

Jurisdiction on the Web: Where is "Here" in Cyberspace?

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I. Introduction

Digital technologies, particularly the Internet, empower not only corporations, but also individuals, to become information providers as well as gatherers, and to reach a vast international audience. It brings together unwitting, or unlikely competitors, particularly individuals or companies in different states, provinces or countries, who would not normally share a geographical market, and who may have overlapping or competing rights when set against each other in an international arena.

Most notably, the technology evolves rapidly, and our understanding and application of it must keep pace with its new capabilities. Determining legal jurisdiction to adjudicate disputes in cyberspace can be a fascinating but difficult challenge, as we continually strive to understand the nature of exactly "what" activities are taking place, and "where" they are happening.

The following sections of this paper will examine the basic principles of jurisdiction; extra-territoriality of intellectual property statutes; conflict of law issues; differences in concepts of locality between Canada, the United States and the European Union, generally and as applied in Internet-related cases; as well as the issues of "forum shopping" and choice of jurisdiction clauses in contract drafting. The underlying focus of this paper is to examine these issues as they relate to intellectual property disputes, particularly involving trade marks and copyright, as opposed to other types of disputes in cyberspace.

II. What Jurisdiction Governs

Jurisdiction generally refers to the power and authority of a court to decide a dispute, on the basis that the court has control over the parties involved and the subject matter of the controversy. In order to claim jurisdiction, the court therefore must have both:

- (i) subject matter jurisdiction, in other words, the court's power to hear and determine cases of the general class or category to which the proceedings in question belong, the power to deal with the general subject in question; and
- (ii) personal jurisdiction (i.e. *in personam*) jurisdiction, the power which a court may acquire over the person of a defendant itself, as opposed to over its property or interest therein). Determination of personal jurisdiction is linked to the issue of territoriality, since jurisdiction is generally considered to be limited to cases arising or persons residing within a defined territory or country.

Both aspects of jurisdiction, personal and subject matter, are at issue in Internet-related disputes. Subject matter jurisdiction, of course, is always relevant in any dispute: when bringing a claim, there will always be at the outset a choice of forum based on which court, or level of court, has the mandate to hear cases relating to, for example, trade mark infringement, or passing off, contractual breach, or defamation.

Not surprisingly, however, personal jurisdiction issues are significant in Internet-related disputes, which often concern the impact of foreign activity in another jurisdiction, and it is on this issue that most of this paper will focus, since

it is not uncommon for parties to be located in different cities, states or provinces, countries or continents.

Complicating the issue is the fact that, apart from the location of the parties, there is often at least one intermediary involved with internet activity, whose involvement can in some cases go beyond mere technicality, and may even be determinative of jurisdictional forum. For example, in order to access the Internet, and maintain a presence there, a user must access a point of entry to the network through some type of account with an Internet or Online Service Provider ("ISP" or "OSP"). To send e-mail, a user must have an e-mail account (from example, from its ISP or other online source). If a website is created, the content of the site must be hosted on a computer server, and these may be located anywhere in the world.

If a website is operated through a customized address, in other words, domain name (for example, <amazon.com>), the name must be registered through a domain name registrar, which is accredited by the Internet Corporation of Assigned Names and Numbers ("ICANN"). As of December 2001, there are at least 89 accredited, operational domain name registrars throughout the world from which to choose, and many more have been accredited and are awaiting activation.¹ Such intermediaries may be physically located in a country where neither the user operating the website, nor the user accessing the website or a potential claimant, resides. In some cases, these intermediaries may be of little consequence to the determination of jurisdiction, but in other cases, particularly those concerning domain names, the location of the domain name registry or registrar can be a significant factor in bringing a dispute within a particular jurisdictional forum, as we shall see later in this paper.

¹ See "List of Accredited and Accreditation-Qualified Registrars" on the website of the Internet Corporation for Assigned Names and Numbers, online: <<http://www.icann.org/registrars/accredited-list.html>> (last updated: 11 December 2001).

III. Extra Territorial Jurisdiction of U.S. & Canadian Copyright and Trade Mark Statutes

Traditionally, most laws, including intellectual property laws, are applied, and enforced, nationally – if what one does is lawful in their own country, in principle it would be difficult for another from outside that country to challenge that activity. While countries that are members of treaties may agree to provide minimum levels of protection, significant differences in permissible activities may still exist between the laws of member countries.

a) Trade Mark Law

Trade mark rights are national rights. A trade mark used in Canada is enforceable either throughout the country, if it is federally registered, or only in the area in which it has become known, if it is an unregistered mark. A Canadian trade mark is not generally enforceable in the United States, unless it is also registered there, or has become very well-known there as a result of U.S. sales or spill-over advertising.

The same principle generally applies elsewhere. In the United States, for example, trade mark rights arise either through registration (state or federal), or through use. A United States trade mark owner can not enforce its rights in Canada, without meeting the requirements for trade mark protection in Canada, and vice versa.

In Europe, and abroad, similar rules apply, and there are simultaneous national, or international trade mark registration systems (for example, the Community Trade Mark). In many countries, rights are enforceable only with a trade mark registration, and unregistered trade mark rights which arise at common law in the U.S., U.K. and Canada, are not recognized.

b) **Copyright Law**

Copyright is a statutory right. It is territorial, conferring national rights, and not extraterritorial rights, although international treaties such as the *Berne Convention*² and *Universal Copyright Convention*³ provide for a certain level of harmonization between national copyright laws of member states, and formal reciprocity (i.e. national treatment) in the recognition and enforcement of copyright among member states. In this way, copyright may, in many cases, be asserted or enforced beyond the national boundaries of the author or copyright owner's country, or the country where that author's works are published, however, infringement must be dealt with pursuant to the laws of the place where the infringement takes place.⁴

IV. Identifying Conflict of Law Issues

The expression "conflict of laws" refers to the study and interpretation of inconsistencies between the laws of different states or countries, and the attempt to reconcile these inconsistencies, or to decide which law or system should govern a particular case.

