COMMENT:

CYBER-CHAOS: PERSONAL JURISDICTION ISSUES IN INTERNET DISPUTES CAUSED BY AMERICAN AND CANADIAN CONFLICTS IN LAW

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I. INTRODUCTION

"[T]he Internet circumnavigates the globe."[1]

The Internet has emerged as a new source of legal disputes. Both the United States federal courts and Canadian tribunals are faced with a new wave of lawsuits involving the Internet. Electronic commercial transactions may delve into such legal issues as defamation (e.g. via electronic mail[2] and chat rooms[3]), trademark and copyright infringement (e.g. via domain names), and breach of contract (e.g. disputes arising out of adhesion contracts), to name a few. Courts can no longer avoid the substantive and jurisdictional issues involving the Internet, which has become an indispensable part of modern life.

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[1] Alexander Gigante, *Ice Patch on the Information Superhighway: Foreign Liability for Domestically Created Content*, 14 CARDOZO ARTS & ENT. L.J. 523 (1996).

[2] Electronic mail "allows computer network users to send messages to each other which are received at an 'electronic mailbox' identified by the recipient's unique user name and address." United States v. Barker, 890 F. Supp. 1375, 1379 n.1 (1995).

[3] "[T]wo or more individuals wishing to communicate more immediately or on a more or less real-time basis can enter a chat room and engage in a dialogue by typing messages to one another that appear almost immediately on the other person's computer screen." Reno v. ACLU, 117 S.Ct. 2329 (1997).

Conflicting substantive law between Canada and the United States gives rise to legal disputes, because what may be considered as legal Internet conduct in the United States might be deemed illegal in Canada and vice versa. The significant differences between Canadian and American substantive laws involving, for example, copyright infringements and defamation, highlight the need to tackle critical questions regarding personal jurisdiction and forum-shopping.

Personal jurisdiction is a recurring issue brought about by an influx of Internet cases into the United States federal courts and Canadian tribunals. Potential plaintiffs recognize that different jurisdictions have different laws, and thus may choose the jurisdiction most favorable to them. Most defendants in Internet disputes are either nonresident or foreign defendants.[4] Canadian and American courts must be careful in assessing whether they have jurisdiction over these defendants because the effects of asserting jurisdiction could be far-reaching. Once an American court asserts jurisdiction over a foreign defendant, such as a Canadian, its decision may determine the acts and disposition of foreign Internet users who could be subjected to American jurisdiction.

In the United States, federal courts are slowly developing inconsistent standards and decisions on whether to assert jurisdiction over foreign defendants. No hard and fast rule on this jurisdictional issue can be pegged down as yet. As a result, potential litigants have taken advantage of the uncertainty. In 1997, for example, Avery Dennison, an American corporation, sued defendants from Canada for Internet trademark infringement.[5] Avery Dennison brought its suit in the United States because American trademark law was more advantageous to its case, though all the defendants were Canadian and the alleged infringement happened in Canada.

This Comment explores conflicts in Canadian and American law that may cause problems concerning personal jurisdiction in Internet litigation, and

[4] For the purposes of this paper, the term "nonresident defendant" denotes a defendant from another state and the term "foreign defendant" denotes a defendant from another country.

[5] Avery Dennison v. Sumpton, et al., No. 97-0407 JSL (CD CA, complaint filed 19 February 1997, answer and counterclaims filed 22 April 1997).

suggests alternative solutions that the courts may adopt in addressing jurisdiction issues. Section two of this Comment discusses the nature of the Internet. Section three gives three examples of potential conflicts between Canadian and American law and uses these examples to explore the consequences of the doctrine of personal jurisdiction. Section four gives an overview of current developments in Internet litigation in the United States in relation to personal jurisdiction. Section five recommends alternative solutions to Canadian-American Internet disputes: (1) reassessing laws from each country that create potential conflict in Internet commerce; (2) amending the North American Free Trade Agreement (hereinafter, NAFTA) to include arbitration procedures specific to Internet disputes; (3) adopting an agreement similar to the European Convention on Transfrontier Television, which could settle which country would have exclusive regulatory jurisdiction over the cases in question.

II. NATURE AND PURPOSES OF THE INTERNET

The Internet has been defined as a "[s]ystem of interconnected computers that allows the exchange of information between connected computers."[6] Essentially, it is the world's largest computer network.[7] The Department of Defense first developed the Internet in 1969 to facilitate the free and quick exchange of information among government agencies, educational institutions and the scientific community.[8] This government project aimed to decentralize a source of information to self-maintaining computer networks that rerouted communication to one or more individual computer links from which the public could access information.[9]

In the past few years, the popularity of the Internet has rapidly increased. At present, the Internet has gone beyond government control and caters to a large, diverse group of users from around the globe.

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[6] CompuServe, Inc. v. Patterson, 89 F.3d 1257, 1260, n.2 (6th Cir. 1996).

[7] CompuServe, Inc. v. Patterson, 89 F.3d 1257, 1260, n.2 (6th Cir. 1996), citing United States v. Baker, 890 F.Supp. 1375 n.1 (1995). Hereinafter, short-form "Net" is used to mean "Internet."

[8] Craig P. Gaumer, *The Minimum Cyber-Contacts Test: An Emerging Standard of Constitutional Personal Jurisdiction*, 85 ILL.B.J. 58, 59 (1997).

[9] ACLU v. Reno, 929 F. Supp. 824, 831 (1996).

