UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NEW YORK
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RELIANCE FIRST CAPITAL, LLC,

Plaintiff,

v.

MID AMERICA MORTGAGE, INC.,

Defendant.
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Civil Action No.
18-cv-3528 SJF-ARL

REPLY MEMORANDUM OF LAW IN FURTHER SUPPORT OF DEFENDANT'S MOTION TO DISMISS PLAINTIFF'S FIRST AMENDED COMPLAINT

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Plaintiff is trying to use the claim of a non-existent trademark to draft off of the national goodwill created by Mid America's substantial investment in its Click n' Close Mark, slingshot around Mid America, and take the checkered flag. As shown in Mid America's Motion to Dismiss (the "Motion"), and this Reply, Plaintiff's attempt breaks down for several reasons:

- Plaintiff has failed to present facts supporting even a *prima facie* case for personal jurisdiction. Even after getting a free look at Mid America's Motion to Dismiss the Original Complaint, Plaintiff's First Amended Complaint ("FAC") remains devoid of jurisdictional allegations, and the Affirmation of Plaintiff's counsel—it's only witness—fails to shore up that fatal deficiency. As such, exercise of personal jurisdiction would be contrary to the provisions of the New York Long Arm Statute and the U.S. Constitution.
- Plaintiff has not—because it cannot—distinguished *Lens.com*, *NetJets*, or the previous holding of this Court in *Cognotec*, all of which hold that proprietary software is not entitled to trademark protection, and is not a service when it is ancillary to a plaintiff's business—in this case the provision of mortgage services.
- Despite claiming that the Previously Registered Designations[1] touch virtually every aspect of its mortgage services, Plaintiff has not alleged *facts* to show use of the Registered Designations in commerce. If anyone has these facts, it would be Plaintiff. Thus its failure to make such allegations is telling. Indeed, even in response to Mid America's jurisdictional challenge, Plaintiff only submits the

[1] The Previously Registered Designations are how Plaintiff's alleged mark has been referred to in Mid America's briefing. The Previously Registered Designations are derived from Delta Funding Corporation's lapsed federal registrations of Plaintiff's alleged mark. *See* Motion at 9-10.

Affirmation of its counsel, rather than witnesses with firsthand knowledge of facts.

ARGUMENT

I. PLAINTIFF'S COMPLAINT SHOULD BE DISMISSED FOR LACK OF PERSONAL JURISDICTION

A. Plaintiff's Argument Under Section 301 Fails to Get Out of the Garage

Faced with irrefutable evidence that Mid America has originated no mortgage loans in New York (through Mid America's Click n' Close process or otherwise),[2] Plaintiff resorts to the scurrilous and unsupported assertion that Mid America is illegally "servicing" New York mortgage loans. Based on Plaintiff's conclusion that Mid America "should" be licensed as a mortgage servicer in New York, Plaintiff asserts Mid America is subject to both general and specific jurisdiction in this state. Not only is this allegation wholly absent from the FAC, it is also contrary to New York law and the undisputed factual record in this case.

New York Banking Law § 590 defines "[s]ervicing mortgage loans" as:

> [R]eceiving any scheduled periodic payments from a borrower pursuant to the terms of any mortgage loan, including amounts for escrow accounts under section six-k of this chapter, title three-A of article nine of the real property tax law or section ten of 12 U.S.C. 2609, and making the payments to the owner of the loan or other third parties of principal and interest and such other payments with respect to the amounts received from the borrower as may be required pursuant to the terms of the mortgage service loan documents or servicing contract. In the case of a home equity conversion mortgage or reverse mortgage as referenced in section six-h of this chapter, sections two hundred eighty and two hundred eighty-a of the real property law or 24 CFR 3500.2, servicing includes making payments to the borrower.

N.Y. Banking Law § 590(1)(i). Mid America does not perform these functions with respect to its New York loans.

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[2] *See MedPay Sys. v. MedPay USA, LLC*, No. 06-CV-1054 (SJF) (ETB), 2007 U.S. Dist. LEXIS 30201, at *12 (E.D.N.Y. Mar. 29, 2007)(citations omitted)("[W]here a defendant has contested a plaintiff's allegations with 'highly specific, testimonial evidence regarding a fact essential to jurisdiction and plaintiffs do not counter that evidence, the allegation may be deemed refuted.'").

With respect to the handful of New York loans Mid America owns, it acts only as the owner. Indeed, Jeff Bode, President of Mid America, expressly testified:

> ***Mid America does not service the loans it owns in New York***. Rather, we have contracted with LoanCare, LLC—a Virginia company headquartered in Virginia Beach—to service the loans. Mid America is not licensed to service residential mortgage loans in New York. LoanCare performs servicing for numerous other owners of real estate mortgages. LoanCare does not use Mid America's "Click n' Close" marks when servicing the New York loans owned by Mid America.

Bode Dec., ¶ 5(c) (emphasis added).[3] *See also* Licker Aff., Ex B (*Swift* case foreclosure Complaint: "LoanCare intends to cause a foreclosure action to be commenced on the mortgaged property. The foreclosure will be conducted in the name of Mid America Mortgage, Inc. ('Note Holder').").

Mid America's ownership of these New York loans is insufficient to support personal jurisdiction in this state. Even where mortgage holders own mortgages secured by real property in New York, and own actual parcels of real property as a result of foreclosures on such mortgages, that has been found insufficient to establish jurisdiction under Section 301(a)(1). *See Insight Data Corp. v. First Bank Sys*., 97 Civ. 4896 (MBM), 1998 U.S. Dist. LEXIS 3604, at *13 (S.D.N.Y. 1998) (ownership of 43 New York mortgages and 3 foreclosed upon pieces of property insufficient to satisfy 301(a)(1)). *Cf. Barry v. Mortgage Servicing Acquisition Corp*., 909 F. Supp. 65, 75 (D.R.I. 1995) (no jurisdiction where defendant held mortgages in Rhode Island totaling less than .33% of overall mortgage and securities business).[4] These cases—which

[3] Significantly, because all of Mid America's New York loans were originated by third parties and purchased as part of multi-state bundles of loans in the secondary market, nothing related to these loans could possibly be claim-related, as Mid America's Click n' Close process is only used in connection with loans it originates, none of which come from New York. *See* Bode Dec., ¶¶ 4, 11-12.

[4] Plaintiff's citation to the New York state trial court opinion in *RMS Residential Properties v. Naaze*, (Resp. at 10) is unpersuasive. *Naaze* is a "closed door statute" case that does not address personal jurisdiction issues. It also predates the U.S. Supreme Court decision in *Daimler AG v. Bauman*, 571 U.S. 117, 138, 134 S. Ct. 746, 761 (2014) (finding the argument that the exercise of general jurisdiction even

Plaintiff does not address in its Response—are consistent with the U.S. Supreme Court's decision in *Daimler*. Plaintiff's arguments are not.

In any event, Plaintiff cites no authority for the proposition that simply applying for a New York regulatory license (as opposed to actually doing business under one which has been granted) is sufficient to establish either general *or* specific jurisdiction in New York. The Second Circuit has rejected such a "licensed entities" argument under *Daimler* with respect to general jurisdiction. *See Gucci America, Inc. v Weixing Li*, 768 F.3d 122, 135 (2d Cir. 2014) (concluding the District Court did not have general jurisdiction over the Bank of China, even though the bank had branch offices in New York). And with respect to specific jurisdiction based on licensure, none of the cases cited by Plaintiff deal with license applications (as opposed to banks actually doing business under licenses that have been granted). *See* Resp. at 13. To the extent Plaintiff's cases discuss licensure at all, they cite the requirement in N.Y. Banking Law § 200(3), that foreign banking corporations appoint the Superintendent of the Department of Financial Services as their registered agent. *See, e.g., Vera v. Republic of Cuba*, 91 F. Supp. 3d 561, 570 (S.D.N.Y. 2015). Plaintiff has pointed to no such requirement with respect to licensure in New York as a Mortgage Servicer or Mortgage Banker, and in fact, regulatory forms referenced in Exhibit J to Mr. Licker's Declaration suggest such an appointment is not required. *See* Ex. A at 3 ("**Resident/Registered Agent**: The Department does not require you to have a Registered Agent physically located in the State of New York . . . ." (emphasis in original)).[5]

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in every State in which a corporation "engages in a substantial, continuous, and systematic course of business," "unacceptably grasping.").

[5] *See* https://mortgage.nationwidelicensingsystem.org/slr/PublishedStateDocuments/NY-Mortgage-Loan-Servicer-New-Application.pdf (New York Mortgage Loan Servicer Registration, New Company Application Checklist, last visited 12/7/2018).

The whole point of Mid America seeking the Passive Mortgage Loan Servicer Exemption, and then when that was phased out, it's Mortgage Banking License in New York, was so that it could replace LoanCare and service its New York loans itself—something it does not currently do. *See* Bode Dec., ¶¶ 6-8. However, no such license has yet been granted, and Mid America has undertaken no loan servicing in New York. "Under CPLR 301, whether a corporation is present in New York is determined based on the time the lawsuit was filed, not when the claim arose." *Japan Press Serv. v. Japan Press Serv.*, No. 11 CV 5875 (SJF)(ETB), 2013 U.S. Dist. LEXIS 2163, at *15-16 (E.D.N.Y. Jan. 2, 2013) (citations omitted)). As such, Mid America's license applications and contract with LoanCare to service the New York loans it has acquired in the secondary market do not support either general or specific jurisdiction in this case.

B. Plaintiff has Also Failed to Establish Specific Jurisdiction Under Section 302(a).

In a hollow attempt to gin up specific jurisdiction, Plaintiff asserts a trunk load of alleged claim-related contacts with New York. Contrary to Plaintiff's conclusory assertion that "[t]hese activities clearly 'relate to' Defendant's [alleged] trademark infringement," the undisputed jurisdictional evidence shows most claimed contacts have *no connection* to Mid America's Click n' Close Mark and process whatsoever. The balance of these alleged contacts amount to little more than rank speculation[6] or blatant misrepresentations of the facts. Resp. at 12.

1. Plaintiff's Arguments under Section 302(a)(1) Can't Cross the Finish Line:

[6] For example, the Court need not accept Plaintiff's speculative statement that "it is virtually inconceivable that Defendant's loan servicing processes are divorced from its Click n' Close process." Resp. at 13. This is particularly true in the face of detailed evidence related to the functionality of Mid America's Click n' Close process. *See* Bode Dec., ¶¶ 9-11.

