

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

GROUPON, INC.,	)	
a Delaware corporation,	)	
	)	
Plaintiff,	)	
v.	)	Case No. 10-cv-05634
	)	
GROUPON PTY. LTD.,	)	
an Australian corporation, and	)	Judge William J. Hibbler
SCOOPON PTY. LTD.	)	
an Australia corporation,	)	Magistrate Judge Sheila Finnegan
	)	
Defendants.	)	

**MEMORANDUM IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS,  
OR IN THE ALTERNATIVE TO STAY PROCEEDINGS**

**Introduction**

This case is an attempt by Plaintiff Groupon, Inc., a U.S. corporation, to apply its U.S. rights extraterritorially to complain of conduct in Australia by two Australian corporations. Since the Defendants are foreign corporations that do not do business in the U.S., and since Plaintiff's U.S. copyright and trademark rights do not extend to Australia, the Defendants have moved to dismiss the complaint in its entirety for lack of personal jurisdiction over the Defendants and for lack of subject matter jurisdiction.

**Factual Background**

In 2006, before Plaintiff, Groupon, Inc. even existed, brothers Hezi and Gabriel Leibovich in Melbourne, Australia, started an online shopping site offering special daily deals on

various consumer products. The site was called “Catch of the Day,” and became extremely popular. It is now the leading online shopping site in Australia. (Leibovich Decl. ¶31).<sup>1</sup>

In approximately November 2008, Plaintiff Groupon launched a website that issued, on a daily basis, limited time offers for coupons or vouchers for services from local establishments. The concept is based on volume purchasing in a limited geographic market. For example, if enough purchasers express interest, Groupon will sell for \$20 a voucher that can be used to purchase dinner at a local restaurant in the amount of \$45. The concept is premised on local buying power -- it is unlikely that a Chicagoan would buy a voucher for dinner at a restaurant in Cincinnati. Consequently, deals are offered on a city-by-city basis.

Groupon offers its vouchers in over 100 different cities in the U.S. (See menu at <groupon.com>). Numerous other websites use this concept and offer similar vouchers based on volume purchasing. It was recently reported that according to Daily Deal Media, a trade publication that covers the daily deal industry, there are about 3,500 daily deal sites around the world.<sup>2</sup>

The Leibovich brothers, as owners of Australia’s leading online shopping website, were well positioned to launch a discount voucher website. They created Scoopon Pty Ltd. in February, 2010 and launched such a website at <scoopon.com.au>. Before adopting this name and domain, they had confirmed that Plaintiff Groupon, Inc. was not doing business in Australia and had not procured or applied for any trademark registration for the Groupon name in

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<sup>1</sup> References are to the Declaration of Hezi Leibovich in Support of Defendants’ Motion to Dismiss, dated May 4, 2011. (Hereinafter referred to as “Decl.¶\_\_\_\_). Mr. Leibovich is Director and Secretary of both Defendant corporations.

<sup>2</sup> See, <http://www.redeyechicago.com/news/ct-red-groupon-deal-overload-new-20110508.0,6777854.story>

Australia. Scoopon Pty Ltd. proceeded to register the mark SCOOPON in Australia. Its SCOOPON registration rights dated from March 18, 2010. (Decl. ¶¶3, 32-35).

Since Groupon was not doing business in Australia, and had not registered “Groupon” as a trademark or domain name, the owners of Scoopon Pty Ltd. also created a corporation called Groupon Pty Ltd. and reserved the domain name <groupon.com.au>. (Decl. ¶¶4, 10, 35).<sup>3</sup>

The entity incorporated in Australia as Groupon Pty Ltd. does not engage in any business and the domain name <groupon.com.au> does not lead to a functioning website. Rather, the entity was incorporated and the domain name was reserved solely for defensive purposes. Reserving these names would ensure that neither Groupon, Inc. nor any other entity could use the name to offer discount voucher services in Australia that might lead to confusion with Scoopon, and infringe Scoopon’s registered trademark rights in Australia. (Decl. ¶11).

