



presents

Personal Jurisdiction Based on Internet Presence, E-mail, Instant Messaging and Other E-Contacts

Leveraging the Evolving Minimum Contact Standards in Commercial Litigation

A Live 90-Minute Teleconference/Webinar with Interactive Q&A

Today's panel features:

Robert Friedman, Partner, **Sheppard Mullin Richter & Hampton**, New York

David Enzminger, Partner, **O'Melveny & Myers**, Los Angeles

Wednesday, January 27, 2010

The conference begins at:

1 pm Eastern

12 pm Central

11 am Mountain

10 am Pacific

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Electronic Contacts and the Long Arm of the Law



January, 2010

Presenter: Robert S. Friedman



Robert S. Friedman

Partner

Mr. Friedman is a litigator and former prosecutor with particular experience in the areas of intellectual property, internet marketing, securities litigation, internal investigations, director and officer liability and bankruptcy litigation.

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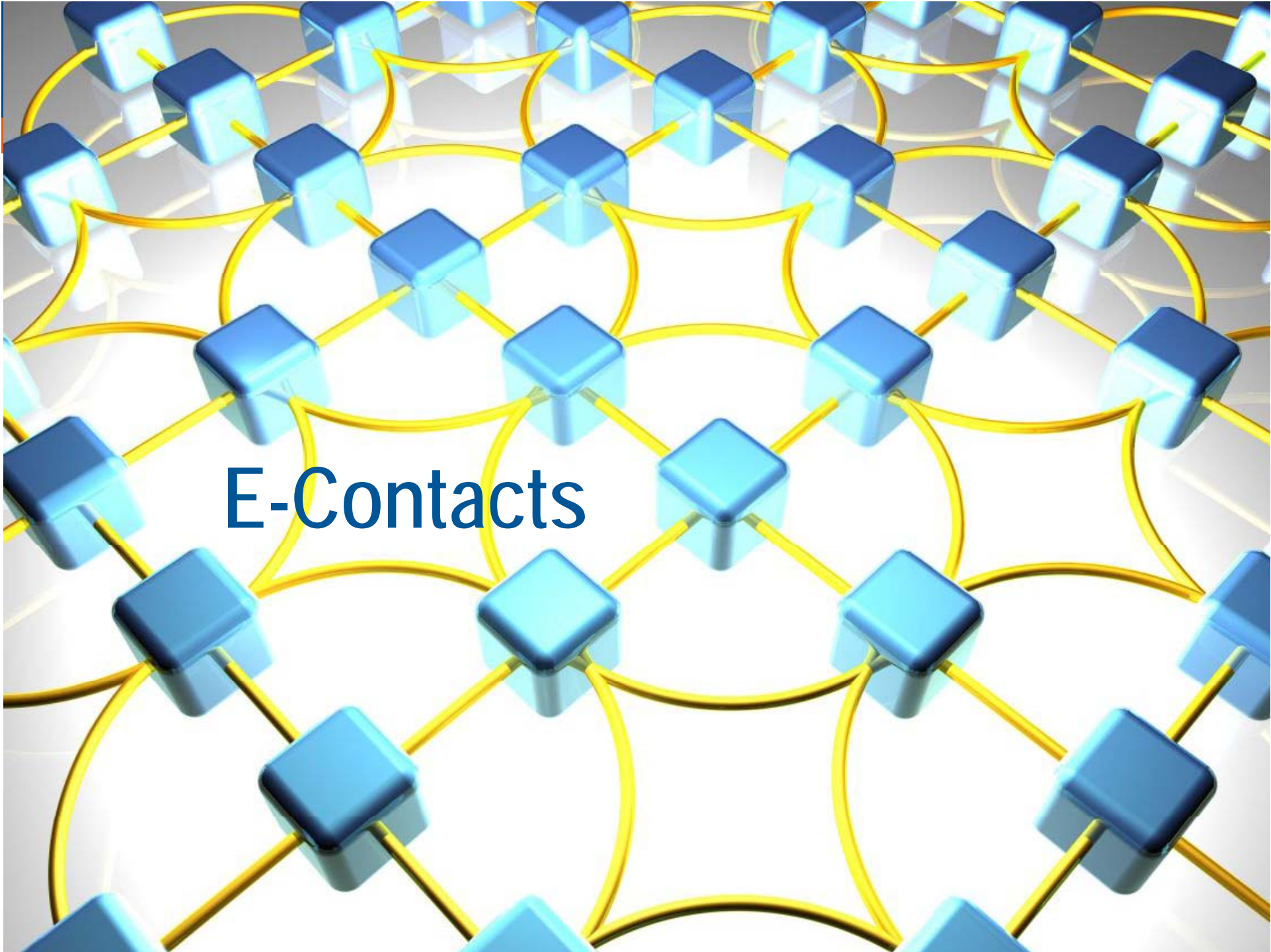
Overview of Sheppard Mullin Richter & Hampton LLP

