

# Getting Caught in the Web – When a Website Confers Personal Jurisdiction

By Thomas Telesca

When does your website subject you to personal jurisdiction in New York? A recent decision by Judge Nelson Roman of the Southern District, in a trademark litigation entitled *Two's Company v. Jane Hudson*, summarized personal jurisdiction based on a website.<sup>1</sup> In short, the more interactive your website, the more likely you will be subject to personal jurisdiction in New York.

The plaintiff in *Two's Company* is a New York business from Elmsford that is engaged in selling giftware. In 1992, the plaintiff obtained a trademark for TWO'S COMPANY INC. for hand embroidered and needlepoint goods. In 2001, the plaintiff obtained a second trademark for jewelry.

The defendant is the owner of Two's Company Needlepoint, located in Fort Mill, South Carolina. The defendant began using the name "Two's Company" in 1977 and the name "Two's Company Needlepoint" since the launch of her website in 2002, using the domain name "twoscompanyneedlepoint.com." The website contains a description of the company, pictures and prices for the products sold, and a purchase order form. Visitors to the website who are interested in purchasing merchandise must complete the purchase order online and provide contact information. The defendant then contacts the customer by telephone to complete the transaction. The customer provides credit card information over the phone.

The defendant has no facility, office, or property in New York; has no affiliated entity or subsidiary in New York; has no

bank accounts or telephone listings in New York; and is not registered or licensed to do business in New York. From 2010 through 2012, the defendant made 18 sales in New York which totaled \$1,721.45. The New York sales amounted to approximately 0.4 percent of the defendant's total sales for that period.

The plaintiff made claims for trademark infringement, unfair competition, and false designation of origin under the Lanham Act and for common law infringement and unfair competition. The defendant challenged the court's personal jurisdiction.

In a federal trademark case where the defendant resides outside the forum state, the court applies the forum state's personal jurisdiction rules. To determine whether personal jurisdiction exists over a foreign defendant in New York, a federal court must first look to New York's long-arm statute, CPLR 302.

Although the defendant in *Two's Company* ultimately conceded that she was subject to New York's long-arm statute, specifically CPLR § 302(a)(1), based on her sales of goods into the state, Judge Roman still analyzed the defendant's contacts in New York resulting from her website. Under CPLR § 302(a)(1), the court engages in a two-step analysis: (i) whether the defendant transacts business in New York; and (ii) whether the lawsuit arises from that transaction. In New York, a single act may confer jurisdiction if the cause of action arises out of that act, even if the defendant never enters the state, so



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long as the defendant's activities were purposeful.<sup>2</sup> Under this standard, a "single act" of selling counterfeit goods into New York has been held to satisfy the long-arm statute under CPLR § 302(a)(1).<sup>3</sup>

A website's interactivity may be used to determine if the defendant's activities were purposeful. Courts often use a sliding scale of website interactivity first set forth in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.* to determine whether personal jurisdiction can be derived from internet contacts.<sup>4</sup> The *Zippo* sliding scale spans from passive websites to those that are fully interactive.

Courts generally refuse to extend jurisdiction based on a passive website alone. Passive websites are usually not commercial and do not permit the purchase of products on-line. Passive websites primarily make information available to viewers, but do not permit an exchange of information. For instance, a not-for-profit website, *MovingScam.com*, which provided information and opinions about household movers was not sufficient to confer jurisdiction.<sup>5</sup> Neither was a website that merely advertised and promoted a product.<sup>6</sup>

On the opposite end of the spectrum are fully interactive websites where a company conducts business over the internet. Those websites allow consumers to access them from anywhere to purchase products. Courts will generally confer jurisdiction based on those types of websites. In a 2010 decision, the Second Circuit in *Chloe v. Queen Bee of*

*Beverly Hills, LLC* did not need to decide whether the single act of shipping one counterfeit Chloe bag into New York was sufficient to confer personal jurisdiction because the defendant operated a "highly interactive" website where a variety of counterfeit designer bags were offered for sale to New York consumers. In *Chloe*, the website permitted a customer viewing the counterfeit handbags to "Click here ... to purchase this item." Customers could either pay by telephone or online through PayPal.<sup>7</sup>

In the middle are interactive websites with which the user can exchange information. The exercise of jurisdiction is determined by analyzing the level of interactivity and the commercial nature of the exchange of information on the website. As an example, a website consisting of a blog and message boards without the ability to purchase products was not sufficient to confer jurisdiction.<sup>8</sup>

In *Two's Company*, Judge Roman found that the defendants' website fell somewhere in the middle. The website allows consumers to fill out a purchase order, but then the consumer is contacted by telephone to complete the order.