An individual can access the Internet either through a computer network provided by schools or companies, or through a subscription with "commercial servers,"[10] which enable a personal computer to access the Web[11] through a telephone line. The two most common methods of communicating in the Internet are electronic mail (e-mail) and browsing[12] the Web.[13] Regardless of how an individual obtains access to the Web, any individual online may take advantage of a variety of services it provides.[14]

Most Internet transactions do not end up causing legal problems and disputes. However, there has been an increasing number of disputes arising mostly out of commercial Internet transactions, giving rise to personal jurisdiction and forum shopping issues. The nature of the Internet allows users to access a website[15] while remaining oblivious to possible questions on jurisdiction that may emerge when causes of action resulting from Internet transactions arise.[16]

For example, a florist who only intends to sell flowers locally but advertises on the Web, cannot prevent a buyer from another state or even another country from accessing the website and purchasing flowers.[17] In the event that this florist is sued by a plaintiff from another country, there could

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[10] Commercial servers provide "extensive and well-organized content within their own proprietary networks" and "allow subscribers to link to the much larger resources of the Internet." CompuServe, Inc., v. Patterson, 89 F.3d at 1260 n.3. *See generally*, ACLU v. Reno, 929 F.Supp. 824, 833 (1996). Among the more popular commercial servers in the United States are American Online, CompuServe, and the Microsoft Network.

[11] The World Wide Web allows users to search for and retrieve information stored in remote computers, as well as, in some cases, to communicate back to designated sites. The Web consists of a vast number of documents stored in different computers all over the world. *See* Reno v. ACLU, 117 S. Ct. 2329 (1997).

[12] Browsing constitutes a "hit" to a web site. A hit is the accessing and down-loading of a file from the Web to the drive on a viewer's computer. Eric Schneiderman and Ronald Kornreich, *Personal Jurisdiction and Internet Commerce*, NEW YORK LAW JOURNAL, 4 June 1997, at 4.

[13] Gaumer, *supra* note 8, at 59.

[14] Gwenn M. Kalow, *From the Internet to Court: Exercising Jurisdiction over World Wide Web Communications*, 65 FORDHAM L.REV. 2241, 2244 (1997).

[15] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1231 (N.D. Ill. 1996). A "Web site" or "Web page" is a computer data file operating from a Web server which may contain any message, name, word, sound or picture, or combination of such elements, in one or more pages of information.

[16] See David L. Stott, *Personal Jurisdiction in Cyberspace: The Constitutional Boundary of Minimum Contacts Limited to a Web Site*, 15 J.MARSHALL J. COMPUTER & INFO. L. 819, 826 (1997).

[17] See Kalow, *supra* note 14, at 2241.

be problems as to determining where personal jurisdiction lies because the Internet allows users to jump from one jurisdiction to another on an international level within seconds.[18] As there are no physical boundaries delineating the Internet, the inherent feature is its worldwide nature.[19] Thus, this unawareness of the geographical location of parties transacting over the Net inevitably raises a unique issue regarding the well-founded doctrine of personal jurisdiction.[20]

III. CONFLICTING LAWS BETWEEN CANADA AND THE UNITED STATES: LOCAL INTERNET ACTIVITIES IN THE UNITED STATES THAT MAY RAISE POTENTIAL CONFLICTS WITH CANADIAN LAW[21]

A. Copyright and Canadian cultural protectionism

The United States and neighboring Canada exchange billions of dollars worth of goods and services each year.[22] The United States, inevitably, has increasingly exerted its influence on Canada through the years. Given this political and economic dominance, the Canadians' attitude towards their southern neighbor has remained watchful and a bit wary, albeit friendly.[23]

Most of this influence has been attributed to the American cultural industry.[24] The United States-Canada Free Trade Agreement Implementation Act of 1988 (hereinafter, the FTA)[25] defined "cultural industry" to include the

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[18] *See generally*, Shea v. Reno, 930 F. Supp. 916, 929 (S.D.N.Y. 1995).

[19] Carl Oppendahl, *Remedies in Domain Name Lawsuits: How is a Domain Name Like a Cow?*, 15 J.MARSHALL J. COMPUTER & INFO. L. 437, 438 (1997).

[20] David Thatch, *Personal Jurisdiction and the World-Wide Web: Bits (and Bytes) of Minimum Contacts*, 23 RUTGERS COMPUPTER AND TECH. L.J. 143 (1997).

[21] The framework for this section is, in part, based on Alexander Gigante's article (*supra* note 1). His framework in analyzing the differences in the law between the United States and European countries was applied to the analysis on the possible conflicts between the U.S. and Canadian laws.

[22] ROBERT FARNIGHETTI, THE WORLD ALMANAC 206 (1996).

[23] Amy E. Lehmann, Note, *The Canadian Cultural Exemption Clause and the Fight to Maintain an Identity*, 23 SYRACUSE J. INT'L L. & COM. 187 (1997).

[24] Canadians consider Americans dominant in the communications and entertainment industries. See *Canadian Heritage Portfolio Outlook on Program Priorities and Expenditures* <http://www.pch.gc.ca/main/portfolio/port-e/port-e.htm>.

[25] United States - Canada Free Trade Agreement Implementation Act of 1988, Pub. L. No 100-

publication, distribution or sale of books, magazines, periodicals, newspapers, films, video recordings, audio or visual music recordings, and music in print as well as radio, television, cable and satellite broadcasting services.[26] These largely copyright-based industries accounted for over three percent of the U.S. gross domestic product and over 34 billion dollars in foreign sales in 1990.[27] It is not surprising then that American culture overwhelms the Canadian cultural industry with its overflowing exports of copyright-based cultural industry products such as motion pictures, music, and TV shows. The advantage of the United States over Canada has been likened to the advantage of a giant elephant to a mouse, because of the unequal ratio of American copyright-based cultural products in Canada to Canadian cultural products in the United States.[28]

To regulate the influx of American cultural industry to the Canadian market, Canada took a protectionist stance by adopting the Cultural Industries Exemption (hereinafter, CIE) under NAFTA[29] which was carried over from the FTA. With the CIE, Canada bypasses the "national treatment" requirement of NAFTA and avoids NAFTA enforcement procedures regarding the failure to comply with its provisions. The "national treatment requirement" states that "each party shall provide in its territory to the nationals of another party adequate and effective protection and enforcement of intellectual property rights, while ensuring that measures to enforce intellectual property rights do not themselves become barriers to legitimate trade."[30] This means that Canada cannot require more from U.S. industries

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449, 102 Stat. 1851 (1988).

