

**JURISDICTIONAL ISSUES IN CYBERSPACE***Justice S. Muralidhar*\***I****INTRODUCTION**

With the advent of the internet and the transmission of information and transacting of business across borders, a host of issues have cropped up on the legal front. This article proposes to deal with only one such major issue – that of jurisdiction of the courts to deal with intellectual property rights (IPR) disputes arising out of commercial transactions on the internet. Within the fairly broad field of IPR, the focus will be on trademark disputes, as that is one area where the major developments have taken place.

The traditional approach to jurisdiction invites a court to ask whether it has the territorial, pecuniary, or subject matter jurisdiction to entertain the case brought before it. With the internet, the question of ‘territorial’ jurisdiction gets complicated largely on account of the fact that the internet is borderless. Therefore, while there are no borders between one region and the other within a country there are no borders even between countries. The computer as a physical object within which information is stored has given way to ‘cyberspace’ where information is held and transmitted to and from the ‘web.’ So where is this ‘place’ where the information is ‘held’?

There is a clear geographical limitation to IP rights. Where registration is granted, say, of a trademark or a patent or copyright, it operates to prevent others from infringing those rights within the territory of the state where the registration is granted. It prevents even those outside the territory of the state from infringing those rights within the territory. The statutory law, as enforced by courts of the territory, accords due recognition to this system. Outside of infringement actions, courts have in passing off actions sought to protect trademarks and trade names of users within the territory to the exclusion of those seeking to pass off their goods as that of the holder of the right. Where the goods are tangible and bought and sold within the territory, enforcement of

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\* Judge, High Court of Delhi. I wish to thank Apurv Sarvaria, my Law Researcher, for his assistance in sourcing the background material used in this article.

such law is not a problematic issue. However, a holder of IP rights accorded protection in a state cannot enforce those rights in a foreign state within whose territory the infringer is located and the laws of which do not acknowledge the activity to be an infringement. Further, all of the above assumptions change in the context of transactions over the internet and even more so when the products or services themselves are not in physical form but in a virtual world. Also, in a borderless cyber world, the products and services can be transmitted easily across countries in a flash. It then compounds the problem as the following example shows.

The product is a copyrighted song in the MP3 digital format. The transaction can begin with the 'uploading' of the product in one territory, being held on a server in another, being advertised for sale on the website of a service provider in a third country, being 'bought' by a click and pay service hosted in yet another territory, and finally 'downloaded' in another territory. The complete transaction turns out to be a sale of a pirated product which *per se* is an infringement of the copyright in the song in question. Does the court in each of these territories have jurisdiction to entertain the dispute?

The notion of jurisdiction is rooted in territoriality from the point of view of both the court which can properly assert jurisdiction and from the point of view of the law that should be applied while deciding the dispute.

A caveat at this stage would be in order. What is applicable to international transactions involving the internet, could well apply to 'domestic' transactions as well. The law as developed in the USA has had to reckon with both situations, i.e., internet transactions across countries and those across states. The enforcement issues would of course be more complex when it comes to international transactions. However, the principles applied by courts to assert or negate jurisdiction in either instance have remained more or less similar. The *Yahoo!* case<sup>1</sup> is one instance of this and will be discussed elaborately later as it throws up several dimensions. In the *Banyan Tree Holding* case,<sup>2</sup> the Delhi High Court was dealing with an inter-state issue of jurisdiction and not an international dispute. Interestingly, the plaintiff was a foreign company which had invoked the jurisdiction of an Indian court to seek an injunction against the alleged violator of its trademark. The court by and

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<sup>1</sup> Tribunal de grande instance [T.G.I.] [ordinary court of original jurisdiction] Paris, May 22, 2000 and November 22, 2000, No RG:00/0538 (Fr.).

<sup>2</sup> *Banyan Tree Holding (P) Ltd. v. A. Murali Krishna Reddy & Anr.*, CS(OS) 894/2008 (High Court of Delhi, 23<sup>rd</sup> November 2009) (India).

large followed the development of common law in the USA, the UK and some other Commonwealth countries. An indigenous law is yet to be developed for India.

The inability of countries to effectively regulate the transactions on the internet originating or ending within their territories stems from the nature of the technology itself. While countries can seek to enforce their respective laws within their physical, geographical and political spaces delineated on an atlas, a borderless cyberworld, controlled by technology that is constantly changing, throws up several challenges. Even while it was thought that one could fix the physical location of the computer from where the transaction originates and the one where it ends, that too can be bypassed or 'masked' by technology. Legal scholar Wendy Adams sums up the problem as thus:

Internet, as a communications system, has been designed to be largely indifferent to the physical location of its component parts. The closest equivalent to a physical location in Internet communications (as opposed to the physical infrastructure, which is readily identifiable as existing in a given geographical location) is an Internet Protocol (IP) address, a 32-bit number providing the necessary information for routing communications between computers attached to the network. The sending computer needs to know the 32-bit address of the receiving computer in order for communication to take place; it does not need to know the street address, city or country of the building in which the receiving computer is physically located. This fundamental incompatibility between legal governance as a function of geopolitical territory, and network governance as a function of IP addressing, makes it difficult (although not impossible) to impose local limitations on the global dissemination of information.<sup>3</sup>

On the second question of the applicable law, the principle invoked is of 'sovereign equality within international law.' In the more traditional mode of dispute resolution involving two countries, resort is had to public international law. Where the dispute is between entities and persons in different countries, the sphere of private international law is meant to find a solution. In the area of IPR violations and infringement across borders, there is yet to develop a universal law. The TRIPS Agreement is not the 'uniform' law in the area. Resort is still to be had to private international law. Wendy Adams explains:

In circumstances of regulatory diversity involving geographically complex facts, domestic courts must apply the law of one state to the exclusion of all others,

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<sup>3</sup> Wendy A. Adams, *Intellectual Property Infringement in Global Networks: The Implications of Protection Ahead of the Curve*, 10 INT'L J.L. & INFO. TECH. 71 (2002).

notwithstanding that each state can rightfully claim that some portion of the impugned activity has taken place within its territorial borders. In choosing the law of a single State to govern the transaction or dispute, domestic courts are effectively deeming the activity to have occurred within that state. The foundational principle of **sovereign equality within international law** requires this legal fiction, as a State's authority to prescribe or enforce its laws does not extend beyond its territorial jurisdiction. Such questions of jurisdiction are inevitable in disputes involving on-line activity, as **the lack of territorial precision in an on-line environment necessarily leads to geographically complex facts. Accordingly, domestic courts addressing these disputes will first have to localise the transaction prior to assuming jurisdiction.** At issue is whether domestic courts will develop localisation processes which have unanticipated spillover effects in the international trade regime in relation to the benefits and burdens allocated under the TRIPS Agreement.<sup>4</sup> (Emphasis Supplied)

The need for local courts to 'localise' the transaction has posed a challenge that has generated a variety of responses which are analysed in the following section.

## II

This part examines the efforts made by courts in different countries to 'localise' transactions in IPR disputes in the process of exercising personal jurisdiction over defendants located outside their territories. It traces the development of the law first in the USA, through the 'minimum contacts' test, the 'purposeful availment' test, the *Zippo* 'sliding scale' test and the 'effects' tests. It discusses the difficulties with each of these tests in their application to cases. Thereafter the development of the law in the UK, Canada, Australia and India is discussed.

### THE USA

#### *Minimum Contacts Test*

In *International Shoe Co. v. Washington*,<sup>5</sup> a two-part test for determining jurisdiction of the forum court over a defendant not residing or carrying on business within its jurisdiction was evolved. It was held that in such instance the plaintiff had to show that the defendant has sufficient 'minimum contacts' in the forum state. In other words, the defendant must have purposefully directed its activities towards the forum state or otherwise 'purposefully availed' of the privilege of conducting activities in the forum state. Further, the forum court had to be satisfied that exercising jurisdiction would comport with the traditional notions of fair play and substantial justice. The

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<sup>4</sup> *Id.*

<sup>5</sup> 326 U.S. 340 (1945).

minimum contacts test in *International Shoe* has been understood as to have performed “two related, but distinguishable, functions.”<sup>6</sup> The first was to protect the defendant from the burden of litigating in a distant or inconvenient forum.<sup>7</sup> The second was to ensure that the states do not “reach out beyond the limits imposed on them by their status as coequal sovereigns in a federal system.”<sup>8</sup>

Michael Geist points out that:

In many jurisdictions, the litmus test for determining whether assertion of jurisdiction is appropriate involves analyzing whether jurisdiction is reasonable under the circumstances, with courts in the United States and Canada regularly relying on a reasonableness standard as their guide. In the United States, the reasonableness standard is couched in terms of ‘minimum contacts,’ while in Canada the language of choice is ‘real and substantial connection.’ Although these terms necessitate somewhat different analyses, the core principle remains the same - the appropriateness of asserting jurisdiction depends upon whether the parties themselves would think it reasonable to do so.<sup>9</sup>

He explains that: “...a foreseeability metric lies at the heart of the reasonableness standard. This metric dictates that a party should only be hauled into a foreign court where it was foreseeable that such an eventuality might occur.”<sup>10</sup> This test, as will be seen later, appears to have greater practical relevance in deciding jurisdictional issues than other tests that have been subsequently evolved.

Recently, the Court of Appeals for the Ninth Circuit in *Boschetto v. Hansing*,<sup>11</sup> while rejecting the ‘sliding scale’ test (laid down in the *Zippo* case<sup>12</sup> which is discussed later) has followed the minimum contacts test. However, the traditional minimum contacts approach is limited to the category of cases to which *International Shoe* most directly applied, i.e., long-range commercial transactions. It would not be applicable to cases involving remote torts or goods that were moved

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<sup>6</sup> *World-Wide Volkswagen v. Woodson*, 444 U.S. 286, 291-92 (1980).

<sup>7</sup> *Id.*

<sup>8</sup> *Supra* note 6.

<sup>9</sup> Michael A. Geist, *Is There a There There? Toward Greater Certainty for Internet Jurisdiction*, 16 BERKELEY TECH. L.J. 1345, 1356 (2001).

<sup>10</sup> *Id.*

<sup>11</sup> 539 F.3d 1011 (9th Cir. 2008).

<sup>12</sup> *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D.Pa. 1997).

after purchase<sup>13</sup> and cases dealing with internet defamation and other non-commercial transaction cases.

#### *Purposeful Availment Test*

The US Supreme Court's focus on purposeful conduct of the defendant emerged in *Hanson v. Denckla*.<sup>14</sup> The facts here were that a Florida court asserted jurisdiction over a Delaware trust company, in an action challenging a Florida resident's appointment of property of which the Delaware company was trustee. The settlor had after the creation of the trust moved from Pennsylvania to Florida. However, the trust company had not solicited or conducted business in Florida other than routine correspondence with the settlor. Holding that the Florida court did not have jurisdiction, the US Supreme Court held that the trust company had not purposefully undertaken to conduct business in Florida. It was connected with the state only because the settlor unilaterally moved to Florida subsequent to the contractual relationship being established.

