Web Site Story 2 - Finding Yourself Subject To Jurisdiction Far, Far Away

by David Rabinowitz

One of the genuinely new legal traps lying in wait for Web site hosts is the expanded number of states in which they will find themselves subject to jurisdiction. If your company's overall legal policy is to try to restrict the number of places where it can be haled into court, recent court developments concerning the Internet should give you pause.

A Special Rule for Web Sites

Let us assume that a company sets up an "800" telephone number to promote, advertise and accept orders for its products and services. Assume that the machine that answers the 800 number, which has a menu of choices for the caller to select either a variety of recorded messages in the nature of advertisements about topics of interest to the particular caller or an operator, is located in California. A company in Missouri in the same business has a similar trademark and believes that the California business is infringing its mark. Is there jurisdiction in Missouri over the California defendant in the ensuing trademark law suit based solely on the use by some Missourians of the 800 number? What if the advertising and order taking is handled not through an 800 number but by a Web site?

To these questions, a federal trial court in St. Louis has answered, respectively, "no" and "yes." In a case called *Maritz Inc. v. CyberGold Inc.*, 40 U.S.P.Q.2d 1729 (E.D. Mo. 1996) the court held that Missouri had jurisdiction over the Web site host based solely on the California Web site.

If the plaintiff succeeded in proving its case on the merits the Court held, defendant's wrongful act of trademark infringement, albeit committed outside of the state, would be one injuring the plaintiff within the state of Missouri, where it was located. This, plus the fact that the Web site was open to visits from Missourians who would be solicited to patronize defendant's services, was enough to subject defendant to Missouri jurisdiction.

To reach this result, the Court had to distinguish earlier decisions which held that the advertising of an 800 number in a national publication did not subject the advertiser to jurisdiction. The Court found a constitutional distinction between an Internet Web site and an 800 number. It concluded that the mere creation of and posting of information in a Web site are all one need do to reach a global audience. An Internet user can find an advertiser's site on-line using publicly available Internet search engines. A print medium, on the other hand, is needed to advertise the 800 number, the Court said. This makes the Web site qualitatively different from the 800 number.

While one may quarrel with some of its factual premises, the St. Louis Court is not the only court to come the same conclusion. *See also EDIAS Software Int'l, L.L.C. v. BASIS Int'l Ltd.*, 947 F. Supp. 413 (D. Ariz. 1996) (New Mexico defendant posted allegedly defamatory messages on its Web site and sent the same messages by e-mail and through a Compuserve forum into Arizona); *Panavision Int'l v. Toeppen*, 938 F. Supp. 616 (C.D. Calif. 1996) (domain name pirate preempted a California corporation's domain name and created a Web site under that name); *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996) (involving, ironically, a Web site that was used to disseminate the defendant's 800 number).

Not all courts agree that the mere installation of a Web site creates nationwide jurisdiction. In another trademark infringement case, a New York federal district court refused to accept jurisdiction over a Missouri Web site operator. *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y. 1996). There, the New York jazz club "The Blue Note" sued a jazz club operating in Missouri under the same name for trademark infringement, basing its claim of New York jurisdiction on defendant's Missouri Internet site. In rejecting jurisdiction, the New York court noted that defendant's site was entirely informational, selling no tickets or anything else. The court stated, "The mere fact that a person can gain information on the allegedly infringing product is not the equivalent of a person advertising, promoting, selling or otherwise making an effort to target its product in New York." This case suggests that what a Web site does in distant states may be more important than its mere existence.

What to Do?

For companies that are not unusually sensitive to exposure to jurisdiction nationwide concerning what they do on

their Web sites, the expanded jurisdiction problem will probably become just another risk or cost of doing business. In 1997, it is virtually unthinkable for a major, interstate business not to have a Web site.

In situations where material on the Web site is known to be prohibited in certain other states, Web site visitor registration may be the answer. This procedure, requiring would-be Web site visitors to disclose their locations, would tend to defeat any argument that the Web site host was deliberately taking advantage of the opportunity to do business in the state of concern. This procedure was suggested by the court in *Playboy Ent., Inc. v. Chuckleberry Pub., Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996) to keep Americans from obtaining trademark infringing material from an Italian Web site. However, such a registration system could easily be defeated by dishonest visitors, and it is not inconceivable that a court could find that the Web site host implemented a measure known to be ineffectual to keep its message out of that state, thereby in fact knowingly projecting its Web site into that state.

Statements confining the commercial message of the Web site to certain states, for example, "offer not available in New Jersey," may solve some problems. If the software should become available, automatically screening out visitors from sensitive areas would be the ideal solution.

Finally, this issue has not been considered by an appeals court and, as one judge has said, district (trial) court decisions are written in sand. Written in sand or not, however, later events may prove them to have been the writing on the wall, and the prudent Web site host should treat them as the law until and unless they are reversed.

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