

On My Mind Blog

Trademark Long-Arm Jurisdiction

04.10.2025 By [William M. Borchard](#)

The U.S. Court of Appeals for the Second Circuit (Second Circuit) determined that a Chinese company whose websites offered counterfeit goods to New York residents was subject to personal jurisdiction in New York federal court even though the seller did not deliver those goods to New York purchasers. The seller had confirmed the orders from New York purchasers and had accepted payments for those purchases before being sued for counterfeiting and trademark infringement. After the suit commenced, the seller cancelled the orders and refunded the payments.

<u>Counterfeit Product Image on Defendants' Website www.zembrka.com</u>	<u>Counterfeit Product Image on Defendants' Website www.daibh-idh.com</u>	<u>Image of Plaintiff's Authentic American Girl Product</u>
		
		
		

American Girl, LLC, a well-known U.S. manufacturer of dolls, brought suit in the U.S. District Court for the Southern District of New York against Zembrka and its interactive websites located in and operating from the People's Republic of China. American Girl alleged that Defendants were selling counterfeit and infringing versions of American Girl dolls.

New York's long-arm statute, C.P.L.R. § 302(a), provides, in pertinent part, that a court may exercise personal jurisdiction over any non-domiciliary who:

1. transacts any business within the state or contracts anywhere to supply goods or services in the state; or . . .
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[.]

The District Court issued a temporary restraining order that was served on Defendants.

Nearly a month after the orders for the counterfeit dolls had been placed by American Girl's attorneys, and two weeks after Defendants had been served with the temporary restraining order, Defendants cancelled American Girl's orders, refunded its payments, and reneged on the promises to ship the merchandise to New York.

Defendants then moved to dismiss the suit for lack of personal jurisdiction since they had not actually shipped goods to New York.

District Court Dismissal

The District Court granted the motion to dismiss on the ground that there was no evidence that the allegedly counterfeit goods had actually been shipped to New York, so no business had been transacted in New York. American Girl moved for reconsideration after it discovered that the same experience applied to 38 other New York customers, but this motion also was denied for lack of actual shipments to New York.

American Girl appealed the dismissal and the denial of reconsideration.

Court of Appeals Reversal

The Second Circuit, considering the matter afresh, reversed. It pointed out that Section 302 is a "single act" statute so that proof of even a single transaction in New York is sufficient to invoke jurisdiction so long as a defendant's New York activities are purposeful and have a substantial relationship to the lawsuit's claim.

The Court had little difficulty concluding that accepting orders with New York delivery addresses, sending confirmatory emails containing commitments to ship to those New York addresses, and accepting payments from a customer with a New York address constituted transacting business within New York for jurisdictional purposes. The cancellations and refunds did not change this conclusion.

Defendants contended that it did no more than operate interactive websites accessible from New York, but the Court said the law is clear that long-arm jurisdiction is appropriately exercised over those using electronic means to project themselves into New York to conduct business transactions.

The Court stated that Section 302 does not require a *shipment*, and that shipment is not an essential component of transacting business for jurisdictional purposes. Rather, that Section requires a *transaction* by a non-domiciliary defendant that purposely avails itself of the privilege of conducting activities within New York. The Second Circuit also had little difficulty concluding that American Girl's claims arose from the transaction based on the advertisement, marketing, and sale of allegedly infringing merchandise.

The Court went on to consider whether exercising personal jurisdiction over Defendants comported with the due process protections afforded by the Constitution. The Court concluded that (1) the Defendants had sufficient contacts with New York by its purposeful activities, so it could foresee being dragged into court there, and (2) exercising jurisdiction would comport with fair play and substantial justice since the contacts in this case were quite strong. New York's exceptionally strong interest in protecting consumers and businesses in the state from the flow of counterfeit goods from abroad outweighed the potential inconvenience of requiring Defendants to litigate in New York. Furthermore, Defendants had not demonstrated that China would provide an appropriate forum for this litigation.

Accordingly, the District Court's decision to dismiss this case was reversed, and the case was remanded for further proceedings.

[**American Girl, LLC v. Zembrka, Case No. 21-1381 \(2d Cir. September 17, 2024\)**](#)

Author's Note:

The law has been fairly clear that a passive website that gives information, but that cannot be used to purchase goods or services, generally in itself **would not** support long-arm jurisdiction. On the other hand, an interactive website **would** support jurisdiction if it describes the goods or services offered, provides a printed order form or allows online sales, and results in sales that are, in fact, made to a state with a long-arm jurisdiction statute. There is a middle ground in which jurisdiction may depend on facts such as the nature of the website, and whether it involves advertising targeted to viewers in a state, among other things.

Here, although the goods were not delivered, the confirmation of the orders and acceptance of the payments were considered sufficient to transform the website from being purely passive into involving a transaction with a New York party.

Would long-arm jurisdiction have been appropriate if the Defendants had not confirmed the orders, accepted payments for them, or delivered the goods? In other words, would ordering goods through a website—without more—be sufficient to constitute a “transaction” in New York? The answer may depend on factors such as the website's terms and conditions regarding the formation of a contractual relationship.

When a non-domiciliary company sets up a website that is *not* purely informational, it should consider whether the nature of the website, and its terms and conditions, may subject the company to jurisdiction in states having long-arm statutes.

There are other possible concerns to be considered:

- State and federal tax reporting and payment requirements may apply depending on the amount of, and sources of, the revenue derived through the website.
- Even passive informational websites may be subject to state and federal advertising laws and regulations.

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Bill has handled domestic and international trademark and copyright matters at the highest level for over 60 years. He has counseled and represented clients on domestic and international trademark matters concerning clearance, registration, proper use, licensing, contested administrative proceedings and infringement claims. He became Senior Counsel in January 2024 and is now focusing on providing guidance and advice to other lawyers within our firm and writing informative and engaging articles on intellectual property law developments.