Though Plaintiff Groupon, Inc. had neither done business in Australia nor attempted to register its trademark there, it nevertheless filed a lawsuit against Scoopon in Australia in August, 2010, alleging trademark infringement. That suit is scheduled for a trial on August 1, 2011. Despite having previously sued Defendants in Australia, Plaintiff brought this action in Chicago in September, 2010.

## **ARGUMENT**

### **I. The Complaint Should be Dismissed for Lack of Personal Jurisdiction over the Defendants.**

Defendants are Australian corporations. Scoopon Pty Ltd.’s online discount coupon business is directed only to consumers in Australia and offers the services only of Australian

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<sup>3</sup> Groupon Pty Ltd. also filed an application to register GROUPON as a trademark, but it later abandoned that application because it did not intend to use that name as a trademark.

companies. Groupon Pty Ltd. is not engaged in any business, either in Australia or elsewhere. (Decl. ¶¶3-4, 10-11, 21-22).

As set forth in detail in the Declaration of Hezi Leibovich, the Defendants do no business in Illinois. They are not citizens or residents of the U.S. They have no physical or economic presence in Illinois – no offices, no bank accounts, no mail box, no employees or agents. They have formed no contracts with Illinois companies and none of their employees have ever come to Illinois in connection with the business of Defendants. (Decl. ¶¶2-18, 22).

Plaintiff’s complaint makes no allegations that Defendants have engaged in any conduct or transacted any business in Illinois. Instead, Plaintiff appears to base its claim of personal jurisdiction entirely on the fact that Scoopon’s website can be accessed by individuals in Illinois. (Complaint ¶¶5, 7, 8, 23). As explained below, however, the Seventh Circuit has made it clear in several recent cases that the mere fact that a defendant’s website is accessible in Illinois is not a sufficient basis for personal jurisdiction, even if the website is interactive. The defendant must have targeted Illinois to warrant being haled into court here.

A federal court in Illinois may exercise personal jurisdiction over the defendant if it would be permitted to do so under the Illinois Long Arm Statute and if the exercise of personal jurisdiction complies with the requirement of due process. *Tamburo v. Dworkin*, 601 F.3d 693, 700 (7<sup>th</sup> Cir. 2010). A defendant is subject to personal jurisdiction in a forum only if the defendant has “certain minimum contacts with it such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’” *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945). It is unconstitutional to force a defendant to appear in a distant court unless it has done something that should make it “reasonably anticipate being haled

into court there.” *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474 (1985). The court has also framed the constitutional inquiry in terms of whether the defendant “purposefully avails itself” of the benefits and protections of conducting activities in the forum state. *Hanson v. Denckla*, 357 U.S. 235, 253 (1958). The purposeful availment requirement ensures that the defendant will not be subjected to litigation in a distant forum “solely as a result of random, fortuitous or attenuated contacts or of the unilateral activity of another party or third person.” *Burger King Corp.*, 471 U.S. at 475. Plaintiff cannot establish either general or specific personal jurisdiction here.

**A. There is No Basis for General Personal Jurisdiction Over the Defendants**

General personal jurisdiction is proper only when a defendant has “continuous and systematic” contacts with a state. The contacts must be extensive and pervasive. Isolated or sporadic contacts are insufficient for general jurisdiction. *Tamburo v. Dworkin*, 601 F.3d at 701. As the Leibovich Declaration shows, the Defendants have no presence whatsoever in Illinois and have not engaged in any conduct in Illinois. Accordingly, the high standard for general personal jurisdiction has not been met.

**B. There is No Basis for Specific Personal Jurisdiction Over Defendants**

Specific personal jurisdiction is appropriate where: 1) the defendant has purposefully availed itself of the privilege of conducting business in the state, and 2) the alleged injury arises out of the defendant’s forum-related activities. The exercise of specific personal jurisdiction must also comport with traditional notions of fair play and substantial justice as required by the Fourteenth Amendment’s Due Process Clause. *Tamburo v. Dworkin*, 601 F.3d at 702.