Plaintiff concedes, for an alleged contact with New York to count in the Section 302(a) jurisdictional calculus, there must be a "substantial relationship" between the alleged contact and Plaintiff's claim. Resp. at 11. In order to have any relationship at all to Plaintiff's claims, the forum contact must involve use of Mid America's Click n' Close process. As explained above, because none of Mid America's New York loans are originated through the Click n' Close process, neither Mid America's ownership, nor its alleged "servicing" (including New York foreclosure suits), of those loans have any relationship to Plaintiff's claims. Bode Dec., ¶¶ 4, 6-8.[7]

Similarly, even if obtaining licensure in New York did subject Mid America to jurisdiction in this state absent Mid America doing business here (a proposition for which Plaintiff cites no authority), licensure has not yet occurred. *See* Section I(A), *supra*. Moreover, the evidence shows Mid America is only obtaining that license in order to perform servicing functions on its New York loans obtained in the secondary market, not to originate New York loans through Click n' Close, showing there is no relationship, much less a "substantial relationship," between Mid America's license application and Plaintiff's claims. Bode Dec., ¶¶ 4-6; *MedPay Sys.*, 2007 U.S. Dist. LEXIS 30201, at *12 (specific evidence will overcome unsupported jurisdictional allegations). Finally, simply maintaining a generic right to conduct business in the state—particularly when none of that "business" involves the Mid America's Click n' Close Mark or process—is not even tangentially related to Plaintiffs infringement allegations.

[7] Plaintiff feebly seeks to link Mid America's Click n' Close process to its wholesale purchase of mortgage loans in the secondary market. Resp. at 13 (citing Licker Aff. Ex K). The quoted passage does not appear in Exhibit K to Mr. Licker's Declaration, and even if it did, it does not reference Click n' Close, a process that is indisputably used only in connection with the origination of new mortgage loans outside of New York.

Nor, as addressed more thoroughly below, does Plaintiff's sponsorship of the No. 43 Bubba Wallace car in nationally-televised NASCAR races give rise to specific jurisdiction in this case. The NASCAR sponsorship, like national print or electronic advertising, does not target New York consumers and will not support personal jurisdiction under Section 302(a)(1). *See, e.g., Davidson Extrusions, Inc. v. Touche Ross & Co.*, 131 A.D.2d 421, 424, 516 N.Y.S.2d 230, 232 (App. Div. 1987) (defendant did not transact business in New York by virtue of its placing an advertisement in trade journal with national circulation).[8] That is particularly true here where it is undisputed Mid America does not use its Click n' Close process to originate New York mortgage loans, and the jurisdictional evidence shows—contrary to Plaintiff's unsupported conclusions—that Mid America services no mortgage loans in this state. That NASCAR may perform a portion of that sponsorship agreement in New York does not change the result. *See Japan Press Serv.*, 2013 U.S. Dist. LEXIS 2163, at *23 ("'The mere receipt by a nonresident of benefit or profit from a contract performed by others in New York' is insufficient to confer personal jurisdiction under Section 302(a)(1)." (internal citations omitted)).[9] Simply put, Mid America's NASCAR sponsorship does not give rise to personal jurisdiction over it in New York.

[8] Likewise, Twitter (a world-wide, on-line news and social networking site) posts are akin to advertising on-line or in national publications, and do not create claim-related contacts with the forum, even if people within the forum state can see them. *See Planet Aid, Inc. v. Reveal, Ctr. for Investigative Reporting*, No. GLR-16-2974, 2017 U.S. Dist. LEXIS 99779, at *22 (D. Md. June 26, 2017) ("The Court still concludes, however, that Smith and Walters's virtual contact [over Twitter] with Maryland residents is insufficient for the Court to exercise specific jurisdiction.").

[9] That NASCAR may maintain an office in New York is also of no moment. *See* Licker Aff., ¶11. "Where the basis for personal jurisdiction over a foreign defendant is its supply of 'services in the state,' the defendant must 'project itself into New York' to perform those services, rather than simply contract with a New York resident to supply services from afar." *Joint Stock Co. Channel One Russ. Worldwide v. Infomir LLC*, No. 16-CV-1318 (GBD) (BCM), 2018 U.S. Dist. LEXIS 152237, at *33 (S.D.N.Y. Sept. 4, 2018).

2. Plaintiff Gets no Traction under Section 302(a)(2):

Plaintiff pays lip service to its claim jurisdiction can attach under Section 302(a)(2), but still pleads no facts from which the Court could conclude Mid America was "physically present in New York when [it allegedly] performed the wrongful act." *See Bensusan Restaurant Corp. v. King*, 126 F.3d 25, 28 (2d Cir. 1997) (quoted in *Japan Press Serv.*, 2013 U.S. Dist. LEXIS 2163, at *27-28). Plaintiff weakly references the "display of the offending marks at the race in Watkins Glen, NY and on merchandise offered for sale in New York,"[10] (Resp. at 14), but there is still no allegation that NASCAR, Bubba Wallace or Richard Petty Racing are agents of Mid America. *See* Motion at 8 (citing *Japan Press Serv.*, 2013 U.S. Dist. LEXIS 2163, at *18); Reply Ex. "B" (Bode Supp. Dec., ¶ 3). Plaintiff's Section 302(a)(2) arguments likewise fail.

3. Plaintiff's Argument Under Section 302(a)(3)(ii) Crashes and Burns:

Nothing in the FAC (which is devoid of jurisdictional facts), or the Response, supports the conclusion that there was an "effort by the defendant to serve the New York market." *Buccellati Holding Italia SPA v. Laura Buccellati, LLC*, 935 F. Supp. 2d 615, 626 (S.D.N.Y. 2013) (citations omitted). As shown above, Mid America does not target New York through its sponsorship of NASCAR, its websites, or via any other means. On the contrary, Mid America has made extensive efforts to *not* serve the New York market. *See, e.g.*, Bode Dec., ¶¶ 5(c), 6-9.

[10] Additionally, the Watkins Glen race occurred on the weekend of August 5, 2018, well after this lawsuit was filed. Therefore, that alleged contact cannot form the basis of personal jurisdiction over Mid America in this action. *See DH Servs., LLC v. Positive Impact, Inc.*, No. 12 Civ. 6153 (RA), 2014 U.S. Dist. LEXIS 14753, at *39-40 (S.D.N.Y. Feb. 5, 2014) (declining to exercise personal jurisdiction under Section 302 in Lanham Act case based on events that occurred between filing of original and amended complaints).

Plaintiff's claim that the ability of New York citizens to "Request a Rate Quote" by filling out a form on Mid America's corporate website (www.MidAmericaMortgage.com)[11] shows Mid America "knew that its actions would have an impact within this state" is patently false, and Plaintiff knows it. *See* Resp. at 15 (citing Licker Aff., ¶ 9 & Ex. K). Indeed, when Plaintiff's counsel submitted a rate request via that website, he received the same email response every other person requesting a mortgage rate quote on New York property has received for approximately the last 5 years, when Mid America began using "Request a Rate Quote" on its corporate website:

From: Jemma Pachiano <jemma.pachiano@midamericamortgage.com>
Sent: Thursday, November 15, 2018 11:28 AM
To: eugene.licker@gmail.com
Subject: FW: New Request for a Quote

Eugene
Thank you for your interest in a home loan with Mid America Mortgage, Inc. Currently we are not offering home loans in New York.
Thanks

Jemma Pachiano
Mid America Mortgage, Inc. NMLS #150009
15301 Spectrum Dr. #405
Addison, TX 75001
National Support and Training Director

See Reply Ex. C (Pachiano Dec. & Exs.). Although Plaintiff's counsel received this response under an hour after his rate request was submitted, and well before Plaintiff's Response was served, Plaintiff went out of its way to annotate Exhibit K to Mr. Licker's Affidavit in support of the inaccurate argument that the "Request a Rate Quote" form is an attempt by Mid America to serve the New York market. Reliance knows better, and now this Court does too.

[11] This is not even the same website that houses Mid America's Click n' Close process. Reply Ex. C (Pachiano Dec., ¶ 2).

Plaintiff's other "evidence" that Mid America's corporate website "interacts" with New York residents is similarly specious. *See* Licker Aff., ¶ 9. For example, a website that provides "forms and flyers" is not "interactive" at all. *See Citigroup Inc. v. City Holding Co*., 97 F. Supp. 2d 549, 565 (S.D.N.Y. 2000) (defining "passive website" as one that simply "makes information available"). Similarly, the "direction" to "New York residents" regarding "how to make their payments," is passive text that directs such residents to contact LoanCare—the entity that services the handful of New York mortgage loans owned by Mid America. *See* Licker Aff., Ex. K.

Similarly unavailing are Plaintiff's arguments based on NASCAR's sale of Number 43 / Bubba Wallace merchandise on shop.NASCAR.com. Resp. at 12 & 15 (citing Licker Aff., ¶10 & Ex. L). Plaintiff does not assert that NASCAR or Wallace are somehow Plaintiff's agents (they are not), or that Mid America has any level of control over shop.NASCAR.com (it does not). Nor does Plaintiff allege Mid America has any merchandising rights to the Number 43 / Bubba Wallace merchandise, or that Mid America profits from its sale (Mid America has neither set of rights). Similarly, Plaintiff makes no claim shop.NASCAR.com is used to sell goods or services that compete with Plaintiff's (it isn't).[12] *See* Reply Ex. B (Bode Supp. Dec., ¶¶ 3-7). And perhaps, most importantly to the Section 302(a)(3)(ii) analysis, Plaintiff presents no facts whatsoever that would support the conclusion that NASCAR (much less Mid America) is targeting New York residents, or even where the shop.NASCAR.com servers are located. *See* Motion at 12 (citing authorities).

Finally, Plaintiff asks this Court to strike the jurisdictional evidence that, before registering its Click n' Close Mark, Mid America made an extensive search for the use of any in

[12] Consumers do not go to shop.NASCAR.com in search of a home mortgage loan. Notwithstanding the Response's suggestion to the contrary, none of the photos behind Exhibit L to Mr. Licker's Affirmation are from any website controlled by Mid America. *See* Reply Ex. B (Bode Supp. Dec.).

use, and confusingly similar, marks. *See* Resp. at 2, n.1. Mid America understands why Plaintiff wants to hide this evidence: It shows Plaintiff never actually used the Previously Registered Designations in commerce—a key requirement of Plaintiff's claim to a viable mark. *See generally, e.g.*, Thomas Dec., Arnold Dec. These Declarations are patently relevant to personal jurisdiction because Mid America could not have possibly had a "reasonable expectation of consequences in New York," from its alleged infringement, if no one could find—even in the exercise of significant diligence—use in commerce of the alleged mark on which Plaintiff's claims are based.

C. The Exercise of Personal Jurisdiction in this Case would be Unconstitutional.

Because the New York Long Arm Statute is a narrower basis of personal jurisdiction that allowed by the U.S. Constitution, if jurisdiction cannot be found under the Statute (and it cannot), Mid America cannot constitutionally be haled into court in New York. Plaintiff's arguments to the contrary fail. As made clear in *Daimler*, general jurisdiction does not exist even where a defendant "engages in a substantial, continuous, and systematic course of business," if the corporate defendant is not "virtually at home" in that state. *Daimler*, 571 U.S. at 138. Mid America has structured its affairs to avoid doing business in New York, and can hardly be said to be "at home" here.[13] As to Plaintiff's other arguments, Mid America has shown above that it does not "service" New York mortgage loans; those activities (including the foreclosure actions) are undertaken by an independent contractor from Virginia, LoanCare, and that it has done no business under any license from the State of New York, because it does not have such a

[13] For this same reason, Mid America respectfully submits that those New York trial court cases that continue to follow a *per se* rule that filing a generic registration to do business in New York—which requires appointment of a New York agent for service of process—would not withstand constitutional scrutiny. *See* Resp. at 8 & n.3. Under *Daimler*, there is a distinction between doing business in a state, and being "at home" there.

license. Exercise of personal jurisdiction over Mid America in this case would not comport with traditional notions of fair play and substantial justice. The FAC should be dismissed.

