

JURISDICTION IN THE INTERNET AGE

Introduction

The internet makes information available globally. Any individual with access to a computer linked to this network can become a worldwide publisher of print, audio and/or visual content. The internet also provides a new means to conduct business on a global scale that previously appeared limited to multinational corporations. This capability, in turn, has raised new risks for individuals and businesses.

It has only been a few years since courts began to address the tensions that exist between the lack of borders on the internet and jurisdiction under local laws. Conflicts and disputes once limited to the rarefied realm of international law are now common as a result of the expansion of the internet. The application of intellectual property and defamation rules is playing a central role in the developing internet case law. This evolution is interesting for several reasons, not the least of which is the fact that intellectual property protection and laws of libel and slander are generally limited by country; that is, they are for the most part national laws that, unlike the internet, do not often cross boundaries.

Treaties provide that the protection given to trademarks, patents and copyrights depend on the country where those rights are asserted; even where the laws are uniform, the enforcement is local. As a consequence, the bundle of rights that an intellectual property owner may claim are not internationally unvarying. While treaties may provide that member countries must provide a certain minimum level of protection, internet cases are showing that the lawful use of a proprietary work in one country may prove to be an infringing one in another. Cases involving defamation are starker. Few nations provide similar types of protections against defamatory torts as United States courts do under the umbrella of freedom of expression provided by the First Amendment to the U.S. Constitution.

In the pre-World Wide Web days, when publishers distributed content in more than one jurisdiction (such as in television or in magazines), they did so knowingly and intentionally. That allowed publishers and producers, or their distributors, to review and consider the use of their content and information in light of the laws in the jurisdictions where the content would be released for public consumption. Similarly for the sale of goods, a producer would intentionally put its goods on sale in specific jurisdictions, either directly or through a distributor. When a website is used, publication and distribution are not necessarily limited to one country, or even selected countries. Whether they like it or not, this causes website “publishers” and “businesses” to have to cope with worldwide laws and presence.

This paper will attempt to clear away some of the confusion surrounding these issues by focusing on a few cases where the internet and jurisdiction were central. As will be shown, even

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though the developments may still be new and subject to challenge, some patterns are already emerging.

Jurisdiction As A Prerequisite To Relief

Once an infringement or defamatory statement has been located on the internet, one of the first issues to consider is jurisdiction. Any dispute must be brought in a forum that has, to use the terms of American courts, both personal jurisdiction (power over the parties in the dispute) and subject matter jurisdiction (power to address the particular dispute) over the claim(s) asserted. If a court's power over the potential defendant(s) is questionable, any attempt to achieve prompt relief can and likely will be challenged, resulting in a delay at the outset of the dispute.

The United States has been at the forefront of internet issues for several reasons. It is a leading developer and user of the internet. It is made up of distinct jurisdictions (i.e. the fifty States, the District of Columbia and U.S. Possessions) that exist in the U.S., and has a wide array of international trading partners. As a result, there is a large body of jurisprudence in the area of jurisdiction in the United States. Nevertheless, personal jurisdiction is and has been a complex issue, as seen by the fact that the United States Supreme Court has addressed it numerous times.¹

The United States

The problem of establishing personal jurisdiction over a foreign defendant obviously predated the appearance of the internet. The U.S. Supreme Court articulated the current standard for personal jurisdiction as early as 1945 in *International Shoe Co v. Washington* as follows:

[D]ue process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain *minimum contacts* with it such that the maintenance of the suit does not offend "traditional notions of fair play and substantial justice."²

The internet presents new problems in asserting jurisdiction because it allows individuals and businesses to travel a "virtual" world -- enabling them to be everywhere and nowhere at any given moment. These new problems have caused courts to stretch definitions and define new terms. As stated in one of the early internet jurisdiction cases, "The internet represents perhaps the latest and greatest manifestation of . . . historical, globe-shrinking trends."³

A U.S. federal court must adhere to the laws of the jurisdiction in which it sits.⁴ That means that under most circumstances, the law of the state where the federal court sits will be the

¹ See, e.g., *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985); *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984); *World Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980); *International Shoe Co v. Washington*, 326 U.S. 310 (1945).

² *International Shoe Co v. Washington*, 326 U.S. 310, 316 (1945) (emphasis added).

³ *CompuServe v. Patterson*, 89 F.3d 1257, 1262 (6th Cir. 1996).

⁴ See, e.g., *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S.102 (1987).

one applied by the court. Adding to the complication is that jurisdictional long-arm statutes (i.e. laws that allow a court to assert personal jurisdiction over those not residing in the state) differ from state to state. Thus, acts sufficient to create personal jurisdiction in one state may be insufficient to establish personal jurisdiction in another state.⁵ This dilemma assumes increased import with regard to the internet.