- Founded in 1927
- More than 500 lawyers
- Wide range of specialties, including litigation, corporate law, intellectual property, and information technology
- Eleven offices: eight in California, one in New York, one in DC and one in Shanghai

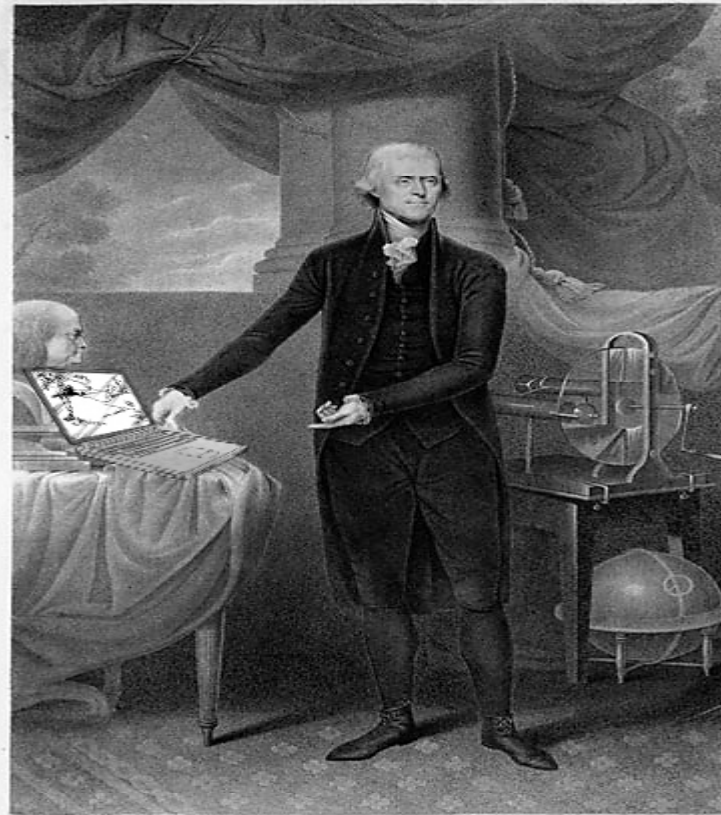


Long Arm Jurisdiction





E-Contacts



THOMAS JEFFERSON

President of the United States.