II. PLAINTIFF STILL FAILS TO STATE A CLAIM

A. The Lanham Act Claim hits the tire wall because none of the shifting facts pleaded by Plaintiff support the finding of either a valid trademark, or a service mark.

Unable to furnish this Court with a single authority for the proposition that it is entitled to trademark protection for its proprietary software, and unable to distinguish any of Mid America's authorities which confirm that Plaintiff not entitled to such protection, Plaintiff now tosses up a Hail Mary by claiming that it is entitled to trademark protection for its entire business model. Resp. at 18. Indeed, after dispensing with the attorneys it hired to draft the original Complaint, Plaintiff's case underwent a fundamental recasting as it feverishly attempted to stretch the term 'Click and Close' to cover all the services it provides to a closed, professional audience of industry insiders. Plaintiff now says that 'CLICK AND CLOSE' applies to both the Software (which if they were selling or transporting would be goods), *and* in a broad sense to all its mortgage services writ large. Neither of these contentions are supported by any well pleaded facts in the FAC.

1. For its argument to succeed, Plaintiff must soup up its claim by impermissibly stretching the term "consumers" beyond the limits of reasonable interpretation.

As a threshold matter, it is critical that the Court identify the relevant consumer for the respective mortgage services. *Fibermark, Inc. v. Brownville Specialty Paper Prods.*, 419 F. Supp. 2d 225 (N.D.N.Y. 2005); *Judith Ripka Designs v. Preville*, 935 F. Supp. 237 (S.D.N.Y. 1996). In the FAC, Plaintiff draws a clear bright line distinction between consumers (i.e. mortgage borrowers) on the one side, and mortgage professionals on the other. *See, e.g.*, FAC ¶

51. Now, in its Response, Plaintiff collapses that distinction and attempts to stretch the term "consumers" to breaking point by including "third party loan purchasers," and "third party loan securitizers". Resp. at 17. *See also* FAC ¶¶ 9, 15, 24. It is therefore necessary to go back to first principles. Black's Law Dictionary, 10th Ed., defines a "consumer" as:

> **consumer.** (15c) **1.** Someone who buys goods or services or personal, or household use, with no intention of resale; a natural person who uses products for personal rather than business purposes. **2.** Under some consumer protection statutes, any individual. 15 USCA §§ 1679a(1), 1679a(c).

In this case, the relevant "consumers" of Mid America's service are only mortgage borrowers. Banks and other partners do not use Mid America's Click n' Close process. Despite pleading lengthy and unnecessary explanations of how it interacts with banks, financial institutions, and mortgage professionals, Plaintiff has been unable to explain to the Court precisely where an ordinary consumer can view Mid America's Click n' Close Mark side by side with the Previously Registered Designations. All it needed to do in order to plead a credible claim is to say "Plaintiff's CNC mark is displayed at www…..; Defendant's service Click n' Close can be viewed at …" Plaintiff has not done so, because such a statement would be false. Their mark is not visible to the consuming public, hence the tire fire smokescreen of ¶¶ 12-24 of the FAC.

Plaintiff's purported "consumers," as pleaded in the FAC, are therefore banks, financial institutions, mortgage professionals and other industry insiders. Plaintiff's argument that all these entities are relevant consumers does not make it around the track for at least three reasons:

(1) Mid America's Click n' Close process is for residential borrowers only. The loan purchasers and banks are not consumers, but are sophisticated entities that would never use Mid America's service to apply for or close on a residential mortgage loan.

(2) Mortgage brokers cannot be consumers either, because they do not purchase or acquire the Plaintiff's products; rather, they are agents or partners of Plaintiff who receive commission for bringing borrowers to Plaintiff.

(3) The manner in which the Plaintiff and Mid America utilize their marks in connection with their services would not confuse a consumer, i.e., an individual or a member of the public, because the consumer never even views, let alone uses or interacts with, Plaintiff's Software.

As to the "commercial transactions" (Resp. at 17) Plaintiff also throws into the mix, this phrase does not appear anywhere in the FAC. But the consumers they refer to are not consumers in the trademark sense at all. So not only has Plaintiff failed to plead these facts, even if it had, they would not assist it in any way.

2. Plaintiff blows a gasket by failing to plead any facts that show valid use of the Previously Registered Designations in commerce.

Thus, thanks to Plaintiff's relentlessly shifting position as to what the Previously Registered Designations really are ("It's software (that we don't sell or transport)…It's a service (that we don't offer to the consuming public)…It's Supermark!"), it is necessary to carefully analyze precisely where an ordinary consumer would encounter Plaintiff's Click and Close service in commerce. Plaintiff fails to plead any such facts in the FAC.

Purported recognition of the Previously Registered Designations by "third parties" (FAC, ¶ 13) does not equate to recognition by the consuming public, much less consumer confusion, and that is all that matters so far as trademark protection is concerned. *O'Keefe v. Ogilvy & Mather Worldwide, Inc.*, 590 F. Supp. 2d 500 (S.D.N.Y. 2008). Plaintiff claims that it has adequately pleaded that members of the public are "exposed to" the Previously Registered Designations. Resp. at 19 (citing FAC, ¶¶ 12-24). Yet, there is no mention of the consuming

public in those paragraphs of the FAC. Plaintiff has therefore failed to plead how consumers are exposed to the internal, proprietary Software used to deliver its services. Indeed, there are only three references to the word "public"—or permutations thereof—in the FAC, and none of them refer to the consuming public, or "public facing aspects of the mortgage business". *Contra* Resp. at 17.

That the Previously Registered Designations may be recognized by Plaintiff's owner (*see* FAC, ¶ 18) does not mean that the consuming public is even remotely aware of the existence of the name Plaintiff has given the Software. Further, that mortgage brokers purportedly tout the Software, or that potential employees are made aware of it (FAC, ¶ 22) are also singularly irrelevant (even if true). What about the consumer's borrowers? Where will they encounter the Software? Under what arrangement are the consumer borrowers sold or permitted to use the Software? What added value does the Software offer beyond a means for Plaintiff to enter information into a database? From the bare facts and conclusory statements pleaded in the FAC, the Court does not have answers to these questions. The FAC simply fails to allege facts which would allow this Court to conclude the Previously Registered Designations were ever actually used in commerce, and as such, Plaintiff has no viable mark.

3. The fact that Mid America can show that Plaintiff has no cause of action to the summary judgment standard ought not to provide Plaintiff with an escape route for its failure to plead facts.

So far as *Lens.com* is concerned, Plaintiff's argument dances on the head of a semantic pin. Not able to properly distinguish the holdings in the case to the effect that: (i) the Software is not goods being sold or transported in commerce, or (ii) that ancillary use of software is not a service in its own right, Plaintiff resorts to trying to take cover in the standard of review. Specifically, Plaintiff argues that because Mid America has shown that there is no plausible

claim for a relief to the summary judgment standard, this Court should deny the motion and then wait for the summary judgment issue to ripen—presumably after Plaintiff has had a costly stab at attempting to discover facts that do not exist.

To permit this would be a futile waste of this Court's time and resources. Both the 12(b)(6) and Rule 56 standards give the non-movant's *factual* assertions the benefit of the doubt, and there are no factual allegations here (disputed or otherwise) that allow Plaintiff to escape the effect of *Lens.com*. That Mid America may have made a greater showing than is necessary to prevail on the Motion in no way lessens Plaintiff's burden to plead "enough facts to state a claim that is plausible on its face." *Tannerite Sports, LLC v. NBCUniversal New Grp.*, 864 F.3d 236, 247 (2d Cir. 2017) (citations omitted). This Plaintiff has failed to do. As such, the FAC should be dismissed without leave to replead yet again.

B. The fact that Delta filed the Previously Registered Designation is of no consequence because the USPTO does not scrutinize whether a mark is in use in commerce when considering an application for registration.

That Plaintiff's predecessor secured registration of the Previously Registered Designations does not assist Plaintiff in any way. The USPTO does not carry out any form of scrutiny over a registration. Indeed, the USPTO Trademark Manual of Examining Practice provides at § 901.04 ("Inquiry Regarding Use in Commerce") as follows:

> It is the responsibility of the applicant and the applicant's attorney to determine whether an assertion of use in commerce is supported by the relevant facts. The validity of an applicant's assertion of use in commerce generally does not arise in *ex parte* examination. The examining attorney will normally accept the applicant's verified claim of use in commerce without investigation into whether the use referred to constitutes "use in commerce."

See TRADEMARK MAN. OF EXAM'G PROC., § 901.4 (USPTO, October 2018), Reply Ex. D (from https://tmep.uspto.gov/RDMS/TMEP/current, last visited 12/7/2018).

The fact that Delta submitted a registration and that the USPTO accepted the registration

in the first instance does not mean that the USPTO made any factual determination that Plaintiff was using its purported mark in commerce.[14] Because there are no pleaded facts to support a finding that Delta had common law rights to assign, and the purported assignment was an assignment in gross. *Marshak v. Green*, 746 F.2d 927, 929 (2d Cir. 1984). Plaintiff must therefore establish its common law rights to the Previously Registered Designations from scratch, and may not piggyback off Delta's purported use. But as Plaintiff is still not offering the same service as Mid America, it simply cannot show any facts that would support a finding of common law rights in any event.

C. There is no likelihood of confusion because Plaintiff's purported mark is not visible to a public audience, and the industry insiders Plaintiff claims are aware of the alleged mark are not consumers.

The Second Circuit defines "likelihood of consumer confusion" to be a "likelihood that an appreciable number of ordinarily prudent purchasers [will] be misled, or indeed confused, as to the source of the goods in question." *Nat'l Lighting Co., Inc. v. Bridge Metal Indus.*, LLC, 601 F. Supp. 2d 556, 563 (S.D.N.Y. 2009). *See also Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978). Such confusion cannot plausibly occur unless the two marks are being used with the same group of "ordinarily prudent purchasers". There are *no facts* in the FAC that show this. In fact, what factual information there is in the FAC shows that Plaintiff's Software is used solely by industry insiders (i.e., "sophisticated bankers and lending professionals" Resp. at 21), and *not* purchasers of any kind—much less the residential mortgage loan borrowers that are the consumers of Mid America's Click n' Close process.

There is, therefore, no identical, or in essence identical, use of any mark by Mid America. *See* FAC, ¶ 41. Even if the services are similar, Plaintiff's sophisticated purchasers will not use

[14] Mid America does not allege that the assignments were a sham, merely that they were ineffective as a matter of law, because there was nothing to assign.