Given that most laws are applied and enforced nationally, it is important to assess jurisdiction and conflict of law issues in the context of the subject or category of claim at issue, since the requirements or defences corresponding to each may vary as between them, and from one nation-state to the other. Claims commonly arising in connection with activities in cyberspace include:

² *Berne Convention for the Protection of Literary and Artistic Works*, 9 September, 1886.

³ *Universal Copyright Convention*, 6 September 1956.

⁴ See the detailed discussion of international copyright in Chapter 7 of S. Handa, *Copyright Law in Canada* (Butterworths: Markham, Ontario, 2002). See also B.J. Freedman and R.J.C. Deane, "Copyright and the Internet", Paper presented to *Computer Law Association Annual Conference* (May 3-4, 2001) Washington, D.C., online: <<http://www.cla.org/copyright%20and%20internet.pdf>> (date accessed: January 18, 2002).

defamation; copyright infringement; trade mark infringement, and/or passing off or dilution; domain name disputes (related to trade mark claims); contractual breach; freedom of expression versus access to offensive information, materials, merchandise; and increasingly, privacy concerns regarding the collection and use of information obtained online.

Examining the range of claims above, it follows that added complications arise where the national laws regarding jurisdiction itself, or the substantive laws concerning particular subject matter, differ between territorial jurisdictions. The very need for a "blacklist" of exorbitant jurisdiction laws identified in the Brussels and Lugano Conventions, discussed below, exemplifies the conflicts of law arising between states. Other examples to consider include:

- (i) protection for unregistered "common law" trade marks, which may not be available under many civil law systems;
- (ii) action for trade mark dilution for famous marks available in U.S.;
- (iii) protection for moral rights in copyrightable works, which is available in countries which include a *droit d'auteur*, or author's right, approach, such as Canada, and many European countries, but which is not part of the American utilitarian copyright regime;
- (iv) differences in duration of term of copyright, or trade mark registrations in different countries; and
- (v) speech that is protectable under U.S. law which may be actionable in Europe;

to name a few.

Since the intention of this paper is to focus on Internet jurisdiction issues in intellectual property disputes, it is beyond the scope of this paper to examine in detail the many differences between national intellectual property laws, or other types of claims (for example, defamation, hate speech and privacy disputes). However, the body of case law is relatively new and ever evolving, thus at times it is appropriate to consider the analysis of jurisdiction in a variety of types internet cases, and to evaluate whether the analysis is applicable from one type of dispute to another, despite the factual differences.

It is also important to note that, as with many areas of law involving disputes over the use of digital technologies, U.S. court decisions hold an unavoidably prominent role in the jurisprudence concerning jurisdiction in cyberspace. This is in part due to the role of the U.S. in developing such technologies, particularly, the Internet itself, the high level of activity on the internet by American individuals or corporations, and the greater amount of litigation in this field which is generated in the U.S., in comparison with other nations.

**V. Differences Between the Canadian, U.S. & E.U.
Perspectives on Locality**

a) Basic Principles and Provisions

i) Canada

Many actions relating to activity on the Internet raise personal jurisdiction issues. Both of Canada's common law and civil law systems address personal jurisdiction tests. The general test in Canada for determining jurisdiction is to assess whether there is a "real and substantial connection" between the geographical forum and the subject matter of the litigation, as considered by the

Supreme Court of Canada in *Morguard Investments Ltd. v. DeSavoye*.⁵ The Supreme Court of Canada upheld *Morguard* in *Hunt v. T&N plc*⁶ holding the "real and substantial connection" test is constitutionally based, and must be reflected in provincial rules concerning competent jurisdiction. If a court determines that it has jurisdiction over a matter, however, it may still decline jurisdiction on the grounds that it the convenience of the parties and ends of justice would best be served if action were brought in another forum (*forum non conveniens*).

From the civil law perspective, Book X of the *Civil Code of Quebec* ("CCQ") codifies jurisdictional principles in situations when one party in a dispute is located outside Quebec. The general rule for competent jurisdiction is stated in Article 3134 CCQ: "In the absence of any special provision, the Quebec authorities have jurisdiction when the defendant is domiciled in Quebec". More specifically, disputes concerning intellectual property are considered personal actions of a patrimonial nature, and Article 3148 CCQ provides that Quebec authorities have jurisdiction where:

- (1) the defendant is domiciled or resident in Quebec;
- (2) the defendant is a legal person, is not domiciled in Quebec, but has an establishment in Quebec, and the dispute relates to its activities in Quebec;
- (3) a fault was committed in Quebec, damage was suffered in Quebec, an injurious act occurred in Quebec, or one of the obligations arising from a contract was to be performed in Quebec;
- (4) the parties have agreed to submit all existing or future disputes between them, arising out of a specified legal relationship, to Quebec authorities;
- (5) the defendant submits to its jurisdiction.

⁵ *Morguard Investments Ltd. v. DeSavoye*, [1990] 3 S.C.R. 1077 (S.C.C.) is the key general Canadian case in this area. Also, see J. -G. Castel, *Canadian Conflict of Laws*, 4th ed. (Butterworths: Toronto, 1997) at 52 *et seq.*

⁶ [1993] 4 S.C.R. 289 (S.C.C.).

Article 3148 CCQ, however, also provides that Quebec authorities have no jurisdiction where the parties have agreed to submit all existing or future disputes between them, relating to a specified legal relationship, to a foreign authority or to an arbitrator, unless the defendant submits to the jurisdiction of the Quebec authority.⁷

ii) U.S.

While Canada follows the "real and substantial connection" test for determining jurisdiction, the U.S. follows a similar test for establishing "minimum contacts" between the forum state and the offending activity. As stated in *International Shoe Co. v. Washington*:

[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 justice".⁸

A complicating factor to consider is that U.S. states have also enacted jurisdictional long-arm statutes, which differ from state to state, and which allow a court to assert personal jurisdiction over a foreign defendant if there are sufficient contacts between the defendant and the forum state.⁹ These statutes may also affect the determination of personal jurisdiction, depending upon the case.

In the specific matter of domain name disputes and jurisdiction, U.S. *Anticybersquatting Consumer Protection Act* ("ACPA")¹⁰ was enacted on November 29, 1999, to target trade mark cybersquatting. It was intended to address

⁷ See the discussion in D. McGowan, "Internet Jurisdiction: The View from the Quebec Courts" (2000), 1:9 *Internet and E-Commerce Law in Canada* 65.