In New York, for example, personal jurisdiction requires that the defendant “expect[] or should reasonably expect the act to have consequences in the state.”⁶ If creating and posting a website itself is considered the “act” under New York law, any website owner *anywhere in the world* would have to be versed in the case law analyzing New York’s personal jurisdiction precedent. Assuming that website users may originate from every jurisdiction, it follows, then, that a website owner could have to anticipate the laws of every jurisdiction. This unrealistic requirement would lead to “nationwide jurisdiction over the Internet,”⁷ an almost impossible result and likely one that would violate the requirements of due process of law under the U.S. Constitution. However, as shall be seen, this is not a view that has been universally shared or considered, even in the U.S.

In 1985, in the case of *Burger King Corp. v. Rudzewicz*, the U.S. Supreme Court acknowledged that “[i]t is an inescapable fact of modern commercial life that a substantial amount of commercial business is transacted solely by mail and wire communications across state lines, thus obviating the need for physical presence within a State in which business is conducted.”⁸ It was unlikely that the Supreme Court at that time could foresee just how far the internet would take this statement. Nevertheless, relying on the Supreme Court’s directives in *Burger King*, federal courts have explained that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the internet.⁹

Not surprisingly, courts have been perplexed by the application of pre-internet personal jurisdiction standards to internet related litigation. This confusion manifests itself in a body of incongruent and disconcerting case law. In the United States, however, a trend appears to be emerging as illustrated by the following cases.

Trends

In April of 1996, the owner of a Missouri jazz club posted a site on the World Wide Web to promote his club, The Blue Note.¹⁰ The site contained general information about the club,

⁵ See *Digital Equipment Corp. v. Alta Vista Technology, Inc.*, 960 F. Supp. 456, 462 (D. Mass. 1997) (“Physical boundaries typically have framed legal boundaries, in effect creating signposts that warn that we will be required after crossing to abide by different rules.”).

⁶ New York C.P.L.R. § 302(a)(3)(ii).

⁷ *The Hearst Corp. v. Goldberger*, No. 96 Civ. 3620, 1997 U.S. Dist. LEXIS 2065, at *48 (S.D.N.Y. Feb. 26, 1997).

⁸ *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 (1985).

⁹ *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

¹⁰ *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295, 296 (S.D.N.Y. 1996), *aff’d*, 126 F.3d

including ticket information and a calendar of events. Bensusan, the plaintiff in the case, owned the famous THE BLUE NOTE jazz club located in the Greenwich Village neighborhood of New York City. Because the website was accessible in New York, Bensusan sued King, the owner of the Missouri club, claiming King was infringing Bensusan's rights in its trademark THE BLUE NOTE.¹¹ King responded by filing a motion to dismiss for lack of personal jurisdiction pursuant to the U.S. Federal Rules of Civil Procedure.¹²

In its analysis of King's motion, the Federal District Court for the Southern District of New York emphasized the nature of King's website. In particular, the court stressed that King's website solely provided information to individuals who visited the site. The website neither sold products nor services.¹³ Thus, the court reasoned, if a website user located in New York wished to attend a show in King's club, the user had to place a telephone call to a ticket agent in Missouri. Furthermore, to obtain the ordered tickets, the user had to travel from New York to Missouri.¹⁴

In granting King's motion to dismiss for lack of personal jurisdiction, the court stated that "[t]he mere fact that a person can gain information on the allegedly infringing product is not the equivalent of a person advertising, promoting, selling or otherwise making an effort to target its product in New York."¹⁵ The court continued: "Creating a site, like placing a product into the stream of commerce, may be felt nationwide -- or even worldwide -- but, without more, it is not an act purposefully directed toward the forum state."¹⁶ Finally, the court explained that Bensusan's argument that King should have foreseen that users could access the site in New York did not satisfy the requirements of due process.¹⁷

25 (2d Cir. 1997).

¹¹ *Bensusan*, 937 F. Supp. at 296.

¹² Fed. R. Civ. P. 12(b)(2).

¹³ *Bensusan*, 937 F. Supp. at 299.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 301.

¹⁷ *Id.* Mr. Justice Jacob of the English High Court of Justice used slightly more florid language to make the same point: "Mr. Hobbs submitted that any use of a trade mark on any website, wherever the owner of the site was, was potentially a trade mark infringement anywhere in the world because website use is in an omnipresent cyberspace: that placing a trade mark on a website was 'putting a tentacle' into the computer user's premises. I questioned this with an example: a fishmonger in Bootle who put his wares and prices on his own website, for instance for local delivery, can hardly be said to be trying to sell fish to the whole world or even the whole country. And if any web surfer in some other country happens upon that website he will simply say 'this is not for me' and move on. For trade mark laws to intrude where a website owner is not intending to address the world but only a local clientele and where anyone seeing the site would so understand him would be absurd. So I think that the mere fact that websites can be accessed anywhere in the world does not mean, for trademark purposes, that the law should regard them as being used everywhere in the world." *1-800 Flowers Inc. v. Phonenames Ltd.*, [2000] E.T.M.R. 369 (H.C.J.).

In January 1997, a Federal District court judge in the Western District of Pennsylvania proffered his interpretation of the due process requirements for purposes of internet communications. In *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*,¹⁸ a manufacturer of tobacco lighters sued an internet news service for trademark dilution, infringement and false designation under the Lanham Act, the United States' federal trademark law.¹⁹ The plaintiff manufacturer was located in Pennsylvania, while the defendant was in California.

