Loislaw Federal District Court Opinions

TRADEM, INC. v. STAINBROOK, (S.D.N.Y. 2004)

TRADEM, INC., p/k/a STAIND, Plaintiff, -against- JON C. STAINBROOK,

Defendant

03 Civ. 8980 (MGC)

United States District Court, S.D. New York.

May 10, 2004

OPINION

MIRIAM CEDARBAUM, Senior District Judge

Defendant Jon C. Stainbrook, who is proceeding pro se, has moved to dismiss this action pursuant to Fed.R.Civ.P. 12(b)(2) and 12(b)(3) for lack of personal jurisdiction and improper venue. Alternatively, defendant seeks to have this action transferred to the Northern District of Ohio pursuant to 28 U.S.C. § 1404(a). For the reasons that follow, defendant's motion to dismiss is granted.

BACKGROUND

Plaintiff Tradem, Inc., p/k/a/ STAIND is a Delaware corporation with its principal place of business in New York. Plaintiff is known professionally as "STAIND," a musical group which performs worldwide.[fn1] Plaintiff owns a registered trademark

Page 2

in the mark "STAIND." Defendant is an Ohio musician who owns a registered trademark in the mark "THE STAIN" and who performs under that name in the Ohio area.

This action arises out of an assignment and license back arrangement which the parties entered in 1999. For the sum of $18,000, defendant assigned his registered trademark "THE STAIN" to plaintiff. Simultaneously, plaintiff licensed back to defendant the right to use "THE STAIN," in connection with his musical performances in Ohio, Kentucky, Michigan and Indiana. The two agreements were signed by defendant in Ohio on January 28, 1999. The license agreement required that defendant provide plaintiff with samples of his literature, brochures, signs and advertising which used "THE STAIN" and to obtain plaintiff's approval of the materials. According to plaintiff, defendant failed to submit these materials despite several requests, and on August 23, 2000 plaintiff sent notice that the license would be automatically terminated within 30 days if defendant did not comply. Defendant did not send the materials, and plaintiff asserts that this terminated the license.

On November 6, 2003, defendant's then-attorney sent a letter to plaintiff's attorney in which several allegations were made against plaintiff. According to the letter, plaintiff failed to carry out several "verbal promises" made to defendant in connection with the assignment and license back agreements.

Page 3

Defendant also alleges that plaintiff violated defendant's common law rights in the marks "THE STAIN" or "STAIN" by selling t-shirts and posters with plaintiff's "STAIND" on them because the assignment did not extend to use on such merchandise. The letter demanded that plaintiff "cease and desist" distribution of these items.

On November 20, 2003, plaintiff filed this action against defendant for his alleged use of "THE STAIN" after termination of the license agreement. Plaintiff seeks a declaratory judgment pursuant to

28 U.S.C. § 2201 et seq., injunctive relief and damages under the Lanham Act, 15 U.S.C. § 1051 et seq., for trademark infringement, dilution and unfair competition, as well as recovery for unfair competition and breach of contract under New York law.

DISCUSSION

Plaintiff bears the burden of establishing the court's personal jurisdiction over defendant. Longwood Res. Corp. v. C.M. Exploration Co., Inc., 988 F. Supp. 750, 751 (S.D.N.Y. 1997); Alexander & Alexander, Inc. v. Donald F. Muldoon & Co., 685 F. Supp. 346, 351-52 (S.D.N.Y. 1988)). But where a motion brought under Rule 12(b)(2) is decided without an evidentiary hearing, the plaintiff need only make a prima facie showing that jurisdiction exists. Alexander, 685 F. Supp. at 351-52. All

Page 4

pleadings and affidavits are construed in the light most favorable to the plaintiff, and all doubts are resolved in its favor. Id. at 352.

Plaintiff asserts that personal jurisdiction may be exercised over defendant pursuant to the New York long arm statute. N.Y.C.P.L.R. § 302(a)(1) provides: "[a]s to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary . . . who in person or through an agent . . . transacts any business within the state . . ." Two conditions must be met for a New York court to exercise jurisdiction over a defendant pursuant to this long-arm statute: (1) the non-domiciliary must "transact business" within the state; and (2) the claim against the non-domiciliary must arise out of that business transaction. Longwood, 988 F. Supp. at 752. A non-domiciliary transacts business in New York when he purposefully avails himself of the privilege of conducting activities within New York, thus invoking the benefits and protections of its laws. Longwood, 988 F. Supp. at 752.

Plaintiff does not suggest that defendant or his Ohio attorney were ever physically present in New York during the negotiations for the 1999 assignment and license agreements. Moreover, plaintiff admits that it reached out to defendant in Ohio for purposes of obtaining the assignment. Nevertheless,

Page 5

plaintiff points to a number of telephone, fax and mail communications between the parties during November and December 1998 and January 1999, and argues that these communications show that the contracts were negotiated in New York.