Mid America's Click n' Close process, so there is no likelihood of confusion. *See Continental Plastic Containers v. Owens Brockway Plastic Prods.*, 141 F.3d 1073 (Fed. Cir. 1998) (plaintiff failed to establish that there would be a likelihood of confusion where the products were similar, but where the consumers were sophisticated purchasers, not retail consumers); *Windsor, Inc. v. Intravco Travel Ctrs., Inc.*, 799 F. Supp. 1513 (S.D.N.Y. 1992) (a high level of consumer sophistication would militate against a finding that there was a risk of confusion; also, the higher the price of a product or service, the more cautious a consumer is likely to be). Consumer borrowers do not encounter CNC, and nothing in the FAC even suggests that they do. A bank, financial institutional investor, or a mortgage broker would never use Mid America's service to originate a loan because it is for individual mortgage loan borrowers, and Plaintiff's Software is not. This case is a nothing more than a Trojan Horse, through which Plaintiff attempts to pass Mid America on the inside, appropriate it's Mark, and stymie another mortgage lender's business.

D. Plaintiff also fails to state a claim under New York Law because there is no potential danger to the health or safety of the public, and Plaintiff has not alleged facts raising a plausible inference of bad faith.

1. Count II—Deceptive Acts and Practices under the New York statute is yet another exercise in Plaintiff spinning its wheels.

Once again, Plaintiff wholly fails to address, much less distinguish, *Lacura, Inc. v. Masas U.S.A., Inc.*, 2016 U.S. Dist. LEXIS 16550 (E.D.N.Y. Feb. 9, 2016). Nor has Plaintiff alleged any facts from which it can be inferred that any misleading acts or false advertising took place in New York. *See Goshen v. Mut. Life Ins. Co. of N.Y.*, 98 N.Y.2d 314, 324-25 (2002); Section I(B), *supra*. The necessary injury or harm to satisfy NY GBL § 349-350 includes "potential danger to the public health or safety." *Sports Traveler, Inc. v. Advance Magazine Publrs., Inc.*, 1997 U.S. Dist. LEXIS 3403 (S.D.N.Y. Mar. 24, 1997). Where, as here, the dispute is between

competing entities and competitors, and the main thrust of the claim is damage to another business as opposed to consumers. Courts in such cases have found that the purported harm to the public is too insubstantial. *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 277 F. Supp. 2d 269, 273 (S.D.N.Y. 2003). Thus, even assuming Plaintiff could make out the elements of a trademark infringement claim (and it cannot), the facts pleaded simply do not disclose a risk to the New York public sufficient to warrant the engagement of this state's consumer protection laws.

2. Count III—The Trademark Infringement and Unfair Competition under New York common law runs out of gas in the first lap.

Because Plaintiff has failed to demonstrate that it has a valid trademark to protect, it cannot prevail on its claim under state law. *Wolo Mfg. Corp.*, 2018 U.S. Dist. LEXIS 190790, at *58. Count III of the FAC also fails for another reason: There are still no *facts* in the FAC from which a plausible inference of bad faith can be drawn. Even though Plaintiff had the benefit of Mid America's Motion to Dismiss the Original Complaint (including the Thomas and Arnold Declarations attached to the Motion to Dismiss the FAC), Plaintiff again pled conclusory allegations of "knowledge" and "bad faith" on "information and belief". *See* FAC, ¶¶ 28 & 59. "While a plaintiff may plead facts alleged upon information and belief where the belief is based on factual information that makes the inference of culpability plausible, such allegations must be accompanied by a statement of the facts upon which the belief is founded. The pleadings must contain something more than a statement of facts that merely creates a suspicion of a legally cognizable right of action." *Wolo Mfg. Corp. v. ABC Corp*., No. 17-CV-5333(SJF)(SIL), 2018 U.S. Dist. LEXIS 190790, at *42-44 (E.D.N.Y. Nov. 7, 2018) (quotations, alterations and citations omitted). Even if Plaintiff might have gotten away with parroting the bad faith element of the statute in its original pleading on information and belief, that crutch does not bear the weight of the sworn evidence to the contrary Plaintiff was in possession of when it filed the

FAC. Plaintiff's continued failure to plead *any facts* that would support an inference bad faith is fatal to its New York Unfair Competition claim.

CONCLUSION

Like NASCAR, trademark law is a race to be the first to use in commerce—and, like NASCAR: "If you ain't first, you're last."[15] Mid America was the first to use its Click n' Close mark in commerce, and so it won the race to the marketplace. Were the Court to hold that Plaintiff has a valid mark, it would be endorsing the view that the Lanham Act permits a party to reserve a name, hide it under the table until someone else has invested time and money to generate goodwill in it, and then pop up and try to hijack the other party's efforts. That is not the law, and this case is unworthy of taking up any more of this Court's valuable time. It should be dismissed.

New York, New York
December 7, 2018

WADE CLARK MULCAHY, LLP

/s/ 12.7.2018

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[15] *Talladega Nights: The Ballad of Ricky Bobby* (2006) © Sony Pictures USA (and maybe, Ricky Bobby, Inc.).

Our File No. 500.11191

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ATTORNEYS FOR DEFENDANT

To: (See attached Affidavit)

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
RELIANCE FIRST CAPITAL, LLC,

Plaintiff,

-v-

MID AMERICAN MORTGAGE, INC.,

Defendant.
----------X

Case No. 18-cv-3528 (SFJ)(ARL)
Memorandum and Order

FEUERSTEIN, S., Senior District Judge:

I. Introduction

Pursuant to Rules 12(b)(2) and 12(b)(6) of the Federal Rules of Civil Procedure, Defendant Mid America Mortgage, Inc. ("Defendant" or "Mid America") moves to dismiss the First Amended Compliant ("FAC") of Plaintiff Reliance First Capital, LLC ("Plaintiff" or "Reliance"), which alleges, *inter alia*, trademark infringement by Defendant. (*See* ECF No. 35 (hereafter, the "Dismissal Motion" or "Motion"); *see also* ECF No. 23 (FAC).) Plaintiff opposes the Motion. (*See* ECF No. 36-13 (hereafter, "Opp'n"). For the following reasons, the Dismissal Motion is granted.

II. Background

A motion to dismiss pursuant to Rule 12(b)(2) of the Federal rules of Civil Procedure is "inherently a matter requiring the resolution of factual issues outside of the pleadings." *St. Paul Fire and Marine Ins. Co. v. Eliahu Inc. Co.*, No. 96-cv-7269, 1997 WL 357989, at *1 (S.D.N.Y. June 26, 1997), *aff'd*, 152 F.3d 920 (2d Cir. 1997) (citations omitted); *see also MedPay Systems, Inc. v. MedPay USA, LLP*, No. 06-cv-1054, 2007 WL 1100796, at *1 (E.D.N.Y. Mar. 29, 2007)(same). "[T]herefore 'all pertinent documentation submitted by the parties may be

considered in deciding the motion.'" *Redhawk Hldgs. Corp. v. Craig Invs., LLC*, No. 15-cv-9127, 2016 WL 6143355, *3 (S.D.N.Y. Oct. 19, 2016) (quoting *Eliahu Ins.*, 1997 WL 357989, at *1). Hence, the following facts are drawn from the FAC and the affidavits[1] and documentary exhibits submitted by Plaintiff and Defendant. *See MedPay*, 2007 WL 1100796, at *1.

A. By the Plaintiff

1. Factual Allegations in the FAC

"Plaintiff is a Delaware limited liability company with its principal place of business and headquarters located [in] Melville, New York." (FAC, ¶1.) For approximately ten years, and operating in thirty-five states, it has "provide[d] real estate home mortgage loans and related services ("Mortgage Services"). (*Id.*, ¶6.) In 2008, Plaintiff acquired all rights in and to the "CLICK AND CLOSE" mark (hereafter, the "CAC Mark" or "Mark") and its associated proprietary software tool (hereafter, "Software"), which had been coined and developed, respectively, years earlier. (*See id.*, ¶8.) Both Plaintiff and the entity from which it acquired the Mark, have used the CAC Mark "to identify and distinguish its [M]ortgage [S]ervices from those of competitors." (*Id.*)

"Plaintiff provides its services to residential borrowers, to third-party loan purchases, and to third-party loan securitizers." (*Id.*, ¶9.) It "originates loans and then sells them . . . to banks and other financial institutions or institutional investors, who buy the loans and service them."

[1] Plaintiff submitted the affirmation of its counsel, Eugene R. Licker, Esq., who stated that his affirmation was submitted on his "personal knowledge, except where noted otherwise." (ECF No. 36 (Licker Aff."), ¶1.) Defendant submitted the declarations of Jeffrey E. Bode, President of Defendant (*see* ECF No. 35-2 ("Bode Decl."); and ECF No. 37-3 ("Bode Supp. Decl.")), Jennifer Arnold, Manager of Business Systems for Defendant (*see* ECF No. 35-3 ("Arnold Decl.")); and John A. Thomas, an attorney for Defendant (*see* ECF No. 35-12 ("Thomas Decl.")), who all stated that their declarations were "based upon [their] own personal knowledge". (ECF Nos. 35-2, ¶1; 35-3, ¶1; 35-12, ¶1; and 37-3, ¶1.)

(*Id.*, ¶15.) While "Plaintiff sells all of the loans it originates, it retains servicing rights on a growing number of its loan originations." (*Id.*, ¶17.) In selling its loans, Plaintiff has relied upon its CAC Mark and its Software to entice purchasers to buy those loans and use Plaintiff's Mortgage Services. (*See id.*, ¶¶15-18, 21.) Plaintiff alleges that the CAC Mark "is recognized within the industry, and mortgage professionals publically [*sic*] refer to the CLICK AND CLOSE™ Mark in touting the high quality of Plaintiff's services." (*Id.*, ¶ 22; *see also id.*, ¶24 ("As a result of Plaintiff's longstanding use of the CLICK AND CLOSE™ Mark, such mark has come to be associated with Plaintiff as a designator of Plaintiff's high-quality [M]ortgage [S]ervices."). Plaintiff alleges the CAC Mark is strong. (*See id.*, ¶35.)

As to Defendant, Plaintiff alleges, *inter alia*, it is a direct competitor, using mortgage loan originators to conduct its competing mortgage services offerings, and providing mortgage services to consumers. (*See id.*, ¶¶25-27.) Plaintiff further alleges, upon information and belief, *inter alia,* that: "Defendant was aware of Plaintiff's CLICK AND CLOSE™ Mark," yet "began using the mark CLICK N' CLOSE in association with [its] mortgage services" (*id.*, ¶29), "sometime in November of 2017" (*id.*, ¶33), after having applied to register that mark with the U.S. Patent and Trademark Office on June 23, 2017 (*see id.*, 30); Defendant "licenses the mark CLICK N' CLOSE or co-brands the mark CLICK N' CLOSE with third parties (whether by sponsor agreements of otherwise);" and, "Defendant and/or third parties promote Defendant's mortgage services throughout the United States, including in the state of New York." (*Id.*, ¶ 34.) However, "Plaintiff's common law use rights create senior-in-time priority over the Defendant's earliest rights . . . ." (*Id.*, ¶40.) Yet, "Defendant is using and attempting to register an identical mark for identical services offered to the same class of customers," (*id.*, ¶ 35), which "will likely cause, or is causing, confusion, mistake, and deception to consumers as to the affiliation,

connection, or association of Defendant to Plaintiff or as to Plaintiff's approval of the services provided by Defendant." (*Id.*, ¶ 36.)