In *World-Wide Volkswagen Corp. v. Woodson*,<sup>15</sup> an automobile was involved in an accident while it was being driven by the purchasers through Oklahoma. The question was whether the wholesaler and retailer, both located in New York, could be made amenable to the jurisdiction of the Oklahoma court where a product liability claim was filed. In holding that the wholesaler and retailer were not subject to personal jurisdiction there, the US Supreme Court pointed out that the defendants had not undertaken to conduct any business in Oklahoma. Their only connection with that state arose as a result of the 'unilateral activity' of the purchasers driving the car there. The Court explained that the foreseeability that an automobile might be taken to Oklahoma was not relevant. According to it what was relevant was the foreseeability "that the defendant's conduct and connection with the forum state are such that he should reasonably anticipate being hauled into court there."<sup>16</sup>

In *Burger King Corp v. Rudzewicz*,<sup>17</sup> the Supreme Court held that the defendant did not have to be physically present within the jurisdiction of the forum court and that the forum court may exercise jurisdiction over a non-resident where an alleged injury arises out of or relates to actions by the

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<sup>13</sup> See *Calder v. Jones*, 465 U.S. 783 (1984) and *World-Wide Volkswagen*.

<sup>14</sup> 357 U.S. 235 (1958).

<sup>15</sup> 444 U.S. 286 (1980).

<sup>16</sup> *Id.* at 297.

<sup>17</sup> 471 U.S. 462 (1985).

defendant himself that are ‘purposefully directed’ towards residents of the forum state.<sup>18</sup> It was held that ‘purposeful availment’ would not result from ‘random’ or ‘fortuitous’ contacts by the defendant in the forum state. It requires the plaintiff to show that such contracts resulted from the “actions by the defendant himself that created a substantial connection with the forum state.”<sup>19</sup> He must have engaged in ‘significant activities’ within the forum state or created ‘continuing obligations’ between himself and the residents of the forum state. It was held on facts that the twenty year relationship that the defendant had with the plaintiff “reinforced his deliberate affiliation with the forum state and the reasonable foreseeability of litigation there.”<sup>20</sup>

In *Asahi Metal Industry v. Superior Court*,<sup>21</sup> the US Supreme Court reversed the decision of the State Supreme Court and held that exercise of personal jurisdiction over the Japanese company would be unreasonable and unfair, and so constitute a violation of the Due Process Clause. Furthermore, it was held that ‘the mere placement of a product into the stream of commerce’ was not an act ‘purposefully directed towards the forum state’ and so it would not result in a ‘substantial connection’ between the defendant and the forum state as required to support a finding of minimum contacts.<sup>22</sup>

The US Supreme Court remained divided (4:4:1) on whether the Japanese supplier of valve assemblies, which were incorporated into tyre tubes by a Taiwanese company and subsequently distributed by that company in California, had purposefully availed itself of the benefits of doing business in California. Justice O’Connor, joined by three other judges, held that something more than the defendant’s awareness that its valve assembly might be swept into the state in the ‘stream of commerce’ and cause an injury there must have been shown.<sup>23</sup> It was held that Asahi should be shown to have engaged in some act ‘purposefully directed toward the forum state,’ such as designing the product for the forum state, advertising or providing customer service there, or enlisting a distributor to serve the state.<sup>24</sup> Justice Stevens concurred but for separate reasons. Justice Brennan dissented along with three judges on the other hand. The dissenting judges found that Asahi had made ‘regular and extensive’ sales of component parts to a manufacturer which in

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<sup>18</sup> *Id.* at 471-478.

<sup>19</sup> *Supra* note 17, at 475.

<sup>20</sup> *Supra* note 17, at 482.

<sup>21</sup> 480 U.S. 102 (1987).

<sup>22</sup> *Id.* at 108-13 & 116.

<sup>23</sup> *Supra* note 21, at 112.

<sup>24</sup> *Supra* note 21, at 112.

turn was selling the manufactured product in California. According to the dissenting judges, the fact that Asahi knew this was sufficient to make it amenable to the Californian court's jurisdiction. It observed:

The stream of commerce refers not to unpredictable currents or eddies, but to the 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.<sup>25</sup>

The difference in the respective approaches was precisely this. The majority opinion rendered by Justice O'Connor required Asahi to have engaged in conduct indicating 'intent or purpose to serve the market' whereas for the dissenting judges it was sufficient that the defendant had placed its product in the 'stream of commerce.' The dissenting judges also emphasised on the presumed awareness of Asahi that the product would be 'swept into the state of California' and so in such circumstances 'the possibility of a lawsuit there could not come as a surprise' to the defendant.

In *Inset Systems Inc. v. Instruction Set Inc.*,<sup>26</sup> the defendant had displayed on its website used for advertising its goods and services, a toll-free telephone number '1-800-US-INSET.' The plaintiff, a company in Connecticut brought an infringement action against the defendant in a court in Connecticut, which in any event had a long arm statute. The District court held that the defendant had:

purposefully availed itself of doing business in Connecticut because it directed its advertising activities via the Internet sites and toll-free number toward the State of Connecticut (and all states); Internet sites and toll-free numbers are designed to communicate with people and their businesses in every state; an Internet advertisement could reach as many as 10,000 Internet users within Connecticut alone; and once posted on the Internet, an advertisement is continuously available to any Internet user.<sup>27</sup>

However, the approach in *Bensusan Restaurant Corp. v. King*,<sup>28</sup> was different although New York too had a long arm statute. The defendant therein had a small jazz club known as 'The Blue Note' in Columbia, Missouri and created a general access web-page giving information about the said club as well as a calendar of events and ticketing information. In order to buy tickets, prospective

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<sup>25</sup> *Supra* note 21, at 117 (Brennan, J., dissenting).

<sup>26</sup> 937 F. Supp. 161 (D. Conn. 1996).

<sup>27</sup> *Id.* at 165.

<sup>28</sup> 937 F. Supp. 295 (S.D.N.Y. 1996).



customers had to use ticket outlets in Columbia. Bensusan (the plaintiff therein) was a New York corporation that owned ‘The Blue Note,’ a popular jazz club in the heart of Greenwich Village in New York. It also owned the rights to the ‘The Blue Note’ trademark. It accordingly sued the defendant for trademark infringement in New York. It was noticed that New York had a long arm statute. However, the New York court held that the defendant had not done anything to purposefully avail himself of the benefits of the forum. Like numerous others, the defendant had “simply created a web site and permitted anyone who could find it to access it. **Creating a site, like placing a product into the stream of commerce, may be felt nationwide or even worldwide but, without more, it is not an act purposefully directed towards the forum state.**”<sup>29</sup> (Emphasis Supplied)

In *Ballard v. Savage*,<sup>30</sup> 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.”<sup>31</sup> 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 forum residents.”<sup>32</sup> In *CompuServe, Inc. v. Patterson*,<sup>33</sup> it was found that the defendant had chosen to transmit its products from Texas to CompuServe’s system, and that system provided access to his software to others to whom he advertised and sold his product. It was held that Patterson had “purposefully availed himself of the privilege of doing business.”<sup>34</sup>

In *Maritz, Inc. v. CyberGold Inc.*,<sup>35</sup> where internet surfers who came across its website were encouraged by the defendant CyberGold to add their e-mail address to a mailing list that basically subscribed the user to the service, it was held that the defendant had obtained the website for the purpose of and in anticipation that internet users will access CyberGold’s website and eventually sign up on CyberGold’s mailing list. Therefore, although CyberGold claimed that its website was a passive one, it was held that through its website, “CyberGold has consciously decided to transmit

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<sup>29</sup> *Id.* at 301.

<sup>30</sup> 65 F.3d 1495 (9th Cir. 1995).

<sup>31</sup> *Id.*

<sup>32</sup> *Supra* note 30, at 1498.

<sup>33</sup> 89 F.3d 1257 (6th Cir. 1996).

<sup>34</sup> *Id.* at 1266.

<sup>35</sup> 947 F. Supp. 1328 (E.D. Mo. 1996).

advertising information to all internet users, knowing that such information will be transmitted globally.”<sup>36</sup>

In *Neogen Corp. v. Neo Gen Screening, Inc.*,<sup>37</sup> the Court of Appeals held that the purposeful availment requirement is satisfied if the web site is interactive to such a degree that reveals a specifically intended interaction with residents of the state. In that case, the plaintiff (Neogen), a Michigan Corporation, was in the business of developing and marketing a range of health care, food, and animal-related products and services, including certain diagnostic test kits. It filed a suit in the Michigan District Courts alleging, *inter alia*, trademark infringement against the defendant (Neo Gen Screening/NGS), a Pennsylvania Corporation performing diagnostic testing of blood samples from newborn infants. The District Court dismissed the suit for lack of personal jurisdiction. The Court of Appeals 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 contact with a state that occurs simply from the fact of a website’s availability on the Internet is therefore an attenuated contact that falls short of purposeful availment.”<sup>38</sup> However, the Court in that case did not decide the question of whether the defendant’s website alone would be sufficient to sustain personal jurisdiction in the forum state as it held that the website should be considered alongside other interactions with Michigan residents. It also observed that when potential customers from Michigan had contacted NGS to purchase its services, NGS had 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.**”<sup>39</sup> (Emphasis Supplied) It was in this context that the Court of Appeals reversed the finding of the District Court and remanded the matter.

In *Cybersell, Inc. v. Cybersell, Inc.*,<sup>40</sup> the facts were that an Arizona Corporation that advertised for commercial services over the internet under the service mark ‘Cybersell’, brought an infringement action against a Florida Corporation that offered web-page construction services over the internet. As part of its marketing effort, the Florida Corporation created a web-page that had a logo at the top consisting of ‘CyberSell’ over a depiction of the planet earth, with the caption underneath

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<sup>36</sup> *Id.* at 1333.

<sup>37</sup> 282 F.3d 883, 890 (6th Cir. 2002).

<sup>38</sup> *Id.* at 892.

<sup>39</sup> *Supra* note 37, at 892.

<sup>40</sup> 130 F.3d 414 (9th Cir. 1997).

'Professional Services for the World Wide Web' with a local telephone number and a hypertext link allowing the internet surfer to introduce herself. That link invited a company not on the web but interested in getting on the web to e-mail the Florida Corporation for further information. Arizona had a long arm statute that permitted a court to exercise personal jurisdiction over parties whether found within or outside the state to the maximum extent permitted by the court in United States. The Court referred to the decision of the Arizona Supreme Court in *Uberti v. Leonardo*,<sup>41</sup> in which it was held that Arizona will exert personal jurisdiction over a non-resident litigant to the maximum extent allowed by the federal constitution. The Arizona Court of Appeals adopted a three part test to determine whether the district court could exercise specific jurisdiction over the non-resident defendant: (1) the non-resident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections; (2) the claim must be one which arises out of the results from the defendant's forum-related activities; and (3) exercise of jurisdiction must be reasonable.<sup>42</sup> It was held by the Court of Appeals that all that Cybersell FL (the Florida Corporation) had done was to:

post an essentially passive home page on the web, using the name 'CyberSell,' which Cybersell AZ (the Arizona Corporation) was in the process of registering as a federal service mark. While there is no question that anyone, anywhere could access that home page and thereby learn about the services offered, we cannot see how from that fact alone it can be inferred that Cybersell FL deliberately directed its merchandising efforts toward Arizona residents.<sup>43</sup>

It was further noticed that: "the interactivity of its web page is limited to receiving the browser's name and address and an indication of interest-signing up for the service is not an option, nor did anyone from Arizona do so. No money changed hands on the Internet from (or through) Arizona."<sup>44</sup> It was held that Cybersell FL's contacts were insufficient to establish 'purposeful availment.'

