



November 2022

A newsletter brought to you by the Sports Law Group at Proskauer

Welcome to *Three Point Shot*, a newsletter brought to you by the Sports Law Group at Proskauer. *Three Point Shot* brings you the latest in sports law-related news and provides you with links to related materials. In this issue, we feature contributions from Eric Zilber, Danielle L. Brooks and Jiyeon Kim.

Your feedback, thoughts and comments on the content of any issue are encouraged and welcome. We hope you enjoy this and future issues.

Edited by **Robert E. Freeman**

Table of Contents

NBA Properties Lands Slam Dunk in Intellectual Property Win Heard Around the Globe	1
See You in the Octagon or See You in Court?	3
You Gotta Earn Your Stripes: Adidas Defends Its Mark against Fashion Brand	4
Postscript: Defamation Action Brought by Chess Grandmaster against Netflix Settled, Not Renewed for Another Season ...	6
Postscript: Following Big Victory in Court, Penn State and Marketer of Infringing Nittany Lion-Branded Goods Reach Final Settlement..	7

[Access previous issues of Three Point Shot.](#)

NBA Properties Lands Slam Dunk in Intellectual Property Win Heard Around the Globe

NBA Properties, Inc. (“NBAP”), the exclusive licensee of the National Basketball Association (“NBA”) and NBA teams’ distinctive trademarks, along with other major professional sports trademark rightsholder plaintiffs, deftly navigated procedural issues to a Seventh Circuit win on personal jurisdiction in a trademark infringement and counterfeiting action. In an unwavering opinion, the Seventh Circuit affirmed an Illinois district court’s default judgment against HANWJH, a foreign-based online retailer, ruling that it is subject to specific personal jurisdiction in Illinois when purposefully offering and shipping even one product to an investigator in that state. (*NBA Properties, Inc. v. HANWJH*, 46 F.4th 614 (7th Cir. 2022)). This procedural win – particularly over a foreign-based seller of counterfeit products – is notable for rightsholders that want to guard the basket against knockoff goods on e-commerce platforms and hold sellers responsible for unauthorized use of the holders’ marks.

In December 2020, NBAP brought a trademark infringement and counterfeiting action against a host of overseas online retailers and their seller aliases, including defendant HANWJH, alleging the sale of counterfeit merchandise bearing NBA and NBA team marks. NBAP contended that the intentional use of the marks was designed to mislead consumers into believing that they were buying authentic merchandise. According to the [complaint](#), the various overseas online retailers are interrelated entities and fraudulently register seller aliases by providing misleading and/or incomplete information to e-commerce platforms. Moreover, the complaint alleged that these retailers facilitated sales of counterfeit products by designing their e-commerce stores to appear to be authorized retailers, including “by copying the layouts, terms of service, legal notices and/or contact information found on the websites of [NBAP’s] authorized online retailers.” As part of the pre-suit investigation, an NBAP investigator accessed HANWJH’s online Amazon store and purchased a pair of basketball shorts for delivery in Illinois. HANWJH processed the sale and the product was delivered. Following receipt, the investigator filed an affidavit that HANWJH sold 205 infringing products (41 different basketball shorts in five sizes), available for purchase in Illinois, on its Amazon page.

Three Point Shot

NBAP called foul and, on December 18, 2020, filed a complaint against HANWJH and other foreign online retailers alleging two Lanham Act (15 U.S.C. § 1051, *et seq.*) claims, one for trademark infringement and counterfeiting (§ 1114) and one false designation of origin claim (§ 1125(a)), for infringing NBAP's trademarks by selling counterfeit products in its online stores. The plaintiffs sought an order for money damages and injunctive relief – including a request for an order transferring domain names hawking unlicensed merchandise, disabling stores on e-commerce platforms, and permanently barring infringing activities involving the plaintiffs' marks.

Defendant HANWJH called time and moved to dismiss the complaint, principally on jurisdictional grounds. HANWJH argued that it did not expressly aim any conduct at Illinois, and its only contact with the forum was related to what it deemed the “sham” transaction initiated unilaterally by NBAP. In making its case, HANWJH argued that: 1) it has no presence in Illinois and the mere operation of its website is not enough to establish commercial activity in the forum; 2) a single transaction through its website is insufficient to establish specific jurisdiction in the Illinois forum; and 3) ruling in favor of NBAP would offend traditional notions of fair play and substantial justice.

