

INTERNET COMMERCE: DOING BUSINESS IN A NETWORKED WORLD

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Chapter Sixteen
Jurisdiction and Related Matters

In order for a court to adjudicate a case, it must have *subject-matter jurisdiction* over the matter in controversy and *personal jurisdiction* over the parties before it. The case must also be brought in a judicial district where *venue* is proper. *Enforcement jurisdiction* determines whether a court has authority to enforce a judgment rendered by another court. This chapter concerns the application of these doctrines to cases that arise from online communications.

Several aspects of online communications have created difficulties for courts that are called upon to apply the rules of jurisdiction. First, because websites, newsgroups, and Internet mailing lists are accessible with equal ease from any location where there is Internet access, courts must navigate between the equally unpalatable options of holding that online activity subjects a defendant to jurisdiction in every state (and indeed every country), or that online activity is not a basis for jurisdiction at all. Second, it is often difficult to determine where an online activity should be deemed to take place. Since jurisdictional issues depend crucially on the location of the acts that give rise to a dispute, difficulty in locating actions causes difficulty in resolving jurisdictional issues.

As you read through these materials, keep the following questions in mind: (1) Are existing jurisdictional doctrines adequate to handle the issues presented when online contacts are urged as the basis for jurisdiction? Should the courts develop a new law of jurisdiction for “cyberspace”? (2) What factors should lead to a finding that a defendant, by operating a website that may be accessed everywhere, has purposely directed its activity at a particular state? (3) Should there be different standards for evaluating contacts depending on the cause of action involved? For example, should a website that defames be treated differently from one that deceptively describes products offered for sale by the site owner? (4) Do courts sometimes seem to be confused by the technology? Do they wrongly assume that the novelty of the technology requires novel legal analysis or new legal rules? (5) To what extent are the issues presented by online communications analogous to those presented by telephone, mail, and other means of communicating at a distance? To what extent are they different?

A. Background

Personal jurisdiction, also sometimes referred to as jurisdiction *in personam*, jurisdiction over the person, or jurisdiction to adjudicate, refers to the power of a court to exercise authority

over a particular defendant that a plaintiff seeks to bring before it. The rules establishing the circumstances under which a court may assert jurisdiction over a defendant in a civil case derive from several sources, including Rule 4 of the Federal Rules of Civil Procedure, the due process clauses of the Fourteenth and Fifth Amendments, state statutes conferring authority on state courts to exercise jurisdiction over persons located outside of the state (known as “long-arm statutes”), and substantive law giving rise to federal causes of action. The issue that is most commonly presented is whether a court may assert jurisdiction over a defendant who is not located within the state in which the court sits.

When an action is brought in state court, the court’s authority to assert jurisdiction over a defendant located outside the state’s borders is determined by the state’s long-arm statute and by the due process clause of the Fourteenth Amendment. The same is true for most actions brought in federal court, whether the cause of action is created by state law (and the court’s diversity jurisdiction is invoked) or by federal law (based on the court’s federal question jurisdiction).¹ This is due to Rule 4(k)(1)(A), which provides that service of process, a prerequisite for assertion of jurisdiction, may be effectuated only as provided by the law of the state in which the court is located.

Where the Fourteenth Amendment’s due process clause is applicable, the court may assert jurisdiction only if the defendant has certain “minimum contacts” with the state in which the court sits. *International Shoe Co. v. State of Washington*, 326 U.S. 310, 316 (1945). Courts distinguish between “general jurisdiction” and “specific jurisdiction.” If the defendant’s contacts with the forum state are sufficiently “continuous and systematic,” the court may conclude that it has general jurisdiction over the defendant. In that case, the court may assert jurisdiction over the defendant on any cause of action, regardless of whether it arises from the forum contacts. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984).

For specific jurisdiction, the defendant’s contacts with the forum state need not be so strong, but the cause of action must arise from the forum contacts. The test for specific jurisdiction consists of three components: (1) there must be “some act by which the defendant purposely avails itself of the privilege of conducting activities within the forum State,” *Hanson v. Denckla*, 357 U.S. 235, 263 (1958); (2) the cause of action must “arise out of or relate to” the defendant’s contacts with the forum state, *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985) (quoting *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 (1984));

¹ Some federal statutes that create a cause of action authorize service of process wherever the defendant may be found. E.g., 15 U.S.C. § 22; 15 U.S.C. § 53(b). In a federal question case arising from such a statute, the long-arm statute drops out of the picture, since Rule 4(k)(1)(D) provides for jurisdiction “when authorized by a statute of the United States.” Under these circumstances, the only territorial limitation on service of process is that imposed by the due process clause of the Fifth Amendment, which requires that the defendant have certain contacts with the United States. Furthermore, Rule 4(k)(2) allows jurisdiction in a federal question case to be based on national contacts, if the defendant is not subject to the jurisdiction of the courts of any state.

These grounds for jurisdiction are rarely applicable in cases where jurisdiction is based on online conduct, and will not be discussed further.

and (3) assertion of jurisdiction must be reasonable, comporting with “fair play and substantial justice,” *id.* (quoting *International Shoe*, 326 U.S. at 320).

State long-arm statutes are of two general types. The first type sets forth the specific circumstances under which a court of that state may assert jurisdiction over defendants located outside the state’s boundaries. The statutes with which we will be concerned typically authorize jurisdiction over defendants who (1) transact business in the state, (2) cause tortious injury within the state by some act or omission either within or outside the state, or (3) solicit business within the state. Long-arm statutes of the second type provide, or have been construed to mean, that jurisdiction is authorized to the full extent allowed by the due process clause. Thus, where the court is in a state whose long-arm statute is not coextensive with the due process requirement, resolution of the jurisdictional issue requires a two-stage inquiry: first, whether assertion of jurisdiction is consistent with the state long-arm statute, and second, whether assertion of jurisdiction is consistent with the due process clause. In a state where the long-arm statute goes to the limits of due process, the first stage of the inquiry drops out, and the only issue is whether assertion of jurisdiction is consistent with due process.

B. The Due Process Requirement When Jurisdiction Is Based on Operation of a Website

The central difficulty presented when the court’s jurisdiction over the defendant is premised on his operation of a website is that due process requires that the defendant purposely direct its actions at a particular state, while a website by its very nature is accessible by residents of *all* states on an equal basis. The challenge for the courts has been to identify those features of websites that demonstrate that the site owner intentionally directed its activity at one or more particular states.

1. The three-category approach to websites: *Zippo*

Zippo Mfg. Co. v. Zippo Dot Com, Inc.

United States District Court, W.D. Pennsylvania, 1997.
952 F. Supp 1119.

McLAUGHLIN, District Judge.

This is an Internet domain name dispute. At this stage of the controversy, we must decide the Constitutionally permissible reach of Pennsylvania’s Long Arm Statute, 42 Pa.C.S.A. § 5322, through cyberspace. Plaintiff Zippo Manufacturing Corporation (“Manufacturing”) has filed a five count complaint against Zippo Dot Com, Inc. (“Dot Com”) alleging trademark dilution, infringement, and false designation under the Federal Trademark Act, 15 U.S.C. §§ 1051-1127. In addition, the Complaint alleges causes of action based on state law trademark dilution under 54 Pa.C.S.A. § 1124, and seeks equitable accounting and imposition of a constructive trust. Dot Com has moved to dismiss for lack of personal jurisdiction and improper venue pursuant to Fed.R.Civ.P. 12(b)(2) and (3) or, in the alternative, to transfer the case pursuant to 28 U.S.C. § 1406(a). For the reasons set forth below, Defendant’s motion is denied.

I. BACKGROUND

The facts relevant to this motion are as follows. Manufacturing is a Pennsylvania corporation with its principal place of business in Bradford, Pennsylvania. Manufacturing makes, among other things, well known "Zippo" tobacco lighters. Dot Com is a California corporation with its principal place of business in Sunnyvale, California. Dot Com operates an Internet Web site and an Internet news service and has obtained the exclusive right to use the domain names "zippo.com", "zippo.net" and "zipponews.com" on the Internet.

Dot Com's Web site contains information about the company, advertisements and an application for its Internet news service. The news service itself consists of three levels of membership--public/free, "Original" and "Super." Each successive level offers access to a greater number of Internet newsgroups. A customer who wants to subscribe to either the "Original" or "Super" level of service, fills out an on-line application that asks for a variety of information including the person's name and address. Payment is made by credit card over the Internet or the telephone. The application is then processed and the subscriber is assigned a password which permits the subscriber to view and/or download Internet newsgroup messages that are stored on the Defendant's server in California.

Dot Com's contacts with Pennsylvania have occurred almost exclusively over the Internet. Dot Com's offices, employees and Internet servers are located in California. Dot Com maintains no offices, employees or agents in Pennsylvania. Dot Com's advertising for its service to Pennsylvania residents involves posting information about its service on its Web page, which is accessible to Pennsylvania residents via the Internet. Defendant has approximately 140,000 paying subscribers worldwide. Approximately two percent (3,000) of those subscribers are Pennsylvania residents. These subscribers have contracted to receive Dot Com's service by visiting its Web site and filling out the application. Additionally, Dot Com has entered into agreements with seven Internet access providers in Pennsylvania to permit their subscribers to access Dot Com's news service. Two of these providers are located in the Western District of Pennsylvania.

The basis of the trademark claims is Dot Com's use of the word "Zippo" in the domain names it holds, in numerous locations in its Web site and in the heading of Internet newsgroup messages that have been posted by Dot Com subscribers. When an Internet user views or downloads a newsgroup message posted by a Dot Com subscriber, the word "Zippo" appears in the "Message-Id" and "Organization" sections of the heading. The news message itself, containing text and/or pictures, follows. Manufacturing points out that some of the messages contain adult oriented, sexually explicit subject matter.

* * *

III. DISCUSSION

A. Personal Jurisdiction

1. The Traditional Framework

Our authority to exercise personal jurisdiction in this case is conferred by state law. Fed.R.Civ.P. 4(e); Mellon, 960 F.2d at 1221. The extent to which we may exercise that authority is governed by the Due Process Clause of the Fourteenth Amendment to the Federal Constitution. *Kulko v. Superior Court of California*, 436 U.S. 84, 91, 98 S.Ct. 1690, 1696, 56 L.Ed.2d 132 (1978).