Three years later in *Bancroft & Masters Inc. v. Augusta National Inc.*<sup>45</sup> the Circuit Court applied the *Calder* 'effects' test in a trademark dilution and infringement case and upheld jurisdiction. The

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<sup>41</sup> 181 Ariz. 565, cert. denied, 116 S. Ct. 273 (1995).

<sup>42</sup> *Id.* at 570.

<sup>43</sup> *Supra* note 40, at 419.

<sup>44</sup> *Supra* note 40, at 419.

<sup>45</sup> 223 F.3d 1082 (9th Cir. 2000).

plaintiff, a California computer services company, had been granted registration of the domain name 'masters.com' by Network Solutions Inc. (NSI). The defendant Augusta National Inc. (ANI) was a Georgia golf club that held several registrations for 'masters' and a domain name 'masters.org' served a cease-and-desist notice on NSI in California. The plaintiff then responded by filing a suit in California for a declaration that its domain name did not infringe ANI's trademark. The court upheld the exercise of personal jurisdiction over ANI since by serving the notice on NSI in California, ANI 'had expressly aimed' its activity at California.

*The Zippo 'sliding scale' test*

An extension of the purposeful availment test was attempted in *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*<sup>46</sup> The plaintiff Zippo Manufacturing was a Pennsylvania corporation making cigarette lighters. The defendant was a California corporation operating an internet website and an internet news service. It had offices only in California. Viewers who were residents of other states had to go to the website in order to subscribe for the defendant's news service by filling out an online application. Payment was made by credit card over the internet or telephone. Around 3000 of the defendant's subscribers were residents of Pennsylvania who had contracted to receive the defendant's service by visiting its website and filling out the online application. Additionally the defendant had entered into agreements with seven internet access providers in Pennsylvania to permit their subscribers to access the defendant's news service. The defendant was sued in a Pennsylvania court for trademark dilution, infringement and false designation. After discussing the development of the law till then, the District Court first 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 a non-resident defendant (Mellon, 960 F.2d at 1221.). 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 (*Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408.). 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 of *International Shoe Co. v. Washington*, 326 U.S. 310 and its progeny, Mellon, 960 F.2d at 1221.**<sup>47</sup> (Emphasis Supplied)

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<sup>46</sup> 952 F. Supp. 1119 (W.D. Pa. 1997).

<sup>47</sup> *Id.* at 1122.

The *Zippo* court then 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.<sup>48</sup>

The court in *Zippo* classified websites as (i) passive, (ii) interactive and (iii) integral to the defendant's business. On facts it was found that the defendant's website was an interactive one. Accordingly it was held that the court had jurisdiction to try the suit. The *Zippo* court's observation that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the internet has been compared by that court to a 'sliding scale.'

In the Court's words:

At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situations where a defendant has simply posted information on an Internet Web site, which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise of personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.<sup>49</sup>

*Zippo* was welcomed by courts as offering a balance between a lawless internet and an excessively-regulated one. While an owner of a passive website could not be expected to foresee being sued in multiple jurisdictions worldwide, the owner of an interactive one should expect such an outcome. Also, it tacitly approved the protection of local consumers' interests by local courts applying the local law.

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<sup>48</sup> *Supra* note 46, at 1122-23.

<sup>49</sup> *Supra* note 46.

Soon, however, problems surfaced in applying the *Zippo* sliding scale test in terms of which the assertion 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 the 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 jurisdiction.<sup>50</sup>

In *Millennium Enterprises Inc. v. Millennium Music L.P.*,<sup>51</sup> the Oregon district court declined to exercise jurisdiction over a South Carolina corporation that sold products both offline and on the web. The court felt that 'something more' than merely showing that the website was interactive was required. The defendant should be shown to have consummated some transaction within Oregon and to have made 'deliberate and repeated contacts' with Oregon through the website so that it could be held that they ought to have anticipated being hauled into an Oregon court.<sup>52</sup>

In *People Solutions v. People Solutions*,<sup>53</sup> although it was possible for customers visiting the defendant's website to download information, obtain product brochures and order products 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 Development*,<sup>54</sup> although the defendant's website offered printable mail-in order forms that could be downloaded, provided a toll-free number, a mailing and an e-mail address, the forum court declined to exercise jurisdiction since in fact no orders were placed using the website.

In *Winfield Collection v. McCauley*,<sup>55</sup> 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 "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 the business of the

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<sup>50</sup> See *Desktop Technologies v. Colourworks Reproduction & Designs Inc.*, 1999 WL 98572 (E.D. Pa. 1999).

<sup>51</sup> 33 F. Supp. 2d 907 (D. Or. 1999).

<sup>52</sup> *Id.* at 910.

<sup>53</sup> 2000 WL 1030619 (N.D. Tex. 2000).

<sup>54</sup> 190 F.3d 333 (5th Cir. 1999).

<sup>55</sup> 105 F. Supp. 2d 746 (E.D. Mich. 2000).

defendant was located, other state courts could not exercise jurisdiction. Since over the years, most websites 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.

*Zippo* has been criticised as being ineffective in lending legal certainty in the face of ever-changing technology which has witnessed a shift from the use of passive websites to those that are either partly or wholly interactive. If the test were to be static irrespective of the changes in technology, then it would become irrelevant if a majority of the websites answered the definition of an interactive website. That would result in a ‘chilling effect’ on international commerce of which the internet is a major vehicle. It would then fail to provide the balance between the interests of consumers and those of producers and marketers.

*The Effects Test and ‘Intentional targeting’*

The difficulty experienced with the application of the *Zippo* sliding scale test has paved the way for application of the ‘effects’ test. The courts have thus moved from a ‘subjective territoriality’ test<sup>56</sup> to an ‘objective territoriality’ or ‘effects’ test in which the forum court will exercise jurisdiction if it is shown that effects of the defendant’s website are felt in the forum state. In other words it must have resulted in some harm or injury to the plaintiff within the territory of the forum state. Since some effect of a website is bound to be felt in several jurisdictions given the nature of the internet, courts have adopted a ‘tighter’ version of the ‘effects’ test, which is ‘intentional targeting.’

The ‘effects’ test was first evolved in *Calder v. Jones*.<sup>57</sup> The plaintiff therein was a resident of California who commenced a libel action in a California court against the National Enquirer based on an article that it printed and circulated in California. Apart from the Enquirer and its local distribution company, its editor and the author of the article were all in Florida. Affirming the assertion by the California court of personal jurisdiction over the defendants, the Supreme Court held:

The allegedly libelous 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

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<sup>56</sup> That a court will regulate an activity only if it is shown having originated in its territory – exemplified by the decision in *Louis Feraud Int’l SARL v. Viewfinder Inc.*, 406 F. Supp. 2d 274 (S.D.N.Y. 2005).

<sup>57</sup> 465 U.S. 783 (1984).

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 is 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.<sup>58</sup>

On facts it was held that the author and editor 'expressly aimed' their tortuous actions at California and that they knew that the article would have a devastating impact on the respondent and that they should have reasonably anticipated that the brunt of that injury would be reasonably felt by the defendant in the state in which she lived and worked.

The court went on to observe:

Petitioners are not charged with mere untargeted negligence. Rather, their intentional, and allegedly tortuous, 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 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. Under the circumstances, petitioners must 'reasonably anticipate being hauled into court there' to answer for the truth of the statements made in their article...<sup>59</sup>

#### *Yahoo! Case*

The effects test propounded in *Calder* has been applied with mixed results. One of the most discussed decisions of a French court where the effects doctrine was applied is the *Yahoo!* case.<sup>60</sup> A French Jew while surfing on the net came across Nazi memorabilia being offered for sale on a web page hosted by Yahoo!. The offering of Nazi memorabilia for sale was an offence under the French penal law. Although the website of Yahoo! France did not host a similar web page, it could be viewed on the Yahoo! website hosted from the US by anyone in France. LICRA, an organization fighting racism and anti-Semitism, and the Union of Jewish students in France (UJEF) sued Yahoo! and Yahoo! France in the courts in France. The French court ordered Yahoo! to block access to its US website from France, in order to prevent internet users in France from accessing the objectionable items offered for auction sale on that site. It found that this was technologically feasible through a series of devices for which it examined experts. It thus rejected Yahoo!'s argument that the French court's order was not capable of being implemented beyond the borders

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<sup>58</sup> *Id.* at 788.

<sup>59</sup> *Supra* note 57, at 789-90.

<sup>60</sup> Tribunal de grande instance [T.G.I.] [ordinary court of original jurisdiction] Paris, May 22, 2000 and November 22, 2000, No RG:00/0538 (Fr.).



of France. The French court essentially applied the effects test to assert jurisdiction. It held that by permitting internet users in France to participate in the sale of such objects, Yahoo! had committed a wrong within the territory of France. Although the website was capable of being viewed from anywhere in the world, the French court concluded that it had caused harm to the two claimants located in France. The mere possibility of downloading the objectionable information did not alone determine the question of jurisdiction. The French court also considered the effect it would have on the public at large in France who could access Yahoo!'s website and who were targeted. Thus the court concluded from the fact that Yahoo! displayed advertisements in French to visitors at the US based server and that Yahoo! France provided a link to the US based Yahoo! server that Yahoo! did intend its services to reach persons in France and also intended to profit from the visitors from France to its US based website.

While courts have more readily applied the effects test in defamation cases,<sup>61</sup> there have been problems in its application to trademark infringement cases. For instance, the Court of Appeals in *Cybersell* held that the 'effects' test did not apply with the same force to *Cybersell AZ* as it would to an individual, because a corporation does not suffer localised harm in a specific geographic location in the same manner as an individual. *Cybersell FL's* web page simply was not aimed intentionally at Arizona knowing that harm was likely to be caused there to *Cybersell AZ*. In *Digital Equipment Corp. v. Alta Vista Technology*,<sup>62</sup> the plaintiff, a Massachusetts company sued the defendant which was its licensee alleging infringement of its mark. Although the defendant argued that it had structured its affairs to avoid the forum state, the court found that the defendant's use of its website to infringe the plaintiff's mark did have effects in the forum state and its purpose may be said to be targeting the forum state and its citizens. In *Nissan Motor Co. v. Nissan Computer Corp.*<sup>63</sup> although the defendant did not sell goods to its consumers on its websites (which were registered under the domain names 'nissan.com' and 'nissan.net') it had intentionally changed the content of its website to exploit the goodwill of the plaintiff by profiting from the confusion created among the consumers. It was therefore held to have "deliberately and substantially directed its activity toward the forum state."<sup>64</sup>

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<sup>61</sup> See *Remick v. Manfredy*, 238 F.3d 248 (3d Cir. 2001); *Noonan v. Winston Comp.*, 135 F.3d 85, 91 (1st Cir. 1998); *Revell v. Lidov*, 317 F.3d 467 (5th Cir. 2002).