## **1. Scoopon's Website Does not Provide a Basis for Specific Jurisdiction**

Plaintiff appears to base its jurisdictional claim on the fact that Defendant Scoopon Pty Ltd. operates a website, <scoopon.com.au>, that could be accessed by computer users in Illinois.<sup>4</sup> Plaintiff fails to allege *why* an Illinois consumer would want to access the website to buy a daily deal discount voucher for services such as a massage, an auto tune-up, or a dinner that can only be redeemed in Australia. Because the Scoopon website does not target Illinois consumers, it does not form the basis for personal jurisdiction here.

The Leibovich Declaration describes the local nature of Scoopon's discount voucher business. (Decl. ¶¶21-24). The deals offered are only for the services of Australian businesses. The discount vouchers are almost exclusively issued in connection with services that are redeemable only at the place where the business is located and would thus be redeemable only by a person physically present in Australia. (Decl. ¶21).

Consequently, it would make no sense for the Scoopon website to target customers or businesses in Illinois. Defendants do not target Illinois or anywhere else in the U.S., and they do not advertise in the U.S. (Decl. ¶¶19, 22). The Scoopon vouchers are not directed at tourists, but rather at local Australian consumers who can provide consistent and repeat business to the participating vendors. (Decl. ¶22). As Mr. Leibovich declares, "consumers outside Australia would be of little or no commercial utility to our business." (Decl. ¶22). In short, there is no Illinois market for Defendants' daily deal vouchers.

It is unrealistic to think that Illinois consumers would have any interest in the Scoopon website. The value of the vouchers is relatively low (\$30-\$50 AUD). The offers are posted

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<sup>4</sup> The Complaint also references a website at <groupon.com.au>, but that website is no longer operational and returns a "server not found" message. (Decl. ¶10).

daily and are available only for limited times. The vouchers are short-lived and cannot be redeemed for cash. (Id.)

It is obvious from the website itself that it is not directed at Illinois consumers. The domain name uses a country code top-level domain identifying it as an Australian website (“.com.au”). The home page at <scoopon.com.au> identifies the site as “Scoopon Melbourne.” It even lists the weather for Melbourne. (Decl. ¶24). The fact that temperatures are listed in Centigrade rather than Fahrenheit would give an Illinois consumer a clear idea that this website is not targeting Illinois. An Illinois consumer who came upon the Scoopon site would soon realize that it was of no interest or value. See, *Mobile Anesthesiologists Chicago LLC v. Anesthesia Associates of Houston*, 623 F.3d 440, 446 (7<sup>th</sup> Cir. 2010) (“If a doctor in Chicago stumbled upon [defendant’s Houston area] website and called for an appointment, their conversation would be very short”).

Several recent cases from the Seventh Circuit have clarified that the mere existence of a website accessible in Illinois is not a sufficient basis for personal jurisdiction if the website is not targeted at Illinois users. This is true even if the website is “interactive” -- that is, even if the Illinois consumer could purchase something directly via the website. While Scoopon’s website is interactive, the actual purchase of a Scoopon voucher by someone in Illinois would be a rare event. (Decl. ¶22).

Most recently, the Seventh Circuit addressed Internet jurisdiction issues in *Be2 LLC v. Ivanov*, 2011 WL 1565490 (7<sup>th</sup> Cir. April 27, 2011). The defendant, accused of trademark infringement, had never set foot in Illinois but had an interactive website containing the allegedly infringing trademarks and domain name. In rejecting specific personal jurisdiction, the court

noted: “Our inquiry boils down to this: has [defendant] purposely exploited the Illinois market?” The court held that defendant’s New Jersey-based Internet matchmaking service was not targeted to Illinois, despite the fact that 20 people with Illinois addresses had registered on the website. “If the defendant merely operates a website, even a ‘highly interactive’ website, that is accessible from, but does not target, the forum state, then the defendant may not be haled into court in that state without offending the Constitution.” *Id.* at \*4. The court added that “the constitutional requirement of minimum contacts is not satisfied simply because a few residents have registered accounts” on the website. *Id.*