Judge Roman noted that hosting a website is not unlike placing a product in the stream of commerce, which can have a global impact, but without more, it is not an act purposefully directed toward the forum state.<sup>9</sup> Judge Roman found that shipping products to New York was the additional ingredient necessary to confer jurisdiction over the defendant. The combination of a semi-interactive website and the sale of products to consumers in New

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## Meet Your SCBA Colleague

By Laura Lane

**Your dad was a doctor, right?** Yes. He was one of my idols. My father was simple. He believed in doing the right thing and would help anyone who walked through the door if they could afford it or not. And he never talked about it.

**Your firm helps those who sometimes can not afford legal representation. Why?** My firm has been relatively successful and we've had high profile cases, but some of the most rewarding aspects of being a lawyer have been to give to people who can't afford it.

**You served as an attorney in the United States House of Representatives and as senior federal legal counsel to Governor Mario Cuomo in D.C. How were you introduced to the political arena?** I was always interested in politics and social issues. In high school I did a lot of work with Harry Chapin and World Hunger.

**You met him?** Yes. He was performing back then and I organized fundraisers for him because I believed he was genuinely working on a good cause. Besides my dad, he was my idol.

**Let's get back to how you entered politics.** As a freshman at Georgetown, I got a job part time at the White House answering the Emergency Hotline. After that, I interned for Senator Ted Kennedy. His legacy of being one of the hardest working and most successful Senators is well

deserved. I interned for him for six months and knew afterwards that someday I'd want to work in the House or Senate as counsel. I ended up working as legal counsel for the Democratic Coalition in the House working on energy and communication matters for three years.

**You came back to New York though?** Yes, even though I was offered a promotion from being Cuomo's counsel in D.C. to go to Albany, a more prestigious role. It was a big career decision not to go.

**Married with children you opened your own practice in Smithtown. You've kept your firm small. Why?** We don't do a lot of advertising or promotion and could have merged with other firms. We are three attorneys, a paralegal and four secretaries. There are many advantages.

**How so?** I like to control the cases we accept and reject. With a small firm I can also be independent. We try to be cost efficient, but being smaller we have the liberty to take on clients that may not be lucrative, which would be difficult with a larger firm.

**What do you like about being a lawyer?** I am given the ability to change people's lives for the better. I enjoy working with physicians and health care professionals – it reminds me of my Dad.

**You have been honored twice by the SCBA for your work with the Pro Bono Project. Why do you do it?** I

believe I've been fortunate to have a supportive family, education, and a lucrative practice. You have to give back to the community. It's not that I think I'm special – I'm just doing what people are supposed to be doing.

**Why did you join the SCBA?** I joined when I first began to practice out here. I knew no one, wanted to seek opportunities and I wanted to learn.

**You've been very involved at the SCBA.** My first appointment was on the Grievance Committee and then I chaired the Health and Hospital Law Committee for three separate years. I wanted to bring in guest lecturers because there weren't a lot of attorneys specializing in health care law and this provided a great way for them to learn more about it.

**Why do you think lawyers should join the SCBA?** It's important to network, share information. We tend to be more isolated as practitioners because of technology. We are more committed to our P.C.'s, iPads, and our clients. The SCBA is the only opportunity to discuss areas of law, bounce ideas off of each other.

**How has technology changed the practice of law?** The change has been revolutionary. We are stuck answering emails, texts and phone calls. Between responding to 50 to 100 emails a day, and 20 to 30 texts your day is greatly compromised. No longer do clients or opposing counsel expect you to read a letter and respond in

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three to five business days. They expect an immediate response.

**Does that hurt the profession in any way?** The immediacy hinders the ability to reflect and analyze and its all for the sake of immediacy. Before you had control over your day. Now technology tells you otherwise.

## Getting Caught in the Web (Continued from page 3)

York on several occasions satisfied the transacting business prong of New York's long-arm statute. That same combination also satisfied the due process requirements of the Fourteenth Amendment for the exercise of personal jurisdiction under the seminal case of *International Shoe v. Washington*, 326 U.S. 310 (1945) and its progeny.

To summarize, if you want to avoid personal jurisdiction in New York based on your website, do not enable users to transact business.