Zippo Dot Com ("Dot Com") maintained a website which advertised the company's internet news service. Within the site itself were three levels of membership, each successive level offering access to a greater number of internet newsgroups than the preceding level.²⁰ A website user visiting Dot Com's site filled out an on-line application, as well as paid a user fee, to attain access to the "higher rung" levels of internet newsgroups.²¹

Distinguishing Dot Com's activities from those of the defendant in *Bensusan*, the court held that Dot Com's activities constituted "doing business" in Pennsylvania.²² As opposed to King's passive activities in *Bensusan*, Dot Com's website enabled Dot Com to contract with thousands of individuals and businesses located in Pennsylvania.²³ Dot Com processed Pennsylvania residents' applications and assigned those residents passwords, "presumably in order to profit from those transactions."²⁴ Thus, Dot Com's conscious choice to conduct business in Pennsylvania subjected Dot Com to jurisdiction in Pennsylvania.²⁵

The *Zippo* decision might have soon been forgotten were it not for the court's attempt to reconcile a string of cases that involved the assertion of personal jurisdiction based on defendant's internet website. In arriving at his decision, Federal District Judge Sean J. McLaughlin stated:

[O]ur review of the available cases and materials reveals that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet. This sliding scale is consistent with well developed personal jurisdiction principles. At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information

¹⁸ 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

¹⁹ 15 U.S.C. §§ 1051-1127.

²⁰ *Zippo*, 952 F. Supp. at 1121.

²¹ *Id.*

²² *Id.* at 1125.

²³ *Id.*

²⁴ *Id.* at 1126.

²⁵ *Id.* at 1127.

available to those who are interested in it is not grounds for the exercise of personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.²⁶

Several federal district courts and courts of appeal have since adopted the sliding scale approach announced in *Zippo*, to the point where it has become the majority rule in the United States on the question of personal jurisdiction based on an internet website.²⁷ However, a minority view may also have arisen: in certain circumstances, the availability of a passive website can be a factor in finding personal jurisdiction over a defendant.²⁸ The case most frequently cited for the position was even cited and discussed (albeit weakly) by Judge McLaughlin in *Zippo* to support his reasoning.²⁹ That case is *Inset Systems, Inc. v. Instruction Set, Inc.*³⁰

Inset Systems is a weak case from which to build a theory of internet personal jurisdiction. The plaintiff brought suit against a competitor using its trademark as defendant's domain name.³¹ The defendant, while not having any of the usual connections to plaintiff's state of Connecticut, such as an office, sales force or employees, did have a website and a 1-800 toll-free telephone number that was available nationwide.³² In going through the *International Shoe* minimum contacts analysis, the court seemed impressed by the fact that the website, unlike other traditional forms of advertising, such as radio and television, was available for access at all times.³³ This, added with the fact that defendant was based in the adjoining state of Massachusetts, at a distance the court found to be "minimal," led the court to find the necessary minimum contacts to assert personal jurisdiction over the defendant.³⁴ The court's analysis is sparse, if not oblivious to the potential implications of the defendant being haled into any court in the United States based on a website and toll free telephone number. Yet, the attractiveness of a rule whereby a party can be subject to the jurisdiction of a court simply because residents in the

²⁶ *Id.* at 1124 [citations omitted].

²⁷ See *GTE New Media Services Inc. v. BellSouth Corp.*, 199 F.3d 1343 (D.C. Cir. 2000); *Mink v. AAAA Development LLC*, 190 F.3d 333 (5th Cir. 1999); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997).

²⁸ *Bunn-O-Matic Corp. v. Bunn Coffee Services Inc.*, 46 USPQ2d 1375 (C.D. Ill. 1998); *Telco Comms. v. An Apple A Day*, 977 F. Supp. 404 (E.D. Va. 1997); *SuperGuide Corp. v. Kegan*, 44 USPQ2d 1770 (W.D.N.C. 1997).

²⁹ *Zippo*, 952 F. Supp. at 1125 (characterizing *Inset Systems, Inc. v. Instruction Set, Inc.* as "the outer limits of the exercise of personal jurisdiction based on the Internet.").

³⁰ 937 F. Supp. 161 (D. Conn. 1996).

³¹ *Id.* at 163.

³² *Inset Systems*, 937 F. Supp. at 164.

³³ *Id.* at 165.

³⁴ *Id.*

court's jurisdiction can access that party's website has proven difficult to resist. It is an easy rule to apply;³⁵ but with such simplicity can come devastating results.

International Jurisdiction

Courts and tribunals, like all arms of government, have traditionally been sensitive to encroachment on their jurisdiction by other authorities. The very concept of sovereignty, and of nations, a central feature in international law, is based on the power a nation has in governing and regulating its affairs within its territorial borders. As jurisdictional concepts have extended the reach of the courts beyond their borders to acts of non-residents that have an impact inside their borders, international law and concepts such as "minimum contacts"³⁶ have arisen to limit how far a court may go in asserting its jurisdiction and power extraterritorially. The ease with which the internet allows individuals and entities to cross boundaries only serves to lay bare again and again the tensions that exist between jurisdictions when asserting their authority over the borderless internet.

