

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

CLARK CAPITAL MANAGEMENT	:	CIVIL ACTION
GROUP, INC.	:	
	:	
v.	:	
	:	
NAVIGATOR INVESTMENTS, LLC	:	NO. 06-2334
	:	
O'NEILL, J.	:	SEPT. 19, 2006

MEMORANDUM

Plaintiff, Clark Capital Management Group, Inc., has brought this action against defendant, Navigator Investments, LLC, under the Lanham Act, 15 U.S.C. § 1051, et seq., and state law alleging defendant infringed plaintiff's federally registered trademark and engaged in acts of unfair competition against plaintiff. Before me now is defendant's motion to dismiss for lack of personal jurisdiction pursuant to Federal Rule of Civil Procedure 12(b)(2), plaintiff's response, and defendant's reply thereto. For the reasons stated below, I will grant defendant's motion to dismiss.

BACKGROUND

Plaintiff, a Pennsylvania corporation with its principal place of business in Pennsylvania, is a registered investment advisor that offers wealth management services and asset allocation services to individual high net-worth investors, trusts, endowments, employee benefit plans, corporations, and municipalities. Defendant, a Rhode Island corporation with its principal place of business in Rhode Island, is a registered investment advisor engaged in the business of providing investment advice and asset management.

Plaintiff alleges that defendant is using the name “Navigator Investments” and the domain name navigatorinvestments.com in violation of plaintiff’s rights under the Lanham Act, 15 U.S.C. § 1051, and state law. Plaintiff alleges that, since the mid-1980s, it has adopted and used its NAVIGATOR® service marks in connection with its investment advisory services. Plaintiff alleges that it has registered or has sought to register many of its NAVIGATOR® service marks for investment advisory services in the field of stocks and mutual funds on the Principal Register of the United States Patent and Trademark Office. Plaintiff alleges that by marketing, offering for sale, and selling financial services under the designation “Navigator Investments” and the domain name navigatorinvestments.com, defendant has infringed plaintiff’s federally registered marks in interstate commerce and in this district to the substantial and irreparable injury of the public and of plaintiff’s marks, business reputation, and goodwill.

Defendant asks me to dismiss plaintiff’s complaint for lack of personal jurisdiction pursuant to Federal Rule of Civil Procedure 12(b)(2). Defendant alleges that it does not conduct business in Pennsylvania, is not registered with the Pennsylvania Department of State to do business in Pennsylvania, does not have a registered agent in Pennsylvania, and does not publish advertisements for its products or services in Pennsylvania newspapers, periodicals, or other Pennsylvania-based publications. Defendant further alleges that it does business only in Massachusetts and Rhode Island, and its clients are located in Massachusetts, Rhode Island, and Connecticut exclusively.

Plaintiff asserts that I may exercise personal jurisdiction over defendant because: (1) plaintiff and defendant engaged in a series of communications between September 2000 and February 2006 whereby defendant agreed to discontinue all use of the term “Navigator” over a

commercially reasonable period of time; and (2) defendant operates a website accessible within Pennsylvania.

Plaintiff alleges that the communications between the parties proceeded as follows. Plaintiff initially contacted defendant on September 27, 2000, requesting that defendant discontinue use of the term “Navigator” in connection with investment advisory services. Defendant wrote in response to plaintiff’s counsel on September 31, 2001, stating defendant was “in discussions concerning the purchase of a division of a bank and part of those discussions is the use of the local name” and was “proceeding with a search for an appropriate name to replace ‘Navigator’ should the negotiations not [be] successful with the bank.” Plaintiff alleges that it relied upon the representations made in defendant’s September 31 letter, and further alleges that it confirmed such reliance and requested a date certain as to when defendant would cease all use of the term “Navigator” in a letter dated September 24, 2001.¹

According to plaintiff, plaintiff’s counsel again contacted defendant on June 6, 2002, inquiring as to when defendant’s phase out of the term “Navigator” would be complete. Defendant responded in writing on June 13, 2002, stating defendant was “actively taking steps to effectuate a name change in an orderly manner.” Plaintiff repeated its inquiry as to when the name change would be complete in June and August of 2002. On September 18, 2002, defendant responded that it “began taking the steps to change the name of the firm” and it “appreciate[d] your indulgence to this date and would appreciate your continued patience while we work out our issues in this firm.”

