CHAPTER II

JURISDICTION: UNITED STATE OF AMERICA

2.1. INTRODUCTION

Jurisdiction is derived from Latin *juris-dictio*, which is a Latin word means the saying or speaking of the law. The term jurisdiction is about the value, validity and articulation of law.¹ It helps to define and determine the power of the State to regulate people, property and circumstances.² Historically, the jurisdiction to prescribe laws and adjudicate disputes has been based on territorial principles: if a country forced a person within its territory, it exercised jurisdiction over that person.³ However, in an era where Internet plays a dominant role in the way people disseminate information and ideas, the issue of jurisdiction become a pertinent one because of the nature of the Internet i.e., that it has no geographic boundaries. Due to this reason the question as to where these disputes can be resolved is difficult to pinpoint. The territorial nature of national copyright laws in the absence of requirement of registration compounds the problem as work once uploaded on the Internet is subject to infringement in every other State/territory. The effect of infringement in non sovereign, unregulated and borderless territory is obviously felt in real world which defines the rights and liabilities of the parties. Therefore, the issue of jurisdiction is of interest for two reasons: first it is important for the litigation to know where to litigate; and secondly, the issue of jurisdiction is the first one that the court face and answer in affirmative before it proceed to adjudicate upon any other issue.

In the above background, the present chapter deals with the concept of ‘Jurisdiction’. It evaluates the traditional methods of jurisdiction rules in United States (‘US’). Further, the Chapter explore the judiciary’s innovative attempts to resolve the

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Jurisdictional issue in Cyberspace in case of copyright. Keeping in mind the international character of the problem, the current chapter also deals with the Jurisdictional solution provided by the Hague Convention of Choice of Court Agreement, 2005\(^4\). The Chapter also discuss the reports by American Law Institute’s proposed draft on Intellectual Property: Principles Governing Jurisdiction, Choice of law and Judgments in Transnational Disputes\(^5\) and WIPO sponsored Prof. Dreyfuss & Prof. Ginsburg’s draft on Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters.\(^6\)

2.2. INTERNATIONAL LAW OF JURISDICTION: GENERAL PRINCIPLES

‘Jurisdiction’ means the right of a State to prescribe i.e., give effect to and adjudicate upon violations of normative standards for regulation of human conduct.\(^7\) Under International Law, a State is subject to limitations on its authority to exercise jurisdiction in cases that involve foreign interests or activities.\(^8\) International law does not impose hard and fast rule on States delimiting spheres of national jurisdiction. The legal notion of jurisdiction helps to define and determine the power of the State to regulate people, property and circumstances\(^9\). This jurisdictional power confers the legal power to a State to enact (Legislate), implement (Executive) and adjudicate (Judicial). Therefore, traditionally three types of jurisdictions are recognized – Legislative\(^10\), Judicial\(^11\) and

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\(^9\) Dr. Raut, Supra note 2, p.19.

\(^10\) Jurisdiction to Legislate or Prescribe refers to the supremacy of the constitutionally recognized organs of the State to make binding laws within its territory. Such acts of the legislation may extend abroad in certain circumstances.

\(^11\) Jurisdiction to Adjudicate means that the tribunals of a given country may resolve a dispute in respect of a person or thing where the country has jurisdiction to prescribe the law that is sought to be enforced. State exercise jurisdiction on the basis of various links, including the defendant’s presence, conduct, or, in some cases, ownership within the country, conduct outside the state having a “substantial, direct and foreseeable effect” within the country or the defendant’s nationality, domicile or residence in the country.
Enforcement jurisdiction\(^\text{12}\). All sovereign State possess jurisdiction over all persons and things within the territory limits in all issues arising within the territorial limits of the State.\(^\text{13}\) Jurisdiction to prescribe or legislate is the first step in many analyses.\(^\text{14}\) Jurisdiction to adjudicate does not apply in the absence of jurisdiction to prescribe unless the forum State is willing to apply the law of the foreign State. For jurisdiction to enforce also the State requires the jurisdiction to prescribe.\(^\text{15}\) Therefore, these three types of jurisdiction are often interdependent, and their scope and limitation are shaped by similar considerations.

2.2.1. Jurisdiction to Prescribe or Legislate

Prescript jurisdiction means the ability of the independent sovereign State to define its own laws in respect of matters it chooses. It is the power of the State to make their own substantive law to regulate the conduct of persons. As general rule, a State’s Prescriptive jurisdiction is unlimited. In international law there are six accepted bases of jurisdiction or theories under which a State may claim to have jurisdiction to prescribe a rule of law over an activity. The six bases are as follows: (a) Subjective territoriality, (b) Objective territoriality, (c) Nationality, (d) Protective principle, (e) Passive nationality, (f) Universality. The above bases of jurisdiction to prescribe have been recognised in Section 402 of the Restatement (Third) of Foreign Relations, 1986.\(^\text{16}\)

(a) Territoriality principle is by far the most common basis for the jurisdiction to Prescribe. If an activity takes place within the territory of the forum State, then

\(^{12}\) Jurisdiction to Enforce is the power of the government “to induce or compel compliance or to punish noncompliance with its laws or regulations, whether through the court or by use of executive, administrative, police or other non judicial action”. A government enforcement jurisdiction is almost exclusively territorial.


\(^{14}\) Stephan Wilske, *Supra* note 8.

\(^{15}\) Denis Rice, *Supra* note 3, p.4.

\(^{16}\) Restatement (Third) of Foreign Relations Law of the United State, Section 402: “Subject to Section 403, a State has jurisdiction to prescribe law with respect to:

(1) (a) Conduct that, wholly or in substantial part, takes place within its territory;

(b) the status of persons, or interests in things, present within its territory;

(c) conduct outside its territory that has or is intended to have substantial effect within its territory;

(2) The activities, interests, statue, or relations of its nationals outside as well as within its territory; and

(3) Certain conduct outside its territory by persons not its nationals that are directed against the security of the state or against a limited class of other state interests.”
the forum State has the jurisdiction to prescribe a rule for that activity. Criminal legislation falls in this category.\(^{17}\) This allows State to order service providers who operate on its territory to obey its regulations. This principle would not allow extraterritorial application of national laws.

(b) Objective territoriality is activated when the action takes place outside the territory of the forum State, but the primary effect of the activity is within the forum State. This is also known as “effect jurisdiction”. In cyberspace the “effect jurisdiction” is more often felt as even the copyright infringement somewhere else results the economic loss to the copyright owner in the forum State.

(c) Nationality is the basis of the jurisdiction where the forum State asserts the right to prescribe a law for an action based on the nationality of the actor.

(d) Protective principle express the desire of the State to punish actions committed in other places solely because it feels threatened by those actions.

(e) Passive nationality is based on the nationality aspect of the victim. A State generally invokes the theory when a State has more interest in prosecuting an offence when both the offender and the victim are national of that State.

(f) Finally the universal jurisdiction is the assertion of the jurisdiction of State to any act committed anywhere. These are some of the offences recognised by the community of nations as of universal concern.

2.2.2. Jurisdiction to Adjudicate

It refers to the power and authority of a Court to decide a dispute. On this basis the Court control over the parties involved and the subject matter of the controversy. Exercise of the jurisdiction to adjudicate doesn’t apply to every person. Jurisdiction is subjected to the test of reasonableness. In US legal system, Section 421 of the Restatement (Third) of Foreign Relations, 1986 states that “a State may exercise jurisdiction through its court to adjudicate with respect to a person or thing if

the relationship of the State to the person or thing is such as to make the exercise of jurisdiction reasonable”. Therefore the emphasis is more on the relationship of a person to a State to determine the reasonability of exercise of the jurisdiction.\(^\text{18}\) This reasonability depends on the interpretation by a State’s legal system.

Generally, to claim jurisdiction, a State’s court requires both subjective matter jurisdiction and personal jurisdiction as follows:

a) Subject matter jurisdiction - It refers to the nature of the disputes which may be adjudicated upon by a particular court. Specialised courts are sometimes set up with jurisdiction over certain subjects only and they have no jurisdiction to decide other matters.\(^\text{19}\)

b) Personal jurisdiction (i.e. *in personam*) – In personal jurisdiction the court has power to hear disputes concerning natural and juridical persons. The universally recognised basis for a court to assume *in personam* jurisdiction is to have the consent of the parties by actual or implied means.

1. Actual consent: A person may give actual consent to a court’s jurisdiction by incorporating or otherwise registering to do business in a forum or by appearing before the court. Actual consent may be also given in a forum selection or choice of law clause.

2. Implied consent: The criteria for determining whether a party has impliedly consented to a court jurisdiction differs between common law\(^\text{20}\) and civil law countries\(^\text{21}\). In common law countries, a person’s consent to a court’s jurisdiction can be implied from person’s;

   - having the nationality of the forum,
   - being domiciled of the forum,
   - having general contacts with the forum,
   - having specific contacts with the forum.


\(^{20}\) Common Law Countries Like India, USA and UK.

\(^{21}\) Civil Law countries like France, Germany, Switzerland, Japan.
The first two grounds of implied jurisdiction are based on the physical presence of a person and they have been recognised in almost all Common law countries since ancient times. The last two are of more recent development. In Civil law countries the rules for determining implied consent are mentioned in the Code of Civil Procedure, for example in case of European Union, the Brussels Regulation on Jurisdiction and Enforcement of Foreign Judgement in Civil and Commercial matters, 2001; in France the Code of Civil Procedure; in Japan the Civil Procedure Code.

2.2.3. Jurisdiction to adjudicate in United State

In case of jurisdiction to adjudicate the State depends on the subject matter jurisdiction and territorial jurisdiction.

(a) Subject matter of jurisdiction

Subject matter of jurisdiction is highly determined by the existence of two independent court systems i.e. Federal courts and State courts. As a matter of basic law in US, a subject matter jurisdiction is generally granted to the State courts unless some particular rules deprive them of it. It means that the Federal Courts have no jurisdiction unless the case comes within the terms of some specific rule giving them jurisdiction. The most important head of Federal jurisdictions are federal question jurisdiction and diversity jurisdiction. Under the federal question jurisdiction, the courts have jurisdiction in all civil action involving federal laws i.e. US Constitution, federal stature and treaties between US and foreign States. Under the diversity jurisdiction, they have jurisdiction in any civil action between:

1. citizens of different State,
2. citizen of a State and citizens or subjects of a foreign State,
3. citizen of different States in which citizen or subjects of a foreign State are additional parties,
4. A foreign state as plaintiff and citizens of a state or different States.

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22 The basic provision is Article III, Section 2 of the United State Constitution (‘USC’). There are also numbers of statute enacted by Congress under this provision, in particular 28 USC, Section 1331-1361.
23 28 United State Constitution, Section 1331.
24 id., Section 1332.
Therefore, in diversity jurisdiction cases US has a non exclusive federal jurisdiction. In addition to the above requirements, the federal district courts have the original jurisdiction of all civil matters where the matter in controversy exceeds a specified sum of money, at present $75,000. Since the issue under discussion is copyright violation on internet which is in addition, characterised by diverse nationality, federal courts have exclusive jurisdiction regardless of the value of the case and no State court in the United States is permitted to hear the case.

(b) Territorial jurisdiction: In personam

Traditionally, the prerequisite to exercise jurisdiction over a person was the physical presence of the defendant in the forum. In the case of *Pennoyer v. Neff*\(^ {25} \), the court held that “Every state possesses exclusive jurisdiction and sovereignty over persons and property within its territory. No state can exercise direct jurisdiction and authority over persons or property without its territory. Laws of one state have no operation outside of its territory. No tribunal established by it can extend its process beyond that territory.”\(^ {26} \) The principle enunciated by his case was within the due process clause of the US Constitution. Physical presence of the foreign defendant could not hail by the court due to sovereign reasons. As time progressed, the legal principles also modified, and the State expanded the jurisdiction ground by passing long arm statutes.