The district court was unpersuaded, [denying](#) the motion to dismiss in July 2021. In laying out its reasoning, the lower court found that “minimum contacts” with the state can be established when a product is sold through a website that allows customers to ship and receive said product. The court further opined that NBAP's reasons for purchasing the allegedly infringing products were not relevant to the personal jurisdiction analysis and the traditional notions of fair play and substantial justice were not violated. HANWJH willingly shipped an allegedly infringing product to Illinois and thus purposefully availed itself of the privileges of conducting business in the forum. HANWJH appealed the decision to the Seventh Circuit.

In August 2022, the appellate court [affirmed](#) the lower court's order, finding that the exercise of specific jurisdiction over HANWJH in Illinois was proper. After reviewing the “minimum contacts” principles established by *International Shoe* and its progeny, and applying

them to the facts of the contacts in this case, the court found multiple reasons why HANWJH's conduct was purposefully directed at Illinois. According to the court, HANWJH established an online store using a third-party retailer, Amazon.com. Through this online store, HANWJH asserted a willingness to ship goods to Illinois. When NBAP placed an order, HANWJH filled the order, and intentionally shipped an infringing product to the NBAP investigator's designated Illinois address.

HANWJH unsuccessfully argued that NBAP's agent manufactured jurisdiction by purchasing, through a single transaction, an infringing product. Making short shrift of this, the court reasoned that HANWJH targeted the Illinois market through its own activities and that NBAP's motivations for purchasing the item were irrelevant. Instead, the court focused on whether HANWJH purposefully directed its conduct at Illinois, not whether NBAP purchased “enough” items. The Seventh Circuit reasoned that NBAP's claims did not stem from a unilateral act of NBAP, rather HANWJH shipped a product to the forum after inviting orders from customers in Illinois and developing the capacity to fill said orders. Shutting down HANWJH's fast break, the Seventh Circuit found that HANWJH “cannot now point to its customers in Illinois and tell us, ‘It was all their idea.’”

The Seventh Circuit also stated that “the proper exercise of specific jurisdiction also requires that the defendant's minimum contacts with the forum state be ‘suit-related.’” Finding this satisfied, the court held that HANWJH met the threshold of relatedness for specific jurisdiction when it displayed listings of allegedly infringing products on Amazon and sold and shipped one product to Illinois. Here, the court found that HANWJH's listing and sale of a product online were related sufficiently to the harm of likelihood of confusion under the Lanham Act.

After establishing purposeful minimum contacts, the court ran through the factors of fair play and substantial justice. These included: the burden on the defendant, the forum state's interest in adjudicating the dispute, the plaintiff's interest in obtaining convenient and effective relief, the interstate judicial system's interest in obtaining the most efficient resolution of the underlying dispute and the shared interest of the several states in furthering fundamental substantive social policies. In its fourth quarter attempt to salvage its procedural argument,

Three Point Shot

HANWJH emphasized Illinois' allegedly weak interest in adjudicating this dispute. To this end, HANWJH characterized itself as a foreign party with only one documented sale in Illinois and highlighted that NBAP's principal places of business were outside Illinois. The court swatted away this full-court heave, noting that it is fair for a seller to defend a suit in a state where it structured its business to "easily serve the state's costumers" and "continues to gain so much." The court noted that NBAP, regardless of its principal places of business, had an interest in protecting its trademarks against confusion in Illinois and that HANWJH did not allege an unusual burden in defending the suit in the state.

By offering and shipping a product to Illinois, HANWJH was deemed to have availed itself of the Illinois market. Since it was found to have purposefully directed its actions towards Illinois, and there was no countervailing lack of fair play and substantial justice, the court found HANWJH was subject to specific personal jurisdiction in Illinois. Because of this, the Seventh Circuit affirmed the district court's judgment and NBAP's litigation victory. However, right before the buzzer sounded, HANWJH hurled a half-court shot, and on November 14, filed a [petition for certiorari](#) with the Supreme Court to review the Seventh Circuit's decision.

See You in the Octagon or See You in Court?

