United States District Court
Southern District New York

PHILIP MORRIS USA INC., Plaintiff,
v.
VELES LTD., Afolina Inc., Xenon Ltd., Loladez Nana, and MR-Pilot Plus SRL, Defendants.

No. 06 CV 2988(GBD).
2007 WL 725412

March 12, 2007.

MEMORANDUM DECISION & ORDER

GEORGE B. DANIELS, District Judge.

Plaintiff Philip Morris USA Inc. ("Philip Morris USA") filed this action against defendants alleging various statutory and common law trademark infringement claims.[FN1] Upon commencing this action, plaintiff made a Motion for Leave for Electronic Mail and Facsimile Service of Process pursuant to Fed.R.Civ.P. 4(f)(3). This Court granted that motion. Defendants Veles Ltd., Afolina Inc. and Xenon Ltd. made this motion to dismiss plaintiff's complaint, pursuant to Federal Rules of Civil Procedure 12(b)(2) and 12(b)(6) for lack of personal jurisdiction and failure to state a claim upon which relief may be granted.

FN1. Specifically, plaintiff raises the following claims against defendants:

(1) trademark infringement in violation of Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1);

(2) trademark infringement in violation of Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1) by violation of the Imported Cigarette Compliance Act of 2000, 19 U.S.C. §§ 1681 *et. seq.* ("ICCA");

(3) importation of goods bearing an infringing trademark in violation of Section 42 of the Lanham Act, 15 U.S.C. § 1124;

(4) false designation of origin and trade dress infringement in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);

(5) false advertising in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);

(6) trademark dilution in violation of the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) and 1127;

(7) deceptive acts and practices in violation of New York General Business Law § 349; false advertising in violation of New York General Business Law §§ 350 *et seq.;*

(8) trademark dilution in violation of New York General Business Law §§ 360-1 *et seq.;* and

(9) trademark infringement and unfair competition in violation of New York common law.

(See Compl. 20-33.)

FACTUAL BACKGROUND

Plaintiff, a Virginia corporation, is the U.S. owner of trademarks on Philip Morris-branded cigarettes including Marlboro, Marlboro Lights, Marlboro Lights Menthol, Marlboro Ultra Lights, Marlboro Medium, Parliament and Virginia Slims. Defendants operate online cigarette stores from websites established at www.ez-smoke.net (previously www.ezsmoke.net), www.discount-cigarettes-store.com and www.simplysmoke.com ("defendants' websites").

The complaint alleges that defendants' online stores are using plaintiff's trademarks without authorization to advertise and sell grey market cigarettes bearing plaintiff's trademarks into the United States. These grey market cigarettes are manufactured by plaintiff's overseas affiliates, and are intended for sale outside the United States. Plaintiff asserts that defendants' advertising and sale of such cigarettes mislead consumers without its consent, and infringe upon its trademarks in violation of the Lanham Act.

Defendants appear to be foreign corporations of unknown citizenship. No physical contact addresses are posted on their websites. Plaintiff discovered the physical addresses used by defendants to register the websites' domain names, but these addresses, all in distant foreign locales, were not valid for the purpose of completing service of process.[FN2] The defendants' Internet-based online cigarette business appears to be conducted entirely through electronic communications. Defendants take customer orders through their websites, and confirm orders and give shipping notices via electronic mail ("email"). (Pl. Memo for Leave at 3-4). Plaintiff indicates that email sent to email addresses on defendants' websites were successfully transmitted. Defendants do not take orders via telephone. The toll-free telephone numbers provided on two of the websites were found to be inoperative. (*Id* . at 4). One website did provide a facsimile ("fax") number, which through plaintiff's investigation, appeared to be operational.