The case of *International Shoe Co. v. Washington*\(^ {27} \) decided by Supreme Court in 1945 is a landmark in the history of US, as it witnessed and recognized the diminishing utility of “physical presence”. International Shoe was a Missouri based company (incorporated in Delaware) that had a number of salesmen in the State of Washington selling its product under the control of a manager in Missouri. The salesmen resided in Washington and worked on a commission basis. The orders they obtained were transmitted to Missouri for acceptance or rejection and the goods were shipped directly to the customers in Washington. The question before the court was


\(^{26}\) *id.* at 722.

whether the company was subject to the jurisdiction of the Washington courts in an action for payment of contributions to the state unemployment compensation fund. Service was made on a salesman in Washington and a copy mailed to the company in Missouri.

The US Court held that the due process clause of the Fourteenth Amendment imposes limits on the jurisdiction of State courts. If they work within the limits set by due process clause, the jurisdiction will be constitutional and any judgement given will not be nullity. Such a judgment will be entitled to recognition in other States. Court after careful analysis on the facts of the case held the Courts of Washington had not violated the Fourteenth Amendment: they were entitled to hear the case, and any judgement given would have to be recognised in Missouri. This case is landmark for initiating and formulating a new test for jurisdiction as the Court in its word held that due process requires that in case of in personam jurisdiction the defendant must have some minimum contacts with it such that the maintenance of the suit does not offend the traditional notion of ‘fair play’ and ‘substantial justice’.

The Court created new test for jurisdiction and it has two tiered constitutional analysis:

- There must be sufficient minimum contacts,
- Subjecting the defendant to suit in the forum state must comport with traditional notions of fair play and substantial justice.

Though this court introduced the sufficient minimum contact requirement, it did no more than to lay the bare bones of the test as the Court left the question of what activities would qualify a sufficient open for interpretation.

The court extended the due process clause in the case of World Wide Volkswagen Corporation v. Woodson\(^{28}\). In this case respondent (plaintiff) Harry and Kay Robinson bought Audi Car from a New York dealer. After that they left for new home in Arizona. On the way while passing through Oklahoma, the Audi Car was struck in

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the rear by another car and it resulted in fire. Kay Robinson and her two children suffer burns. Plaintiff brought a product liability action in the state court in Oklahoma. The defendants were the manufacturer (Audi NSW), the importer (Volkswagen of America), Regional distributor (World wide Volksagen) and retail dealer (Seaway). Defendant challenged jurisdiction of Oklahoma court. Both parties were dependent company doing business in New York. No evidence were that either World wide Volksagen or Seaway has any contract with Oklahoma or any car they had sold had ever gone there expect Robinson vehicle.

Supreme Court of Oklahoma held that the Oklahoma court was entitled to take jurisdiction. It held that a car is by its very design and purpose so mobile that the defendant could have foreseen that the car sold to Robinson might be used in Oklahoma. United State Supreme Court reversed the judgement of Oklahoma Supreme Court and held that the two defendants had no contract with the Oklahoma whatever. They sold no cars and did no business there. They did not avail themselves of any of privileges and benefits of Oklahoma law. The fact that it was foreseeable that one of the car they sold in New York might find its way there was not enough. The apex court held the following:

“This is not to say, of course, that foreseeability is wholly irrelevant. But the foreseeability that is critical to due process analysis is not the mere likelihood that a product will find its way into the forum State. Rather, it is that the defendant’s conduct and connection with the forum State are such that he should reasonably anticipate being hailed into court there… The Due Process clause by insuring the ‘orderly administration of the laws’…. gives a degree of predictability to the legal system that allows potential defendants to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.”

Court further explained the test of ‘purposeful availment’: if a corporation purposefully avails itself of the privileges of conducting activities within the forum

29. *id.*, at 279.
State, it will be subject to the jurisdiction of the courts of that State with regard to any
cause of action arising out of those activities.\(^3\) Court advocated the theory of stream of commerce which indicates one of the ways in which a defendant may purposefully avail itself of the privilege of conducting activities in a State. If it delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum State, it will be subject to the jurisdiction of the courts of that state if those products cause injury or death.\(^3\)

Another landmark case in the jurisdiction issue is *Helicopteros Nacionales de Columbia v. Hall*\(^2\) decided in 1984. The case related to WSH which had head quarter in Texas. WSH wanted to contract with a Peruvian oil company to build a pipeline in Peru. For that purpose they created Peruvian consortium, Consorcio. Consorcio decided to take transport help from Helicopter to transport their personnel to Peru. One of the helicopter crashed during transport, resulted in killing of 4 Americans who were employees of Consocio. Relatives of employees brought wrongful death action in the state of Texas against Consorcio helicol and Bell Helicopter company. The Texas manufacturer of the helicopter, Heliol claimed the Texas has no jurisdiction over it. Contention was rejected by Texas Supreme court. United State Supreme Court held Helicol’s only contacts with Texas were no continuous and systematic contact. Mere purchases, even if occurring at regular intervals, are not enough to warrant a state’s assertion of general jurisdiction.\(^3\)

Further, in the case of *Ashi Metal Indusrty v. Superior Court of California*\(^4\), one Gary Zurcher, crashed his Honda motorcycle on a California highway which resulted in the death of his wife and he was severely injured. He sued the manufacturer of the tyre, Cheng Shin, a Taiwanese company and claimed that the accident was caused by a blow – out in the rear tyre Cheng Shin then filed a cross complaint seeking indemnification from the manufacturer of the valve, a Japanese

\(^3\) *id.*, at 297.

\(^4\) *id.*, at 298.


\(^3\) *id.*, at 418

company called Asahi. Zurcher’s action against Cheng Shin and the other original defendants was eventually settled, leaving only Cheng shin’s indemnity action against Asahi. Asahi manufactures its valves in Japan and sell them to tyre manufacturers. The sales to Cheng shin took place in Taiwan and the goods were shipped to Taiwan. The Supreme Court of California held that the courts of California had jurisdiction. Even if Ashahi had no offices, property or agents in California, made no direct sales there and did not control the distribution system in California, then also due process clause was satisfied because Asahi knew that sale of its valves would incorporated into tyres sold in California, and that it benefitted indirectly from those sales.

US Supreme Court reversed this judgment. The Court held that it was a “stream of commerce” case, presented the court with an opportunity to do what was done in International shoe case. The Court could have revisited existing ‘in personam’ jurisdiction to derive a modern jurisdictional analysis better suited to changing societal and economic needs. Instead, the court opted to continue the existing two tier analysis. The court was unanimous but divided (4-4-1) on rational of the judgment. Justice O’ Connor’s opinion generated four votes. Her opinion stated that for jurisdiction to lay the defendant must do more than merely place its product into stream of commerce with the foreseeable knowledge that it will be sold in the forum state. Examples of such additional acts include:

- Having an office and employees in the forum State.
- Advertising there.
- Creating a distribution system there.
- Marketing the product through a distributor who has agreed to serve as a sales agent there.
- Designing products for that market.
- Providing channels for advance to customers.

Since no such additional acts had been established, this group of judges would have opposed jurisdiction.
Justice Brennan’s opinion also attracted four votes. He argued that the purposeful availment test was satisfied. Additional conduct is not required. The stream of commerce refers not to unpredictable currents, but to regular and anticipated flow of products from manufacture to distribution to retail sale. As long as a participant in this process is aware that the final product is being marketed in the forum state, the possibility of a lawsuit there cannot come as a surprise.\(^{35}\)

Justice Stevens wrote the third opinion. He almost passed on the stream of commerce/purpose availment debate.

The above landmark case laws in the history of United State evolve the jurisdiction principle of the court. The court have been borrowing these principles of personal jurisdiction and extended them to the cyberspace setting.

(e) Federal long arm jurisdiction

United States have provision under the Federal rules of Civil Procedure which makes it easier for a US resident to obtain jurisdiction over a foreign defendant. Under that rule, a foreign national that is not amenable to personal jurisdiction in any individual US State may nonetheless be subject to jurisdiction in a Federal Court on federal claims, if that foreign national’s contacts with the United States as a whole are sufficient to satisfy the requirements of due process. It is also known as the Federal Long Arm Statute.\(^{36}\) Rule 4(K)(2) an amendment to the Federal Rules of Civil Procedure was adopted in 1993. It provides: “if the exercise of jurisdiction is consistent with the Constitution and Laws of the United States, serving a summons or filing a waiver of service is also effective, with respect to claims arising under federal law, to establish personal jurisdiction over the person of any defendant who is not subject to the jurisdiction of the courts of general jurisdiction of any State.” Therefore to establish jurisdiction under Rule 4(K)(2), the plaintiff must demonstrate that;

\(^{35}\) _id._, at 117.

It has a cause of action arising under federal law, and is not relying upon diversity jurisdiction in bringing a suit in federal court.

The defendant is not subject to the jurisdiction of the courts of any state, and

The defendant’s contact with the United State as a whole is sufficient to satisfy the requirements of the due process. This rule is important as only the Fifth Amendment due process clause protection would apply to non Americans sued in the United States.\(^{37}\)

Like the Federal Long Arm Jurisdiction, many States\(^{38}\) of US also has the long arm jurisdiction to bring a defendant into the federal courts as well as into the State courts. Therefore where no state jurisdictional rule covers the case, a federal court may under Rule 4(k) (2) obtain jurisdiction on the basis of a nationwide minimum contact tests.

2.2.4. Jurisdiction on Internet

Cyberspace is a territory which is different from physical territory. Therefore, traditional notion of jurisdictional principle has to evolve itself to suit the problem of jurisdiction created by technology. The judiciary of US court have applied the traditional concepts of jurisdiction to the Internet related cases more effectively. During this they have evolved some innovative rules of jurisdiction. Some of the landmarks cases are as follows.

The Case of *Inset Systems Inc. v. Instuction Set Inc.*\(^{39}\) is landmark in this regard. Inset systems Inc. sued Instruction Set Inc.(‘ISI’) in Connecticut (Inset’s home) for trademark infringement. Even though ISI had no assets in Connecticut and was not physically transacting business there, the District Court determined that it had specific personal jurisdiction over ISI in Connecticut. It based its determination on

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\(^{37}\) When the defendant is a foreign entity contacts may be aggregated on a nationwide basis to determine whether it has sufficient contacts with the United States as a whole to be subject to jurisdiction consistent with the requirement of the due process clause of the fifth amendments.


ISI’s use of a toll free telephone number and the fact that there were at the times 10,000 internet users in Connecticut, all of whom had ability to access ISI’s website. Court found the advertising to be soliciting of a sufficient nature to invite long arm statute for the jurisdictional purposes. The Court further held that minimum contact test of the due process clause of the fourteenth amendment was satisfied since the defendant had purposefully availed the privilege of doing business in Connecticut in directing advertising and phone number to the State so that the subscriber could access the website.

However, the Court adopted a different approach in *Bensusan Restaurant Corp. v. King* 40, although New York too had a long arm statute. The defendant there had a small jazz club known as “The Blue Note” in Columbia, Missouri and it created a general access webpage giving information about the said club as well as a calendar of events and ticketing information. In order to buy tickets, web browsers had to use the names and addresses of ticket outlets in California. Bensusan the plaintiff was a New York Corp. that owned “The Blue Note” a popular jazz club in the heart of Greenwich village in New York. It accordingly sued the defendant for trademark infringement in New York. The New York Court held that the defendant had not done anything “to purposefully avail himself of the benefits of New York. Like numerous others, the defendant had “simply created a website and permitted anyone who could find it to access it. Creating a website, 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 towards the forum State.”

In *Ballard V. Savage*41, it was explained that the expression “purposefully availed” meant that the defendant has taken deliberate action within the forum State or if he has created continuing obligations to forum residents”. It was further explained that “it was not required that a Defendant be physically present within, or have physical contacts with, the forum, provided that his efforts ‘are purposefully directed’ toward resident”.

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In an early sixth circuit decision involving combined trademark and copyright claims the sixth circuit found extensive contacts warranting jurisdiction. The case of *CompuServe Inc. v. Patterson* \(^42\) involved a computer information and network service which sued a subscriber with whom it had entered into an agreement to register the subscriber’s “shareware” computer software for third party to use and purchase on the web. Plaintiff sought declaratory judgment that it had not infringement the subscriber’s common law trademarks or otherwise engaged in unfair competition. After the Federal District Court dismissed for lack of personal jurisdiction, the Sixth circuit reversed the judgement. It found specific jurisdiction based on the fact that the defendant had not only entered into a written contract with the plaintiff which provided for application for Ohio law, but had “purposefully perpetuated the relationship” via repeated communication with the plaintiff’s system in Ohio and by using plaintiff to market his sharewares in Ohio and elsewhere through plaintiff’s internet system. Defendant also repeatedly sent his “goods” electronically to plaintiff in Ohio for ultimate sale, and after deciding that the plaintiff’s product infringed on his software repeatedly sent messages to Ohio outlining his claim.