On October 26, 2022, the Appellate Division of the Supreme Court of the State of New York, Second Department, [revived](#) a four-year-old tort case against Ultimate Fighting Championship mixed martial arts ("MMA") fighter Conor McGregor ("McGregor" or "Defendant") and McGregor Sports and Entertainment LLC ("MSE" or "Defendant") (together, "Defendants") for assault, battery, and intentional infliction of emotional distress. (*Chiesa v. McGregor*, 2022 NY Slip Op 05982 (N.Y. App., 2nd Dept. Oct. 26, 2022)). The Appellate Division's decision reverses, in part, the lower court's 2019 dismissal of certain claims and its removal of MSE as a defendant.

The whole brouhaha began in a hotel lobby on April 3, 2018 after MMA fighter Artem Lobov ("Lobov"), a friend

of McGregor, publicly [accused](#) another MMA fighter, future UFC lightweight champion, Khabib Nurmagomedov ("Nurmagomedov") of ducking a fight with McGregor, which ultimately led to events resulting in Plaintiff getting injured. Upon catching wind of Lobov's and Nurmagomedov's exchange, McGregor sent Lobov a text that [read](#): "I'm on the way, I'm coming over, and I don't care what, when, who, why. I don't give a f---. You're my brother and I'm on the way over." Shortly thereafter, McGregor hopped on a plane from Ireland, where he had been at the time, to New York City, where Nurmagomedov was scheduled to appear for UFC 223 Media Day at the Barclays Center. Two days later in Brooklyn, McGregor was determined to find Nurmagomedov. Together with others, McGregor found some MMA fighters on a bus behind the arena and allegedly began screaming expletives and attacking the bus on which Nurmagomedov and the others, including Michael Chiesa ("Chiesa" or "Plaintiff"), sat. Chiesa claims that McGregor threw a steel dolly, metal chairs and barricades at the bus, shattering the windows and causing Plaintiff to endure facial lacerations and other injuries, which prevented him from competing in a MMA fight on April 7, 2018. Plaintiff alleged in his complaint that he also suffered from "substantial disappointment, depression, and other emotional damages" as a result of McGregor's actions. McGregor was arrested and later [pleaded guilty](#) to disorderly conduct.

Chiesa filed his personal injury [complaint](#) against McGregor and MSE, McGregor's sports management company, on September 10, 2018. If McGregor and MSE were going down for the actions taken on April 5, 2018 though, they were undoubtedly going down swinging. On November 30, 2018, McGregor and MSE sought to [dismiss](#) certain claims. Specifically, Defendants argued that Plaintiff's negligence and negligent and intentional infliction of emotional distress causes of action should be dismissed, and MSE argued the Kings County Supreme Court lacked personal jurisdiction over it. In September 2019, the court [granted](#) Defendant's motions.

The lower court stated that "Plaintiff's alleged injuries resulted solely from McGregor's *intentional* acts" (emphasis added), which by default, and under New York State law, meant Plaintiff could not, and failed to,

Three Point Shot

state any cause of action sounding in negligence against Defendants. The lower court also dismissed Plaintiff's intentional infliction of emotional distress claim as duplicative of the assault and battery claims. In addition, the lower court found for MSE on the personal jurisdiction issue. In his complaint, Plaintiff relied on New York's long-arm statute (CPLR §302(a)(2)), which provides, in part, that "a court may exercise personal jurisdiction over any non-domiciliary...who in person or through an agent...commits a tortious act within the state." Under New York precedent, to be considered an "agent" for purposes of CPLR §302(a), an individual must have "engaged in purposeful activities in the State in relation to a transaction for the benefit of and with the knowledge and consent of the defendant and the defendant must have exercised some control over the agent in the matter." In applying the statute to the allegations in the complaint, the lower court found that Plaintiff failed to include sufficient facts to allege that McGregor acted "for the benefit and with the consent and knowledge of MSE."

On October 7, 2019, Plaintiff [appealed](#) the decision of the lower court, and upon review, the Appellate Division reversed the decision, in part.

The Appellate Division affirmed the lower court's finding on the negligence claim, concluding that "negligence is distinguished from assault and battery by the absence of that intent which is a necessary ingredient of the latter," and "the only inference that may be drawn from the plaintiff's allegations is that the plaintiff's alleged injuries resulted solely from McGregor's intentional acts." The Plaintiff's negligent infliction of emotional distress claim failed for similar reasons.