¹Plaintiff does not explain how it confirmed its reliance on defendant’s alleged promise a week in advance of receiving said alleged promise.

Plaintiff alleges that in June 2004, it discovered that defendant was using the term “Navigator” on defendant’s website, which permits existing clients to obtain information regarding their accounts and potential clients to request information about defendant’s services. Upon making this discovery, plaintiff called defendant and spoke to Mr. Lesley Sheeley, Manager of Navigator Investments, who represented that he had decided not to phase out the term “Navigator” despite the implications of earlier communications between the parties. On October 7, 2004, plaintiff sent a letter to defendant documenting the June 2004 conversation between plaintiff and Mr. Sheeley. Plaintiff alleges that on November 18, 2004, defendant again represented in writing that it would phase out all use of the term “Navigator,” that it was “in the process of changing our name,” and had “contacted a marketing firm to review the naming options.”

Plaintiff alleges that in 2005 defendant contacted plaintiff asking if it could still use its current name, a request that plaintiff allegedly denied. In February 2006, plaintiff contacted defendant inquiring as to why the name change had not yet been completed and was advised by defendant that Mr. Sheeley had suffered a death in the family.

Plaintiff alleges that on May 24, 2006, it discovered that defendant had updated its website at navigatorinvestments.com and was continuing to use the term “Navigator” in connection with investment advisory services. Plaintiff alleges that defendant’s website is accessible by individuals within this jurisdiction and contains no disclaimers stating that defendant is not authorized to do business in Pennsylvania. Plaintiff further alleges that defendant’s website is not merely informational but seeks to generate clients and provides a means by which visitors can contact defendant. Plaintiff asserts jurisdictional discovery should be permitted to determine

whether individuals from within this jurisdiction have visited defendant's website and contacted defendant through its website.

Plaintiff also alleges that, at some unspecified time, Mr. Sheeley engaged in several telephone conversations with Mr. Harry Clark, President of Clark Capital Management Group, in which Mr. Sheeley requested a licensing arrangement from plaintiff so that defendant could continue to use plaintiff's "Navigator" mark. Plaintiff further alleges that, at some unspecified time, Mr. Sheeley solicited plaintiff to buy defendant or purchase defendant's portfolio of customers. Plaintiff alleges that it declined both Mr. Sheeley's request for a licensing arrangement and Mr. Sheeley's solicitation. Plaintiff requests jurisdictional discovery to determine precisely the content of the parties' communications.

STANDARD OF REVIEW

In deciding a Rule 12(b)(2) motion to dismiss, the allegations of the complaint are taken as true. Dayhoff Inc. v. H.J. Heinz Co., 86 F.3d 1287, 1302 (3d Cir. 1996). However, once a defendant raises a jurisdictional defense, plaintiff bears the burden of demonstrating, through affidavits or other competent evidence, that jurisdiction is proper. Id. To meet its burden, plaintiff must establish defendant's contacts with the forum state with reasonable particularity. Mellon Bank (East) PSFS, Nat'l Ass'n v. Farino, 960 F.2d 1217, 1223 (3d Cir. 1992). Plaintiff may not "rely on the bare pleadings alone in order to withstand a defendant's Rule 12(b)(2) motion to dismiss for lack of in personam jurisdiction. Once the motion is made, plaintiff must respond with actual proofs, not mere allegations." Time Share Vacation Club v. Atl. Resorts, Ltd., 735 F.2d 61, 66 n.9 (3d Cir. 1984) (citation omitted); Peek v. Golden Nugget Hotel & Casino, 806 F. Supp. 555, 558 (E.D. Pa.1992) ("References in a brief, unsupported by affidavit,

are not properly before the Courts as facts evidencing contact for jurisdictional purposes.”)
(citations omitted).

DISCUSSION

I. Personal Jurisdiction

Federal Rule of Civil Procedure 4(e) grants a district court personal jurisdiction over nonresident defendants to the extent permissible under the law of the jurisdiction where the district court sits. Fed. R. Civ. P. 4(e); Grand Entm’t Group, Ltd. v. Star Media Sales, Inc., 988 F.2d 476, 481 (3d Cir. 1993). Pennsylvania’s long arm statutes are “coextensive with the limits placed on the states by the federal Constitution.” Vetrotex v. Certainteed Corp. v. Consol. Fiber Glass Prods. Co., 75 F.3d 147, 150 (3d Cir. 1996); 42 Pa. Cons. Stat. §§ 5301 (general jurisdiction) & 5322 (specific jurisdiction).