Similarly, in *Mobile Anesthesiologists Chicago, LLC v. Anesthesia Associates of Houston*, 623 F.3d 440 (7<sup>th</sup> Cir. 2010), the court held that tortious or infringing conduct outside the forum will not give rise to jurisdiction if the conduct does not meet the “express aiming” standard of *Calder v. Jones*, 465 U.S. 783, 789-90 (1984). “A plaintiff cannot satisfy the *Calder* standard simply by showing that the defendant maintained a website accessible to residents of the forum state and alleging that defendant caused harm through that website.” *Mobile Anesthesiologists*, 623 F.3d at 446. That is all that Groupon, Inc. has alleged in this case. See, also, *Tamburo v. Dworkin*, 601 F.3d 693 (7<sup>th</sup> Cir. 2010) (requiring that website activity be “purposely directed” or “expressly aimed” at the forum state); *Illinois v. Hemi Group, LLC*, 622 F.3d 754, 760 (7<sup>th</sup> Cir. 2010) (“Courts should be careful in resolving questions about personal jurisdiction involving online contacts to ensure that a defendant is not haled into court simply because the defendant owns or operates a website that is accessible in the forum state, even if the site is interactive”).



## **2. Plaintiff Has Not Alleged any Sales by Defendants in Illinois**

Because of the intensely local nature of Defendants' business, it is highly unlikely that there are any bona fide sales of Scoopon vouchers to Illinois residents. Plaintiff has not specifically identified any such sales in its complaint. Because Scoopon's discount vouchers are issued by e-mail to e-mail addresses of members, Defendant is not necessarily aware of the geographical location of a purchaser. It is theoretically possible that a person in Illinois could purchase a \$50 Scoopon voucher, but it would be worthless unless the person travelled over 9,000 miles to Australia to redeem it.

Scoopon is not aware of any sale in Illinois, and is unaware of any Illinois consumer having requested a refund or making a complaint. (Decl. ¶¶26-27). Needless to say, if any Illinois purchases had been arranged by Plaintiff, they would not be bona fide sales and would not subject Defendants to jurisdiction. *Clarus Transphase Scientific, Inc. v. Q-Ray, Inc.*, 2006 WL 2374738 at \*3 (N.D. Cal. 2006) ("A plaintiff cannot manufacture personal jurisdiction in a trademark case by purchasing the accused product in the forum state").

Even if there were some isolated bona fide sales, they would not be sufficient to impose jurisdiction. See, *Be2 LLC v. Ivanov*, supra (registration of 20 people from Illinois was too attenuated to satisfy minimum contacts requirements); *Guinness World Records Ltd. v. Doe*, 664 F. Supp. 2d 927, 929 (N.D. Ill. 2009) (sales of \$1,153 in Illinois insufficient to impose specific personal jurisdiction).

## **II. The Complaint Should be Dismissed For Lack of Subject Matter Jurisdiction**

If the Court finds that it has no personal jurisdiction over the Defendants, it need not address Defendants' remaining arguments. However, even if it has personal jurisdiction over

these Australian companies, it should nevertheless dismiss the complaint for lack of subject matter jurisdiction. The lack of subject matter jurisdiction is based on the fact that none of the laws on which Plaintiff relies has extraterritorial application under the circumstances in this case.

Trademarks and copyrights are territorially limited -- that is, the rights conferred by U.S. law on trademark and copyright owners do not extend beyond the borders of the U.S. The fact that a company owns a trademark in the U.S. does not vest the company with trademark rights in the same or a similar name in a foreign jurisdiction. *McCarthy on Trademarks*, §29.1 (4<sup>th</sup> Ed.).

**A. The Lanham Act Does Not Extend Extraterritorially to Conduct of Foreign Entities that Does Not Have a Substantial Effect on U.S. Commerce.**

While the Supreme Court has recognized that the Lanham Act can sometimes be applied to conduct outside U.S. borders, *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), the circumstances allowing such extraterritorial application are limited. The leading cases ask whether 1) the defendant is an American citizen, and 2) whether the defendant's actions have a substantial effect on U.S. commerce. *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1956); *McBee v. Delica Co., Ltd.*, 417 F.3d 107, 110-111 (1<sup>st</sup> Cir. 2005). Some courts also ask whether the extraterritorial application of the Lanham Act would conflict with trademark rights established under foreign law. See, *Vanity Fair*, 234 F.2d at 642-43; *Thomas & Betts Corp. v. Panduit Corp.*, 71 F. Supp. 2d 838, 841 (N.D. Ill 1999) ("The Lanham Act can be applied to foreign activities where the defendant is a United States citizen, the defendant's actions affect American commerce, and there is no conflict with foreign trademark law").