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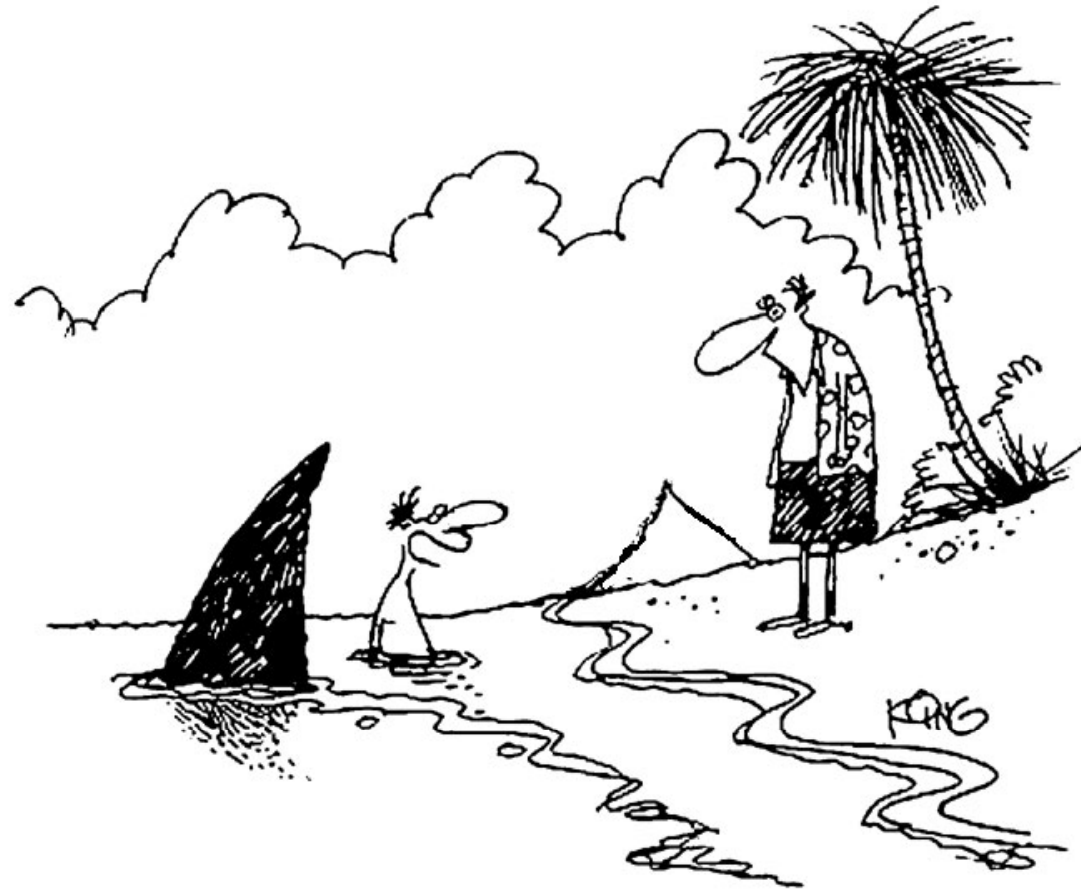


Chloé v. Queen Bee of Beverly Hills

Wouldn't a simpler rule – e.g., one holding that an internet seller is subject to jurisdiction anywhere he delivers a product – be preferable, if only to avoid the social cost of repeated litigation over whether ‘the quality and nature of the defendant’s activity’ support jurisdiction?”

