark legislation, including the Lanham Act in 1946, the U.S. Trademark Counterfeiting Act of 1984, the Anti-Counterfeiting Consumer Protection Act of 1996, and the 2006

Cabana, Inc., 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, No. 09-16322 (9th Cir., brief filed Nov. 19, 2009); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, No. 08-3331-cv (2d Cir., argued June 22, 2009); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559 (5th Cir. 2005); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004); *WarnerVision Entm't Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed Cir. 1984); *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 684 F.2d 1316 (9th Cir. 1982); *In re Borden, Inc.*, 92 F.T.C. 669 (1978), *aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n*, 674 F.2d 498 (6th Cir. 1982), *vacated and remanded*, 461 U.S. 940 (1983) (mem.); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975); *Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979) (mem.); *ITC Ltd. v. Punchgini, Inc.*, 880 N.E.2d 852 (N.Y. 2007) (on certification from 482 F.3d 135 (2d Cir. 2007)).

Stop Counterfeiting in Manufactured Goods Act. INTA also has promulgated a Model State Anti-Counterfeiting Act. Furthermore, INTA has been active in the international arena, including by promoting treaties and model laws, such as the Madrid Protocol, the Trademark Law Treaty, the World Intellectual Property Organization's Model Provisions for National Laws on Enforcing IP Rights, and the World Customs Organization's model law implementing counterfeiting-related provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights.

INTA's members have substantial experience fighting the scourge of counterfeiting. According to FBI estimates, counterfeiting costs the U.S. economy more than \$200 billion in lost sales annually.² The Organization for Economic Co-operation & Development ("OECD") notes that the Internet has provided counterfeiters with a new and powerful means to sell their products and that a significant share of counterfeit trade is attributable

² U.S. Chamber of Commerce, Global Intellectual Property Center, Facts About IP – Intellectual Property Drives Economic Growth, *available at* <http://www.theglobalipcenter.com/index.php/news/46%20php> (last visited Nov. 18, 2009) (citing FBI estimates).

to the Internet.³ Sales of counterfeit goods reportedly support such terrorist groups as Hezbollah, Al-Qaeda, the Irish Republican Army, ETA, the Mafia, Chinese Triad gangs, the Japanese Yakuza crime syndicates, Russian crime syndicates and international drug cartels.⁴

To combat this ever-growing threat, brand owners monitor physical and virtual markets to uncover counterfeiting activities. Once new counterfeit schemes are found, brand owners often use investigators and paralegals to determine the extent of the counterfeiting, the source of the illegal products, and the identities of the criminals involved.⁵ Courts have noted the importance of the investigator's role in uncovering the source of counterfeiting activities. *E.g.*, *Cartier v. Symbolix, Inc.*, 454 F. Supp. 2d

³ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY – EXECUTIVE SUMMARY 14–15 (2007), *available at* <http://www.oecd.org/dataoecd/13/12/38707619.pdf>. (last visited Nov. 19, 2009).

⁴ *Id.* at 15; Carratu International, Plc, Rise in Counterfeit Market Linked to Terrorist Funding, (June 26, 2002), *available at* <http://www.pressbox.co.uk/Detailed/6073.html> (last visited Nov. 18, 2009).

⁵ *See* 2 JEROME GILSON, GILSON ON TRADEMARKS § 5.19[6][g] (2008) (recommending that companies hire an investigator “right away” when they suspect counterfeiting to ensure “solid evidence” is collected about counterfeit goods and their location).

175, 183 (S.D.N.Y. 2006) (“Undercover investigators are an effective enforcement mechanism for detecting and proving anti-competitive activity which might otherwise escape discovery or proof.” (internal quotation omitted)). These investigators frequently purchase samples of counterfeit products, which helps document the illegal conduct and provides evidence that can later be used in criminal and civil enforcement.

These efforts to track counterfeit activity and efficiently pursue enforcement are essential, which is why INTA and its members have a particular interest in this case. Once a counterfeiter has shown a willingness to sell its product into a specific forum, that should be sufficient to allow the brand owner to file suit in that jurisdiction. The trademark owner cannot know, though, whether that counterfeiter has made any sales into the jurisdiction and, if it used an investigator to purchase a sample, whether the sale to the investigator was the only sale into that jurisdiction. If the district court’s decision stands, counterfeiters will be emboldened to try to avoid liability by challenging jurisdiction every time a trademark owner initiates an action based on online sales.