⁸ 326 U.S. 310, 316 (1945).

⁹ 326 U.S. 310 (1945). See E. Horowitz and S. Fraser, "Jurisdiction in the Internet Age", Paper presented to Entertainment Law Committee of the Association of the Bar of the City of New York (10 January 2001). An abbreviated version appeared in 9:2 *The Metropolitan Corporate Counsel* (February 2001).

¹⁰ 15 U.S.C. 1125(d).

a number of difficulties commonly encountered by plaintiffs attempting to sue cybersquatters in court for trade mark infringement and/or dilution, such as proving that a plaintiff's trade marks have been "used" (as defined by trade mark law) as a trade mark by the domain name owner, when the domain name owner has merely offered to sell the domain name, in other words, a subject matter jurisdiction issue. Another common difficulty for a plaintiff in such cases is locating and naming a proper defendant when the listed registrant for the domain name is a fictional entity or individual, and/or the registrant used false contact information to secure the domain name registration, and/or the domain name registrant is located outside the U.S.

The ACPA prohibits the registration of, trafficking in, or use of a domain name where there exists a bad faith intent to profit from the goodwill of a related trade mark. In addition to proving bad faith, a plaintiff must also prove that the offending domain name is either identical or confusingly similar to a trade mark that was distinctive at the time the domain name was registered, or that the domain name is identical to, confusingly similar to, or will dilute a trade mark that was famous at the time the domain name was registered.

A key aspect of the legislation is that in addition to *in personam* proceedings, it permits *in rem* proceedings against the domain name itself, if the trade mark owner is unable to locate, or obtain personal jurisdiction over, the domain name registrant. Thus, *in rem* proceedings are useful if the defendant is located outside the U.S., the registrant cannot be reached, or has given false information to the domain name registrar so as to render him or her unreachable. To determine jurisdiction for an *in rem* proceeding, the Act provides that the situs of a domain name is deemed to be in the judicial district in which either the domain name registrar or registry is located, or where documents sufficient to establish the control and authority regarding use and disposition of the domain name are deposited with the court. In order to use the *in rem* provision, a plaintiff must exercise good faith efforts to contact the domain name registrant.

U.S. courts have held that *in rem* provisions of the legislation are constitutional and do not violate due process. Domain names have been held to serve as property for an *in rem* action under the *ACPA*, and a plaintiff bringing suit under the *in rem* provisions of the *ACPA* need not prove that the domain name has sufficient minimum contacts to support personal jurisdiction in the forum state. Rather, a plaintiff must show that it cannot obtain personal jurisdiction over the domain name owner¹¹ and that the case meets the requirements for *in rem* jurisdiction set out in the *ACPA*, for example, if the domain name was registered through a registrar located in the judicial district in which the suit is brought.¹²

iii) E.U.

Unlike the U.S. and Canada, the countries in the European Union are mostly governed by civil law, and the principles for determining jurisdiction between member states are primarily derived from Conventions, rather than case law. A number of Conventions govern the determination of proper jurisdiction over Internet-related activities in the E.U.:

- i) Convention on the Law Applicable to Contractual Obligations (The Rome Convention);
- ii) Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (The Brussels Convention);¹³

¹¹ See, for example, *Heathmount A.E. Corp. v. Technodome.com*, Case No. CA-00-00714-A, 2000 U.S. Dist. LEXIS 10591 (E.D. Va. 2000).

¹² See for example *Caesars World, Inc. v. CAESARS-PALACE.COM*, 54 U.S.P.Q.2D (BNA) 1121 (E.D. Va. 2000), in which the Eastern District Court of Virginia denied the defendants' motion to dismiss for lack of *in rem* jurisdiction.

¹³ Convention on jurisdiction and the enforcement of judgments in civil and commercial matters (27 September 1968), 29 I.L.M. 1413 (the "Brussels Convention"). Text of the Brussels Convention and corresponding Protocols are posted on the website of The Court of Justice of the European Communities, online: <http://curia.eu.int/common/recdoc/convention/en/c-textes/brux-idx.htm> (date

- iii) Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (The Lugano Convention);¹⁴ and
- iv) Convention on the Law Applicable to Contracts for the International Sale of Goods (The Hague Convention, 1955).

The issue of foreign jurisdictional adjudication in civil and commercial matters, between E.U. members, is dealt with in The Brussels and the Lugano Conventions on Jurisdiction and the Enforcement in Civil Matters. The Brussels Convention was first negotiated in 1968 among several European countries of the Common Market. In 1988, the Lugano Convention extended the Brussels provisions to European countries that were not members of the Common Market. In order to obtain entry to the European Union, it was then required that a candidate country must adopt the Brussels Convention. The Brussels and Lugano conventions are therefore parallel conventions, which provide for essentially the same substantive rules, and include most of western Europe. There is very little, if any, case law available on how these rules will be applied in Internet-related disputes.¹⁵

accessed: 18 January 2002). Signatories are Belgium, Denmark, France, Germany, Italy, Luxembourg, Netherlands, U.K., Republic of Ireland, Spain, Portugal.

¹⁴ Convention on jurisdiction and the enforcement of judgments in civil and commercial matters (16 September 1988), 28 I.L.M. 620 (the "Lugano Convention"). Text of the Lugano Convention and corresponding Protocols are posted on the website of The Court of Justice of the European Communities, online: <http://www.curia.eu.int/common/reccdoc/convention/en/c-textes/_lug-textes.htm> (date accessed: 18 January 2002). Signatories include Austria, Finland, Iceland, Norway, Sweden, Switzerland.