In *Martiz, Inc v. CyberGold, Inc.* \(^43\), where browsers who came on to its website were encouraged by the defendant CyberGold to add their address to a mailing list that basically subscribe the service to the users, it was held that the defendant had obtained the website “for the purpose of and in anticipation that, Internet users, searching the Internet for website, will access the CyberGold’s website and eventually sign up on Cybergold mailing list”. Therefore, although CyberGold claimed that its website was a passive one, it was held that through its website, “CyberGold has concisely decided to transmit advertising information to all Internet user, knowing that such information will be transmitted globally”.

In *Neogen Corp. v. Neo Gen Screening, Inc.*, \(^44\) the Court of Appeals held that the purposeful availment requirement is satisfied “if the website is interactive to a

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\(^42\) 89 F. 3d 1257 (6th Cir. 1996), available at <http://www.law.pace.edu/dld/Conflicts_Materials/Compuserve.PDF> [accessed on 10.10.2010].


degree that reveals specifically intended interaction with the residents of the State”. In that case the plaintiff (Neogen), a Michigan Corp., was in the business of developing and marketing a range of healthcare, food, and animal related products and services, including certain diagnostic test kits. It filed suit in Michigan District Courts alleging, inter-alia, and trademark infringement against the defendant (Neo Gen Screening), a Pennsylvania Corporation performing diagnostic test of blood samples from new born infants. The District Court dismissed the suit for lack of personal jurisdiction. The Court of Appeal held that the maintenance of the defendant’s website, in and of itself, does not constitute purposeful availment of the privilege of acting in Michigan. It observed that “the level of contacts with a State that occurs simply from the fact of website availability on the Internet is therefore an attenuated contact that falls short of purposeful availment.” However, the court in the case did not decide the question that whether the defendant’s website alone would be sufficient to sustain personal jurisdiction in the forum State as it held that “the website must be considered alongside NGS’s (Neo Gen Screening’s) other interaction with Michigan residents. Most significantly, when potential customers from Michigan have contacted NGS to purchase its services, NGS has welcomed their individual business on a regular basis”. The court further observed that “although customers from Michigan contacted NGS, and not the other way around, NGS could not mail test results to and accept payment from customers with Michigan addresses without intentionally choosing to conduct business in Michigan.” It was in this context that the Court of Appeal reversed the finding of the district court and remanded the matter.

(a) Sliding Scale test

In 1997, the court invented the sliding scale test in a landmark case of Zippo Mfg Co. v. Zippo Dot com. Inc. (Zippo)\(^45\). This was a case of trademark dilution, infringement and false designation under the Federal Trademark Act. Zippo Manufacturing Company, a Pennsylvania based corporation well known among other things for “Zippo” tobacco lighters. Zippo Dot Com. Inc., (defendant) the California Corporation was providing free news services through website. In addition, it also was

also providing a free based service to permit the subscriber to view and download
Internet newsgroup messages that were stored on the defendant’s server in California.
The defendant, a California corporation was sued in Pennsylvania.

Zippo Dot Com maintained no offices, employees or agent in the State of
Pennsylvania. It was posting information about its services on its web pages, which
were accessible to Pennsylvania resident via Internet. The defendant had 140000
paying costumer worldwide and out of which around 2%, i.e. 3000 were Pennsylvania
residents. In addition, it had contract with several internet access providers in
Pennsylvania to permit the Pennsylvanian subscribers to access the Zippo Dot Com’s
new service.

The court in this case held that the defendant’s contact with the Pennsylvania
State comes in the business category. In determining the same the court found
sufficient contacts of the defendant. It held that the defendant was doing business over
the internet by contracting with approximately 3000 individuals and seven Internet
Service Providers (ISP) in Pennsylvania. The intended object of these transactions had
been the downloading of the electronic messages that form the basis of this suit in
Pennsylvania. Further the defendant repeatedly and consciously chose to process
Pennsylvania residents’ application and to assign them passwords.

After discussing the development of the law till then, the district court
observed that the Constitutional limitations on the exercise of personal jurisdiction
differ depending upon whether a court seeks to exercise general or specific
jurisdiction over non-resident defendant. General jurisdiction permits a court to
exercise personal jurisdiction over a non resident defendant for non forum related
activities when the defendant has engaged in “systematic and continuous” activities in
the forum State. In the absence of general jurisdiction, specific jurisdiction permits a
court to exercise personal jurisdiction over a non resident defendant for forum related
activities where the “relationship between the defendant and the forum falls within the
‘minimum contacts’ framework”.

The Zippo Court noted that “a three pronged test has emerged for determining
whether the exercise of specific personal jurisdiction over a non resident defendant is
appropriate: (1) the defendant must have sufficient “minimum contacts” with the
forum State, (2) the claim asserted against the defendant must arise out of those
contacts, and (3) the exercise of jurisdiction must be reasonable.” The court further
classified website as (1) passive, (2) interactive, (3) integral to defendant’s business.\footnote{id.}

The Court further held that “personal jurisdiction can be exercised …directly
proportionate to the nature and quality of commercial activity that an entity conducts
over the internet. At one end of the spectrum are situations where the defendant
clearly does business over the internet. If the defendant enters into contracts with
residents of a foreign jurisdiction that involve the knowing and repeated transmission
of computer files over the internet, personal jurisdiction is proper. At the opposite end
are situations where a defendant has simply posted information on an internet website,
which is accessible to users in foreign jurisdictions. A passive website that does little
more than make information available to those who are interested in it is not grounds
for the exercise of personal jurisdiction. The middle ground is occupied by interactive
website 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
the commercial nature of the exchange of information that occurs in the website.”

The passive websites is analogues to an advertisement in any magazine; it
posts information that is generally available to any viewers, who has no onsite means
to respond to the site. An “integral” website is at the other end of the continuum: it is
used actively by the operator to conduct transactions with persons in the forum state,
receiving on line orders and pushing confirmation or other messages directly to
specific customers. In such cases, traditional analysis supports personal jurisdiction.
The middle category or “interactive” website falls between passive and integral. It
allows a forum State viewer to communicate information back to the site by toll free
telephone number, regular mails or even email. On facts it was held that the
defendant’s website was interactive one. Accordingly it was held that the court has
jurisdiction to try the suit.
In another case of *Cybersell, Inc v. Cybersell, Inc.*\(^47\) the plaintiff in Cybersell was an Arizona corporation that advertised its commercial services over the Internet. The defendant was a Florida corporation offering webpage construction service over the internet. The Arizona plaintiff alleged that the Florida trademark infringer should be subject to personal jurisdiction of federal court in Arizona because a website which advertises a product or service is necessarily intended for use on a worldwide basis. In finding an absence of jurisdiction, the Ninth Circuit used a Zippo type analysis without specifically adopting Zippo. Court articulated a three step test for determining whether a district court may exercise specific jurisdiction over a resident defendant:

- The non resident defendant must do some act or consummate some transactions 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;
- The claim must be one which arises out of or results from the defendant’s forum related activities, and
- Exercise of jurisdiction must be reasonable.

Applying the above principles, the Ninth Circuit concluded that the Florida defendant had conducted no commercial activity over the Internet in Arizona. Posting an “essential” passive home page to the web using the name “Cybersell” was insufficient for personal jurisdiction. Even though anyone could access defendant’s home page and thereby learn about its services. However, this fact alone was not enough to find that the Florida defendant had deliberately directed it’s merchandising efforts toward Arizona residents\(^48\). Defendant’s activities over the Internet were insufficient to establish “purposeful availment “. In so ruling, the Ninth Circuit observed that if all that were needed for jurisdiction was a webpage, every complaint arising out of alleged trademark infringement on the Internet would automatically result in personal jurisdiction whenever the plaintiff’s principal place of business is located.


\(^{48}\) id. at 420.
There have been difficulties experienced in the application of Zippo sliding test in terms of which the ascertainment of a court’s jurisdiction depended upon the “level of interactivity and commercial nature of the exchange of information” as a result of the use of website. The courts have been finding it problematic in determining the degree of interactivity that should suffice for jurisdiction to be attracted. Mere ability to exchange files with users through the Internet has been held not to be sufficiently ‘interactive’ for the forum court to assume jurisdiction⁴⁹. In *People Solutions v. People Solutions⁵⁰*, although it was possible for customers visiting the defendant’s website to download information, obtain product brochures and order product online, the court refused to assert jurisdiction since the plaintiff failed to show that Defendant had sold its products or contracted for services with any person in the forum state through the website. Again in *Mink v. AAAA Development⁵¹* although the defendant’s website offered printable mail-in order forms that could be downloaded, provided a toll free number, mailing and an email address, the forum court declined to exercise jurisdiction since in fact no orders were placed using the website. The care needed much higher levels interactivity.

In *Winfield Collection v. McCauley⁵²* the website provided an interactive mechanism of doing online business and the plaintiff showed that auction sales were conducted over the net with bidders in Michigan. Nevertheless jurisdiction was declined because the defendant was not shown as having “actively and intentionally doing business with customers in Michigan”. It was held that the form of online sale made it impossible for the defendant’s website to target the users of any particular State and therefore other than the court of the State where the principal place of business of the defendant was located, other state courts could not exercise jurisdiction. Since over the years, most website are interactive to some degree, there has been a shift from examining whether the website is per se passive or active to examining the nature of the activity performed using the interactive website.

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(b) The Effects test

Experiencing the difficulties with the application of the Zippo sliding scale test, a new approach was adopted by court by applying the jurisdictional doctrine of target based effects to Internet activities. The court has moved from a “subjective territoriality test” i.e., that a court will regulate an activity only if it is shown having originated in its territory to an “objective territoriality” or ‘effect’ test. According to this new approach, the existence of an active website will not be enough in itself to justify the exercise of judicial jurisdiction. The plaintiff needs to establish the fact that the website targeted and caused the effect(s) in the forum. The courts assess the evidence to determine whether the website has targeted the forum specifically, intentionally and knowingly.

The effect test was first evolved in *Calder v. Jones* 53. The plaintiff was a resident of California who commenced a libel action in California court against the National Enquirer based on an article that it printed and circulated in California. Apart from the National Enquirer and its local distribution company, its editor and the author of the article were all in Florida. Affirming the assertion by California court of personal jurisdiction over the defendants, the Supreme Court agreed that the allegedly libellous story concerned the California activities of a California resident. It impugned the professionalism of an entertainer whose television career was centred in California. The article was drawn from California sources, and the brunt of the harm, in terms both of respondent’s emotional distress and the injury to her professional reputation, was suffered in California. In sum, California remains the focal point both of the story and of the harm suffered. Jurisdiction over petitioners is therefore proper in California based on the “effects” of their Florida conduct in California. Court further commented that the petitioners were not charged with untargeted negligence. Rather, their intentional, and allegedly tortious, actions were expressly aimed at California. Petitioner South wrote and petitioner Calder edited an article that they knew would have a potentially devastating impact upon respondent. And they knew

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that the brunt of that injury would be felt by respondent in the State in which she lives and works and in which the National Enquirer has its largest circulation.

The California Supreme Court applied this test in *Pavlovich v DVD Copy Control Association*\(^{54}\). The defendant was a Texas resident who had posted material to a website that facilitates the decoding of copy protection placed on DVD movies. In trying to establish jurisdiction, the plaintiff, DVD Copy Control Association, argued that Pavlovich’s action would harm the whole motion picture computer and consumer electronics based in California. However, there was no evidence that the defendant’s actions were aimed at California. In fact there was no evidence of downloads from Pavlovich site by California residents. It was relevant to consider the defendants knowledge of harm to industries in California but this was not the sole basis for exercising jurisdiction. So the Calders effects test was not satisfied.