This case shows how harmful the district court’s approach, if followed, would be to trademark owners. More than three years after the

complaint was filed, and after the close of discovery and summary judgment briefing, the district court dismissed the claims against Ubaldelli. If that decision is upheld, it will force Chloé to start anew in a new jurisdiction (assuming that it can find and serve Ubaldelli, an accused counterfeiter with an incentive to avoid service). That result would not only be inequitable, but also inconsistent with the Due Process Clause and the New York long-arm statute, which permit trademark owners to file suit in their home forum against counterfeiters who operate highly interactive websites that advertise their willingness to ship into that forum, and who show their purposeful availment of the forum's privileges by shipping products into the forum.

This case offers this Court an important opportunity to provide clarity on the law. Although the precise issues here relate to the New York long-arm statute, many other states' long-arm statutes are similar, and the Due Process Clause issues are of nationwide importance. Despite the frequency with which these issues arise, no federal Court of Appeals has yet provided a definitive decision on whether the sale of a counterfeit item to an investigator is sufficient on its own to establish personal jurisdiction. Thus, not only will this Court's decision set the standard for the Second Circuit,

but it also will provide important guidance to courts in other Circuits grappling with these same issues.

I. THE DISTRICT COURT SHOULD HAVE EXERCISED PERSONAL JURISDICTION BECAUSE UBALDELLI OPERATED A HIGHLY INTERACTIVE WEBSITE THAT CAUSED HARM IN NEW YORK.

When a tortfeasor's website is highly interactive (*e.g.*, it permits consumers to browse, shop, and place orders online) and causes harm where the trademark owner is located, that tortfeasor is properly subject to personal jurisdiction in the trademark owner's home forum. *See generally Zippo Mfg. Co.*, 952 F. Supp. 1119. The district court erred when it ruled that plaintiffs failed to establish personal jurisdiction over Ubaldelli because they had not shown "some additional evidence of . . . defendant's 'purposeful availment' of the forum beyond the defendant's maintenance of an interactive commercial website, even when the website permits consumers to place orders online." *Chloé v. Queen Bee of Beverly Hills, LLC ("Chloé I")*, 571 F. Supp. 2d 518, 529 (S.D.N.Y. 2008).

As the district court acknowledged, assessing personal jurisdiction requires a two-part inquiry. *Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 305 F.3d 120, 124 (2d Cir. 2002). The court must determine,

first, whether the law of the forum state (here, New York’s long-arm statute) permits personal jurisdiction, and second, whether the Due Process Clause permits personal jurisdiction. *Id.* The facts already found by the district court are sufficient to establish personal jurisdiction under both tests.

A. New York’s Long-Arm Statute Reaches Ubaldelli’s Tortious Conduct.

An out-of-state defendant is subject to specific personal jurisdiction under New York law if his actions bring him within the scope of the New York long-arm statute, which states in pertinent part:

a court may exercise personal jurisdiction over any non-domiciliary . . . who . . .

3. commits a tortious act without the state causing injury to person or property within the state, . . . if he . . .

(ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce

N.Y. C.P.L.R. § 302(a) (2009).

The undisputed facts show that the statute’s requirements were met.

Ubaldelli does not dispute that his products were counterfeit, *Chloé I*, 571 F. Supp. 2d at 522, and that he advertised his counterfeit CHLOÉ handbags on his website (which is itself a tort, *Liz Claiborne, Inc. v. Mademoiselle Knitwear, Inc.*, 13 F. Supp. 2d 430, 444 (S.D.N.Y. 1998)). He should have

reasonably expected that act to have consequences in New York, where Chloé's executive offices and place of business are located. *Calder v. Jones*, 465 U.S. 783, 789–90 (1984). And, as the district court noted, Ubaldelli derived substantial revenue from interstate commerce, including not only the \$1,200 counterfeit CHLOÉ bag he shipped to New York, but also 68 other counterfeit CHLOÉ products shipped to other states and 117 products bearing other brand names shipped to New York customers. *Chloé I*, 571 F. Supp. 2d at 522; App. A-239 – A-242.