¹⁵ See R. Marlatt, "The Cyberspace Showdown Jurisdictional Jurisprudence--The United States Versus the European Union" (2000) 9 Currents Int'l Trade L.J. 8; M. Hamkin, "Proposed Hague Convention would help IP owners" *National Law Journal* (23 July 2001), copy available online: <<http://lists.essential.org/pipermail/hague-jur-commercial-law/2001-August/000231.html>> (date accessed: 18 January 2002). See also A. Lindberg, "Jurisdiction on the Internet: European Convention" (26 July 2000) online: <http://www.eon.law.harvard.edu/ilaw/Jurisdiction/EU_Lindberg_Full.html> (date accessed: 19 January 2002), and A. Lindberg "Jurisdiction on the Internet – The European Perspective: An Analysis of Conventions, Statutes and Case Law" (20 July 1997) online: <<http://www.abanet.org/buslaw/cyber/initiatives/eujuris.html>> (date accessed: 19 January 2002).

The main, general principle of the Brussels Convention is that jurisdiction is based on the defendant's place of domicile: persons domiciled in a contracting state, regardless of their nationality, are subject to suit in the courts of that state, pursuant to Title 3, Article 2 of the Brussels Convention. The Convention also provides for a number of specific provisions, for example, in certain situations, a defendant may be sued in a Convention member state other than its domicile, such as the state where the contract was to be performed or where the tort occurred. The Convention also allows parties to specify the applicable jurisdiction by agreement, and sets out criteria for determining the validity of such an agreement.¹⁶

It is significant that Article 3 of the Brussels (and Lugano) Convention suspends exorbitant jurisdiction provisions of member state's laws, as they may relate to disputes between parties who are domiciled in member states. Specifically, Article 3 provides that persons domiciled in state which is a member of the Convention, may be sued in the courts of another member state only by virtue of the rules set out in Articles 2 to 6 of the Convention, and identifies a number of provisions of various member states which are deemed inapplicable, in particular, provisions in the law of France, Germany, Belgium, Italy, Denmark, the Netherlands, Luxembourg, Ireland, Greece, Iceland, Norway, Austria, Portugal, Switzerland, Finland, Sweden, and the U.K. Nonetheless, such exorbitant bases of jurisdiction may be applicable if the dispute concerns a party domiciled outside the E.U.

¹⁶ The European Commission adopted Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "Brussels Regulation") which updates the Brussels Convention jurisdictional rules to apply to e-commerce transactions in cyberspace. For example, the regulation covers the specific issue of consumer contracts, and provides that an E.U. consumer may bring proceedings against an online retailer in another E.U. state either in the courts of the contracting state in which the consumer is domiciled, or in which the retailer is domiciled. This regulation is scheduled to come into force on March 1, 2002. There are, however, no specific provisions in this regulation relating to intellectual property rights.

The Hague Conference is currently proposing a new Convention, which is modeled after the Brussels Convention, and which was initiated by the U.S. The latest draft of the Hague Convention, entitled "Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference 6 – 20 June 2001"¹⁷ is still undergoing comment. Members of the Hague Conference include all 15 E.U. states, as well as the U.S., Canada. Benefits sought by the U.S. include increased ability for IP owners to obtain jurisdiction over infringers in other countries, recognition of larger monetary damages, which in the U.S. are considered compensatory, but which may be considered excessive or punitive elsewhere. The provisions and their effect on IP disputes in cyberspace are under much debate.¹⁸

b) Jurisdiction Applied in Internet Cases

The area involving jurisdiction and disputes in cyberspace is dominated by U.S. case law, for the reasons mentioned above. There are many decisions which interpret the "minimum contacts" test in respect of a variety of online activities, such as defamation, online posting of offensive information or goods, unauthorized display of trade marks on a web site or registration as a domain name, and unauthorized copying, distribution or transmission of copyrighted materials through the Internet. It is important to note that the body of jurisprudence regarding jurisdiction in cyberspace, and computers and the law generally, is constantly and rapidly evolving, as is the technology. Consideration of prior decisions requires a case-by-case analysis of the relationship between the precise technology at work in a given dispute, the activities and location of the parties, the elements of the subject matter of the claim, whether specific statutes or provisions govern the determination of jurisdiction, and in some cases,

¹⁷ Available at the Hague Conference website, online: <<http://www.hcch.net/e/workprog/jdgm.html>> (date accessed: 18 January 2002).

¹⁸ See for example the detailed discussion of the Hague Convention proposals by M. Driessen, "International Jurisdiction and Recognition and Enforcement of Foreign Judgments in Intellectual Property Cases" (March 2001), available at the Chicago-Kent College of Law site, online: <<http://www.kentlaw.edu/depts/ipp/intl-courts/materials.html>> (last updated: 31 August 2001).

whether the court's understanding of the technology, or legislation, has adapted to respond to specific problem issues.

It is particularly important to note that the online jurisdictional analyses arising from defamation, contractual, and other types of disputes, while helpful, are not always relevant to intellectual property disputes, and often do not address the technicalities of intellectual property law. Such cases, for example, may often be differentiated from those alleging trade mark infringement or passing off and which consider the requirements of "use" of a trade mark, as defined by statute. In the area of trade marks and domain names, to the extent that cybersquatting is involved, the advent of the *ACPA*, as well as ICANN's *Uniform Domain Name Dispute Resolution Policy*, brings specific provisions addressing the proper forum in which one may bring such disputes. For these reasons, the following discussion of cases will focus mainly on those involving intellectual property disputes.

i) Evolving Tests for Personal Jurisdiction

The criteria for establishing "minimum contacts" or a "real and substantial connection" in U.S. and Canadian case law continues to develop with a wider view of the range of online activities manifested in cyberspace. Some authors characterize this development as an evolution from a simpler, "passive versus active" test, towards an "effects" test, and argue for further evolution towards a "target-based" approach.¹⁹

In the context of trade mark use on a website, by 1997 U.S. case law had begun to develop a sliding scale distinction between websites that were considered "passive" (that do not have active contact with residents of the jurisdiction in question) versus sites that were considered "active" (that communicate and engaged in commerce with residents in the jurisdiction in

¹⁹ See M. Geist, *infra* note 20.

question).²⁰ The case of *Zippo Manufacturing Co. v. Zippo Dot Com Inc.*,²¹ is seen as a critical summation point for the "passive" versus "active" sliding scale test. This approach had begun to find favour in the courts of countries within and outside the U.S., including Canada, and was adopted in Canada by *Braintech v. Kostiuk*.²²