2. Affirmations by Attorney Licker

Searching the New York State Unified Court System's website, Plaintiff's counsel "found eight foreclosure actions commenced by Mid America in New York courts." (Licker Aff., ¶2.) In conjunction with those actions "are assignments of the mortgages, which Defendant recorded in New York." (*Id.*)

In a November 3, 2017 press release, official partnership agreements between "Click n' Close™, a division of Mid America Mortgage, Inc.," NASCAR,[2] and the Richard Petty Motorsports race team, were announced. (*See id.*, ¶3 and referenced Ex. C, *attached to* Licker Aff. (hereafter, the "Press Release").) The Press Release explained, *inter alia*, that "Click n' Close is Mid America Mortgage's new digital mortgage approval and closing platform that provides home buyers with a fast, simple and secure experience by automating many of the steps of a traditional mortgage process." (Press Release at 1.) It further stated that "[a]s part of the agreement with Richard Petty Motorsports, the Click n' Close brand will be featured as a primary sponsor of the No. 43 car driven by Darrell 'Bubba' Wallace[,] Jr. for at least three races, making its debut at the 2018 Daytona 500. The No 43 Click n' Close car will also make appearances at Phoenix Raceway and Texas Motor Speedway." (Press Release at 2.) Another race series in which the No. 43 Click n' Close car participated in August 2018 was held in Watkins Glen, New York; Click n' Close used social media to promote the race. (*See id.*, ¶4,

[2] "NASCAR" is the acronym for the "National Association of Stock Car Auto Racing, Inc.," "the sanctioning body for the No. 1 form of motorsports in the United States." (Press Release at 2.)

and referenced Ex. F (Twitter screen shots), *attached to* Licker Aff.; *see also id.*, ¶5 and referenced Ex. G (providing statistics of television viewership of race series).)

B. Defendant's Factual Declarations

Mid America is an Ohio corporation with its principal place of business in Addison, Texas. (Bode Decl., ¶2.) Continuously operating in one form or another since 1941, Defendant changed its name to "Mid America Mortgage, Inc." in 2011. (*See id.*) Mid America "is licensed to originate residential mortgages in 46 states, plus the District of Columbia. However, New York is not one of those states." (*Id.*, ¶3.)

> Mid America is not licensed to originate residential mortgage loans in New York. Mid America has never originated a New York residential mortgage loan. Mid America also: (1) does not have an office or address in New York; (2) does not own or lease any real or tangible personal property in New York; (3) maintains no bank accounts in New York; (4) *does not actively market its services in New York*; (5) has no referral sources, such as realtors, builders, or mortgage brokers that refer us business from New York; (6) other than its New York counsel dealing with this lawsuit, *has no agents or employees in New York*; (7) has not paid taxes in New York[;] and (8) does not have any subsidiaries that undertake any such activities in New York.

(*Id.*, ¶4 (emphasis added).) Defendant has had some sporadic contacts with New York, including, at the time this action was brought, Defendant "held servicing rights on 95 loans in which the collateral was in the State of New York [(hereafter, the "New York Loans")]," but they:

(1.) "make up only 0.3% of Mid America's current loan portfolio" (*id.*, ¶5.b);

(2.) "were not originated by Mid America," having been "acquired post-origination as parts of much larger, multi-state loan packages," and as to which Defendant could not segregate out the New York [L]oans, and did not "make any filings in New York to perfect the real property liens related to those loans." (*See id.* (further stating that "[n]one

of the loans in th[o]se packages were loans [that] were applied for through [Defendant]'s "Click N' Close" platform"));

(3.) are serviced by LoanCare, LLC, a Virginia loan servicing company headquartered in Virginia, with which Defendant has contracted as it "is not licensed to service residential mortgage loans in New York" (*id.*, ¶5.c); "LoanCare performs servicing for numerous other owners of real estate mortgages" and "does not use [Defendant]'s 'Click n' Close' marks when servicing the New York [L]oans owned by [Defendant]." (*Id.*)

"Mid America has no plan to begin originating residential mortgage loans in New York" as they do not fit well with Defendant's business model. (*Id.*, ¶8.) However, because it wanted "to service the handful of New York post-origination loans [it] had acquired over the years," Defendant "sought a passive Mortgage Loan Servicer Exemption" (hereafter, "Exemption") from New York State, which required Defendant to obtain "a generic certificate of authority to do business in New York (although it has done no such business), and established a New York registered agent on April 11, 2016." (*Id.*, ¶6.) When the State discontinued the Exemption, Defendant "applied for a New York Mortgage Banking license" (hereafter, "License") which would allow Defendant "to buy and service mortgage post-origination loans" in New York. (*Id.*, ¶7.) Defendant applied for the License because it "is the only way that it can service the handful of New York [L]oans it does own, given that the [Exemption] has been discontinued." (*Id.*, ¶8.) "The . . . [L]icense has not yet been granted." (*Id.*, ¶7.)

"'Click n' Close' (the "[Defendant's] Mark") is the name of [Defendant's] total eMortgage process," that allows Mid America to "accept an electronic application from a prospective residential mortgage borrower, take the borrower through the application process online, and then close the loan electronically." (*Id.*, ¶9 (emphasis in original).) Thus, it is a

business-to-consumer model, selling its services directly to personal-use customers, and "not a loan origination system . . . used in a Business to Business . . . context," to which a mortgage borrower would never have access. (*Id.*, ¶10.) Contrary to Plaintiff's allegation, Mid America does not license the Defendant's Mark or use of its eMortgage process to third parties. (*See id.*)

While its "'Click n' Close' platform is accessible to anyone in the world with an internet connection, [Defendant] has not made any attempt to target the New York market, solicit business from New York customers, or project [Defendant]'s mortgage loan origination services into the New York market." (*Id.*, ¶11.) Further, Defendant promotes use of its "Click n' Close" process exclusively to prospective mortgage borrowers. (*See id.*) Since its launch of "Click n' Close", Mid America has "had a single inquiry from New York that involved submission of information through the platform." (*Id.*, ¶12.) However, it was "not a bona fide application, and did not result in a loan origination." (*Id.*)

C. Procedural Background

On June 15, 2018, Plaintiff commenced this action alleging, *inter alia*, the unauthorized use and exploitation of its trademark by Defendant in violation of the Lanham Act, 15 U.S.C. § 1051 *et seq.* (*See* ECF No. 1 (Complaint), at 1.) In response, on August 20, 2018, Defendant moved on two grounds to dismiss Plaintiff's Complaint: pursuant to Rule 12(b)(2) for lack of personal jurisdiction, arguing Plaintiff could not meet the requirements of the New York's relevant jurisdiction rules; and pursuant to Rule 12(b)(6) for failure to state a claim under the Lanham Act, arguing Plaintiff failed to plead a valid mark in use in commerce and there was no risk of confusion. (*See* ECF No. 12-18 (Mem. in Supp. of First Mot. to Dismiss).) However, thereafter, the parties stipulated that Defendant would withdraw its First Motion to Dismiss upon Plaintiff filing an amended complaint (*see* ECF No. 20), which was "SO ORDERED" on

September 8, 2018.[3] (*See* Case Docket, Sept. 8, 2018 Electronic Order (ADS).) Plaintiff filed its FAC on September 12, 2018. (*See* ECF No. 23), which Defendant moved to dismiss on December 7, 2018 on the same bases it originally argued in its initial dismissal motion. (*See* ECF No. 35.) Plaintiff opposed the Dismissal Motion. (*See* ECF No. 36.) In addition to other materials, both parties submitted affidavits, with documentary exhibits attached, in support of their positions.

C. The Parties' Positions

1. The Defendant

Defendant argues that, despite a second chance to do so, Plaintiff "still fails to plead that Mid America has sufficient contacts with . . . [New York] State to render it subject to being haled into court here." (Dismissal Motion at 1.) Indeed, "[t]he sole basis for personal jurisdiction remains the conclusory assertion that Mid America has 'commercial business activities and contacts within this jurisdiction,' [but, P]laintiff still alleges no facts even tangentially supporting this conclusion." (*Id.* at 1, 2.) Since there are no well-pleaded facts showing that Defendant entered New York in a meaningful and material way, Plaintiff has not established that this Court has general jurisdiction, pursuant to N.Y. C.P.L.R.[4] § 301, over Defendant. (*See id.* at 3-6.) Similarly, Plaintiff cannot establish this Court's jurisdiction over Defendant pursuant to CPLR § 302(a)(1) since Defendant does not do business in New York and "Plaintiff's causes of action do not arise out of even the tangential contacts Mid America has with this State." (*Id.* at 7.) Further, Plaintiff cannot rely on CPLR § 302(a)(2) to establish the

[3] This case was originally assigned to the Honorable Arthur D. Spatt. On October 3, 2018, Judge Spatt recused himself from the case, whereupon it was reassigned to the undersigned. (*See* ECF No. 26 ("Case reassigned to Judge Sandra J. Feuerstein for all further proceedings.").)

[4] For convenience and hereafter, "N.Y. C.P.L.R." will be referred to as "CPLR".

Court's jurisdiction over Defendant because Defendant is not physically present in New York, and to the extent "Plaintiff . . . vaguely allege[s], 'on information and belief,' that Mid America 'co-brands' its Mark with unidentified 'third parties' who allegedly promote Mid America's mortgage services in New York, there are no *facts* supporting that conclusory statement." (*Id.* at 8 (emphasis in original).) Nor can personal jurisdiction be imposed under CPLR § 302(a)(3) since: it was not foreseeable that the alleged infringement would cause harm in New York, and Plaintiff has not alleged a factual basis for Defendant's alleged prior knowledge of Plaintiff's claimed "substantial and consistent use" of its supposed mark (*see id.* at 10 and note 2); "Plaintiff's own allegations negate the possibility of a legally recognizable [*sic*] injury in New York or anywhere else because the facts alleged refute a 'likelihood of confusion'" (*id.* at 10 (citing *id.* at Section II(A)("Plaintiff fails to state a claim under the Lanham Act because it fails to plead a valid mark in use in commerce, and there is no risk of confusion.")); *see also id.* at 10 ("Plaintiff's Software is an internal, back-office, proprietary tool used by Plaintiff's employees and known (if at all) only to mortgage industry insiders" (citing FAC, ¶¶ 15-19, 21, 22)); and, the only way Defendant's "'Click n' Close' process might have a tangential impact in New York is via the internet, but "creating a website that 'may be felt nationwide—or even worldwide—but, without more, . . . is not an act purposefully directed toward the forum state.'" (*Id.* at 12 (quoting *Bensusan Rest. Corp. v. King*, 937 F. Supp 295, 301 (S.D.N.Y. 1996), *aff'd*, 126 F.3d 25 (2d Cir. 1997)).) Finally, Defendant argues that the exercise of personal jurisdiction over it would not comport with due process. (*See id.* at 12-13.)

