

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF NEVADA

3 RAMPARTS, INC.,) Case No.: 2:10-cv-01665-GMN-RJJ
4)
5 Plaintiff,) ORDER
6 vs.)
7 THOMAS D. WELDON,)
8 Defendant.)
9

10 **INTRODUCTION**

11 Before the Court is Defendant Thomas D. Weldon’s Motion to Dismiss for Lack of
12 Personal Jurisdiction or in the alternative to Transfer Venue (ECF No. 8). Plaintiff Ramparts,
13 Inc. filed a Response (ECF No. 14) and Defendant filed a Reply (ECF No. 19).

14 **FACTS**

15 This suit arises out of an allegedly fraudulent registration of a trademark and subsequent
16 negotiations of a concurrent use agreement. Plaintiff Thomas D. Weldon is an individual who
17 lived in Fernandina Beach, Florida.(First Amended Complaint ¶3, ECF No. 13.) Weldon filed
18 an intent-to-use U.S. trademark application of LIQUIDITY for use in connection with red wine
19 in International Class 33 on April 29, 2006. (Id. at ¶6.) Luxor is a resort hotel and casino located
20 in Las Vegas, Nevada which is owned by Defendant Ramparts. (Id. at ¶2.) On May 16, 2006,
21 Luxor filed an intent-to-use U.S. trademark application for LIQUIDITY for bar services in
22 International Class 41. (Id. at ¶7.) On December 5, 2006, Luxor filed a request for an extension
23 of time to oppose Weldon’s registration of the LIQUIDITY mark. (Id. at ¶8.)

24 Beginning in January 2007 and continuing until June 2007, Luxor and Weldon engaged
25 in negotiations of a concurrent use agreement of the LIQUIDITY mark for their respective

1 services. (Id. at ¶9.) Luxor decided not to file an opposition to Weldon’s application to register
2 the mark in reliance on the representations made by Weldon during the course of negotiations.
3 (Id.) Although Plaintiff alleges that an oral agreement in principal was obtained, the final
4 agreement was never reduced to writing and signed. (Id. at ¶12.) On June 18, 2007,
5 disappointed that the agreement would not be signed, Luxor informed Weldon that it had relied
6 on the agreement by continuing to expend money to use the mark and in foregoing its opposition
7 to Weldon’s registration of the mark. (Id. at ¶13.) On December 26, 2007, Luxor opened the
8 LIQUIDITY bar/lounge venue in the center of the casino floor at the Luxor. (Id. at ¶ 15.)

9 On April 29, 2008, the United States Patent and Trademark Office issued U.S.
10 registration number 3,420,502 for the LIQUIDITY mark for red wine to Weldon. (Id. at 16.) On
11 July 23, 2009, Luxor again filed federal trademark applications for the LIQUIDITY mark this
12 time in International Classes 41 and 43. (Id. at ¶18.) Luxor then filed a petition to cancel
13 Weldon’s registration for the LIQUIDITY mark on September 20, 2009. (Id. at ¶19.) Weldon
14 answered the petition to cancel on November 9, 2009 and subsequently sent a letter to Luxor to
15 “cease and desist from using” the mark on February 25, 2010. (Id. at ¶¶20–21.)

16 Plaintiff filed the instant suit on September 27, 2010 alleging two causes of action:
17 (1) false or fraudulent registration under 15 U.S.C. § 1120; and (2) promissory estoppel.
18 Plaintiff then filed an amended complaint (“FAC”) adding causes of action for fraud and breach
19 of contract.

20 **DISCUSSION**

21 **A. Personal Jurisdiction**

22 A defendant may move to dismiss for lack of personal jurisdiction. Fed. R. Civ. P.
23 12(b)(2). Personal jurisdiction over a nonresident defendant is established when a two-part test
24 is satisfied. First, there must be personal jurisdiction under the laws of the state where it is
25 asserted. *Chan v. Society Expeditions, Inc.*, 39 F.3d 1398, 1404 (9th Cir. 1994). Second, the

1 exercise of jurisdiction must satisfy due process. U.S. Const. amend XIV, 1; Chan, 39 F.3d at
2 1404–05.