<sup>62</sup> 969 F. Supp. 456 (D. Mass. 1997).

<sup>63</sup> 89 F. Supp. 2d 1154 (C.D. Cal. 2000).

<sup>64</sup> *Id.* at 1159.

It is pointed out that in developing criteria to be used in determining whether a website has targeted the forum state, care must be taken to ensure that it must be technology neutral in the sense that it will remain relevant even as new technologies emerge. Furthermore, the criteria must not display any bias towards either consumers, who would seek to apply the law governing the destination of the product, or producers who seek to apply the law of the place of origin of the goods. Further, as Michael Geist points out, the real question would be whether the targeting of a specific jurisdiction was foreseeable.

This in turn depends on three factors:

To identify the appropriate criteria for a targeting test, we must ultimately return to the core jurisdictional principle – foreseeability. Foreseeability should not be based on a passive versus active website matrix. Rather, an effective targeting test requires an assessment of whether the targeting of a specific jurisdiction was itself foreseeable. Foreseeability in that context depends on three factors: contracts, technology, and actual or implied knowledge. Forum selection clauses found in website terms of use agreements or transactional click-wrap agreements allow parties to mutually determine an appropriate jurisdiction in advance of a dispute. They therefore provide important evidence as to the foreseeability of being hauled into the courts of a particular jurisdiction. Newly-emerging technologies that identify geographic location constitute the second factor. These technologies, which challenge widely held perceptions about the Internet’s architecture, may allow website owners to target their content to specific jurisdictions or engage in ‘jurisdictional avoidance’ by ‘de-targeting’ certain jurisdictions. The third factor, actual or implied knowledge, is a catch-all that incorporates targeting knowledge gained through the geographic location of tort victims, offline order fulfilment, financial intermediary records, and web traffic.<sup>65</sup>

#### *Trend of adopting a combination of Zippo ‘Sliding Scale’ and Calder ‘Effects’ test*

The courts in the USA have recently adopted a combination of the *Zippo* ‘sliding scale’ test and the *Calder* ‘effects’ test in order to examine whether the forum court has jurisdiction in a case involving trademark infringement by the use of the internet.

In *Toys “R” US v. Step Two*,<sup>66</sup> the Court of Appeals revisited the issue. In that case, the plaintiff, Toys “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

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<sup>65</sup> *Supra* note 9, at 1385.

<sup>66</sup> 318 F.3d 446 (3d Cir. 2003).

“R” Us acquired Imaginarium Toy Centers, Inc., which owned and operated a network of ‘Imaginarium’ stores for the sale of educational toys and games. In this process, Toys “R” Us also acquired several Imaginarium trademarks. The defendant, Step Two, was a corporation in Spain that owned or franchised toy stores operating under the name ‘Imaginarium’ in Spain and nine other countries. It had registered the Imaginarium mark in several countries where its stores were located. At the time of the litigation, there were 165 Step Two Imaginarium stores possessing the same unique facade and logo as the stores owned by Toys “R” Us, and selling the same types of merchandise as Toys “R” Us sold in its Imaginarium stores. However, Step Two did not operate any stores, maintain any offices or bank accounts, or have any employees anywhere in the United States. In 1995, Imaginarium Toy Centers, Inc. (which Toys “R” Us had later acquired) registered the domain name ‘[imaginariump.com](http://imaginariump.com)’ and launched a website featuring merchandise sold at Imaginarium stores. In 1996, Step Two registered the domain name ‘[imaginariump.es](http://imaginariump.es)’, and also began to advertise the merchandise that was available at its Imaginarium stores. In April 1999, Imaginarium Toy Centers registered the domain name ‘[imaginariump.net](http://imaginariump.net)’, and launched another website where it offered Imaginarium merchandise for sale. In June 1999, Step Two registered two domain names, ‘[imaginariumpworld.com](http://imaginariumpworld.com)’ and ‘[imaginariump-world.com](http://imaginariump-world.com)’. In May 2000, Step Two also registered three more domain names including ‘[imaginariumpnet.com](http://imaginariumpnet.com)’ and ‘[imaginariumpnet.org](http://imaginariumpnet.org)’. Toys “R” Us brought action against Step Two alleging that Step Two had used its websites to engage in trademark infringement, unfair competition, misuse of the trademark notice symbol, and unlawful ‘cybersquatting.’ The District Court of New Jersey denied Toys “R” Us’ request for jurisdictional discovery and, simultaneously, granted Step Two’s motion to dismiss for the lack of personal jurisdiction. However, the Court of Appeals held that the record did not support the finding that the defendant Step Two had 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 a 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.**<sup>67</sup> (Emphasis Supplied)

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<sup>67</sup> *Id.* at 454.

The California Supreme Court in *Pavlovich v. Superior Court*<sup>68</sup> was divided 4:3 on the question of whether a Texas website operator who had posted software designed to defeat the plaintiff's technology for encrypting copyrighted motion pictures was subject to personal jurisdiction in California where the motion picture, computer, and DVD industries were centred. In rejecting jurisdiction, the majority focused on the fact that the defendant did not know that the particular plaintiff, a licensing entity created by the motion picture and DVD industries, was located there. The dissent thought it sufficient that the defendant was on notice that its conduct would harm the motion picture and DVD industries centred in California. In *Revell v. Lidov*,<sup>69</sup> the plaintiff, a Texas resident sued Lidov, a Massachusetts resident and the Columbia University for posting a defamatory piece on the university's bulletin board. The court applied both *Zippo* and *Calder*. It first found that the website was interactive and individuals could both send and receive messages. But applying *Calder* it found that the article made no reference to Revell's Texas activities and was not directed at Texas readers as distinguished from other readers. Also, Lidov did not know that Revell was a Texas resident when he posted the article and therefore could not reasonably anticipate being hauled into a Texas court. Consequently, the Texas court was held not to have jurisdiction.

*Difficulties in the application of the three tests*

Thomas Schultz points out that the dynamics of jurisdiction are reasonableness and fairness.<sup>70</sup> Schultz concludes that both the subjective territoriality and objective territoriality or the effects tests, if construed too broadly, are bound to be unfair and unreasonable. According to Schultz, a middle path had to be chosen between the too narrow ('subjective territoriality') and the too broad ('effects') jurisdictional bases for better managing transborder externalities. This middle path was 'targeting.' Schultz defines targeting to mean "in essence that the activity must be intended to have effects within the territory of the state asserting jurisdiction."<sup>71</sup> According to another scholar, Michael Geist, the principle of targeting is used to "identify the intentions of the parties and to assess the steps taken to either enter or avoid a particular jurisdiction."<sup>72</sup> Targeting is described as "something more than effects, but less than physical presence."<sup>73</sup>

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<sup>68</sup> 58 P.3d 2 (Cal. 2002).

<sup>69</sup> 317 F.3d 467 (5th Cir. 2002).

<sup>70</sup> Thomas Schultz, *Carving up the Internet: Jurisdiction, Legal Orders, and the Private/Public International Law Interface*, 19 EUR. J. INT'L L. 779 (2008).

<sup>71</sup> *Id.*

<sup>72</sup> *Supra* note 9, at 1357.

<sup>73</sup> *Supra* note 9, at 1357.

Legal scholars C. Douglas Floyd and Shima Baradaran-Robison add:

Nor is the central difficulty in Internet cases created by the fact that a defendant has undertaken conduct that might subject itself to jurisdiction everywhere, rather than only in one or a few states. A tortfeasor who mails a thousand bombs to recipients in one state, and one to recipients in each of the other forty-nine states, should not be relieved from geographic responsibility for the consequences of his actions in each of those states simply because he is subject to suit everywhere, or because his conduct has a uniquely intensive relationship with a single state. The problem in Internet cases is not that the defendant is potentially subject to suit everywhere, but that he is potentially subject to suit anywhere, without having any particular reason to know where that might be. This lack of predictability and geographically specific notice lies at the heart of the difficulties that the courts have experienced in applying traditional jurisdictional concepts in cases in which the instrument of wrongdoing is an Internet posting. The case of the Internet posting is more analogous to one in which a defendant throws a bottle containing poisonous gas into the ocean, with awareness that it may cause injury to someone, somewhere, if it is found and opened someday.<sup>74</sup>

After discussing the inconsistent results arrived at by courts in different cases having more or less similar facts, they emphasise the need for a uniform approach, whether the cases involve torts, or inter-state commerce disputes. Thereafter they conclude:

(1) A unified approach to questions of personal jurisdiction should be applied to all cases in which jurisdiction is asserted in a forum remote from the defendant's residence or the place of wrongdoing, regardless of the particular subject matter of the action, the legal theories that it raises, or the means by which the allegedly wrongful conduct of the defendant has been committed. (2) The factors informing such an approach must be sufficiently flexible to take account of the wide array of differing contexts in which issues of personal jurisdiction are presented, and, in particular, to take account of the unique characteristics of the Internet that have increasingly troubled the courts in recent years. (3) The Supreme Court's apparent importation of notions of a defendant's purpose or its intent to target the forum state is flawed and has created more problems than it has resolved in the context of modern actions involving informational torts. (4) Questions of personal jurisdiction should turn on objective (rather than subjective) factors that have primary reference to whether the defendant objectively should be on notice that it has caused the effects giving rise to the action in the particular forum state. If such notice does exist, the court should further inquire whether the intervening acts of third parties should relieve the defendant of geographic responsibility for those effects and

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<sup>74</sup> C. Douglas Floyd & Shima Baradaran-Robison, *Toward a Unified Test of Personal Jurisdiction in an Era of Widely Diffused Wrongs: The Relevance of Purpose and Effects*, 81 IND. L.J. 602, 659 (2006).

whether the balance of the interests of the defendant, the plaintiff, and the forum state makes it fundamentally unfair to subject the defendant to suit there.<sup>75</sup>

To summarise the position in the US, 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 web page 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 'effects' test, it would have to be shown that the defendant specifically directed its activities towards the forum state and intended to produce the injurious effects on the plaintiff within the forum state. Some courts have required the plaintiffs to show that the defendant should be shown to have foreseen being 'hauled' into the courts in the forum state by the very fact that it hosted an interactive website.

#### OTHER COMMON LAW JURISDICTIONS

The approach of courts in other common law jurisdictions, including India, is examined next.

##### *Canada*

In *Morguard Investments Ltd. v. De Savoye*,<sup>76</sup> the Canadian Supreme Court emphasized the 'real and substantial connection' as a test for determining jurisdiction. It was observed that the approach of permitting suit where there is a real and substantial connection with the action strikes an appropriate and reasonable balance between the rights of the parties. In *Pro-C Ltd. v. Computer City Inc.*,<sup>77</sup> it was held that the listing of Canadian retail outlets on the defendant's website coupled with there being a *de-facto* 'common market' between Canada and the US meant that Canadian consumers were being targeted and therefore the Ontario court in Canada would have jurisdiction to try the trademark infringement action against the defendant located in the USA.