[26] United States - Canada Free Trade Agreement Implementation Act of 1988, Pub. L. No 100-449, art. 2012, 102 Stat. 1851 (1988).

[27] United States Copyright Industries Announce Special 301 Target Countries, International Intellectual Property Alliance, Washington, D.C., 12 February 1993, cited in Hale E. Hedley, *Canadian Cultural Policy and the NAFTA: Problems Facing the U.S. Copyright Industries*, 28 G.W.J. INT'L & ECON. 655, 656 (1995).

[28] See Hale E. Hedley, *Canadian Cultural Policy and the NAFTA: Problems Facing the U.S. Copyright Industries*, 28 G.W.J. INT'L & ECON. 657 (1995). See also, Lehmann, *supra* note 23, at 187.

[29] North American Free Trade Agreement, 17 December 1992, 32 I.L.M. 289 (containing chs. 1-9); 32 I.L.M. 605 (containing chs. 10-22); North American Free Trade Agreement Implementing Act, Publ L. No. 103-182, 107 Stat. 2057 (1993) (codified at 19 U.S.C. 3301); An Act to Implement the North American Free Trade Agreement, ch. 44, 1991-1992-1993 S.C. 1 (Can.) [hereinafter NAFTA].

[30] NAFTA, *supra* note 29, art. 1703 (1992).

exporting to the country than it would require from Canadian corporations.[31] However, the CIE allows Canada to discriminate against U.S. cultural industries by implementing burdensome laws which American companies need to comply with based on the notion of preserving Canada's identity and multicultural heritage.[32] These laws infringe on different aspects of U.S. copyright law and contradict NAFTA's purpose and objective.

American dominance in the copyright-based entertainment industry is curtailed by Canada's steady and unwavering stance protecting its cultural identity. For example, the Canadian Radio-Television Telecommunications Commission (CRTC) regulates both public (Canadian Broadcasting Corporation) and privately owned broadcasting corporations.[33] The general rule is that Canada will broadcast American channels unless there is a Canadian equivalent in order to limit the influence of American culture and lifestyle.[34] For instance, Canada does not broadcast either ESPN or MTV because they have their Canadian counterparts — TSN (The Sports Network) and MuchMusic, respectively.[35] Since United States copyright laws protect fixed expression of ideas,[36] the similarity of these programs with American shows might result in copyright infringement because TSN and MuchMusic copy the show formats of ESPN and MTV. Furthermore, American broadcasts to Canada must be retransmitted simultaneously and unaltered.[37] This poses a problem for American network owners who may want to change some shows (given that they have a right to do so under the American copyright system) to cater to the Canadian audience, because doing so would be in violation of the Canadian prohibition from altering copyrighted works into derivative works.

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[31] Hale E. Hedley, *Canadian Cultural Policy and the NAFTA: Problems Facing the U.S. Copyright Industries*, 28 G.W.J. INT'L & ECON. 657, 666 (1995).

[32] Peter C. Newman, *The Road to Chicoutimi Vice*, MACLEAN'S, 6 October 1986, at 44. See also Lehmann, *supra* note 23, at 195-197

[33] The CRTC is a federal agency established under the 1968 Broadcasting Act. The CBC is the Canadian Broadcasting Corporation. For a brief history of Canadian Television, see Lehmann, *supra* note 23, at 193-194.

[34] Lehmann, *supra* note 23, at 194.

[35] *Id.*

[36] Copyright Act, Title 17 U.S.C. § 101.

[37] An Act to Implement the FTA Between Canada and the United States, ch. 65, 63, 1988 S.C. 2048 (1988) (Can.) (codified in the Copyright Act, sec. 28.01, par. (2) (c)).

Thus, American owners of the copyright of television shows might elect to sue for copyright infringement in derivative works.

The United States responded to the CIE by reserving the right to retaliate against unfair or discriminatory trade actions on the cultural industry sector.[38] A restriction implemented by the United States disallows American advertisers from availing of any tax deduction "for any expenses of an advertisement caused by a foreign broadcast undertaking and directed primarily to a market in the United States."[39] This is the main reason why there are no Canadian advertisements aired in the United States and vice versa. Advertising, a potential business venture, has yet to be exploited because laws in both countries make it burdensome and non-beneficial.

The Canadian cultural industry exemption continues to serve as a trade barrier in this age of the Internet. Canada's campaign for preserving its cultural industry focuses on limiting the entry of American cultural industry exports. American dominance in the cultural industry also extends to the Internet. Thus, with Internet technology, any and all American publications are now accessible through different websites to all Canadians. It would be hard to implement the general rule that American broadcasts would be limited to those without Canadian counterparts. For instance, MTV is accessible on the Internet. This means that Canadians can watch MTV even though it has a Canadian counterpart. Thus, this Canadian regulation becomes moot and unfeasible. Hence, to be able to implement its CIE and other protective statutes, Canada might need to regulate its citizens' Internet access, perhaps through the Canadian Broadcasting System. Canada could probably fine and prohibit American websites that are accessible in Canada and which do not cater to the Canadian audience or do not promote Canadian culture. Again, the issue of personal jurisdiction will arise because American publishers who upload or post their cultural products (such as magazines, periodicals, TV shows) on a website may be enjoined and fined under Canadian law for the broadcast over the Internet and publication of such articles. Also, unbeknownst to Canadian corporations that cater to American audiences, they

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[38] United States – Canada Free Trade Agreement Implementation Act of 1988, Pub. L. No 100-449, art. 2005, 102 Stat. 1851 (1988).

[39] 26 U.S.C. 162(5)(1) (1994).

might find themselves violating Canadian laws since everyone (including Canadians) can access their Web site.