> **FN2.** Defendant Veles Ltd. registered ezsmoke.net using an address in Switzerland. Plaintiff's correspondence mailed to this address was returned. This defendant also registered a variant domain name, ez-smoke.net, using an address in Dominica, but plaintiff could not verify the accuracy of this address. (Memorandum of Law in Support of Philip Morris USA Inc.'s Motion for Leave for Electronic Mail and Facsimile Service of Process ("Pl. Memo. for Leave") at 7-8). Defendant Afolina Inc.'s website domain name, discount-cigarettes-store.com, is registered using the physical address of an office service company, Virtual Office, located in Singapore. Plaintiff, through its investigation, determined that Virtual Office is not a registered agent of Afolina Inc. and could not be served with process (*Id.* at 8-9). Defendant Xenon Ltd.'s website domain name, www.simplysmoke.com, is registered using a physical address in Dominica. A letter sent to the address was signed for by an individual but plaintiff, through its investigation, found no evidence that Xenon Ltd. reside in Dominica. (*Id.* at 9). Non-moving defendant Loladez Nana registered domain name www.discount-cigarettes-store.com using an address in Russia. Plaintiff's letter mailed to this address was not claimed and was returned. Subsequently, the registrant of the domain name was changed to Afolina Ltd. (*Id.* at 10). Plaintiff indicates that it has begun the process to serve, non-moving defendant MR-Pilot SRL, apparently located in Moldova, by letters rogatory, in accordance with that country's procedures. (*Id.* at 7, n. 2).

In its motion for substitute service of process, plaintiff demonstrated that it had attempted to serve the complaint on defendants using traditional means. It also catalogued diligent efforts to locate defendants, and indicated other cases in this district in which it was granted leave to serve process by email on defendants that were difficult to notify by traditional means.[FN3] The Court, on the basis of factual representations, granted plaintiff's motion for leave for service by fax and email pursuant to Fed.R.Civ.P. 4(f)(3).

> **FN3.** *See* Order Authorizing Service of Process by E-Mail on Defendant, *Philip Morris Inc. v. Voyles*, No. 02 cv 9114(AGS) (S .D.N.Y. Feb. 3, 2003), attached as Exh. G to Declaration of Jennifer L. Larson in Support of Pl.'s Motion for Leave ("Larson Decl."); Order Authorizing Service of Process by E-Mail on Defendant, *Philip Morris Inc. v. Smith*, No. 02 cv 7574(AGS) (S.D.N.Y. Jan. 23, 2003), attached as Exh. H to Larson Decl.; Order Authorizing E-Mail Service

of Process, *Philip Morris Inc. v. Imshenetsky*, No. 02 civ 9184(GEL) (S.D.N.Y. Sept. 19, 2003), attached as Exh. I to Larson Decl.

SERVICE OF PROCESS

In their motion to dismiss, defendants argue that email and facsimile service of process, notwithstanding this Court's granting of leave to plaintiff to do so, do not comport with minimal standards of due process. "Before a federal court may exercise personal jurisdiction over a defendant, the procedural requirement of service of summons must be satisfied." *Omni Capital Int'l, Ltd. v. Rudolf Wolff & Co.*, 484 U.S. 97, 104, 108 S.Ct. 404, 98 L.Ed.2d 415 (1987). Constitutional due process requires that service of process be reasonably calculated, under all circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections." *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314, 94 L.Ed. 865, 70 S.Ct. 652 (1950).

The Court granted plaintiff leave to serve process by alternative means pursuant to Fed.R.Civ.P. 4(f)(3), which permits service in a place not within any judicial district of the United States by "means not prohibited by international agreement as may be directed by the court."[FN4] Since appearing in this action, defendants have not indicated that they are subject to any international agreement prohibiting service of process by fax or email. They have not disclosed their domicile or citizenship to the Court.

FN4. Service of process on individuals in a foreign country is governed by Fed.R.Civ.P. 4(f), which provides:

> Unless otherwise provided by federal law, service upon an individual from whom a waiver has not been obtained and filed, other than an infant or an incompetent person, may be effected in a place not within any judicial district of the United States:
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> (1) by any internationally agreed means reasonably calculated to give notice, such as those means authorized by the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents; or
>
> (2) if there is no internationally agreed means of service or the applicable international agreement allows other means of service, provided that service is reasonably calculated to give notice:
>
> (A) in the manner prescribed by the law of the foreign country for service in that country in an action in any of its courts of general jurisdiction; or
>
> (B) as directed by the foreign authority in response to a letter rogatory or letter of request; or
>
> (C) unless prohibited by the law of the foreign country, by
>
> (i) delivery to the individual personally of a copy of the summons and the complaint; or
>
> (ii) any form of mail requiring a signed receipt, to be addressed and dispatched by the clerk of the court to the party to be served; or
>
> (3) by other means not prohibited by international agreement as may be directed by the court.
>
> Service of process on corporations and associations is governed by Fed.R.Civ.P. 4(h), which provides: Unless otherwise provided by federal law, service upon a domestic or foreign corporation or upon a partnership or other unincorporated association that is subject to suit under a common name, and from which a waiver of service has not been obtained and filed,

> shall be effected:
>
> ....
>
> (2) in a place not within any judicial district of the United States in any manner prescribed for individuals by subdivision (f) except personal delivery as provided in paragraph (2)(C)(i) thereof.