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*Department and International Practice Group. He has extensive experience in a wide range of commercial litigation, including trademark infringement cases. During law school, Mr. Telesca studied international law in Tokyo, Japan at Temple University. He currently serves on the Board of Directors of the Riverhead Foundation for Marine Research and Preservation.*

1. *Two's Company v. Jane Hudson*, 2014 WL 903035 (March 6, 2014).
2. *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158, 170 (2d Cir. 2010). New York decisions concerning CPLR 302(a)(1) "at least in rhetoric seem to conflate the long-arm statutory and constitutional analyses by focusing on

the constitutional standard" of purposeful availment from the seminal U.S. Supreme Court case *Hanson v. Denckla*, 357 U.S. 235 (1958). See *Best Van Lines v. Walker*, 490 F.3d 239, 247 (2d Cir. 2007).

3. *Chloe*, 616 F.3d at 170.
4. *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D. Pa. 1997).
5. See *Best Van Lines*, 490 F.3d at 252. The fact that MovingScam.com accepted donations was not sufficient to confer jurisdiction, as the plaintiff's claims arose from an alleged defamation claim and not a donation. *Id.* at 254.
6. *Aqua Products, Inc. v. Smartpool, Inc.*, 2005 WL 1994013 (S.D.N.Y. Aug. 18, 2005).
7. *Chloe*, 616 F.3d at 162. In *Energy Brands, Inc. v. Spiritual Brands, Inc.*, 571 F.Supp.2d 458 (S.D.N.Y. 2008), internet revenue of

\$158.53 was sufficient to confer jurisdiction. See also *Alpha Int'l, Inc. v. T-Reproductions, Inc.*, 2003 WL 2151957 (S.D.N.Y. July 1, 2003) (the sale of at least one product via company's website was sufficient to confer jurisdiction), and *Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*, 138 F.Supp.2d 449 (S.D.N.Y. 2000) (a website that permitted a high level of interactivity, including the purchase of goods, the ability to download an order form or an application to become an "independent affiliate, and the ability to ask a representative questions on-line, was sufficient to support jurisdiction).

8. *Pitbull Productions, Inc. v. Universal Netmedia, Inc.*, 2008 WL 1700196 (S.D.N.Y. April 4, 2008).
9. *Bensusan Rest. Corp. v. King*, 937 F.Supp. 295, 301 (S.D.N.Y. 1996)

## Legacy of the Rev. Peter Sweisgood (Continued from page 1)

education and prevention and never wavered as an advocate for and a healer to, his fellow alcoholics. Father Sweisgood's talents as a dynamic and charismatic speaker were soon recognized and he became a national speaker on the pathology of alcoholism, addressing many audiences over his 20 years at LICA.

Father Sweisgood received many honors for his work, including an award from our SCBA Lawyers' Committee on Alcohol and Drug Abuse, now known as the Lawyers Helping Lawyers Committee. He served as Chaplain to the Nassau County Police Departments, was a member of the Clergy Committee of the National Council on Alcoholism and received their Silver Key Award in 1986. In 1989 he was appointed a delegate to the first American Soviet Conference on Alcoholism held in the Soviet Union. He died before the scheduled date of the conference and the conference was dedicated in memory of and to the good work of Father Peter Sweisgood.

Following his death, the committee decided to honor his memory by holding an annual dinner at which an award bearing his name would be given to a deserving recipient. In 1998 I was honored to be added to the list of previous distinguished recipients. Since 1989 the Sweisgood Award has been given to some remarkable men and women who have distinguished themselves through their tireless efforts to help members of the legal profession who suffer from alcohol, substance abuse and/or mental and emotional issues. See the sidebar of award recipients from 1989 until now.

What is truly special about the Sweisgood

Dinner – and why every SCBA member should attend – is to hear firsthand the gut-wrenching stories of men and women who have struggled with alcohol and drugs – to the point of losing their careers, their families and everything we hold dear – and who have been able to recover with intervention and support of lawyers and lawyer assistance programs. These stories impart a warning about the dire and often tragic consequences of addiction, but also a message of hope about what we as lawyers can do to help our colleagues.

Thinking back to some of the inspirational remarks of some of our speakers we come away with a renewed spirit of commitment to helping our brother and sister attorneys who suffer under the scourge of alcohol and drug addiction.

I want to thank our Co-Chairs Elaine A. Turley and Art Olmstead for their superb efforts in making this year's Sweisgood Dinner a great success and to all of our members. When you receive the announcement concerning next year's dinner, I urge you to register and bring a colleague to attend. You will be enriched by the experience.

This year's honoree was the Honorable John J. Toomey, Jr. who among his other accomplishments, was selected to be the first presiding judge of the newly formed Veterans' Court based on his judicial background and military service as a soldier in Vietnam. He considers this to be the highlight of his judicial career.