Plaintiff relies on three drafts of the trademark agreements sent by fax and regular mail from defendant's then-counsel in Ohio to plaintiff's counsel in New York on November 23, 1998, December 7, 1998 and December 15, 1998. It is clear from the cover letters of these drafts that plaintiff had instructed defendant to make changes to the proposed agreement. Plaintiff makes much of defendant's attorney's statement in one cover letter that his client was "anxious" to have the agreement finalized. However, the fact that defendant was anxious to consummate a deal which plaintiff had proposed does little to show that the deal was negotiated in New York. It is also clear from the cover letters that plaintiff had failed to respond promptly to several communications from defendant, and that this prompted defendant's timing concern.

Since plaintiff was in New York and defendant was in Ohio, letters and telephone calls were between the two states. But the jurisdictional issue is whether defendant was in New York, not whether plaintiff was in New York.

According to the complaint, plaintiff sent the $18,000 payment check from New York to defendant in Toledo, Ohio.

Page 6

Nevertheless, plaintiff relies on a fourth letter, sent from defendant's attorney in Ohio to plaintiff in which defendant indicated that he would be sending his W-9 federal tax form to New York in connection with payment. Plaintiff wrote the check to defendant c/o plaintiff's New York attorney. However, plaintiff does not allege that defendant was actually

paid in New York or that he deposited the check in New York, rather, it is clear from the face of the complaint that plaintiff's attorney sent the check to defendant in Ohio. Thus, plaintiff has not presented any evidence to support its contention that plaintiff was paid in New York.

Plaintiff cites Liberatore v. Calvino, 742 N.Y.S.2d 291 (N.Y.App. Div. 2002), as an example of a case in which mail and telephone contacts were sufficient to subject the defendant to personal jurisdiction in New York. However, in Liberatore the out-of-state attorney had clearly projected himself into the forum by purposefully pursuing a legal remedy for his client in New York for the personal injury she had sustained here. Id. at 221. In doing so, he availed himself of the benefits of several New York statutes and threatened litigation in the New York courts. Id. Thus, the numerous letters and calls directed into New York to investigate the plaintiff's claim and negotiate a settlement were sufficient to give rise to personal jurisdiction over the attorney in a malpractice suit by his client. Id.; see

Page 7

also Parke-Bernet Galleries, Inc. v. Franklyn, 308 N.Y.S.2d 337 (N.Y.App. Div. 1970) (the defendant was in effect present at an art auction in New York City by actively participating in the bidding by telephone); Otterbourg, Steindler, Houston & Rosen, P.C. v. Shreve City Apts., Ltd., 543 N.Y.S.2d 978 (N.Y.App. Div, 1989) (the defendant retained a New York attorney to represent his interests in a bankruptcy proceeding in New York).

It is clear from the face of the documents that defendant signed the assignment and license back agreements while in Ohio. Nevertheless, plaintiff argues that because it signed the agreement here, New York should be considered the situs of the contract.[fn2] However, it is clear that plaintiff's signing the contract in New York is irrelevant because it is defendant who must be found to have transacted business in the forum. Galgay v. Bulletin Co., Inc., 504 F.2d 1062, 1065-66 (2d Cir. 1974); China Res. Prod. (USA), Ltd. v. China Distrib., Inc., No. 92 Civ, 7119, 1994 WL 440719, *8 (S.D.N.Y. Aug. 16, 1994).

Lastly, plaintiff relies on the "cease and desist" letter defendant sent in November 2003 and alleged phone calls from defendant to plaintiff, demanding $6 million to avoid suit on

Page 8

the claims set out in the letter. However, it is clear that sending a "cease and desist" letter into the forum is not sufficient to establish the minimum contacts necessary for personal jurisdiction. Cf. PDK Labs, Inc. v. Friedlander, 103 F.3d 1105, 1109 (2d Cir. 1997) (citing Modern Computer Corp. v. Ma, 862 F. Supp. 938 (E.D.N.Y. 1994)). In PDK Labs, the Second Circuit found that the defendant's "activity in New York reache[d] beyond merely sending a `cease and desist' letter [to plaintiff] and attempting to settle alleged legal claims." Id. at 1109 (finding that the defendant's New York attorney had represented the defendant in New York for almost ten years).

Plaintiff has failed to make a prima facie showing that this court has personal jurisdiction over defendant because it has not alleged facts sufficient to support the conclusion that defendant performed any acts through which he purposefully availed himself of the benefits and protections of New York law. Plaintiff initiated contact with the Ohio defendant and proposed a purchase of the rights in his trademark. Defendant did not come to New York at any point during the negotiations and did not have New York counsel. Plaintiff has pointed to nothing other than telephone and written communications between the parties and has not shown that the defendant used these to project himself into New York or to avail himself of the benefits of New York law, but simply to communicate with an entity located in New York.

Page 9

CONCLUSION

For the foregoing reasons, defendant's motion to dismiss the complaint for lack of personal jurisdiction is granted, and I need not address defendant's alternative grounds for relief.

SO ORDERED.

[fn1] Plaintiff's predecessor in interest, 4 Walls, Inc., was also located in New York and known as "STAIND."

[fn2] The case plaintiff cites for the proposition that the situs of the contract can be a factor in determining jurisdiction, Dai Nippon Printing Co., Ltd. v. Melrose Publ'g Co., Inc., 113 F.R.D. 540 (S.D.N.Y. 1986), is inapposite. In that case, the defendant executed the purchase order to complete the transaction while he was physically present in New York.