Defendants, citing *Wawa, Inc. v. Christensen,* argue that email is not an approved method of service under Federal Rule of Civil Procedure 4. Civ. No. 99-1454, 1999 Lexis U.S. Dist. Lexis 11510, 44 Fed. R. Serv.3d (Callaghan) 589 (E.D.Pa. July 29, 1999) (noting that the Judicial Conference Rules Committee had discussed and recommended a change in Fed.R.Civ.P. 4 to permit service by electronic transmission of summons and complaint, but had not done so). Since *Wawa,* however, federal courts have approved email service of process as an appropriate means under Rule 4 in proper circumstances. *See e.g., Rio Prop. Inc. v. Rio Int'l. Interlink,* 284 F.3d 1007 (9th Cir.2002); *Bank of Credit & Commerce Int'l (Overseas) Ltd. v. Tamraz,* No. 97 Civ. 4759(SHS), 2006 WL 1643202 (S.D.N.Y. June 13, 2006); *Export-Import Bank of U.S. v. Pulp & Paper Co.,* No. 03 Civ. 8554(LTS)(JCF), 2005 U.S. Dist. Lexis 8902 (S.D.N.Y. May 11, 2005); *D.R.I., Inc. v. Dennis,* No. 03 civ.10026 (PKL), 2004 WL 1237511 (S.D.N.Y. June 3, 2004); *Williams v. Adv. Sex LLC.,* 231 F.R.D. 483 (N.D.W.Va.2005).

The Ninth Circuit noted in *Rio* that the Constitution itself does not specify or require any particular means of service of process, only that the method selected be reasonably calculated to provide notice and an opportunity to respond. 284 F.3d at 1017. Federal courts have traditionally incorporated advances in telecommunications technology to methods of notice giving. *See New England Merch. v. Iran Power Generation & Transmission Co.,* 495 F.Supp. 73, 81 (S.D.N.Y.1980). By design, Rule 4(f)(3) was "adopted in order to provide flexibility and discretion to the federal courts in dealing with questions of alternative methods of service of process in foreign countries," *In re Int'l Telemedia Assoc., Inc.,* 245 B.R. 713 (N.D.Ga.2000). What constitutes appropriate service will vary depending upon the particular circumstances of the case. Under Rule 4(f), courts have permitted a wide range of alternative methods including email. *Rio supra* at 1016. In each case, the court must determine whether the alternative method is reasonably calculated, under all circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections.

Plaintiff, when requesting permission to serve by fax and email, demonstrated both the inadequacy of service on defendants by methods under Rule 4(f)(1)-(2), and the likelihood that the proposed alternative methods would succeed. Plaintiff showed that defendants conduct business extensively, if not exclusively, through their Internet websites and correspond regularly with customers via email. Furthermore, defendants do not disclose their physical addresses or location of incorporation. Through its investigation, plaintiff has shown that email and fax correspondence are likely to reach defendants. Therefore, the alternative means of service by email and fax in this case was reasonably calculated to apprise defendants of the pendency of this action. Defendants' objections about theoretical reliability of email service are unpersuasive in this case, as plaintiff had amply demonstrated the high likelihood that defendants would receive and respond to email communications, and defendants themselves do not dispute receiving email service in this case.[FN5]