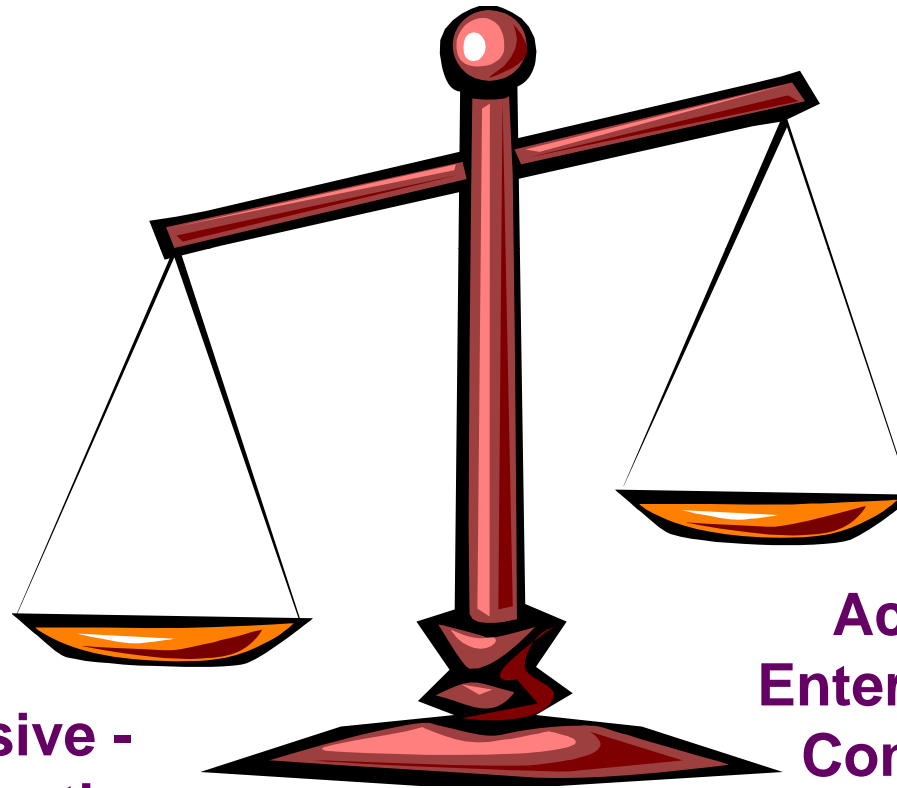


“Whatever practical advantages there might be to a single-sale rule, such a rule simply cannot be squared with the fact and context-intensive inquiry International Shoe calls for.



“See, I told you sharks don’t attack lawyers. It’s a respect thing.”

The Zippo Sliding Scale



**Passive -
Information**

**Active -
Entering Into
Contracts**

Interactivity

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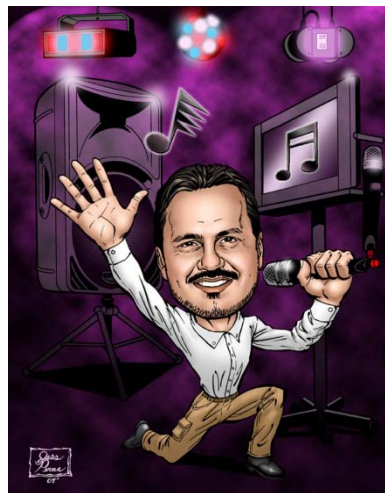
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Websites

Websites

Sony/ATV Music Publishing LLC v. CAVS USA, Inc.

Jurisdiction found based on on-line orders to over 100 Tennessee customers and 2.5% of products sold to state's residents were internet-based.



Websites

New Angle Pet Products v. MacWillie's Golf Products

Jurisdiction found based on sales of only \$32.97 from the internet.



Websites

Square D Company v. Scott Electric Company

Jurisdiction found based on 24 Pennsylvania customers and less than 1% of total sales to those customers.



Websites

Salu, Inc. v. Original Skin Store

Jurisdiction found based on \$6,950 worth of sales to CA customer



Websites

Starlight Int'l LTD v. Lifeguard Health LLC

Jurisdiction found based on only 0.24% of sales to CA on-line customers, which amounted to about \$2,500 total.



Websites

Renaissance Health Publishing v. Resveratrol Partners

Jurisdiction found based on 2.4% of total gross domestic sales to FL residents.



Websites

Societe des Bains de Mer v. MGM Mirage

Jurisdiction found where hotel rooms and vacation packages were sold to NY customers on-line although revenue was not considered.



Websites

Variant, Inc. v. Flexsol Packaging Corp.

Finding minimum contacts for jurisdiction where defendants website allowed potential customer to book hotel rooms at the Inn, purchase tickets to tour the estate, or purchase products, and there was evidence of sales in Texas.

Websites

M. Shanken Communications v. Cigar500.com

Jurisdiction found where 10% of total international revenues were sales to NY customers.