Plaintiff cannot satisfy *any* of these standards. Defendants are foreign corporations, not citizens or residents of the U.S. Scoopon has no U.S. operations, offices or employees. The vouchers it offers are for services provided by Australian vendors. As demonstrated above, the

foreign conduct of Defendants has no effect whatsoever on U.S. commerce. Even if there were some bona fide purchases of vouchers by Illinois residents, such transactions would be *de minimis* and would not have a substantial effect on U.S. commerce.

Plaintiff seeks relief that would conflict with Defendants' rights under Australian law. Scoopon Pty Ltd has an Australian trademark registration for SCOOPON. It has the exclusive right to use that mark under Australian law, yet Plaintiff resorts to U.S. law in an attempt to shut down Scoopon's online voucher business that operates exclusively in Australia.

The mere fact that Scoopon's Australian website can be accessed in Illinois is insufficient to show a substantial effect on U.S. commerce. See *McBee v. Delica*, 417 F.3d at 123-24. Drawing on personal jurisdiction principles, the court in *McBee* found that the accessibility of a foreign website in the U.S. did not have a substantial effect on commerce in the U.S. "Allowing subject matter jurisdiction under the Lanham Act to automatically attach whenever a website is visible in the United States would eviscerate the territorial curbs on judicial authority that Congress is, quite sensibly, presumed to have imposed in this area." *McBee*, 417 F.3d at 124. See also *Guantanamera Cigar Co. v. Corporacion Habanos S.A.*, 672 F.Supp.2d 106 (D.D.C., 2009)(a foreign manufacturer's use of allegedly infringing mark on a foreign website and minimal sales to U.S. customers were found not to have a substantial effect on United States commerce to justify extraterritorial application of the Lanham Act).

## **B. The Copyright Act Does Not Have Extraterritorial Effect**

It is well established that the copyright laws of the United States do not have extraterritorial effect and cannot be invoked to secure relief for acts of infringement occurring outside the United States. *Subafilms, Ltd. v. MGM-Pathe Communications*, 24 F.3d 1088, 1095-

96 (9th Cir., 1994) (en banc). It is only where an infringing act occurs in the United States that the infringement is actionable under the Copyright Act. *Palmer v. Braun*, 376 F.3d 1254, 1258 (11<sup>th</sup> Cir. 2004). As the Ninth Circuit has noted, “Extraterritorial application of American [copyright] law would be contrary to the spirit of the Berne convention . . . . Consequently, an extension of extraterritoriality might undermine Congress’s objective of achieving ‘effective and harmonious copyright laws among all nations.’” *Subafilms*, 24 F.3d at 1097. That court has also held that because of the importance of avoiding international conflicts of law in the area of intellectual property, the Copyright Act “presumptively does not apply to conduct that occurs abroad even when that conduct produces harmful effects within the United States.” *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 988 (9<sup>th</sup> Cir. 2008), *aff’d by evenly divided Court*, 131 S. Ct. 565 (2010).

Here, Plaintiff has not alleged any act by Defendants that took place in the U.S. The complaint alleges only that “defendants have used, marketed, promoted and displayed as its own a website that is based upon Groupon’s Copyrighted Works.” (Complaint, ¶64). The copyright claim fails to allege any predicate act within the United States on which extraterritorial application could be based.

Since no acts of infringement are alleged to have been conducted by Defendants in the U.S., the copyright claim should be dismissed, either under F.R. Civ. P. 12(b)(1) or 12(b)(6).<sup>5</sup>

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<sup>5</sup> Though courts have traditionally treated extraterritorial application of the Copyright Act as a jurisdictional bar, some recent cases have held that the requirement that an act of infringement must take place within U.S. borders is not jurisdictional, but rather is an element of the claim and is addressed by Rule 12(b)(6) rather than 12(b)(1). *Litecubes, LLC v. Northern Light Products, Inc.* 523 F.3d 1353, 1368 (Fed. Cir. 2008). Under either scenario, the copyright claim should be dismissed because Plaintiff has not alleged any acts of infringement by Defendants in the U.S. and therefore has failed to allege plausible facts to establish an essential element of a copyright claim.

