

AMERICAN GIRL, LLC V. ZEMBRKA (SECOND CIRCUIT COURT OF APPEALS)

I. BACKGROUND

American Girl commenced this action in March 2021, asserting multiple claims under the Lanham Act, including claims for trademark counterfeiting and trademark infringement. American Girl's complaint contained the following comparison of its dolls and of dolls advertised on Zembrka's websites:

At the time it filed its complaint, American Girl applied for and was subsequently granted a temporary restraining order, which enjoined Zembrka from marketing, manufacturing, or distributing counterfeit American Girl products or from advertising counterfeit or confusingly similar American Girl marks.

As noted, jurisdiction was predicated on New York's long arm statute.

II. OPINION

Plaintiff-Appellant American Girl, LLC is a well-known manufacturer of dolls, doll books, and doll accessories. Defendants-Appellees Zembrka are located in, and operate from, the People's Republic of China. American Girl sued Zembrka in the Southern District of New York, alleging that through their interactive websites, they sold, in New York, counterfeit and infringing versions of American Girl products and prominently used American Girl marks on their websites.

Jurisdiction was predicated on two provisions of New York's long arm statute. Zembrka moved to dismiss the complaint for, among other things, lack of personal jurisdiction. Eventually, Zembrka appeared and moved to dissolve the TRO and dismiss the complaint for lack of personal jurisdiction and, among other reasons, the ground that they did not transact or do business in New York as required to establish personal jurisdiction under the statute.

In support of personal jurisdiction, American Girl asserted with supporting evidence that Zembrka maintained interactive websites through which customers, including those located in New York, could place orders by inputting their billing and payment information, shipping addresses, and contact information, and that customers were then sent confirmations of their orders. As further support, American Girl represented, with supporting evidence, that on March 11, 2021, its counsel purchased and paid for allegedly counterfeit American Girl merchandise on a Zembrka website and received confirmation emails from Zembrka stating "Order confirmed" and "We're getting your order ready to be dispatched. We will notify you when it has been

shipped." These confirmation emails included shipping addresses in New York. They were also accompanied by simultaneous emails from PayPal with receipts for the orders, which listed New York addresses for shipment of Defendants' products.

The District Court granted the motion, emphasizing that American Girl had failed to establish that Zembrka shipped the merchandise at issue to New York. Because we conclude that American Girl established jurisdiction under the statute, **we reverse.**

The District Court granted the motion to dismiss, relying heavily on the fact that American Girl did not provide evidence that the allegedly counterfeit goods had actually shipped to New York. The District Court reasoned that because no goods were shipped to New York and refunds were made, no business was transacted under the statute.

After the motion to dismiss was granted, American Girl moved for reconsideration, largely based on newly discovered evidence. In support of the motion, American Girl submitted evidence that it had obtained after the District Court's decision showing that in March 2021, other New York customers purchased allegedly counterfeit American Girl products from Zembrka's websites. None of these customers appeared to receive Zembrka's products, and all were refunded the amounts they spent, but the vast majority of refunds did not occur until mid-April, weeks after the TRO was in place. American Girl also provided a declaration from a customer in New York who attested to purchasing two dolls that she believed were authentic American Girl dolls through a Zembrka website on March 22, 2021. The PayPal evidence also showed purchases by New York customers for other Zembrka products over the past year, totaling a significant amount.

The District Court denied the motion for reconsideration. The District Court again concluded that because no products actually shipped to New York and the customer payments were refunded, no business transaction occurred as was required to establish personal jurisdiction under the statute. American Girl timely appealed both the denial of the initial motion to dismiss and the motion for reconsideration.

During the course of oral argument before this Court, the following exchange occurred: The Court: Your company does business in New York, is that not right? Zembrka's Counsel: Does business online. The Court: Your client sells merchandise to people in New York? Zembrka's Counsel: Yes. The Court: But you're doing business in New York? Zembrka's Counsel: Yes, through the internet. There are sales records.

III. STANDARD OF REVIEW

DISCUSSION

A. Section 302(a)(1) of New York's Long-Arm Statute Establishes Personal Jurisdiction Over Zembrka

On this appeal, the primary issue is whether American Girl sufficiently established that Zembrka transacted business in New York for purposes of the statute. We have little difficulty concluding that American Girl has met this burden.