Pennsylvania's long arm jurisdiction statute is codified at 42 Pa.C.S.A. § 5322(a). The portion of the statute authorizing us to exercise jurisdiction here permits the exercise of jurisdiction over non-resident defendants upon:

(2) Contracting to supply services or things in this Commonwealth.

42 Pa.C.S.A. § 5322(a). It is undisputed that Dot Com contracted to supply Internet news services to approximately 3,000 Pennsylvania residents and also entered into agreements with seven Internet access providers in Pennsylvania. Moreover, even if Dot Com's conduct did not satisfy a specific provision of the statute, we would nevertheless be authorized to exercise jurisdiction to the "fullest extent allowed under the Constitution of the United States." 42 Pa.C.S.A. § 5322(b).

* * *

2. The Internet and Jurisdiction

In *Hanson v. Denckla*, the Supreme Court noted that "[a]s technological progress has increased the flow of commerce between States, the need for jurisdiction has undergone a similar increase." *Hanson v. Denckla*, 357 U.S. 235, 250-51, 78 S.Ct. 1228, 1237-39, 2 L.Ed.2d 1283 (1958). Twenty seven years later, the Court observed that jurisdiction could not be avoided "merely because the defendant did not physically enter the forum state." *Burger King*, 471 U.S. at 476, 105 S.Ct. at 2184. The Court observed 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.

Id.

Enter the Internet, a global "'super-network' of over 15,000 computer networks used by over 30 million individuals, corporations, organizations, and educational institutions worldwide." *Panavision Intern., L.P. v. Toeppen*, 938 F.Supp. 616 (C.D.Cal.1996) (citing *American Civil Liberties Union v. Reno*, 929 F.Supp. 824, 830-48 (E.D.Pa.1996)). "In recent years, businesses have begun to use the Internet to provide information and products to consumers and other businesses." Id. The Internet makes it possible to conduct business throughout the world entirely from a desktop. With this global revolution looming on the horizon, the development of the law concerning the permissible scope of personal jurisdiction based on Internet use is in its infant stages. The cases are scant. Nevertheless, our 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. E.g. *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir.1996). 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 available to those who are interested in it is not grounds for the exercise personal jurisdiction. E.g. *Bensusan Restaurant Corp., v. King*, 937 F.Supp. 295 (S.D.N.Y.1996). 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. E.g. *Maritz, Inc. v. Cybergold, Inc.*, 947 F.Supp. 1328 (E.D.Mo.1996).

Traditionally, when an entity intentionally reaches beyond its boundaries to conduct business with foreign residents, the exercise of specific jurisdiction is proper. *Burger King*, 471 U.S. at 475, 105 S.Ct. at 2183- 84. Different results should not be reached simply because business is conducted over the Internet. In *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir.1996), the Sixth Circuit addressed the significance of doing business over the Internet. In that case, *Patterson*, a Texas resident, entered into a contract to distribute shareware through CompuServe's Internet server located in Ohio. *CompuServe*, 89 F.3d at 1260. From Texas, *Patterson* electronically uploaded thirty-two master software files to CompuServe's server in Ohio via the Internet. *Id.* at 1261. One of *Patterson's* software products was designed to help people navigate the Internet. *Id.* When CompuServe later began to market a product that *Patterson* believed to be similar to his own, he threatened to sue. *Id.* CompuServe brought an action in the Southern District of Ohio, seeking a declaratory judgment. *Id.* The District Court granted *Patterson's* motion to dismiss for lack of personal jurisdiction and CompuServe appealed. *Id.* The Sixth Circuit reversed, reasoning that *Patterson* had purposefully directed his business activities toward Ohio by knowingly entering into a contract with an Ohio resident and then "deliberately and repeatedly" transmitted files to Ohio. *Id.* at 1264- 66.

In *Maritz, Inc. v. Cybergold, Inc.*, 947 F.Supp. 1328 (E.D.Mo.1996), the defendant had put up a Web site as a promotion for its upcoming Internet service. The service consisted of assigning users an electronic mailbox and then forwarding advertisements for products and services that matched the users' interests to those electronic mailboxes. *Maritz*, 947 F.Supp. at 1330. The defendant planned to charge advertisers and provide users with incentives to view the advertisements. *Id.* Although the service was not yet operational, users were encouraged to add their address to a mailing list to receive updates about the service. *Id.* The court rejected the defendant's contention that it operated a "passive Web site." *Id.* at 1333- 34. The court reasoned that the defendant's conduct amounted to "active solicitations" and "promotional activities" designed to "develop a mailing list of Internet users" and that the defendant "indiscriminately responded to every user" who accessed the site. *Id.* at 1333-34.

Inset Systems, Inc. v. Inset Systems, Inc., 937 F.Supp. 161 (D.Conn.1996) represents the outer limits of the exercise of personal jurisdiction based on the Internet. In *Inset Systems*, a Connecticut corporation sued a Massachusetts corporation in the District of Connecticut for trademark infringement based on the use of an Internet domain name. *Inset Systems*, 937

F.Supp. at 162. The defendant's contacts with Connecticut consisted of posting a Web site that was accessible to approximately 10,000 Connecticut residents and maintaining a toll free number. *Id.* at 165. The court exercised personal jurisdiction, reasoning that advertising on the Internet constituted the purposeful doing of business in Connecticut because "unlike television and radio advertising, the advertisement is available continuously to any Internet user." *Id.* at 165.

Bensusan Restaurant Corp., v. King, 937 F.Supp. 295 (S.D.N.Y.1996) reached a different conclusion based on a similar Web site. In *Bensusan*, the operator of a New York jazz club sued the operator of a Missouri jazz club for trademark infringement. *Bensusan*, 937 F.Supp. at 297. The Internet Web site at issue contained general information about the defendant's club, a calendar of events and ticket information. *Id.* However, the site was not interactive. *Id.* If a user wanted to go to the club, she would have to call or visit a ticket outlet and then pick up tickets at the club on the night of the show. *Id.* The court refused to exercise jurisdiction based on the Web site alone, reasoning that it did not rise to the level of purposeful availment of that jurisdiction's laws. The court distinguished the case from *CompuServe*, *supra*, where the user had " 'reached out' from Texas to Ohio and 'originated and maintained' contacts with Ohio." *Id.* at 301.

Pres-Kap, Inc. v. System One, Direct Access, Inc., 636 So.2d 1351 (Fla.App.1994), review denied, 645 So.2d 455 (Fla.1994) is not inconsistent with the above cases. In *Pres-Kap*, a majority of a three-judge intermediate state appeals court refused to exercise jurisdiction over a consumer of an on-line airline ticketing service. *Pres-Kap* involved a suit on a contract dispute in a Florida court by a Delaware corporation against its New York customer. *Pres-Kap*, 636 So.2d at 1351-52. The defendant had leased computer equipment which it used to access an airline ticketing computer located in Florida. *Id.* The contract was solicited, negotiated, executed and serviced in New York. *Id.* at 1352. The defendant's only contact with Florida consisted of logging onto the computer located in Florida and mailing payments for the leased equipment to Florida. *Id.* at 1353. *Pres-Kap* is distinguishable from the above cases and the case at bar because it addressed the exercise of jurisdiction over a consumer of on-line services as opposed to a seller. When a consumer logs onto a server in a foreign jurisdiction he is engaging in a fundamentally different type of contact than an entity that is using the Internet to sell or market products or services to residents of foreign jurisdictions. The *Pres-Kap* court specifically expressed concern over the implications of subjecting users of "on-line" services with contracts with out-of-state networks to suit in foreign jurisdictions. *Id.* at 1353.

3. Application to this Case

First, we note that this is not an Internet advertising case in the line of *Inset Systems* and *Bensusan*, *supra*. *Dot Com* has not just posted information on a Web site that is accessible to Pennsylvania residents who are connected to the Internet. This is not even an interactivity case in the line of *Maritz*, *supra*. *Dot Com* has done more than create an interactive Web site through which it exchanges information with Pennsylvania residents in hopes of using that information for commercial gain later. We are not being asked to determine whether *Dot Com's* Web site alone constitutes the purposeful availment of doing business in Pennsylvania. This is a "doing business over the Internet" case in the line of *CompuServe*, *supra*. We are being asked to

determine whether Dot Com's conducting of electronic commerce with Pennsylvania residents constitutes the purposeful availment of doing business in Pennsylvania. We conclude that it does. Dot Com has contracted with approximately 3,000 individuals and seven Internet access providers in Pennsylvania. The intended object of these transactions has been the downloading of the electronic messages that form the basis of this suit in Pennsylvania.

We find Dot Com's efforts to characterize its conduct as falling short of purposeful availment of doing business in Pennsylvania wholly unpersuasive. At oral argument, Defendant repeatedly characterized its actions as merely "operating a Web site" or "advertising." Dot Com also cites to a number of cases from this Circuit which, it claims, stand for the proposition that merely advertising in a forum, without more, is not a sufficient minimal contact. This argument is misplaced. Dot Com has done more than advertise on the Internet in Pennsylvania. Defendant has 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.

Dot Com also contends that its contacts with Pennsylvania residents are "fortuitous" within the meaning of *World-Wide Volkswagen* . . . because Pennsylvanians happened to find its Web site or heard about its news service elsewhere and decided to subscribe. This argument misconstrues the concept of fortuitous contacts embodied in *World-Wide Volkswagen*. Dot Com's contacts with Pennsylvania would be fortuitous within the meaning of *World-Wide Volkswagen* if it had no Pennsylvania subscribers and an Ohio subscriber forwarded a copy of a file he obtained from Dot Com to a friend in Pennsylvania or an Ohio subscriber brought his computer along on a trip to Pennsylvania and used it to access Dot Com's service. That is not the situation here. Dot Com repeatedly and consciously chose to process Pennsylvania residents' applications and to assign them passwords. Dot Com knew that the result of these contracts would be the transmission of electronic messages into Pennsylvania. The transmission of these files was entirely within its control. Dot Com cannot maintain that these contracts are "fortuitous" or "coincidental" within the meaning of *World-Wide Volkswagen*. When a defendant makes a conscious choice to conduct business with the residents of a forum state, "it has clear notice that it is subject to suit there." *World-Wide Volkswagen*, 444 U.S. at 297, 100 S.Ct. at 567. Dot Com was under no obligation to sell its services to Pennsylvania residents. It freely chose to do so, presumably in order to profit from those transactions. If a corporation determines that the risk of being subject to personal jurisdiction in a particular forum is too great, it can choose to sever its connection to the state. *Id.* If Dot Com had not wanted to be amenable to jurisdiction in Pennsylvania, the solution would have been simple--it could have chosen not to sell its services to Pennsylvania residents.