Websites

Wall v. Epic Financial Management

Denying plaintiffs' request to conduct jurisdictional discovery and, ultimately, dismissing the matter against Epic for lack of personal jurisdiction, even though plaintiffs plead that Epic maintained an interactive website which could be accessed in Texas, where the plaintiffs failed to present any evidence that the website actually reaches, targets or conducts business with a portion of the Texas population.

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Personal Jurisdiction in the Clouds

Social Networking Site and File Sharing

Capitol Records, LLC v. VideoEgg, Inc.

No jurisdiction based on “sheer availability” of infringing product on website.

But found jurisdiction based on “substantial” ad sales to NY companies.



Social Networking Site and File Sharing

IO Group, Inc. v. LaPerna

No jurisdiction where there were no sales in CA.

Uploading files onto CA server and allowing 1 CA business to advertise on website not enough for jurisdiction.

Virtual Data Rooms

Forward Food LLC v. Next Proteins, Inc.

Jurisdiction found based on single visit to NY, uploading of due diligence documents to a virtual data room for review in NY, and several emails sent to NY.

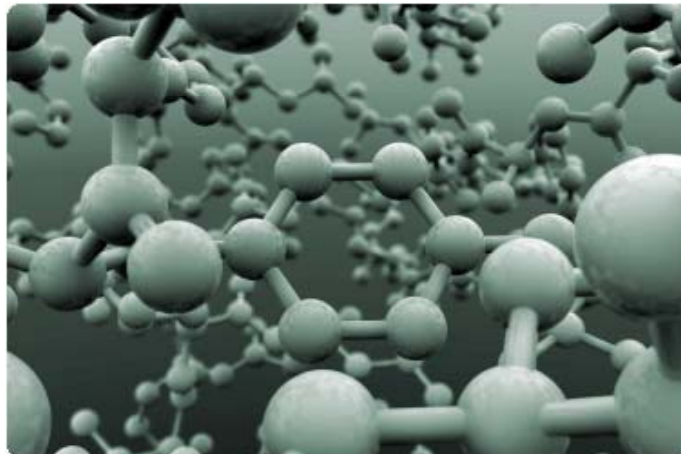


Photo-Sharing

Chang v. Virgin Mobile USA

The court did not find personal jurisdiction even though servers were located in Texas.



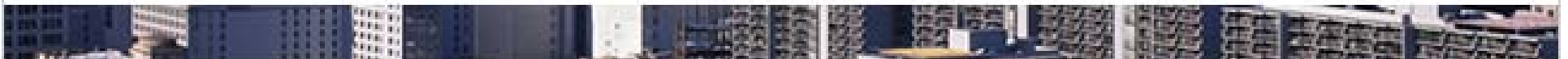


O'MELVENY & MYERS LLP

David P. Enzminger
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Personal Jurisdiction and Internet Contacts: From a Tort Actions Perspective





Jurisdiction for Specific Claims

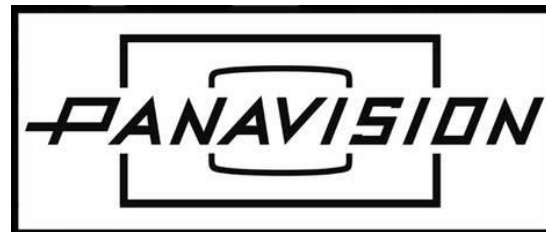
- Trademark
- Copyright
- Trade Secret
- Computer Fraud and Abuse Act
- Defamation



Trademark – Jurisdiction

- Typical Situation

- Use of conflicting marks on Internet sites or domain name registration.
- Internet allows easier detection of conflicting use of similar marks
- Which forums may exercise personal jurisdiction?





Trademark *Cybersell, Inc.*

- Plaintiff Cybersell, Inc., an Arizona corporation alleged trademark infringement against Defendants Cybersell, Inc., a Florida corporation.
- Cybersell (Florida) did no business in Arizona
- Applying *Zippo* test, Court found no jurisdiction.
 - *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997) (No personal jurisdiction)



Zippos test for Jurisdiction

- Sliding scale approach based on how interactive a website is.
 - Passive websites where information is posted and users can only view it – Insufficient contacts for personal jurisdiction.
 - Commercial interactive websites that involve the knowing and active transmission of computer files, engaging in business with residents of a foreign jurisdiction – Sufficient contacts to find personal jurisdiction.
 - *Zippos Mfg. Co. v. Zippos Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997)
- Defendants' website was passive.
- Further, no commercial activity sought or achieved in the forum.