One of the concerns a court must face when dealing with internet issues is the impact its decision will have outside its borders. Many internet cases involve requests for injunctive relief, and courts have had a difficult time in sidestepping the implications of their decisions. By granting an injunction, the court is effectively forbidding a party from conducting its affairs worldwide despite issuing an injunction that is effective in just that country. The iCraveTV.com controversy is emblematic of such a situation.

In November 1999, iCraveTV.com began making available over the internet television signals from several television stations.³⁷ The signals that were being streamed at iCraveTV.com were of both United States and Canadian origin.³⁸ TVRadioNow Corp., a Canadian company operating out of Ontario, Canada and doing business as iCraveTV.com, was retransmitting signals that would otherwise have been available to many Ontario cable television subscribers.³⁹ In the ensuing litigation for copyright and trademark infringement brought in the Federal District Court of the Western District of Pennsylvania, iCraveTV.com asserted that its activities were permissible under Canadian law.⁴⁰ Nevertheless, the plaintiffs in the case, including several motion picture studios, television networks and sports leagues, moved for a preliminary injunction to stop iCraveTV.com from webcasting their copyrighted programs over the internet prior to trial. In granting the injunction, the court sidestepped the question of Canadian law by

³⁵ It has recently been reported that a French court has enjoined Yahoo from making available Nazi memorabilia at Yahoo's online auction site, a ruling that could, in effect, bar sales of such goods worldwide if no means can be taken to bar such access in France (and presumably any other nations prohibiting the sale or display of certain Nazi insignias).

³⁶ See *supra* note 3.

³⁷ *National Football League v. TVRadioNow Corp.*, 53 USPQ2d 1831 (W.D. Pa. 2000).

³⁸ *Id.* at 1834.

³⁹ *Id.* at 1833.

⁴⁰ *Id.* at 1837. See also Samantha Yafee, *Casters, prods sue iCraveTV*, PLAYBACK, February 7, 2000, at 3 (reporting that a group of Canadian broadcasters and producers had filed a lawsuit for copyright infringement against iCraveTV.com on January 31, 2000).

stating “because plaintiffs seek relief under U.S. law for infringements of the U.S. Copyright Act, there is no need for this Court to address any issue of Canadian law.”⁴¹

Unfortunately, the court’s decision in the iCraveTV.com case did more than just ignore Canadian law, it also failed to consider how an injunction would have an impact beyond its borders. If the defendants had been able to show that retransmission of the television signals was legal in Canada, the U.S. court would have been faced with an obvious quandary: enjoining a Canadian company webcasting from its servers in Canada. However, because several of the defendants involved were found to be doing business in the United States, the court had personal jurisdiction over the defendants and could thereby exert its powers against those defendants.⁴² If personal jurisdiction had been lacking, plaintiffs might have had to seek relief for infringement of their U.S. copyrights and trademarks in Canada.⁴³ A Canadian court would not likely have been so quick to ignore the legality of iCraveTV.com’s activities in Canada in reaching its decision.

In October 1999, just a month before iCraveTV.com went online, the Canadian Copyright Board stated the following: “[t]o occur in Canada, a communication must originate from a server located in Canada on which content has been posted.”⁴⁴ The Board’s holding was in the context of determining the appropriate tariff to be collected and paid to composers and music publishers for the public performance of their musical works via the internet under the Canadian Copyright Act. While it is likely that iCraveTV.com would eventually have had to pay monies under such a tariff (and other potentially applicable tariffs yet to be set) to Canadian copyright holders, until the tariff was set, some Canadian commentators were of the view that the Copyright Act of Canada essentially exempted iCraveTV.com’s activities from claims for copyright infringement.⁴⁵ The differences in how collective rights societies and agencies work and how copyright tariffs are set and governed in Canada can often seem alien to courts and lawyers in the United States. At least for the iCraveTV.com controversy, the question of legality in Canada will not be answered as both the U.S. and Canadian actions were quickly settled after the preliminary injunction was granted by the Federal District Court in Pennsylvania.⁴⁶

Something of a converse of the iCraveTV.com situation has occurred in Canada’s Federal Courts. Two cases involved the rights in the “Yellow Pages” and its French-language translation “Les pages jaunes.”⁴⁷ The Yellow Pages were, and are, the yellow colored pages in telephone directories, or separate telephone directories, which include advertising for products and services listed by type of product or service. Most U.S. intellectual property lawyers will know that the trademarks in the Yellow Pages are in the public domain in the United States. This means that the “Yellow Pages” can be used by anyone in their business, particularly those

⁴¹ *National Football League*, 53 USPQ2d at 1837.

⁴² *Id.* at 1835.

⁴³ *See Armstrong v. Virgin Records Ltd.*, 54 USPQ2d 1539 (S.D.N.Y. 2000).

