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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA**

ARISTOCRAT TECHNOLOGIES, INC., a Nevada Corporation; and ARISTOCRAT TECHNOLOGIES AUSTRALIA PTY LIMITED LTD., an Australian corporation,

Plaintiffs,

v.

HIGH IMPACT DESIGN & ENTERTAINMENT, a Nevada corporation; WILLIAM RANDAL ADAMS, an individual; RAFAEL ACOSTA, an individual; HIGH IMPACT DESIGN AND ENTERTAINMENT, S.A., a Venezuelan Corporation ,

Defendants.

2:07-CV-01033-BES-LRL

**ORDER**

Before the Court is Defendant High Impact Design and Entertainment, S.A.’s (“HIDE Venezuela”) Motion to Set Aside Default (#19) filed June 23, 2008. Plaintiffs Aristocrat Technologies, Inc. (“ATI”) and Aristocrat Technologies Australia (“ATA”) (collectively “Plaintiffs”) filed their Opposition to Defendant’s Motion to Set Aside Default (#20) on July 11, 2008. HIDE Venezuela filed its Reply to Opposition to Motion to Set Aside Default and Dismiss (#21) on July 24, 2008.

After the Motion to Set Aside Default was fully briefed, Plaintiffs filed an Amended Complaint (#24) on August 18, 2008, naming as defendants HIDE Venezuela, High Impact Design & Entertainment of Nevada (“HIDE Nevada”), William Randall Adams (“Adams”) and Rafael Acosta (“Acosta”) (collectively “Defendants”). Defendant HIDE Venezuela filed a Motion to Dismiss Amended Complaint (#25) on August 22, 2008. Plaintiffs filed their

1 Opposition to HIDE Venezuela’s Motion to Dismiss Amended Complaint (#27) on September  
2 9, 2008. HIDE Venezuela filed its Reply to Opposition to Motion to Dismiss Amended  
3 Complaint (#28) on September 23, 2008. The Court held a hearing on both of these matters  
4 on February 6, 2009.

## 5 I. BACKGROUND

6 This matter arises out of sale of gaming machines and the allegedly unauthorized  
7 registration of the Aristocrat trademark in Venezuela. Plaintiffs are manufacturers, licensors,  
8 and worldwide distributors of electronic gaming machines. (Plaintiff’s Opp’n (#20) 1). Plaintiffs  
9 own trademark rights and registrations in the Aristocrat word mark and the Aristocrat design  
10 mark in the United States and other jurisdictions throughout the world. (Am. Compl. (#24) ¶19).  
11 On or about December 11, 2000, HIDE Nevada agreed to purchase various electronic gaming  
12 machines from ATI. Id. ¶20. Over the course of the next two years, the parties entered into  
13 several agreements under which HIDE Nevada agreed to lease and purchase ATI’s gaming  
14 machines for placement in various locations in Venezuela. Id. ¶¶21-23. The agreements  
15 allegedly included provisions stating that ATI retained all rights, title and interest in its  
16 trademarks, and HIDE Nevada had no such rights. Id.

17 On or about June 5, 2003, without Plaintiffs’ knowledge or consent, Defendants applied  
18 for registration of Aristocrat’s design mark and trade name in Venezuela. Id. ¶26. Plaintiffs  
19 believe that HIDE Nevada, Acosta, and/or Adams own, control and/or direct HIDE Venezuela.  
20 Id. ¶25. Plaintiffs allegedly demanded that HIDE Venezuela withdraw the application, but  
21 Acosta explained that HIDE Venezuela would assign the trademark and logo to Plaintiffs, and  
22 that it would be a mistake to withdraw the filing because it would cost the parties time and  
23 money. Id. ¶28. Allegedly in reliance on these representations, Plaintiffs did not take any  
24 action to oppose HIDE Venezuela’s application to register the Aristocrat name and trademark  
25 in Venezuela and the trademark and trade name registration was granted to HIDE Venezuela.  
26 Id. ¶29-30.

27 After the registration in Venezuela, Plaintiffs requested that the Defendants assign the  
28 Aristocrat trademark and trade name to them, but Defendants have never done so. Id. ¶31.