Next, Dot Com argues that its forum-related activities are not numerous or significant enough to create a "substantial connection" with Pennsylvania. Defendant points to the fact that only two percent of its subscribers are Pennsylvania residents. However, the Supreme Court has made clear that even a single contact can be sufficient. *McGee*, 355 U.S. at 223, 78 S.Ct. at 201. The test has always focused on the "nature and quality" of the contacts with the forum and not the quantity of those contacts. *International Shoe*, 326 U.S. at 320, 66 S.Ct. at 160. The Sixth Circuit also rejected a similar argument in *CompuServe* when it wrote that the contacts were "deliberate and repeated even if they yielded little revenue." *CompuServe*, 89 F.3d at 1265.

[Discussion of “arising from” and “reasonableness” criteria omitted]

[Discussion of venue omitted]

IV. CONCLUSION

We conclude that this Court may appropriately exercise personal jurisdiction over the Defendant and that venue is proper in this judicial district.

Notes

1. *The Zippo categorization.* In *Zippo*, the court made an effort to synthesize existing decisions on the circumstances under which operation of a website can give rise to jurisdiction. It found that those decisions have arranged websites on a “spectrum,” consisting of two polar situations and a broad middle ground: (1) “situations where a defendant clearly does business over the Internet,” by “enter[ing] into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet,” in which case “personal jurisdiction is proper”; (2) “situations where a defendant has simply posted [a] passive website that does little more than make information available to those who are interested in it,” which “is not grounds for the exercise [of] personal jurisdiction”; and (3) “interactive Web sites where a user can exchange information with the host computer,” in which case “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.” Numerous subsequent decisions have relied upon this approach.

How helpful is this categorization? (a) Is the “level of interactivity” that a website presents an indication of purposeful activity directed at the forum state? What would be the result of applying such a rule to telephone calls, which are more “interactive” than any website? (b) What about the “commercial nature” of the interactivity? Should a non-profit entity that commits an online tort be less susceptible to extraterritorial jurisdiction than a commercial entity that engages in the same activities?

Consider this criticism: (a) The rule applying to “passive” websites is an application of existing law holding that advertising in a nationally circulated publication does not support jurisdiction in every state where the publication is distributed. (b) The rule applying to websites that produce contracts with forum residents is an application of existing law holding that contracts with forum residents, regardless of the means of communication through which they are entered, may be sufficient to support jurisdiction. (c) The rule applicable to the middle category of “interactive” websites focuses improperly on the level and commercial nature of the site’s interactivity, which are poor proxies for purposeful availment.

2. *Bensusan.* One of the cases the court relied upon in formulating its three-category analysis is the district court opinion in *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y.1996), *aff’d*, 126 F.3d 25 (2d Cir. 1997). After finding that the relevant provisions of the long-arm statute were not satisfied, the district court went on, in what might be considered

dictum, to inquire whether assertion of jurisdiction would be consistent with due process. It stated:

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. See *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 112, 107 S.Ct. 1026, 1032, 94 L.Ed.2d 92 (1992) (plurality opinion). There are no allegations that King actively sought to encourage New Yorkers to access his site, or that he conducted any business--let alone a continuous and systematic part of its business--in New York. There is in fact no suggestion that King has any presence of any kind in New York other than the Web site that can be accessed worldwide. Bensusan's argument that King should have foreseen that users could access the site in New York and be confused as to the relationship of the two Blue Note clubs is insufficient to satisfy due process. . . .

Id. at 301. Distinguishing *CompuServe Inc. v. Patterson*, 89 F.3d 1257 (6th Cir.1996), discussed below at —, the court concluded that this case “contains no allegations that King in any way directed any contact to, or had any contact with, New York or intended to avail itself of any of New York’s benefits.” *Id.*

2. Passive websites and the requirement of “something more”

Cybersell, Inc. v. Cybersell, Inc.

United States Court of Appeals, Ninth Circuit, 1997.
130 F.3d 414.

Before: WOOD, Jr., RYMER, and TASHIMA, Circuit Judges.

RYMER, Circuit Judge.

We are asked to hold that the allegedly infringing use of a service mark in a home page on the World Wide Web suffices for personal jurisdiction in the state where the holder of the mark has its principal place of business. *Cybersell, Inc.*, an Arizona corporation that advertises for commercial services over the Internet, claims that *Cybersell, Inc.*, a Florida corporation that offers web page construction services over the Internet, infringed its federally registered mark and should be amenable to suit in Arizona because cyberspace is without borders and a web site which advertises a product or service is necessarily intended for use on a world wide basis. The district court disagreed, and so do we. Instead, applying our normal “minimum contacts” analysis, we conclude that it would not comport with “traditional notions of fair play and substantial justice,” *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1485 (9th Cir.1993) (quoting *International Shoe Co. v. Washington*, 326 U.S. 310, 316, 66 S.Ct. 154, 158, 90 L.Ed. 95 (1945)), for Arizona to exercise personal jurisdiction over an allegedly infringing Florida web site advertiser who has no contacts with Arizona other than maintaining a home page that is accessible to Arizonans, and everyone else, over the Internet. We therefore affirm.

Cybersell, Inc. is an Arizona corporation, which we will refer to as Cybersell AZ. It was incorporated in May 1994 to provide Internet and web advertising and marketing services, including consulting. The principals of Cybersell AZ are Laurence Canter and Martha Siegel, known among web users for first “spamming” the Internet. Mainstream print media carried the story of Canter and Siegel and their various efforts to commercialize the web.

On August 8, 1994, Cybersell AZ filed an application to register the name “Cybersell” as a service mark. The application was approved and the grant was published on October 30, 1995. Cybersell AZ operated a web site using the mark from August 1994 through February 1995. The site was then taken down for reconstruction.

Meanwhile, in the summer of 1995, Matt Certo and his father, Dr. Samuel C. Certo, both Florida residents, formed Cybersell, Inc., a Florida corporation (Cybersell FL), with its principal place of business in Orlando. Matt was a business school student at Rollins College, where his father was a professor; Matt was particularly interested in the Internet, and their company was to provide business consulting services for strategic management and marketing on the web. At the time the Certos chose the name “Cybersell” for their venture, Cybersell AZ had no home page on the web nor had the PTO granted their application for the service mark.

As part of their marketing effort, the Certos created a web page at <http://www.cybsell.com/cybsell/index.htm>. The home page has a logo at the top with “CyberSell” over a depiction of the planet earth, with the caption underneath “Professional Services for the World Wide Web” and a local (area code 407) phone number. It proclaims in large letters “Welcome to CyberSell!” A hypertext link allows the browser to introduce himself, and invites a company not on the web--but interested in getting on the web--to “Email us to find out how!”

Canter found the Cybersell FL web page and sent an e-mail on November 27, 1995 notifying Dr. Certo that “Cybersell” is a service mark of Cybersell AZ. Trying to disassociate themselves from Canter and Siegel, the Certos changed the name of Cybersell FL to WebHorizons, Inc. on December 27 (later it was changed again to WebSolvers, Inc.) and by January 4, 1996, they had replaced the CyberSell logo at the top of their web page with WebHorizons, Inc. The WebHorizons page still said “Welcome to CyberSell!”

Cybersell AZ filed the complaint in this action January 9, 1996 in the District of Arizona, alleging trademark infringement, unfair competition, fraud, and RICO violations. On the same day Cybersell FL filed suit for declaratory relief with regard to use of the name “Cybersell” in the United States District Court for the Middle District of Florida, but that action was transferred to the District of Arizona and consolidated with the Cybersell AZ action. Cybersell FL moved to dismiss for lack of personal jurisdiction. The district court denied Cybersell AZ’s request for a preliminary injunction, then granted Cybersell FL’s motion to dismiss for lack of personal jurisdiction. Cybersell AZ timely appealed.

II

The general principles that apply to the exercise of personal jurisdiction are well known. As there is no federal statute governing personal jurisdiction in this case, the law of Arizona applies. Under Rule 4.2(a) of the Arizona Rules of Civil Procedure, an Arizona court

may exercise personal jurisdiction over parties, whether found within or outside the state, to the maximum extent permitted by the Constitution of this state and the Constitution of the United States.

The Arizona Supreme Court has stated that under Rule 4.2(a), “Arizona will exert personal jurisdiction over a nonresident litigant to the maximum extent allowed by the federal constitution.” * * * Thus, Cybersell FL may be subject to personal jurisdiction in Arizona so long as doing so comports with due process.

A court may assert either specific or general jurisdiction over a defendant. * * * Cybersell AZ concedes that general jurisdiction over Cybersell FL doesn’t exist in Arizona, so the only issue in this case is whether specific jurisdiction is available.

We use a three-part test to determine whether a district court may exercise specific jurisdiction over a nonresident defendant:

- (1) The nonresident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections[;]
- (2)[t]he claim must be one which arises out of or results from the defendant’s forum-related activities[; and]
- (3)[e]xercise of jurisdiction must be reasonable.

Ballard v. Savage, 65 F.3d 1495, 1498 (9th Cir.1995) (citations omitted).

Cybersell AZ argues that the test is met because trademark infringement occurs when the passing off of the mark occurs, which in this case, it submits, happened when the name “Cybersell” was used on the Internet in connection with advertising. Cybersell FL, on the other hand, contends that a party should not be subject to nationwide, or perhaps worldwide, jurisdiction simply for using the Internet.

A

Since the jurisdictional facts are not in dispute, we turn to the first requirement, which is the most critical. As the Supreme Court emphasized in *Hanson v. Denckla*, “it is essential in each case that there be some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.” 357 U.S. 235, 253, 78 S.Ct. 1228, 1239, 2 L.Ed.2d 1283 (1958). We recently explained in *Ballard* that

the “purposeful availment” requirement is satisfied if the defendant has taken deliberate action within the forum state or if he has created continuing obligations to forum residents. “It is not required that a defendant be physically present within, or have physical contacts with, the forum, provided that his efforts ‘are purposefully directed’ toward forum residents.”

Ballard, 65 F.3d at 1498 (citations omitted).

We have not yet considered when personal jurisdiction may be exercised in the context of cyberspace, but the Second and Sixth Circuits have had occasion to decide whether personal jurisdiction was properly exercised over defendants involved in transmissions over the Internet, see *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir.1996); *Bensusan Restaurant Corp. v. King*, 937 F.Supp. 295 (S.D.N.Y.1996), *aff'd*, 126 F.3d 25 (2d Cir.1997), as have a number of district courts.