> **FN5.** To be sure, email service of process is not appropriate in every case, but cases cited by defendants are factually distinguishable. *Ehrenfeld v. Bin Mafouz,* No. 04 Civ. 9641(RCC), 2005 U.S. Dist. Lexis 4741 (S.D.N.Y. Mar. 23, 2005) (plaintiff provided no information that defendant would be likely to receive information transmitted via email.), *Wawa,* 1999 Lexis U.S. Dist. Lexis 11510, (plaintiff did not obtain court permission to serve by email); *Pfizer Inc. v. Domains by Proxy,* No. 3:04 cv741, 2004 U.S. Dist. Lexis 13030, (D.Conn. July 13, 2004) (Court was unconvinced that service to email addresses cited by plaintiff was reasonably likely to reach defendants after a search of defendants' domains yielded blank webpages);

Defendants also challenge service by fax in this case by citing cases in which service by fax was prohibited

by the rules of defendants' home state or country. However, defendants do not give any indication such prohibition exists in their undisclosed domiciles.[FN6] Service of process was therefore valid in this case.

> **FN6.** Plaintiff also argues that defendants failed to "strictly comply" with this Court's order because it did not complete service by fax and should have asked the Court for another amendment to its order. (Transcript of Oral Argument on Oct. 5, 2006, at 2-4). The Court considers the plaintiff's four attempts to serve by fax over two days to be a reasonable effort at complying with the order.

PERSONAL JURISDICTION

Although defendants are moving to dismiss for the lack of personal jurisdiction pursuant to Fed.R.Civ.P. 12(b)(2), plaintiff bears the burden to establish that jurisdiction exists. *See KVOS, Inc., v. Assoc. Press,* 299 U.S. 269, 278, 57 S.Ct. 197, 81 L.Ed. 183 (1936). When "defendant contests the plaintiff's factual allegations, then a hearing is required, at which the plaintiff must prove the existence of jurisdiction by a preponderance of the evidence." *Ball v. Metallurgie Hoboken-Overpelt, S.A.,* 902 F.2d 194, 197 (2d Cir.1990). However, "[i]f the defendant is content to challenge only the sufficiency of the plaintiff's factual allegation, in effect demurring by filing a Rule 12(b)(2) motion, the plaintiff need persuade the court only that its factual allegations constitute a prima facie showing of jurisdiction." *Id.* Materials presented by the plaintiff should be construed in the light most favorable to the plaintiff and all doubts resolved in its favor. *See A.I. Trade Fin., Inc. v. Petra Bank,* 989 F.2d 76, 79-80 (2d Cir.1993).

"In a federal question case where a defendant resides outside the forum state, a federal court applies the forum state's personal jurisdiction rules." *PDK Labs v. Friedlander,* 103 F.3d 1105, 1108 (2d Cir.1997). This Court must look to New York's jurisdictional statutes to determine personal jurisdiction. *Greenlight Capital, Inc. v. GreenLight (Switz.) S.A.,* No. 04 Civ. 3136(HB), 2005 WL 13682, *2 (S.D.N.Y. Jan. 4, 2005) (*citing Sunward Elecs., Inc. v. McDonald,* 362 F.3d 17, 22 (2d Cir.2004)). In addition to demonstrating jurisdiction under New York law, plaintiff must also show that the exercise of jurisdiction satisfies the federal due process requirement. The due process clause of the Fourteenth Amendment permits a state to exercise personal jurisdiction over a non-domiciliary with whom it has "certain minimum contacts ... such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice." *Bank Brussels Lambert v. Gonzalez,* 305 F.3d 120, 127 (2d Cir2002) (internal quotations and citations omitted).

Plaintiff argues that defendants should be subject to the specific personal jurisdiction under New York's long-arm statute, C.P.L.R. Section 302(a), based on the factual allegations stated in its complaint.[FN7] It asserts that defendants have committed the alleged violations "in this judicial district, including by advertising and offering for sale illegally imported Philip Morris brand cigarettes through [defendants' websites], which are accessible in this district."(Compl.¶¶ 9-11). It also asserts that "a substantial part of the events or omissions giving rise to [its] claims [ ] occurred in this judicial district," and "the effects of Defendants' wrongful actions have been felt by Philip Morris USA in this judicial district."(Compl. ¶ 15; *See also Id.* at ¶ 83 ("Defendants sell cigarettes, and cause cigarettes to be shipped, to consumers in New York") and at ¶¶ 83 & 88 ("Defendants' conduct is consumer-oriented, has affected the public interest of the citizens of New York, and has resulted in injury to consumers within New York")). Plaintiff has also alleged that it has "confirmed Defendants' sale of illegally imported Philip Morris branded cigarettes through purchases of cigarettes made from [defendants' websites] into this district."(Comp.¶ 30).[FN8]

> **FN7.** N.Y. C.P.L.R. Section 302(a) provides in relevant part: "As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary ... who in person or through an agent: (1) transacts any business within the state or contracts anywhere to supply goods or services in the state; or (2) commits a tortious act within the state...."