⁴⁴ *Re Tariff 22, Internet* (1999), 1 C.P.R. 4th 417.

⁴⁵ *See National Football League*, 53 USPQ2d at 1837.

⁴⁶ *See Susan Tulusso, iCrave shuts down website operations*, PLAYBACK, March 6, 2000 at 2.

⁴⁷ *See, e.g., Bell Actimedia Inc. v. Puzo* (1999), 2 C.P.R. 4th 289 (F.C.T.D.); *Tele-Direct (Publications) inc. v. Canadian Business Online Inc.* (1998), 83 C.P.R. 3d 34 (F.C.T.D.).

who provide “Yellow Pages” telephone directories. However, in Canada, these trademarks are not in the public domain. Instead, they have acquired a substantial amount of good will for their owners, as some U.S. defendants found out.

In the *Tele-Direct* case, the defendants were the U.S. incorporator of a Canadian company called Canadian Business Online Inc., the business he incorporated and a U.S. company named Canadian Yellow Pages on the Internet Inc. The plaintiff sued and obtained several interim injunctions (like U.S. temporary restraining orders) and an interlocutory injunction (an injunction until trial) ordering the defendants to stop use of the Yellow Pages trade-marks on the internet.⁴⁸ When the defendants failed to comply with the orders of the Federal Court of Canada, the plaintiff moved to have the defendants show cause why they should not be held in contempt. For reasons the decision of Justice Teitelbaum does not explain, a motion brought by the U.S. corporate defendant regarding the Federal Court of Canada’s jurisdiction to render orders against a foreign corporation was dropped during the contempt hearing.⁴⁹ However, in holding the defendants in contempt, the court stated that “[t]he defendants ‘cannot do by the back door what they cannot do by the front door’, that is, attempt, by using U.S. based corporations to use, in Canada, plaintiffs’ registered trade-marks.”⁵⁰

The other case involving the Yellow Pages trade-marks (in Canada) had the Canadian defendants arguing to the Federal Court of Canada that any injunction should be explicitly limited to Canada.⁵¹ The *Bell* case involved Bell Actimedia seeking to enjoin the defendants from using its trade-marks and the domain name “www.lespagesjaunes.com” on the internet. The court did not directly address the defendants’ argument; however, the court did not limit the injunction to Canada. It simply remained silent on the transnational scope of the injunctive relief granted.

What the *Tele-Direct*, *Bell* and *iCraveTV* cases show is that an injunction issuing against defendants can have a profound impact. All the injunctions were issued prior to trial on the merits, all the defendants were forced out of the business in question, and the injunctions were, explicitly or not, worldwide in effect. In these cases, the borderless nature of the internet became a two-edged sword; the ease with which information can be disseminated and business conducted is at once an advantage and a disadvantage. As it becomes increasingly evident that what is legal in one territory may be illegal in another, the risks in a court making the wrong decision have increased. This is why courts and tribunals are struggling to find a coherent approach to the assertion of jurisdiction where the internet is involved.

Jurisdiction Accepted and Rejected

Initially, academic discussion of how jurisdiction could best be asserted in internet matters was limited to a choice between (i) the country where the internet website’s server was located and (ii) the country where the internet website was doing harm. The problem with the

⁴⁸ *Tele-Direct*, 83 C.P.R. 3d at 37.

⁴⁹ *Id.* at 36.

⁵⁰ *Id.* at 50.

⁵¹ *Bell Actimedia Inc. v. Puzo* (1999), 2 C.P.R. 4th 289 (F.C.T.D.).

first approach is that the crafty website owner could choose to base its operations in a nation with little or no intellectual property laws or rules on defamation. The problem with the latter approach has already been seen: the prospect of worldwide jurisdiction over the website owner. More sophisticated approaches have been considered, including one where jurisdiction is appropriate where the parties have the most significant relations. A good example of this approach is found in *Braintech, Inc. v. Kostiuk*.⁵²

Braintech involved an attempt to enforce a default judgment obtained in the State of Texas against a resident of the Canadian Province of British Columbia.⁵³ Braintech was incorporated in the State of Nevada and did business in several U.S. States, including, at some point, Texas.⁵⁴ Braintech sued Mr. Kostiuk in state court in Texas for publishing defamatory information about Braintech on the internet.⁵⁵ When Mr. Kostiuk did not appear to defend against Braintech's claims, the court granted judgment for Braintech in the amount of U.S.\$300,000.00.⁵⁶ After obtaining judgment against the defendant to enforce the Texas decision in a summary trial in the Supreme Court of British Columbia, Mr. Kostiuk appealed to the British Columbia Court of the Appeal, the Province's highest court.⁵⁷ The Court of Appeal allowed the defendant's appeal under principles of comity.⁵⁸

Traditionally, comity has been one way courts of one jurisdiction have respected the power and judgment of courts from other jurisdictions. As described by the United States Supreme Court over a century ago:

'Comity' in the legal sense, is neither a matter of absolute obligation, on the one hand, nor mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws . . .⁵⁹

In its decision, the British Columbia Court of Appeal exhibited a pronounced concern that a plaintiff, which had substantial operations and its head office in British Columbia,⁶⁰ obtained a default judgment in a Texas court against another British Columbia resident.⁶¹ Under

⁵² [1999] 171 D.L.R. 4th 46 (B.C.C.A.).