In the case of *Panavision International, LP v. Dennis Toeppen*\(^{55}\), the defendant Mr. Toeppen, allegedly registered Panavision trademark as domain name with the knowledge that the names belonged to Panavision and their intention to interfere with the Panavision’s business. This fact shows that Toeppen expressly aimed his conduct at California. Defendant allegedly demanded fees from Panavision a well known California resident, and other businesses as the price for relinquishing his rights to domain names that corresponded to existing trademark registration. The Ninth Circuit affirmed the trial court’s finding of specific personal jurisdiction in California, because the cyber squatter was viewed as having committed a tort which “is aimed at or has an effect in the forum state”. The Ninth circuit recognized that the mere act of registering another’s trademark as a domain name and posting an infringing site on the Internet does not, without more, subject a non resident to personal jurisdiction in a forum State. However “something more” consisted here of defendants efforts to “extort” money from plaintiff, hence

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defendants conduct in Illinois was designed to, and in fact did, cause injury to the plaintiff in the California.\footnote{See, \textit{id.}, at 1322}

The Courts in US have adopted a combination of the Zippo sliding scale test and the Calder “effect” test in examining whether the forum court has jurisdiction in a case involving infringement by use of the Internet. In \textit{Toys “R” US v. Step Two},\footnote{318 F. 3d 446 (2003), available at:<http://scholar.google.co.in/scholar_case?case=11729730121483635994&hl=en&as_sdt=2&as_vis=1&oi=scholarr> [accessed on 11.12.2011].} the US Court of Appeal revisited the issue of jurisdiction. The plaintiff “R” US (toys), a Delaware corporation with its headquarters in New Jersey, owned retail stores worldwide where it sold toys, games, and numerous other products. In August 1999, Toys acquired Imaginarium Toy Centres, Inc., which owned and operated a network of “Imaginarium” stores for the sale of educational toys and games. In this process, Toys also acquired several Imaginarium trademarks. The defendant, ‘step two’, a Spanish corporation owned or franchised toy stores operating under the name “Imaginarium: in Spain and nine other countries where its store were located. At the time of trial, there were 165 step two Imaginarium stores having the same unique façade and logo as those owned by Toys and selling the same types of merchandise Toys sold in the Imaginarium stores. However, ‘step two’ did not operate any stores, maintain any offices or bank accounts, or had any employees anywhere in the US. In 1995, Imaginarium Toy Centres, Inc. (which Toys later acquired) registered the domain name ‘imaginarium.com’ and launched a website featuring merchandise sold at Imaginarium stores. In 1996, ‘step two’ registered the domain name ‘imaginarium.es’, and began advertising merchandise that was available at its Imaginarium stores. In April 1999, Imaginarium Toy Centres registered the domain name ‘imaginarium.net’, and launched another website where it offered Imaginarium merchandise for sale. In June 1999, step two registered two additional “Imaginarium” domain names, ‘imaginamriumworld.com’ and ‘imaginarius-world.com’. In May 2000, step two registered three more domain names: ‘imaginariumnet.org’, ‘imagineriumnet.com’, and ‘imaginariumnet.page.net’. Toys brought action against ‘step two’ alleging that ‘step two’ used its Internet websites to engage in trademark infringement, unfair competition, misuse of the trademark notice symbol, and unlawful “cyber squatting”. The District Court of New Jersey denied toys’ request for jurisdictional discovery and
simultaneously, granted ‘step two’ s motion to dismiss for lack of jurisdiction. However, the Court of Appeals held that the record did not support the finding that the defendant ‘step two’ knowingly conducted business with residents of New Jersey. It reversed and remanded the case for limited jurisdictional discovery relating to ‘step two’ s business activities in the United States. The court emphasized that the mere operation of commercially interactive website should not subject the operator to jurisdiction anywhere in the world. Rather, there must be evidence that the defendant “purposefully availed” itself of conducting activity in the forum State, by directly targeting its website to the State, knowingly interacting with residents of the forum State via its website, or through sufficient other related contacts.

Above analysis of the case laws on the issue of jurisdiction clear the position that in order to establish the jurisdiction of the forum court, even when a long arm statute exists, the plaintiff would have to show that the defendant “purposefully availed” of jurisdiction of the forum State by “specifically targeting” customers within the forum State. A mere hosting of an interactive website without any commercial activity being shown as having been conducted within the forum State, would not enable the forum court to assume jurisdiction. Even if one were to apply the “effect” test, it would have to be shown that the defendant specifically directed its activities towards the forum State and intended to produce the injurious effect on the Plaintiff within the forum State.

2.2.5. Online Copyright Infringement

There are plenty of online copyright infringement cases discussed by the US court. Some of the cases are discussed here. Before that it is important to discuss the subject matter jurisdiction of the US court. The case is of EWA-MARIE RUNDQUIST v. VAPIANO SE\textsuperscript{58}. The fact of the case is that plaintiff is a Swedish citizen experienced fashion and advertising photographer. Her work published in various magazines. La Pizza a cookbook contains a number of her photograph of Italian street scenes and eating and cooking of Pizza. Plaintiff alleged that all Vapiano restaurants located in US and around the world used these photos in restaurant without the

\textsuperscript{58} 201 US Dist. Lexis 78781.
permission. She filed complaint against defendant in USA. She alleged copyright infringement in US. Defendant moved the lack of jurisdiction and forum non convenince ground.

The court held in the case that it is well established that the US Copyright Act, Section 501 does not have extraterritorial effect. Thus there is no cause of action under the Copyright Act for acts of infringement that occur completely outside the US. Consequently, a foreign actor who engage in or authorised infringement activity while abroad and no part of the infringement activity takes place in the US, does not hereby violate US Copyright law and US Courts does not have subject matter jurisdiction over claims arising from that foreign activity.

To determine whether a Court may exercise personal jurisdiction based on a defendant’s Internet related contacts with the District of Columbia, the Court focus on the defendant’s use of the Internet to solicit or transact business with users in the District. Personal jurisdiction surely can’t be based on the ability of the District residents to access the defendants’ websites, for this does not by itself show any persistent course of conduct by defendants in the District. Courts look to the level and quality of interactivity of the websites at issue. Courts distinguish between passive and interactive websites, and the former will not without more, support personal jurisdiction.

Notwithstanding the general rule barring extraterritorial application of the US Copyright Act, Section 501 Courts have permitted claims under this law when infringement occurring outside the US is permitted or initiated by predicate acts of infringement within US. This occurs when (1) infringement occurs with the US, and (2) this act initiates further infringement abroad. The unauthorised manufacture of infringing goods within the US for subsequent sale abroad may give rise to a cause of action under the copyright, even when the actual sale and distribution of infringing goods occurs outside the US proper. Extraterritorial exploitation of copyright originally infringed inside the US falls within the jurisdiction of the Copyright Act. Under this extraterritoriality exception, liability is not based on the contributory infringement, but on theory that the infringing use would have been actionable even if
the subsequent foreign distribution that stemmed from that use never took place. Predicate act liability allows copyright owners who are able to establish that an infringing copy was made within US borders which then facilitated further infringement abroad secure damage awards that include the profits made by unauthorised foreign exploitation.

Where acts of infringements occur within the US and a plaintiff seeks to hold a foreign defendant contributory or vicariously liable for those acts, it has been held that subject matter jurisdiction may exist, and that the exercise there of does not conflict with the doctrine of non extraterritoriality to satisfy the jurisdictional requirement that the defendant commit an act of infringement in the US, the plaintiff must show only that the direct act of infringement for which defendant is contributory or vicariously liable occur in the US.\textsuperscript{59} The court in this case held that the plaintiff has the subject matter jurisdiction in US and that the defendant has done copyright infringement to her work.

In \textit{Penguin Group USA Inc. v. American Buddha},\textsuperscript{60} (N.Y. March 24, 2011) the New York Court of Appeals held that when determining long-arm jurisdiction, a different analysis applies to online copyright infringement than other forms of copyright infringement. The suit arose when New York publisher Penguin Group brought suit against American Buddha, an Oregon non profit that published complete copies of five Penguin Group works on two separate web sites. The suit was brought in New York and appealed to the U.S. Court of Appeals for the Second Circuit. Recognizing a split of authority in New York district Courts regarding the application of the long-arm jurisdiction statute in two copyright infringement cases against out-of-state defendants, the Second Circuit certified a question concerning the statute to the New York Supreme Court.

The major issue before the court was that in copyright infringement cases involving the upload of a copyright printed literary work onto the Internet, is the \textit{situs} of the injury for purposes of determining long-arm jurisdiction … the location of the

\textsuperscript{59} \textit{id.} at (HN) 18.
infringing action or the residence or location of the principal place of business of the copyright holder? The court found the location of the copyright holder determines that a tortious act occurred in New York.

The convergence of two factors persuaded the New York court that an in State injury has occurred when owner’s printed literary work is uploaded without permission onto the Internet for public access. First, the digital environment poses a unique threat to the rights of copyright owners, because digital technology enables pirates to reproduce and distribute perfect copies at virtually no cost at all to the pirate. An intended consequence of those activities creates an instantaneous availability of those copyrighted works on American Buddha’s web sites for everyone, in New York or elsewhere, with an Internet connection to read and download the books free of charge. Despite the fact that the electronic copying and uploading of the work was apparently undertaken in Oregon or Arizona, where American Buddha servers were located, the harm was spread across the country.

In the case of online infringement, identifying the \textit{situs} of the injury is not as simple as looking to the place where the plaintiff lost business. Here, the place of uploading is inconsequential, and it is difficult, if not impossible, to correlate lost sales to a particular geographical area.

Secondly, the \textit{situs} of the injury derives from the unique bundle of rights granted to copyright owners. The five exclusive rights of copyright embody a right to exclude others from using a copyright holder’s property. An owner whose copyright is infringed suffers more than an indirect financial loss; it diminishes the publisher’s incentive to publish and the harm is often characterized as irreparable in light of possible consumer confusion.

The court was quick to point out that its decision does not open up Pandora’s box allowing any party accused of digital copyright infringement to be haled into a New York court when the plaintiff is a New York copyright owner of a printed literary work. Rather, the long-arm statute requires a plaintiff to show that the copyright owner both expects or should reasonably expect the act to have consequences in the State and derive substantial revenue from interstate or
international commerce. There also must be proof that the outside defendant has requisite minimum contacts with the forum State and that the prospect of defending a suit there comports with traditional notice of fair play and substantial justice.

In the case of Gary SMITH d/b/a Art Attack studios v. TRANS-SIBERIAN ORCHESTRA, Smith, a Florida-based artist, asserts that he entered into an agreement with Paul O'Neill (the owner of the Trans-Siberian Orchestra "TSO") to create artwork known as Rose Guitar for a single TSO album cover. Smith did not relinquish the rights to further use of Rose Guitar, nor did he enter into any agreements allowing others to use the image of Rose Guitar without his permission. Smith registered Rose Guitar with the United States Copyright Office. On June 1, 2009, Smith filed a complaint alleging that Greg Hildebrandt, the owner of Spiderwebart Art Gallery, Inc., and TSO infringed upon his copyright of the Rose Guitar image. The Court dismissed Hildebrandt from the case with prejudice for lack of personal jurisdiction. On April 1, 2010, Smith filed a motion to amend the complaint to join Spiderwebart as a defendant. This Court granted the motion to join Spiderwebart on July 26, 2010. In the amended complaint, Smith alleged that Spiderwebart is "responsible for the design, manufacture, sale, marketing, and distribution" of the products containing the infringing Rose Guitar image. The amended complaint contains seven counts, each asserted against all Defendants as follows: (1) copyright infringement, (2) contributory copyright infringement, (3) vicarious copyright infringement,(4) deceptive and unfair trade practices, (5) common law unfair competition, (6) violation of the Visual Artists Rights Act of 1990, and (7) unjust enrichment. Spiderwebart contends that this Court lacks personal jurisdiction and seeks to be dismissed from this action asserting that Spiderwebart does not have sufficient minimum contacts with Florida and that Smith failed to satisfy his burden of refuting Spiderwebart's jurisdictional challenges.