> **FN8.** In its Memorandum in Opposition to Defendants' Motion to Dismiss ("Pl.Memo), plaintiff state that "Defendants have made multiple sales of Philip Morris branded cigarettes to customers in New York and have sent communications to New York customers regarding those sales."(Pl.

Memo at 11).

Plaintiff also asserts more broadly that defendants "have obtained significant and continuous revenue from Internet sales of cigarettes to U.S. consumers in this judicial district" and that they are potentially subject to N.Y.C.P.L.R. § 301 giving rise to general personal jurisdiction, (Compl. ¶ 36, Pl. Memo at 12 n. 7).[FN9] As an example of defendants' sales into New York, plaintiff has produced an email from the online store of Defendant Veles Inc. at ez-smoke.net confirming an order of three cartons of Marlboro Red Box to be shipped to an address in Rye Brook, New York. (Email from Customer service support@ez-smoke.net to [redacted MSN Hotmail email address] re: SHIPPING STATUS for Order [ ] Feb. 28, 2006 attached as Exh. H to Affirmation of Warren Rheaume in Support of Philip Morris USA Inc.'s Memorandum of Law in Opposition to Defendants' Motion to Dismiss).

> **FN9.** Defendant Afolina Inc. on its website discount-cigarettes-store .com, indicates that all of its U.S. made cigarettes are shipped from "the Seneca Native Americans in Salamanca, New York USA."(Compl. Exh. B at 1).

Defendants do not contest these factual allegations, nor do they put forth any facts to dispute their alleged contacts with New York. Instead they argue merely that plaintiff's showing is insufficient. In fact, they have declined to deny or dispute any of plaintiff's allegations regarding defendants' substantial contacts with New York .[FN10] The burden of plaintiff is, therefore, to show that its factual allegations are sufficient to make out a prima facie showing of jurisdiction. *See Ball*, 902 F.2d at 197.

> **FN10.** At oral argument, defendants demurred when given the opportunity to set forth facts that may disclaim certain of plaintiff's allegations.
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> THE COURT: What do you say minimally [the plaintiff has] to demonstrate and what are you representing that minimally your clients don't do in New York?
>
> I don't have a representation from you whether this one sale in New York was the only sale that's only been made to New York, whether or not your client makes a million dollars off selling cigarettes to customers in New York, what other activity, sales or revenue is or is not attained from New York. I'm not sure whether you are simply saying, 'Well, this one sale is not good enough. As long as they don't find out that we really do a thousand sales in New York and make a million dollars off our New York customers, we can step aside this jurisdcition because they don't-as long as we don't have to admit it.
>
> Mr. RADER: I'm saying that it is a threshold issue before we are obligated to come and say what we do in New York, [plaintiff] ha[s] the means to make an allegation and find out whether or not there are any sales other than this one sale in New York.
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> (Transcript from oral argument, Oct. 5, 2006, at 18-19).

New York's C.P.L.R. Section 302(a)(1) confers jurisdiction over a non-domiciliary corporation that "transacts business within the state," if there is a "direct relationship between the cause of action and the in state conduct." *Fort Knox Music, Inc. v. Baptiste*, 203 F.3d 193, 196 (2d Cir.2000). "[T]ransacting business requires only a minimal quantity of activity, provided that it is of the right nature and quality." *Agency Rent A Car Sys., Inc. v. Grand Rent A Car Corp.*, 98 F.3d 25, 29 (2d Cir.1996). A single transaction may suffice for personal jurisdiction under Section 302(a)(1), and physical presence by the defendant in the forum state during the activity is not necessary. *Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 171 F.3d, 779 787 (2d Cir.1999). Although New York is a "single-contact" state, "[a]n essential criterion in all cases is whether the quality and nature' of the defendant's activity is such that it is reasonable and fair to require him to conduct his defense in [New York]." *Riblet Products Corp. v. Nagy*, 191 A.D.2d 626, 627 (N.Y.App. Div.2d Dep't 1993). Thus, where there is at least a single sale into New York, courts will look to the nature and quality of the contact.