In *Patrick Desjean v. Intermix Media Inc.*,<sup>78</sup> the defendant, a Delaware Corporation with its principal office in Los Angeles, used to offer ostensible free software programs. When the plaintiff, a resident of Canada, installed a free Intermix Screensaver or game from [www.mycoolscreen.com](http://www.mycoolscreen.com), he also unwittingly installed one or more spyware programs. Thereafter, the plaintiff brought an

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<sup>75</sup> *Id.* at 604-605.

<sup>76</sup> [1990] 3 S.C.R. 1077 (Can.).

<sup>77</sup> 7 C.P.R. (4th) 193 (Can.), *rev'd*, 205 D.L.R. (4th) 568 (Can.).

<sup>78</sup> 2006 F.C. 1395 (Can.).

action against the defendant in Canada for violating the misleading representations provisions of the Canadian Competition Act, 1985. The Federal Court of Ottawa, after referring to the decision of the Ontario Court of Appeal in *Muscutt v. Courcelles*, (2002) 213 D.L.R. (4th) 577, took the following eight factors into account while determining whether it had jurisdiction:

(1) The connection between the forum and the plaintiff's claim; (2) The connection between the forum and the defendant; (3) Unfairness to the defendant in assuming jurisdiction; (4) Unfairness to the plaintiff in not assuming jurisdiction; (5) Involvement of other parties to the suit; (6) **The Court's willingness to recognize and enforce an extra-provincial judgment rendered on the same jurisdictional basis;** (7) Whether the case is interprovincial or international in nature; (8) **Comity and standards of jurisdiction, recognition and enforcement prevailing elsewhere.**<sup>79</sup> (Emphasis Supplied)

The Court observed that the defendant had no office in Canada although in the past it subsidized office space for contractors working on two websites purchased by Intermix. Intermix had no server in Canada and [www.mycoolscreen.com](http://www.mycoolscreen.com) also was not hosted on servers located in Canada but on a server in California. It was also observed that 66% of downloads from either the defendant's websites or third parties distributing the defendant's applications were made by American users and the remaining were made throughout the world. Canada accounted for only 2.5% to 5.3% of downloads. On the basis of these facts, the Federal Court held that the Canadian courts had no jurisdiction over the defendant since there was no substantial connection between the defendant and the forum. What is significant is that the Canadian federal Court identified the court's willingness to recognise and enforce an extra-provincial judgement rendered on the same jurisdictional basis as being a relevant factor. It highlights the need for reciprocity and its relevance in enforcement without which exercise of such personal jurisdiction over extra-territorial defendants might be rendered futile.

#### *United Kingdom*

In *1-800 Flowers Inc. v. Phonenames*,<sup>80</sup> the defendant was a UK based phonebook company and the plaintiff was engaged in the business of delivery of flowers. Customers across the world could access the plaintiff's website to place orders for flowers. There was, however, no evidence to show that UK residents had placed orders on its website. It was argued that because the website was accessible from the UK and the UK residents could place orders online, the use by the defendant

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<sup>79</sup> *Id.* at ¶ 27.

<sup>80</sup> [2002] F.S.R. 12 (C.A.) (U.K.).

of the mark 1-800 on its website amounted to use in the UK. It was held in the first appeal by the Bench that “mere fact that websites could be accessed anywhere in the world did not mean, for trade mark purposes, that the law should regard them as being used everywhere in the world.”<sup>81</sup> The intention of the website owner and what the reader will understand if he accesses the website was held to be relevant. The Court of Appeals also rejected the argument. Justice Buxton, in a concurring opinion pointed out as under:

I would wish to approach these arguments, and particularly the last of them, with caution. There is something inherently unrealistic in saying that A ‘uses’ his mark in the United Kingdom when all that he does is to place the mark on the internet, from a location outside the United Kingdom, and simply wait in the hope that someone from the United Kingdom will download it and thereby create use on the part of A. By contrast, I can see that it might be more easily arguable that if A places on the internet a mark that is confusingly similar to a mark protected in another jurisdiction, he may do so at his peril that someone from that other jurisdiction may download it; though that approach conjured up in argument before us the potentially disturbing prospect that a shop in Arizona or Brazil that happens to bear the same name as a trademarked store in England or Australia will have to act with caution in answering telephone calls from those latter jurisdictions. However that may be, the very idea of ‘use’ within a certain area would seem to require some active step in that area on the part of the user that goes beyond providing facilities that enable others to bring the mark into the area. Of course, if persons in the United Kingdom seek the mark on the internet in response to direct encouragement or advertisement by the owner of the mark, the position may be different; but in such a case the advertisement or encouragement in itself is likely to suffice to establish the necessary use.<sup>82</sup>

#### *Australia*

The judgment of the Australian High Court in *Dow Jones & Company Inc. v. Gutnick*,<sup>83</sup> is instructive of the application of the effects test. Dow Jones & Company Inc., a corporation registered in the USA, had published material on the internet that was allegedly defamatory of Mr. Gutnick who sued in the Supreme Court of Victoria to recover damages to vindicate his reputation. The Victorian law was treated as a long arm rule which provided for jurisdiction based upon the mere happening of damage within a jurisdiction. The High Court held that the primary judge was correct in deciding the issue of jurisdiction in favour of the plaintiff. Since the long arm was found to be valid and applicable, the arguments that the defendant had minimal commercial interest in

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<sup>81</sup> *Id.*

<sup>82</sup> *Supra* note 80.

<sup>83</sup> (2002) H.C.A. 56 (Austl.).



the sale of its magazine in Victoria and that it had published them principally for the benefit of US readers was considered irrelevant. However, what is important to note is that the state of Victoria in the said case did have a long arm law which was held to be valid and which permitted extension of jurisdiction.

### India

*Casio India Co. Limited v. Ashita Tele Systems Pvt. Limited*<sup>84</sup> was a passing off action where the defendant was carrying on business from Bombay. The defendant had managed to get a registration of domain name *www.casioindia.com* and defendant no. 2 was the Registrar with whom the domain name had been registered. The plaintiff, on the other hand, claimed to be a 100% subsidiary of Casio Computer Ltd., Japan (Casio Japan), which was the registered owner of the trade mark 'Casio' in India used for a large number of electronic and other products. He had registered a large number of domain names in India like 'CasioIndiaCompany.com', 'CasioIndia.org', 'CasioIndia.net', etc. Defendant No. 1 had obtained the above domain names during the time when it held a distributorship agreement with the plaintiff. It was held by the learned single Judge after referring to the decisions in *Rediff Communication Ltd. v. Cyber Booth*<sup>85</sup> and *Dow Jones & Co. Inc. v. Gutnick*<sup>86</sup> that "once access to the impugned domain name website could be had from anywhere else, the jurisdiction in such matters cannot be confined to the territorial limits of the residence of the defendant."<sup>87</sup> According to the learned single Judge, since a mere likelihood of deception, whereby an average person is likely to be deceived or confused was sufficient to entertain an action for passing off, it was not at all required to be proved that "any actual deception took place at Delhi. Accordingly, the fact that the website of Defendant No. 1 can be accessed from Delhi is sufficient to invoke the territorial jurisdiction of this Court."<sup>88</sup>

In *India TV Independent News Service Pvt. Limited v. India Broadcast Live Llc & Ors.*,<sup>89</sup> a different approach was adopted. The plaintiff ran a Hindi news channel 'INDIA TV' that was launched in March 2004. However, the plaintiff claimed to have adopted the trademark 'INDIA TV' since December 2002. The plaintiff had applied for registration of the said mark and the relevant

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<sup>84</sup> 2003 (27) P.T.C. 265 (Del.) (India), *overruled by* Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy, CS(OS) 894/2008 (High Court of Delhi, 23<sup>rd</sup> November 2009) (India).

<sup>85</sup> A.I.R. 2000 Bom. 27 (India).

<sup>86</sup> *Supra* note 83.

<sup>87</sup> *Supra* note 84, at ¶ 6.

<sup>88</sup> *Supra* note 84, at ¶ 6.

<sup>89</sup> 2007 (35) P.T.C. 177 (Del.) (India).

applications had been published in the trademarks journal. The plaintiff was also the owner of the domain name 'indiatv.com' which was registered on 18.11.2003. The channel was made available for live viewing on the said website. Defendant Nos. 1 & 2 hosted a website 'www.indiatvlive.com' which the plaintiff came across in January 2007. The website contained the words 'INDIA TV' which were displayed prominently inside the sketch of a television. A passing off action was initiated in the Delhi High Court to prevent Defendant No. 2 from using the domain name 'www.indiatvlive.com.' While the suit was pending, Defendant No. 1 was proceeding with an action instituted by it in the Arizona District Court in USA, where the defendants were located, against the plaintiff seeking a declaration of non-infringement of the plaintiff's mark by Defendant No. 1. The plaintiff then approached the Delhi High Court stating that the defendant had suppressed the fact of having filed the aforesaid action in Arizona and prayed for an injunction against defendant from proceeding with the said action in the Arizona courts particularly since the suit in the Delhi High Court was a prior action. In resisting the said application, Defendant No. 1 took the stand that the Delhi High Court was not a court of competent jurisdiction as it was not the appropriate forum/*forum conveniens*. Inasmuch as the defendants did not reside or work for gain in India, it was only the District Court in Arizona that was the appropriate forum/*forum conveniens* to decide the dispute. It was argued before the court that in order to attain personal jurisdiction, i.e., jurisdiction over the person of a defendant in contrast to the jurisdiction of a court over a defendant's property or his interest therein, there should be a long arm statute on the basis of which the court could exercise jurisdiction over any individual located outside the state. As regards the internet, it was argued that it was not enough to establish that there was a passive website. The court referred to the purposeful availment test and the three factors highlighted in *Cybersell*. The learned single Judge then noticed that India did not have a long arm statute to grant jurisdiction as regards non-resident defendants. Therefore it had to be examined whether the defendant's activities "have a sufficient connection with the forum state (India); whether the cause of action arises out of the defendant's activities within the forum and whether the exercise of jurisdiction would be reasonable." In paragraphs 46 and 47, it was observed as under:

46. I am in agreement with the proposition that the mere fact that a website is accessible in a particular place may not itself be sufficient for the courts of that place to exercise personal jurisdiction over the owners of the website. However, where the website is not merely 'passive' but is interactive permitting the browsers to not only access the contents thereof but also subscribe to the services provided by the owners/operators, the position would be different. However, as noticed in the judgment in *CyberSell Inc. case* (supra), even where a website is interactive, the level of interactivity would be relevant and limited interactivity may also not be sufficient for a court to exercise jurisdiction. In *Panavision International LP case*

(supra), it was found that the registration of the Plaintiff's mark as a domain name by the Defendant had the effect of injuring the Plaintiff in California and therefore the court had jurisdiction. In *Compuserve* case (supra) again it was found that the Defendant had contacted Ohio to sell his computer software's on the Plaintiff's Ohio based systems and sent his goods to Ohio further for their ultimate sale and thus those courts had jurisdiction.