Section 302 is a single act statute and proof of one transaction in New York is sufficient to invoke jurisdiction, even though the defendant never enters New York, so long as the defendant's activities were purposeful and there is a substantial relationship between the transaction and the claim asserted.

Transacting business under the statute means purposeful activity — some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws. The overriding criterion necessary to establish a transaction of business within the meaning of the statute is that a non-domiciliary must commit an act by which it purposefully avails itself of the privilege of conducting activities within New York.

The evidence put forth by American Girl, as well as the representations by Zembrka's counsel before this Court, convince us that Zembrka, indeed, purposefully availed itself of the privilege of conducting activities within New York and, thus, transacted business. American Girl plausibly contended that a Zembrka customer had successfully placed orders on Defendants' website for counterfeit products to be shipped to New York. This customer received email confirmation from Zembrka that included the customer's New York shipping address stating "Order confirmed" and "We're getting your order ready to be dispatched. We will notify you when it has been shipped." In addition, American Girl submitted emails from PayPal to the New York customer containing receipts for the counterfeit products with shipping addresses in New York.

The evidence demonstrates that Zembrka accepted orders with New York shipping addresses, sent confirmatory emails with New York shipping addresses containing commitments to ship to those New York addresses, and accepted payments from a customer with a New York address. We have little difficulty concluding that this activity constitutes transacting business within New York for purposes of jurisdiction under the statute.

The fact that Zembrka cancelled the orders and refunded the purchase price to the customer does not change this conclusion. Zembrka breached their commitment to sell and ship apparently only after they received notice of this litigation. Section does not require a completed sale. It only requires a transaction.

Defendants contend that they did no more than operate interactive websites that were accessible from New York. But the law is clear that long-arm jurisdiction is appropriately exercised over commercial actors who have used electronic means to project themselves into New York to conduct business transactions. That is precisely what Zembrka did. We have recognized that a website's interactivity may be useful for analyzing personal jurisdiction insofar as it helps to decide whether the defendant transacts any business in New York. Defendants' operation of these websites is therefore another contact that contributes to their purposeful availment of New York.

The District Court concluded that Zembrka had not transacted business because there was no evidence that they actually shipped ordered and paid-for goods to New York. This conclusion was incorrect. Section does not require a shipment. It requires a transaction. The overriding criterion is whether the non-domiciliary defendant purposefully avails itself of the privilege of conducting activities within New York. That activity may or may not include shipping goods. In reaching its conclusion, the District Court relied on our decision in *Chloe*, interpreting references to the "shipment" of a counterfeit bag to mean that shipment was an essential component of transacting business for purposes of the statute. But *Chloe* did not reach that conclusion. Our holding in *Chloe* did not depend on the shipment of goods, but rather on the fact that a single act can potentially suffice for establishing personal jurisdiction under the statute, depending on the defendant's other activity directed towards New York. Neither *Chloe* nor any of our other cases should be read as indicating that shipment is required to demonstrate a business transaction for purposes of the statute.

In sum, we conclude that the evidence put forth by American Girl sufficiently demonstrates that Zembrka conducted sufficient activities to have transacted business in the state. We also have little difficulty concluding that American Girl has adequately satisfied the second requirement that the claims arise from the transactions. American Girl's claims are based on the advertisement, marketing, and sale of allegedly infringing merchandise, and American Girl has provided evidence that New York customers submitted orders and payments for the merchandise through Defendants' websites and received order confirmations from them. This alleged conduct satisfies the relatively

permissive inquiry that at least one element of the claim arises from defendant's New York contacts. Accordingly, American Girl has met its burden of establishing personal jurisdiction over Zembrka under the statute.

B. Due Process

Having concluded that New York's long-arm statute applies, we now must consider whether exercising personal jurisdiction over Zembrka comports with the due process protections afforded by the Constitution. This inquiry usually proceeds in two steps — an analysis of whether each defendant has minimum contacts with the forum state, and an analysis of whether exercising jurisdiction would comport with fair play and substantial justice.

When specific jurisdiction is asserted, the minimum contacts necessary to support such jurisdiction exist where the defendant purposefully availed itself of the privilege of doing business in the forum and could foresee being haled into court there. For the same reasons that Zembrka's engagement with New York satisfies the statute, it also satisfies the minimum contacts requirement.