To the contrary, the Appellate Division reversed the lower court's decision to dismiss Plaintiff's intentional infliction of emotional distress cause of action against McGregor. To make a prima facie showing for intentional infliction of emotional distress, the Appellate Division stated that a plaintiff must allege the defendant engaged in conduct "so outrageous in character, and so extreme in degree, as to go beyond all possible bounds of decency, and to be regarded as atrocious, and utterly intolerable in a civilized community." Looking at Plaintiff's claims detailing McGregor's tirade, the Appellate Division found Plaintiff did just that, and that the claim

was not duplicative of Plaintiff's other asserted assault or battery claims. In addition, the Appellate Division found Plaintiff sufficiently alleged in his amended complaint that McGregor was, in fact, an agent of MSE for purposes of New York's long-arm statute, as it ruled McGregor engaged in purposeful activities in New York on April 5, 2018 relating to a MMA fight. The Appellate Division stated that the incident was, in part, for the benefit of MSE, and MSE consented to McGregor engaging in such activities and further exercised some control over such activities by providing McGregor's transportation from Ireland to New York. Plaintiff even alleged in his amended complaint that the whole incident was a publicity stunt meant to create hype around a future bout in October 2018 ("UFC 229") between McGregor and Nurmagomedov, which MSE was affiliated with. All of this was enough to convince the Appellate Division to overturn the lower court's dismissal of claims against MSE for lack of personal jurisdiction.

Now that round two of this four-year case has come to an end, stay tuned to see whether Defendants will tap out or keep brawling in court. Interestingly, recall that this whole affair began over some grandstanding about Nurmagomedov's supposed reticence to fight McGregor back in April 2018. Six months later, [Nurmagomedov defeated McGregor](#) in a title fight at UFC 229, and eventually retired in 2021 as an undefeated champion. Nevertheless, outside the octagon, the parties in this litigation are still in a clinch.

You Gotta Earn Your Stripes: Adidas Defends Its Mark against Fashion Brand

[Adidas](#) will go to bat time and time again to defend its three-stripe trademark. In a [prior edition of Three Point Shot](#), we covered Adidas' legal battle against [Skechers USA, Inc.](#) ("Skechers") over Skechers' alleged infringement of Adidas' trademarks. The next man up is New York-based luxury fashion brand [Thom Browne Inc.](#) ("Thom Browne"). Last June, Adidas America, Inc. ("Adidas") came out swinging against Thom Browne in a [complaint](#) filed in New York district court arguing that Thom Browne's apparel features stripes "in a manner that is confusingly similar to Adidas' three-stripe mark." In October of this year, U.S. District Judge Jed Rakoff of

Three Point Shot

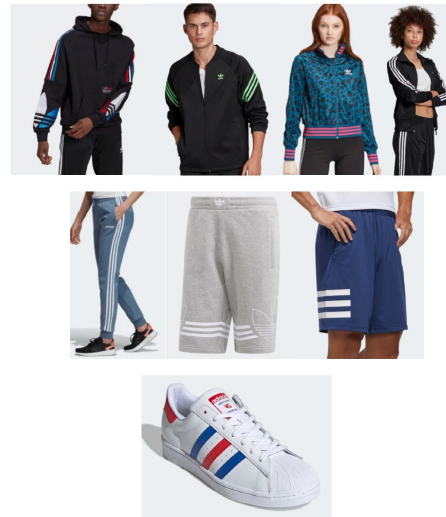
the Southern District of New York adopted the magistrate's earlier report and dismissed Thom Browne's counterclaim seeking cancellation of Adidas's three-stripe mark on the grounds that it was aesthetically functional and therefore ineligible for trademark protection. ([Adidas America, Inc. v. Thom Browne, Inc.](#), No. 21-05615 (S.D.N.Y. Oct. 18, 2022)).

The court's ruling is the latest call in a yearslong legal battle between the two companies. The quarrel dates back to 2007, when, according to Thom Browne's [Answer](#) in this case, Adidas allegedly first complained to Thom Browne about its three-stripe motif. The New York fashion house, known especially for its high end, tailored pieces, responded by adding a fourth stripe to its designs. According to Thom Browne, Adidas then stayed mum on the topic for almost a decade, from 2009 to 2018.