2. The Plaintiff

Plaintiff contends that, post-*Daimler*,[5] this Court has general jurisdiction over the Defendant since it "has done far more in New York than simply register as a foreign corporation doing business in New York." (Opp'n at 8.) The "far more" Plaintiff purports Defendant has done to "purposely avail itself of the privilege of doing New York business" is Defendant's: seeking licensure as a mortgage lender; subsequently seeking the Exemption; allegedly servicing the New York Loans without licensure to do so; and commencing state court foreclosure actions in New York. (*Id.; see also id.* at 8-10.) Plaintiff further relies on Defendant's website, which it claims to be interactive with New York residents since "New York residents are directed how to make their payments on their Mid America loans and given the name of Defendant's agent, and its address." (*Id.* at 10-11.) Hence, Plaintiff posits that "[b]y its conduct, [Defendant] has consented to jurisdiction in New York and has made itself at home here." (*Id.* at 11.) Further, in support of its specific jurisdiction argument, Plaintiff asserts, *inter alia*:

> Defendant's New York business includes (a) displaying its offending mark at the NASCAR race in Watkins Glen, NY, (b) offering for sale over the internet merchandise displaying the offending mark, (c) owning and servicing loans in New York, (d) seeking licensure as a loan originator, (e) commencing lawsuits in New York, and (f) registering to do business in New York.

(*Id.* at 12.) It argues that "[t]hese activities clearly 'relate to' Defendant's trademark infringement." (*Id.*) More particularly, Plaintiff contends "that licensure acts as a consent to specific jurisdiction." (*Id.* at 13 (citing *Matter of B&M Kingstone, LLC v. Mega Int'l Commercial Bank Co., Ltd.*, 131 A.D.3d 259, 264-65, 15 N.Y.S.3d 318 (N.Y. App. Div., 1st Dep't 2015); and, *Gliklad v. Bank Hapoalim*, No. 155195/2014, 2014 WL 3899209 (N.Y. Sup. Aug. 4, 2014) (both cases discussing New York's common law "separate entity rule" doctrine

[5] *Daimler AG v. Bauman*, 571 U.S. 117, 134 S. Ct. 746, 187 L. Ed.2d 624 (2014).

regarding bank branches).) (*Id.* at 12.) It advances the notion that the mere application for licensure equates to consenting to New York's specific jurisdiction. (*See id.* at 14.) In support of specific jurisdiction under CPLR § 302(a)(2), Plaintiff baldly states that "Defendant's display of the offending mark at the race in Watkins Glen, NY and on merchandise offered for sale in New York constitutes the commission of a tort here, establishing jurisdiction over Defendant here." (*Id.* at 14.) Moreover, Plaintiff contends there is specific jurisdiction pursuant to CPLR § 302(a)(3)(ii)[6] based upon Defendant's displaying "its offending mark throughout the country—at races in many states, on the internet, and in other market—[which is] clearly committing torts outside of the state." (*Id.*) Therefore, "[i]t is reasonable to assume that Defendant, which is a nationwide lender, derives substantial income from interstate commerce." (*Id.* at 15.) Finally, Plaintiff posits that "the due process tests of 'minimum contacts' and 'reasonableness' are more than satisfied" based upon: Defendant's multiple acts of purposeful availment; "to the extent that purposeful availment constitutes consent to jurisdiction, that consent *per se* satisfies due process"; and by virtue of satisfying New York's more restrictive long-arm statute, federal due process is satisfied. (*Id.* at 15.)

[6] Plaintiff has not addressed Defendant's contention that CPLR § 302(a)(3)(i) is not at issue here. (*See* Dismissal Motion at 8 ("[W]e are concerned only with § 302(a)(3)(ii) because Mid America has not taken any steps to solicit business in New York.").) Plaintiff is, therefore, deemed to have waived any claim of specific jurisdiction pursuant to § 302(a)(3)(i). *See, e.g., Jackson v. Fed. Express*, 766 F.3d 189, 198 (2d Cir. 2014)("[I]n the case of a counseled party, a court may, when appropriate, infer from a party's partial opposition that relevant claims or defenses that are not defended have been abandoned."); *see also, generally, e.g., Patacca v. CSC Hldgs, LLC*, No. 16-cv-679, 2019 WL 1676001, at *13 (E.D.N.Y. Apr. 17, 2019) (same).

III. Discussion

A. Personal Jurisdiction and Rule 12(b)(2)

"A plaintiff bears the burden of demonstrating personal jurisdiction over the person or entity being sued." *Audiovox Corp. v. S. China Enter., Inc.*, No. 11-cv-5142, 2012 WL 3061518, at *2 (E.D.N.Y. July 26, 2012)(citing *Penguin Grp. (USA) Inc. v. Am. Buddha*, 609 F.3d 30, 34 (2d Cir. 2010)). "Where a court [has chosen] not to conduct a full-blown evidentiary hearing on the motion, the plaintiff need make only a prima facie showing of jurisdiction through its own affidavits and supporting materials." *Grand River Enters. Six Nations, Ltd. v. Pryor*, 425 F.3d 158, 165 (2d Cir. 2005)(quoting *Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 171 F.3d 779, 784 (2d Cir. 1999)); *see also MacDermid, Inc. v. Deiter*, 702 F.3d 725, 727 (2d Cir. 2012). Hence, a court may consider evidence outside of the pleadings in resolving a Rule 12(b)(2) motion. *See Japan Press Serv., Inc. v. Japan Press Serv., Inc.*, No. 11-cv-5875, 2013 WL 80181, at *4 (E.D.N.Y. Jan. 2, 2013) (collecting cases). "The allegations in the complaint must be taken as true to the extent they are uncontroverted by the defendant's affidavits." *MacDermid,* 702 F.3d at 727 (quoting *Seetransport Wiking Trader Schiffarhtsgesellschaft MBH & Co., Kommanditgesellschaft v. Navimpex Centrala Navala*, 989 F.2d 572, 580 (2d Cir. 1993)). Relatedly, "[w]here the issue is addressed on affidavits, all allegations are construed in the light most favorable to the plaintiff and doubts are resolved in the plaintiff's favor." *Whitaker v. Am. Telecasting, Inc.*, 261 F.3d 196, 208 (2d Cir. 2001)(further citation omitted). However, "where a defendant has contested a plaintiff's allegations with 'highly specific, testimonial evidence regarding a fact essential to jurisdiction and plaintiffs do not counter that evidence, the allegation may be deemed refuted.'" *MedPay*, 2007 WL 1100796, at *4 (quoting *Schenker v. Assicurazioni Generali S.p.A., Consol.*, No. 98-cv-9186, 2002 WL 1560788, at *2 (S.D.N.Y. July 15, 2002);

further citations omitted). Yet, "'[i]n considering whether the plaintiff[] ha[s] met [its] burden, [a court] will not draw argumentative inferences in the plaintiff's favor . . . , nor . . . accept as true legal conclusion couched as a factual allegation.'" *Japan Press*, 2013 WL 80181, at *4 (quoting *Licci ex rel. Lucci v. Lebanes Canadian Bank, SAL*, 673 F.3d 50, 59 (2d Cir. 2012)("*Licci I*"), *certified question answered by Licci v. Lebanes Canadian Bank*, 984 N.E.2d 893, 2012 WL 5844997 (N.Y. Nov. 20, 2012)("*Licci II*"))(brackets added; ellipses in *Japan Press*).

> To determine whether it has personal jurisdiction over Defendant, the Court must engage in a two-step inquiry. First, because "this is a federal question case where [the] defendant resides outside the forum state and the relevant federal statute does not specifically provide for national service of process," the Court applies "the forum state's personal jurisdiction rules." *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 128 (2d Cir. 2013)(alterations omitted); *see Sunward Elecs., Inc. v. McDonald*, 362 F.3d 17, 22 (2d Cir. 2004). The Court thus looks to New York law. Second, the Court considers "whether an exercise of jurisdiction under th[is] law[] is consistent with federal due process requirements." *Grand River Enters. Six Nations, Ltd. v. Pryor*, 425 F.3d 158, 165 (2d Cir. 2005)." * * *

DH Servs., LLC v. Positive Impact, Inc., No. 12-cv-6153, 2014 WL 496875, at *2 (S.D.N.Y. Feb. 5, 2014); *see also Whitaker*, 261 F.3d at 208 (same).

B. New York Jurisdictional Law

> At the onset, the Court must draw a distinction between "general or all-purpose jurisdiction, and specific or conduct-linked jurisdiction." *Daimler AG v. Bauman*, 134 S. Ct. 746, 751 (2014). A court has general jurisdiction over a defendant when the defendant's "continuous corporate operations within a state are so substantial and of such a nature as to justify suit against it on causes of action arising from dealings entirely distinct from those activities." *Id.* (alteration omitted). Specific jurisdiction, on the other hand, rests on the premise that "the commission of some single or occasional acts of the corporate agent in a state may sometimes be enough to subject the corporation to jurisdiction in

> the State's tribunals with respect to suits relating to that in-state activity." *Id.*

DH Services, LLC v. Positive Impact, Inc., No. 12-cv-6153, 2014 WL 496875, *3 (S.D.N.Y. Feb. 5, 2014).

Here, Reliance alleges, "The Court has personal jurisdiction over the Defendant based on its commercial business activities and contacts within this jurisdiction." (FAC, ¶4.)

1. General Jurisdiction Pursuant to CPLR § 301

General jurisdiction "permits a court to exercise its power in a case where the subject matter of the suit is unrelated to [a defendant's general business] contacts." *Japan Press*, 2013 WL 80181, at *3 (quoting *Licci I*, 673 F.3d at 58 n.8; citing *Chloe*, 616 F.3d at 164). In *Daimler AG v. Bauman*, while holding that "[w]ith respect to a corporation, the place of incorporation and principal place of business are paradig[m] . . . bases for general jurisdiction," 571 U.S. 117, 137, 134 S. Ct. 746, 760 (2014) (quotations and citation omitted), the Supreme Court also reiterated that general jurisdiction can be premised upon a corporation's contacts with the forum state if those contacts are "so 'continuous and systemic' as to render [the corporation] essentially at home in the forum State." *Id.* at 749; *see also Goodyear Dunlop Tires. Operations, S.A. v. Brown*, 564 U.S. 915, 919, 131 S. Ct. 2846, 2854 (2011).