Thank you also to Meredith S. Heller, who chairs the Lawyers Assistance Program Committee of the Association of the Bar of the City of New York. Meredith was a compelling speaker who

brought her inspiring story of conquered fears with an open and honest dialogue about the insidious disease of alcoholism. We thank you Meredith for using your personal experience to carry a message of love to anyone who might be reading this article and who might need help and is

suffering in silence. To that suffering lawyer, we say find the courage to call one of the Lawyer Assistance Programs around the state.

*Note: Jane LaCova is the Executive Director of the SCBA.*

## Resources for Veterans (Continued from page 9)

Medicaid for a veteran or the spouse of a veteran must be familiar with the benefits available through the VA. For example, Medicaid might request verification from the VA that the applicant applied for and utilized any available homecare benefits, including A&A. In order to satisfy the request from the Department of Social Services, the attorney may need to know how to navigate the VA benefit system.

Many veterans today are entitled to benefits that they are not receiving. These benefits range from reimbursement for medical and prescription costs, to monthly pensions for both service and non-service connected disabilities. Knowledge and familiarity with these benefits can serve to enhance the quality of representation that we, as practitioners, provide to our clients.

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*claims for Veterans benefits before the Department of Veterans Affairs. Robin is a member of the New York State Bar Association, the National Academy of Elder Law Attorneys, the Suffolk County Bar Association, the Suffolk County Woman's Bar Association and The National Association of Woman Lawyers.*

1. 38 USC § 1521.
2. 38 USC § 1502; see [http://www.va.gov/opa/publications/benefits\\_book/benefits\\_chap02.asp](http://www.va.gov/opa/publications/benefits_book/benefits_chap02.asp) for more information on VA Compensation benefit.
3. 38 USC § 1502(a).
4. For Veterans who entered active duty after September 7, 1980, generally must have served at least 24 months over the full period for which they were called or ordered to active duty (with some exceptions), with at least one day during a wartime period. See <http://benefits.va.gov/pension/vetpen.asp>
5. See <http://benefits.va.gov/pension/war-timeperiod.asp>
6. 38 USC §§ 1502(a)-(b).
7. 38 USC § 1503(a)(8).
8. 38 U.S.C. §§ 5901-5902, 5904.
9. See, <http://www.va.gov/ogc/accreditation.asp>, for more information on the application process and to download the application.
10. 38 C.F.R. § 14.629(b)(1)(iii).

## President's Message (Continued from page 1)

his/her position as a fiduciary (unless the principal consents). Every time a board member is called upon to vote on a particular issue, he/she reminds himself/herself of his/her fiduciary duty. Where there are obvious (or not so obvious) conflicts of interest, the fiduciary maintains the duty to recuse (or abstain from the vote) oneself from the issue at hand.

Aside from the fiduciary responsibilities board members owe to the members of the Association, board members also act as trustees to the Suffolk Academy of Law; the Lawyers Assistance Foundation; the Charity Foundation and the Pro Bono Foundation. A board member, therefore, is required to wear many hats. Governance of our Association is controlled by The

Bylaws of the Association. The Bylaws provide, inter alia, the Executive Committee shall be authorized, within the limits of budgetary appropriations previously approved by the Board of Directors to exercise all of the powers of the Board of Directors. With respect to any policy resolutions adopted by the Executive Committee, they shall be subject to ratification at the next meeting of the Board of Directors. The Association's Board of Directors, therefore is the true governing body of the Association and, as such, must be kept fully apprised of all matters concerning the Association and any actions taken on behalf of the Association with the full advice and consent of the Board of Directors. The Executive Committee is not empowered to act without

such advice and consent.

In the past, there have been complaints amongst board members that their respective roles as board members have been reduced to merely *rubber-stamping* the recommendations of the Executive Committee. Regardless of past practice, either real or perceived, this is not the purpose of the Board of Directors and should never be perceived as the purpose of the Board of Directors. Having sat on the Executive Committee for almost six years, I can understand the tendency for the Executive Committee to believe they should be responsible for not only setting the agenda, but also encouraging the board to adopt their opinion regarding the agenda. I can understand this tendency

because of the culture that has developed over the years within the Association.

While my time on the Executive Committee is coming to an end, I would remind and strongly encourage future members of the Board of Directors to understand they are the true governing body of this Association and are free to act, in their fiduciary capacity, outside the recommendations made by the Executive Committee. Hold dear the maxim that fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the Association, and to provide full and fair disclosure of material facts and conflicts of interest to our members.