In 2018, however, Adidas decided it wouldn't go down without a fight. The Germany-headquartered sportswear giant targeted one of Browne's four-stripe marks in opposition proceedings before the EU Intellectual Property Office. Adidas also went on the offense; in 2019, [it attempted, but failed](#), to expand trademark protection for its three stripes in the EU to a [mark that consists of three parallel stripes applied in any direction](#). [Settlement discussions and mediation attempts](#) between the two brands, taking place over two years from 2018 to 2020, also failed. After other maneuvers by the parties, in June 2021 Adidas brought suit against Thom Browne in New York district court. Thom Browne not only laced up and staunchly defended against Adidas' trademark infringement, unfair competition, and dilution claims, but also struck back by challenging one of Adidas' three-stripe trademark registrations on the grounds of aesthetic functionality.

As *Three Point Shot* has reported, Adidas is known as "the Brand with the Three Stripes." The logo dates back to 1952. [For more background on the history of the Three-Stripe logo, see "[Three Stripes and You're Out in Adidas-Skechers Sneaker Trademark Row](#)", a piece published in the June 2018 edition of *Three Point Shot*.] In 2018, GQ released an [article](#) nicknaming Thom Browne the "other Three Stripes." While Adidas has been in the athletic shoes and apparel industry since the 20th century, Thom Browne only launched its first

activewear collection in 2020 after almost twenty years of releasing primarily high-end fashionwear. In its complaint, Adidas raises a flag specifically with respect to products from Thom Browne's activewear as examples of alleged infringement. [See below images from Adidas's complaint].



(Above: Adidas designs, from Adidas complaint)



[Above: Thom Browne designs, from Adidas complaint]

In response, in its [Answer](#), Thom Browne raised eighteen affirmative defenses and the aforementioned counterclaim seeking cancellation of one of Adidas's three-stripe marks. According to Adidas, it owns numerous federal registrations covering a three-stripe

Three Point Shot

design as applied to apparel, footwear, and other products. The registration challenged by Thom Browne covers an iteration of the three-stripe mark depicting three short right leaning diagonal quadrilaterals, a.k.a., stripes. [See below image of Adidas's challenged USPTO trademark, Registration No. 4,910,643]. Adidas then filed a motion to dismiss the counterclaim and certain affirmative defenses.



According to Second Circuit precedent, a mark is considered aesthetically functional (and therefore ineligible for trademark protection under the Lanham Act) if protection would limit the range of adequate alternative designs, making it significantly difficult for competitors to compete in the relevant market. When deciding whether or not a mark is aesthetically functional, “courts must carefully weigh the competitive benefits of protecting the source-identifying aspects of a mark against the competitive costs of precluding competitors from using the feature.” In its counterclaim, Thom Browne argued that Adidas’ trademark registration No. 4,910,643 (which it called the “Three-Quadrilaterals Design”) (see above image), was not limited in its registration to any particular length, orientation, or placement, is aesthetically functional, and should be cancelled. Thom Browne alleged that if clothing designers were not permitted to use parallel stripes on clothing, they would be put at a significant, non-reputation related disadvantage; Adidas countered that the challenged registration is limited to three stripes and merely covers an iteration of the three-stripe mark depicting three short right leaning diagonal quadrilaterals.

The Magistrate Judge’s September 2022 [report and recommendation](#), recommending that Adidas’s motion to dismiss be granted in part, and denied in part, was

adopted in full by Judge Rakoff in October 2022. Wearing a judicial robe with no stripes, the magistrate determined that Thom Browne missed the mark with its counterclaim. Instead of honing in on the three parallel stripes in question, the court noted that Thom Browne instead focused too broadly on the use of stripes generally or a trademark on all number and orientations of stripes, instead of keeping its argument specific to the challenged registration in question. (“Third party clothing designers use stripes,” Thom Browne stated in its Answer.) The counterclaim, based on a flawed theory, was dismissed with prejudice.

Adidas did not emerge undefeated from its tussle with Thom Browne, however. For example, Judge Rakoff refused to strike Thom Browne’s defense of laches, acquiescence, and estoppel. The court recognized that Thom Browne added a fourth stripe in response to Adidas’ complaint back in 2007, “literally stak[ing] its reputation” on the adjusted mark. Adidas’ reaction time of nine years following the change could have plausibly prejudiced Thom Browne, according to the court.