The Florida Supreme Court found that a defendant’s physical presence is not required to commit a tortious act within the State; indeed a non resident defendant may commit a tortious act within the State by electronic, written or telephonic

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communication into Florida so long as the cause of action arises from such communication. However, in the case of Internet the test has to be a different one. So in the case the court adopted the accessibility test to decide tortious act. Under accessibility test the court find Spiderwebarts’ supposed online sale of the rose guitar image to constitute a tortious act committed in Florida. Even if users could not view the infringing image prior to purchasing it, however the online sale of that image might still satisfy the accessibility requirement by making that image accessible to all Florida residents willing to pay for it.

Further the Court applied the effect test to decide the jurisdiction issue. This test requires that a defendant have “(1) committed an intentional tort (2) that was directly aimed at the forum, (3) causing an injury within the forum that the defendant should have reasonably anticipated.” Applying the test to intentional tort cases is justified by the fact that States have a special interest in exercising jurisdiction over those who commit intentional torts causing injury to their residents. The effects test applies here because Smith's claim against Spiderwebart concerns an intentional tort. Intellectual property infringement constitutes an intentional tort if the infringement is undertaken with the purpose of making money. Because Spiderwebart purportedly sold the infringing Rose Guitar image through its website, its alleged copyright infringement was intentional. Thus, the first requirement of the effects test, namely, the allegation of the commission of an intentional tort, is met here. Smith's factual allegations also satisfy the second requirement that the defendant's tortious act be expressly aimed at the forum State. A defendant's tortious act is aimed at the forum State, if it is directed at a resident of the forum.

The Court held that Spiderwebart allegedly misappropriated a protected image owned by Smith. Although the image contains no depiction of Smith, the issue is not whether Spiderwebart used a copyright image representing or making reference to Smith but, rather, is whether its use of that image was directed at Smith. Smith has alleged that the Rose Guitar image is registered with the U.S. Copyright Office; that Spiderwebart has been on notice of its infringement since Greg Hildebrandt, the president of Spiderwebart, was named as a defendant in this case; and that it continues to engage in the averred infringement. Smith submits that Spiderwebart perpetrated
the copyright infringement in reckless disregard of his rights or, alternatively, that it
did so maliciously. These allegations establish that Spiderwebart's purported
infringement was aimed at Smith, a resident of Florida, satisfying the effects test's
second element.

The third requirement that the tort cause an injury within the forum that the
defendant should have reasonably anticipated is also met. Spiderwebart's alleged use
of the Rose Guitar in the sale of derivative works harmed Smith's rights by depriving
him of the opportunity to profit from his protected work of art.

In *Dudnikov v. Chalk & Vermilion Fine Arts*, the Internet site eBay had
hosted plaintiff’s auctions for fabric bearing images to which defendant sent a NOCI
to eBay’s California offices and eBay cancelled the auctions. One of the fabrics they
listed for auction made a play upon famous works by the artist *Érè* titled Symphony
in Black and Ebony on White (sic). The original artwork portrayed an elegant woman
with a sleek dog upon a leash. The fabric sold by Dudnikov portrayed Betty Boop
with her dog, “Pudgy,” in a similar pose. Defendant Chalk & Vermilion Fine Arts,
Inc. is the American Agent for British corporation SevenArts, who owns the copyright
for the Erte works of interest. Upon discovering the sale of the Betty Boop fabric,
Chalk & Vermilion filed a request with eBay through their Verified Rights Owner
Program (“VeRO”) for a notice of claimed infringement. Under this program, eBay
will terminate an item’s auction when it receives such a notice from a VeRO member,
who certifies under penalty of perjury that it believes an item infringes its copyright.
After receiving the NOCI notice from eBay cancelling the auction, Dudnikov
contacted Chalk & Vermilion and SevenArts to request that the NOCI be withdrawn,
offering to refrain from relisting the disputed item. She was concerned that an NOCI
filing would leave a black mark on her eBay reputation. SevenArts refused to
withdraw the notice, prompting Dudnikov to challenge SevenArts’ copyright claim
with eBay. SevenArts responded by notifying Dudnikov that it intended to file a
federal court action within ten days. Before SevenArts took the legal action they

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threatened, the plaintiffs in this case filed for a declaratory judgment that the contested fabric portraying Betty Boop did not infringe upon SevenArts’ copyright.

District Court found that NOCI “closely akin to cease and desist letter and insufficient to create personal jurisdiction” and therefore dismissed the case. The Tenth Circuit Court on appeal reversed the decision of the District Court. After applying the standards developed by Supreme Court, the Court applied a five part test to determine whether specific jurisdiction exist in the case or not. The Court held that the due process requires that the defendants;

1. have committed an intentional action,
2. that the action was expressly aimed at the forum State,
3. that defendants had knowledge that the brunt of the injury would be felt in the forum State,
4. that the plaintiff’s injuries arose out of the defendant’s forum related activities,
5. that the traditional notions of fair play and substantial justice are not offended.

On the first point the Court held that the sending of the NOCI was an intentional act designed to terminate the plaintiff’s auction. The defendants additionally threatened to bring suit within ten days if the NOCI was not enforced. On second issue the Court held that though the defendants argued that the NOCI was sent to eBay in California, the intent of defendants was to request eBay to remove the auction for the infringing material. Also, defendants contacted the plaintiffs directly, issuing a threat to sue them in federal court to prevent the future sale of the fabric. Furthermore, viewing the facts in a light most favourable to the plaintiff as required by the standard of judgment for a 12(b) motion to dismiss, the Court found that the defendants knew that plaintiffs were located in Colorado since notice was provided on their eBay listing. Further in response to the third point the Court found that defendants knew that plaintiffs’ business was in Colorado, and thus that the effects of the NOCI would be felt there. Following Calder, the Court further determined that the defendants additionally took intentional actions that were expressly aimed at the forum State, as evidenced by the defendant’s intentional cancellation of the plaintiff’s auction. Fourthly on the issue of the plaintiff’s injuries the court held that causation
and proximate causation the both theories of causation were satisfied by the sending of the NOCI to eBay by the plaintiff as well as the email exchange between defendants and plaintiffs. And finally on the issue of traditional notions of fair play and substantial justice the Court evaluated fair play and substantial justice by considering factors of (1) the defendant’s burden, (2) the forum State’s interests in the dispute, (3) the plaintiff’s interest in receiving convenient and effectual relief, (4) the judicial system’s interest in efficiently resolving controversies, (5) the shared interest of the several states in furthering social policy. Based upon these factors, the Court decided that none of the factors weighed definitively in favor of the defendants. This is supported by the fact that defendants’ threat of litigation showed they were already willing to litigate in a federal court on the issue.

In the case of *Jagex Limited v. Impulse Software, Eric Snellman and Marc Snellman*\(^6\), Jagex is a foreign corporation organised under the laws of UK, owns and operates “Runescape”, a massive multi player online interactive computer game. In 2008, the Guinness Book of World Records recognised Runescape as the world’s most popular free online role playing game, with over 130 million accounts created since the launch of the game in 2001. The defendants Eric and mark Snellman, both reside in Florida and do business as Impulse software operate several websites which offer tools that allow players to cheat at MMOGs such as Runescape. The Snellmann brother develop and sell a software program called “iBot” or “Bot” that enables Runescape users to advance their characters through the game with little or no human participation. The Bot functions by downloading a copy of Runescape from the free, online website and using a process called ‘reflection” to examine the game’s internal operation which is normally hidden from users.

Jagex filed complaint in Massachusetts against the Snellman brothers alleging the copyright infringement, violation of DMCA and other trademark infringement. The Court found that the defendants operated an interactive website because it allowed Massachusetts users to exchange payment information for downloading

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software tools. Although the defendants did not specifically seek out Massachusetts customers, they did not discourage them from purchasing the infringing software tools. Further, the defendants’ websites were not passive in nature because Massachusetts residents used the websites to sign electronic agreements and take payment information. Although the opinion never mentioned the specific number of software tools purchased by residents in Massachusetts, the Court was satisfied that at least a sale had occurred in the forum in order to justify the exercise of personal jurisdiction.

In the case of Imageline, Inc. v. Fotolia, LLC, imageline, Inc., a Virginia corporation, filed a copyright suit against Fotolia for reproduction and distributing Imageline’s original digital illustrations on its website, <Fotolia.com>. Fotolia contested personal jurisdiction for several reasons. To begin with, Fotolia primarily operated out of New York, and of its 173,504 registered users only 1.9% of its registered users lived in Georgia. Of this small percentage, only one user maintained an active account; therefore, nobody in Georgia had downloaded Imageline’s illustrations. While Imageline argued that the Zippo sliding scale test should determine minimum contacts, Fotolia urged the court to apply the Calder effects test. The Court explained that, since the Eleventh circuit had not stated whether the Zippo sliding scale test applies to such situations, the Court would express no opinion as to its applicability in the case at hand.

The Northern district of Georgia agreed that Fotolia’s website was not merely passive. Rather, it fell within the middle ground of interactive web sites because Internet users could interact with Fotolia’s host computers by uploading and downloading pictures to their online Fotolia accounts. Even with this finding, Fotolia website still lacked commercial qualities with respect to its use by Georgia residents. Because no Georgia users had actually downloaded the infringing images, the Court held that no minimum contacts existed. Moving on to the Calder effects test, the Court reasoned that any injury caused by Fotolia’s alleged copyright infringement would have occurred in Virginia, the State of Imageline’s incorporation, therefore no effects

64 663 F. Supp. 2d 1367 (2009), available at<http://scholar.google.co.in/scholar_case?case=18034
153064314830590&hl=en&as_sdt=2&as_vis=1&oi=scholarr> [accessed on 20.12.2011].
of Fotolia’s alleged illegal actions were felt in Georgia. Based on these conclusions, Fotolia succeeded in opposing personal jurisdiction and having the case dismissed.

Further in the case of *Graduate Management Admission Council v. Raju*, the plaintiff Graduate Management Admission Council (GMAC), is a non profit organisation based at Virginia. GMAC develops and owns all rights to the Graduate Management Admission Test (GMAT) which is essential requirement for the admission in business management programme in US and elsewhere. The GMAT forms and the question papers created by GMAC are original, copyrightable materials and GMAC has the exclusive right to copy, distribute, display, publish and prepare derivative works. Defendant Narasimha Raju is a citizen of India. The registry of the domain name <gmatplus.com> and <gmatplus.net> is Veri-Sign Global Registry Services, located in Herndon, Virginia. Using these domain name Raju operates a website under the name of “GMAT Plus” which sell GMAT questions for test preparation purposes. The site sells seven books contain 100% actual questions which were never published in any national book or materials. The website facilitates the ordering of materials through a two step process, combining a money transfer arranged through a third party with on line ordering through a provided email address. Potential customers are directed to contact western union or MoneyGram to set up a payment to Raju in India and then to send an email to <gmatplus@yahoo.com> containing the customers’ name, address and telephone number. The provided email address is only for “shipment and payment purposes”. The ordering information appears to facilitate worldwide orders, but places specific emphasis on the US and Canada. The site provides the toll free numbers for western union or MoneyGram to be used “in the US or Canada”, while those located in other countries are provided hyperlinks to western Union’s and MoneyGram’s websites.

The plaintiff filed a five count complaint against Raju alleging Copyright infringement, trademark infringement, trademark dilution, cyber piracy and unfair competition. The Magistrate Judge recommended the finding of no personal jurisdiction over Raju in the case. The District Court reversed the order. It found that the personal

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jurisdiction is not proved as per the Zippo case it is doubtful “whether Raju can be said to have directed electronic activity into the State with the Internet of engaging in business …within the State.” The Court failed to apply the Zippo test on the reasoning that Raju simply shipped the materials to the customers at the addresses they provided. Two shipments and one purported customer testimonial are not sufficient basis on which to conclude that Raju was intentionally directed his website at a Virginia audience. Finally on Calder test the Court held that there is no indication that Raju purposefully directed his tortious activity at Virginia. The Court however indicated that the plaintiff has not raised the alternative basis of jurisdiction under Rule 4(K) (2), Federal Rule of Civil Procedure. This Rule provides for personal jurisdiction through national wide service of process over any defendant provided (i) exercise of jurisdiction is consistent with the Constitution and law of the US, (ii) the claim arises under federal law, and (iii) the defendant is not subject to the jurisdiction of the courts of the general jurisdiction of any State. On all count the Court found Raju under the jurisdiction of the Court. Court held that GMAC has not asserted Rule 4(K) (2) as a basis of jurisdiction. This omission is not decisive, for it is clear that “federal courts are entitled to apply the proper body of law whether the parties name it or not.

