

# Court Makes Motion to Dismiss in Trademark Dispute Magically Disappear

**New England IP Blog** on **April 9, 2018**

A basic tenet of litigation is that the court must have personal jurisdiction over the parties to the case. In one recent decision, an out-of-state defendant in a trademark infringement dispute could not use a motion to dismiss to escape from the reach of the District of Connecticut court. The court found sufficient evidence to show that it had personal jurisdiction over the defendant, and that the plaintiff's complaint had properly stated a claim for relief.

Plaintiff Communico, based in Connecticut, holds two registered U.S. trademarks—"MAGIC" and "THE MAGIC OF CUSTOMER RELATIONS"—in the field of course materials and educational services. Defendant DecisionWise, a Utah company offering employee-training programs for customer relations and communication, later began using the marks "MAGIC" and "Engagement Magic" in connection with its services, both on its website and in the title of a published book.

DecisionWise did not directly take orders for the book, but included links to third-party retailers (Amazon and Barnes & Noble) on its website where customers could purchase the book. DecisionWise did not have any physical operations or employees in Connecticut or maintain ongoing business relationships with Connecticut clients, but has conducted business with Connecticut residents—including one resident who mistakenly purchased DecisionWise's book from a third-party retailer, thinking the book was Communico's.

Communico sued DecisionWise for both federal trademark infringement under the Lanham Act and common law trademark infringement under Connecticut's Unfair Trade Practices Act. DecisionWise then moved to dismiss Communico's complaint under Rule 12(b)(2) and 12(b)(6), arguing that the court lacked personal jurisdiction and the complaint failed to state a plausible claim for relief.

In addressing the personal jurisdiction issue, Judge Chatigny applied the traditional two-step analysis: (1) application of the forum state's long-arm statute to determine if it permits personal jurisdiction, and if so, (2) confirmation that personal jurisdiction would comport with the Due Process Clause. The Connecticut long-arm statute permits personal jurisdiction over out-of-state defendants who "in person or through an agent...(a)(2) commits a tortious act within the state...[or] (a)(3) commits a tortious act outside the state" with the expectation that the act would have consequences in the state and the derivation of substantial revenue from interstate commerce.

With respect to the first step, the court concluded that the long-arm statute allows it to exercise personal jurisdiction over DecisionWise under Section (a)(2) because the facts suggest that the defendant had committed the tort of trademark infringement in Connecticut when it permitted the third-party retailers to sell its book in the state. Although the court did not have firm evidence regarding the nature of the business relationship between these retailers and DecisionWise, Judge Chatigny stated that Communico "is entitled to the benefit of the doubt in making [its] prima facie case." Even if an agency relationship could not be proven, the court still found that Section (a)(3) of the long-arm statute could apply because DecisionWise should have expected the book to be sold in Connecticut and to cause a loss of business to Communico from consumers thinking they were buying a book from Communico. Under either section, the requirements for personal jurisdiction were met.

On the Due Process step, the court analyzed whether DecisionWise's activity satisfied the minimum contacts and reasonableness tests. First, Judge Chatigny noted that DecisionWise, through its conduct, had "purposefully availed itself of the privilege of doing business" in Connecticut and "could foresee being haled into court there." Even though DecisionWise sold its book indirectly in Connecticut through distributors, the court found such activity was purposeful availment because DecisionWise advertised its book over the internet, had an agreement with the distributors that contemplated sales in the state, and the distributors had sold the book in Connecticut—which constituted an attempt to serve the Connecticut market.

Regarding reasonableness, Judge Chatigny reasoned that application of jurisdiction over DecisionWise is proper because it would “comport with traditional notions of fair play and substantial justice.” DecisionWise has done business in the state and has a globally-distributed network of operations; there is no indication that Utah would have a stronger interest in resolving the dispute than Connecticut, where Communico resides and was injured; and DecisionWise did not explain why litigation in another forum (Utah or the TTAB) would be more efficient.

Therefore, the court denied DecisionWise’s motion to dismiss under 12(b)(2), finding its exercise of personal jurisdiction appropriate in this case.

In its 12(b)(6) motion, DecisionWise argued that Communico failed to state a plausible claim because DecisionWise’s use of “MAGIC” in the book title is protected by the First Amendment. To determine whether the protections of the Lanham Act should apply to Communico’s “MAGIC” mark, Judge Chatigny evaluated whether “the public interest in avoiding consumer confusion outweighs the public interest in free expression.” Although the court found a modicum of artistic relevance in the book’s title, the facts suggest that the use of “MAGIC” in the book’s title explicitly misleads consumers as to the source of the book. As a result, the court rejected DecisionWise’s First Amendment argument and ruled that Communico’s claim for trademark infringement was plausible, surviving the motion to dismiss.

Judge Chatigny’s opinion in this case provides a well-crafted roadmap for litigants facing similar issues at the motion to dismiss stage. While facts unearthed during discovery may ultimately resolve the issues later in the case, parties should be prepared to consider every facet of these issues early on to see whether such motion practice makes sense.

The case is *Communico, Ltd. v. DecisionWise, Inc.*, Case No. 3:14-cv-1887 (RNC) (March 28, 2018), before Judge Robert N. Chatigny.