In this trademark infringement action, defendants are accused of misleading consumers with trademark infringement activity on their websites, which they use to transact for the sale of cigarettes bearing plaintiff's trademark into New York. The transactions into New York relate to the wrong alleged in the consumer confusion caused by the unauthorized use of plaintiff's trademarks to induce buyers to make web purchases, and the shipment of grey market goods here.

Defendants counter that plaintiff's factual assertions are inadequate because plaintiff may have relied on one sale into New York arranged by its investigator to establish the in-state contact. In *Mattel Inc. v. Anderson*, Judge Casey found that a single order placed on defendant's website by plaintiff's private investigator in New York was "nothing more than an attempt by plaintiff to manufacture a contact with this forum" and concluded hence that "Defendant cannot be said to have 'purposefully availed [herself] of the protections of this forum when it was an act of someone associated with plaintiff, rather than [her] web site advertising, that brought [her] products into this forum." No. 04 Civ. 5275 (RCC), 2005 WL 1690528, at *2 (S.D.N.Y. July 18, 2005) (quoting *Millennium Enters. v. Millennium Music.*, 33 F.Supp.2d 907, 911 (D.Ore.1999).

Plaintiff has acknowledged hiring an investigator who made purchases from defendants' website, in addition to attempting to locate defendants' whereabouts and finding ways to serve them. But defendants have put forth no evidence to suggest that the order sent to plaintiff's investigator is "manufactured" contact, or their only contact with New York. Moreover, as Judge Sweet held in *Mattel Inc. v. Adventure Apparel*, that an order placed on a non-domiciliary defendant's website from New York was made to plaintiff's investigator was "irrelevant" when "defendant's activities were purposeful and there was a substantial relationship between the transaction and the claim asserted."No. 00 Civ. 4085, 2001 WL 286728, at *3 (S.D.N.Y. Mar. 22, 2001).[FN11]

> **FN11.** Though Defendants' websites vary in the markets they target, they all provide sales coverage into the United States. Simplysmoke.com ships cigarettes to over 100 countries. (Compl. Exh. C at 7). Ez-smoke.net ships only to the United States and Japan. (Compl. Exh. A at 8). Discount-cigarette-stores.com ships only within the United States. (Compl. Exh. B at 5). Ezsmoke.net specifically references New York in the description of how its products are shipped noting that "[b]ecause of the incidents in New York, U.S. mail service may be slower than usually."(Compl. Exh. A at 4).

In any event, the burden on the plaintiff is not to prove personal jurisdiction by a preponderance of the evidence but merely to make out a prima facie case. The factual allegations are sufficient to meet this burden. The U.S. Constitution's due process requirements for asserting personal jurisdiction are also satisfied as the application of N.Y. C.P.L.R. § 302(a) meets the minimum contacts requirements. *See United States v. Montreal Trust Co.*, 358 F.2d 239, 242 (2d Cir.1966). Accordingly, the motion to dismiss under Fed.R.Civ.P. 12(b)(2) is denied.

SUFFICIENCY OF PLAINTIFF'S LANHAM ACT CLAIMS

Defendants argue that plaintiff cannot state a claim for relief under the Lanham Act because the websites are selling genuine Phillip Morris-brand cigarettes and disclosing information that should render any consumer confusion impossible. Each of the defendants' websites post the following disclaimer informing purchasers of the origins of the Phillip Morris branded cigarettes for sale:

The Phillip Morris products being sold were not originally intended for sale in the United States and have been distributed by a company unaffiliated with Philip Morris. We do not participate in any Philip Morris marketing programs. As such this products [sic] does not contain 'Miles'. Further, we do not make any claim to ownership of the Philip Morris Trademarks or trade names.

(Compl. Ex. A, B and C). On this basis, defendants insist that U.S. consumers could not possibly mistake

the grey market cigarettes for those in the domestic market.