Although analysis of the forum state's long-arm statute is a necessary step in the personal jurisdiction analysis, *see Bank Brussels Lambert*, 305 F.3d at 124, the district court never analyzed C.P.L.R. § 302(a)(3) to determine if its requirements were met. Had it done so, it would have concluded that the statute reaches the conduct in this case. Moreover, given that New York's long-arm statute is generally understood as being more restrictive than the Due Process Clause, had the court properly found that the New York long-arm statute was satisfied, it also would have supported the conclusion that Due Process also permits the exercise of personal jurisdiction here. *Energy Brands Inc. v. Spiritual Brands, Inc.*, 571 F. Supp. 2d 458, 469 (S.D.N.Y. 2008) (“[A]s a practical matter, the Due Process

Clause permits the exercise of jurisdiction in a broader range of circumstances than N.Y. C.P.L.R. § 302, and a foreign defendant meeting the standards of § 302 will satisfy the due process standard.”); *Banco Ambrosiano, S.A. v. Artoc Bank & Trust Ltd.*, 464 N.E.2d 432, 435 (N.Y. 1984) (“CPLR § 302 does not go as far as is constitutionally permissible.”); *see also Best Van Lines*, 490 F.3d at 245, 245 n.8, 247–48.

B. Asserting Personal Jurisdiction Against The Operator Of This Highly Interactive Website Is Consistent With Due Process.

To comport with Due Process, a defendant against whom jurisdiction is asserted must have “minimum contacts” with the forum state, which is satisfied if the defendant has “purposefully avail[ed] itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.” *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474 (1985) (internal quotation omitted). Where a defendant has committed an intentional tort, personal jurisdiction is permitted in the state where the effects of that tort are felt even if the defendant has not set foot in that state. *Calder*, 465 U.S. at 789–90; *see also Burger King*, 471 U.S. at 476 (jurisdiction “may not be avoided merely because the defendant did not *physically* enter the forum State” (emphasis in original)).

In *Calder*, Florida residents who wrote and edited an allegedly defamatory article published in a national newspaper were subject to personal jurisdiction in California because the defamatory statements targeted a California resident. 465 U.S. at 789–90. Though the defendants had no other contact with California, they set in motion a tort that foreseeably would harm the plaintiff in her home state. Like defamation, trademark infringement is a tort that can be launched in one place and cause harm elsewhere. Where, as in this case, a defendant sells counterfeit products nationwide through an interactive website, one predictable place where harm will be caused is the location of the trademark owner. Courts have thus not hesitated to apply the reasoning of *Calder* to extend personal jurisdiction against intentional infringers. *E.g.*, *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1321 (9th Cir. 1998) (personal jurisdiction over cybersquatting defendant justified under *Calder*); *Dakota Indus. v. Dakota Sportswear, Inc.*, 946 F.2d 1384, 1391 (8th Cir. 1991) (personal jurisdiction over defendant accused of intentional trademark infringement justified under *Calder*); *Mashantucket Pequot Tribe v. Redican*, 309 F. Supp. 2d 309, 319 (D. Conn. 2004) (personal jurisdiction over cybersquatting defendant justified under *Calder*); *Roberts-Gordon, LLC v. Superior Radiant Prods.*,

85 F. Supp. 2d 202, 217 (W.D.N.Y. 2000) (personal jurisdiction comported with due process where defendant intentionally used plaintiff's trademarks as metatags on website).

These same principles support the assertion of personal jurisdiction here. Ubaldelli does not dispute that his products were counterfeit, that he sold them on a highly interactive website, that purchases could be made completely online,⁶ and that his website advertised that products could be shipped "anywhere in the continental United States." *Chloé I*, 571 F. Supp.