3 For a non-resident defendant, the assertion of jurisdiction is constitutionally proper under
4 the Due Process Clause of the Fourteenth Amendment only where there are continuous and
5 systematic contacts with the forum state (general jurisdiction), *Bauman v. DaimlerChrysler*
6 *Corp.*, 579 F.3d 1088, 1094 (9th Cir. 2009), or when there are sufficient minimal contacts with
7 the forum state such that the assertion of personal jurisdiction does not offend traditional notions
8 of fair play and substantial justice (specific jurisdiction), *Int’l Shoe Co. v. State of Wash., Office*
9 *of Unemployment Compensation & Placement*, 326 U.S. 310, 316 (1945) (quoting *Milliken v.*
10 *Meyer*, 311 U.S. 457, 463 (1940)).

11 Plaintiff does not contend that Defendant’s contacts meet the requirements of general
12 personal jurisdiction. Therefore the Court will apply the test for specific jurisdiction and
13 determine whether Defendant had sufficient minimum contacts with the District of Nevada.

14 **1. Specific Jurisdiction**

15 The Ninth Circuit employ’s a three-part test to determine whether the exercise of specific
16 jurisdiction satisfies the requirements of due process: (1) the defendant must purposefully direct
17 his activities or consummate some transaction with the forum or resident thereof; or perform
18 some act by which he purposefully avails himself of the privileges of conducting activities in the
19 forum, thereby invoking the benefits and protections of its laws; (2) the plaintiff’s claim must
20 arise out of that activity; and (3) the exercise of jurisdiction must be reasonable. *Dole Food Co.,*
21 *Inc. v. Watts*, 303 F.3d 1104, 111 (9th Cir. 2002).

22 **a. Purposeful Availment or Direction**

23 Under the first prong of the Ninth Circuit test the defendant must have either
24 (1) “purposefully availed” himself of the privilege of conducting activities in the forum, or
25 (2) “purposefully directed” his activities toward the forum. *Schwarzenegger v. Fred Martin*

1 Motor Company, 374 F.3d 797, 802 (9th Cir. 2004). A purposeful availment analysis is most
2 often used in suits sounding in contract while a purposeful direction analysis is most often used
3 in suits sounding in tort. Id. The Plaintiff in this case alleges causes of action sounding in both
4 contract and tort.

5 i. Purposeful Availment

6 “To have purposefully availed itself of the privilege of doing business in the forum, a
7 defendant must have ‘performed some type of affirmative conduct which allows or promotes the
8 transaction of business within the forum state.’” *Boschetto v. Hansing*, 539 F.3d 1011, 1016 (9th
9 Cir. 2008) (quoting *Sher v. Johnson*, 911 F.2d 1357, 1362 (9th Cir. 1990)). Plaintiff argues that
10 Defendant purposefully availed himself of the privilege of doing business in Nevada because he
11 engaged in contract negotiations with Plaintiff from January 2007 until June 2007. Plaintiff
12 alleges that the Luxor and Weldon engaged in extensive negotiations of a concurrent use
13 agreement for the LIQUIDITY mark for their respective goods and services.” (FAC at ¶9.)
14 “[P]rior negotiations and contemplated future consequences, along with the terms of the contract
15 and the parties’ ‘additional course of dealing’ are factors that may establish purposeful
16 availment.” *Hoag v. Sweetwater Int’l*, 857 F. Supp. 1420, 1425–1426 (D.Nev. 1994) (quoting
17 *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 478, 105 S.Ct. 2174 (1985)). Plaintiff alleges
18 that as a result of the negotiations a concurrent use agreement was formed, whereby Luxor could
19 use the trademark in Nevada in connection with Luxor’s Liquidity Bar & Lounge at the Luxor
20 Hotel & Casino and Weldon would use the trademark for wine only. (FAC at ¶¶10, 15.)
21 Plaintiff argues that this relationship “envisioned continuing and wide-reaching contacts” with
22 Weldon in Nevada. See *Burger King*, 471 U.S. at 480 (A contract that envisioned continuing and
23 wide-reaching contacts with the forum established that out of state defendant purposefully
24 availed himself of the jurisdiction in the forum).