[Discussion of CompuServe and Bensusan omitted]

“Interactive” web sites present somewhat different issues. Unlike passive sites such as the defendant’s in *Bensusan*, users can exchange information with the host computer when the site is interactive. Courts that have addressed interactive sites have looked to the “level of interactivity and commercial nature of the exchange of information that occurs on the Web site” to determine if sufficient contacts exist to warrant the exercise of jurisdiction. See, e.g., *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119, 1124 (W.D.Pa.1997) (finding purposeful availment based on Dot Com’s interactive web site and contracts with 3000 individuals and seven Internet access providers in Pennsylvania allowing them to download the electronic messages that form the basis of the suit); *Maritz, Inc. v. Cybergold, Inc.*, 947 F.Supp. 1328, 1332-33 (E.D.Mo.) (browsers were encouraged to add their address to a mailing list that basically subscribed the user to the service), reconsideration denied, 947 F.Supp. 1338 (1996).

Cybersell AZ points to several district court decisions which it contends have held that the mere advertisement or solicitation for sale of goods and services on the Internet gives rise to specific jurisdiction in the plaintiff’s forum. However, so far as we are aware, no court has ever held that an Internet advertisement alone is sufficient to subject the advertiser to jurisdiction in the plaintiff’s home state. See, e.g., *Smith v. Hobby Lobby Stores*, 968 F.Supp. 1356 (W.D.Ark.1997) (no jurisdiction over Hong Kong defendant who advertised in trade journal posted on the Internet without sale of goods or services in Arkansas). Rather, in each, there has been “something more” to indicate that the defendant purposefully (albeit electronically) directed his activity in a substantial way to the forum state.

Inset Systems, Inc. v. Instruction Set, Inc., 937 F.Supp. 161 (D.Conn.1996), is the case most favorable to *Cybersell AZ*’s position. Inset developed and marketed computer software throughout the world; Instruction Set, Inc. (ISI) provided computer technology and support. Inset owned the federal trademark “INSET”; but ISI obtained “INSET.COM” as its Internet domain address for advertising its goods and services. ISI also used the telephone number “1-800-US-INSET.” Inset learned of ISI’s domain address when it tried to get the same address, and filed suit for trademark infringement in Connecticut. The court reasoned that ISI had purposefully availed itself of doing business in Connecticut because it directed its advertising activities via the Internet and its toll-free number toward the state of Connecticut (and all states); Internet sites and toll-free numbers are designed to communicate with people and their businesses in every state; an Internet advertisement could reach as many as 10,000 Internet users

within Connecticut alone; and once posted on the Internet, an advertisement is continuously available to any Internet user.

Cybersell AZ further points to the court's statement in *EDIAS Software International, L.L.C. v. BASIS International Ltd.*, 947 F.Supp. 413 (D.Ariz.1996), that a defendant "should not be permitted to take advantage of modern technology through an Internet Web page and forum and simultaneously escape traditional notions of jurisdiction." *Id.* at 420. In that case, EDIAS (an Arizona company) alleged that BASIS (a New Mexico company) sent advertising and defamatory statements over the Internet through e-mail, its web page, and forums. However, the court did not rest its minimum contacts analysis on use of the Internet alone; in addition to the Internet, BASIS had a contract with EDIAS, it made sales to EDIAS and other Arizona customers, and its employees had visited Arizona during the course of the business relationship with EDIAS.

Some courts have also given weight to the number of "hits" received by a web page from residents in the forum state, and to other evidence that Internet activity was directed at, or bore fruit in, the forum state. See, e.g., *Heroes, Inc. v. Heroes Found.*, 958 F.Supp. 1 (D.D.C.1996) (web page that solicited contributions and provided toll-free telephone number along with the defendant's use on the web page of the allegedly infringing trademark and logo, along with other contacts, provided sustained contact with the District), amended by No. Civ.A. 96-1260(TAF) (1997); *Pres-Kap, Inc. v. System One, Direct Access, Inc.*, 636 So.2d 1351 (Fla.Dist.Ct.App.1994) (declining jurisdiction where defendant consumer subscribed to plaintiff's travel reservation system but was solicited and serviced in state by the supplier's local representative).

In sum, the common thread, well stated by the district court in *Zippo*, is 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." *Zippo*, 952 F.Supp. at 1124.

B

Here, Cybersell FL has conducted no commercial activity over the Internet in Arizona. All that it did was post an essentially passive home page on the web, using the name "CyberSell," which Cybersell AZ was in the process of registering as a federal service mark. While there is no question that anyone, anywhere could access that home page and thereby learn about the services offered, we cannot see how from that fact alone it can be inferred that Cybersell FL deliberately directed its merchandising efforts toward Arizona residents.

Cybersell FL did nothing to encourage people in Arizona to access its site, and there is no evidence that any part of its business (let alone a continuous part of its business) was sought or achieved in Arizona. To the contrary, it appears to be an operation where business was primarily generated by the personal contacts of one of its founders. While those contacts are not entirely local, they aren't in Arizona either. No Arizonan except for Cybersell AZ "hit" Cybersell FL's web site. There is no evidence that any Arizona resident signed up for Cybersell FL's web construction services. It entered into no contracts in Arizona, made no sales in Arizona, received

no telephone calls from Arizona, earned no income from Arizona, and sent no messages over the Internet to Arizona. The only message it received over the Internet from Arizona was from Cybersell AZ. Cybersell FL did not have an “800” number, let alone a toll-free number that also used the “Cybersell” name. The interactivity of its web page is limited to receiving the browser’s name and address and an indication of interest--signing up for the service is not an option, nor did anyone from Arizona do so. No money changed hands on the Internet from (or through) Arizona. In short, Cybersell FL has done no act and has consummated no transaction, nor has it performed any act by which it purposefully availed itself of the privilege of conducting activities, in Arizona, thereby invoking the benefits and protections of Arizona law.

We therefore hold that Cybersell FL’s contacts are insufficient to establish “purposeful availment.” Cybersell AZ has thus failed to satisfy the first prong of our three-part test for specific jurisdiction. We decline to go further solely on the footing that Cybersell AZ has alleged trademark infringement over the Internet by Cybersell FL’s use of the registered name “Cybersell” on an essentially passive web page advertisement. Otherwise, every complaint arising out of alleged trademark infringement on the Internet would automatically result in personal jurisdiction wherever the plaintiff’s principal place of business is located. That would not comport with traditional notions of what qualifies as purposeful activity invoking the benefits and protections of the forum state. See *Peterson v. Kennedy*, 771 F.2d 1244, 1262 (9th Cir.1985) (series of phone calls and letters to California physician regarding plaintiff’s injuries insufficient to satisfy first prong of test).

[Discussion of effects test omitted]

IV

We conclude that the essentially passive nature of Cybersell FL’s activity in posting a home page on the World Wide Web that allegedly used the service mark of Cybersell AZ does not qualify as purposeful activity invoking the benefits and protections of Arizona. As it engaged in no commercial activity and had no other contacts via the Internet or otherwise in Arizona, Cybersell FL lacks sufficient minimum contacts with Arizona for personal jurisdiction to be asserted over it there. Accordingly, its motion to dismiss for lack of personal jurisdiction was properly granted.

AFFIRMED

Notes

1. “*Something more.*” The *Cybersell* court, endorsing the three-category approach set forth in *Zippo*, held that mere operation of a Web site is insufficient to support jurisdiction: “something more” is required “to indicate that the defendant purposefully (albeit electronically) directed his activity in a substantial way to the forum state.” It found no such “something more” in the case at hand, but identified several prior cases in which it found that “something more” was present: the placement of defendant’s toll-free number on the website, receiving “hits” from Internet users in the forum state, soliciting contributions, and using the plaintiff’s trademark on the website. (a) To what extent do these additions to a website help to establish purposeful

availment of a particular state? (b) In *Cybersell* itself, the defendant's website was set up to "receiv[e] the browser's [i.e., an Internet user's] name and address and an indication of interest." Is this any less evidence of targeting of residents of a particular state than the other factors noted above?

2. *Passive websites.* In cases involving websites that are nothing more than online advertisements, most courts have had little difficulty concluding that the website could not support jurisdiction. *See, e.g.,* *Ford Motor Co. v. Great Domains, Inc.*, 141 F.Supp.2d 763 (E.D. Mich. 2001) (website offering to sell domain names allegedly infringing plaintiff's trademarks); *Mid City Bowling Lanes & Sports Palace, Inc. v. Ivercrest, Inc.*, 35 F. Supp.2d 507 (E.D. La. 1999); *Pheasant Run, Inc. v. Moyse*, 1999 WL 58562 (N.D. Ill. Feb 3, 1999); *Fernandez v. McDaniel Controls, Inc.*, 999 F. Supp. 1365 (1998); *Blackburn v. Walker Oriental Rug Galleries, Inc.*, 999 F. Supp. 636 (E.D. Pa. 1998); *Green v. William Mason & Co.*, 996 F. Supp. 394 (D.N.J. 1998); *SF Hotel Co., L.P v. Energy Investments, Inc.*, 985 F. Supp. 1032 (D. Kan. 1997); *Smith v. Hobby Lobby Stores, Inc.*, 968 F. Supp. 1356 (W.D. Ark. 1997).

But: (a) In *Maritz, Inc. v. Cybergold, Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996), the court found the due process requirement satisfied based on the fact that defendant's website was accessed 131 times by residents of the forum state, and that it was intended to reach all Internet users. The court reasoned that setting up a website is a stronger basis for jurisdiction than maintaining a telephone number or a mailing address, since (i) "[a] company's establishment of a telephone number, such as an 800 number, is not as efficient, quick, or easy way to reach the global audience that the internet has the capability of reaching," and (ii) if a forum resident sends a letter to defendant, "[defendant] would have the option as to whether to mail information to the [forum] resident, [whereas defendant] automatically and indiscriminately responds to each and every internet user who accesses its website." (What could indicate an intent that a website *not* reach all Internet users? Of what significance should be the fact that a website was viewed by residents of the forum state? Are the noted differences between websites on the one hand, and telephone and mail on the other, persuasive in the jurisdictional context?) (b) In *Hasbro Inc. v. Clue Computing Inc.*, 994 F. Supp. 34 (D. Mass. 1997), jurisdiction was based on the facts that defendant stated on its website that it had done work for Digital Equipment Corp., which it knew was a company located in the forum state; that the website contained a link allowing a visitor to send an e-mail message to the site owner; and that defendant failed to take any measures to avoid contacts in the forum state. (How might the owner of a website prevent it from being accessed by residents of a particular state? Why should the inclusion of a mailto link on a website demonstrate purposeful availment of any state? Would the inclusion of a mailing address, particularly one consisting of a P.O. box that therefore did no more than state where mail might be directed without indicating the addressee's location, lead to the same conclusion?) (c) In *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996), the court found it had jurisdiction over the defendant based merely on defendant's operation of a website that displayed its toll-free telephone number, and the fact that a substantial number of forum residents had access to the Internet. (What if the defendant's toll-free number was not posted on the website, but was available to anyone who dialed the toll-free directory assistance number?)