⁶ Contrary to the suggestion in *Chloé I* at notes 2 and 7, the record shows that the counterfeit handbag at issue was purchased entirely through the Internet, with payment completed on the PayPal website. App. A-54–A-58. It is immaterial that completion of the ordering process required consumers to make payments through PayPal. *Portfolio Solutions, L.L.C. v. ETF Portfolio Solutions, Inc.*, No. 08-12751, 2009 WL 111908, at *2 (E.D. Mich. Jan. 15, 2009) ("The fact that users are directed to a PayPal site to submit payment for the book is irrelevant."); *IO Group, Inc. v. Pivotal, Inc.*, No. C 03-5286 MHP, 2004 WL 838164, at *4 (N.D. Cal. Apr. 19, 2004) ("The fact that consumers can purchase products directly from defendants' websites through a California-based third-party payor, PayPal, Inc[.], indicates a relatively high level of interactivity."); *Brach's Confections, Inc. v. Keller*, No. 03 C 2032, 2003 WL 22225617, at *1, 4 (N.D. Ill. Sept. 24, 2003) ("business [wa]s clearly conducted over the Internet" where residents of the forum purchased defendant's products and submitted payment through PayPal or by check). Using PayPal is a common way of completing purchases on many websites, including eBay.com, Kmart.com and Walmart.com. Counterfeiters should not be allowed to use this immaterial distinction to escape jurisdiction.

2d at 522; App. A-43–A-50. For the same reasons that this conduct satisfies the New York long-arm statute, it also establishes that Ubaldelli should have known that his conduct would have a harmful effect in New York, the state where Chloé is located. *Roberts-Gordon*, 85 F. Supp. 2d at 217 (“[W]here a case involves torts that create a cause of action in the forum state, . . . the ‘purposeful availment’ threshold is lower and it is sufficient that the defendant’s purpose was to target the forum state and its residents.”); *see also Best Van Lines*, 490 F.3d at 254 n.14 (C.P.L.R. § 302(a)(3) is “roughly analogous to the ‘effects test’ in *Calder*”).

The “highly interactive” nature of Ubaldelli’s website supports jurisdiction in this case. In *Zippo Manufacturing*, the court distinguished three categories of websites:

Passive: At one extreme of the sliding scale, passive sites “do[] little more than make information available to those who are interested in it.” Passive sites do not provide support for personal jurisdiction. 952 F. Supp. at 1124.

Interactive: Interactive sites occupy the middle of the sliding scale, “where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.” *Id.*

Highly Interactive: Sites at the opposite extreme of the sliding scale from passive sites, where the owner “clearly does business over the Internet,” are sufficient to support personal jurisdiction. *Id.*

This sliding scale has stood the test of time. In the decade since its articulation, it has been proven an effective way to evaluate personal jurisdiction.⁷ As numerous courts have recognized, a passive website cannot support jurisdiction because it is no different than an advertisement placed in a newspaper distributed throughout the country; without more, such an ad does not reflect any purposeful availment of every state’s laws. *E.g., Chloé I*, 571 F. Supp. 2d at 526 (quoting *Citigroup Inc. v. City Holding Co.*, 97 F. Supp. 2d 549, 565 (S.D.N.Y. 2000)). A highly interactive site, on the other hand, does support the exercise of personal jurisdiction because such a website is like a virtual storefront within the forum. The business may not physically be present in the state, but the website is inviting consumers to enter the virtual store, browse the items, complete a purchase online, and

⁷ *E.g., Energy Brands*, 571 F. Supp. 2d at 466–70; *Sunlight Solutions, LLC v. Birnbaum*, No. 06-CV-683A, 2008 WL 724215, at *3–5 (W.D.N.Y. Mar. 17, 2008); *Savage Universal Corp. v. Grazier Constr., Inc.*, 04 Civ. 1089 (GEL), 2004 WL 1824102, at *8–11 (S.D.N.Y. Aug. 13, 2004); *Hsin Ten Enter. USA, Inc. v. Clark Enters.*, 138 F. Supp. 2d 449, 456 (S.D.N.Y. 2000).

arrange for the product to be shipped to them in specified locations.