1 Plaintiffs also allege that HIDE Venezuela asked the Servicio Nacional Integrado de  
2 Administracion Tributaria of Venezuela to order Venezuelan customs authorities to restrict the  
3 import of Plaintiffs' products into Venezuela. Id. ¶32. Additionally, Plaintiffs maintain that  
4 Defendants have continually refused to pay them the money ATI is due under the parties'  
5 various agreements. Id. ¶34.

6 Plaintiffs filed suit in this Court (#1) against HIDE Venezuela on August 3, 2007 alleging  
7 breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, unjust  
8 enrichment and requesting declaratory relief.<sup>1</sup> (Compl. (#1) ¶¶24-47). Plaintiffs then moved  
9 for a request for international judicial assistance so that they could obtain assistance from the  
10 Venezuelan government in serving the complaint upon HIDE in Venezuela. (Plaintiff's Opp'n  
11 (#20) 2). The Court granted this motion, and HIDE Venezuela was served with a copy of the  
12 summons and complaint on February 12, 2008. (Fountain Decl. (#14) 3). HIDE Venezuela  
13 failed to respond to the complaint, and on May 27, 2008, the Clerk of the Court entered default  
14 against HIDE Venezuela. (Plaintiff's Opp'n (#20) 2). HIDE Venezuela filed its Motion to Set  
15 Aside the default on June 23, 2008, arguing that it was never properly served, and that it had  
16 a meritorious defense because the Court lacks subject matter jurisdiction. (Def's Mot. (#19)  
17 1-6). While this motion was still pending, Plaintiffs filed a First Amended Complaint renaming  
18 HIDE Venezuela, and adding HIDE Nevada, Randall and Adams. (Am. Compl. (#24) 1).

## 19 II. DISCUSSION

### 20 A. Motion to Set Aside Entry of Judgment

21 HIDE Venezuela argues that the entry of default should be set aside because it was  
22 never properly served and because it has a meritorious defense. (Def's Mot. (#19) 3-6). HIDE  
23 also asks the Court to dismiss the original complaint for lack of subject matter jurisdiction. Id.  
24 at 4-5. Plaintiffs argue that HIDE Venezuela was properly served and that there is no good  
25 cause to set aside the entry of default. (Plaintiff's Opp'n (#20) 5). Plaintiffs further admit that

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27 <sup>1</sup>Plaintiffs' assertion with regard to jurisdiction was based on 28 U.S.C. §1332 (diversity). (Compl. (#1)  
28 ¶1). Defendants correctly argued in their Motion to Set Aside that diversity jurisdiction was not present because  
diversity jurisdiction does not encompass foreign plaintiffs suing foreign defendants. See Cheng v. Boeing Co.,  
708 F.2d 1406, 1412 (9th Cir. 1983).

1 diversity jurisdiction is not present in this case, but they argue that the Court still has federal  
2 question jurisdiction. Id. at 6.

3 According to Rule 55 of the Federal Rules of Civil Procedure, “[w]hen a party against  
4 whom a judgment for affirmative relief is sought has failed to plead or otherwise defend, and  
5 that failure is shown by affidavit or otherwise, the clerk must enter the party’s default.” Fed.  
6 R. Civ. P. 55(a). Prior to a default judgment being entered, a default under Rule 55(a) can be  
7 set aside by the district court for “good cause.” Fed. R. Civ. P. 55(c).

8 “Absent an abuse of discretion, there is no error in setting aside a default where the  
9 judge finds good cause to do so.” Mendoza v. Wight Vineyard Mgmt., 783 F.2d 941, 945 (9th  
10 Cir. 1986). “The court’s discretion is especially broad where, as here, it is entry of default that  
11 is being set aside, rather than a default judgment.” O’Connor v. State of Nev., 27 F.3d 357,  
12 364 (9th Cir. 1994). In general, “[w]here timely relief is sought from a default . . . and the  
13 movant has a meritorious defense, doubt, if any, should be resolved in favor of the motion to  
14 set aside default so that cases may be decided on the merits.” Id. In determining whether to  
15 set aside a default, the “court should consider whether: (1) the plaintiff would be prejudiced  
16 by setting aside the default; (2) the defendant has a meritorious defense; and (3) the  
17 defendant’s culpable conduct led to the default.” Id. (citing Falk v. Allen, 739 F.2d 461, 463  
18 (9th Cir. 1984)).