New York's general jurisdiction statute, CPLR § 301, "confers jurisdiction where a company 'has engaged in such a continuous and systemic course of "doing business" in New York that a finding of its 'presence' in New York is warranted.'" *Sonera Hldg. B.V. v. Cukurova Holding A.S.*, 750 F.3d 22 1, 224 (2d Cir. 2014) (quoting *Landoil Res. Corp. v. Alexander & Alexander Servs.*, 77 N.Y.2d 28, 33, 563 N.Y.S.2d 739 (1990) (internal citations and alterations omitted); *see also Nasso v. Seagal*, 263 F. Supp.2d 596, 611 (E.D.N.Y. 2003)("Section 301

codifies the common law principle that a non-domiciliary is deemed to be 'present' in the state if the non-domiciliary is 'doing business' in the state when the action is commenced."). "The 'doing business' standard is a stringent one because a corporation which is amendable to the Court's general jurisdiction 'may be sued in New York on causes of action wholly unrelated to acts done in New York.'" *Jacobs v. Felix Bloch Erben Verlag fur Buhne Film und Funk KG*, 160 F. Supp.2d 722, 731 (S.D.N.Y. 2001)(quoting *Ball v. Metallurgie Hoboken-Overpelt, S.A.*, 902 F.2d 194, 198 (2d Cir. 1990)); *see also Sonera Hldg.*, 750 F.3d at 225. "Occasional or casual business in New York does not suffice under section 301." *Ball*, 902 F.2d at 198.

Here, Plaintiff has failed to plead facts supporting a *prima facie* case of general jurisdiction, pursuant to CPLR § 301, over Defendant. There are no factual allegations of the indicia courts consider in determining whether a defendant is doing business within New York to support the exercise of § 301 jurisdiction. *See Japan Press*, 2013 WL 80181, at *6 (listing traditional indicia of a corporation's presence in New York for purposes of establishing general jurisdiction); *MedPay*, 2007 WL 1100796, at *5 (same). Indeed, Defendant specifically states otherwise, *i.e.*, Mid America neither owns property nor maintains an office in New York, it does not have any bank accounts in New York; it has no New York employees or agents; it does not actively market its services in New York; and it has no referral sources from New York. (*See* Bode Decl., ¶4.)

To the extent Plaintiff seeks to establish continuous and substantial New York operations by Mid America based upon its servicing of the New York Loans, that effort is unavailing. The FAC is void of any allegations that Mid America serviced the New York Loans. Yet, even if alleged, Defendant has specifically refuted such a position, emphatically stating it contracts with a Virginia company, LoanCare, which is not Mid America's agent, to service the New York

Loans. (*See id.*, ¶5.c; *see also* Reply at 2 ("Mid America does not perform [servicing] functions with respect to its New York [L]oans.").)

Nor is Mid America's ownership of the New York Loans sufficient to support general jurisdiction in this instance. Those Loans comprise a minuscule fraction of Mid America's loan portfolio and were acquired, post-origination, as parts of much larger, multi-state loan packages and could not be segregated out by Defendant. (*See* Bode Decl., ¶5.b.) *See also, e.g., Insight Data Corp. v. First Bank Sys., Inc.*, No. 97-cv-4896, 1998 WL 146689, at *5 (S.D.N.Y. Mar. 25, 1998)(finding the ownership of mortgages secured by New York properties, which comprised approximately .068% of the defendant's mortgage portfolio, together with its maintenance of a bank account, to be insignificant contact with New York for jurisdictional purposes). Moreover, as discussed, the New York Loans are serviced by an out-of-state contractor, *i.e.*, LoanCare. To the extent foreclosure actions were commenced against eight of those Loans, it appears some were commenced by LoanCare in the name of Mid America, identified as the note holder. (*See, e.g.*, Licker Aff., Ex B., Swift Action, Compl. at "Seventh" Allegation; and Marando Action, Compl, at "Seventh" Allegation.) In any event and in this instance, such foreclosure actions are incidental to Defendant's loan ownership and not "'so continuous and systemic as to render [it] essentially at home'" in New York thereby warranting this Court exercising general jurisdiction over Defendant. *Daimler*, 571 U.S. at 139 (quoting *Goodyear*, 564 U.S. at 919; brackets in *Daimler*); *see also, e.g., Insight Data*, 1998 WL 146689, at *5 (finding that holding title to three New York properties "as a result of foreclosures is more a matter of fortuity than proof" defendant "engaged in such a continuous and systematic course of 'doing business'" to warrant the exercise of personal jurisdiction over defendant).

2. Specific Jurisdiction Pursuant to CPLR § 302

"Specific jurisdiction exists when 'a State exercises personal jurisdiction over a defendant in a suit arising out of or related to the defendant's contacts with the forum.'" *Chloe*, 616 F.3d at 164 (quoting *Helicopteros Nacionales de Colombia S.A. v. Hall*, 466 U.S. 408, 414 & n.8 (1984)). Specific jurisdiction "'depends on an "affiliation between the forum and the underlying controversy," principally activity or an occurrence that takes place in the forum State and is therefore subject to the State's regulation.'" *Licci I*, 673 F.3d at 59 n.8 (quoting *Goodyear Dunlop*, 564 U.S. at 919). "Such jurisdiction is 'confined to adjudication of issues deriving from, or connected with, the very controversy that establishes jurisdiction.'" *Id.* (quoting *Goodyear Dunlop*, 564 U.S. at 919).

(a.) *Section 302(a)(1)*

"The jurisdictional inquiry under CPLR [§] 302(a)(1) necessarily requires examination of the particular facts in each case." *Licci II*, 20 N.Y.3d at 338. Generally, Plaintiff argues that this Court should find specific jurisdiction over Mid America because of Mid America's pending License application. (*See* Opp'n at 13-14.) However, there are no factual allegations in the FAC alluding to this contention. Moreover, unless and until issued, Mid America's application is nothing more than an outstanding request for permission to engage in a future act or acts; merely requesting permission to engage in purposeful activities in New York is not engaging in such activities and cannot give rise to jurisdiction under § 302(a)(1). Hence, the pending nature of the License application is too attenuated a basis upon which to establish the purposeful activities required for finding § 302 jurisdiction. *See DH Services,* 2014 WL 496875, at *3 (citations omitted). Plaintiff's reliance on New York state banking licensure cases in support of §302 jurisdiction does not alter this finding as those cases are inapposite, involving entities that were

already licensed to purposefully engage in activities in the state. (*See* Opp'n at 13 (citing *B&M Kingstone*, 131 A.D.3d 259 (discussing New York's common law "separate entity rule" doctrine regarding bank branches); *Gliklad*, 2014 WL 3899209 (same); and *Vera v. Republic of Cuba*, 91 F. Supp.3d 561, 570 (foreign bank had registered with N.Y.S. Dep't of Fin. Servs. and obtained license)).)

In any event, "in determining whether personal jurisdiction may be exercised under section 302(a)(1), a court must decide (1) whether the defendant transacts any business in New York, and, if so, (2) whether this cause of action arises from such a business transaction." *Licci I*, 673 F.3d at 60 (quotations, alterations, and citations omitted); *see also D.H. Blair & Co., Inc. v. Gottdiener*, 462 F.3d 95, 104 (2d Cir. 2006); *Japan Press*, 2013 WL 80181, at *7. A more particular discussion of the dual-pronged §302(a)(1) inquiry follows.

i. The "Transacts Business" Inquiry

"[A] defendant need not be physically present in New York to transact business there within the meaning of the first clause of section 302(a)(1) . . . as long as he engages in purposeful activities or volitional acts through which he avails himself of the privilege of conducting activities within the State, thus invoking the benefits and protections of its laws . . . ." *Chloe*, 616 F.3d at 169 (quotations, alterations and citations omitted); *see also Licci I*, 673 F.3d at 61 ("[T]he overriding criterion necessary to establish a transaction of business is some act by which the defendant purposefully avails itself of the privilege of conducting activities within New York, . . . thereby invoking the benefits and protections of its laws." (quotations and citations omitted)). "[S]ection 302 is a single act statute and proof of one transaction in New York is sufficient to invoke jurisdiction, even though the defendant never enters New York, so long as the defendant's activities [in New York] were purposeful and there is a substantial relationship

between the transaction and the claim asserted." *Chloe*, 616 F.3d at 170 (quotations and citation omitted); *see also Deuttsche Bank. Sec., Inc. v. Montana Bd. of Inv.*, 7 N.Y.3d 65, 71, 818 N.Y.S.2d 164 (N.Y. 2006). "[I]t is the quality of the defendants' New York contacts that is the primary consideration." *Licci I*, 673 F.3d at 62; *see also Licci II*, 20 N.Y.3d at 338 ("[A]lthough determining what facts constitute 'purposeful availment' is an objective inquiry, it always requires a court to closely examine the defendant's contacts for their quality."). "The mere receipt by a nonresident of benefit or profit from a contract performed by others in New York" is insufficient to confer personal jurisdiction under § 302(a)(1). *Ferrante Equip. Co. v. Lasker-Goldman Corp.*, 26 N.Y.2d 280, 309 N.Y.S.2d 913 (N.Y. 1970).

The particular facts of this case do not support a finding that § 302(a)(1)'s "transacts business" inquiry has been satisfied. The inclusion of the New York Loans in the multi-state loan packages purchased by Mid America is insufficient to satisfy this inquiry because:

(1) there are no facts alleged or present in the jurisdictional record that Mid America had any control over their inclusion in the loan-packages; indeed, Mid America attests that it could not segregate out or extract those Loans. *See, e.g., Audiovox Corp.*, 2012 WL 3061518, at *4 ("Contacts with the forum that are 'random,' 'fortuitous,' or 'attenuated,' or that result from the 'unilateral activity of another party or third person' are not sufficient to establish personal jurisdiction." (citations omitted));

(2) those Loans were acquired post-origination and were neither originated by Mid America nor through the "Click n' Close" platform (*see* Bode Decl., ¶5.b); and

(3) those Loans are not serviced by Defendant, but by an out-of-state mortgage servicer, that is not Defendant's agent, but a retained contractor. *See Cutco Indus. v. Naughton*,

806 F.2d 361, 366 (2d Cir. 1986)("To be considered an agent for jurisdictional purposes, the alleged agent must have been in the state 'for the benefit of, and with the knowledge and consent of' the non-resident principal." (citation omitted)); *see also Insight Data*, 1998 WL 146689, at 6 (citing *Naughton*).

