

James B. Belshe (Utah State Bar No. 9826; E-mail: jbelshe@wnlaw.com)
Seth W. Black (Utah State Bar No. 12033; E-mail: sblack@wnlaw.com)
WORKMAN | NYDEGGER A PROFESSIONAL CORPORATION
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
Telephone: (801) 533-9800
Facsimile: (801) 328-1707

Attorneys for Plaintiff MICHE BAG, LLC

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

MICHE BAG, LLC., a Utah limited
liability company,

Plaintiff,

v.

ALLIE COMPTON, an individual,

Defendant.

Civil Case No. 2:09-cv-467 TS

**PLAINTIFF MICHE BAG, LLC'S
RESPONSE TO THE COURT'S ORDER TO
SHOW CAUSE**

HONORABLE TED STEWART
UNITED STATES DISTRICT JUDGE

Plaintiff Miche Bag, LLC (“Plaintiff”) and its counsel (“Plaintiff’s Counsel”) hereby submit the following Response to the Court’s Order to Show Cause Why Plaintiff’s Attorneys Have Not Violated Fed.R.Civ.P. 11. In its “Memorandum Decision and Order Granting Defendant’s Motion to Dismiss and Order to Show Cause Why Plaintiff’s Attorneys Have Not Violated Fed.R.Civ.P. 11 (“Order”) the Court expressed concern that Plaintiff’s Counsel may have violated their ethical responsibilities to the Court as set out in Utah Supreme Court Rules of Professional Practice 3.3(a)(2) with respect to the decision from Honorable Chief Judge

Campbell in *Miche Bag, LLC v. Cook*, 2009 WL 1707949. As demonstrated below, while Plaintiff's counsel now recognizes the Court's concerns, a detailed understanding of the circumstances surrounding this issue will show that that no such Rule 11 violation occurred because the allegations in this action included claims for tortious interference which were not present in *Cook*.

Beginning in April, 2009, Plaintiff initiated multiple actions in this Court against several different individuals for infringement of various Miche trademarks and other related torts. In several cases, specifically *Miche Bag, LLC v. Bothwell*, Civil Action No. 2:09-cv-00355-DAK ("Bothwell"), *Miche Bag, LLC v. Crane*, Civil Action No. 2:09-cv-00530-DB ("Crane"), *Miche Bag, LLC v. Delacruz*, Case No. 2:09-cv-00529 BCW ("Delacruz"), and *Cook* the claims were limited to trademark infringement allegations. In the action *Miche Bag, LLC v. Carney*, Civil Action No. 2:09-cv-00528 PMW ("Carney"), the allegations included both various trademark infringement claims and also a claim for breach of contract. Similarly, this case included not only various trademark infringement claims, but also a claim for tortious interference.

In both the Bothwell and Crane cases, Plaintiff has already obtained consent judgments of infringement and permanent injunctions. *See* Declaration of James Belshe in Response to the Order to Show Cause ("Belshe Dec."), Exhs. 1 and 2.

In *Cook*, the defendant moved for dismissal for lack of personal jurisdiction providing evidence that she had not sold product into Utah. After full briefing, Judge Campbell granted the defendant's motion. In light of Judge Campbell's decision, and because the facts and allegations of the Delacruz case were so similar to those of *Cook*, Plaintiff has already moved for voluntarily

dismissal of Delacruz which motion was granted by the Honorable Magistrate Judge Wells on July 20, 2009.¹ See Belshe Dec. Exh. 3.

In Carney, the defendants have also moved for dismissal for lack of personal jurisdiction. However, Carney involves more than simply the assertion that the defendants' actions on eBay constitute trademark infringement. The allegations also include a breach of contract claim (which give rise to independent grounds of jurisdiction). As such, Plaintiff has opposed the motion to dismiss. That motion is presently pending.

Similarly in this case, since the allegations of the complaint also included a claim for tortious interference with contract (which was not present in *Cook*), Plaintiff did not voluntarily dismiss and opposed Defendant's Motion to Dismiss.

Rule 3.3(a)(2) states, in pertinent part, that a lawyer shall not knowingly fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client. Similarly, Rule 11(b) of the Federal Rule of Civil Procedure provides that by "presenting to the court a pleading ... an attorney ... certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under circumstances ... the ... legal contentions are warranted by existing law."

In *Cook*, Judge Campbell found that where a defendant has advertised product for sale on eBay that such conduct action does not confer personal jurisdiction in Utah where that advertisement is accused of trademark infringement.

¹ Plaintiff has re-filed the Delacruz case in the defendants' home forum of Pennsylvania. Belshe Dec., ¶ 4.

