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## "Doing Business" over the Internet Leads to a Forum State's Appropriate Exercise of Personal Jurisdiction

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invited to send their credit card numbers to receive passwords. For these reasons, the court found the requisite elements of a violation of the 1981 injunction and issued its holding of contempt.

### **Motion for reconsideration denied**

In its motion to reconsider and amend the court order, Tattilo argued that the Lite portion of the site was not violative of the injunction. Furthermore, Tattilo argued to eliminate the remittance of attorneys' fees to Playboy. Playboy also filed a motion to amend the court order, asking the court to expand the scope of the 1981 injunction to include the publishing of "Playmen" in the English language in general, not just within the United States.

Tattilo argued that Lite and Pro were two different entities and that, since Lite required neither a password nor the user's credit card number, it was not a distribution within the United States. The court was

unpersuaded by the argument. The court viewed the Lite portion of the site as analogous to an advertisement for the revenue-generating Pro portion and, therefore, rejected Tattilo's contention that the two were separate. Furthermore, the Lite portion still invited potential U.S. users to view and download images. Considering the Lite and Pro portions to be one entity, the court refused to change its order and upheld its previous finding of contempt.

Likewise, the court did not change the award of attorneys' fees. The court found that the nature of the site was such that Tattilo should have had reasonable doubt as to its legality within the United States. Therefore, Tattilo proceeded at its own peril and it was proper to compel Tattilo to remit fees incurred by Playboy related to this matter.

Finally, the court denied Playboy's motion to expand the terms of the 1981 injunction. The court reasoned that it had no jurisdiction to prevent Tattilo from publishing in any language outside the United States. •

## ***"Doing business" over the Internet leads to a forum State's appropriate exercise of personal jurisdiction***

*by Joanne T. Hannaway*

In *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 1997 WL 37657 (1997), the district court for the Western District of Pennsylvania held that it had personal jurisdiction and proper venue over a non-resident defendant whose contacts with the forum state arose entirely via the Internet.

Zippo Manufacturing Corporation ("Manufacturing") filed a complaint against Zippo Dot Com, Inc. ("Dot Com") alleging five causes of action under the Federal Trademark Act and state law trademark dilution for Dot Com's use of the word "Zippo" over the

Internet. Dot Com holds the sole privilege to use, for its Internet domain names, the titles "zippo.com," "zippo.net," and "zipponews.com."

Manufacturing, a Pennsylvania corporation with its principle place of business in Pennsylvania, produces "Zippo" lighters. Dot Com maintains its principle place of business in California. Dot Com runs an Internet web site and news service to which customers around the country can subscribe by way of an on-line application. Pennsylvania residents represent approximately two percent of Dot Com's total

subscribers. Additionally, the company contracted with seven Internet access providers located in Pennsylvania. Together, these seven access providers constitute Dot Com's contacts with Pennsylvania. Dot Com moved to dismiss the case for lack of personal jurisdiction and improper venue in the Western District of Pennsylvania, or, alternately, to transfer venue.

### **Long-arm statutes and the Fourteenth Amendment**

The court laid out basic principles of personal jurisdiction

pursuant to Fed. R. Civ. Pro. 4, noting that personal jurisdiction is appropriate when granted by the forum state's law, provided that the law is constitutional with respect to the Fourteenth Amendment. Under Pennsylvania's long arm statute, personal jurisdiction is appropriate where the nonresident defendant "contract[s] to supply services or things in [Pennsylvania]." The court first pointed out that Dot Com undisputably contracted to provide Internet services to Pennsylvania citizens because it provided three thousand Pennsylvania residents with Internet news services and had contractual relationships with seven Pennsylvania Internet access providers. Further, the court noted that even if personal jurisdiction is not covered by Pennsylvania's long-arm statute, the court has authority to exercise jurisdiction to the "fullest extent allowed under the Constitution."

The court, citing *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475 (1985), maintained that specific personal jurisdiction over a non-resident defendant is proper if the following test is satisfied: (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 (citing *International Shoe Co. v. Washington*, 326 U.S. 310, 319 (1945)). The court found Dot Com satisfied each requirement.

### **"Sliding scale" approach applied to Internet cases**

Case law surrounding the

application of personal jurisdiction with regard to Internet use is relatively sparse however, from the previously decided cases, the court determined 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" when deciding whether personal jurisdiction is constitutional.

The "sliding scale" approach traditionally used in deciding personal jurisdiction questions is applicable to Internet cases. At one end of the scale are situations in which defendants plainly do business over the Internet, such as those who enter into contracts with residents in other jurisdictions. Personal jurisdiction is proper in such cases. The opposite end consists of defendants who merely post information on the Internet, which becomes accessible to residents from outside jurisdictions. Generally, personal jurisdiction has not been exercised in latter cases. However, at least one court found personal jurisdiction properly applied to a defendant company who merely advertised on the Internet. See *Inset Systems, Inc. v. Instruction Set*, 937 F. Supp 161, 165 (D. Conn. 1996). The sliding scale's middle area contains interactive Web sites which provide an outlet whereby a user can swap information with the "host computer."