25 Defendant argues that he has not purposefully availed himself of the privilege of doing

1 business in Nevada. Defendant argues that the contact that forms the basis of personal
2 jurisdiction over him cannot be the alleged oral contract because this is no more than a legal
3 conclusion. Plaintiff alleges that “Luxor and Weldon reached an oral agreement in principle by
4 which Weldon would use the LIQUIDITY mark for red wine and Luxor would use the
5 LIQUIDITY mark for bar and lounge services.” (FAC at ¶10.) Defendant argues that even if an
6 oral agreement was in fact entered between the parties, which he denies, it would be barred as a
7 matter of law under the statute of frauds. The statute of frauds “precludes enforcement” of an
8 oral agreement that cannot be performed within one year. See *Edwards Industries, Inc.*
9 *v. DTE/BTE, Inc.*, 112 Nev. 1025, 1032, 923 P.2d 569,573 (1996). Plaintiff’s allegations that it
10 would use the trademark in connection with its bar and lounge leads to the inevitable conclusion
11 that the contract would be in effect for more than one year. Plaintiff’s description of the oral
12 agreement also leads to the conclusion that the agreement was to last for more than a year. (See
13 Response 9:5–8, ECF No. 14 “the concurrent use agreement envisioned Weldon having
14 continuing and extensive contacts with Nevada [because] [p]arties to a concurrent use agreement
15 should monitor compliance with the agreement on an ongoing basis.”.)

16 The Court agrees with Defendant that the alleged oral agreement/contract between the
17 two parties cannot establish the basis for personal jurisdiction because the allegation is no more
18 than a legal conclusion. “The tenet that a court must accept as true all allegations is inapplicable
19 to legal conclusions.” *Ashcroft v. Iqbal*, 129 S.Ct. 1937, (2009); see also *Bell Atl. Corp. v.*
20 *Twombly*, 550 U.S. 544, 555 (2006)(Although for purposes of a motion to dismiss we must take
21 all factual allegations in the complaint as true, we “are not bound to accept as true a legal
22 conclusion couched in a factual allegation”).

23 ii. Purposeful Direction

24 The Court will now consider whether the Defendant “purposefully directed” his activities
25 toward the forum. Purposeful direction is determined under the “effects” test of *Calder v. Jones*,

1 465 U.S. 783, 789–90 (1983). “Under Calder the ‘effects’ test requires that the defendant
2 allegedly have (1) committed an intentional act, (2) expressly aimed at the forum state,
3 (3) causing harm that the defendant knows is likely to be suffered in the forum state.”
4 *Schwarzenegger*, 374 F.3d at 803. Cases following Calder have explained that the “effects” test
5 is not satisfied merely by a foreign act with foreseeable effects in the forum; there must be
6 “something more”—namely, “express aiming” at the forum state. *Bancroft & Masters, Inc. v.*
7 *Augusta Nat’l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000) (citing Calder, 465 U.S. at 789).

8 Plaintiff argues that Defendant’s false statements to Luxor, that he was in agreement with
9 Luxor’s use of the LIQUIDITY mark in Nevada, was an intentional act expressly aimed at the
10 forum that harmed Plaintiff in the forum. Plaintiff alleges that if not for Defendant’s alleged
11 consent, Luxor would not have continued to expend money and proceed to develop the use of
12 the LIQUIDITY mark and would not have withdrawn its opposition to Weldon’s registration of
13 the mark.

14 Defendant argues however, that his conduct was not expressly aimed at the forum.
15 Defendant claims that his counsel, John C. Gaydos, was contacted by Plaintiff’s attorney
16 sometime in January 2007 to discuss Luxor’s opposition to Weldon’s trademark application.
17 (Gaydos Decl. Ex. C ¶8, ECF No. 19.) Plaintiff’s counsel then e-mailed an agreement to
18 Defendant for him to sign granting Plaintiff certain rights to the mark to avoid future litigation.
19 (Id. at ¶11.) Following this e-mail the parties entered in to settlement discussions that lasted
20 until June 2007. (Id. at ¶¶ 13–17.) Defendant argues that the contract negotiations that took
21 place were actually nothing more than settlement negotiations to avoid litigation.