Similarly, Mid America's maintenance of a website which can be accessed by New York citizens does not rise to the level of purposefulness warranting subjecting Mid America to jurisdiction in this State. *See, e.g., MedPay*, 2007 WL 1100796, at *5 ("A firm does not 'do business' in New York simply because New York citizens can contact the firm through its website . . . ." (citations omitted)). In sum, nothing presented to the Court regarding the New York Loans demonstrates that Mid America has purposefully availed itself of the privilege of conducting activities within New York.

ii. The "Nexus" Inquiry

"[A] suit will be deemed to have arisen out of a party's activities in New York if there is an articulable nexus, or a substantial relationship, between the claim asserted and the actions that occurred in New York." *Licci I*, 673 F.3d at 66 (quotations and citations omitted); *see also Best Van Lines, Inc. v. Walker*, 490 F.3d 239, 246 (2d Cir. 2007); *Licci II*, 20 N.Y.3d at 339 ("[T]he second prong of the jurisdictional inquiry . . . require[s] that, in light of all the circumstances, there [is] an articulable nexus . . . or substantial relationship . . . between the business transaction and the claim asserted." (quotations and citations omitted)). "[C]ausation is not required, and . . . the [nexus] inquiry under [§ 302(a)(1)] is relatively permissive." *Licci II*, 20 N.Y.3d at 339. "CPLR [§] 302(a)(1) does not require that every element of the cause of action pleaded must be related to the New York contacts; rather, where at least one element arises from the New York contacts, the relationship between the business transaction and the claim asserted supports

specific jurisdiction under the Statue." *Id.* at 341. However, "[j]urisdiction is not justified under . . . § 302(a)(1) where the relationship between the claim and transaction is too attenuated, . . . and a connection that is merely coincidental is insufficient to support jurisdiction." *Lucci I*, 673 F.3d at 66-67 (quotations, alterations and citations omitted); *see also Sole Resort, S.A. de C.V. v. Allure Resorts Mgmt, LLC*, 450 F.3d 100, 103 (2d Cir. 2006); *Johnson v. Ward*, 4 N.Y.3d 516, 520, 797 N.Y.S.2d 33 (N.Y. 2005).

On the present jurisdiction record, Plaintiff cannot meet the requisite "nexus" component of the § 302(a)(1) inquiry because it has not shown a substantial relationship between Plaintiff's claims and actions which occurred in New York. First, as discussed, the New York Loans have no relationship with Defendant's "Click n' Close" platform; those Loans were not originated by Mid America and there are no allegations, or even evidence, showing that the "Click n' Close" platform was employed in their originations or servicing. Second, in the absence of any allegations or jurisdictional evidence that NASCAR, the Richard Petty Motorsports race team, Bubba Wallace, or the No. 43 Click n' Close care are agents for Mid America, the NASCAR sponsorship by "Click n' Close" does not demonstrate a substantial relationship between Plaintiff's claims and the actions related to that sponsorship. *See, e.g., Insight Data*, 1998 WL 146689, at *6. Similarly, there are no allegations in the FAC and no jurisdictional evidence that NASCAR's New York presence was for the benefit of Defendants. *See Naughton*, 806 F.2d at 366 (quoted in *Insight Data*). The Court agrees with Mid America that "[t]he NASCAR sponsorship, like national print or electronic advertising, does not target New York consumers and will not support personal jurisdiction under Section 302(a)(1)." (Reply at 7 (citing *Davidson Extrusions, Inc. v. Touche Ross & Co.*, 131 A.D.2d 421, 424, 516 N.Y.S.2d 230, 232 (App. Div. 1987)(defendant did not transact business in New York by virtue of its placing an advertisement

in trade journal with nation circulation).) To the extent Plaintiff relies upon Click n' Close's Twitter posts to establish a nexus to New York, the Court also finds more persuasive Defendant's argument that, in this instance, "Twitter (a world-wide, on-line news and social networking site) posts are akin to advertising on-line or in national publications, and do not create claim-related contacts with the forum, even if people within the forum state can see them." (Reply at 7 n.8 (citing *Planet Aid, Inc. v. Reveal, Ctr. for Investigative Reporting*, No. GLR16-2974, 2017 UWL 2778825, at *10 (D. Md. June 26, 2017)(finding defendants' virtual contact via Twitter with Maryland residents insufficient for Court to exercise specific jurisdiction)).) Hence, even assuming, *arguendo*, that Plaintiff was able to satisfy the "transacts business" inquiry of § 302(a)(1), because it is unable to satisfy the "nexus" inquiry, jurisdiction remains wanting under that subsection.

(b.) *Sections 302(a)(2) and (3)*

Section 302(a)(2) confers personal jurisdiction over a non-domiciliary defendant only "when they commit acts within the state." *Bensusan Restaurant Corp. v. King*, 126 F.3d 25, 28 (2d Cir. 1997)(quoting *Feathers v. McLucas*, 15 N.Y.2d 443, 458, 261 N.Y.S.2d 8 (1965)), and, thus, "reaches only tortious acts performed by a defendant who was physically present in New York when he performed the wrongful act." *Id.; see also Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 171 F.3d 779, 790 (2d Cir. 1999)("[A] defendant's physical presence in New York is a prerequisite to jurisdiction under Section 302(a)(2)."). "Even if [a plaintiff] suffered injury in New York, that does not establish a tortious act in the state of New York within the meaning of Section 302(a)(2)." *Bensusan Restaurant*, 126 at 29.

Here, Plaintiff's reliance on the "display of the offending marks at the race in Watkins Glen, NY and on merchandise offered for sale in New York" in support of its § 302(a)(2)

argument fails for several reasons. (Opp'n at 14.) First, there are no allegations that NASCAR, Richard Petty Racing or Bubba Wallace are agents of the Defendant. (*See* FAC, *in toto*.) *See, e.g.*, *Wiwa v. Royal Dutch Petroleum Co.*, 226 F.3d 88, 95 (2d Cir. 2000)(interpreting New York law to include an agency-based theory of jurisdiction); *but, cf., Sonera Hldgs.*, 750 F.3d at 225 (recognizing that in *Daimler*, the Supreme Court "expressed doubts as to the usefulness of an agency analysis, like that espoused in *Wiwa*, that focuses on a forum-state affiliate's importance to the defendant rather than on whether the affiliate is so dominated by the defendant as to be its alter ego"); *see also Havlish v. Royal Dutch Shell PLC*, No. 13-cv-7074, 2014 WL 4828654, *3 (S.D.N.Y. Sept. 24, 2014)("Regardless of the impact that the *Daimler* decision has on the agency analysis, [Plaintiff] fail[s] to allege facts to make out a prima facie case under th[e agency] theory."). Moreover, Defendant expressly refutes any agency relationship with those entities. (*See* Bode Supp. Decl., ¶3, *attached as* Ex. B to Reply.) Second, in addition to an absence of any allegations about NASCAR-related merchandising in the FAC, Defendant specifically refutes any involvement with such merchandising. (*See id.*, ¶4 ("Mid America . . . does not control the content or operation of shop.NASCAR.com."); ¶5 ("Mid America does not have any merchandising rights to the Number 43 car/Bubba Wallace merchandise, and receives no revenue from sales on shop.NASCAR.com, or from any other sales of NASCAR-related merchandise."); *see also id.* at ¶6.) Finally, since the Watkins Glen races occurred after this action commenced, *i.e.*, in August 2018 (*see* Licker Aff., ¶4), it cannot form the basis for personal jurisdiction over Mid America. *See, e.g., DH Services,* 2014 WL 496875, at *13-14 (in Lanham Act case and based on events occurring between filing of original and amended complaint, declining to exercise personal jurisdiction pursuant to § 302). Thus, since Plaintiff

has not alleged any tortious act committed by Defendant while it was physically present in New York, § 302(a)(2) does not confer personal jurisdiction over Defendant in this action.

Further, there are no allegations in the FAC or evidence in the jurisdictional record supporting the conclusion that there was an "effort by the [D]efendant to serve the New York market." *Buccellati Hldg. Italia SPA v. Laura Buccellati, LLC*, 935 F. Supp.2d 615, 626 (S.D.N.Y. 2013)(citations omitted). Indeed, to the extent Plaintiff would ask this Court to find such an effort based upon its submission of screen shots from Defendant's corporate website (*see* Ex. K, attached to Licker Aff.), the Court declines that request. The website "is not even the same website that houses Mid America's Click n' Close process." (Reply at 9 n.11 (citing Pachiano Decl., ¶2, *attached as* Ex. C to Reply).) At best that evidence is unpersuasive. (*See id.* at 9 (asserting that Plaintiff's reliance on Mid America's corporate website to "show[] Mid America 'knew that its actions would have an impact within [New York]' is patently false").) Rather, the jurisdictional evidence shows that Mid America did not target New York through its website, its prior NASCAR sponsorship,[7] or by any other means. (*See id.* at 9 ("Mid America has made extensive efforts to *not* serve the New York market." (citing Bode Decl., ¶¶5.c, 6-9)(emphasis in original).) Finally, while it may be "reasonable to assume that Defendant, which is a nationwide lender, derives substantial income from interstate commerce" (Opp'n at 15), there are no allegations regarding Mid America's income, substantial or otherwise, or jurisdictional evidence supporting such an assumption. In sum, Plaintiff has not demonstrated

[7] "Mid America's sponsorship agreement with [Richard Petty Racing] / Bubba Wallace will expire on December 31, 2018, and Mid America will not be sponsoring another NASCAR driver in the foreseeable future." (Bode Supp. Decl., ¶7, *attached as* Ex. B to Reply.)

the requisite elements necessary to support a finding of jurisdiction under § 302(a)(3)(ii). *See DH Services*, 2014 WL 496875, at *12 (enumerating elements).

C. Constitutional Due Process Consideration

If a defendant falls within the reach of New York's long-arm statute, a court must then determine whether its exercise of jurisdiction over the defendant "comports with the Constitution's due process guarantees." *Audiovox Corp.*, 2012 WL 3061518, at *4 (citing *Asahi Metal Indus. Co., Ltd v. Super. Ct. of Cal., Solano Cnty.*, 480 U.S. 102, 108-09 (1987)). "These guarantees are satisfied when a defendant has certain minimum contacts with the forum state such that maintenance of the suit would not 'offend traditional notions of fair play and substantial justice.'" *Id.* (quoting *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)(internal quotation marks and citation omitted)).

Here, "[a]s Plaintiff has failed to make out a *prima facie* showing of personal jurisdiction under either CPLR § 301 or CPLR § 302[], it is not necessary to determine whether the exercise of jurisdiction comports with federal due process." *MedPay*, 2007 WL 1100796, at *8; *see also Whitaker*, 261 F.3d at 208-09 ("Because we agree with the district court that [plaintiff] failed to establish . . . long arm jurisdiction [under New York law], we do not reach his due process argument."); *DH Services*, 2014 WL 496875, at *2 (declining to consider the federal due process prong of personal jurisdiction analysis when court already concluded jurisdiction was lacking under state law).

* * *

The Court has considered the remainder of Plaintiff's jurisdictional arguments and finds them to be without merit. Further, because the Court finds it has no personal jurisdiction over the Defendant, it lacks jurisdiction to consider Defendant's Rule 12(b)(6) arguments in favor of dismissal. *See MedPay*, 2007 WL 1100796, at *8 (finding it unnecessary to reach merits of defendant's Rule 12(b)(6) arguments because Court concluded it did not have personal jurisdiction over party).

IV. Conclusion

Accordingly, IT IS HEREBY ORDERED that Defendant's Dismissal Motion is granted; Plaintiff's FAC is dismissed without prejudice. The Clerk of Court is directed to close this case.

SO ORDERED this 17th day of June 2019 at Central Islip, New York.

/s/ *Sandra J. Feuerstein*
Sandra J. Feuerstein
United States District Judge