Can these decisions be reconciled with *Cybersell*'s "something more" requirement?

Other cases have rejected the view that the inclusion on a website of a link enabling visitors to send e-mail to the site owner, or inclusion of the site owner's toll-free telephone number, is enough to lift the site out of the "passive" category. *See Osteotech, Inc. v. Gensci Regeneration Sciences, Inc.*, 6 F. Supp.2d 349 (D.N.J. 1998) (placement of defendant's phone number or e-mail address on its website is not relevant to the jurisdictional analysis, since inclusion of this information "has no more of an impact on any particular forum than a website without such information"); *Edberg v. Neogen Corp.*, 17 F. Supp.2d 104 (D. Conn. 1998) (no jurisdiction, where site included both a toll-free number and a link for sending e-mail to the defendant); *Grutkowski v. Steamboat Lake Guides & Outfitters, Inc.*, 1998 WL 962042 (E.D. Pa. Dec. 28, 1998) (inclusion of an e-mail link and local telephone number does not make site interactive); *Conseco, Inc. v. Hickerson*, 698 N.E.2d 816 (Ind. App. 1998) (no jurisdiction, where site included e-mail link); *Transcraft Corp. v. Doonan Trailer Corp.*, 45 U.S.P.Q.2d (BNA) 1097 (N.D. Ill. 1997) (no jurisdiction, where site includes a toll-free number and invites inquiries by e-mail).

3. *Deliberate direction.* What should count as a "something more" that is sufficient to support jurisdiction over the owner of a website? A more informative gloss on this requirement is that the defendant must "deliberately direct" its website advertising at the residents of the forum state. *Fernandez v. McDaniel Controls, Inc.*, 999 F. Supp. 1365, 1368 (D. Ha. 1998). Consider whether the following constitute "deliberate[] direct[ion]" of advertising at a particular state: (a) What if the website contains a list of shipping costs to each of the 50 states? Does this constitute purposeful availment of each state? (b) What if the site notes that a particular product that it offers may be of special interest to residents of State X, or to New Englanders, or to Westerners? (c) What if the site contains a map showing driving instructions from each of the states neighboring its bricks-and-mortar location? What if it includes a link to a mapping site that will generate driving directions to its location from anywhere in the country? *Cf. Millennium Enterprises, Inc. v. Millennium Music, LP*, 33 F. Supp.2d 907 (D. Ore. 1999) (inclusion of local map of defendant's location does not demonstrate intent to target residents of forum state 3,000 miles away).

4. *Website reference to forum state.* In *Vitullo v. Velocity Powerboats, Inc.*, 1998 WL 246152 (N.D. Ill. Apr. 27, 1998), the defendant, a boat manufacturer, sold boats to a Michigan dealer. Plaintiff, an Illinois resident, bought a boat from the Michigan dealer, and sued for personal injuries she sustained using the boat. Defendant's website suggested that visitors see its products "at your local area [boat] show," and listed an upcoming show in Chicago. The Michigan dealer showed defendant's boats at the Chicago Boat Show. The court held that this reference to the local boat show, together with its distribution of boats through the Michigan dealer, constituted purposeful availment of residents of Illinois under a "stream of commerce" theory. It noted that the website alone might be sufficient to show purposeful availment, since the reference to the local boat show may supply the requisite "something more." (Since there is no evidence that plaintiff's purchase of the boat resulted either from viewing the website or attending the Chicago Boat Show, can the cause of action properly be said to arise from or relate to the defendant's forum contacts?)

5. *Gloss on Zippo.* In *Blumenthal v. Drudge*, 992 F. Supp. 44, 56 (D.D.C. 1998), the court characterized the *Zippo* line of cases as holding that for a website to support jurisdiction (a)

“it must . . . allow [users] to interact directly with the web site on some level,” and (b) “there must also be some other non-Internet related contacts between the defendant and the forum state.” Does statement (a) overlook the possibility of jurisdiction based on the “effects” of a non-interactive website? See discussion of the effects test, below at —. Does statement (b) ignore the possibility that a contract entered and fulfilled entirely online might be enough to support jurisdiction? See discussion of online contracts, below at —.

3. The interactivity criterion

The middle category in *Zippo*'s taxonomy of website jurisdictional contacts is occupied by those sites which are deemed to be interactive. With the exception of a few early cases, the courts have not been willing to find that interactivity of a website alone constitutes “purposeful availment” of the forum state. Cases in which interactive features of a website were found insufficient to support jurisdiction include: *3D Systems, Inc. v. Aarotech Laboratories, Inc.*, 160 F.3d 1373 (Fed. Cir. 1998) (defendant operated a website describing its subsidiary's products, and received e-mail inquiries via that site, but merely forwarded them to its subsidiary for response); *American Information Corp. v. American Infometrics, Inc.*, 139 F.Supp.2d 696 (D. Md. 2001) (prospective employees could submit their resumes via the website); *Neogen Corp. v. Neo Gen Screening, Inc.*, 109 F. Supp.2d 724 (W.D. Mich. 2000) (website allowed customers to access blood test results using a password); *Ecotecture, Inc. v. Wenz*, 2000 WL 760961 (D. Me. May 16, 2000) (site allows visitors to subscribe to an online journal); *People Solutions, Inc. v. People Solutions, Inc.*, 2000 WL 1030619 (N.D. Tex. 2000) (Jul. 25, 2000) (website “contains interactive pages that allow customers to test Defendant's products, download product demos, obtain product brochures and information, and order products online”); *JB Oxford Holdings, Inc. v. Net Trade, Inc.*, 76 F. Supp.2d 1363 (S.D. Fla. 1999) (visitors could apply for a securities trading account online); *Desktop Technologies, Inc. v. Colorworks Reproduction & Design, Inc.*, 1999 WL 98572 (E.D. Pa. Feb. 25, 1999) (site allowed exchange of files via FTP and e-mail); *Agar Corp. v. Multi-Fluid, Inc.*, 45 U.S.P.Q.2d (BNA) 1444 (S.D. Tex. 1997) (site included links allowing visitors to provide feedback and register).

Especially telling is *S. Morantz, Inc. v. Hang & Shine Ultrasonics, Inc.*, 79 F.Supp. 2d 537 (E.D. Pa. 1999), which held that defendant's website was not sufficiently interactive to support jurisdiction, despite the fact that visitors could purchase a videotape promoting the defendant's services by paying \$10 via the website. The court reasoned: “The sale of a promotional videotape over the Internet does not increase the interactivity of the web site * * *. Like the web site itself, the videotape merely provides information about Hang & Shine's products. It is not a product in and of itself * * *. *Id.* at 541 n.6.

Courts that have found an interactive website to satisfy due process requirements for jurisdiction generally have relied upon some additional contacts as well. For example, in *Starmedia Network, Inc. v. Star Media Inc.*, 2001 WL 417118 (S.D.N.Y. Apr. 23, 2001), the defendant's website allowed visitors to register, download dealer applications, and obtain password-protected product and pricing information. The court said that the website was an interactive one under the *Zippo* criteria, but found that its interactivity was “limited.” It held, however, that the due process requirements for jurisdiction were satisfied in view of “additional contacts” that defendant had with the forum state. In *Hsin Ten Enterprise USA, Inc. v. Clark*

Enterprises, 138 F.Supp.2d 449 (S.D.N.Y. 2000), the court did not ground jurisdiction on defendant's interactive website alone, but noted that defendant sent representatives to attend trade shows in the forum state, maintained independent affiliates there, and had sold its products to residents of the forum state.

Should a website be found to support jurisdiction, based on the interactivity criterion, simply because it exhibits the *potential* for interaction with residents of the forum state, or must there be *actual* interaction with forum residents? In *Millennium Enterprises, Inc. v. Millennium Music, LP*, 33 F. Supp.2d 907 (D. Ore. 1999), the plaintiff, which operated music stores in Oregon under the name "Music Millennium," claimed that defendant violated its trademark in that name by operating in South Carolina under the name "Millennium Music." Defendant's website allowed visitors to purchase compact disks, join a discount club, and request franchising information, but no residents of Oregon had made any purchases via the website or engaged in any online communication with the defendant. The court rejected view that potential interactivity is sufficient to satisfy due process: it held that there must in addition be some "deliberate action" within the forum state, consisting of either transactions with residents of the forum state or other conduct purposefully directed at them. The court stated: "Until transactions with Oregon residents are consummated through defendants' Web site, defendants cannot reasonably anticipate that they will be brought before this court * * *."

On the court's rationale, would it be enough to support jurisdiction that defendant responded to a query for information via e-mail, if defendant knew that the requester was located in Oregon, or must there be an actual commercial transaction with a forum resident? If the latter, then is the court saying that no website falling in *Zippo's* middle category is sufficient to support jurisdiction?

Other courts have likewise held that mere *potential* interactivity is not enough to support jurisdiction. *See Origin Instruments Corp. v. Adaptive Computer Systems, Inc.*, 1999 WL 76794 (N.D. Tex. Feb. 3, 1999) (Defendant operated a website through which it advertised and sold its product. It delivered its software products via download from the site, but there was no evidence that any resident of the forum state had interacted with the site, and the undisputed evidence was that defendant had made no sales to any resident of the forum state. The court held that it lacked jurisdiction over the defendant: "Personal jurisdiction should not be premised on the mere possibility that a Defendant may be able to do business with [forum residents] over its web site * * *"); *Edberg v. Neogen Corp.*, 17 F. Supp.2d 104 (D. Conn. 1998) (no jurisdiction, where site included a toll-free number that visitors could use to place an order, since there was no evidence that forum residents actually accessed the site). *Cf. ESAB Group, Inc. v. Centricut, LLC*, 34 F. Supp.2d 323 (D.S.C. 1999) (holding that defendant's website does not constitute an "offer to sell" an infringing product, under 35 U.S.C. § 271(a), which might support jurisdiction, since such an offer would be made only if a forum resident actually visited the site, and there is no evidence that one did).