47. In the present case, the website 'indiatvlive.com' of Defendant No. 1 is not wholly of a 'passive' character. It has a specific section for subscription to its services and the options (provided on the website itself) for the countries whose residents can subscribe to the services include India. The services provided by Defendant No. 1 can thus be subscribed to and availed of in Delhi (India) i.e. within the jurisdiction of this court.<sup>90</sup>

The learned Single Judge concluded in *India TV* that "Defendant No. 1 intended to target expatriate Indians as well as Indians within the country."<sup>91</sup> Furthermore, the stand taken by Defendant No. 1 in its written statement was that it had a global presence including a presence in India. It claimed to be the first IPTV delivery system for Indian content from India. The website of Defendant No. 1 was launched in India as well as in Los Angeles. It was accordingly held that "Defendant No. 1 company has sufficient connection with India."<sup>92</sup> As regards the 'effects' test, it was held that since the plaintiff channel was an Indian news channel intended for Indian audiences, any damage alleged to have been caused or alleged to be likely to arise to the good will, reputation, etc. of the plaintiff would be in India. However, the alleged damage that may have arisen or may be likely to arise to the plaintiff would be as a consequence of the fact that the impugned website is accessible in India and the services provided can be availed of in India. Consequently, it was held that "the Defendant is carrying on activities within the jurisdiction of this court; has sufficient contacts with the jurisdiction of the court and the claim of the Plaintiff has arisen as a consequence of the activities of Defendant No. 1 within the jurisdiction of this court."<sup>93</sup>

Both *Casio* and *India TV* were decisions of single Judges and required proper reconciliation. The opportunity presented itself in *Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy*.<sup>94</sup> The

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<sup>90</sup> *Id.* at ¶ 46-47.

<sup>91</sup> *Supra* note 89, at ¶ 49.

<sup>92</sup> *Supra* note 89, at ¶ 49.

<sup>93</sup> *Supra* note 89, at ¶ 51.

<sup>94</sup> CS(OS) 894/2008 (High Court of Delhi, 23<sup>rd</sup> November 2009) (India).

plaintiff there was a company located in Singapore. It claimed that it was part of a group of companies involved in the hospitality business. It claimed the use of the word mark 'Banyan Tree' and also the banyan tree device since 1994. The plaintiff maintained the websites 'www.banyantree.com' and 'www.banyantreespa.com' since 1996. The websites were accessible in India. Its application for the registration of the mark and the device were also pending. In October 2007, the plaintiff learnt that the defendants, located in Hyderabad in Andhra Pradesh, had initiated work on a project under the name 'Banyan Tree Retreat', which according to the plaintiff was deceptively similar to that of the plaintiff. The plaintiff invoked the jurisdiction of the Delhi High Court on the ground that the defendants' website 'www.makprojects.com/banyantree', which advertised its products and services was accessible in Delhi. The display of the confusingly similar mark and device was calculated to cause much confusion and deception among the public by passing off the services of the defendants as that of the plaintiff. Accordingly, an injunction was sought. The Division Bench of the Delhi High Court, while answering the referral order of the learned Single Judge, affirmed the ruling in *India TV* and overruled *Casio*. It then remanded the case to the single Judge for a decision on the preliminary issue of jurisdiction.

The answers given by the Division Bench in *Banyan Tree* to the questions of law referred to it were as follows:

Question (i): For the purposes of a passing off action, or an infringement action where the plaintiff is not carrying on business within the jurisdiction of a court, in what circumstances can it be said that the hosting of a universally accessible website by the defendants lends jurisdiction to such Court where such suit is filed ('the forum court')?

Answer: For the purposes of a passing off action, or an infringement action where the plaintiff is not carrying on business within the jurisdiction of a court, and in the absence of a long-arm statute, in order to satisfy the forum court that it has jurisdiction to entertain the suit, the plaintiff would have to show that the defendant 'purposefully availed' itself of the jurisdiction of the forum court. For this it would have to be prima facie shown that the nature of the activity indulged in by the defendant by the use of the website was with an intention to conclude a commercial transaction with the website user and that the **specific targeting** of the forum state by the defendant resulted in an injury or harm to the plaintiff within the forum state.

Question (ii): In a passing off or infringement action, where the defendant is sought to be sued on the basis that its website is accessible in the forum state, what is the extent of the burden on the plaintiff to prima facie establish that the forum

court has jurisdiction to entertain the suit?

Answer: For the purposes of Section 20(c) CPC, in order to show that some part of the cause of action has arisen in the forum state by the use of the internet by the defendant the plaintiff will have to show prima facie that the said website, whether euphemistically termed as 'passive plus' or 'interactive', was specifically targeted at viewers in the forum state for commercial transactions. The plaintiff would have to plead this and produce material to prima facie show that some commercial transaction using the website was entered into by the defendant with a user of its website within the forum state resulting in an injury or harm to the plaintiff within the forum state.<sup>95</sup> (Emphasis Supplied)

It was held that merely having an interactive website was not sufficient to make the defendant amenable to the jurisdiction of the forum court. Applying the principle of intentional targeting, it was held that the plaintiff had to show the intention of the defendant to conclude a commercial transaction with the website user.

*Banyan Tree* also dealt with the issue of trap orders. The question that was addressed was whether a single trap transaction was sufficient to show that the defendant had purposefully availed the forum Court's jurisdiction. It was held that a lone trap transaction will not be sufficient evidence for the purposes of establishing that a part of the cause of action arose within the jurisdiction of the court. The plaintiff would have to show that the defendant has purposefully availed of the jurisdiction of the forum court by entering into a commercial transaction with an internet user located within the jurisdiction of the forum court. This cannot possibly result from a solitary trap transaction since that would not be an instance of 'purposeful' availment by the defendant. It would have to be a real commercial transaction that the defendant has with someone and not a transaction set up by the plaintiff itself. If the only evidence is in the form of a series of trap transactions, they have to be shown to be obtained using fair means. The plaintiff seeking to establish jurisdiction on the basis of such trap transactions would have to aver unambiguously in the plaint, and also place along with it supporting material that prima facie proves that the trap transactions relied upon satisfy the above-mentioned test.

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<sup>95</sup> *Id.* at ¶ 59.

*Banyan Tree* has been later followed by the Karnataka High Court in *Presteege Property Developers v. Prestige Estates Projects Pvt. Ltd.*,<sup>96</sup> a case involving a passing off action initiated by Prestige Estates against Presteege Property Developers. The Single Judge noticed that the construction activity of the defendant<sup>97</sup> was exclusively in Kerala. It was further observed that though online booking was indicated, the sale would not take place in Bangalore so as to constitute a part of the cause of action in terms of passing off since even if the defendants were to pass off their property riding on the reputation of the plaintiff as alleged, the same would take place only in Kerala. Similarly in the case of the other defendant,<sup>98</sup> the activity of providing the services was observed to be exclusively in Tamil Nadu. The court held that the “test of concluding a commercial transaction should be shown, to establish the level of activity indulged in by the defendants by the use of the website.”<sup>99</sup> The test not being satisfied by the plaintiff,<sup>100</sup> the learned single Judge held that the court at Bangalore would lack jurisdiction.

The present state of the law in India may be summarized. A plaintiff, not having the benefit of the limited long arm provision of either section 134 of the Trade Marks Act, 1999 or section 62 of the Copyright Act, 1957 will not be able to persuade a court to exercise jurisdiction over a defendant hosting a website containing the material purportedly violating the plaintiff’s IP rights unless it is shown that the defendant targeted its interactive website at viewers in the forum state for the purpose of commercial transactions and in fact entered into such transactions using the website. Further a lone trap transaction may not demonstrate the ‘purposeful’ targeting by the defendant of the forum state or of ‘aiming’ at particular customers therein. A more systematic behaviour over a series of transactions will have to be shown as having been entered into by the defendant. It may be argued that the test evolved in *Banyan Tree* may not answer the problems in a different factual setting and in a different context, for e.g., the tort of defamation or the crime of cyber pornography. But then *Banyan Tree* does not deal with those contexts for which other tests will have to be devised. Nevertheless the courts in India will have to guard against over-protection of local interests and adopt a balanced approach to ensure that a middle path is found in individual cases.

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<sup>96</sup> MFA 4954 & 13696/2006 (High Court of Karnataka, 2<sup>nd</sup> December 2009) (India); see also *Sholay Media Entertainment & Anr. v. Yogesh Patel & Ors.* CS(OS) 1714/2001 (High Court of Delhi, 27<sup>th</sup> January 2010) (India).

<sup>97</sup> MFA 4954/2006 (High Court of Karnataka, 2<sup>nd</sup> December 2009) (India).

<sup>98</sup> MFA 13696/2006 (High Court of Karnataka, 2<sup>nd</sup> December 2009) (India).

<sup>99</sup> *Id.*

<sup>100</sup> Respondent in MFA 4954 & 13696/2006 (High Court of Karnataka, 2<sup>nd</sup> December 2009) (India).

### III

#### OTHER TYPES OF CASES

##### *Internet Jurisdiction in Copyright Cases*

The tests adopted in copyright cases for exercising jurisdiction are no different from those already discussed. The courts in the USA that had earlier sought to fashion constitutional tests for jurisdiction around the particular technologies of the internet, have in the more recent decisions reverted to the known tests of minimum contacts and reasonableness.

*ALS Scan, Inc. v. Digital Service Consultants, Inc.*<sup>101</sup> is an example of the contemporary trend. The defendant, a Georgia-based Internet service provider, argued that it conducted no business and had no offices, contracts, income, or advertising (other than through its website) in Maryland. The plaintiff, a Maryland corporation, countered that, by enabling a third-party website operator to publish allegedly infringing photographs in Maryland, the defendant had subjected itself to specific jurisdiction in the state. The court ruled for the defendant, observing that:

[i]f we were to conclude as a general principle that a person's act of placing information on the Internet subjects that person to personal jurisdiction in each State in which the information is accessed, then the defence of personal jurisdiction, in the sense that a State has geographically limited judicial power, would no longer exist.<sup>102</sup>

The court formulated a general rule that would establish personal jurisdiction in at least some of these cases:

a State may, consistent with due process, exercise judicial power over a person outside of the State when that person (1) directs electronic activity into the State, (2) with the manifested intent of engaging in business or other interactions within the State, and (3) that activity creates, in a person within the State, a potential cause of action cognizable in the State's courts.<sup>103</sup>

The court added, however, that under such a standard, a person who simply places information on the internet does not subject himself to jurisdiction in each state into which the electronic signal is

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<sup>101</sup> 293 F.3d 707 (4th Cir. 2002).

<sup>102</sup> *Id.* at 712.

<sup>103</sup> *Supra* note 95, at 714.

transmitted and received. This decision is also an instance of the exemption of an ISP from liability merely because it provided a platform or space in which the alleged infringement took place.<sup>104</sup>

In *Bridgeport Music, Inc v. Still N the Water Publishing*,<sup>105</sup> it was recognized that just operating an internet website can constitute purposeful availment if the website is interactive to a degree that entails specifically intended interaction with state residents. The court held that there was no jurisdiction in Tennessee over a defendant that had not hosted or operated a website for sale of alleged infringing composition.

*Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*<sup>106</sup> involved the free exchange of copyrighted music, movies and other digital media over the internet. The defendants distributed software that enabled users to exchange digital media via the same peer-to-peer transfer network. When the actions were originally filed, the defendants (Grokster, MusicCity and Kazaa BV) each independently branded, marketed and distributed file-sharing software. All three platforms were powered, however, by the same 'FastTrack' networking technology. This technology was developed by defendants Niklas Zennstrom and Janus Friis (who also launched Kazaa BV), and licensed to each company. As a result, users of all three software platforms were connected to the same peer-to-peer 'FastTrack network,' and were able to exchange files seamlessly. However, later the operation of the 'Kazaa system' had passed from Kazaa BV to Sharman Networks, a company organized under the laws of the island-nation of Vanuatu and doing business principally in Australia. The defendant had allegedly provided file-sharing software and entered into licensing agreements with approximately two million Californian residents. The Court explained that in order to extend personal jurisdiction, it would have to be shown that (1) a non-resident defendant purposefully availed itself of the privilege of conducting activities in the forum state, thereby invoking the protections of its laws; and (2) the plaintiff's claims arose out of the defendants' forum-related activities. In the instant case, it was held that the defendant was subject to specific jurisdiction under the California long arm statute because it directed its commercial activities at California, the forum state, and alternatively because of the impact of the defendant's activities in California. While determining that the defendant

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<sup>104</sup> The position in India as regards liability of intermediaries is that an intermediary is exempt from liability under certain conditions as per the Information Technology Act, 2000, No. 21 of 2000 ('IT Act'), as amended further by the Information Technology (Amendment) Act, 2008, No. 10 of 2009. The definition of an 'intermediary' under section 2(w) of the Act has also undergone a change. The Amendment Act of 2008 has further substituted the older section 79 with a new one, which now more elaborately deals with exemption of intermediaries.

<sup>105</sup> 327 F.3d 472, 483 (6th Cir. 2003).

<sup>106</sup> 243 F. Supp. 2d 1073 (C.D. Cal. 2003).



had engaged in commercial activities directed at the forum State, the *Grokster* court cited *Cybersell* and *Zippo*. For the effects test, the *Grokster* court drew on the Supreme Court's decision in *Calder*.

## IV

### ENFORCEMENT

The territorial nature of IPR is challenged by the advent of the internet. Attempts at finding a uniform minimum standard to decide issues of jurisdiction as well as applicable law are still to bear any definite shape. The TRIPS framework fails to provide the necessary platform for resolving trans-border disputes arising out of the use of the internet. In the circumstances, reliance is increasingly placed on the available enforcement mechanisms in private international law to protect IPRs in digital goods distributed on web-based networks.

Courts in domestic jurisdictions rely upon long arm statutes that enable them to exercise personal jurisdiction over defendants outside the territory of the forum state. In some of the cases noticed hereinbefore, particularly from the courts in the USA, the readiness with which jurisdiction has been exercised is explained with reference to the existence of long arm statutes in some of the States. In India, in the absence of a federal structure (as in the USA) in that sense, the provision enabling the Courts to exercise jurisdiction with such a 'long arm' is present in section 20 (c) of the Code of Civil Procedure, 1908 (CPC) that confers jurisdiction to courts wherever there is an accrual of any "cause of action, wholly or in part." For trademark infringement suits or suits relating to any right in a "registered trademark", Section 134(2) of the Trade Marks Act, 1999 supplements the courts to exercise jurisdiction over a non-resident defendant, where the plaintiff "actually and voluntarily resides or carries on business or personally works for gain." A similar provision to that effect is present in section 62 of the Copyright Act, 1957 for suits filed against copyright infringement.

However, exercising jurisdiction is only one part of the exercise. The forum court's intervention would be rendered futile if its orders against defendants outside its jurisdiction cannot be enforced. This is compounded if the defendant has no assets within the forum state. Further, where the defendant is protected by the laws of his country against the consequence brought about the judgment, the courts in the country of the defendant would be reluctant to accord recognition and consequent enforcement of such judgment.

The case of *Yahoo! Inc. v. LICRA*<sup>107</sup> is illustrative of such complex legal situations. Yahoo!, an American internet service provider, brought suit in federal district court in diversity against La Ligue Contre Le Racisme et L'Antisemitisme ('LICRA') and L'Union des Etudiants Juifs de France ('UEJF') seeking a declaratory judgment that two interim orders by a French court are unrecognizable and unenforceable. The district court held that the exercise of personal jurisdiction over LICRA and UEJF was proper, that the dispute was ripe, that abstention was unnecessary, and that the French orders are not enforceable in the United States because such enforcement would violate the First Amendment. The district court did not reach the question whether the orders are recognizable. LICRA and UEJF appealed only the personal jurisdiction, ripeness, and abstention holdings. A majority of the en banc panel (Court of Appeals) held that the district court properly exercised personal jurisdiction over LICRA and UEJF. The Court of Appeals reversed the District Court. While three judges alone held that the District Court did not have jurisdiction over the French defendants and therefore the suit should be dismissed, three other judges held that the suit was not ripe and therefore, should be dismissed. Consequently, by a 6:5 majority, the suit was dismissed.

The relevant passage clarifying the opinion of the Court of Appeal is given below:

An eight-judge majority of the en banc panel holds, as explained in Part II of this opinion, that the district court properly exercised specific personal jurisdiction over defendants LICRA and UEJF under the criteria of *Calder*. A three-judge plurality of the panel concludes, as explained in Part III of this opinion, that the suit is unripe for decision under the criteria of *Abbott Laboratories*. When the votes of the three judges who conclude that the suit is unripe are combined with the votes of the three dissenting judges who conclude that there is no personal jurisdiction over LICRA and UEJF, there are six votes to dismiss Yahoo!'s suit.<sup>108</sup>

In the Indian context, as long as the disputes concern parties that are within the country, the question of enforcement of the judgment of one state court in another state where the defendant resides or carries on business may not arise in view of the provisions of the Civil Procedure Code. However, where the defendant is outside the country, unless there are reciprocal arrangements for recognition of decrees entered into the country of the defendant's location, enforcement will be problematic. Further, in the context of the internet, the web server hosting the offending material will have to abide by the order of the court asking it to remove the offending material from the

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<sup>107</sup> *Yahoo! Inc. v. La Ligue Contre Le Racisme Et L'antisemitisme*, 433 F.3d 1199 (9th Cir. 2006).

<sup>108</sup> *Id.* at 1124.

website or block the site from viewership. Although this is technically feasible, it would not be legally achievable unless the entity required to implement the court's directions accepts and agrees to abide by them.

Wendy Adams brings out the complex nature of the problem in the following passage:

When differences in the extent to which states assume jurisdiction over disputes involving extraterritorial activity are combined with the jurisdictional ambiguity inherent in an on-line environment, unilateral enforcement of intellectual property rights within virtual commerce is not a viable alternative; domestic adjudication cannot reconcile protection ahead of the curve with the minimum standards provided under the terms of the TRIPS Agreement in a manner which preserves but does not enhance TRIPS entitlements. In ensuring the legitimacy of private enforcement, the methodology adopted to map virtual transactions to territorial jurisdiction is a critical factor. Deficiencies in the localization process would permit infringement in violation of domestic law, resulting in undercompensation of domestic innovators relative to foreign imitators. In the alternative, domestic courts could also settle problems of jurisdictional ambiguity by stretching the notion of territoriality beyond currently accepted limits. Excessive localization would amount to an impermissible extraterritorial application of domestic intellectual property law, leading to overcompensation of local innovators. Foreign imitators would be faced with a forced march to the top, particularly in relation to states possessing superior economic advantages in terms of trading power and as a desirable location for foreign direct investment.<sup>109</sup>

It is therefore not unusual that Alternative Dispute Resolution mechanisms through multilateral trade negotiations have been thought of. One such instance is the Uniform Domain Name Dispute Resolution Policy (UDRP) developed in the context of registration of domain names. To tackle the growing phenomenon of cyber squatting, the UDRP was brought forth by the ICANN. It provides a remedy by way of arbitration. It appears that the World Intellectual Property Organization ('WIPO') also has an Arbitration & Mediation Centre which adjudicates on disputes brought before it concerning the domain name registration. The Centre has been approached by prominent individuals and companies seeking permanent injunction against parties who registered domains in the names of such plaintiffs.

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<sup>109</sup> *Supra* note 3.

A recent instance of invoking the jurisdiction of a court in India to prevent the name of a public figure being registered as a domain name, which can then be commercially sold on the website is *Arun Jaitley v. Network Solutions Private Limited & Ors.*<sup>110</sup> Mr. Jaitley, a prominent senior lawyer and politician, decided to book the domain [www.arunjaitley.com](http://www.arunjaitley.com) through the website of the defendant nos. 1 and 2 (Network Solutions LLC) since defendant No.2 was the registering authority which had registered the domain name at the instance of some other person whose identity is not yet known. A WHOIS search conducted on the said domain name showed that on 21<sup>st</sup> July 2009 the Registrar for the domain name was defendant no.1 Network Solutions, LLC. It was found that the domain name had expired on 12<sup>th</sup> July 2009 and was pending deletion. Despite Mr. Jaitley's lawyer asking that no domain name be registered or renewed using his name, the defendants declined to do so. On 27<sup>th</sup> August 2009 when a search was conducted on WHOIS Search, the status of the domain name was continued to be shown as 'pending delete.' It had been updated on 21<sup>st</sup> August 2009. The Registrar for the said domain name was still shown as Network Solutions, LLC. On 31<sup>st</sup> August 2009 when a further WHOIS Search was conducted, it showed that the Registrar for the said domain name had changed to 'DOMAIN PARK BLOCK.COM LLC.' The Registrant was Portfolio Brains LLC (PBL) an entity which has been impleaded as Defendant No.3. In an interim order, the Delhi High Court observed:

25. The present suit raises very significant questions in the realm of intellectual property law concerning the protection that a person is entitled to, particularly when the person's name had acquired distinctiveness, goodwill and reputation. It also raises an important question whether the right to one's own name is part of the bundle of 'personal' rights enshrined in the right to life under the Article 21 of the Constitution of India, and Article 17 of the International Covenant on Civil & Political Rights. Is a person entitled to protection of such a right and all other rights incidental to and stemming from that right viz., the rights to publicity and to privacy. It appears to this Court that the plaintiff has more than a stateable prima facie case.

26. The plaintiff has prima facie demonstrated, with the help of all several documents, that defendant No.3 is 'squatting' on his name with the intention of exploiting it for profit. If not injuncted, the domain name [www.arunjaitley.com](http://www.arunjaitley.com) could well be 'purchased' by any person. Such person could then use it for any purpose detrimental to the goodwill and reputation of the plaintiff. The balance of convenience in restraining the defendants from transferring, alienating or offering for sale the domain name 'arunjaitley.com' to any third party and from creating any third party interest in the said domain name 'arunjaitley.com' appears to be in favour of the plaintiff at this stage.<sup>111</sup>

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<sup>110</sup> CS(OS) 1745/2009 (High Court of Delhi, 15<sup>th</sup> September 2009) (India).