19 In this matter, several factors must be weighed in the Court’s consideration of whether  
20 to set aside the default entered against HIDE Venezuela. First, the Court must determine  
21 whether Plaintiffs would be prejudiced by an order setting aside the default. “Prejudice exists  
22 if circumstances have changed since entry of the default such that [a] plaintiff’s ability to  
23 litigate its claim is not impaired in some material way or if relevant evidence has become lost  
24 or unavailable.” Accu-Weather, Inc. v. Reuters Ltd., 779 F.Supp. 801, 802 (M.D. Pa. 1991).  
25 Notably, “[d]etriment in the sense that plaintiff will be required to establish the merit of its claim  
26 does not constitute prejudice in this context.” Id. In this case, Plaintiffs will not be prejudiced  
27 by an order setting aside the entry of default. There is no contention by Plaintiffs that evidence  
28 has been lost or has become unavailable. In addition, Plaintiffs have not provided any

1 evidence that something has occurred since entry of the default which will hinder its ability to  
2 litigate the case. Rather, Plaintiffs will have to establish the merits of their claims against the  
3 Defendants. Additionally, Plaintiffs have essentially waived their opposition to this Motion to  
4 Set Aside by filing an amended complaint against the original defendant, among others. The  
5 filing of the amended complaint essentially moots Plaintiffs' opposition to the Motion to Set  
6 Aside, as they have implicitly acknowledged that the case against HIDE Venezuela should  
7 proceed to the merits. Furthermore, Plaintiffs conceded during the hearing that it would be  
8 appropriate to set aside the default given their amended complaint.

9         Second, the Court must determine if HIDE Venezuela has a meritorious defense. "A  
10 meritorious defense is one which, if proven at trial, will bar plaintiff's recovery." Id. "The  
11 defendant is not required to prove beyond the shadow of a doubt that it will win at trial, but  
12 merely to show that it has a defense to the action which at least has merit on its face." Id. In  
13 this case, HIDE Venezuela argues that it has a meritorious defense because it performed  
14 under the terms of the agreements. (Def's Mot. (#19) 3). HIDE Venezuela further argues that  
15 this Court lacks subject matter jurisdiction because diversity is lacking, and because this case  
16 deals with a Venezuelan trademark and does not substantially effect U.S. commerce for  
17 jurisdictional purposes. Id. at 4-5. While the Court will not decide the merits of these defenses  
18 here, these defenses at least have merits on their face and, if proven at trial, would bar  
19 Plaintiffs' recovery in this matter. Therefore, the second factor also weighs in favor of setting  
20 aside the default.

21         Finally, the Court must determine if HIDE Venezuela's culpable conduct led to the  
22 default. "A defendant's motion to set aside a default should not be granted if the defendant  
23 exhibited some degree of culpable conduct in failing to respond to pleadings." Accu-Weather,  
24 Inc., 779 F.Supp. at 804. "[A] defendant's conduct [is] culpable . . . where there is no  
25 explanation of the default inconsistent with a devious, deliberate, willful, or bad faith failure to  
26 respond." Employee Painters' Trust v. Ethan Enter., Inc., 480 F.3d 993, 1002 (9th Cir. 2007).  
27 In this case, HIDE Venezuela claims that it was not properly served with the original summons  
28 and complaint, and therefore it did not become aware of the lawsuit until the notice of default

1 was brought to the correct office location in Venezuela. (Def’s Mot. (#19) 2). Given the  
2 potential for difficulty and confusion in serving a defendant in a foreign country and HIDE  
3 Venezuela’s promptness in filing its motion to set aside, this Court finds no evidence of a  
4 “devious, deliberate, willful, or bad faith failure to respond.” As such, the third factor also  
5 weights in favor of granting the motion to set aside.