As to the **second consideration**, the inquiry for whether exercising jurisdiction comports with fair play and substantial justice relies on five factors: (1) the burden that the exercise of jurisdiction will impose on the defendant; (2) the interests of the forum state in adjudicating the case; (3) the plaintiff's interest in obtaining convenient and effective relief; (4) the interstate judicial system's interest in obtaining the most efficient resolution of the controversy; and (5) the shared interest of the states in furthering substantive social policies.

The import of the reasonableness inquiry varies inversely with the strength of the minimum contacts showing — a strong showing by the plaintiff on minimum contacts reduces the weight given to reasonableness. Here, we not only find that the minimum contacts showing is quite strong, but also that Defendants have failed to convincingly demonstrate that the exercise of jurisdiction would be unreasonable.

We do not doubt that the burden on them will be significant, as they reside and are based in China. However, Zembrka ran the risk of being haled into court by offering for sale allegedly counterfeit items for which New York customers could order and pay. Moreover, New York has an exceptionally strong interest in protecting consumers and businesses in this state from the flow of counterfeit goods from abroad. That interest trumps the potential inconvenience of requiring foreigners to litigate in the courts of this State. Furthermore, Zembrka has not demonstrated that China would provide an appropriate forum for this litigation. None of the other reasons Zembrka

has put forth convince us that it would be unreasonable for a court in New York to exercise jurisdiction.

IV. CONCLUSION

For the reasons set forth above, we REVERSE the district court's order dismissing the complaint for lack of personal jurisdiction and REMAND for further proceedings consistent with this opinion.

T-MOBILE USA, INC. v. HUAWEI DEVICE USA (NEW YORK DISTRICT COURT)

RICHARD A. JONES, District Judge.

I. INTRODUCTION

This matter comes before the court on a motion to dismiss from Defendant Huawei Device USA, Inc. and a motion to dismiss from its Chinese parent company, Huawei Technologies Co., Ltd. Although the parties have requested oral argument, the court finds oral argument unnecessary in light of the briefs before it. For the reasons stated herein, the court GRANTS both motions to dismiss in part and DENIES them in part.

II. BACKGROUND

The court describes the facts as Plaintiff T-Mobile USA, Inc. alleges them in its complaint, suggesting no opinion on whether its allegations will prove true. T-Mobile contends that Huawei, one of many entities that supplies it with mobile phone handsets, has stolen robot technology that T-Mobile uses to test handsets.

T-Mobile maintains a handset testing facility at its offices in Bellevue, Washington. That facility houses a robot that T-Mobile designed to test mobile phone handsets. According to T-Mobile, it began developing the robot in 2006 and placed it in service in 2007. Patents protect some aspects of the robot's technology; other aspects are T-Mobile's closely guarded trade secrets.

T-Mobile first granted Huawei access to the clean room that contains the robot in 2012, so that Huawei could assist with testing its own handsets. Huawei USA has been a T-Mobile handset supplier since it signed a supplier agreement in June 2010. Before granting Huawei USA access to the clean room, T-Mobile required it to sign a testing non-disclosure agreement and, shortly thereafter, a separate Clean Room Letter with additional security provisions. T-Mobile contends that the non-disclosure agreement binds Huawei China as well. In addition to contractual confidentiality provisions, T-Mobile limited Huawei's access to the clean room. It limited the number of Huawei employees who could enter the clean room and required all of those employees to obtain security clearances.

Despite these confidentiality agreements and security measures, Huawei stole confidential information about the robot so that it could develop a competing testing robot. It could not have doubted that T-Mobile considered that information confidential, because T-Mobile frequently refused to answer Huawei's detailed questions about the robot's specifications. Those questions

often focused on a component at the end of the robot's end effector, which is a metal plate that attaches to the bottom of the robot's arm.

In May 2013, a Huawei China employee arrived in Bellevue from China on a mission to acquire confidential information about the robot. He came to T-Mobile's testing facilities with two other Huawei employees, lead engineer Xiong and Helen Lijingru. Although Mr. Xiong and Ms. Lijingru had permission to be in the clean room, the visiting employee did not. T-Mobile told them to remove him from the clean room, but he nonetheless brought him back the following day, and secretly escorted him into the clean room. He used his own phone to take at least seven photos of the robot. T-Mobile discovered the presence and forced him to leave the facility. Mr. Wang nonetheless forwarded the photographs to the Huawei China research and development team. Huawei later surrendered four of the photos to T-Mobile, claiming that the remainder were too blurry to be of use. Mr. Wang admitted in an interview that he took the photos to assist Huawei's testing robot development team.