The due process limits on the reach of personal jurisdiction are defined by a two prong test. See generally Vetrotex, 75 F.3d at 150-51. First, plaintiff must demonstrate that defendant has constitutionally sufficient “minimum contacts” with the forum. Burger King Corp. v. Rudzewicz, 471 U.S. 462, 474 (1985). To find that minimum contacts exist, I must examine “the relationship among the forum, the defendant and the litigation,” Shaffer v. Heitner, 433 U.S. 186, 204 (1977), and determine that defendant “purposefully directed” its activities toward residents of the forum. Burger King, 471 U.S. at 472. In other words, there must be “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.” Hanson v. Denckla, 357 U.S. 235, 253 (1958); World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 287 (1980) (“[I]t is that the defendant’s conduct and connection with the forum State are such that he should reasonably

anticipate being haled into court there.”). Second, if plaintiff demonstrates sufficient “minimum contacts,” I must determine whether the exercise of personal jurisdiction would comport with “traditional notions of fair play and substantial justice.” Grand Entm’t, 988 F.2d at 482 quoting Int’l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945).

There are two theories under which a defendant may be subjected to personal jurisdiction: general and specific jurisdiction. A defendant may be subjected to general jurisdiction when plaintiff’s cause of action arises from defendant’s non-forum related activities, and the defendant has maintained continuous and systematic contacts with the forum. Vetrotex, 75 F.3d at 151; Burger King, 471 U.S. at 473 n.15. “The threshold for establishing general jurisdiction is very high, and requires a showing of extensive and pervasive facts demonstrating connections with the forum state.” O’Connor v. Sandy Lane Hotel Co., Ltd., No. 04-2436, 2005 WL 994617, at *2 (E.D. Pa. Apr. 28, 2005) citing Reliance Steel Prods. Co. v. Watson, Ess, Marshall & Enggas, 675 F.2d 587, 589 (3d Cir. 1982). A defendant may be subjected to specific jurisdiction “when the cause of action arises from the defendant’s forum related activities such that the defendant should reasonably anticipate being haled into court there.” Vetrotex, 75 F.3d at 151 (internal citations omitted); 42 Pa. Cons. Stat. § 5322. “[S]pecific jurisdiction is established when a non-resident defendant has purposefully directed his activities at a resident of the forum and the injury arises from or is related to those activities.” Gen. Elec. Co. v. Deutz AG, 270 F.3d 144, 150 (3d Cir. 2001) citing Burger King, 471 U.S. 462, 472 (1985).

A website operated by non-resident defendant may provide sufficient minimum contacts to support personal jurisdiction in the forum state. Toys “R” Us v. Step Two, S.A., 318 F.3d 446, 452 (3d Cir. 2003). However, “the mere operation of a commercially interactive web site should

not subject the operator to jurisdiction anywhere in the world. Rather, there must be evidence that the defendant ‘purposefully availed’ itself of conducting activity in the forum state, by directly targeting its web site to the state, knowingly interacting with residents of the forum state via its web site, or through sufficient other related contacts.” Toys “R” Us, 318 F.3d at 454 (recognizing that several district court decisions from within the Third Circuit “have made explicit the requirement that the defendant intentionally interact with the forum state via the web site in order to show purposeful availment and, in turn, justify the exercise of specific jurisdiction”). “[T]he likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.” Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997) (finding that defendant had purposefully availed itself of doing business in Pennsylvania when it “repeatedly and consciously chose to process Pennsylvania residents’ applications and to assign them passwords,” knowing that those contacts would result in business relationships with Pennsylvania customers). Likewise, “telephone communication or mail sent by a defendant [do] not trigger personal jurisdiction if they do not show purposeful availment.” Toys “R” Us, 318 F.3d at 455 quoting Barrett, 44 F. Supp. 2d 717, 729 (E.D. Pa. 1999) (internal quotations omitted).