Arguably, if Canada does not regulate the Internet, Canada's campaign to sanitize its media from American culture may break down. Canada will be faced with the problem of protecting its sovereignty through putting up cultural barriers when the Internet supposedly breaks all boundaries. Furthermore, copyright disputes would probably be more rewarding if filed in the United States rather than in a Canadian court because copyright owners could sue for infringement if Canadian producers continue to copy American show formats just so they do not violate Canadian regulations. Also, prohibiting American copyright owners of TV shows or movies from altering and creating derivative works from original shows or movies may open the floodgates for litigation in American courts. Canadian broadcasters may be subjected to jurisdiction in American courts even when the injury was inflicted in Canada, and the defendants are in the latter jurisdiction as well.

These Canadian imposed trade barriers and protectionist policies are less advantageous and litigious to maintain.[40] They go against the essence of free trade that NAFTA is supposed to promote. If Canada, following protectionist policies, imposes restrictions on Internet access, it would cause the stunting of the growth of the cultural industry from expanding to electronic media.

B. Copyright and the Canadian moral rights doctrine

The rapid technological changes in the information age have left countries struggling to keep up with ever-changing technology. There is no limitation to what a person can do with a computer and some creativity. There are endless possibilities with regard to how someone can express his artistic talents and original ideas while simultaneously altering original concepts to cater to the taste of the times. The current technological climate is very appealing to American copyright owners because of the neverending possibilities of what they can do with their intellectual property. Unfortunately, the same is not true in Canada.

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[40] Lehmann, *supra* note 23, at 217.

Canada adopts what the French call *droit au respect de l'oeuvre*, which is the right of integrity or moral rights.[41] The moral rights doctrine gives the author of an intellectual or artistic work the rights of disclosure, paternity and integrity independent of economic benefits from the work.[42] The right to integrity is the right of the artist to preserve his work from alteration or mutilation.[43] "Paternity rights" means that only the creator can claim authorship of the creator's work.[44] Since moral rights are personal to the creator, he or she has perpetual and inalienable rights with respect to his or her work which remains with him or her even after assignment or transfer of the copyright in the work.[45]

The problem with this doctrine arises once the copyright is divested to another individual or corporation. Canada reserves all rights to the creator-author of the work; thus, even in a "work made for hire," the employee still retains the moral rights in the work created unless the author's rights are waived.[46] Conversely, section 201 paragraph (b) of the United States Copyright Act states that an employee's "work made for hire" within the scope of the employment has, as its author, the employer, unless otherwise provided in a written contractual agreement between parties.[47] When the creator's "bundle of rights"[48] is conveyed to the employer, the creator loses all

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[41] Houston v. La Cinq. 1991 Cass. Civ. Ire, 1991 Bull. Civ. I 113, No. 172, 1993 D. Jur. 197, on remand, Judgment of 19 December 1994, Cour d'appel, Versailles, 1995 D.S. Jur (IR) 65. See Gigante, *supra* note 1 , n. 63.

[42] See generally, 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER OF COPYRIGHT 8D.01, 8D-4 TO 8D-5 (1995). See also, Jonathan Stuart Pink, *Moral Rights: A Copyright Conflict Between the United States and Canada*, 1 SW.U.J.L. & TRADE IN THE AM. 171, 174 (1994); Gigante, *supra* note 1, at 523.

[43] Jonathan Stuart Pink, *Moral Rights: A Copyright Conflict Between the United States and Canada*, 1 SW.U.J.L. & TRADE IN THE AM. 171 (1994).

[44] *Id.* at 174. See generally, 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER OF COPYRIGHT 8D.01, 8D-4 TO 8D-5 (1995).

[45] Gigante, *supra* note 1, at 531.

[46] See Tederio v. Bosa & Canadian Italian Historical Soc'y Inc., No. 55733/900. 1992 Ont. C.J. 1741 (Ont. C.J. 1992). See also, Pink, *supra* note 43, at 190-191.

[47] 17 U.S.C. sec. 201 par. (b) (1988).

[48] 17 U.S.C. sec. 106 (1988 & Supp. IV 1992). The United States Copyright Act traditionally grants a copyright owner a "bundle of rights" that focuses on an author's economic rights namely, the rights to reproduction, adaptation, publication, performance, and display. American copyright law, unlike that of Canada, does not require that an author be a "natural person." Thus, American

rights to his creation. Upon divestment of copyright, American copyright law will generally not allow a creator to object to any modification or adaptation of the work.[49] On the other hand, Canada recognizes that the author is inseparable from the work and thus provides legal remedies for the infringement of moral rights. In short, United States considers rights based on actual divestment of copyright while Canada adopts an inherent moral rights doctrine, regardless of divestment.[50]

The difference in approach to the type of protection an author exercises over his work is detrimental to the trade relations between the United States and Canada because it limits the possibilities of altering copyright works. With the advent of computer technology, creators of motion pictures and other copyright-based products now have more extensive abilities to alter and generate images from original works. Java, for instance, is a computer program that enables a user to create interactive and multimedia "cyberworld" approaches to reality.[51] American producers may want to colorize, digitize, morph, rearrange, make interactive and manipulate a film to create something novel which the original creators would never have thought of.[52] Creating such novel and high-tech films out of old ones will encounter obstacles in Canada. Canada could seize copies of such films intended for distribution, because they violate the original creator's moral rights.[53]

While American copyright owners may deem their actions lawful, Canadian courts may deem them violations of a personal right. For instance, if a Canadian movie producer licenses an American company to specifically distribute his movie in video, and the American company edits the movie to cater to the American audience, such alteration might be deemed a violation of the Canadian scriptwriter's moral rights. If the play is advertised on the Internet, it is likely that more people would order and buy the video. This

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copyright owners could be companies or institutions to which works have been assigned or sold.

[49] Gigante, *supra* note 1, at 531.

[50] Pink, *supra* note 43, at 179.