Plaintiff counters that cigarettes manufactured by its affiliate abroad are materially different from those made for and sold in the domestic U.S. market. (Compl.¶ 32). It further contends that the defendants' use of Philip Morris brand trademarks on their websites could also mislead consumers into believing that the websites are "endorsed, sponsored, operated by, or otherwise affiliated" with plaintiff.

Rule 12(b) (6) "tests, in a streamlined fashion, the formal sufficiency of the plaintiff's statement of a claim for relief without resolving a contest regarding its substantive merits."It "assesses the legal feasibility of the complaint, but does not weigh the evidence that might be offered to support it." *See AmBase Corp. v. City Investing Co. Liquidating Trust*, 326 F.3d 63, 72 (2d Cir.2003). Such a motion to dismiss may be granted only where "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim that would entitle him to relief." *Citibank, N.A. v. K-H Corp.*, 968 F.2d 1489, 1494 (2d Cir.1992). "Thus, the plaintiff is entitled to all reasonable inferences from the facts alleged." *McKenna v. Wright*, 386 F.3d 432, 436 (2d Cir.2004).

It is true that "the Lanham Act does not block reimportation and sale of genuine articles under their real trademarks." *See R.J. Reynolds Tobacco Co. v. Cigarettes Cheaper!*, 462 F.3d 690, 700 (7th Cir.2006) (citing *NEC Elec. v. CAL Circuit Abco*, 810 F.2d 1506 (9th Cir.1987)). However, "this principle does not apply if the domestic and foreign products are materially different, for then sale of the foreign product in the United States under domestic markets has a potential to mislead or confuse consumers about the nature or quality of the product they are buying; they will assume it to be the same as the normal domestic product and be disappointed ."*Id.* (citing *Lever Brothers Co. v. United States*, 877 F.2d 101 (D.C.Cir.1989), 981 F.2d 1330 (D.C.Cir.1993); *Société Des Produits Nestlé, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 641 (1st Cir.1992)).

Plaintiff suggests numerous ways that defendants' websites could mislead and confuse consumers with the Philip Morris trademarks defendants display, and the foreign-made Philip Morris brand cigarettes they sell (Pl. Memo. at 19). Defendants attempt to rely on their posted disclaimer to rule out all bases of consumer confusion that could arise from the foreign cigarettes they are selling into the United States. The stated disclaimer concerns the websites' lack of affiliation with plaintiff, lack of ownership rights over plaintiff's trademarks and the inability of U.S. purchasers to earn credit for a promotion program. However, the notice does not provide a basis for consumers to determine that the foreign cigarettes may be made under different quality control standards from domestic cigarettes sold under the same brand name in the United States, which plaintiff contends to be the case.[FN12] At least one of the defendants' websites in fact assures consumers that "there is no difference in quality of American and European [Marlboro] cigarettes" it sells.[FN13] The Court considers plaintiff's claim of a material difference in quality standards between foreign and domestic cigarettes bearing its trademarks to be a legally feasible contention without giving weight as to its substantive merits. Therefore, plaintiff's allegations are sufficient to raise an inference that defendants' sales of foreign Philip Morris brand cigarettes into the United States could be misleading to consumers, and therefore state a claim for relief under the Lanham Act.

> **FN12.** Plaintiff alleges that domestic cigarettes under its Philip Morris brands are subject to quality control measures, including "among other things, the shipping and storage of its products and the replacement of damaged and stale products," which "ensure [U.S .] consumers continue to receive the high-quality products they have associated with Philip Morris [trademarks and products] for decades. (Compl.¶ 23). But Philip Morris cigarettes that are manufactured and intend for sale abroad, "are not subjected to quality control measures appropriate for importation into the domestic market and, as a result, may often be stale or otherwise inferior when the products reach U.S. consumers."*Id.*

> **FN13.** Defendant Veles Inc. on its website, www.ez-smoke.net, posts the following assurance to its consumers: "Philip Morris produces Marlboro on [sic] their factories. There may be a small difference in taste, but there are no differences in the quality of American and European cigarettes sold in our store."(Compl. Exh. A. at 10).

CONCLUSION

The Defendant's motion to dismiss the complaint for inadequate service of process, lack of personal jurisdiction and failure to state a claim for relief under the Lanham Act is denied.

SO ORDERED.