For now, Adidas’ trademark lives to see another day. For Adidas and its stripes, however, this appears to be just another tussle over its marks. Adidas is a fervent defender of its three-stripe mark and no stranger to the courtroom. It has been reported that, as of 2008, Adidas has had more than [325 infringement cases](#) over its Three-Stripe logo since 1955 (and additional suits, including the instant case, having been filed since then). Thus, it’s likely that the sportswear titan’s defense of its stripes will go on for another round.

Postscript: Defamation Action Brought by Chess Grandmaster against Netflix Settled, Not Renewed for Another Season

As we wrote in the [December 2021 issue of *Three Point Shot*](#), Nona Gaprindashvili (“Gaprindashvili” or “Plaintiff”), an 81-year-old Georgian woman and also the first female chess player to be awarded the title of Grandmaster in 1978, filed a complaint in a California district court in September 2021 against Netflix, Inc. (“Netflix”) for false light invasion of privacy and defamation per se as a result of an alleged defamatory line of dialogue about her in the final episode of the hit

Three Point Shot

miniseries [The Queen's Gambit](#). Months later, the court denied Netflix's motion to dismiss, finding that the line of dialogue in question was "reasonably susceptible of an interpretation which implies a provably false assertion of fact," a ruling which we detailed in the [February 2022 edition of Three Point Shot](#). Subsequently, in September 2022 the parties opted to take the conciliatory gambit and settled the matter. (*Gaprindashvili v. Netflix, Inc.*, No. 21-07408 (C.D. Cal. Stipulation of Dismissal Sept. 6, 2022)).

Postscript: Following Big Victory in Court, Penn State and Marketer of Infringing Nittany Lion-Branded Goods Reach Final Settlement

As we outlined in the [Summer 2022 edition of Three Point Shot](#), The Pennsylvania State University ("Penn State") roared to a resounding court victory over a business entity that had obtained Nittany Lion-related state trademark registrations and was offering infringing Penn State-branded craft beer and other products for sale. In its ruling, a Pennsylvania district court issued an order granting summary judgment to Penn State in March 2022 on its various trademark and cybersquatting claims and enjoined the defendant from using, selling, or creating any Penn State-related trademarks (and ordered that the defendant abide by the terms of the parties' confidential Settlement Agreement). It also ordered the cancellation of certain Penn State-themed state trademark registrations held by the defendant and the transfer to Penn State of any and all domain names that include any portion of Penn State's marks. In August 2022, the parties reached a confidential settlement addressing outstanding motions for attorney's fees and sanctions that, among other things, requires the defendant to comply with the injunctive relief previously ordered by the court and denies as moot Penn State's motion for attorney's fees. ([The Pennsylvania State University v. Parshall](#), No. 19-01299 (M.D. Pa. Consent Judgment Aug. 26, 2022)).

Three Point Shot

Proskauer has more than 50 years of experience counseling the world's premier sports organizations on their most critical and complex matters.

For more information about this practice area, contact:

Neil H. Abramson

+1.212.969.3001 – nabramson@proskauer.com

Elise M. Bloom

+1.212.969.3410 – ebloom@proskauer.com

Scott P. Cooper

+1.310.284.5669 – scooper@proskauer.com

Rob Day

+44.20.7280.2040 – rday@proskauer.com

Robert E. Freeman

+1.212.969.3170 – rfreeman@proskauer.com

Wayne D. Katz

+1.212.969.3071 – wkatz@proskauer.com

Jason Krochak

+1.212.969.3143 – jkrochak@proskauer.com

Joseph M. Leccese

+1.212.969.3238 – jleccese@proskauer.com

Adam M. Lupion

+1.212.969.3358 – alupion@proskauer.com

Jon H. Oram

+1.212.969.3401 – joram@proskauer.com

Kevin J. Perra

+1.212.969.3454 – kperra@proskauer.com

Bernard M. Plum

+1.212.969.3070 – bplum@proskauer.com

Howard Z. Robbins

+1.212.969.3912 – hrobbins@proskauer.com

Bradley I. Ruskin

+1.212.969.3465 – bruskin@proskauer.com

Bart H. Williams

+1.310.284.4520 – bwilliams@proskauer.com

This publication is a service to our clients and friends. It is designed only to give general information on the developments actually covered. It is not intended to be a comprehensive summary of recent developments in the law, treat exhaustively the subjects covered, provide legal advice, or render a legal opinion.

Proskauer.com

© 2022 PROSKAUER ROSE LLP. All Rights Reserved. Attorney Advertising.