Trademark *Panavision v. Toeppen*

- Panavision - principal place of business in California - registered trademarks for “Panavision”
- Toeppen, an Illinois resident, registered multiple domain names of famous trademarks, including “Panavision.com.”
- Defendant offered to sell the domain names to the trademark owner.
- When Panavision declined to buy the domain, Toeppen registered “Panaflex.com” also.
 - *Panavision v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).



Trademark – *Panavision* Jurisdiction found

- Court analyzed personal Jurisdiction under *Calder v. Jones* effects test:

- (1) intentional actions
- (2) express aiming at forum state
- (3) causing harm, the brunt of which is suffered – and which defendant knows is likely to be suffered – in forum.



- *Calder v. Jones*, 465 U.S. 783, 104 S. Ct. 1482, 789 L. Ed. 2d 804 (1984)

- California had jurisdiction because Toeppen aimed his conduct intentionally at Panavision, with knowledge that it would cause harm in California.



Pana, Illinois



- Would the result have been different if Toeppen had not registered multiple domains, but only posted photos of Pana?



Trademark *Pebble Beach v. Caddy*

- Pebble Beach, a golf course and resort in Monterey County, California.





Trademark *Pebble Beach v. Caddy*

Caddy operated a bed and breakfast in southern England called, “Pebble Beach” and advertised on passive website “pebblebeach-uk.com”





Trademark - *Pebble Beach* No Jurisdiction

- No jurisdiction because Caddy's website was passive and he did not "aim" his website at California.
- a mere foreign act with foreseeable effects in the forum is insufficient, there must be "something more"
 - *Pebble Beach v. Caddy*, 453 F.3d 1151 (9th Cir. 2006)



Trademark *Advice Co. v. Novak*

- Plaintiff California corporation owned and operated a website using the registered mark: “ATTORNEYPAGES”
- Defendant Arizona company used the mark “ATTORNEYYELLOWPAGES.COM”.
- Defendant solicited business in California through mailings and magazine ads, and maintained a website accessible by California residents.
- Paid ads on Google - a California company
- Made no direct sales to California residents.
- Plaintiff sues in California for trademark infringement.
- Result?

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Trademark – Advice Co. No jurisdiction

- No Purposeful Availment
 - Court attributed advertising in California to third party not Defendant.
 - Discussions concerning infringement claims initiated by plaintiff did not constitute purposeful availment.
- No Purposeful Direction (*Calder* effects test)
 - No indication that Novak knew of Plaintiff's trademark before the cease-and-desist letter was sent and therefore Plaintiff did not establish that Novak expressly-aimed his actions at California.



Trademark

The Bear Mill v. Teddy Mountain, Inc.

- Same basic facts as *Advice Co.*
- Except The Bear Mill and Teddy Mountain were direct competitors for Internet sales of teddy bears.
- Teddy Mountain knew The Bear Mill was in Idaho.



- Held: Idaho could exercise jurisdiction because Teddy Mountain's knowledge that The Bear Mill was in Idaho and direct competition provided the required "something more" to obtain jurisdiction.



Trademark – Jurisdiction Lessons

- Purposeful Direction analysis under *Calder v. Jones* is primary test for trademark infringement claims arising out of Internet postings
- Passive website insufficient; “Something more” than merely posting or registering web domain required.
- Merely entering into contracts with entities in forum state are not sufficient to find purposeful availment.
- Knowledge of plaintiff’s mark and location necessary.
 - Without knowledge of Defendant’s trademark, even if there is harm in the forum state, Plaintiff could not have “expressly aimed” its actions.