[51] Gigante, *supra* note 1, at 534, citing MICHAEL D. SCOTT, MULTIMEDIA LAW AND PRACTICE 1.02 at 1-16, 1.03 [B] at 1-35 — 1-36 (1995).

[52] Gigante, *supra* note 1, at 534.

[53] *See* Shoshtakovich v. Twentieth Century-Fox Film Corp., 80 N.Y.S. 2d 575, (N.Y. App. Div. 1949); Judgment of 13 January 1953, Cour'd'appel, Paris, 1 G.P. 191 (1953), 1953 J.C.P. II, No. 7667.

will have an effect on the damages the Canadian producer asks for because he can get more monetary damages if the American company earns a huge profit from the deal.[54]

Moreover, a copyright infringement suit against an American brought in Canada will be determined by applicable Canadian copyright law and vice versa.[55] This raises possible jurisdictional problems attached to forum-shopping because creators might elect to sue in Canada since the doctrine of moral rights creates a more favorable forum for their cause. However, a Canadian who refuses to alter profitable works of American copyright owners might be charged with a violation of American copyright law and breach of contract. As a result, American copyright owners may lose revenue and Canadian creators may suffer damages and a loss of reputation.[56] Ultimately, the loss will be suffered by the public in both countries. It will be deprived of an opportunity to experience the fruits of high technology. This will strain the growth of interactive content in the Internet — the most accessible entertainment medium to both American and Canadian audiences.

IV. INTERNET AND PERSONAL JURISDICTION: THE ODD COUPLE

A. Personal jurisdictional issues in Internet litigation

The first wave of Internet cases in the United States involved either nonresident or foreign defendants whose contact with the respective plaintiffs was established mostly through accessing or exchanging information through the Net.[57] The novelty of Internet lawsuits caused different United States Circuits to apply different standards in assessing whether a defendant had subjected himself to a forum state's jurisdiction.

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[54] The Copyright Act provides for the profits of the infringer as damages. 17 U.S.C. 504 (b). Canada, however, provides remedies for infringement of morals rights and additional remedies for unfair competition, breach of contract, defamation and invasion of privacy actions. *See* Tederio v. Bosa & Canadian Italian Historical Soc'y Inc., No. 55733/900. 1992 Ont. C.J. 1741 (Ont. C.J. 1992).

[55] Pink, *supra* note 43, at 182.

[56] *Id.*

[57] Access from one Web page to another is often done through the use of "hyperlinks." A hyperlink is a "highlighted text or image that, when selected [or highlighted] by the user, permit him to view another related Web document [or site]." Bensusan Restaurant v. King, 937 F.Supp. at 298 n.2 (citing Shea v. Reno, 930 F. Supp. 916, 929 [S.D.N.Y. 1995]).

Because a valid judgment may only be entered by a court with jurisdiction over a defendant,[58] it follows that personal jurisdiction imposes a geographical restriction on where a plaintiff may elect to sue a defendant on a claim. Therefore, if a defendant is a non-resident, a plaintiff's claim must fall within the jurisdiction of the forum state's long arm statute[59] or satisfy the requirements of due process by meeting the minimum contacts test.[60] Minimum contact with the forum state must exist so that the lawsuit "does not offend traditional notions of fair play and substantial justice."[61]

Similarly, Canadian jurisdiction over a foreign defendant exists when there is minimum contact under section 6 of the Foreign Judgment Act (hereinafter, FJA).[62] Under section 3 of the FJA, "a court of a foreign country [defined to include Canadian provinces other than the forum province] has jurisdiction [only in the following cases]: (a) where the defendant, at the time of the commencement of the action, ordinarily resides in that country; (b) where the defendant, when the judgment if obtained, is carrying business in that country and that country is a province or territory of Canada; [and] (c) where the defendant has submitted to the jurisdiction of that court...."[63]

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[58] *See* Kulko v. Superior Court, 436 U.S. 84, 91 (1978).

[59] "These statutes specify various types of events or transactions that will be regarded as contacts, and provide that a person involved in them can be served with process wherever he may be." See Currie, *The Growth of the Long Arm,* 1963 U. ILL. L. FORUM 533; Casad, *Long Arm and Convenient Forum*, 20 KANS. L. REV. 1 (1971), cited in F. JAMES JR. & G. HAZARD, CIVIL PROCEDURE 632 (2d ed., 1977).

[60] See CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE, Civil § 1075 n. 50 (2d ed. 1987).

[61] International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945) (quoting Milliken v. Meyer, 311 U.S. 457, 463 [1940]). To evaluate "fair play and substantial justice," the court looks at "the burden on the defendant," "the forum state's interest in adjudicating the dispute," "the interstate judicial system's interest in obtaining the most efficient resolution of controversies," and the "shared interest of the states in furthering fundamental substantive social policies." World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 292 (1980). The forum state asserts general jurisdiction when the defendant's contact with the forum is unrelated to the controversy but "substantial" or "continuous and systematic." Helicopteros Nacionales de Columbia, S.A. v. Hall, 466 U.S. 408, 414-416 (1984). Whereas, specific jurisdiction exists if the "controversy is related to" or "arising out of a defendant's contact with the forum." Shaffer v. Heitner, 433 U.S. 186, 204 (1977).

[62] Foreign Judgments Act, R.S.S. Act., ch. F-18, §§2 (c), 3 and 6 (1978) (Can.) (hereinafter, FJA).

[63] FJA § 3. *See also,* Cardinal Couriers Ltd. v. Noyes, 101 D.L.R., 4th 712 (1993).