⁵³ *Id.* at 47-48.

⁵⁴ *Id.* at 49, 62.

⁵⁵ *Id.*

⁵⁶ *Id.* at 48.

⁵⁷ *Id.* at 48-49.

⁵⁸ *Id.* at 63-64.

⁵⁹ *Id.* at 59 (quoting from *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895)).

⁶⁰ *Id.* at 62-63.

⁶¹ The subtlety and sub-text of the Court's opinion should not be overlooked. The Court of Appeal discussed a prior Supreme Court of Canada case, *Amchem Products Inc. v. British Columbia (Workers' Compensation Board)*, [1993] 1 S.C.R. 897, in arriving at its decision where the fact that the doctrine of *forum non conveniens* had been abolished in Texas was

Supreme Court of Canada jurisprudence, “a real and substantial connection with the action”⁶² is required before a court should assert jurisdiction over parties with a dispute before it. Because the court found that the real and substantial connection for the claim between the parties lay in British Columbia, the Court of Appeal decided that comity should not apply to the Texas judgment and reversed the judgment of the B.C. Supreme Court.⁶³

A close reading of the *Braintech* case could lead one to wonder if the Court of Appeal was not appalled at the blatant forum shopping conducted by the plaintiff in choosing to pursue its claim in a Texas court. On the other hand, it is difficult to understand why a company with headquarters in Vancouver would sue another Vancouver resident in Texas, even if, although it is not stated, the alleged defamatory words appeared on a server in Texas. As the court stated in support of its reasoning:

It would create a crippling effect on freedom of expression if, in every jurisdiction the world over in which access to the Internet could be achieved, a person posts fair comment on a bulletin board could be haled before the courts of each of those countries where access to this bulletin could be obtained.⁶⁴

Thus, the British Columbia Court of Appeal’s approach is one where jurisdiction is appropriate where the parties have the most significant relations. Using this approach raises the question of whether the iCraveTV.com controversy should have been decided in a Pennsylvania court.⁶⁵

reviewed. *Id.* at 59-60. *Forum non conveniens* is a discretionary power a court has to refuse to hear a case when the convenience of the parties and the ends of justice would be better served if the case were heard in another forum. In nations as large as the United States and Canada, “where” a party has to appear to defend a matter can have a substantial impact on the outcome of the proceedings. *See also Paramount Pictures Corp. v. Starwon Enterps. Pty Ltd.* (1998), 42 I.P.R. 86 (F.C.) (Australia).

⁶² *Id.* at 57.

⁶³ *Id.* at 62-64.

⁶⁴ *Id.* at 61.

⁶⁵ For a more difficult result, see *Berezovsky v. Michaels*, [2000] 1 W.L.R. 1004 (H.L.). The British House of Lords splintered 3-2 on the question of whether London was the appropriate forum for a libel case involving a former high level Russian governmental official and a Russian business associate. The alleged libel was published in a magazine from the United States, but circulation of the magazine was limited to thirteen subscriptions in Russia. The Russian plaintiffs chose to sue in London, where, for purposes of the proceedings to set aside the writ to serve the U.S. defendants, it was agreed that the circulation in the United Kingdom would have been seen by six thousand readers (compared to a circulation of 785,710 in North America). The plaintiffs, whose connections to England had been determined to be “tenuous,” appealed the refusal to allow service on the U.S. defendants. In an unusually strident dissent to the opinions to allow the appeal, Lord Hope of Craighead stated: “It would be a matter for regret if orders for service on publishers out of the jurisdiction were to be regarded as available on demand to those who have established international reputations by things said or done elsewhere, who have formed no long-standing or durable connections with this country by residence or by locating any of their businesses here and who are unable to demonstrate that the publication has had a

Jurisdiction in Perspective and some Alternatives

Much of the discussion on jurisdiction in this paper has been limited to common law countries. This may be appropriate to the extent that use of the English language on the internet is still commanding and that a vast majority of English-speaking nations are common law jurisdictions. However, for those civil law countries and nations that follow different approaches to jurisdiction, the discussion so far may appear somewhat academic. For example, in many civil law nations, the applicable jurisdictional concept applied is *actor sequitur forum rei*, (i.e. the plaintiff follows the forum of the defendant's residence).⁶⁶ However, this is not a uniform rule either.⁶⁷ For example, facing severe criticism over the potential impact of its work to update and codify the 1968 Brussels Convention, the European Parliament recently approved a measure whereby consumers would be able to sue foreign internet commerce entities in the consumers' home country.⁶⁸ The concern was that consumers should not have to go to another country to sue for defective wares purchased and delivered to them. In this respect, the jurisdictional rule is not different than it would be for specific jurisdiction under a minimum contacts analysis in the U.S.⁶⁹

One of the important developments in regards to disputes involving control of domain names has been the creation of the Uniform Domain Name Dispute Resolution Policy (The "UDRP"). The UDRP provides trademark owners the opportunity to settle domain name ownership challenges outside the court system.⁷⁰ Created by the Internet Corporation for

material effect upon business or other transactions by them located only in this country. The interests of all the parties and the ends of justice would suggest that the case should be tried elsewhere." Lord Hoffman, also in dissent, stated: "The plaintiffs are forum shoppers in the most literal sense." *Berezovsky v. Michaels*, [2000] 1 W.L.R. 1004 (H.L.).