In *M3Girl Designs LLC v. Purple Mountain Sweaters and Carol Ann Bishop*, the plaintiff is a Texas limited liability Company with its principle place of business in Farmers Branch, Texas. M3Gril creates manufacturers, and sells interchangeable bottle cap necklaces containing artwork in the interior of the bottle caps. M3Girl markets and sells the necklaces under the registered trademark “snap Caps” and has obtained copyright registrations for visual works related to the interchangeable bottles cap necklaces, the artwork on the interior of the bottle caps and a magnetic “keeper” board that displays and stories interchangeable bottle caps that are not being worn. Defendant is a sole proprietorship of Sweaters with its principal place of business in Florida. Neither Bishop nor Florida has done ever business in Texas, or has owned any property in Texas, maintained an agent for service of process in Texas. Bishop owned and operates the website

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<www.puplemountainbaby.com>. The website enable the user to view product images, submit orders online through a “shopping cart” feature and solicit information from the defendants by submitting questions and comments directly to the defendants through a ‘contact us’ feature. To complete a purchase a user must access a third party website, <www.paypal.com> to transmit payment through PayPal to the defendants. The defendants’ website includes a hyperlink to PayPal. The defendants argue that Internet sale are processed in the same manner as orders received by Telephone, mail, or facsimile. Bishop experimented with online sales of bottles caps necklace, but later abandoned that effort. Before doing so the defendant received two orders for bottle caps via the defendants’ website. Defendant processed it and earned $600 in Texas.

M3Girl alleges that the defendants are infringing its intellectual property rights by (1) not removing the infringing subject matter from the defendants’ website, (2) taking orders of infringing product, (3) advertising , making , distributing and selling infringing jewellery products that posses the name “Snappy Bottle Cap Necklace”. Defendant filed the motion to dismiss for insufficient service of process and lack of personal jurisdiction.

The Court held that a Federal District Court may exercise personal jurisdiction over a non resident defendant if (1) the long arm statute of the forum state permits the exercise of personal jurisdiction over the defendant; and (2) the exercise of such jurisdiction by the forum State is consistent with due process under the US Constitution. The Texas long arm jurisdiction confers jurisdiction to the limits of the federal constitution. Therefore, the court discussed the due process inquiry. For due process the two element are important, i.e., (1) the non resident must have some minimum contact with the forum that results from an affirmative act on her part such that the non resident could anticipate being hailed into the Courts of the forum State, and (2) it must be fair or reasonable to require the non resident to defend the suit in the forum State. Two type of in personam jurisdiction may be exercised over a non resident defendant: specific jurisdiction and general jurisdiction. Under both specific and general jurisdiction analysis the Constitutional touchstone remains whether the defendant purposefully established ‘minimum contacts’ in the forum State. A Court
must consider all factors when making the purposeful availment inquiry—“no single factor, particularly the number of contacts, is determinative.”

Applying the specific jurisdiction the Court applied the Zippo case to find out the nature and quality of the commercial activity that is being conducted over the Internet. Court held that the defendant’s website falls in the middle ground of the Zippo Sliding scale because the defendants website does not fall neatly into the “doing business” category of the Zippo sliding scale because it is not a ‘virtual store’ through which the defendants market and sell their goods by repeatedly entering into contracts with users form the forum State. The defendants’ website does, however allow a user to exchange information to a host computer by using the “shopping cart” and “contact us” features. But court found no substantial interactivity between the defendants and forum because the defendants have made only one sale, online to residents of Texas. While the number of contacts with the forum State is not determinative, it is one relevant factor to be considered within the totality of circumstances in assessing the propriety of exercising personal jurisdiction over a non resident. Since the defendant has made only one sale to Texas therefore jurisdiction is unreasonable. Maintaining of a website, even one containing allegedly infringing materials that is accessible in the forum State is not enough to establish specific jurisdiction. Court finally held that general jurisdiction requires the systematic and continuous contact between the defendants and Texas. One sale to Texas falls far short of the continuous and systematic contact necessary for the general jurisdiction. Finally Court held that choosing a Court that is fair and reasonable for both parties is inherently an efficient use of judicial resources and furthers State’s shared interest in promoting fundamental social justice. Therefore the Court is this case did not apply jurisdiction.

In the case of ALS Scan, Inc. v. Digital Service Consultants, in this case the ALS Scan, Inc., a Maryland corporation with its place of business in Columbia, Maryland commenced this action for copyright infringement against Digital Service consultants, Inc. and digital’s customers, Robert Wilkins and Alternative Products,

\[\text{293 F. 3d 707 (2002), Court of Appeal, 4th Cir. 2002, available at} \text{http://scholar.google.co.in/scholar_case?case=10482557877262411077&q=ALS+Scan+,+Inc.+v.+Digital+Service+Consultants&hl=en&as_sdt=2,5&as_vis=1} \text{[accessed on 20.12.2011].}\]
Inc. ALS scan, which create and markets adult photographs of female models for distribution over the Internet, claims that Alternative Products appropriated copies of hundreds of ALS Scan’s copyrighted photographs and placed them on its websites, <www.abpefar.com> and <www.abpeuarc.com>, thereby gaining revenue from them through membership fees and advertising. ALS Scan further alleges that Digital, as the Internet Service Provider (“ISP”) for Alternative Products, “enabled” Alternative Product to publish ALS Scan’s copyrighted photographs on the Internet by providing Alternative Products with the bandwidth service needed to maintain its websites. ALS Scan thus alleges that all of the defendants have infringed and are infringing its copyrights within Maryland and elsewhere by selling, publishing and displaying its copyrighted photographs. Digital asserted that the District Court lacked personal jurisdiction over it since it is a Georgia corporation with its only place of business in Atlanta. It further clarified that it is not affiliated in any way with Alternative Products except the customer relationship. It did not select the infringing photographs for publication, neither have any knowledge that they are posted on the Alternative Products website. It received no income for the Alternative products’ subscribers.

The Court held that Digital’s activity was at most passive and therefore does not subject it to the judicial power of a Maryland. Digital functioned from Georgia as an ISP, and in that role provided bandwidth to Alternative Products, also located in Georgia, to enable Alternative Products to create a website and spend information over the Internet. It did not select or knowingly transmit infringing photographs specifically to Maryland with the intent of engaging in business or any other transaction in Maryland... rather, its role as an ISP was at most passive. Digital purposefully availed itself of the privilege of conducting business or other transactions in Maryland. The only direct contact that digital had with Maryland was through the general publication of its website on the Internet. But that website is unrelated to ALS Scan’s claim in this case because Digital’s website was not involved in the publication of any infringing photographs.

On the general jurisdiction, the Court held that it may be asserted over a defendant “whose activities in the forum State have been continuous and systematic, but the threshold level of minimum contacts sufficient to confer general jurisdiction is
significantly higher than for specific jurisdiction.” In the case the ALS could not show that “something more”. Court finally held that Digital has engaged in no activity in Maryland, and its only contacts with the state occur when persons in Maryland access Digital’s website. Even though electronic transmissions from maintenance of a website on the Internet may have resulted in numerous and repeated electronic connections with persons in Maryland, such transmissions do not add up to the quality of contacts necessary for a state to have jurisdiction over the person for all purposes.

2.2.6. Choice of forum

Forum selection or choice of forum clauses is a means of establishing in personam jurisdiction by consent. A forum selection clause may be either exclusive or nonexclusive clause. The determination of whether the clause is exclusive or non exclusive depends on the intent of the parties, and the terms and its interpretation.

Before 1974, the US Courts considered exclusive jurisdiction clauses violative of public policy because these clauses purported to oust the authority of all the Courts other than those identified in the contract. However, situation changed with the landmark case of *M/S Breman v. Zapata Off Shore Company*. In this case, a German company Unterwester Reederei, contracted with a Texas company, Zapata Offshore, to tow Zaphatha’s oil rig, the Chaparral, from Louisiana to a point off Ravenna, Italy. The contract of towage contained a choice of court clause in favour of the English Court. It also contained two clauses exculpating Unterweser from liability for damage to the oil rig. After the tow began, a severe storm arose in the Gulf of Mexico. The Chaparral was seriously damaged, and Zapata instructed the Bremen to go to the nearest port of refuge, which was Tampa, Florida. There Zapata brought suit in admiralty in a Federal District Court for damages or negligent towage against Unterweser in personam and the Bremen *in rem*. Unterweser asked for a stay in

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68 It is also referred as Mandatory clause. Mandatory or Exclusive agreement requires the litigation to be commenced only in the contractually designated forum.

69 This is also referred as Permissive clause. Non exclusive clause allows the litigation in a designated forum, but does not prohibit litigation elsewhere.


71 92 S. Ct 1907 (US Supreme Court, 1972).
favour of the English Court. The District Court rejected Unterwesre’s motion to stay. The Court held that choice of court agreements concluded prior to the dispute were contrary to public policy and should not be enforced. On appeal to the Court of Appeals upheld the District Court’s judgment. Finally the US Supreme Court held that forum selection clauses are presumptively valid and should be enforced unless shown to be unreasonable under the circumstances. Although the Court did not precisely determine what constituted an ‘unreasonable forum selection clause’, it suggested that a stay would be denied in which: (1) enforcement would violate a strong public policy of the forum in which the dispute is brought; (2) the chosen forum is “so gravely difficult and inconvenient the plaintiff will for all practical purposes be deprived of his day in court, or (3) the clause is invalid for reasons such as fraud, undue influence, or overweening bargaining power. The Court stated that serious inconvenience would very difficult to establish in a freely bargained for jurisdiction clause.

Almost two decade after that the court again in the case of Carnival Cruise Lines v. Shute court adopted the same policy in the consumer contract. Mr. and Mrs. Shute bought tickets in the state of Washington for a sea cruise on a liner operated by Carnival Cruise. The ticket contained an exclusive choice of court agreements in favour the court of Florida, about as far as away from the state of Washington as it is possible to get in the continental US. The headquarter of the Cruise was Florida. On vessel Mrs. Shute fell and got injured herself. The Shutes brought proceedings against Carnival Cruise in Washington State. The US Supreme Court held in the case that effect should be given to the Choice of Court agreement, even though it was not freely negotiated. The court held that the shuts had not discharged their “heavy burden of proof” required to demonstrate inconvenience under the Berman test. The court noted that Florida was not remote alien forum and that the dispute was not more amenable to litigation in Washington rather than Florida. Although the Court stated that forum selection clauses in standard from passage contracts were subject to additional

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scrutiny for fairness, there was no bad faith on part of the defendant by selecting the forum where their business was primarily based.

In Cyberspace forum selection is mostly done through the shrink wrap contract\textsuperscript{74} or click wrap contact\textsuperscript{75}. They are also known as End User license agreements (EULA). Various cases has laid down that the forum selection clause is accepted in US. In the case of Nazaruk v. eBay, Inc., Slip Copy\textsuperscript{76} the plaintiff filed the case before the District Court of Utah. The case involves an arbitration clause in a click wrap agreement. The forum selection clause of eBay’s click wrap agreement required the user to click ‘I accept’ to terms including the forum selection clause during initial registration on the company website which reads that “you agree that any claim or dispute may be against eBay must be resolved by a court located in Santa Clara county California”. The Court held that the forum selection clause at agreement was mandatory and valid. Therefore, the District Court dismissed the case in favour of eBay.

In the case of Feldman v. Google, Inc.,\textsuperscript{77} the Court has liberally applied the Berman test in the context of shrink Wrap or click wrap agreements. In consumer contexts, the US Courts generally enforce jurisdiction clause, suggesting that the burden of proof to establish inconvenient is indeed heavy. The cases illustrate that forum selection clauses designating the software manufacturer’s or online service provider’s home State as the venue for litigation are primafacie reasonable and will generally be enforced. US Courts tendency to enforce jurisdiction clauses within the wrap agreements is vividly.