The key principle behind the passive versus active sliding scale in *Zippo* is that personal jurisdiction which may be constitutionally exercised is "directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet."²³ One end of the spectrum was seen to include situations where a defendant clearly was doing business over the Internet, such as entering into contracts with residents in a foreign jurisdiction, and the other end was a passive, informational website, with middle ground comprising interactive websites "where a user can exchange information with the host computer." In the *Zippo* case, based on these criteria, the court held that Pennsylvania was the proper venue in which to bring the claim against the Californian defendant. The facts showed that the defendant had done more than advertise on its website: it had sold passwords to approximately 3,000 subscribers in Pennsylvania and entered into seven contracts with Internet access providers to furnish its services to their customers in Pennsylvania. The defendant was therefore held to have been engaging in electronic commerce

²⁰ See the in-depth review and case survey of the evolution of the passive versus active test towards an effects, and target-based approach, in M. Geist, "Is There a There There? Toward Greater Certainty for Internet Jurisdiction" (Study commissioned by the Uniform Law Conference of Canada and Industry Canada, in *The Second Annual IT Law Spring Training Program*, Canadian IT Law Association, 26 April 2001). See also B. J. Freedman and R.J.C. Deane, "The Protection of Intellectual Property on the Internet: A Canadian Perspective" (Paper for *The Second Annual IT Law Spring Training Program*, Canadian IT Law Association, 26 April 2001).

²¹ 952 F.Supp. 1119 (W.D. Pa. 1997).

²² [1999] B.C.J. No. 622 (B.C.C.A.). Leave to appeal to the Supreme Court of Canada was denied in March 2000. *Zippo* concerned claims of trade mark infringement and dilution, over use of the domain name <zippo.com>. *Braintech* involved a defamation claim.

²³ *Zippo*, *supra* note 21 at 1124.

with Pennsylvania residents, constituting purposeful availment of doing business in Pennsylvania.

After *Zippo*, however, it became apparent that the passive versus active test could not accurately characterize the level of interactivity which resulted from various types of activities or internet solicitation, such as the operation of informational websites, chat room postings, use of e-mail links, display of advertising plus toll-free numbers, or evidence of potential versus actual sales made from a website.²⁴ By 2001, a shift towards a new approach began to emerge in the U.S. courts, which focused on the actual "effects" that a website had in the jurisdiction in question. Under the effects doctrine, personal jurisdiction may be based on "(1) intentional actions (2) expressly aimed at the forum state (3) causing harm, the brunt of which is suffered -- and which the defendant knows is likely to be suffered -- in the forum state."²⁵

One example of the application of the "effects" test is the case of *Nissan Motor Co. Ltd. v. Nissan Computer Corporation*,²⁶ which concerned a dispute over the operation of a website at a number of domain names incorporating the NISSAN trade mark. The main plaintiff was a Japanese corporation with a U.S. subsidiary based in California, who was a licensee of the Japanese parent's registered U.S. NISSAN marks, and who was also a plaintiff in the suit. The defendant was located in North Carolina, had registered its NISSAN design mark on the state register of North Carolina, and the president of the defendant company had the surname NISSAN. The plaintiffs sued the defendant in California, alleging claims including trade mark infringement, trade mark dilution,

²⁴ See the chapter by V. Palladino, "Jurisdiction", *Trademark Law & the Internet: Issues, Case Law and Practice Tips* (International Trademark Association: New York, 2001), which surveys cyberspace jurisdiction cases topically, based on the type of activity or solicitation in dispute.

²⁵ *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1486 (9th Cir. 1993), interpreting *Calder v. Jones*, 465 U.S. 783 (1984). See M. Geist, *supra* note 20, for a comprehensive summary of cases diverging from the passive versus active test.

²⁶ 89 F.Supp.2d 1154 (C.D. Cal. 2000).

and "domain name piracy". In considering the issue of personal jurisdiction, the court examined the following test for "minimum contacts":

Specific personal jurisdiction may be exercised when the "nature and quality" of the defendant's contacts with the forum state are significant in relation to the specific cause of action. *Data Disc*, 557 F.2d at 1287. Specific jurisdiction requires a showing that: (1) the nonresident defendant purposefully directed its activities toward the forum state; (2) the plaintiff's claim arises out of or results from the defendant's forum-related activities; and (3) the forum's exercise of personal jurisdiction is reasonable. See *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477-78, 85 L. Ed. 2d 528, 105 S. Ct. 2174 (1985); *Lake v. Lake*, 817 F.2d 1416, 1421 (9th Cir. 1987)

The court granted the plaintiffs a preliminary injunction, and held that although the defendant did not sell any goods over the Internet (and was arguably "passive"), it was earning advertising revenue from the commercial exploitation of consumer confusion over the domain names, and its conduct was deliberately and substantially directed toward the forum state. Most notably, the court accepted the plaintiff's evidence that each of the defendant's contracts with the California advertisers provided that the contract would be governed by California law and that "[t]his factor alone is sufficient to establish purposeful availment," and that "the defendant purposefully directed its activity in a substantial way toward California."²⁷

Some are now suggesting that the courts should move even further, towards a target-based approach, which would "seek to identify the intentions of the parties and assess the steps taken to enter or avoid a particular jurisdiction".²⁸ This type of approach would avoid the inadequacies of the passive versus active test, and the uncertainties of the effects test. An example of the application of the target-based approach can be seen in *Bancroft & Masters, Inc. v. Augusta National Inc.*²⁹ The plaintiff, a California corporation, sought a

²⁷ *Ibid*, at 1159.

²⁸ See, for example, Geist, *supra* note 20.

²⁹ 223 F.3d 1082 (9th Cir. 2000).

declaratory judgment in a California court that its use of the <masters.com> domain name to operate a website did not infringe or dilute the registered MASTERS mark of the defendant, a Georgia Corporation (who also owned the domain name registration <masters.org> and operated a website at that address). The defendant, prior to the commencement of the litigation, had sent a letter to the domain name registrar challenging the plaintiff's right to use its domain name.³⁰ The district court dismissed the plaintiff's claim, on the basis that the continuous and systematic contacts in California necessary for general jurisdiction were lacking, and that the plaintiff had not satisfied the criteria for personal (specific) jurisdiction. The 9th Circuit court reversed this decision and held that the district court did, in fact, have personal jurisdiction.