⁶⁶ See Kai Burmeister, *Jurisdiction, Choice of Law, Copyright and the Internet: Protection against Framing in an International Setting*, 9 FORD. I.P. MEDIA & ENT. L.J. 625, at fns. 44&45 (1999).

⁶⁷ See *Mecklermedia Corp. v. DC Congress GmbH*, [1998] 1 All ER 148 (Ch. D.) (U.K.) (German defendant before English court. Court refused to stay proceedings or decline jurisdiction).

⁶⁸ Rick Perera, *EU Strengthens Consumers' E-Commerce Rights*, THE STANDARD, September 22, 2000, available at www.thestandard.com/article/display/0,1551,18776,00.html?nl=dnt (visited on September 22, 2000).

⁶⁹ See *supra* note 27 the accompanying text.

⁷⁰ Claims involving domain name disputes have arisen in practically every country, but published court decisions remain rare outside of the United States. See e.g. *Yahoo! Inc. v. Akash Arora*, [1999] F.S.R. 931 (H.C.) (India) (yahoo seeking to retrieve yahooindia.com); *New Zealand Post Ltd. v. Leng*, [1999] 3 NZLR 219 (H.C.) (New Zealand) (New Zealand Post seeking to retrieve nzpost.com); *Chanel, Chanel YH v. H C Kim* (1999), 99Gahap41812 (Seoul D.C.) (Korea) (Chanel seeking to retrieve chanel.co.kr). Often these disputes are between a trademark holder and parties registering domain names for re-sale. For a unique case where the trademark/domain name in question pitted the current and past owners of the mark and the domain name register who mistakenly gave the domain name to both, see *Pitman Training Ltd. v. Nominet UK* (1997),

Assigned Names and Numbers (“ICANN”), the UDRP has its own set of comprehensive rules that may be supplemented by Dispute Resolution Providers that have been approved.⁷¹ The proceedings under the UDRP are intended primarily to address issues that arise because of abusive registrations.⁷² While the UDRP is one means by which a party may attempt to avoid jurisdictional difficulties, it is not without its risks. Albeit still early in its development, at least one United States court, based on its reading of ICANN’s policy, has already stated that UDRP rulings are not binding on a federal district court in an action for trademark infringement and cyberpiracy, even between the same parties.⁷³

Contractual Solution

One possible solution for a party wishing to avoid being haled into a foreign court for providing its products or services on the internet is to include choice of forum and law clauses in any agreement with a customer. Some websites purveyors have taken to requiring visitors to their sites to agree to the jurisdiction of a particular court before being allowed to view or use the websites. While agreements of this kind where the forum and law chosen show no relation to the parties will likely be challenged, one should not assume that all such contractual provisions will be unavailing. One example is *Rudder v. Microsoft Corp.*⁷⁴

The plaintiffs in *Rudder* were attempting to have a Canada-wide class action certified in the Province of Ontario to bring suit against Microsoft for breach of contract related to services Microsoft was to provide under its Microsoft Network on-line service. However, the plaintiffs

38 I.P.R. 341 (Ch.D.) (U.K.).

⁷¹ As of the date of this writing, there are four approved dispute resolution providers: the World Intellectual Property Organization Arbitration and Mediation Center, the National Arbitration Forum, eResolution, and the CPR Institute for Dispute Resolution. See *Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy* (last updated July, 27, 2000) www.icann.org/udrp/udrp-schedule.htm.

⁷² A party may start an administrative proceeding upon a showing of three elements: (1) the domain name is identical or confusingly similar to a trademark or service mark, (2) the domain name registrant has no legitimate rights or interest in the domain name, and (3) the domain name has been registered and used in bad faith. See UDRP ¶ 4(a)(i)-(iii). The UDRP sets out non-exclusive factors to determine bad faith: (1) evidence that the registrar obtained the domain name in order to profit from it at the expense of the trademark owner or the mark’s competitor, (2) proof that the registrar acquired the domain name to prevent the trademark owner from using it, (3) indicia that the registrar registered the domain name essentially to interfere with the mark owner’s business, or (4) a showing that the registrant uses its domain name in a way that creates confusion with the trademark owner’s mark as to source or endorsement. See UDRP ¶ 4(b)(i)-(iv); *World Wrestling Federation Entertainment, Inc. v. Bosman*, Case No. D99-0001, WIPO Administrative Panel Decision, [Jan. 14, 2000] WIPO (2000) (clarifying what constitutes bad faith by explaining that to be liable, the registrant must not only register a domain name in bad faith, but he must also use the domain in bad faith).