6 Based on the foregoing, the Court, in its discretion, will set aside the default entered  
7 against HIDE Venezuela. Because Plaintiffs will suffer no prejudice, the case should be  
8 determined on its merits.

9 **B. Motion to Dismiss Amended Complaint**

10 In considering a motion to dismiss for failure to state a claim under Fed. R. Civ. P.  
11 12(b)(6), the court must accept as true all material allegations in the complaint as well as all  
12 reasonable inferences that may be drawn from such allegations. LSO, Ltd. v. Stroh, 205 F.3d  
13 1146, 1150 (9th Cir. 2000). The allegations of the complaint also must be construed in the  
14 light most favorable to the nonmoving party. Shwarz v. United States, 234 F.3d 428, 435 (9th  
15 Cir. 2000). The purpose of a motion to dismiss under Rule 12(b)(6) is to test the legal  
16 sufficiency of the complaint. Navarro v. Block, 250 F.3d 729, 732 (9th Cir. 2001). However,  
17 there is a strong presumption against dismissing an action for failure to state a claim. See  
18 Gilligan v. Jamco Dev. Corp., 108 F.3d 246, 249 (9th Cir. 1997) (citation omitted). A plaintiff  
19 must make sufficient factual allegations to establish a plausible entitlement to relief. Bell  
20 Atlantic Corp. v. Twombly, 127 S. Ct. 1955, 1965 (2007).

21 In its Motion to Dismiss, HIDE Venezuela argues that this Court lacks subject matter  
22 jurisdiction because Plaintiffs’ only federal claims are under the Lanham Act, which does not  
23 apply to acts which occurred in foreign countries and have no effect on American commerce.<sup>2</sup>  
24 (Def’s Mot. (#25) 2-3). Defendants further argued at the hearing that Plaintiffs’ claims were

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26 <sup>2</sup>HIDE Venezuela also argues that Plaintiffs cannot amend their complaint to cure any jurisdictional defects  
27 “when the court has no jurisdiction to start with.” (Def’s Mot. (#25) 2). However, this argument is without merit.  
28 Under FRCP 15(a), a party may amend its pleading once as a matter of course before being served with a  
responsive pleading. Amendment to cure defective jurisdictional allegations is allowed. Metzger v. Hussman, 682  
F.Supp. 1109, 1111 (D.Nev. 1988).

1 in essence contract claims, and Plaintiffs were not entitled to relief under the Lanham Act.  
2 Plaintiffs argue that this Court does have jurisdiction over the matter because they own a U.S.  
3 trademark for the Aristocrat name and design and its infringement in Venezuela has effected  
4 American foreign commerce. (Plaintiff's Opp'n (#27) 7).

5 In its Amended Complaint, Plaintiffs allege two federal claims under the Lanham Act,  
6 one for trademark infringement under 15 U.S.C. §1114 and one for unfair competition under  
7 15 U.S.C. §1125(a). (Am. Compl. (#24) 7-8). Plaintiffs allege that this Court has jurisdiction  
8 pursuant to 28 U.S.C. §§1331 and 1338(a).<sup>3</sup> Id. ¶1. In order to state a claim for relief under  
9 the Lanham Act for unfair competition and trademark infringement, the plaintiff must allege:  
10 (1) a valid trademark and (2) likelihood of confusion from the defendant's use of the mark.  
11 Levi Strauss & Co. v. Blue Bell, Inc., 778 F.2d 1352, 1354 (9th Cir. 1985). The Court finds that  
12 Plaintiffs have properly alleged that they have a valid U.S. trademark, and that the Defendants'  
13 use of the Aristocrat trademark is likely to cause confusion. (Am. Compl. (#24) ¶¶19, 38, 48).  
14 Therefore, the only remaining issue in Defendants' Motion to Dismiss is whether this Court has  
15 jurisdiction to apply the Lanham Act extraterritorially.<sup>4</sup>