The 9th Circuit court held that in addition to the three elements of the effects test, there must be "something more", namely "'express aiming' at the forum state," or "individualized targeting," such that "the defendant is alleged to have engaged in wrongful conduct targeted at a plaintiff whom the defendant knows to be a resident of the forum state."³¹ The court concluded that the defendant had acted intentionally when it sent its letter to NSI. The letter was expressly aimed at California because it individually targeted the plaintiff, a California corporation doing business almost exclusively in California, and the effects of the letter were primarily felt, as the defendant would have known, in California.

³⁰ At the time, the registrar was Network Solutions, Inc. ("NSI"), of Virginia, U.S.A. NSI's dispute resolution policy in place at the time gave the plaintiff three options: (1) voluntarily transfer the masters.com domain name to the defendant; (2) allow the domain name to be placed "on hold, " meaning that it could not be used by either party; or (3) obtain a declaratory judgment establishing its right to use the masters.com domain name.

³¹ *Ibid*, at 1087.

ii) Recent Examples

In the last decade or so, a body of cases began to emerge, assessing personal jurisdiction issues arising from a range of online activities, for example:³²

- (i) the "passive" operation of a website;³³
- (ii) operation of a website with occasional and non-commercial links;³⁴
- (iii) operation of a website with routine or commercial e-mail links;³⁵
- (iv) operation of a website, including advertising and toll-free number;³⁶
- (v) operation of a website, in conjunction with commercial contacts (such as actual or implied sales, or a business relationship).³⁷

³² See the detailed topical survey of cases in Palladino, *supra* note 24.

³³ Several recent cases, for example, note that mere advertising online may be insufficient for personal jurisdiction in the forum state: *Fix My PC, LLC v. N.F.N. Asocs., Inc.*, 48 F. Supp. 2d 640 (N.D. Tex. 1999); *Pheasant Run, Inc. v. Moyse*, No. 68 C 4202, 1999 U.S. Dist. LEXIS 1087 (N.D. Ill. 1999);

³⁴ For example, held to be insufficient to establish personal jurisdiction were, in certain circumstances: open e-mail inquiries, *Transcraft Corp. v. Doonan Trailer Corp.*, 45 U.S.P.Q.2d 1097 (N.D. Ill. 1997); also, non-commercial exchanges of newsletters by e-mail *Scherr v. Abrahams*, No. 97 C 5453, 1998 U.S. Dist. LEXIS 8531 (N.D. Ill. 1998), *aff'd* No. 98-2755, 1999 U.S. App. LEXIS 3670 (7th Cir. 1999).

³⁵ For example, some courts have recognized that many websites fall into a grey area, in which their level of interactivity places them somewhere between passive and active: personal jurisdiction not established where, despite e-mail inquiries, site did not allow defendant to contract with consumers via the Net, *Ty Inc. v. Clark*, No. 99 C 5532, 2000 U.S. Dist. LEXIS 383 (N.D. Ill. 2000); no personal jurisdiction if only information exchange minus evidence of efforts to travel to forum, solicit or do business there, *Origin Instruments Corp. v. Adaptive Computer Sys.*, No. 3:97-CV-2595-L, 1999 U.S. Dist. LEXIS 1451 (N.D. Texas 1999).

³⁶ Courts appear to look for other factors beyond the mere display of advertising or toll-free numbers, such as solicitation of business: e.g. *Inset Sys. Inc. v. Instruction Set, Inc.* 937 F. Supp. 161 (D. Conn. 1996); *Rothschild Berry Farm v. Serendipity Group, LLC*, 84 F. Supp. 2d 904 (S.D. Ohio 1999); *Bradley v. Mayo Found.*, No. 97-204, 1999 U.S. Dist. LEXIS 17505 (E.D. Ky. 1999).

³⁷ See for example *Zippo*, *supra* note 21, in which evidence of actual sales was presented. Compare to the Ontario Court of Appeal decision in *Pro-C Ltd. v. Computer City, Inc.*, *infra* note 38, discussed below, in which the court sought evidence of "use" of the mark, by "transfer of ownership through that medium [the website]" in order to establish personal jurisdiction.

Some of these cases embody the "passive versus active" test, others the "effects" test, and still others tend towards a "target-based" approach. As we will see in some of the recent cases, below, intellectual property disputes in cyberspace still seem to lean towards an "effects" based analysis, and in some cases, remain entrenched in more traditional analysis.

From a trade mark perspective, a troublesome issue is whether the internet activity in question can be considered a "use" of a trade mark that gives rise to a claim for trade mark infringement. For example, for there to be "use" of a trade mark, as defined by Section 4 of the Canadian *Trade-marks Act*, the trade mark must appear on the goods or their packaging or otherwise be associated with the wares at the time of the transfer of the property or possession of the wares. For services, a trade mark is used if it is displayed in the advertising or performance of the services. The definition of use is therefore technical and restrictive.

Comparison of the trial judgment and recent appeal decision regarding in the *Pro-C Ltd. v. Computer City, Inc.*³⁸ case reveals an interesting contrast in analysis regarding the effect of a passive website in a foreign country, or its purported aims in targeting the foreign jurisdiction. The appeal decision illustrates that Canadian courts are still grappling with the evolving tests for jurisdiction in cyberspace and their incongruities when applied to the traditional requirements of trade mark "use".

In the *Pro-C* case, the defendant had launched a new line of personal computers, available only in the United States, under the name WINGEN. At the time, however, it knew of the existence of the plaintiff's Canadian trade mark rights in WINGEN for software, and the plaintiff's registration of the domain name

³⁸ (2000), 7 C.P.R. (4th) 193 (Ont. Sup. Ct.), rev'd (Docket No. C34719, 11 September 2001) (Ont. C.A.)

<wingen.com>. As a result of the launch of the defendant's WINGEN personal computers in 1997, the plaintiff's website was overrun with visitors seeking information about the defendant's product, and the plaintiff's computer system crashed, resulting in customer complaints. Sales of the complainant's own product line declined in 1998 from almost \$171,000.00 in net sales to just over \$4,000.00. The trial judge awarded the complainant \$450,000.00 in damages and \$750,000.00 in punitive damages, holding that although the defendant's website was passive, it had Canadian stores and its overall marketing strategy was to target Canadian consumers, and therefore the use of the WINGEN mark on its website constituted a trade mark use in Canada.