“[I]nformational communications in furtherance of [a contract between a resident and a nonresident] do not establish the purposeful activity necessary for a valid assertion of personal jurisdiction over [the nonresident defendant].” Vetrotex, 75 F.3d at 152 quoting Sunbelt Corp. v. Noble, Denton & Assoc., Inc., 5 F.3d 28, 32 (3d Cir. 1993) citing Stuart v. Spademan, 772 F.2d 1185, 1193 (5th Cir. 1985) (“[A]n exchange of communications between a resident and a nonresident in developing a contract is insufficient of itself to be characterized as purposeful

activity invoking the benefits and protections of the forum state’s laws.”). Even “a contract alone does not ‘automatically establish sufficient minimum contacts in the other party’s home forum.’” Grand Entm’t, 988 F.2d at 482 quoting Burger King, 471 U.S. at 478.

In the present motion, defendant asserts that I cannot exercise personal jurisdiction over it because: (1) defendant does not have sufficient minimum contacts with Pennsylvania to give rise to either general or specific jurisdiction, and (2) exercise of personal jurisdiction over defendant would be unreasonable. Because I find that plaintiff has not demonstrated constitutionally sufficient minimum contacts between defendant and Pennsylvania, I do not address whether the exercise of personal jurisdiction would comport with traditional notions of fair play and substantial justice.

A. Minimum Contacts

1. Communications Between Plaintiff and Defendant

In its Rule 12(b)(2) motion, defendant argues that personal jurisdiction is not proper in this case because defendant does not does not have sufficient minimum contacts with Pennsylvania to give rise to either general or specific jurisdiction. I agree.

A court may exercise general jurisdiction over defendant when the defendant has maintained continuous and systematic contacts with the forum. Vetrotex, 75 F.3d at 151; Burger King, 471 U.S. at 473 n.15. Defendant asserts that it does not conduct business in Pennsylvania, is not registered with the Pennsylvania Department of State to do business in Pennsylvania, does not have a registered agent in Pennsylvania, and does not publish advertisements for its products or services in Pennsylvania newspapers, periodicals, or other Pennsylvania-based publications. Plaintiff does not contest these assertions. Nor does plaintiff argue that defendant has maintained

“continuous and systematic” contacts with the forum sufficient to meet the high threshold for establishing general jurisdiction.

Rather than alleging general jurisdiction, plaintiff focuses on the “extensive dealings” between the parties and asserts that those dealings, together with defendant’s operation of a website accessible in the forum, are sufficient to establish specific personal jurisdiction. Despite its communications with plaintiff, defendant never purposefully availed itself of conducting business in Pennsylvania or otherwise invoked the benefits and protections of Pennsylvania law. Plaintiff cites telephone, email, and letter correspondence with defendant regarding the use of the term “Navigator” as a basis for personal jurisdiction. However, “telephone communication or mail sent by a defendant [do] not trigger personal jurisdiction if they do not show purposeful availment,” Toys “R” Us, 318 F.3d at 455 quoting Barrett, 44 F. Supp. 2d at 729 (internal quotations omitted), and the non-contractual exchanges between plaintiff and defendant here do not constitute activity such that defendant “should reasonably anticipate being haled into court” in Pennsylvania. World-Wide Volkswagen, 444 U.S. at 287.

Defendant’s alleged communications with plaintiff are insufficient to establish personal jurisdiction because all such communications took place in an effort to resolve the underlying dispute of alleged trademark infringement, not in an effort to conduct business within Pennsylvania or purposefully avail itself of the benefits and protections of Pennsylvania law. Plaintiff attempts to avoid this conclusion by characterizing the communications between the parties as an agreement. Plaintiff alleges that in exchange for defendant’s promise to discontinue use of the term “Navigator,” plaintiff did not file suit or initially seek damages against defendant over the past six years. Yet plaintiff’s principal, Mr. Clark, makes clear in his affidavit that, as

late as “on or about January 2005,” the parties had not yet reached an understanding as to defendant’s use of the term “Navigator” and that plaintiff had not yet determined to file suit or seek any legal recourse against defendant. Though the letter alludes to past conversations regarding the use of the term “Navigator,” it ultimately requests a response from defendant’s principal “so we can reach an understanding before my trademark attorneys recommend further action.” Because the communications alleged by plaintiff are merely informational communications intended to reach a settlement regarding defendant’s use of the term “Navigator,” those communications do not establish a basis for personal jurisdiction in this case.