With Internet transactions, minimum contact is often achieved by merely clicking on a web page button or hyperlink that, unbeknownst to users, subjects them to legal consequences. However, if the defendant merely places his product within the "stream of commerce," such contact has been deemed insufficient to establish a minimum contact with the forum state.[64] Thus, American courts often resolve personal jurisdiction questions by requiring a "website plus standard" which means there should exist other acts by the defendant that indicate his awareness of the forum state's power to assert jurisdiction over him, and his intent to submit to such jurisdiction.[65]

At present, only two United States Circuit Courts have decided whether a plaintiff's cause of action against a foreign defendant who merely has a website is maintainable under personal jurisdiction. The Sixth Circuit, in *CompuServe, Inc. v. Patterson,* held that the defendant was subjected to jurisdiction because he purposefully availed himself of the privilege, benefits and the protection of the forum state by doing business in Ohio by the mere fact of having a website accessible to Ohio residents.[66] The trademark infringement arose from Patterson's activities that were accessible from Ohio; therefore, he could reasonably expect that he was amenable to service and jurisdiction in Ohio.[67] Conversely, in *Bensusan Restaurant v. King,*[68] a trademark infringement case, the Second Circuit held that creating a website is a passive act by the defendant and "without more, it is not an act purposefully directed toward the forum state."[69] Defendant Richard B. King owned a small club in Missouri called "The Blue Note" while plaintiff, Bensusan Corporation, which owned a chain of jazz clubs in New York called "The Blue Note," owned the trademark to the "Blue Note" name.[70] Noting that King's website was his sole contact in New York, the court ruled that though the effects of a website may be felt nationwide or even worldwide, an

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[64] Asahi Metal Indus. Co. v. Superior Court, 480 U.S. 102, 112 (1987). *See also,* Kalow, *supra* note 14, at 2249.

[65] For further discussion on this standard, see Stott, *supra* note 15, at 826.

[66] CompuServe, Inc. v. Patterson, 89 F.3d 1257, 1263-1267 (6th Cir. 1996).

[67] CompuServe, Inc. v. Patterson, 89 F.3d 1257, 1268 (6th Cir. 1996).

[68] Bensusan Restaurant v. King, 1997 U.S. App LEXIS 23742 at *2.

[69] Bensusan Restaurant v. King, 937 F.Supp. at 301 (1996).

[70] Bensusan Restaurant v. King, 937 F.Supp. at 301 (1996).

additional affirmative act is required before New York's long arm statute can reach the defendant.[71]

Differing district courts have likewise handed down inconsistent standards in determining personal jurisdiction involving Internet disputes. In *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.* (Third Circuit),[72] the court exercised jurisdiction under the theory of purposeful availment. In *Inset System, Inc. v. Instruction Set, Inc.* (Second Circuit),[73] the defendant advertised its computer technological goods and services over the Internet using the domain name "Inset.com". The court held that the defendant's advertising to Connecticut residents constituted purposeful availment, and therefore jurisdiction was proper.[74] In the Ninth Circuit, the District Court of California held that the defendant's use of "Panavision.com" as its domain name infringed on the plaintiff's trademark which constituted an intent to "run a scam directed at California" by confusing Californians and passing off as the plaintiff's product and company.[75] The court held that the defendant's actions subjected him to personal jurisdiction in the state.[76] In *Maritz, Inc. v. Cybergold, Inc.*,[77] the Eastern District of Missouri asserted jurisdiction over a Californian defendant based on a provision in the Missouri long-arm statute that a "commission of a tortious act" subjects a defendant to jurisdiction in Missouri courts. *Maritz* further held that the violation of the Lanham Act[78] constituted a tort and although the court recognized that a website can be accessed by any Internet user in the world, this fact does not invalidate jurisdiction over the defendant and does not violate his due process rights.[79]

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[71] Bensusan Restaurant v. King, 937 F.Supp. at 301 (1996).

[72] Zippo Manufacturing Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1126-27 (W.D. Penn. 1997). Defendant used the name "Zippo" as its domain name which plaintiff had trademark rights to. The court held that defendant's conduct of electronic commerce with Pennsylvania residents constituted purposeful availment of doing business in Pennsylvania.

[73] Inset Systems, Inc. v. Instruction Set, Inc., 937 F. Supp. 161 (D. Conn. 1996).

[74] Inset Systems, Inc. v. Instruction Set, Inc., 937 F. Supp. 161, 164 (D. Conn. 1996). ("...[a]dvertising on the Internet is solicitation of a sufficient repetitive nature to satisfy the Connecticut long arm statute...").

[75] Panavision Intern., L.P. v. Toeppen, 938 F. Supp. 616, 622 (C.D. Cal. 1996).

[76] Panavision Intern., L.P. v. Toeppen, 938 F. Supp. 616, 622 (C.D. Cal. 1996).

[77] Maritz, Inc. v. Cybergold, Inc., 947 F. Supp. 1328 (D. Mo. 1996).

[78] Trademark Act of 1946, 15 U.S.C.A. § 1051-1127 (as amended). Congress passed the Lanham Act as protection against trademark infringement.

[79] Maritz, Inc. v. Cybergold, Inc., 947 F. Supp. 1330, 1332-1334 (D. Mo. 1996).

In separate Internet cases involving foreign defendants, two district courts refused to assert jurisdiction. In *Weber v. Jolly Hotels*,[80] the plaintiff, a guest in a Jolly Hotel in Italy where she slipped and fell in an accident, learned about Jolly Hotel through an advertisement on the Internet.[81] Thus, she filed her personal injury suit in the District Court of New Jersey where she resided. In a transfer order, the court's opinion stated that placing information about the defendant on the Net constituted passive advertising.[82] Following *Hearst Corp. v. Goldberger*,[83] the advertisement was neither a means of conducting business nor constituted "continuous and substantial contact" with New Jersey which would validate asserting jurisdiction.[84] Another case in point involved a suit filed by a California corporation, Naxos Resources, against a Canadian defendant, Southam.[85] The court held that the defendant's republication of its articles on the Net was insufficient to confer jurisdiction over the defendant because the periodical's circulation in the forum state was minimal.[86] The court further held that "the fact that Southam ... may also disseminate Vancouver Sun articles electronically via, *inter alia*, the Internet, LEXIS and WESTLAW was insufficient to confer general jurisdiction; if it were, publishers like Southam would be vulnerable to lawsuits in every state even for activities unrelated to the state."[87]

Avery Dennison v. Sumpton, et al.,[88] a trademark infringement claim, is currently pending as of this writing in the Central District Court of Los Angeles. The complaint asserts that the defendants' two domain names, "avery.com" and "dennison.com" infringe on Avery Dennison's trademark rights.[89] Though the defendants are replying to Avery Dennison's motions

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[80] Webber v. Jolly Hotels, Civ. No. 96-2582 1997 LEXIS 14036, at *1 (D.N.J. 12 September 1997).