In reviewing the decision in *Cook*, Plaintiff's Counsel simply did not think that the *Cook* decision was "directly adverse" to the arguments presented to this Court in Plaintiff's Memorandum in Opposition to Defendant's Motion to Dismiss for Lack of Personal Jurisdiction and Improper Venue ("Plaintiff's Opposition") or that such arguments were "unwarranted" as precluded by Rule 11(b). In this case the allegations include that Defendant was (or should have been) aware of Plaintiff's Distribution Contracts and that Defendant's actions induced the breach of one or more of those Distribution Contracts that was executed in this State. See Complaint at ¶¶ 47-51, Plaintiff's Opposition at 3. The actions taken by Defendant to induce the breach of these Distribution Contracts are not limited to merely the advertisement of product on eBay, but will include other conduct such as its interaction with third party distributor(s) and other marketing efforts which Plaintiff believes are ongoing. Plaintiff's counsel believed that claims related to inducement of breach of these contracts which allegedly caused harm to Plaintiff in Utah was sufficient, in and of itself to confer jurisdiction. See *Posner v. Essex Ins. Co., Ltd.*, 178 F.3d 1209, 1217 (11th Cir. 1999) (defendant's alleged tortious interference affected contracts that insured property in Florida and thereby created jurisdiction), *Janmark Inc. v. Reidy*, 132 F.3d 1200, 1202 (7th Cir. 1997) ("There is no tort without injury, and the state in which the injury (and therefore the tort) occurs may require the wrongdoer to answer for its deeds even if events were put in train outside its borders."), *Institutional Food Mktg. Assocs., Ltd. v. Golden State Strawberries, Inc.*, 747 F.2d 448, 453, 455 (8th Cir.1984) (commission of tortious act within the state includes extraterritorial acts that produce actionable consequences in Missouri), *Pohl, Inc. of America v. Webelhuth*, 201 P.3d 944, 952 (Utah 2008) ("Thus, to satisfy the long-

arm statute requirement, a plaintiff must allege only that the defendants caused a tortious injury in Utah and that the plaintiff's claims arise out of the tortious injury.”).

In hindsight, Plaintiff's Opposition did not effectively communicate the importance of Plaintiff's claim for tortious interference or why Defendant's actions of tortious interference subjected Defendant to personal jurisdiction by this Court (only some of which included the advertisement of product on eBay as in *Cook*). Had the facts of this case been the same as those in *Cook* then Plaintiff would have simply voluntarily dismissed this case in favor of Defendant's home forum (as it did in *Delacruz*). There was no attempt to hide or otherwise avoid Judge Campbell's decision in *Cook* because *Cook* did not address the issue of jurisdiction as it relates to claims of tortious interference where the actions of the defendant that caused harm in the forum state included more than merely advertising product on eBay. Instead, in attempting to balance the efficiencies inherent in related litigations and the cost of multiple actions, Plaintiff's Counsel simply failed to adequately focus the arguments sufficiently in this case to demonstrate why personal jurisdiction was proper because of the tortious interference claim. However, this failure to effectively communicate the significance of Plaintiff's tortious interference claim does not make the opposition to Defendant's Motion to Dismiss “unwarranted.”

As now shown, Plaintiff's Counsel believed that Judge Campbell's *Cook* decision did not address the issue of whether all of Defendant's actions related to Plaintiff's claim for tortious interference were insufficient to establish personal jurisdiction in this Court. Because of this, Plaintiff's counsel believed that its arguments were warranted by the existing law. As such, Plaintiff's Counsel respectfully asks the Court to find that no violation of Rule 11 has occurred and that sanctions related to this matter are not warranted under the circumstances.

DATED this 30th day of July, 2009

Respectfully Submitted,

/s/ James B. Belshe

WORKMAN | NYDEGGER

James B. Belshe

Seth W. Black

Attorneys for Plaintiff MICHE BAG, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing **PLAINTIFF MICHE BAG, LLC'S RESPONSE TO THE COURT'S ORDER TO SHOW CAUSE** was mailed via the United States Postal Service on this the 7th day of July, 2009 in an envelope addressed to the following:

Alexandra Nichole Compton
151 Hurwood Ave.
Merritt Island, FL 32953

I also hereby certify that a true and correct copy of the above and foregoing **PLAINTIFF MICHE BAG, LLC'S RESPONSE TO THE COURT'S ORDER TO SHOW CAUSE** was filed electronically with the Court. Parties may access this filing through the Court's case management electronic filing system. Notice of this filing will be sent to all counsel of record by the Court's electronic filing system on this the 30th day of July, 2009.

By: /s/ James B. Belshe
James B. Belshe