Moreover, a website operator in that position can easily select the jurisdictions in which it is willing to operate and to which it is willing to ship products. *See, e.g., Toys “R” Us, Inc. v. Step Two, S.A.*, 318 F.3d 446, 454 (3d Cir. 2003) (where prices were in non-U.S. currencies and products could be shipped only to addresses in Spain, website was not targeting New Jersey customers and thus jurisdiction in New Jersey would be inappropriate); *Carefirst of Md., Inc. v. Carefirst Pregnancy Centers, Inc.*, 334 F.3d 390, 400–01 (4th Cir. 2003) (defendant not subject to personal jurisdiction in Maryland where its “semi-interactive” website “had a strongly local character” and was expressly focused on Chicago area). Here, Ubaldelli advertised that he would ship to the 48 continental states but excluded Alaska and Hawaii from the locations in which he was willing to do business; his website is thus a virtual storefront reaching into each of those 48 jurisdictions, and the maintenance of that virtual storefront should confer specific jurisdiction in suits related to the products offered on the website. *See Kernan v. Kurz-Hastings, Inc.*, 175 F.3d 236, 241–43 (2d Cir. 1999) (agreement contemplating sales throughout United States supports jurisdiction under both N.Y. C.P.L.R. § 302(a)(3)(ii) and Due Process).

INTA believes the time has come for this Court to expressly adopt the *Zippo* approach. This Court should hold that jurisdiction can be asserted over the operator of a highly interactive website that offers to do business within the forum state and allows purchases to be completed online. *Cf. Best Van Lines*, 490 F.3d at 252 n.13 (acknowledging *Zippo* may be “helpful in analyzing whether jurisdiction is permissible under due process principles” but “express[ing] no view as to [the relevance of] the *Zippo* sliding scale . . . in evaluating whether the exercise of jurisdiction would be consistent with due process”).

This approach would be consistent with the decisions in this Circuit that have found the assertion of jurisdiction over defendants operating “highly interactive” websites compliant with Due Process principles. *E.g.*, *Sunlight Solutions*, 2008 WL 724215, at *4 (website highly interactive where “[c]ustomers in New York [could] access [defendant’s] site to directly order merchandise; to contact [defendant; or] to link directly to a New York-based distributor from whom [they could] purchase [defendant’s] products”); *Savage Universal Corp.*, 2004 WL 1824102, at *9–10 (websites highly interactive because sites represented “patently commercial enterprises, with multiple means of interaction between [defendant] and

customers, including the consummation of a transaction” (footnote omitted)); *Starmedia Network, Inc. v. Star Media Inc.*, No. 00 Civ. 4647(DLC), 2001 WL 417118, at *4 (S.D.N.Y. Apr. 23, 2001) (website interactive because, though customers could not purchase products through site, they could send comments to defendant, companies could download dealer application, and existing customers could access product and pricing information); *Hsin Ten Enters.*, 138 F. Supp. 2d at 456 (website was highly interactive because it “enable[d] the viewer to purchase the [infringing product] online, download an order form, download an application to become an ‘independent affiliate,’ and ask questions of an online representative”).

Extending jurisdiction in cases of highly interactive websites would not be inequitable. Website operators have complete control over their online presence. Those who wish to remain local can provide informational sites or limit sales to those jurisdictions in which they want to transact business. *E.g., Thomas Publ’g Co. v. Indus. Quick Search, Inc.*, 237 F. Supp. 2d 489, 492 (S.D.N.Y. 2002) (“If [defendant] does not want its website to subject it to personal jurisdiction here, it is free to set up a ‘passive’ website that does not enable [defendant] to transact business in

New York.”). Others can elect to service a national market, to advertise their goods throughout the United States, and to provide shipping to consumers in far-flung states.

In sum, there is nothing unfair about requiring highly interactive website operators to defend themselves where their conduct causes harm – whether it is because they sent a defective product to a consumer in New York or advertised a \$1,200 counterfeit item to New York consumers who might otherwise purchase the authentic product at the trademark owner’s store on Madison Avenue. To the contrary, it would be inequitable to allow counterfeiters to advertise and ship their products to New York consumers and let them avoid having to answer for their conduct in New York courts.

See John Wiley & Sons, Inc. v. Swancoat, No. 08 Civ. 5672 (JGK), 2009 WL 2486048, at *2–3 (S.D.N.Y. Aug. 14, 2009) (exercising jurisdiction was reasonable given defendant’s “purposeful actions,” including advertising in and shipping products to New York); *Pearson Educ., Inc. v. Shi*, 525 F. Supp. 2d 551, 558 (S.D.N.Y. 2007) (finding defendant “‘should [have] reasonably anticipate[d] being haled into court’ in New York,” given defendant’s online sales of infringing books to New York residents (quoting *Burger King*, 471 U.S. at 474–75)). This Court should thus hold that it does

not offend any notions of fair play and substantial justice to hale counterfeiters into courts in the forums in which they advertise, sell, and ship their products through highly interactive websites.