16 The purpose of the Lanham Act is to "regulate commerce within the control of Congress  
17 by making actionable the deceptive and misleading use of marks in such commerce...to  
18 protect persons engaged in such commerce against unfair competition, to prevent fraud and  
19 deception in such commerce by the use of reproductions, copies, counterfeits, or colorable  
20 imitations of registered marks." 15 U.S.C. §1127. In this case, Plaintiffs registered the  
21 Aristocrat trademark and trade name with the U.S. Patent and Trademark Office and were  
22 thus protected from infringement under the Lanham Act. (Am Compl. (#24) ¶19). In  
23 interpreting the jurisdictional scope of the Lanham Act, the Supreme Court has stated that the

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25 <sup>3</sup>Under 28 U.S.C. §1338, district courts have "original jurisdiction of any civil action arising under any Act  
26 of Congress relating to patents, plant variety protection, copyrights and trademarks."

27 <sup>4</sup>Defendants argued at the hearing that Plaintiffs' allegations in support of the Lanham Act claims were  
28 insufficient because they were not supported by affidavit. On the contrary, the allegations of a complaint need not  
be supported by affidavit because the Court accepts as true all material allegations of the complaint. LSO, Ltd.,  
205 F.3d at 1150.

1 Act provides a “broad jurisdictional grant” that extends to “all commerce which may be lawfully  
2 regulated by Congress.” Steele v. Bulova Watch Co., 344 U.S. 280, 283 (1952). Additionally,  
3 the Supreme Court has stated that Congress has the power to prevent unfair trade practices  
4 in foreign commerce by citizens of the United States, although some of the acts are done  
5 outside the territorial limits of the United States. Id. at 286.

6 The Ninth Circuit has held that the Lanham Act’s coverage of foreign activities may by  
7 analyzed under the test for extraterritorial application of the federal antitrust laws set forth in  
8 Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass’n, 549 F.2d 597 (9th  
9 Cir. 1976). Star-Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393, 1395 (9th Cir. 1985).  
10 The Ninth Circuit has identified three criteria that must be satisfied to apply the Lanham Act  
11 extraterritorially: first, the alleged violations must create some effect on American foreign  
12 commerce; second, the effect must be sufficiently great to present a cognizable injury to  
13 plaintiffs under the federal statute; and third, the interests of and links to American foreign  
14 commerce must be sufficiently strong in relation to those of other nations to justify an assertion  
15 of extraterritorial authority. Id.

### 16 **1. Effect on American Foreign Commerce**

17 As to the first criterion, the sales of infringing goods in a foreign country may have a  
18 sufficient effect on American foreign commerce to invoke Lanham Act jurisdiction. Reebok  
19 Int’l Ltd. v. Marnatech Ent., Inc., 970 F.2d 552, 553 (9th Cir. 1991). Plaintiffs allege that  
20 Defendants have sold counterfeit gaming machines in Venezuela bearing the Aristocrat  
21 trademark. (Am. Compl. (#24) ¶37). Plaintiffs also allege that Defendants’ actions have  
22 prevented them from importing their gaming machines from the U.S. into Venezuela, and from  
23 re-branding any counterfeit machines that are already there, and therefore there is some effect  
24 on American foreign commerce. This Court agrees. Accepting the allegations of Plaintiffs’  
25 amended complaint as true, the sale of counterfeit Aristocrat machines and the restriction on  
26 the importation of U.S. manufactured gaming machines have some effect on American foreign  
27 commerce. Therefore the first requirement is satisfied.

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1           **2. Cognizable Injury to Plaintiffs under the Federal Statute**

2           The second criterion is also satisfied given that Defendants’ actions have allegedly  
3 prevented Plaintiffs from importing, selling, or licensing its gaming machines in Venezuela, and  
4 have allegedly produced counterfeit gaming machines bearing the Aristocrat name and marks.  
5 The sale and distribution of counterfeit machines in Venezuela would decrease the sales of  
6 genuine gaming machines there and decrease Plaintiffs’ revenue from sales. These harms are  
7 sufficient to present a cognizable injury under the Lanham Act. See Reebok, 970 F.2d at 554-  
8 55 (holding sale of counterfeit shoes in Mexico caused injury to American manufacturer that  
9 was cognizable under Lanham Act); Star-Kist, 769 F.2d at 1395 (holding sale of canned fish  
10 in the Philippines under labels with Plaintiff’s trademarks caused injury to Plaintiff that was  
11 cognizable under the Lanham Act).