22 Although it is an issue of first impression in Nevada, other jurisdictions have held that
23 settlement negotiations and accompanying correspondence do not suffice to create sufficient
24 contact for the exercise of personal jurisdiction. In *re Shipowners Litigation*, 361 N.W.2d 112
25 (Minn.App. 1985) (citing *Washington Sci. Indus., Inc. v. Polan Indus., Inc.*, 302 F.Supp. 1354,

1 1358 (D.Minn. 1969). The court in *In re Shipowners* found that to allow personal jurisdiction to
2 attach when the defendants came to the forum state at the request of the plaintiff to discuss a
3 possible settlement of their contract difference would amount to a form of civil entrapment. *Id.*
4 at 115. Other jurisdictions have also held that an out of state defendant's contacts with the
5 forum state for purposes of settlement negotiations does not amount to "purposeful availment"
6 for purposes of finding personal jurisdiction over the defendant. See *Red Wing Shoe Co. v.*
7 *Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360–1361 (Fed.Cir.1998) (Offer for a license
8 within a cease and desist letter likened to offer of settlement, and alone, does not confer personal
9 jurisdiction); *Digi-Tel Holdings, Inc. v. Proteq Telecommunications, Ltd.*, 89 F.3d 519, 524–525
10 (8th Cir.1996) ("courts have hesitated to use unsuccessful settlement discussions as 'contacts'
11 for jurisdictional purposes"); *Smith Architectural Metals, LLC v. Am. Railing Sys., Inc.*, 698
12 S.E.2d 752, 756 (Ct.App. N.C. 2010)("[I]f every offer to compromise and promote peace is used
13 as a contact to establish personal jurisdiction in this State over the party who presents it, 'many
14 settlements would be prevented, and unnecessary litigation would be produced and prolonged.'"
15 (citing *Hammond Packing Co. v. Dickey*, 183 F.977, 978 (8th Cir. 1911)).


16 Likewise, this Court is hesitant to confer jurisdiction based on conduct which Defendant
17 characterizes as a settlement negotiation not a business negotiation. Plaintiff claims that it was
18 during the course of this negotiation that Defendant made false statements that induced Plaintiff
19 to continue to spend money to promote a mark that it did not yet have rights to use. Defendant
20 establishes, and Plaintiff does not deny, that it was Plaintiff who first contacted Defendant to
21 discuss the concurrent use agreement. While an on-going business relationship was discussed
22 and probably contemplated, it is apparent that at some point these negotiations broke down. (See
23 e-mail, Ex. G, ECF No. 19.) The court finds that the negotiation itself, including any
24 communications and false statements that may have or may not have occurred, is not enough to
25 satisfy the expressly aimed prong of specific personal jurisdiction.

1 Courts have long recognized, public policy strongly encourages settlement outside of
2 litigation. See *Ahern v. Cent. Pac. Freight Lines*, 846 F.2d 47, 48 (9th Cir. 1988). A person
3 who takes the proper steps to register a trademark should not fear being hauled into a foreign
4 court merely because he entertains an offer to enter into a concurrent use agreement. Moreover,
5 the trademark owner should not be threatened with some adverse action if he refuses to accept
6 the business offer; he should not be punished for attempting to prevent future infringement
7 litigation. Allowing such contact to qualify as "purposeful direction" would motivate a potential
8 infringer to feign interest in an agreement merely to establish the minimum contacts necessary to
9 bring the suit in their own forum or to threaten litigation in a foreign court if a bonafide offer is
10 rejected by the trademark owner. These risks would clearly discourage pre-trial negotiations
11 since the trademark owner would be best served by waiting until after the suit is filed and the
12 jurisdiction is established prior to contemplating any coexistence agreements. Accordingly, the
13 Court finds that Defendant's contacts with the forum were not "expressly aimed" at the forum.
14 Therefore, this Court does not have personal jurisdiction over Defendant and this case should be
15 dismissed.¹

16 **CONCLUSION**

17 **IT IS HEREBY ORDERED** that Defendant Thomas D. Weldon's Motion to Dismiss
18 for Lack of Personal Jurisdiction (ECF No. 8) is **GRANTED**.

19 DATED this 28th day of September, 2011.

20 
21 _____
22 Gloria M. Navarro
23 United States District Judge
24
25

¹ The Court denies Plaintiff's request for jurisdictional discovery.