Copyright Infringement

Brayton Purcell LLP v. Recordon & Recordon

- Defendant's website copied an entire section of plaintiff's website providing information on its elder-abuse practice.
- Brayton, a Northern California law firm sued Defendant for copyright infringement.
- Defendant was a law-firm based in San Diego and its practice was limited to Southern California.
- Defendant appealed denial of motion to dismiss for improper venue (same standard as personal jurisdiction in copyright cases).
- Defendants did not have at any time any clients in Northern California.
- Result?



Copyright Infringement – *Brayton* Jurisdiction found

- Three-part *Calder* effects test applied:
- **Intentional act**: Creating a section on Defendant's website that infringed Plaintiff's copyright.
- **Express aiming**: Even though website was passive, "something more" was found:
 - few firms have elder-abuse expertise, defendant would be in direct competition with plaintiff.
 - Defendant "directly targeted" plaintiff by making commercial use of the copyrighted material
- **Causing Harm**: satisfied because defendant's intentional acts had foreseeable effects in the forum as a result of direct competition.





Copyright Infringement – Jurisdiction Lessons

- “Directly targeting” with a passive website is sufficient to find personal jurisdiction.
- Directly targeting may amount to directly competing with foreseeable harm, if defendant knew copyright owner resided in the forum.
- Because copyright infringement is an intentional act, majority finds that “brunt” of the harm will be in the forum state.



Trade Secret Misappropriation *Sky Capital Group, LLC v. Rojas*

- Sky Capital Group operated Roady's Truck Stops, maintained its principal place of business in Idaho.
- Defendants were former employees of Roady's but resided in Florida and Wisconsin.
- Defendants allegedly accessed Roady's information in Idaho to use in setting up a competing business.





Trade Secret Misappropriation – *Sky Capital Group* Jurisdiction found

- *Calder* effects test applied:



- **Intentional act**: Repeated access of plaintiff's servers which they knew to be in Idaho because of their employment were intentional acts.
- **Express aiming**: Regardless of whether defendants knew where the servers were located, defendants' employment with plaintiff was evidence that defendants knew plaintiff was located in Idaho.
- **Causing harm**: Because defendants knew plaintiff to be located in Idaho, it was more than foreseeable that harm would be suffered by Plaintiff (direct competition and lost sales) in Idaho.



Trade Secret Misappropriation – Jurisdiction lessons

- It is the Defendant's knowledge of the location of plaintiff that is relevant, not the location of the resource being accessed.
- When harm comes from foreseeable direct competition and lost sales, combined with knowledge of the location of plaintiff, it will usually satisfy both the “express aiming” and “causing harm” prongs of the *Calder* effects test.



Computer Fraud and Abuse Act – *Premedics, Inc. v. ZOLL Medical, Corp.*

- Premedics, a Tennessee resident, created and marketed a web-based system to assist in the operation and maintenance of external defibrillators.
- ZOLL Medical, a Massachusetts based company, hired Johnson to create a competing website.
- Johnson accessed the Premedics website without authorization and obtained proprietary information.
- Defendants argued all alleged activities were conducted outside of Tennessee and they had no contacts with Tennessee.
- Defendants claimed not to know that Premedics was located in Tennessee.



Computer Fraud and Abuse Act – *Premedics* Jurisdiction found

- *Calder v. Jones* effects test applied:



- **Intentional act**: No doubt that defendants acted intentionally when accessing plaintiff's website.
- **Express aiming**: When accessing plaintiff's website, plaintiff's physical location was known or should have been known to defendants because ***plaintiff's address was plainly stated on the website.***
- **Causing harm**: Harm was felt in Tennessee through direct competition and lost sales, and the defendants should have known that the harm would be felt in Tennessee.