The Ontario Court of Appeal overturned this decision, ruling that the trial judge was incorrect in finding that Computer City had "used" the trade mark WINGEN in Canada and had thereby infringed Pro-C's trade mark. The appeal court found that Computer City's passive website could not constitute a use in association with wares (i.e. at the time of transfer of the property), because no transfer of ownership was possible through the medium of the website. The appeal court acknowledged that "use" in association with services would envision advertising, but this was not the case for showing "use" in association with wares. It therefore maintained a restrictive definition of trade mark "use" as defined by Section 4 of the Canadian *Trade-marks Act*, rejecting what it considered the trial judge's holistic attempt to "expand the traditional protections of trade-mark law to accommodate the emerging technology", and finding that there was no "use" in Canada by the appellant of the respondent's trade mark.

A comparison of the trial and appeal decisions in *Pro-C* illustrates the difficulties courts may have reconciling the rigid, technical nature of trade mark law with the evolving, more fluid concepts of "effects" or "targeting" which are emerging in cyberspace jurisdiction cases, discussed above. The trial court had this to say about the Section 4 use requirement of marking on the wares or packaging at the time of transfer of the property or in the normal course of trade:

The [Canadian Trade-marks] Act was drafted at a time before the Internet and its impact on commercial transactions. The jurisprudence associated with "use" has not remained static but has evolved to reflect the realities of "normal course of business".³⁹

The trial court seemed to attempt a "target-based" approach, and found that the overall strategy of Computer City's marketing targeted Canadians: the (albeit passive) website, a 1-800 number, a store locator service for Canadians and the existence of Canadian Computer City stores (even though they did not sell the WINGEN computers in question). The appeal court rejected this fluid view of targeting the forum, set out the six errors of the trial judge, and stated that the "trial judge was misguided in his effort to embrace the Internet [...] without regard to the carefully crafted requirements of [the Trade-marks] Act."

The issue of proving "use" of a trade mark (in association with goods or services) is a recurring theme in trade mark infringement disputes on the Internet. Domain name cases, in particular, often involve domain names which are registered yet do not resolve to active websites (and are therefore not "used" as trade marks), are offered for sale by cybersquatters but not used as trade marks *per se*, and/or are used for fan sites, information sites or gripe sites. While some courts have expanded the definition of, for example "passing off" to include attempts at cybersquatting,⁴⁰ recognition of the problems with this technicality of trade mark law led to the adoption of policies such as the ICANN *Uniform Dispute Resolution Policy* for arbitration of domain name disputes, and the *ACPA*, in order to address some of the "quirks" of domain name disputes.⁴¹

³⁹ *Pro-C Ltd. v. Computer City, Inc.* (2000), 7 C.P.R. (4th) 193 at 218 (Ont. Sup. Ct.).

⁴⁰ *Marks & Spencer PLC v. One in a Million* (1997), [1998] FSR 265 (H.C. Chan. Div.); aff'd (1998)(U.K. Ct. App.).

⁴¹ A full discussion of trade mark enforcement on the internet is beyond the scope of this paper. See, for example, J. Colombo and J. Lee, "Trademark Infringement on the Internet: An Overview", Conference paper presented 25 October 2001, a copy is available from the author.

Regarding copyright developments, the recent case of *Pavlovich v. Superior Court*⁴² illustrates that a California court may exercise personal jurisdiction over an Indiana defendant, if it can be shown that the effects of the defendant's intentional conduct in Indiana are calculated to cause injury to parties in California. Pavlovich, a university student, posted DVD decryption software on the internet, which allowed users to decrypt copy-protected DVDs. Pavlovich was a leader in the "open source" movement, whose aim was to make as much material as possible freely available over the Internet, and his predominant interest was to assist people in copying DVD movies. The DVD Copy Control Association (DVD CCA) sued Pavlovich for misappropriation of trade secrets and copyright infringement. At issue in this decision was whether there were sufficient minimum contacts between Pavlovich and California to justify the California court's exercise of jurisdiction.

Pavlovich had made many admissions in his deposition, including that the software he had helped develop or post had been reverse engineered from DVD CAA's trade secrets, the motion picture industry was centered in California, the computer industry was predominant there, pirating DVDs is illegal, and DeCSS facilitates pirating of DVDs. Based on the facts and Pavlovich's admissions, the court found that the "purposeful availment" requirement was satisfied since the defendant's intentional conduct caused and which he knew would cause harmful effects within the forum state:

Because Pavlovich knew that California is commonly known as the center of the movie industry, and knew that Silicon Valley in California is one of the top three technology "hot spots" in the country, he knew, or should have known, that the DVD republishing and distribution activities he was illegally doing and allowing to be done through the use of his Web site, while benefiting him, were injuriously affecting the motion picture and computer industries in California. The question is whether Pavlovich's lack of physical and

⁴² 91 Cal. App. 4th 409 (2001). The case is to be appealed. See M. Bartlett, "California Supreme Court Will Hear DVD Copying Appeal" (13 December 2001) online: <<http://www.newsbytes.com/news/01/172967.html>> (date accessed: 3 January 2002).

personal presence in California incapacitates California courts from jurisdictionally reaching him through its long-arm statute. We hold it does not.⁴³

ii) Special Considerations for Domain Names

It is beyond the scope of this paper to examine in detail the jurisprudence building around the special provisions for cybersquatting under the *ACPA* and the ICANN *Uniform Domain Name Dispute Resolution Policy*⁴⁴ for domain name arbitration, both of which are themselves full topics for analysis.⁴⁵ Nevertheless, an understanding of the *ACPA* and *UDRP* is essential for protecting trade marks online, and they form part of the jurisprudence which is unique to intellectual property law. Suffice it to say that both instruments have specific provisions regarding jurisdiction, which derogate from the general tests of "minimum contacts" or "real and substantial connection".