II. THE DISTRICT COURT HAD JURISDICTION OVER UBALDELLI BASED ON HIS SALE OF AN INFRINGING PRODUCT TO PLAINTIFFS' AGENT IN NEW YORK.

Another, independent basis for finding personal jurisdiction is that Ubaldelli sold and shipped a counterfeit CHLOÉ handbag to a New Yorker, Rosa Santana. App. A-40–A-41. The district court committed legal error in disregarding that sale as a “one-off transaction” and a “manufactured” sale for three reasons:

First, the district court committed legal error when it held that shipping one counterfeit product into a state is insufficient because it is a “one-off transaction.” Although a single transaction usually cannot support *general* jurisdiction, *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 418 (1984), a single transaction is sufficient to support *specific* jurisdiction if the transaction satisfies the requirements of the forum state’s long-arm statute and of Due Process.

Second, the identity of the purchaser is immaterial to the defendant’s intent. Ubaldelli offered his counterfeits for sale on his highly interactive

website, advertised that he shipped to the continental states, and intentionally shipped a counterfeit CHLOÉ handbag to a New York address. As such, Ubaldelli purposefully availed himself of New York’s laws and protections, and must answer in New York courts, regardless of the identity of the purchaser.

Third, the district court erroneously conflated jurisdiction with the merits. In assessing jurisdiction, it is irrelevant whether the purchaser herself was confused. The only jurisdictional issue is whether the allegations of trademark counterfeiting arise out of, or are related to, contacts with New York that satisfy the New York long-arm statute and Due Process.

A. A Single Sale Is Sufficient To Support Jurisdiction.

A single transaction, such as Ubaldelli’s sale to Ms. Santana, is sufficient to support personal jurisdiction “so long as the relevant cause of action also arises from that transaction.” *Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 171 F.3d 779, 787 (2d Cir. 1999); accord *George Reiner & Co. v. Schwartz*, 363 N.E.2d 551, 553 (N.Y. 1977); *Parke-Bernet Galleries v. Franklyn*, 256 N.E.2d 506, 507–08 (N.Y. 1970). Numerous district courts have agreed that “[a] single transaction may suffice for

personal jurisdiction under Section 302(a)(1), and physical presence by the defendant in the forum state during the activity is not necessary.” *Philip Morris USA Inc. v. Veles Ltd.*, No. 06 Civ. 2988 (GBD), 2007 WL 725412, at *4 (S.D.N.Y. Mar. 12, 2007); accord *Alpha Int’l, Inc. v. T-Reprods., Inc.*, No. 02 Civ. 9586 (SAS), 2003 WL 21511957, at *2 (S.D.N.Y. July 11, 1002); *Mattel, Inc. v. Adventure Apparel*, No. 00 Civ. 4085 (RWS), 2001 WL 286728, at *2 (S.D.N.Y. Mar. 22, 2001); *Editorial Musical Latino Americana, S.A. v. Mar Int’l Records, Inc.*, 829 F. Supp. 62, 64–65 (S.D.N.Y. 1993); *Corporate Campaign, Inc. v. Local 7837, United Paperworkers Int’l Union*, 697 N.Y.S.2d 37, 39 (App. Div., 1st Dep’t 1999).

The district court ignored the extensive Second Circuit jurisprudence on this issue when it attempted to justify its decision based on a line of Supreme Court decisions finding jurisdiction only where there are “continuing relationships” between a defendant and the forum state. *Chloé v. Queen Bee of Beverly Hills, LLC* (“*Chloé IP*”), 630 F. Supp. 2d 350, 353–54 (S.D.N.Y. 2009). That standard applies to claims based on “interstate **contractual** obligations,” *Burger King*, 471 U.S. at 473 (emphasis added), or where defendant’s “continuous and systematic” contacts with the forum state give rise to general jurisdiction, *Helicopteros*, 466 U.S. at 414–16, but it

does not apply in tort cases. A single, “one-off” tort *is* enough to support specific personal jurisdiction. *See Calder*, 465 U.S. at 789–90.