Defamation

Nw. Voyagers, LLC v. Libera



- Defendants purchased a trip to climb Mount Kilimanjaro.
- Defendants claimed they were given contaminated drinking water on the trip.
- Defendants sent an email and letter seeking a partial refund and threatened to “go public” with the information if the refund was not paid.
- Defendants sent emails to current and former business partners of plaintiffs (outside of the forum) and made numerous Internet postings to travel websites.
- Plaintiff alleges emails and postings contained false and defamatory statements.
 - *Nw. Voyagers, LLC v. Libera*, 2009 WL 3418199 (D. Idaho Oct. 19, 2009)(not reported in F. Supp. 2d).



Defamation – *Nw. Voyagers* Jurisdiction found

Applying *Calder* effects test:

- **Intentional act**: Emails and postings were intentional acts.
- **Express aiming**: Express aiming found because emails and internet postings were made with the express intent and purpose of damaging the reputation of plaintiff in the forum state.
- **Causing harm**: Harm was felt by plaintiffs in forum, as the defendants intended.

Defamatory activities directed out-of-forum may still create contacts sufficient to find personal jurisdiction if the activities were made with the intent to harm the plaintiff in the forum state.



Defamation

Gorman v. Jacobs

- Gorman, a Pennsylvania podiatrist, posted an article critical of health care costs.
- Defendants were three doctors who posted comments concerning Mr. Gorman's alleged hypocrisy for being a "well-known" plaintiff's expert responsible for driving up costs.
- Gorman conceded that the only contacts defendants had with Pennsylvania were through their Internet activity.



Defamation – *Gorman* No Jurisdiction

- Court found Pennsylvania lacked jurisdiction because, Gorman failed to meet the express-aiming prong of *Calder* effects test:
 - Nothing on website identified it to be specific to the forum state or that it would direct user-comments into the forum state or another state.
 - Even though defendants had knowledge that plaintiff was a resident of the forum state, none of their individual comments were found to be directed into the forum state, but were intended be national.
 - Even though one comment was directed against plaintiff, the comment did not contain a connection with the forum state.



Personal Jurisdiction for Internet Activities

- Active websites selling products – usually result in personal jurisdiction where sales made. (Zippo sliding scale test)
- Passive websites may create personal jurisdiction, if content is tortious **and** defendant aims the content at the forum state, where defendant knows or intends the “brunt” of the harm to occur in the forum.
- Using the Internet to commit an intentional tort will create personal jurisdiction, if the defendant knows or should have known his actions would cause harm in the forum.



Questions?





David Enzminger



David Enzminger is a partner in O'Melveny's Los Angeles office and a member of the Intellectual Property and Technology Practice within the Litigation Department. He has extensive technology litigation experience, with an emphasis on patent, trade secret, trademark, and antitrust matters.



References

- *Advice Co. v. Novak*, 2009 WL 210503 (N.D. Cal., Jan. 23, 2009)(not reported) (No Personal Jurisdiction).
- *Brayton Purcell LLP v. Recordon & Recordon*, 575 F.3d 981 (9th Cir. Cal. 2009) (Jurisdiction found in copyright case).
- *Calder v. Jones*, 465 U.S. 783, 104 S. Ct. 1482, 789 L. Ed. 2d 804 (1984)(Effects test focusing on the extent to which Defendant's conduct is aimed at forum).
- *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997)(No personal jurisdiction).
- *Gorman v. Jacobs*, 597 F. Supp. 2d 541 (E.D. Pa. 2009)
- *Nw. Voyagers, LLC v. Libera*, 2009 WL 3418199 (D. Idaho Oct. 19, 2009)(not reported in F. Supp. 2d).
- *Panavision v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998)(Jurisdiction).
- *Pebble Beach v. Caddy*, 453 F.3d 1151, 1155 (9th Cir. 2006).
- *Premedics, Inc. v. Zoll Med. Co.*, 2007 WL 3012968 (M.D. Tenn. Oct. 9, 2007)(not reported in F. Supp. 2d).
- *Sky Capital Group, LLC v. Rojas*, 2009 WL 1197956 (D. Idaho Apr. 30, 2009)
- *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997)