Regarding the *ACPA*, we have discussed above that where personal jurisdiction cannot be obtained against a domain name registrant, an *in rem* action against the domain name itself may be brought in the forum where the domain name registrar or registry is located, or where documents sufficient to establish the control and authority regarding use and disposition of the domain name are deposited with the court.

A number of cases have illustrated use of the *in rem* proceeding. Most notably, in *Cf. Cable News Network L.P. v. CNNNews.com*,⁴⁶ the *in rem* provision was used by a plaintiff, headquartered in Atlanta, Georgia, to bring an action alleging

⁴³ *Ibid*, at 418-419.

⁴⁴ ICANN's *Uniform Domain Name Dispute Resolution Policy* is available online at <<http://www.icann.org/udrp/udrp-policy-24oct99.htm>> (last modified: 4 June 2000). All registrars in the .biz, .com, .info, .name, .net, and .org top-level domains follow the UDRP.

⁴⁵ See for example, C. Rowden and J. Lee, "Domain Names and E-Commerce", Conference Paper (8 May 2001). A copy is available from the author.

⁴⁶ 162 F. Supp. 2d 484 (E.D. Va. 2001). The decision was rendered very recently, on Decemeber 21, 2001.

infringement of its CNN trade mark in Virginia, against a Chinese defendant. The contested domain name, <cnnews.com> had initially been registered through the registrar Network Solutions, Inc., of Virginia, then after the controversy arose but before the complaint was filed, the registrant changed the registrar to Eastern Communications Company Limited ("Eastcom"), in China. However, the registry, for all .com domain names (currently) is Verisign, Inc. ("Verisign", formerly Network Solutions, Inc.), located in Virginia.⁴⁷ The court held that *in rem* jurisdiction was constitutionally proper when a court sits in the same district in which the registry is located, as was the case here.⁴⁸

On the same theme of the relevance of "intermediaries" in domain name disputes, in *Easthaven Ltd. v. Nutrisystem.com, Inc.*,⁴⁹ the "real and substantial connection" test from *Morguard* was recently considered by the Ontario Superior Court in a dispute concerning the domain name registration for <sweetsuccess.com>. The Ontario court held that if the only connection to the target forum (Ontario) was the location of the domain name registrar, this factor was insufficient for the Ontario court to assume jurisdiction over the matter. In this case, the plaintiff was the original domain name registrant, headquartered in Barbados. The defendant was a trade mark owner, and current owner of the domain name, headquartered in Pennsylvania. The domain name was registered through Tucows, Inc., of Toronto. The plaintiff brought this action in Ontario, seeking a declaration that the domain name belonged to it and an order that registrar transfer the domain name back to the plaintiff. The court stayed the proceeding, finding that the "sole cogent connection" to Ontario was the location of the registrar, and that there was no other evidence of the defendant's

⁴⁷ See the section entitled "Registrars & Registries" in Rowden and Lee, *supra* note 45.

⁴⁸ There was argument by the registrant that jurisdiction was improper, seemingly from the belief that it was based on the deposit of the registration certificate with the court. The registrant argued that the registration certificate had been obtained through coercion. The court held this point was irrelevant to the issue of jurisdiction, which derived from the situs of the registry, not the location of the deposit of the certificate.

⁴⁹ [2001] O.J. No. 3306 (Ont. Sup. Ct.).

connection to Ontario, either by domicile, or by substantial, continuous or systematic activities there.

Interestingly, the registrar had transferred the domain name to the Nutrisystem.com Inc. in compliance with a decision it had obtained earlier against Easthaven under the *ACPA*⁵⁰ In that decision, the Pennsylvania court held that it could exercise personal jurisdiction there, since the attempt to cybersquat had been directed to the plaintiff in Pennsylvania. The court held that an "e-mail and telephone call directed to plaintiff in Pennsylvania by [Easthaven's] agent, which included an offer to sell the '*sweetsuccess.com*' domain name, are sufficient to confer specific jurisdiction upon this Court" and that Easthaven's conduct had been "expressly aimed at this jurisdiction". The Ontario court, considering the outcome of the *ACPA* action, noted that it had "considerable difficulty in understanding the basis" the Pennsylvania court's position on jurisdiction, based on only a telephone call and an e-mail.

As a final note on special considerations for domain names, it is important to note that the *UDRP* dictates which Providers are approved by ICANN to administer a proceeding,⁵¹ but more importantly for our purposes, specifies in its rules that a Complainant will submit, with respect to any challenges to a decision in the administrative proceeding, to the jurisdiction of the courts in at least one specified "Mutual Jurisdiction".⁵² Mutual Jurisdiction is defined in the Rules as a court jurisdiction at the location of: (a) the principal office of the Registrar, and/or (b) the domain name holder's address as shown for the registration of the domain name in the registrar's database at the time the complaint was made.⁵³

⁵⁰ *Nutrisystem.com, Inc. v. Easthaven, Ltd.* 58 U.S.P.Q.2d 1160 (E.D. Pa. 2000).

⁵¹ Article 4(d) *UDRP*.

⁵² Rule 3(xiv), ICANN's *Rules for Uniform Domain Name Dispute Resolution Policy*, online: < <http://www.icann.org/udrp/udrp-rules-24oct99.htm>> (last updated: 3 January 2000).

⁵³ See a recent example of an attempt to challenge a *UDRP* proceeding under the *ACPA*, in the jurisdiction of the domain name registrant (Massachusetts), in *Sallen v. Corinthians Licenciamentos LTDA*, 273 F. 3d 14 (1st Cir. 2001), in connection with *Corinthians Licenciamentos LTDA v. Sallen* WIPO Case No. D2000-0461, regarding the domain name <corinthians.com>. This case is notable for its discussion of

IX. Conclusion

Determining jurisdiction in cyberspace is, and will likely always be, a quagmire. It is said that law, ideally, is rooted in the past, however "cyberlaw" seems always to be dealing with the present and anticipating the future. The technology will continue to evolve, as will our application and understanding of it.

subject matter jurisdiction of the U.S. federal courts to exercise jurisdiction in cases. The 1st Circuit court held that there is federal jurisdiction over such claims, and remanded the case to the district court.