In *E-Data Corp. v. Micropatent Corp.*, 989 F. Supp. 173, 177 (D. Conn. 1997), the court held that the mere potential of a website to reach forum residents, absent any evidence that forum residents actually accessed the site, did not satisfy the state long-arm statute. The court explained: "If such potentialities alone were sufficient to confer personal jurisdiction over a

foreign defendant, any foreign corporation with the potential to reach or do business with Connecticut consumers by telephone, television or mail would be subject to suit in Connecticut.” Do you agree with this reasoning?

4. Targeting of the forum state

Some courts have glossed the due process “purposeful availment” criterion as a requirement that a website be “targeted” at the forum state. What might be evidence of such targeting? In *Quokka Sports, Inc. v. Cup Int’l Ltd.*, 99 F.Supp. 2d 1105 (N.D. Cal. 1999), the defendants, a company and individuals based in New Zealand, operated websites under domain names that allegedly infringed plaintiff’s trademarks. The court, aggregating defendants’ national contacts under Fed. R. Civ. Pro. 4(k)(2), found that “[t]he content of the * * * website reflected the defendants’ intention to target the U.S. market.” In reaching that result the court relied on the facts that (1) defendants “purposely went to the United States registrar, [Network Solutions, Inc.] to get a ‘.com’” domain name, rather than staying at home and registering a .nz domain; (2) the website featured banner advertisements from ten U.S. companies; some of the ads, when clicked, displayed a page designed for U.S. consumers; (3) defendants quoted advertising rates to prospective advertisers in U.S. dollars; (4) the website offered to sell travel packages that were priced in U.S. dollars; and (5) the website offered books for sale, in affiliation with Amazon.com.

Do these strike you as strong indicia that the website targeted the United States? What would indicate that a U.S.-based website was targeting a particular state?

Non-targeting of a particular state may be easier to establish. In *JB Oxford Holdings, Inc. v. Net Trade, Inc.*, 76 F. Supp.2d 1363 (S.D. Fla. 1999), the defendant operated an online stock brokerage. It accepted account applications only from residents of the states in which it was registered to do business, which did not include Florida, the forum state. The court found that defendant had engaged in “purposeful avoidance of the privilege of conducting business in the forum state,” and held that the site did not satisfy the due process requirements for jurisdiction.

5. Evaluation of due process caselaw

Zippo and its progeny, of which we will see more later in this chapter, take a *sui generis* approach to the question whether a defendant’s operation of a website can constitute the “minimum contacts” with the forum state that due process requires, resulting in a body of doctrine applying solely to websites. Consider the alternative of treating websites as a technologically more sophisticated version of older communications media, such as nationally circulated periodicals and toll-free telephone numbers, and incrementally updating the caselaw applying to those media. Would this result in a more coherent jurisprudence of website-based jurisdiction? See Richard S. Zembek, *Comment, Jurisdiction and the Internet: Fundamental Fairness in the Networked World of Cyberspace*, 6 ALB. L.J. SCI. & TECH. 339 (1996). Should the answer turn on whether websites are all very much like each other and very different from other media of communication?

* * * *

D. Jurisdiction Based on the Effects Test

In *Calder v. Jones*, 465 U.S. 783 (1984), the Supreme Court held that the “minimum contacts” due process requirement may be satisfied on the basis of the “effects” that out-of-state conduct has in the forum state. In that case, the Court held that a California court could assert jurisdiction over a Florida publisher that published an article defaming the plaintiff, in view of the fact that plaintiff resided in California. The Court reasoned that the defendants had engaged in “intentional, and allegedly tortious, actions [that were] expressly aimed at California,” and that “they knew that the brunt of the injury would be felt” by the plaintiff in California. *Id.* at 789-90. The Ninth Circuit summarized the effects test as follows:

personal jurisdiction can be predicated 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.

Core-Vent Corp. v. Nobel Industries AB, 11 F.3d 1482, 1486 (9th Cir. 1993).

Plaintiffs have frequently urged courts to find jurisdiction based on the effects test in cases where the claims are based on infringement of intellectual property rights or defamation, and the alleged violations occur through use of a website or some other online means of communication. The courts have shown differing degrees of willingness to apply the effects test in the online context.

Panavision International, L.P. v. Toeppen

United States Court of Appeals, Ninth Circuit, 1998.
141 F.3d 1316.

Before: BRUNETTI, THOMPSON and T.G. NELSON, Circuit Judges

DAVID R. THOMPSON, Circuit Judge:

This case presents two novel issues. We are asked to apply existing rules of personal jurisdiction to conduct that occurred, in part, in “cyberspace.” In addition, we are asked to interpret the Federal Trademark Dilution Act as it applies to the Internet.

Panavision accuses Dennis Toeppen of being a “cyber pirate” who steals valuable trademarks and establishes domain names on the Internet using these trademarks to sell the domain names to the rightful trademark owners.

The district court found that under the “effects doctrine,” Toeppen was subject to personal jurisdiction in California. *Panavision International, L.P. v. Toeppen*, 938 F.Supp. 616, 620 (C.D.Cal.1996). The district court then granted summary judgment in favor of Panavision, concluding that Toeppen’s conduct violated the Federal Trademark Dilution Act of 1995, 15 U.S.C. § 1125(c), and the California Anti-dilution statute, California Business & Professions

Code § 14330. Panavision International, L.P. v. Toeppen, 945 F.Supp. 1296, 1306 (C.D.Cal.1996).

Toeppen appeals. He argues that the district court erred in exercising personal jurisdiction over him because any contact he had with California was insignificant, emanating solely from his registration of domain names on the Internet, which he did in Illinois. Toeppen further argues that the district court erred in granting summary judgment because his use of Panavision's trademarks on the Internet was not a commercial use and did not dilute those marks.

We have jurisdiction under 28 U.S.C. § 1291 and we affirm. The district court's exercise of jurisdiction was proper and comported with the requirements of due process. Toeppen did considerably more than simply register Panavision's trademarks as his domain names on the Internet. He registered those names as part of a scheme to obtain money from Panavision. Pursuant to that scheme, he demanded \$13,000 from Panavision to release the domain names to it. His acts were aimed at Panavision in California, and caused it to suffer injury there.

We also conclude Panavision was entitled to summary judgment under the federal and state dilution statutes. Toeppen made commercial use of Panavision's trademarks and his conduct diluted those marks.

I BACKGROUND

The Internet is a worldwide network of computers that enables various individuals and organizations to share information. The Internet allows computer users to access millions of web sites and web pages. A web page is a computer data file that can include names, words, messages, pictures, sounds, and links to other information.

Every web page has its own web site, which is its address, similar to a telephone number or street address. Every web site on the Internet has an identifier called a "domain name." The domain name often consists of a person's name or a company's name or trademark. For example, Pepsi has a web page with a web site domain name consisting of the company name, Pepsi, and . com, the "top level" domain designation: Pepsi.com.

The Internet is divided into several "top level" domains: .edu for education; .org for organizations; .gov for government entities; .net for networks; and .com for "commercial" which functions as the catchall domain for Internet users.

Domain names with the .com designation must be registered on the Internet with Network Solutions, Inc. ("NSI"). NSI registers names on a first-come, first-served basis for a \$100 registration fee. NSI does not make a determination about a registrant's right to use a domain name. However, NSI does require an applicant to represent and warrant as an express condition of registering a domain name that (1) the applicant's statements are true and the applicant has the right to use the requested domain name; (2) the "use or registration of the

domain name ... does not interfere with or infringe the rights of any third party in any jurisdiction with respect to trademark, service mark, trade name, company name or any other intellectual property right”; and (3) the applicant is not seeking to use the domain name for any unlawful purpose, including unfair competition.

A domain name is the simplest way of locating a web site. If a computer user does not know a domain name, she can use an Internet “search engine.” To do this, the user types in a key word search, and the search will locate all of the web sites containing the key word. Such key word searches can yield hundreds of web sites. To make it easier to find their web sites, individuals and companies prefer to have a recognizable domain name.

Panavision holds registered trademarks to the names “Panavision” and “Panaflex” in connection with motion picture camera equipment. Panavision promotes its trademarks through motion picture and television credits and other media advertising.

In December 1995, Panavision attempted to register a web site on the Internet with the domain name Panavision.com. It could not do that, however, because Toeppen had already established a web site using Panavision’s trademark as his domain name. Toeppen’s web page for this site displayed photographs of the City of Pana, Illinois.

On December 20, 1995, Panavision’s counsel sent a letter from California to Toeppen in Illinois informing him that Panavision held a trademark in the name Panavision and telling him to stop using that trademark and the domain name Panavision.com. Toeppen responded by mail to Panavision in California, stating he had the right to use the name Panavision.com on the Internet as his domain name. Toeppen stated:

If your attorney has advised you otherwise, he is trying to screw you. He wants to blaze new trails in the legal frontier at your expense. Why do you want to fund your attorney’s purchase of a new boat (or whatever) when you can facilitate the acquisition of ‘PanaVision.com’ cheaply and simply instead?

Toeppen then offered to “settle the matter” if Panavision would pay him \$13,000 in exchange for the domain name. Additionally, Toeppen stated that if Panavision agreed to his offer, he would not “acquire any other Internet addresses which are alleged by Panavision Corporation to be its property.”

After Panavision refused Toeppen’s demand, he registered Panavision’s other trademark with NSI as the domain name Panaflex.com. Toeppen’s web page for Panaflex.com simply displays the word “Hello.”

Toeppen has registered domain names for various other companies including Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and over 100 other marks. Toeppen has attempted to “sell” domain names for other trademarks such as intermatic.com to Intermatic, Inc. for \$10,000 and americanstandard.com to American Standard, Inc. for \$15,000.

Panavision filed this action against Toeppen in the District Court for the Central District of California. Panavision alleged claims for dilution of its trademark under the Federal

Trademark Dilution Act of 1995, 15 U.S.C. § 1125(c), and under the California Anti-dilution statute, California Business and Professions Code § 14330. Panavision alleged that Toeppen was in the business of stealing trademarks, registering them as domain names on the Internet and then selling the domain names to the rightful trademark owners. The district court determined it had personal jurisdiction over Toeppen, and granted summary judgment in favor of Panavision on both its federal and state dilution claims. This appeal followed.