Plaintiff further alleges that, at some unspecified time, defendant requested a licensing agreement from plaintiff and solicited from plaintiff a purchase of defendant’s business or portfolio of customers. However, even accepting plaintiff’s allegations as true, such requests are mere communications in furtherance of development of a contract and thus are insufficient to constitute purposeful availment.

2. Defendant’s Website

Defendant submits that the only fact that could plausibly connect it to Pennsylvania is the maintenance of an internet website that is accessible within Pennsylvania. Yet defendant’s mere maintenance of a website accessible in Pennsylvania is not grounds for subjecting it to jurisdiction here, *see Toys “R” Us*, 318 F.3d at 454, and plaintiff fails to demonstrate that defendant purposefully directed his the website to Pennsylvania residents or knowingly interacted with Pennsylvania residents via its website. Plaintiff only alleges generally that defendant’s website “seeks to generate clients, and provides for a means for contact.”

The Court of Appeals has recognized “the requirement that the defendant intentionally

interact with the forum state via the web site in order to show purposeful availment and, in turn, justify the exercise of specific jurisdiction.” Toys “R” Us, 318 F.3d at 452. Simply put, plaintiff cannot satisfy this requirement even if it provides a detailed finding of the number of visits to defendant’s website by Pennsylvania residents. Though plaintiff alleges that defendant’s website fails to disclaim that it was not authorized to do business in Pennsylvania, absence of a disclaimer does not constitute purposeful availment. Indeed, the degree of Internet contacts plaintiff is alleging here - defendant’s provision to Pennsylvania residents the ability to access defendant’s website and provide information to defendant through that website - does not approach the degree of contacts in Zippo, where the court exercised personal jurisdiction over a defendant that “repeatedly and consciously chose to process Pennsylvania residents’ applications and to assign them passwords,” knowing that those contacts would result in business relationships with Pennsylvania customers. Zippo, 952 F. Supp. at 1124.

B. Jurisdictional Discovery

Finally, plaintiff requests jurisdictional discovery to determine the extent of defendant’s interactions with the forum through its website and the precise nature of the communications between the parties. “If a plaintiff presents factual allegations that suggest ‘with reasonable particularity’ the possible existence of the requisite ‘contacts between [the party] and the forum state,’ the plaintiff’s right to conduct jurisdictional discovery should be sustained.” Toys “R” Us, 318 F.3d at 456. “[C]ourts are to assist the plaintiff by allowing jurisdictional discovery unless the plaintiff’s claim is ‘clearly frivolous.’” Mass. Sch. of Law at Andover, Inc. v. Am. Bar. Ass’n, 107 F.3d 1026, 1042 (3d Cir. 1997).

Here, plaintiff will not benefit from the limited jurisdictional discovery it requests because

plaintiff's factual allegations do not suggest with reasonable particularity the possible existence of constitutionally sufficient minimum contacts. Specifically, plaintiff seeks permission to engage in limited jurisdictional discovery to seek information concerning the parties' communication, defendant's website, and defendant's use and agreement to discontinue using the term "Navigator" through document requests, an inspection, and a deposition of defendant. However, accepting plaintiff's factual allegations regarding defendant's solicitation of plaintiff and visits to defendant's website by Pennsylvania residents as true, proof of such communications and website visits would not be sufficient to establish personal jurisdiction over defendant. Additional information regarding communications in furtherance of development of a contract would not constitute sufficient minimum contacts, nor would evidence of visits to defendant's website by forum residents. Even in its broadest allegations, plaintiff has provided me with nothing to suggest the existence of minimum contacts here. Accordingly, plaintiff's request for jurisdictional discovery will be denied.

An appropriate Order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

CLARK CAPITAL MANAGEMENT	:	CIVIL ACTION
GROUP, INC.	:	
	:	
v.	:	
	:	
NAVIGATOR INVESTMENTS, LLC	:	NO. 06-2334

ORDER

AND NOW, this 19th day of September 2006, upon consideration of defendant's motion to dismiss for lack of personal jurisdiction, plaintiff's response, and defendant's reply thereto, and for the reasons set forth in the accompanying memorandum, it is ORDERED that defendant's motion to dismiss is GRANTED and the complaint is DISMISSED.

s/Thomas N. O'Neill
THOMAS N. O'NEILL, JR, J.