⁷³ *Weber-Stephen Products Co. v. Armitage Hardware and Building Supply Inc.*, 54 USPQ2d 1766 (N.D. Ill 2000).

⁷⁴ (1999), 2 C.P.R. 4th 474 (Ontario Superior Ct of Justice).

were faced with a provision in their agreements with Microsoft that provided as follows: “This Agreement is governed by the laws of the State of Washington, U.S.A., and you consent to the exclusive jurisdiction and venue of the courts in King County, Washington, in all disputes arising out of or relating to your use of MSN or your MSN membership.” All users of the Microsoft Network were required to click on a button stating “I Agree” to the terms of the agreement before being allowed to install the computer software necessary to access the Microsoft Network service and again before becoming a member of the service. Because Canadian courts have generally treated forum selection clauses “with a measure of deference,” and because the plaintiffs were caught in the position of asserting contract claims against Microsoft while at the same time seeking to have the forum selection clause in the same contract invalidated, the Ontario Superior Court of Justice granted Microsoft’s motion for a permanent stay of the class proceedings. In arriving at its decision, the Ontario court cited concerns for international comity, international commercial certainty and respect for the agreements parties have “signed.”

The interesting point of the *Rudder* case is that the plaintiffs had never physically signed any agreement. Instead, they had manifested their assent to be bound by the agreement presented to them by Microsoft. The “signature” of a party was the manifestation of assent to the agreement by clicking the “I Agree” button. Otherwise, a prospective customer who refused to agree to the contract terms presented would not be allowed to load the software required to access and use the services the defendant was offering. A similar agreement and “I Agree” button barring access to an internet website might be a means of limiting the exposure of providing wares, services or information over the internet. There is no guarantee that all such agreements would be enforceable, or even desirable. However, absent any penalty for using such forms of agreement, the owner of a website may have little to lose in including one at the entrance of its website.

Cease and Desist Letters Leading to Jurisdiction

Advising clients on how to avoid unnecessary risks in doing business on the internet can be novel and exciting work. However, lawyers should not forget some of the basics involved in the practice of law, as disregarding some of those basics might constitute grounds for a foreign court to assert jurisdiction against a client. One of the common mistakes made in representing clients doing business in the international realm is the ill-conceived demand letter; and more particularly for intellectual property lawyers, the cease and desist letter. This is the letter a lawyer sends after investigation of a potential infringement of his or her client’s intellectual property rights. When that client has intellectual property registered in more than one nation, such as patents and trademarks, it is sometimes difficult to resist the temptation to list all potential infringements that arise from the alleged infringer’s activities. This is especially the case for intellectual property used on the internet. That temptation should be resisted unless the lawyer has expertise in the law of the countries cited in the letter.

The risk is exemplified by one of the earlier international domain name disputes to be litigated, *Prince plc v. Prince Sports Group Inc.*⁷⁵ United States intellectual property attorneys are used to the risk involved in sending cease and desist letters that are strongly worded. If

⁷⁵ [1998] F.S.R. 21 (Ch.D. July 30, 1997).

construed as a threat of litigation, the receiving party can seriously affect the strategy involved in resolving the dispute by bringing a declaratory judgment action, often in its home jurisdiction, for a determination by a court of whether its activities are infringing. In *Prince*, the U.S. attorneys involved sent a letter to a company in England that had registered and was using the domain name “Prince.com.” In its demand letter, the U.S. law firm stated that the U.K. company’s registration and use of the domain name infringed and diluted its U.S. client’s trademarks in the United States. Instead of stopping there, the letter also stated: “our client has also registered the PRINCE mark in many other countries throughout the world, including the United Kingdom.”

Based on the letter it received from the U.S. law firm, the U.K. company brought an action under U.K. trade mark law for a declaration that the letter constituted an unjustified threat of proceedings by the U.S. company. The Chancery Division granted plaintiff’s request for summary judgment on the matter and, but for lack of evidence in support, the defendant avoided imposition of damages against it for the transmission of the letter by its law firm.

The situation in the United States is no less risky. The sending of cease and desist letters alone can sometimes result in the assertion of personal jurisdiction by a court over the party whose lawyers sent the letters, even when that party’s contacts with the jurisdiction are, but for the letter, less than minimal.⁷⁶ As a consequence, lawyers should be careful in sending out demand letters to potential infringers located outside of the law firm’s jurisdiction. Consulting local counsel is rarely ever a bad idea under those circumstances.

Conclusion

It is early still in the development of jurisdiction on the internet. Intellectual property and other disputes involving content have been at the forefront of these developments. How courts and tribunals will choose to assert jurisdiction remains and will remain a complicated issue. Never before have jurisdictional limits appeared so porous. The vast and fast stream of speech and commerce the internet offers promises to turn all eyes away from the local, even the national, and force courts, tribunals, and their agents to consider closely the international implications of their actions.

⁷⁶ See *Meade Instruments Corp. v. Reddwarf Starware LLC*, 47 USPQ2d 1157 (C.D. Calif. 1998).