<sup>111</sup> *Id.*

The court restrained PBL from advertising the domain name 'arunjaitley.com' or using the said domain name for auction purposes or for any other purpose. PBL was restrained from transferring, alienating or offering for sale the said domain name to any third party and from creating any third party interest in the said domain name and was directed to maintain status quo in relation to the said domain name. In other cases where offending emails are sought to be blocked, the court issues a mandatory injunction to the email service provider to ensure compliance with the court's directions. Problems could arise if those entities which are located outside the jurisdiction either refuse to answer summons or refuse to implement the court's directions. In that event, resort to the UDRP might be a more efficacious option for a plaintiff.

It appears that attempts at evolving a uniform law to govern the issue of enforceability of foreign judgments, with particular reference to disputes arising out of internet transactions proved unsuccessful. It appears that the Hague Convention on Choice of Court Agreements on June 30, 2005, does not cover the question of torts committed on the internet. The first draft of the Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters adopted in 1999 did not deal with issues arising from e-commerce and this was referred to a group of experts. They could not agree on any minimum uniform standard in view of the uncertain domestic law in the area.<sup>112</sup> This therefore is an unfinished task that will require to be revisited since the need for such a uniform law, given the volumes of transactions on the net, can never be overstated.

## V

### THE IMPORT OF JURISDICTIONAL ISSUES CONCERNING THE INTERNET

The above discussion throws up several interesting questions. One is whether the entire cyber world is in fact getting fragmented in the process of devising laws and procedures reflective of the tension between being overly protective of domestic interests and having too little regulation of the internet.

Wendy Adams contextualizes the pros and cons of 'universal permission' as opposed to 'universal prohibition' in the following words:

Resolution of the issue of jurisdiction in relation to commercial websites that do not appear to be directed towards a specific territorial market requires that a default legal rule be established in favour of either the location of the commercial website

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<sup>112</sup> See Holger Hestermeyer, *Personal Jurisdiction for Internet Torts: Towards an International Solution?*, 26 NW. J. INT'L L. & BUS. 267 (2006).

(which may refer either to the location of the initial server, the location of one or more caching servers, or the website operator's usual place of business), or the location of the person accessing the website (an inquiry which could also be complicated by issues of nationality and residence). A default rule favouring the location of the website would amount to universal permission, whereby the commercial website operator is presumed to be in compliance with local regulation to which he is subject, and individual states must in effect opt-out of this rule by applying indirect regulation to prohibit residents from accessing commercial websites in violation of local laws. In contrast, a default rule favouring the location of the person accessing the commercial website would amount to universal prohibition; commercial website providers would be required to determine in advance those states in which their products are permitted, and allow residents of these states alone to opt-in by restricting access to the website accordingly. Note that these default rules are mutually-exclusive, and accordingly states must reach consensus in favour of permission or prohibition if consistent results are to be reached. Note as well that conditioning access upon geographical location becomes more complicated as successively smaller jurisdictional units are adopted, e.g., sub-state entities within federal unions and municipalities. Compelling arguments can be marshalled in support of either position, but what is immediately apparent is that a default rule of universal prohibition tends to reduce the efficacy of the Internet as a unique commercial medium, leading to what some commentators have called a Balkanisation of the Internet.<sup>113</sup>

Thomas Schultz is another legal scholar who has reflected on the above problem. He challenges in a direct way popular assumptions about the internet. The first assumption was that the internet was 'free' as in free speech. Schultz says, and rightly, that technology has demonstrated that it can be shaped 'so as to enshrine values of liberty or values of control.' He says: "It had been shown that the Internet could be a place of exquisite control just as it used to be a place of exquisite liberty. Thus, the first 'inherent characteristic' claim had been repealed."<sup>114</sup>

The other myth he seeks to demolish is that the internet is 'global'; that it was a large network of computers which had no centre or central authority through which all communications would travel and which could regulate those communications. It was conceived as an 'internet cloud' symbolising the unpredictability of the path that the communication could take from one point to another. However when governments the world over realized that the internet was just another

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<sup>113</sup> *Supra* note 3.

<sup>114</sup> *Supra* note 70.

tool that could be misused for a variety of nefarious activities, they clamped down on the 'freedom' of access to the net.

People started to say that they did not want outlandish foreigners to do the equivalent of standing in the garden in front of their house doing things that are regarded with outright repugnance in their community. The French were anxious at the thought of there being, just around the corner, defiant Americans believing it is their fundamental right to say whatever they want to say, even if it involves an apology for Nazism. In the United States, people were incensed about lax foreign governments not cracking down on online casinos, which were intruding into American homes and offices, computers, and mobile phones, to fuel compulsive gambling. Many countries became concerned about incitements to terrorism and appeals to fund terrorist organizations flowing into their country simply by dint of being globally accessible. Some governments began to consider blocking by technical means local residents' access to foreign Internet sources that glorify terrorism. Other governments grew increasingly apprehensive about the West spreading its culture and values throughout the world by a mere information transfer into territories which were previously exposed mainly to local information. Suddenly, the free and global character of the Internet started to be considered an evil. The global Internet community started to think that, after all, it did not want to be a single community, but several, and that each community should be allowed to live according to its internal fundamental values, according to its own choices of public policy (in the sense of *ordre public*), which partake of the expression of each nation's *Volkgeist*. The Internet should be free, most agreed, but only insofar as this freedom stopped short of violating the fundamental principles underlying the operation of each state's legal system.<sup>115</sup>

In the field of e-commerce, Schultz says, the re-emergence of the Westphalian outlook of states to protect 'local' values and their own 'sovereignty' is leading to fragmentation of the internet. He observes:

The Internet is caught between old forces of local territorialism and new forces characteristic of global economies. As a result, it may end up being carved up or fragmented into discrete legal spheres - a development which contradicts the hitherto traditional vision of the Internet as a paradigmatic example of a borderless world of global transnationalism.

The fragmentation is taking **two forms**. The first may be represented as **vertical** in nature; led by the forces of territorialism, it reflects concerns of public policy and

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<sup>115</sup> *Supra* note 70.

the protection of local values. The second, which may be considered **horizontal**, is driven by the rationale of commercial efficiency.<sup>116</sup> (Emphasis Supplied)

Schultz explains that horizontal fragmentation is driven by rationale of commercial efficiency. This is achieved by constitution of legal systems which are transnational and largely autonomous of State control. He cites the example of eBay's dispute resolution mechanism.<sup>117</sup> The objective of eBay's dispute resolution mechanism is to avoid the jurisdictional questions posed by the application of state law. On the other hand vertical fragmentation is a result of the forces of territorialism. It reflects concerns of public policy and the protection of local values, e.g., the *Yahoo!* case. There is vertical fragmentation of the internet by states exercising greater control over web based information flows within (and into) their territory based on local values and preferences. The latter has been triggered by a variety of factors including libel originating in distant countries, online casinos, domain name cyber squatting, hate speech websites and so on. What Schultz also effectively demolishes is the myth that the internet cannot be regulated.

The jurisdiction sought to be exercised by domestic courts over foreign defendants depends to a large extent in precisely 'locating' their presence in the physical terrain, if that is at all possible. It appears that the French Court hearing the *Yahoo!* case did advert to the possibility of using 'geolocation' technology to block viewership of the website to specified group of people based on their geographical location. The idea was that no French national in France should be able to view the Nazi memorabilia on display on the *Yahoo!* website. The French court was informed that this was technically feasible. However it is pointed out that this is not useful in localizing the activity since the puzzle remains whether the customers initiated the on-line activity by reaching out to access the commercial website or vice versa.<sup>118</sup>

The anxiety of countries and their courts to protect local citizenry from commercial or content-based harm while at the same time not wanting other countries to exert the same authority over its citizens is not unique. The differing policy priorities of countries defy the formulation of a uniform set of laws or codes to regulate activity on the internet. In purporting to answer Lawrence Lessig's question as to why some other court would want to enforce Minnesota's anti-gambling laws, Michael Geist answers:

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<sup>116</sup> *Supra* note 70.

<sup>117</sup> *Supra* note 70.

<sup>118</sup> *Supra* note 3.



The answer is that they would not if this were the only regulation at stake. Minnesota wants to protect its citizens from gambling, but New York may want to protect its citizens against the misuse of private data. The European Union may share New York's objective; Utah may share Minnesota's. Each state has its own stake in controlling certain behaviors, and these behaviors are different. But the key is this: the same architecture that enables Minnesota to achieve its regulatory end can also help other states achieve their regulatory ends. And this can initiate a kind of quid pro quo between jurisdictions.<sup>119</sup>

Any attempt at codifying 'uniform' norms to govern internet transactions will have to account for the inevitable attempts by states to assert territorialism on the basis of the need to protect local values and local commerce.

## VI

### CONCLUSION

An oft repeated quote in the context of the internet is that of Judge Nancy Gertner in *Digital Equipment Corp. v. Altavista Technology*:<sup>120</sup> "The internet has no territorial boundaries. To paraphrase Gertrude Stein, as far as the internet is concerned, not only is there perhaps 'no there, there', the 'there' is everywhere where there is internet access."<sup>121</sup>

This article traced the difficult and different paths that common law courts traversed in trying to formulate a definitive test which would lend legal certainty in tackling the complex problem of courts exercising jurisdiction in disputes arising out of activities on the internet. The problem is perhaps compounded by the fact that the technology which is rapidly changing is at least two steps, if not more, ahead of the law. The 'catch up' by the law appears as of now a mirage.

There can be no doubt that Indian courts will increasingly be called upon to exercise jurisdiction over foreign or extra territorial defendants engaged in internet transactions. And it is predictable that the Indian courts, even while they familiarize themselves with the complex nature of the problem, will continue to rely upon the law developed by the common law courts elsewhere.<sup>122</sup> It

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<sup>119</sup> *Supra* note 9.

<sup>120</sup> 960 F. Supp. 456 (D. Mass. 1997).

<sup>121</sup> *Id.* at 462.

<sup>122</sup> The applicability of the *Banyan Tree* tests to non-IPR contexts, like torts and crimes is yet to be tested. In any event, it will not be surprising if the tests evolved in the context of enforcement and protection of IP rights are found inappropriate in other contexts.

appears that just as the technology is by and large a borrowed one, the law in relation to it will also inevitably be that.<sup>123</sup> There is scope and need for developing indigenous law. If in the area of IPR, Indian statutory law has been made to conform to the requirements of international law, it is hard to imagine that the position will be any different when it comes to the law governing e-commerce. While getting the law to cope with the technological changes in the use of the internet will be a formidable challenge, what can happen is that we may be irreversibly heading towards erecting more cyber borders, which can in turn generate a whole slew of law avoidance technologies. These concerns are the beginning in what predictably will be a long term engagement for law makers and those associated with the enforcement of law.

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<sup>123</sup> The IT Act talks of electronic evidence, the certifying process and the authorities involved in that process and lists out the various offences constituting cyber crime including cyber pornography, cyber terrorism and violation of privacy and prescribes punishments for those offences. Interestingly, section 1(1) states that it extends to the whole of India and “applies also to any offence or contravention thereunder committed outside India by any person.” While this provision may arguably be interpreted as an assertion of ‘universal jurisdiction’ over cyber crimes committed anywhere in the world by any person, the IT Act offers little guidance on e-commerce transactions.