II DISCUSSION

A. Personal Jurisdiction

* * *

California's long-arm statute permits a court to exercise personal jurisdiction over a defendant to the extent permitted by the Due Process Clause of the Constitution. . . .

* * *

2. Specific Jurisdiction

We apply a three-part test to determine if a district court may exercise specific jurisdiction:

(1) The nonresident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or results from the defendant's forum-related activities; and (3) exercise of jurisdiction must be reasonable.

Omeluk v. Langsten Slip & Batbyggeri A/S, 52 F.3d 267, 270 (9th Cir.1995) (quotation omitted).

The first of these requirements is purposeful availment.

a. Purposeful Availment

The purposeful availment requirement ensures that a nonresident defendant will not be haled into court based upon "random, fortuitous or attenuated" contacts with the forum state. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475, 105 S.Ct. 2174, 2183-84, 85 L.Ed.2d 528 (1985). This requirement is satisfied if the defendant "has taken deliberate action" toward the forum state. *Ballard v. Savage*, 65 F.3d 1495, 1498 (9th Cir.1995). It is not required that a defendant be physically present or have physical contacts with the forum, so long as his efforts are "purposefully directed" toward forum residents. *Id.*

i. Application to the Internet

Applying principles of personal jurisdiction to conduct in cyberspace is relatively new. “With this global revolution looming on the horizon, the development of the law concerning the permissible scope of personal jurisdiction based on Internet use is in its infant stages. The cases are scant.” *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119, 1123 (W.D.Pa.1997). We have, however, recently addressed the personal availment aspect of personal jurisdiction in a case involving the Internet. See *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir.1997).

In *Cybersell*, an Arizona corporation, *Cybersell, Inc.* (“*Cybersell AZ*”), held a registered servicemark for the name *Cybersell*. A Florida corporation, *Cybersell, Inc.* (“*Cybersell FL*”), created a web site with the domain name *cybsell.com*. The web page had the word “*Cybersell*” at the top and the phrase, “Welcome to *Cybersell!*” *Id.* at 415. *Cybersell AZ* claimed that *Cybersell FL* infringed its registered trademark and brought an action in the district court in Arizona. We held the Arizona court could not exercise personal jurisdiction over *Cybersell FL*, because it had no contacts with Arizona other than maintaining a web page accessible to anyone over the Internet. *Id.* at 419-420.

In reaching this conclusion in *Cybersell*, we carefully reviewed cases from other circuits regarding how personal jurisdiction should be exercised in cyberspace. We concluded that no court had ever held that an Internet advertisement alone is sufficient to subject a party to jurisdiction in another state. *Id.* at 418. In each case where personal jurisdiction was exercised, there had been “something more” to “indicate that the defendant purposefully (albeit electronically) directed his activity in a substantial way to the forum state.” *Id.* *Cybersell FL* had not done this, and the district court could not exercise personal jurisdiction over it.

Personal jurisdiction was properly exercised, however, in *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir.1996). There, the Sixth Circuit held that a Texas resident who had advertised his product via a computer information service, *CompuServe*, located in Ohio, was subject to personal jurisdiction in Ohio. The court found that the Texas resident had taken direct actions that created a connection with Ohio. *Id.* at 1264. He subscribed to *CompuServe*, he loaded his software onto the *CompuServe* system for others to use, and he advertised his software on the *CompuServe* system. *Id.*

In the present case, the district court’s decision to exercise personal jurisdiction over *Toeppen* rested on its determination that the purposeful availment requirement was satisfied by the “effects doctrine.” That doctrine was not applicable in our *Cybersell* case. There, we said: “Likewise unpersuasive is *Cybersell AZ*’s reliance on *Panavision International v. Toeppen*, 938 F.Supp. 616 (C.D.Cal.1996), [the district court’s published opinion in this case], where the court found the ‘purposeful availment’ prong satisfied by the effects felt in California, the home state of *Panavision*, from *Toeppen*’s alleged out-of-state scheme to register domain names using the trademarks of California companies, including *Panavision*, for the purpose of extorting fees from them. Again, there is nothing analogous about *Cybersell FL*’s conduct.” *Cybersell*, 130 F.3d at 420 n. 6.

Our reference in *Cybersell* to “the effects felt in California” was a reference to the effects doctrine.

ii. The Effects Doctrine

In tort cases, jurisdiction may attach if the defendant's conduct is aimed at or has an effect in the forum state. *Ziegler v. Indian River County*, 64 F.3d 470, 473 (9th Cir.1995); see *Calder v. Jones*, 465 U.S. 783, 104 S.Ct. 1482, 79 L.Ed.2d 804 (1984) (establishing an "effects test" for intentional action aimed at the forum state). Under *Calder*, personal jurisdiction can be based upon: "(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." *Core-Vent Corp. v. Nobel Industries AB*, 11 F.3d 1482, 1486 (9th Cir.1993).

As the district court correctly stated, the present case is akin to a tort case. *Panavision*, 938 F.Supp. at 621; see also *Ziegler*, 64 F.3d at 473 (application of the purposeful availment prong differs depending on whether the underlying claim is a tort or contract claim). Toeppen purposefully registered *Panavision's* trademarks as his domain names on the Internet to force *Panavision* to pay him money. *Panavision*, 938 F.Supp. at 621. The brunt of the harm to *Panavision* was felt in California. Toeppen knew *Panavision* would likely suffer harm there because, although at all relevant times *Panavision* was a Delaware limited partnership, its principal place of business was in California, and the heart of the theatrical motion picture and television industry is located there. *Id.* at 621-622.

The harm to *Panavision* is similar to the harm to the Indianapolis Colts football team in *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410 (7th Cir.1994). There, the Indianapolis Colts brought a trademark infringement action in the district court in Indiana against the Canadian Football League's new team, the "Baltimore CFL Colts." *Id.* at 411. The Seventh Circuit held that the Baltimore CFL Colts team was subject to personal jurisdiction in Indiana even though its only activity directed toward Indiana was the broadcast of its games on nationwide cable television. *Id.* Because the Indianapolis Colts used their trademarks in Indiana, any infringement of those marks would create an injury which would be felt mainly in Indiana, and this, coupled with the defendant's "entry" into the state by the television broadcasts, was sufficient for the exercise of personal jurisdiction. *Id.*

Toeppen argues he has not directed any activity toward *Panavision* in California, much less "entered" the state. He contends that all he did was register *Panavision's* trademarks on the Internet and post web sites using those marks; if this activity injured *Panavision*, the injury occurred in cyberspace.²

². In a subset of this argument, Toeppen contends that a large organization such as *Panavision* does not suffer injury in one location. See *Cybersell*, 130 F.3d at 420 (A corporation "does not suffer harm in a particular geographic location in the same sense that an individual does.") However, in *Core-Vent*, we stated that *Calder v. Jones*, 465 U.S. 783, 104 S.Ct. 1482, 79 L.Ed.2d 804 (1984), does not preclude a determination that a corporation suffers the brunt of harm in its principal place of business. *Core-Vent*, 11 F.3d at 1487. *Panavision* was previously a limited partnership and is now a corporation. Under either form of business organization, however, the brunt of the harm suffered by *Panavision* was in the state where it maintained its principal place of business, California.

We agree that simply registering someone else's trademark as a domain name and posting a web site on the Internet is not sufficient to subject a party domiciled in one state to jurisdiction in another. *Cybersell*, 130 F.3d at 418. As we said in *Cybersell*, there must be "something more" to demonstrate that the defendant directed his activity toward the forum state. *Id.* Here, that has been shown. Toeppen engaged in a scheme to register Panavision's trademarks as his domain names for the purpose of extorting money from Panavision. His conduct, as he knew it likely would, had the effect of injuring Panavision in California where Panavision has its principal place of business and where the movie and television industry is centered. Under the "effects test," the purposeful availment requirement necessary for specific, personal jurisdiction is satisfied.

[Discussion of "arising from" and "reasonableness" criteria omitted]

[Discussion of trademark issues omitted]

III CONCLUSION

Toeppen engaged in a scheme to register Panavision's trademarks as his domain names on the Internet and then to extort money from Panavision by trading on the value of those names. Toeppen's actions were aimed at Panavision in California and the brunt of the harm was felt in California. The district court properly exercised personal jurisdiction over Toeppen.

* * *

AFFIRMED

Notes

1. *Relevant conduct.* The effects test is satisfied where defendant's actions be intentional, expressly aimed at the forum state, and result in harm that the defendant knows will be suffered in the forum state. Which of Toeppen's actions are relevant to application of this rule: His registration of domain names composed of plaintiff's trademarks? Setting up websites at those domains? Seeking a payment from the plaintiff to relinquish the domain names?

2. *"Something more."* Consider the court's statement: "We agree that simply registering someone else's trademark as a domain name and posting a web site on the Internet is not sufficient to subject a party domiciled in one state to jurisdiction in another. * * * As we said in *Cybersell*, there must be 'something more' to demonstrate that the defendant directed his activity toward the forum state." What was the "something more" that the court found dispositive? Requesting payment in exchange for relinquishing the domain name? Suppose Toeppen had registered the domain name and set up the website but not requested payment. Would this change the effects test analysis?

3. *Improper motivation.* Is the defendant's motivation in registering the domain names relevant to the effects test analysis? To what extent does the decision turn on the court's

unconcealed view that Toeppen's conduct and motivation were reprehensible? Consider the following criticism of *Panavision*:

Panavision appears to be one of those cases where "hard cases make bad law." * *
* Except perhaps in the clearest case of a cybersquatter or where intent is undisputed, this court believes it would be a serious mistake for personal jurisdiction to turn on the issue of the defendant's intent, which itself is a major merits issue. Panavision thus is distinguishable, and to the extent it is not distinguishable, the Court declines to follow it.

Hearst Corp. v. Goldberger, 1997 WL 97097, *19 (S.D.N.Y. Feb. 26, 1997). Is the criticism valid? What would be the rationale for factoring intent into the analysis "in the clearest case of a cybersquatter or where intent is undisputed"?