### **C. The State Law Claims Do Not Have Extraterritorial Effect**

Plaintiff has also alleged violations of the Illinois Deceptive Trade Practices Act (Count IV), the Illinois Consumer Fraud Act (Count V), the Illinois Trademark Act (Count VI), and Illinois common law of trademark and unfair competition (Counts VI and VII).

As with the Lanham Act and Copyright Act claims, Plaintiff's state law claims must be dismissed because these state laws do not have extraterritorial effect. "The Consumer Fraud Act is a statute without extraterritorial effect; '[t]he [Illinois] General Assembly did not intend the Act to apply to fraudulent transactions that take place outside Illinois.'" *Landau v. CNA Financial Corp.*, 381 Ill.App.3d 61, 63, 886 N.E. 2d 405, 407 (Ill. App. Ct. 1<sup>st</sup> Dist., 2008) citing the *Avery v. State Farm Mutual Automobile Insurance Co.*, 216 Ill.2d 100, 185, 835 N.E. 2d 801, 853 (Ill. 2005). See also, *Phillips v. Bally Total Fitness Holding Corp.*, 372 Ill.App.3d 53, 58, 865 N.E. 2d 310, 315 (Ill. App. Ct. 1st Dist., 2007).

### **III. The Court Should Decline to Exercise Jurisdiction Due to Forum Non Conveniens and Principles of Comity**

Even if this Court finds that it has jurisdiction, it has the discretion to decline to exercise jurisdiction on grounds of forum non conveniens and principles of comity. *Thomas & Betts Corps. v. Panduit Corp.*, 71 F. Supp. 2d 838, 844 (N.D. Ill. 1999).

The common law doctrine of forum non conveniens allows a federal district court to dismiss a suit over which it would normally have jurisdiction in order to best serve the convenience of the parties and the ends of justice. *Stroitelstvo Bulgaria Ltd. v. Bulgarian-American Enterprise Fund*, 589 F.3d 417 (7<sup>th</sup> Cir. 2009). Courts use a two-step analysis in determining the appropriateness of dismissal under forum non conveniens. The initial requirement is establishing the existence of an adequate alternative forum available to hear the

case. If an adequate alternative forum exists, the court should next consider whether a forum non conveniens dismissal would serve the private interests of the parties and the public interests of the alternative forums. See, *Id.* at 425; *Kamel v. Hill-Rom Co., Inc.*, 108 F.3d 799, 802 (7<sup>th</sup> Cir. 1997).

It is clear that there is an adequate alternative forum available -- namely Australia. In fact, Plaintiff first brought suit against Defendants there. In August 2010, Plaintiff initiated legal proceedings against Defendants in the Federal Court of Australia. This proceeding is based on the same facts as this case and seeks equivalent redress. The Federal Court of Australia is “adequate,” as the Australian proceedings seek equivalent remedies under equivalent legal theories.

Relevant private and public considerations, such as access to sources of proof, also show Illinois to be an inconvenient forum. See, *In re Factor VIII or IX Concentrate Blood Products Litigation*, 484 F.3d 951, 985 (7<sup>th</sup> Cir. 2007), citing *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947) and reciting relevant factors; *Clerides v. Boeing Co.*, 534 F.3d 623, 628 (7<sup>th</sup> Cir. 2008) (same). All Defendants’ witnesses and evidence would be brought to Illinois from Australia. The overwhelming majority of discovery will also be taken in Australia, making proceedings in Illinois unnecessarily expensive. See *U.S.O. Corp. v. Mizuho Holding Co.*, 547 F.3d 749, 752 (7<sup>th</sup> Cir. 2008) (finding the same regarding the burden of bringing witnesses and documents from Japan to Chicago).