[81] Webber v. Jolly Hotels, Civ. No. 96-2582 1997 LEXIS 14036, at *1 (D.N.J. 12 September 1997).

[82] Webber v. Jolly Hotels, Civ. No. 96-2582 1997 LEXIS 14036, at *15(D.N.J. 12 September 1997).

[83] Hearst Corp. v. Goldberger, No. 96 Cov. 3620 (PKL) (AJP), 1997 WL 97097, at *1 (S.D.N.Y. 27 February 1997). The court concluded that advertising on the Internet was equivalent to advertising in a national magazine, and that under New York law, there was no personal jurisdiction.

[84] Webber v. Jolly Hotels, Civ. No. 96-2582 1997 LEXIS 14036, at *16(D.N.J. 12 September 1997).

[85] Naxos Resources (U.S.A) Ltd. v. Southam, 24 Media L. Rptr. 2265 (C.D. Calif. 1996).

[86] Naxos Resources (U.S.A) Ltd. v. Southam, 24 Media L. Rptr. 2265, 2267 (C.D. Calif. 1996).

[87] McDonough v. Fallon McEligott Inc., 40 U.S.P.Q. 2d 1826 (S.D. Cal. 1996).

[88] Avery Dennison v. Sumpton, et al., No. 97-0407 JSL. (CD CA, complaint filed 19 February 1997, answer and counterclaims filed 22 April 1997).

[89] *Surname Registrations Spark Trademark Suite by Office Supply Co.*, 7 COMPUTER & ONLINE

and stipulating to certain facts in the case, "they do not waive [the] opportunity to challenge the court's personal jurisdiction over each defendant or motion to dismiss under FRCP 12."[90] The defendants admit that most of them reside in Canada and that it would be difficult to obtain affidavits and evidence.[91] Once the defendants challenge personal jurisdiction, the District Court of California could either follow the reasoning of the Sixth Circuit and assert jurisdiction if it deems that the provisioned domain names for an individual is enough to meet the long-arm statute of California or follow the Second Circuit and consider a website insufficient to assert jurisdiction over the Canadian defendants. More likely, the court might follow *Naxos* and hold that providing domain names in the form of an individual's own name for personal use on the Net does not satisfy California's long-arm statute.

B. Extending jurisdiction to Canada

The *Avery* case is just one of many lawsuits that the U.S. Federal Courts will continue to face. Canada is one of the United States' major commercial partners. Both countries exchange a high volume of goods and services through the Net.[92] The Net has become a new forum for U.S. - Canadian commercial transactions.

The Internet is clearly not above the law.[93] Allowing businesses to avoid civil liability by transacting in cyberspace would be contrary to public policy.[94] However, in the United States, courts must be wary of violating the due process clause and the rights of foreign defendants. The legal right of Internet users must be protected within the limits of the United States Constitution.[95] Conflicts beyond issues of sovereignty and jurisdiction will

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INDUS. LITIG. REP. 24088 (6 May 1997).

[90] Avery Dennison v. Sumpton, et al., No. 97-0407 JSL. (CD CA, complaint filed 19 February 1997, answer and counterclaims filed 22 April 1997).

[91] Avery Dennison v. Sumpton, et al., No. 97-0407 JSL. (CD CA, complaint filed 19 February 1997, answer and counterclaims filed 22 April 1997).

[92] Thatch, *supra* note 20, at 162.

[93] Stott, *supra* note 15, at 826, citing Richard S. Zembek, *Jurisdiction and the Internet: Fundamental Fairness in the Networked World of Cyberspace*, 6 ALB. L.J. SCI. AND TECH. 339, 347 (1996).

[94] Thatch, *supra* note 20, at 162, citing Kim Dayton, *Personal Jurisdiction and the Stream of Commerce*, 7 REV. LITIG. 239 (1988).

[95] Stott, *supra* note 15, at 826.

arise out of litigation because the uniqueness of such activities done in boundless cyberspace intrudes upon the traditional notion of sovereignty which is limited by every nation's fixed borders.[96] Moreover, conflicts in the law would create an opportunity for parties to engage in forum-shopping; i.e., in a case involving a foreign party, the difference in the law could lead parties to choose the forum country where the law is most favorable to the party seeking relief. In a suit between a Canadian and American, an American plaintiff might choose to litigate in the U.S. if the law is more favorable to him or her. At the same time, a Canadian plaintiff might choose to apply Canadian law over an American defendant. The root of these conflicts arises from the fact that domestically created Internet activities that are necessary to disseminate information on the Net and which raise no legal concerns in the United States or Canada could conflict with Canadian or American law in different legal areas.[97] Unless these discrepancies between the laws of both countries are addressed, unguided legal Internet claims will continue to flood Canadian and American federal courts, on personal jurisdiction questions.

V. PROPOSED SOLUTIONS TO THE CANADIAN-AMERICAN INTERNET DISPUTES

Canada is one of the United States' major trading partners. Exchanging information and trading have gone beyond the traditional notion of import-export to another forum via the Internet. Generally, laws remain territorial, extending no further than the borders of a nation in respect to the other nation's sovereignty.[98] Thus, applying laws of limited jurisdiction, whether such laws be American or Canadian, frustrates the extent of Internet commerce. What should be an accelerating progress in Internet technology is stunted by the need of Internet users to comply with differing laws between the two nations.