B. Ms. Santana’s Status As A Representative Of The Plaintiffs Is Irrelevant.

The district court also erred in holding that the sale to Ms. Santana should be disregarded because she was plaintiffs’ representative. The identity of the purchaser is irrelevant to whether defendant, by completing this New York transaction, purposefully availed himself of New York’s laws and privileges.

Because the question of purposeful availment goes entirely to the seller’s intent, and not to the intent of the purchaser, the purchaser’s intent should be irrelevant in determining whether jurisdiction exists. As Judge Kaplan persuasively noted in a directly analogous case:

[T]he fact that the purchaser happened to be an investigator in plaintiffs’ employ does not go to the question whether [defendant] purposefully availed itself of the privilege of doing business in New York. So in the absence of evidence that [defendant] was “entrapped” into making a sale into the State of New York that it would not have made but for some coercion or trickery, the sale to the investigator should not be disregarded.

Cartier v. Seah LLC, 598 F. Supp. 2d 422, 425 (S.D.N.Y. 2009);⁸ *accord* *Mattel, Inc. v. Procount Bus. Servs.*, No. 03 Civ. 7234 (RWS), 2004 WL 502190, at *2 (S.D.N.Y. Mar. 10, 2004) (“[T]hat this sale was to [plaintiff’s] investigator is irrelevant. Personal jurisdiction is proper as Defendants solicited sales over the Internet, accepted an order from a resident of this state, and shipped goods into this state to fill that order.” (citation omitted)); *Philip Morris*, 2007 WL 725412, at *5 (irrelevant that plaintiff’s investigator placed order on defendant’s website); *Adventure Apparel*, 2001 WL 286728, at *3 (“[T]hat the sale was made to an agent of [plaintiff] is irrelevant. The fact that there was only one transaction does not vitiate personal jurisdiction due to the nature of the contact, that is, because [defendant’s] activities were purposeful and there was a substantial relationship between the transaction

⁸ In New York, entrapment “requires a showing both that the proscribed conduct was induced or encouraged by official activity and that the defendant had no predisposition to engage in such conduct.” *People v. James*, 665 N.Y.S.2d 153, 154 (App. Div. 4th Dep’t 1997) (internal quotations and citations omitted); *see also* N.Y. Penal Law § 40.05. Here Ubaldelli not only had a predisposition to engage in the tortious conduct of selling the counterfeit handbags, but he actively *advertised* the tortious conduct on his website and did not hesitate to sell and ship various other unrelated counterfeit products to New York. Indeed, the district court found that plaintiffs had not “engaged in any wrongful act that goes to the Court’s jurisdiction.” *Chloé II*, 630 F. Supp. 2d at 356.

and the claim asserted.”).⁹ This Court should endorse Judge Kaplan’s approach in *Cartier* and reject the approach adopted by the district court here.

INTA acknowledges that some district courts have found “manufactured” transactions insufficient to support personal jurisdiction.

⁹ Another reason to uphold jurisdiction is that counterfeiters otherwise will have an even stronger incentive to lie, destroy evidence, and otherwise hide their sales to avoid being haled into court. In granting trademark owners the right to obtain *ex parte* seizure orders, Congress acknowledged that counterfeiters – who are engaged in criminal conduct – cannot be trusted to disclose their documents in discovery. Rather, they frequently try to hide their conduct and destroy evidence of their wrongdoing. S. Rep. No. 98-526, at 6–7 (1984) (“[T]rademark counterfeiting has become an increasingly professional operation, and . . . many of those who traffic in counterfeits have become skilled at destroying or concealing counterfeit merchandise when a day in court is on the horizon. . . . By whatever means, many commercial counterfeiters will prevent the courts from effectively exercising their jurisdiction.”); see also *In re Vuitton et Fils S.A.*, 606 F.2d 1, 2 (2d Cir. 1979) (describing how counterfeiters conceal or destroy infringing goods upon receiving notice of imminent litigation and noting “[t]he now too familiar refrain from a ‘caught counterfeiter’ is ‘I bought only a few pieces from a man I never saw before and whom I have never seen again. All my business was in cash. I do not know how to locate the man from whom I bought and I cannot remember the identity of the persons to whom I sold.’”). If counterfeiters know that they can avoid jurisdiction by claiming that the sale to the investigator was the only one into the forum, they will do so with impunity. This Court should not reward this conduct by allowing such a lie to result in dismissal of an otherwise meritorious case.