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\textsuperscript{74} The term Shrink wrap license refers to any software license agreement which enclosed within a software package and is inaccessible to the customer until after purchase. The license agreement is printed on paper included inside the boxed software. It may be presented to the end user on screen during installation. The inability of the customer to review the license agreement before purchasing the software has caused doubt regarding the validity of agreements.

\textsuperscript{75} Click wrap license agreement s refers to website based contract formation. The agreements occurs where a user affirmatively assent to license terms of a website, by clicking ‘yes ‘on a pop up, in order to access website features. They are analogous to shrink wrap license since in both cases the customer cannot use the software or website till the time he purchase or agree to the license agreement which are formed by the owner of the website or the software.

\textsuperscript{76} 2006 WL 2666429 (D. Utah Sept, 14,2006).

\textsuperscript{77} 513 F.Supp. 2 d 229 (Distt. Court, ED), available at\textsuperscript{http://scholar.google.co.in/scholar_case?case=12924449127890724535&hl=en&as_sdt=2&as_vis=1&oi=scholarr} [accessed on 21.12.2011]
This above legal position gets support from the Uniform Computer Information Transaction Act (‘UCITA’) rule on forum selection in case of End User License Agreements. Section 110 of the UCITA provides that the parties in their agreement may choose an exclusive jurisdiction clause unless it is unreasonable and unjust.\textsuperscript{78}

2.2.7. \textbf{Conflict of jurisdiction: forum non convenience}

It is very much possible in cross border violation of copyright cases in Internet that more than one court may have the jurisdiction to adjudicate the issue. In this scenario it is important that which court decides the issue. Here the common law and civil law countries have different solutions. While common law countries resolve this issue by the application of \textit{forum non Convenience}, the civil law countries deal with the concept of \textit{lis pendes} (lis alibi pendens).

US adopted this concept much before the UK did. In the case of \textit{Gulf Oil v. Gilbert}\textsuperscript{79}, decided in 1947. The Court dealt with a conflict of jurisdiction between two American States. Jackson Judge giving the judgement divided the factors to be considered in two categories, private interest factors and public interest factors. With regard to private interest factor court held that “important consideration are the relative ease of access to source of proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining attendance of willing, witness; possibility of view of premises, if view would be appropriate to the action; and all other practical problems that make trial of a case easy, expeditious and inexpensive. There may also be questions as to the enforceability of a judgement if one is obtained. The court will weigh relative advantages and obstacles to fair trial. It is often said that the plaintiff may not, by choice of an inconvenient forum, ‘vex’, ‘harass’, or ‘oppress’ the defendant by inflicting upon him expense or trouble not necessary to his own right to pursue him remedy. But unless the balance is strongly in favour of the defendant, the plaintiff’s choice of forum should rarely be disturbed.”

Jackson J. considered the public interest factor also in deciding the forum non convenience. According to him “factors of public interest also have place in applying

\textsuperscript{78} Uniform Computer Information Transaction Act (‘UCITA’), Section 110(a)

\textsuperscript{79} 330 US 501; 67 S. Ct. 839; 91 L.Ed. 1055(1947).
the doctrine. Administrative difficulties follow for Courts when litigation is piled up in congested centres instead of being handled at its origin. Jury duty is a burden that ought not to be imposed upon the people of a community which has no relation to the litigation. In cases which touch the affairs of many persons, there is reason for holding the trial in their view and reach rather than in remote parts of the country where they can learn of it by report only. There is a local appropriateness, too, in having the trial of a diversity case in a forum that is at home with the State law that must govern the case, rather than having a court in some other forum untangle problems in conflict of laws, and in law foreign to itself.”

In the case of *Piper Aircraft v. Reyno*\(^8^0\), this doctrine was applied internationally. In this case a light aircraft made by an American company, Piper aircraft, crashed in Scotland. A British company owned the aircraft and all the victims were British. A British government investigation found no evidence that the aircraft was defective. Nevertheless, proceedings on behalf of the passengers were brought in a federal court in the United States against the manufacturers of the aircraft and of the propeller. The trial court dismissed the case. It considered that Scotland was the appropriate forum. The court of appeal reversed on the ground that the proceedings in the Scottish court would be less favourable to the plaintiffs. Court rejected the view that forum non convenience can never apply where proceedings in the foreign court would be less favourable to the plaintiff. The plaintiff normally chooses the forum that is more favourable to him; so forum non convenience would almost never apply in practice if it is blocked by showing that the other court was less favourable. This is especially true where the alternative forum is located in outside the US, since the US will always be the more important forum for the plaintiff in personal injury cases.

### 2.2.8. Hague Convention on Choice of Court Agreements

Hague Convention on Choice of Court Agreement is a jurisdiction agreement of 30 June 2005.\(^8^1\) Various members including USA, UK, Sweden Spain, Russian Federation, Germany, France, Japan, Belgium etc. has already put their signature to

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\(^{80}\) 454 US 235; 102 S.Ct. 252; 70 L.Ed. 2d 419(1981).

it. In early 1990’s the Hague Conference developed interest for a new convention to harmonise the Recognition and Enforcement of Foreign Judgement. Formal negotiations began in 1996 for a comprehensive ‘mixed convention’ that would provide: a) convention based grounds of jurisdiction guaranteeing recognition and enforcement under the convention; b) prohibited grounds of jurisdiction; and c) flexibility for national jurisdiction rules which could continue to apply. The advent of Internet, including the legal issue relates to Intellectual Property particularly copyright issues and ecommerce forced the Hague Conference to do the discussion extensively among the member countries for a final draft. Finally on 30 June 2005 this convention was adopted and opened for signature.

The Hague Convention on Choice of Court Agreements (‘HCCCA’) lays down the principle for both the jurisdiction and recognition and enforcement of foreign judgments. According to it, the scope of the convention is limited in three ways; (a) it applies only to international cases, (b) it applies only to exclusive choice of court agreements, (c) it applies only to civil and commercial matters. The convention requires that a case has to be international for the application of the principle of the convention. Chapter II of the convention provides that a case is international unless both the condition is satisfied:

(a) The parties are resident in the same contracting state, and
(b) The relationship of the parties and all other elements relevant to the dispute (regardless the location of the chosen court) are connected with that state.

This means that the jurisdiction rules of the convention will apply either if the parties are not resident in the same State, or if some other element relevant to the dispute (other than the location of the chosen court has a connection with some other State).

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84 id.
85 Supra note 81, It is subject to Article 22 of the Hague Convention.
86 id., Article 1.
87 id., Article 1(2).
Chapter II Jurisdiction: United State of America

The convention defines the scope of the convention by excluding the issue from the convention such as choice of law agreements to which a natural person acting primarily for personal, family or household purposes (a consumer) is a party. Relating to intellectual property the convention makes it clear that exclusion apply to issue of intellectual property rights, however exception is allowed in case of copyright and related rights. This includes proceeding concerning the validity or infringement of such rights. Related rights are known as neighbouring rights as rights of performers in their performances, rights of producers of sound recording in their recording and rights of broadcasting organisations in their radio and television broadcasts. The convention applies to contracts dealing with intellectual property rights such as licensing agreements, distribution agreements, joint venture agreements, agency agreements and agreements for the development of an intellectual property rights. Royalty payment under likening agreement is also part of the convention. Infringement proceeding in case of breach of a contract between the parties relating to such rights is part of the convention.

Article 3 of the Convention require the following requirement for a proper choice of court agreements,

(a) There must be an agreement between two or more parties

(b) The formal requirement that it should be concluded or documented in written form or by any other means of communication which renders information accessible so as to be usable for subsequent reference,

(c) Agreement must designate the courts of one state, or one or more specific courts in a state, to the exclusion of all other courts,

(d) The designate court or courts must be in a contracting state

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88 id., Article 2(a).
89 id., Article 2(n) “the validity of intellectual property rights other than copyright and related rights;”Article 2(o) “ Infringement of intellectual property rights other than copyright and related rights, except where infringement proceedings are brought for breach of a contract between the parties relating to such rights, or could have been brought for breach of that contract;”.
91 id.
92 id., at p.35.
93 Hague Convention, Supra note 81, Article 3(c).
(e) The designation must be for the purpose of deciding disputes which have arisen or may arise in connection with the particular legal relationship, meaning thereby it covers past and future cases.

This article makes it clear that the convention is applicable for the member country only and written form of agreement is accepted. The language of Article 3(c) is inspired by the UNCITRAL model law of Ecommerce 1996, and therefore implies that it covers the electronic means of data transmission or storage. It cover email, fax etc...

Article 5\(^{95}\) of the convention is the most important convention as it lays down the rules of jurisdiction of the chosen court. It provides that a court designed by an exclusive choice of court agreements has jurisdiction to decide a dispute to which the choice of court agreements applies, unless the agreement is null and void under the law of the state of the court designated. On the question whether the agreement is null and void is decided according to the law of the state of the chosen court. The phrase “law of the state” include the choice of law rules of the state.\(^{96}\) Thus if the chosen court consider that the law of the state should decide under its own law the issue of law as null or void, it can do so.\(^{97}\) Further as per Article 5(2), the chosen court is not permitted to decline to exercise jurisdiction on the ground that the dispute should be decided in a court of another state.\(^{98}\) Article 5 (3) (a)\(^{99}\) of the convention provides that choice of court agreement does not affect the internal rules on the subject matter jurisdiction or jurisdiction based on the value of the claim. Article 5(3) (b)\(^{100}\) provides

\(^{94}\) Trevor Hartley, *Supra* note 90, p. 41.

\(^{95}\) Hague Convention on Choice of Court Agreements, Article 5(1) “The court or courts of a Contracting State designated in an exclusive choice of court agreement shall have jurisdiction to decide a dispute to which the agreement applies, unless the agreement is null and void under the law of that State.”

\(^{96}\) Trevor Hartley, *Supra* note 90, p. 43.

\(^{97}\) *id.*

\(^{98}\) Hague Convention on Choice of Court Agreements, 2005, Article 5(2) “A court that has jurisdiction under paragraph 1 shall not decline to exercise jurisdiction on the ground that the dispute should be decided in a court of another State.”

\(^{99}\) *id.* Article 5 (3) “The preceding paragraphs shall not affect rules – (a) on jurisdiction related to subject matter or to the value of the claim;”

\(^{100}\) *id.*, Article 5 (3) “the Preceding paragraphs shall not affect rules – (b) on the internal allocation of jurisdiction among the courts of a Contracting State. However, where the chosen court has discretion as to whether to transfer a case, due consideration should be given to the choice of the parties.”
that choice of court agreement provisions do not affect the internal allocation of the
courts of a contracting State. It appreciates the fact that every State has pecuniary,
subject matter jurisdiction.

Article 6 is again key provision of the convention. It requires the court to
suspend or dismiss “proceedings to which an exclusive choice of court agreements
applies”. It addresses this to the courts in the contracting State other than that of the
chosen court and requires them to suspend the proceedings. However this Article
provides five exceptions in which case the court may hear the case even if the court
has been selected by the parties.

- First exception is where the agreement is null and void on any ground.

- Second exception is where a party lacked capacity to enter into agreement under
  the law of the State of the court seised. Here the “law of state” include the
  choice of law of that State.

- Third exception is where giving effect to the agreement would lead to a
  “manifest injustice” or would be “manifestly contrary to the public policy of the
  State of the court seised.”

- Forth exception is where for exceptional reasons beyond the control of the
  parties the agreement cannot reasonably be performed.

- Fifth exception is where the chosen court has decided not to hear the case.