### **Court holds personal jurisdiction and venue proper**

The court held Dot Com met all three prongs of the personal jurisdic-

tion test: (1) sufficient minimum contacts; (2) claim arises out of those contacts; and (3) jurisdiction is reasonable. First, Dot Com contracted with 3,000 individuals and seven Internet access providers in Pennsylvania. The court ruled that this constitutes "doing business over the Internet." The choice to do business with Pennsylvania residents reasonably notified Dot Com of the possibility that it could become party to a law suit in Pennsylvania. The court rejected Dot Com's argument that its activities in Pennsylvania were too few to develop a "substantial connection" with the state, pointing out that even a single contact can constitute a substantial connection. Thus, the court held that Dot Com had "sufficient minimum contacts" with Pennsylvania, thereby meeting the first prong of the personal jurisdiction test.

Second, because "a sufficient amount of the alleged infringement and dilution and resulting injury occurred in Pennsylvania," the court held that the claims against Dot Com were a direct result of its activities in Pennsylvania. Accordingly, Dot Com fulfilled the second element of the personal jurisdiction test.

Finally, the court relied on *World Wide Volkswagen v. Woodson*, 444 U.S. 286 (1980), in finding that Pennsylvania's strong interest in the suit combined with Manufacturing's convenience in filing in Pennsylvania outweighed the burden imposed upon Dot Com. Therefore, the court found the third (reasonableness) prong of the personal jurisdiction test to be satisfied. Hence, the court held it could properly exercise

personal jurisdiction over Dot Com. Under 28 U.S.C. § 1391, venue is proper in a “. . . district where any defendant resides, if all defendants reside in the same state.” 28 U.S.C. § 1391. A corporation is deemed to

reside anywhere it is subject to personal jurisdiction when the suit is brought. Thus, because Dot Com is the only defendant and is subject to personal jurisdiction in the Western District of Pennsylvania, the court

declared venue to be proper. Accordingly, the court denied Dot Com’s motion to dismiss for lack of personal jurisdiction and venue. •

## ***Unauthorized use of a federally protected trademark in an Internet domain name is prohibited***

by Linda A. Kerns

In *Cardservice International, Inc. v. McGee*, Civ. A. No. 2:96cv896 1997 WL 16795, at \*1 (E.D. Va. Jan. 16, 1997), the United States District Court for the Eastern District of Virginia held that the unauthorized use of an Internet domain name which includes a protected trademark violates federal law. Cardservice International brought suit against Webster R. McGee (“McGee”) seeking damages and injunctive relief for McGee’s use of the domain name “cardservice.com,” alleging infringements of its federally protected trademark, “Cardservice.” The court granted Cardservice International’s request for a permanent injunction and the payment of reasonable attorneys’ fees.

A domain name is the method for locating a World Wide Web site (“site”) on the Internet. A site is a combination of computer graphics and text that a company uses to provide information to potential customers who can access the page with a computer and a modem. The designation “.com” at the end of the domain name indicates that the site is owned by a commercial entity. A domain name is as unique as a telephone number in that it is a specific method of reaching another party. Internet domain names are awarded to individuals who register on a first come, first serve basis. Businesses typically use some derivation of their business name as their domain name for ease of identification. McGee registered the Internet domain name, “cardservice.com” with Network Solutions, Inc., the company which regulates the use of Internet domain names. McGee used the name “cardservice.com” as the address for his site, where he advertised credit and debit services through a company called “EMS—Card Service

on the Caprock.”

Cardservice International also provides credit and debit card services and had registered the trademark “Cardservice International” with the United States Patent and Trademark Office prior to McGee’s use of the name “cardservice.com.” Cardservice demanded that McGee cease and desist any Cardservice related activity on the Internet. However, McGee refused to relinquish “cardservice.com” or to cease the use of the words “Card Service” on the Internet. He argued that part of his business name, Card Service, is two separate words and he registered it on the Internet as one word only because domain names do not allow a space. When Cardservice International developed a site on the Internet, it had no choice but to use the alternate domain name, “cardsvc.com.” Cardservice maintained that his could cause potential customers to inadvertently reach McGee’s site when they intended to reach Cardservice International.

### **Cardservice International protests the unauthorized use of its federally protected trademark**

Cardservice International filed the described action alleging violations of the Lanham Act, 15 U.S.C. § 1114, for trademark infringement and unfair competition as well as common law unfair competition, unjust enrichment and misappropriation. The Lanham Act protects those who hold valid trademarks from unlawful infringement. McGee proceeded pro se and counterclaimed seeking declaratory relief, asserting that he was the