However, many of these cases involved other factors not relevant here, such as that a third party sold the infringing products into the forum state, *Stewart v. Vista Point Verlag*, No. 99 Civ. 4425 (LAP), 2000 WL 1459839, at *4 (S.D.N.Y. Sept. 29, 2000); that the defendants had made it explicitly clear that their product was not intended for sale in the United States, *Elbex Video Kabushiki Kaisha v. Taiwan Regular Elec. Co.*, 93 Civ. 6160 (KMW), 1995 WL 224774, at *2–3 (S.D.N.Y. Apr. 14, 1995); and that the sale was “manufactured” after the action had commenced, *ISI Brands, Inc. v. KCC Int’l, Inc.*, 458 F. Supp. 2d 81, 88–89 (E.D.N.Y. 2006).¹⁰ None of these factors are present in this case. Ubaldelli knowingly and voluntarily sold his \$1,200 counterfeit product to someone with a New York address; regardless of who that person was, Ubaldelli purposefully availed himself of New York’s privileges.

¹⁰ The district court also cited *Unique Indus. v. Sui & Sons Int’l Trading Corp.*, No. 05 Civ. 2744 (KMK), 2007 WL 3378256 (S.D.N.Y. Nov. 9, 2007), in support of its contention that Ms. Santana’s purchase should not result in jurisdiction. However, the court in *Unique* did not rule on the issue of whether a purchase by plaintiff’s agent can result in long-arm jurisdiction in New York. *Id.* at *6.

C. The District Court Erred By Conflating Jurisdiction With The Merits Of The Case.

Finally, whether Ms. Santana herself was confused by Ubaldelli's counterfeit product is irrelevant to the threshold question of whether the court has jurisdiction. As this Court has held, the jurisdictional analysis is "distinct from an inquiry into ultimate liability on the merits." *Bank Brussels Lambert*, 305 F.3d at 125.

The district court's ruling also reflects a misunderstanding of the standards to be applied in trademark infringement cases. "[I]t is black letter law that actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source." *Savin Corp. v. Savin Group*, 391 F.3d 439, 459 (2d Cir. 2004) (internal citation and quotation omitted). Furthermore, the sale of a counterfeit product constitutes infringement even when the purchaser knows that it is a counterfeit. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872–73 (2d Cir. 1986); *Cartier v. Samo's Sons, Inc.*, No. 04 Civ. 2268 (RMB) (DFE), 2005 WL 2560382, at *8 (S.D.N.Y. Oct. 11, 2005); *see also Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 n.2 (2d Cir. 2005).

Here, Ms. Santana was not deceived by Ubaldelli's product. That, however, is irrelevant. Ubaldelli's provision of a highly interactive website on which he offered counterfeit products for sale is itself a trademark violation. See 15 U.S.C. § 1114(1)(a) (civil liability for infringing use of registered mark in connection with "offering for sale" of goods or services); *Liz Claiborne*, 13 F. Supp. 2d at 444 ("The Lanham Act provides that merely 'offering for sale' a good is sufficient to find liability . . ."). Whether Ms. Santana herself was deceived is thus immaterial to both jurisdiction and the merits. It is Ubaldelli's conduct and his intentions that are key, because those are the factors that address the issue of whether he purposefully availed himself of the benefits of New York and inform the question of whether consumers in New York are likely to be confused by his conduct.

CONCLUSION

For the foregoing reasons, the judgment of the district court dismissing the complaint for lack of personal jurisdiction should be vacated.

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CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(7)(C) of the Federal Rules of Appellate Procedure, the undersigned certifies that:

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 6,596 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii), as determined by the word processing system used to generate the brief.

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in proportionally spaced typeface using Microsoft Office Word 2003 in 14 point, Times New Roman font.

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