In the wake of Mr. Wang's unauthorized actions, T-Mobile ratchet up security restrictions on Huawei. It barred all Huawei personnel except Mr. Xiong from the clean room. It required that he be escorted to the room, and that his activities in the room be recorded on video.

In late May 2013, T-Mobile gave Mr. Xiong four end effectors in the clean room for testing. He hid one of them from the view of the security camera, then placed it in his laptop bag and took it out of the clean room. T-Mobile quickly discovered that it was missing, then confronted Mr. Xiong, who denied intentionally taking it. Mr. Xiong took the stolen end effector to Huawei USA's local offices, took measurements and conducted other analyses, and sent the results to Huawei's research and development team in China. Mr. Xiong admitted in an interview that both Mr. Wang's photographs and his analyses of the end effector were appropriated to assist in Huawei's development of a testing robot. A Huawei USA executive admitted that Mr. Wang and Mr. Xiong acted to assist Huawei with developing a testing robot.

What is missing from Huawei China's evidence is anything to contradict T-Mobile's allegation that it directed both its own employees and Huawei USA employees to steal information from T-Mobile. The closest Huawei China comes to contradicting that evidence is a generic assertion that it did not engage in any activities in the State of Washington as alleged in the complaint. T-Mobile's claims do not depend on the allegation that Huawei China took actions in Washington; they depend on the allegation that Huawei China directed from afar the Bellevue

misconduct of Mr. Xiong, Mr. Wang, and others. That uncontradicted allegation is a sufficient basis for the court's exercise of personal jurisdiction over Huawei China.

III. PERSONAL JURISDICTION BASICS

The court's jurisdictional analysis starts with the long-arm statute of the state in which the court sits. Washington's long-arm statute extends personal jurisdiction to the broadest reach that the Due Process Clause of the federal Constitution permits.

There are two species of personal jurisdiction: specific and general. Both species depend on the defendant's contacts with the forum. Specific jurisdiction is tethered to a relationship between the forum and the claim, whereas general jurisdiction is not. A defendant with substantial or continuous contacts with the forum state is subject to general jurisdiction, and can be haled into court on any action, even one unrelated to its contacts in the state. A defendant not subject to general jurisdiction may be subject to specific jurisdiction if the suit arises from its contacts with the forum state.

IV. ANALYSIS

A. Personal Jurisdiction Over Huawei China

T-Mobile passes the **three-part test** for the court's exercise of **specific jurisdiction** over Huawei China.

- 1. The non-resident defendant must purposefully direct its activities or consummate some transaction with the forum by which it purposefully avails itself 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 relates to the defendant's forum-related activities; and**
- 3. the exercise of jurisdiction must comport with fair play and substantial justice.**

The defendant allegedly committed intentional acts, expressly aimed at the forum state, causing harm that the defendant knows is likely to be suffered in the forum state. T-Mobile's allegations satisfy the effects test. T-Mobile adequately alleged that Huawei China acted intentionally. Its allegations plausibly state that Huawei China intended to misappropriate the robot technology so that it could build its own testing robot. To accomplish that plan, T-Mobile asserts Huawei China directed others to misappropriate information from T-Mobile's Bellevue testing

facility. That is activity expressly aimed at Washington. To the extent that Huawei China believes that its evidence that it disciplined its employees is sufficient to show it did not direct their misconduct, it is mistaken. One could plausibly infer that Huawei China disciplined them because they acted independently in a wrongful manner, but one could also plausibly infer that Huawei China disciplined them only to give the appearance that it had not directed their activities.

The court is compelled at this stage to accept the inferences that favor T-Mobile. As to the last element of the effects test, T-Mobile has adequately alleged that Huawei China knew that the Washington activity it directed from China would harm T-Mobile in Washington.

As to the **second part of the personal jurisdiction analysis**, there is no question that the claims against Huawei China arise out of the activity that it directed at Washington.

That brings the court to the third part of the jurisdictional analysis, where it is Huawei China's burden to show that the exercise of personal jurisdiction over it would be unreasonable. Huawei China did not attempt to discharge that burden. The court is aware of no reason that its exercise of jurisdiction over Huawei China would be unreasonable.

V. CONCLUSION

The court GRANTS HUAWEI China's motion to dismiss in part and denies it in part, dismissing only T-Mobile's tortious interference claim without prejudice.