12           **3. Interests of and Links to American Commerce vs. Those of Other Nations**

13           The third requirement, that the interests of and links to American foreign commerce be  
14 sufficiently strong in relation to those of other nations to justify extraterritorial application of the  
15 Lanham Act, involves the balancing of seven relevant factors: (1) the degree of conflict with  
16 foreign law or policy, (2) the nationality or allegiance of the parties and the locations and  
17 principal places of business of corporations, (3) the extent to which enforcement by either  
18 state can be expected to achieve compliance, (4) the relative significance of effects on the  
19 United States as compared with those elsewhere, (5) the extent to which there is explicit  
20 purpose to harm or affect American commerce, (6) the foreseeability of such effect, and (7)  
21 the relative importance to the violations charged of conduct within the United States as  
22 compared with conduct abroad. Reebok, 970 F.2d at 555.

23           The first factor in the balancing test involves the degree of conflict with foreign law or  
24 policy and weighs against this Court’s exercise of jurisdiction. Specifically, the Ninth Circuit  
25 has held the existence of a conflict with a foreign trademark registration weighs against  
26 extraterritorial application of the Lanham Act. Wells Fargo & Co. v. Wells Fargo Express &  
27 Co., 556 F.2d 406, 428-29 (9th Cir. 1976). Similarly in this case, the Venezuelan government  
28 has already registered the Aristocrat trademark and trade name to HIDE Venezuela, and

1 therefore Venezuela has the right to adjudicate the use of that trademark within its borders.  
2 Because the Aristocrat trademark has already been registered to HIDE in Venezuela and there  
3 is a high potential for conflict if American authority were asserted to resolve the dispute over  
4 the Venezuelan trademark, the first factor weights against extraterritorial application of the  
5 Lanham Act in this case.

6 The second factor in the balancing test is the nationality or allegiance of the parties and  
7 the locations or principal places of business of the involved corporations. One of the plaintiffs,  
8 ATI, is a Nevada corporation that is a subsidiary of ATA, an Australian corporation. (Plaintiff's  
9 Opp'n (#27) 9). Both of these parties have substantial contacts with the United States. As to  
10 the defendants, HIDE, Venezuela is a Venezuela corporation whose principal place of  
11 business appears to be Venezuela, HIDE Nevada is allegedly a Nevada corporation, and  
12 Adams and Acosta are also allegedly Nevada residents and principals of both HIDE  
13 corporations. Id. Because all but one of the parties have significant contacts to the United  
14 States, the second factor weighs in favor of extraterritorial application of the Lanham Act.

15 The third factor, the extent to which enforcement by either state can be expected to  
16 achieve compliance, weighs in favor of extraterritorial application. The Ninth Circuit held in  
17 Reebok that even where a foreign state could enforce its own or U.S. trademark laws, where  
18 "each of the defendants, their principal places of business, and the vast majority of their assets  
19 are located in the United States," the United States has the superior ability to enforce.  
20 Reebok, 970 F.2d at 557. Additionally, where a U.S. citizen or corporation has "orchestrated  
21 the infringing activities," an injunction against the U.S. citizen would be effective. Ocean  
22 Garden v. Marktrade Co. Inc., 953 F.2d 500, 504 (9th Cir. 1991). In this case, Plaintiffs allege  
23 in their amended complaint that HIDE Nevada is a U.S. corporation, and that Adams and  
24 Acosta are both U.S. citizens and have substantial assets located in the United States. (Am.  
25 Compl. (#24) ¶¶9-13). They further argue that, because HIDE Nevada, Adams and Acosta  
26 directed HIDE's activities, an injunction against Adams and Acosta would be effective to  
27 achieve compliance from HIDE Nevada and HIDE Venezuela. (Plaintiff's Opp'n (#27) 9). This  
28 Court agrees. Based on the allegations in the amended complaint, HIDE Nevada, Adams and

1 Acosta orchestrated the infringing activities in question. (Am.Compl. (#24) ¶¶13, 38, 48).  
2 Even though HIDE Venezuela could continue infringing activities on its own, the extensive  
3 involvement of the U.S. corporation and U.S. citizens indicates that enforcement against them  
4 would achieve compliance.