Several cases have distinguished *Panavision* on the ground that unlike Toeppen the defendant was not tainted by impure motives. See *K.C.P.L., Inc. v. Nash*, 49 U.S.P.Q.2d 1584 (S.D.N.Y. 1998) ("the facts alleged do not show [defendant] to be a 'cyber pirate'"); *No Mayo—San Francisco v. Memminger*, 1998 WL 544974 (N.D. Cal. Aug. 20, 1998) (distinguishing *Panavision*, since defendant was no "cyber pirate").

4. *The requirement of tortious conduct.* *Panavision*, quoting *Core-Vent*, characterizes the effects test as requiring "intentional actions" knowingly directed at the plaintiff. Is it a further requirement that those actions be tortious? In *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000), the plaintiff, a California computer company named Bancroft & Masters, sought a declaratory judgment that its registration and use of masters.com did not infringe defendant's trademark "Masters." The defendant, which sponsored golfing's annual Masters Tournament, had sent a letter to the domain name registrar, Network Solutions, challenging plaintiff's registration of masters.com, and invoking NSI's dispute resolution policy. The district court held that it did not have jurisdiction based on the effects test. After noting that *Panavision* involved a purposeful scheme to extort money, it distinguished *Panavision* on the ground that "[n]o such intentional scheme or tortious conduct is alleged in this action." The court of appeals reversed. It explained that the effects test is satisfied "when 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." It continued:

Applying these concepts to the instant case, we conclude that B & M has demonstrated purposeful availment by ANI under the *Calder* effects test. ANI acted intentionally when it sent its letter to NSI. The letter was expressly aimed at California because it individually targeted B & M, a California corporation doing business almost exclusively in California. Finally, the effects of the letter were primarily felt, as ANI knew they would be, in California.

This case resembles *Panavision*, in which an Illinois resident registered as his domain name a California corporation's trademark. Though this activity was conducted outside of California, it was clear that the defendant's deliberate choice of the plaintiff's trademark, and his subsequent attempts to extort compensation for his conveyance of the domain name, targeted that individual plaintiff. See *Panavision*, 141 F.3d at 1321. Here, too, ANI was well aware that B & M currently held the masters.com website and that it

was B & M that would be affected if the NSI dispute resolution procedures were triggered. This is sufficient to satisfy *Calder* and thereby demonstrate the purposeful availment necessary for an exercise of specific jurisdiction.

Two of the three judges on the panel concurred with this observation:

The “effects test” has normally been restricted to tortious conduct in which the “aimer” in state Y was seeking to injure wrongfully the target in state X. I concur in the opinion only on the assumption that Augusta National, through its letter to NSI, engaged in tortious conduct, i.e., that they intended to effect a conversion of the masters.com domain name.

I am skeptical of Bancroft & Masters’s selection of masters.com as its domain name. I suspect that Augusta National’s initial reaction was similar. Therefore, I do not find it implausible that Augusta National, through its letter to NSI, merely intended to protect its trademark from dilution and infringement. At this point, however, there is insufficient information with which to make such a judgment. Jurisdiction in California would be ripe for challenge if following the development of trial it should appear that Augusta National acted reasonably and in good faith to protect its trademark against an infringer.

Did the court correctly apply the effects test in this case? What was the tortious conduct on which jurisdiction was based? The concurrence seems to suggest that a final determination on jurisdiction should be made once the case has gone to trial. Does this adequately protect the defendant’s due process rights? How else might the defendant’s motion to dismiss have been handled?

5. *Registration alone.* The *Panavision* court expressed the view that “simply registering someone else’s trademark as a domain name and posting a web site on the Internet is not sufficient to subject a party domiciled in one state to jurisdiction in another.” In *Ford Motor Co. v. Great Domains, Inc.*, 141 F.Supp.2d 763, 775 n.2 (E.D. Mich. 2001), the court expressed a contrary view:

Simply registering a domain name that incorporates a trademark can be a violation of the Lanham Act, if done with “bad faith intent to profit from that mark.” 15 U.S.C. § 1125(d)(1). Thus, registering a domain name that incorporates a trademark for which only the mark owner could have a legitimate use could be sufficient under *Calder* to support the assertion of personal jurisdiction in the mark owner’s place of residence.

Which court got it right? Does the approach that *Ford Motor Co.* proposes amount to a return to the extremely liberal approach to website-based jurisdiction exemplified by early cases such as *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996), and *Maritz, Inc. v. Cybergold, Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996), under the banner of the effects test?

6. *Other cases.* The effects test has been held to justify jurisdiction in other cases involving infringement of intellectual property rights. See *Purco Fleet Services, Inc. v. Towers*, 38 F. Supp.2d 1320 (D. Utah 1999) (defendant registered domain composed of plaintiff’s trademark, and set up website that forwarded visitors to its own site); *3DO Co. v. Poptop*

Software Inc., 49 U.S.P.Q.2d 1469 (N.D. Cal. 1998) (defendant's website allowed visitors to download software that allegedly infringed plaintiff's copyright and misappropriated plaintiff's trade secrets); Bunn-o-Matic Corp. v. Bunn Coffee Service, Inc., 46 U.S.P.Q.2d 1375 (C.D. Ill. 1998) (defendant's website included terms that allegedly infringed plaintiff's trademarks); Digital Equipment Corp. v. AltaVista Technology, Inc., 960 F. Supp. 456 (D. Mass. 1997) (same).

The effects test has also been found applicable in cases alleging defamation claims. *See* Bochan v. La Fontaine, 68 F. Supp.2d 692 (E.D. Va. 1999) (defendant posted allegedly defamatory statements in an Internet newsgroup, knowing that the victim of the defamation was a resident of the forum state); EDIAS Software Int'l, L.L.C. v. Basis Int'l Ltd., 947 F. Supp. 413 (D. Ariz. 1996) (defendant made allegedly defamatory statements via e-mail, on a website, and in a CompuServe forum); California Software Inc. v. Reliability Research, Inc., 631 F. Supp. 1356 (C.D. Cal. 1986) (defendant posted an allegedly defamatory statement on a proprietary bulletin board system).

7. *Scope of the effects test.* Courts have limited the scope of the effects test when applied to online conduct in several ways. First, some courts have held that the test may not be applicable where the plaintiff is a corporation. Thus, in *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997), discussed above at —, the court found the effects test inapplicable, stating: “Nor does the ‘effects’ test apply with the same force to [the defendant corporation] as it would to an individual, because a corporation ‘does not suffer harm in a particular geographic location in the same sense that an individual does.’” *Id.* at 420 (quoting *Core-Vent Corp. v. Nobel Industries AB*, 11 F.3d 1482, 1486 (9th Cir. 1993)). To the same effect is *Conseco, Inc. v. Hickerson*, 698 N.E.2d 816 (Ind. App. 1998) (following *Cybersell*). But in *Panavision*, decided only four months after *Cybersell*, the Ninth Circuit stated: “Panavision was previously a limited partnership and is now a corporation. Under either form of business organization, however, the brunt of the harm suffered by Panavision was in the state where it maintained its principal place of business, California.” The plaintiff in *Cybersell* was an Arizona corporation, with its principal place of business apparently in Arizona. Is *Panavision* inconsistent with *Cybersell* on this point?

Second, the effects test is applicable only if the defendant intentionally directs his conduct at a party that he knows to be located in the forum state. This factor will be absent from cases involving trademark infringement where each party innocently began using a mark and only later became aware of use of the mark by the other party. In *Millennium Enterprises, Inc. v. Millennium Music, LP*, 33 F. Supp.2d 907 (D. Ore. 1999), plaintiff operated music stores in Oregon under the name “Music Millennium,” and defendant operated music stores in South Carolina under the name “Millennium Music.” The parties and their trademarks collided only when they began selling goods via the Web. The court refused to apply the effects test, since there was “no evidence that defendants targeted Oregon residents with the intent or knowledge that plaintiff could be harmed through their Web site.” (Why would applicability of the effects test depend on whether defendant targeted Oregon residents? Wouldn't it be enough if defendant intentionally made use of plaintiff's trademark in order to divert Web-based sales away from plaintiff?)

Likewise, when copyright infringement is negligent but not intentional, the effects test's requirement of intentional tortious conduct is not satisfied. As one court noted, this means that "[a]lthough the distinction between negligent and intentional infringement is irrelevant for purposes of liability, * * * it is dispositive in the *Calder* 'effects' analysis." *CoStar Group, Inc. v. LoopNet, Inc.*, 106 F. Supp.2d 780, 787 (D. Md. 2000). Is this justifiable?

Some district courts have rather oddly limited the applicability of the effects test when the plaintiff is an individual with a national reputation. In *Barrett v. Catacombs Press*, 44 F. Supp.2d 717 (E.D. Pa. 1999), plaintiff, an individual residing in Pennsylvania, sued an individual residing in Oregon, based on allegedly defamatory statements that she posted on two websites that she operated, and on listservs and newsgroups. Plaintiff, a psychiatrist, operated a website called Quackwatch, which posted extensive information concerning health frauds and quackery. According to the court, the defendant "is closely associated with individuals who are interested in advocating against the fluoridation of water sources throughout the United States." The alleged defamation related to that issue. The court credited evidence that by virtue of his efforts at exposing health fraud plaintiff was "clearly a national, if not international, figure." It declined to find jurisdiction based on the effects test, explaining:

All these defamatory statements associate Plaintiff with his work associated with the Quackwatch Web site and none as a psychiatrist practicing in Pennsylvania. Under the "effects test" of *Calder*, we do not find that such defamatory statements amount to actions "expressly aimed" at Pennsylvania [citing *Calder*]. If anything, the defamatory statements concern the Plaintiff's non-Pennsylvania activities and impugn his professionalism as a nationally-recognized consumer health advocate.

Yet Plaintiff, without any evidentiary support, maintains that the brunt of the harm from such defamatory statements was suffered in Pennsylvania, which is the focal point of his professional and personal life. It is certainly foreseeable that some of the harm would be felt in Pennsylvania because Plaintiff lives and works there, but such foreseeability is not sufficient for an assertion of jurisdiction. * * * While we agree that Pennsylvania residents are among the recipients or viewers of such defamatory statements, they are but a fraction of other worldwide Internet users who have received or viewed such statements.

Id. at 731. The court apparently assumed that the harm from defamation is suffered where it is published, rather than where the victim is located. To the same effect are *Revell v. Lidov*, 2001 WL 285253 (N.D. Tex. March 20, 2001) and *Bailey v. Turbine Design, Inc.*, 86 F. Supp.2d 790 (W.D. Tenn. 2000). Are these cases consistent with *Calder*?