2.2.9. WIPO Draft Convention on Jurisdiction and Recognition of Judgments in
Intellectual Matters\(^{101}\) (‘Draft’)

The draft report was prepared by Prof. Rochelle C. Dreyfuss of New York
University and Prof. Jane C. Ginsburg of Columbia University, US. The draft was
prepared in response to Hague Convention on Jurisdiction and foreign judgments in
civil and commercial matters. Since The Hague Convention on Choice of Court
Agreement run into difficulties, so an alternative draft was prepared by the two

\(^{101}\) The Draft Convention on Jurisdiction and Recognition of Judgment in Intellectual Property Matters,
WIPO Forum of Private International Law and Intellectual Property Rights, available at <
scholars on the subject on behalf of WIPO. The draft deals with the issue of jurisdiction and enforcement of foreign judgments in civil and commercial issues relating to Intellectual Property Rights (registered or unregistered). Convention propose to confine to the rights covered by the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) and open to those countries only that have joined the World Trade Organisation (WTO) because these are the countries that have shown their consent to enforce intellectual property law and are subject to the dispute resolution proceedings.\(^{102}\) This indirectly ensures some substantive harmonisation of intellectual property norms and thus avoids a forum shopping problem.\(^{103}\) Since the convention appreciates the arbitration as an important instrument in resolving the IPR issues national as well as international, therefore it requires members to acquire the membership of the New York Convention on Arbitral Awards.\(^{104}\)

The Draft suggests the traditional form of jurisdiction in Article 3 that a defendant may be sued in the courts of the State where that defendant is “habitually resident”. The habitual residence of a defendant other than the natural person has to be decided by the following factors like (a) where it has its statutory seat, (b) under whose law it was incorporated or formed, (c) where it has its central administration, or (d) where it has its principle place of business.\(^{105}\)

The parties are allowed to have autonomy for choice of court. Article 4 contemplates both kinds of situations from the online contract point of view. In online environment sometimes the cross border parties agree on certain issues like jurisdiction and in some cases the customer may have no option to suggest any thing on the contract issues and has to accept it as it is. In first case if the parties have agreed on the choice of court provision then that court will have the jurisdiction relating to issue irrespective of the fact that it is a non contracting State. Till the time the non contracting State itself does not reject the jurisdiction of the court, the contracting State has to follow its jurisdiction.\(^{106}\) Recognising the growing importance

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102 *id.*, at p. 3.
103 Draft Convention WIPO, *Supra* 101, At. 2
104 *id.*, Article 2
105 *id.*, Article 3(2).
106 *id.*, Article 4(1).
of resolution of intellectual disputes through arbitration the draft includes the choice of an arbitral forum also. In case of agreement by the both parties the Article provides makes it mandatory to be in written or in case not written in any other means of communication which renders information accessible so as to be usable for subsequent reference. The agreement can incorporate the general usage of the trade. Some time the choice of forum may in fact be unilateral when the contract is a mass market form of contract, the draft attempts to provide several safeguards towards ensuring the reasonableness of the contractual forum as well as its relationship to the parties or the disputes. Reasonability of the choice of forum in these kind of cases are to be dependent on the factors like (a) location of the non contracting drafting party, (b) the availability of online disputes resolution or other forms of virtual representation, (c) the resources of the parties, (d) the sophistication of the parties, (e) the substantiality of the connection between the designed forum, and the parties or the substance of the disputes.\footnote{107}

The Draft allows the court to have jurisdiction in case where the defendant himself submits to the court by proceeding on the merits without contesting jurisdiction. However the defendant has the right to contest jurisdiction no later than at the time of the first defence on the merits.\footnote{108} Article 6 is one of the main jurisdictional provisions. It suggests that the plaintiff may bring an infringement action in the courts of the State where defendant substantially acted in furtherance of the alleged infringement. It can be the place of the plaintiff’s also if the intentional infringement is there. The draft further provides that any State, to which the alleged infringements were intentionally directed, will be competent to adjudicate not only claims arising from the forum impact, but also from impacts in other jurisdictions. It also allows the plaintiff to bring an infringement action in the courts of that State to which the alleged infringement defendant has not intentionally communicated for the infringement of the work. The report specifically mention that by “intentionally directed, including those States for which defendant took no substantial measures to deflect the communication of the infringement to that State,” the draft mean that the defendant sought to communicate the infringing content to that State, or at least did

\footnote{107}{id., Article 4(3).}
\footnote{108}{id., Article 5.}

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not turn away customers who responded to the availability of the communication in that State. By “deflect the communication,” the authors of the draft mean efforts to screen out access from particular jurisdictions by requiring users to identify their country of residence, and excluding users from countries to which the defendant does not wish to communicate. Last part of the Article makes it clear that if the action brought in the courts of a State only on the basis of the occurrence of the infringement in that State, then those courts shall have jurisdiction only in respect of the injury arising out of unauthorised use occurring in that State.\textsuperscript{109}

Article 10 of the draft allows the plaintiff to bring an action against the defendant in a court of the State in which that defendant is habitually resident. It also allow the plaintiff to bring action against all defendants who are not habitually resident of the State if (a) the claim against the defendant habitually resident in that State and the other defendant are closely connected, (b) there is substantial connection between that State’s intellectual property rights and the dispute involving that defendants, or (c) that is the only forum which most closely related to the dispute and there is no other dispute which could cover the entire dispute.

Article 12 of the draft suggests the \textit{lis pendes} principle in case the same parties are bringing case before the courts of different jurisdiction. The court seized with the issue second shall suspend the proceedings of the court if the court first sieded has the jurisdiction has the proper jurisdiction. In case the second court has the exclusive jurisdiction under Article 4 then the second court shall not stop the proceedings. The second court may proceed with the case if the plaintiff in the court of the first seised has failed to take necessary steps to bring the proceeding to a decision on the merits or if that court has not rendered such a decision within a reasonable time.

Article 13 highlights one of the most important provision of the draft i.e., the consolidation of claims of the parties and resolving it by bringing it before one single forum. The purpose of this Article to bring all actions irrespective of the territorial source of the rights and relief sought, the claims arise out of the same transaction or series of transactions or occurrence. The draft then provides guidelines as to how to

\textsuperscript{109} \textit{id.}, Article 6(3)
consolidate the claims, rights. This require the joint efforts of the parties and the courts to consider as to (a) which court has jurisdiction over the greatest number of parties with claims relating to the action, (b) whether consolidation would promote efficiency and conserve judicial resources and resources of the parties, (c) whether or not in consistent judgments would result if multiple courts adjudicates the related claims.

2.2.10. American Law institute’s Report on intellectual property

The American Law Institute’s (‘ALI’) principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes have been published in August 2008. Chapter I of the ALI report deals with the jurisdiction issues. It allows the plaintiff to sue the defendant in the Courts of a State where he reside. A natural person resides in the State where he or she is habitually found and maintains significant professional or personal connections. For a juridical person, the proposed draft has fixed the criteria of deciding the ‘residence’ of the juridical person i.e., where it has a statutory seat or, it is incorporated or formed or, its central administration or chief executive office is located or, it maintains principle place of business.

ALI principle clears it that the principles are created with the intention to accommodate the selection of the courts in a particular State by the parties. A selection of choice of forum is valid as to the forum and substance if it is valid under the law of the designated forum State. This provision is consistent with Article 5 and 6 (a) of the Hague Convention on Choice of Court Agreements, 2005, which also refers to the law of the State of the chosen court to determine the validity of choice of forum. However, in case of ‘mass marketing’ agreement, the validity of the choice of court agreement depends on the reasonability and accessibility of the choice of law clause to the non drafting parties at the time when the agreement was

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111 id., Section 201(2)
112 id., Section 201(3)
113 id., Section 202(2)
concluded.\textsuperscript{114} The Hague Convention does not provide specific rules for to determine the validity of mass market agreements.

Capacity of the party on the date of making contract is important for the validity of the contract. The ALI report holds that the capacity of defendant to enter into the agreement is determined by the law of the State in which the defendant was resident at the time the agreement was concluded. However, if the defendant has more than one residence, capacity will be recognised if it exists under the law of any of its residence.\textsuperscript{115} The Hague Convention on Choice of Court Agreement’s approach is different in this regard as it looks to the law of the State of the court seized to decide the capacity of the parties.\textsuperscript{116}

Appearance by the defendant:

The report allows the court to have jurisdiction in case where the defendant submits to the authority of the Court. The defendant has the right to contest jurisdiction only for the first time and not later on. In the absence of the defendant the court assume jurisdiction on the assertion of the plaintiff.

Section 204 of the ALI principles are created with the purpose of dealing both the traditional infringement as well as modern techniques of infringement. The criteria adopted for the tort infringement is the place from which the harmful conduct originated and the place of impact of the injury. It applies to violation of any intellectual property rights covered by these principles, direct infringement as well as claims of secondary liability. It addresses the case in which the forum is a staging area for the non resident defendants’ activities. It allows the court to hear all claims arising out of these activates without geographical limitation. Thus a non resident defendant who operates a website in a forum on which it has placed infringing material, from which it makes infringing transmission worldwide, is to be sued in that forum for damages arising out of the worldwide communication of the infringed materials.

\textsuperscript{114} \textit{id.}, Section 202(3)
\textsuperscript{115} \textit{id.}, Section 202(2)(b)
\textsuperscript{116} Hague Convention, \textit{Supra} note 81, Article 6(b) & 9(b).
Section 204(1)\textsuperscript{117} recognises that an infringement may originate in a state other than the one in which the defendant resides or has its principal place of business. This is a remedy to ‘ubiquitous infringement’\textsuperscript{118}.

Section 204(2)\textsuperscript{119} suggests the other grounds of jurisdiction. It deals with non resident defendants whose connection to the forum is not very strong. In this case the defendant has no regular contacts with the forum State, but has intentionally directed an infringement into the forum State from outside and causes harm. In such cases, the scope of jurisdiction is limited; it reaches only injuries sustained in the forum State.

Further Section 204(3) confronts potential forum shopping by defendants who situate themselves and their business in States whose procedural and substantial guarantees are inconsistent with international norms. The principles use membership in a WTO State as a proxy for procedural and substantive fairness. Thus, if the defendant is not subject to the authority of a Court in a WTO Member State based on its residence or consent or its substantial activities in furtherance of the alleged infringement, the provision permits a plaintiff to sue in as a State to which the defendant has directed infringing activities and with which the defendant has directed infringing activities and with which it has regular contacts. In such cases the scope of jurisdiction extends to all infringement claims that arise out of the conduct out of State that led to the alleged in State infringement.

In case of breach of transfer of licensing agreement or transfer agreement relating to the exploitation of intellectual property rights a person may file suit in a State where the breach was conducted. However, the suit should be related only to

\textsuperscript{117} ALI Report, Section 204(1) a person may be sued in any State in which that person has substantially acted or taken substantially preparatory acts, to initiate or to further an alleged infringement. The courts’ jurisdiction extends to claims respecting all injuries arising out of the conduct within the State that initiates or furthers the alleged infringement, wherever the injuries occur.

\textsuperscript{118} ‘Ubiquitous infringement’ is an expression coined to mean the worldwide simultaneous infringement occurring due to the advance technology like Internet or Satellite transmission. Internet facilitates the transmission of information on the website worldwide. With the basic infrastructure of networking the information can be accessed worldwide resulting to infringement of the copyright work simultaneous across the world.

\textsuperscript{119} ALI, \textit{Supra} 117, Section 204(2) a person may sued in any State in which its activities gives rise to an infringement claim, if it reasonably can be seen as having directed those activities to that State. The court’s jurisdiction extends to claims respecting injuries occurring in that State.
those rights of the contract which was supposed to be covered by the contract\textsuperscript{120}. Section 206 deals with the cases where the multiple defendants scattered in various States. The Section allows the plaintiff to consolidate all cases of various defendants before one court. This Section expands the bases of personal jurisdiction to permit multi defendant cases to be litigated in the Courts of any State in which one of them is resident.

2.3. CONCLUSION

In USA the judiciary has shown their desire to innovate the new jurisdiction rules to counter the jurisdiction problem in cyberspace. And during this process they have conceptualise the jurisdictional basis on the concept of purpose availament, sliding scale and effect test. Further they have been supported by the Federal Long Arm Statute. The above whole discussion on personal jurisdiction has been able to reflect that the courts are beginning to understand the true nature of the websites. The decisions given by them are more or less based on the interpreting the ‘revenue’ model of the website and the level of interaction it achieved while managing a business transaction, than merely being available and not have any effect or harm within the territories. The plaintiff would have to show that the defendant “purposefully availed” of jurisdiction of the forum State by “specifically targeting” customers within the forum State. A mere hosting of an interactive website without any commercial activity being shown as having been conducted within the forum State, would not enable the forum court to assume jurisdiction. Even if one were to apply the “effect” test, it would have to be shown that the defendant specifically directed its activities towards the forum State and intended to produce the injurious effect on the Plaintiff within the forum State.

\textsuperscript{120} \textit{id.}, Section 205