5 The fourth factor, the relative significance of effects on the United States as compared  
6 with those elsewhere, also weighs in favor of this Court's exercise of jurisdiction. Where the  
7 alleged infringement results in losses to a U.S. corporation, this factor tips in favor of  
8 extraterritorial application. Ocean Garden, 953 F.2d at 504. While arguably there is also  
9 some effect on commerce in Venezuela, where the allegedly counterfeit gaming machines  
10 have been distributed, the alleged illegal use of the trademarks has affected trade between  
11 the U.S. and Venezuela, and has significantly impacted a domestic U.S. corporation.  
12 Therefore, the fourth factor also weighs in favor of extraterritorial jurisdiction.

13 As to the fifth and sixth factors, where there is evidence that a defendant's infringing  
14 acts were intentional and the infringement was foreseeable, the Ninth Circuit has found explicit  
15 purpose to harm American commerce. See id. In this case, Plaintiffs present some evidence  
16 that the Defendants' infringing acts were intentional. Specifically, it alleges that HIDE falsely  
17 represented that it would assign the Venezuelan trademark to ATI after the registration,  
18 ultimately refused to assign the trademark and directed Venezuelan authorities to restrict the  
19 importation of Plaintiffs' products into Venezuela. Each of these allegations indicate that the  
20 Defendants intentionally obtained the Venezuelan trademark registration in order to prevent  
21 Plaintiffs from importing their gaming machines into Venezuela and profit from using the  
22 Aristocrat trademark on counterfeit machines. As such, the fifth and sixth factors also weigh  
23 in favor of extraterritorial application of the Lanham Act.

24 The final factor of the balancing test, the relative importance to the violations charged  
25 of conduct within the United States as compared with conduct abroad, does not clearly support  
26 either a decision to exercise territorial jurisdiction or to refrain from doing so. In this case,  
27 Defendants' infringing actions were allegedly directed from the United States. However, actual  
28 consumer sales of any counterfeit products would have occurred only in Venezuela. Because

1 Plaintiffs' claims are based both on actions that occurred in the United States and Venezuela,  
2 it is difficult to determine whether actions in either location were more significant to Plaintiffs'  
3 claims than the actions in the other. However, the majority of the other factors clearly weigh  
4 in favor of the exercise of extraterritorial jurisdiction. Accepting the allegations in the amended  
5 complaint as true, this Court can say that the factors in favor of exercising jurisdiction outweigh  
6 the counterbalancing factors, even though this may present some conflict with Venezuelan  
7 law. See Reebok, 970 F.2d at 555 (extraterritorial application of Lanham Act appropriate even  
8 though parties were involved in trademark and copyright litigation in Mexican court). Because  
9 the affirmative requirements under Timberlane have been met, this Court may exercise  
10 jurisdiction over Plaintiffs' claims against the Defendants<sup>5</sup> and the Court will deny HIDE  
11 Venezuela's Motion to Dismiss.

### 12 III. CONCLUSION

13 IT IS HEREBY ORDERED that HIDE Venezuela's Motion to Set Aside Default (#19)  
14 is GRANTED.

15 IT IS FURTHER ORDERED that HIDE Venezuela's Motion to Dismiss Amended  
16 Complaint (#25) is DENIED.

17  
18 DATED: This 10<sup>TH</sup> day of February, 2009.

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21 UNITED STATES DISTRICT JUDGE

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<sup>5</sup>The Court also has jurisdiction over Plaintiffs' remaining state law claims under 28 U.S.C. §1367. See  
Cleary v. News Corp., 30 F.3d 1255, 1257 (9th Cir. 1994).