The proceedings in Australia are likely to be completed sooner than the Illinois case. The Australian case is set for trial on August 1, 2011. Illinois residents do not have even a passing interest in Defendants’ conduct – they are Australian companies operating solely in Australia and

marketing services exclusively for local Australian customers and businesses. Undoubtedly, Australia has a very strong interest in the parallel proceedings. Burdening Illinois residents, courts and resources in a matter of no practical concern to the area is unnecessary. Moreover, this Court is not in the best position to interpret and apply Australian trademark law.

This case also raises concerns of international comity. If the Australian court finds that Scoopon has valid rights in the SCOOPON mark in Australia, a contrary finding by the Court would present a serious conflict and interfere with Australia's trademark law. This disruption should be avoided in the interest of international comity.

#### **IV. The Court Should Decline to Exercise Supplemental Jurisdiction Over the State Law Claims**

If the Court dismisses the federal claims, it should decline to exercise supplemental jurisdiction over the State law claims under 28 U.S.C. §1367. Section 1367(c)(3) provides that the district court may decline to exercise supplemental jurisdiction if "the district court has dismissed all claims over which it has original jurisdiction. . . ." If the Court dismisses the federal claims, there is no valid reason for retaining supplemental jurisdiction. It will not provide judicial economy, convenience or fairness to the litigants. See, *Van Harken v. City of Chicago*, 103 F.3d 1346 (7<sup>th</sup> Cir. 1997) ("the general rule is that when as here the federal claim drops out before trial . . . , the federal district court should relinquish jurisdiction over the supplemental claim"); *Boyce v. Fernandes*, 77 F.3d 946, 951 (7<sup>th</sup> Cir. 1996); *Wright v. Associated Insurance Companies*, 29 F.3d 1244, 1251 (7<sup>th</sup> Cir. 1994).

## **V. In the Alternative, the Court Should Stay the Proceedings**

Given the similarity of the issues and the impending trial date of the Australian litigation, this Court should exercise its discretion to stay this case until resolution of the earlier filed Australian case.

Under the *Colorado River* abstention doctrine, a federal court has discretion to dismiss or stay a suit over which it has jurisdiction when there is a parallel state case pending and dismissal or stay of the federal case would promote wise judicial administration. *Corus Bank, N.A. v. de Guardiola*, 593 F.Supp.2d 991, 993 (N.D.Ill., 2008) citing *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800, 817 (1976).

Here the instant proceeding is parallel to the Australian action. Suits are parallel when substantially the same parties are contemporaneously litigating substantially the same issues in another forum. *LaDuke v. Burlington Northern R. Co.*, 879 F.2d 1556, 1559 (7<sup>th</sup> Cir. 1989). The same parties are currently litigating substantially identical issues in the Federal Court of Australia, namely Defendant's use of and rights to its SCOOPON Australian trademark registration.

The Australian court was the first place Plaintiff sought relief and the first to exercise jurisdiction over the subject matter of dispute, with the instant proceedings much less advanced than the Australian litigation. Litigation in Illinois is decidedly inconvenient and unfair to Defendants. Since Defendants have no connections to Illinois, Plaintiff's redundant proceedings here are nothing more than a vexatious attempt to exploit favor from its home forum. The crux of the suit is Defendants' Australian federal trademark registration and its use in Australia and through its



Australian website. Australia has a substantial interest in the case and its courts are uniquely equipped to resolve the relevant questions. The Australian proceedings are better able to assess the validity of Defendants' trademark rights and equally equipped to grant Plaintiff its sought relief.

For the foregoing reasons, Defendants' respectfully request the court to dismiss the case, or at the very least, stay the instant proceedings, pending resolution of the Australian litigation.

Respectfully submitted,

Dated: May 12, 2011

By: /s/ William T. McGrath  
One of the Attorneys for Defendants

William T. McGrath  
Christopher W. Schneider  
Davis McGrath LLC  
125 S. Wacker Drive, Suite 1700  
Chicago, IL 60606  
Telephone: (312) 332-3033  
Facsimile: (312) 332-6376

**CERTIFICATE OF SERVICE**

I, William T. McGrath, an attorney, certify that I electronically filed the foregoing with the Clerk of the Court using the ECF System, which sent notification to all parties of record on the 12<sup>th</sup> day of May, 2011.

Dated: May 12, 2011

By: /s/William T. McGrath