Although the United States Supreme Court should address the issue of personal jurisdiction relating to Internet disputes, the Court may hesitate in

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[96] Lori Irish Bauman, *Personal Jurisdiction and Internet Advertising*, 14 COMPUTER LAWYER 1, 6 (1997).

[97] Gigante, *supra* note 1, at 525.

[98] *Id.* at 548.

pursuing that path. It seems that in the United States, the personal jurisdiction doctrine provides ample protection for a foreign defendant so as not to violate his rights. However, the conflicting standards presented by different circuits in determining minimum contact with the forum state poses a problem for foreign defendants. If the Court decides that it has no jurisdiction over foreign defendants involved in Internet disputes, it will go against the public policy of providing a remedy for plaintiffs harmed through the course of Internet transactions. On the other hand, if the Court decides to assert jurisdiction over all foreign defendants regardless of the amount of Internet contact, this would violate the sovereignty of other nations. Therefore, the Court might not wish to address the issue as yet. Instead, this issue remains in the lower courts even though increasing Internet disputes necessitate attention.

The Internet crosses all border and government regulations.[99] Both the United States and Canada can only impose a practical framework to protect themselves from the problems posed by Internet development.[100] On the issue of personal jurisdiction alone, the American federal judicial system is already faced with conflicting decisions on what constitutes minimum contact to satisfy asserting jurisdiction over a non-resident defendant. Once conflicts in the laws between the United States and Canada arise in Internet trading and activities, the United States Supreme Court would have to settle the dispute among circuits in order to maintain a consistent application of the personal jurisdiction doctrine. The Court may need to take a lenient or broader approach to personal jurisdiction in order to provide extensive protection to plaintiffs without relief merely because the Internet's vast and broad nature creates uncertainty with regard to jurisdiction questions.

Then again, the long arm of American jurisdiction will end where another country's jurisdiction (such as Canada) begins because United States jurisprudence needs to respect another nation's sovereignty. Therefore, alternative solutions are necessary to help the Court in deciding the procedures for asserting jurisdiction over foreign defendants. Courts in the United States and Canada could ask their respective legislatures to provide standards for determining personal jurisdiction.

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[99] *Id.*
[100] *Id.*

This paper proposes that the United States Legislature and the Canadian Parliament reassess the laws in their respective countries, especially those that create potential conflict in the light of the on-going developments and innovations to the Internet. The United States, for instance, might consider providing protection to a creator's moral rights while maintaining remedies in other causes of action related to a moral rights infringement suit. Canada, on the other hand, could relax its cultural protection laws to avoid copyright disputes inside and outside the Internet realm. This will resolve the existing conflict between American and Canadian copyright laws and benefit authors of both countries by giving them more room to improve and develop their creations.

After reviewing the provisions of NAFTA, both countries can formulate new provisions that will set arbitration rules specifically addressing Internet disputes among member-countries.[101] This will solve the problem surrounding personal jurisdiction and unclog congested courts of both countries of suits involving Internet commerce. A uniform set of standards and rules should govern Internet conduct and govern the resolution of Internet disputes. Also, the office of an independent arbiter with the authority to assert jurisdiction over Internet cases, can be created. An independent institution such as this will solve the question of personal jurisdiction by assuming jurisdiction over the aforementioned cases.

Section 22.02 of NAFTA proposes alternative dispute resolution as a way of addressing litigation between member countries involving intellectual property cases.[102] However, Internet transactions are not limited to intellectual property cases. As mentioned, Internet transactions also result in breach of contracts and defamation cases. Such problems need alternative solutions as well. Alternative dispute resolution standards specific to Internet related causes of action are more practical than litigation and its self-regulatory nature will promote, rather than stifle, the natural evolution of cyberspace.[103]

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[101] Casey Lide, *ADR and Cyberspace: The Role of Alternative Dispute Resolution in Online Commerce, Intellectual Property and Defamation*, 12 OHIO STATE JOURNAL ON DISPUTE RESOLUTION 193 (1996).

[102] NAFTA, § 22.02.

[103] See Lide, *supra* note 101, at 222.

This may help eliminate personal jurisdiction issues and iron out the question of which law applies in certain situations.

Furthermore, both countries can adopt an agreement similar to the Council of Europe's European Convention on Transfrontier Television[104] (hereinafter, European Television Convention) which confers exclusive regulatory jurisdiction on the country from which the transborder broadcast is transmitted via satellite up-link (which is similar to an Internet up-load).[105] The European Union informed its members that it is "sufficient that all broadcast [including copyright requirements] comply with the laws of member state from which they emanate."[106] This directive ensures legal certainty by establishing a single, ascertainable set of rules for broadcast operation, including the Internet. In comparison, if an Internet operator complies with the laws of the United States, Canada can provide reciprocal protection. The laws of the emitting country, be it Canada or United States, govern the conduct of Internet operators, and such should be recognized and respected by the other nation. This, coupled with the necessary changes in NAFTA, provide the highest degree of protection to any Internet user. Such agreement can alleviate, if not eliminate Internet-related legal conflicts and solve the issue of personal jurisdiction between the two countries.

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[104] 5 May 1989, Europ. T.S. No. 132.

[105] The European Convention on Television Transfrontier art. 5(2)(b) provides in pertinent parts that a party may adopt more stringent rules for domestic application, but "... is not entitled to rely on such... rules in order to restrict the retransmission on its territory of programme services which are transmitted by entities or a technical means within the jurisdiction of another party and which comply with the terms of the Convention..." Council of Europe, EXPLANATORY REPORT ON THE EUROPEAN CONVENTION ON TRANSFRONTIER TELEVISION, 22, P 88 (1990) (cited in Gigante, *supra* note 1, at 550 n.151).

[106] European Convention on Television Transfrontier Council Directive 89/552, 1989 O.J. (L 298) 23, 24; Council Directive 93/83, 1993 O.J. (L. 248) 15 (cited in Gigante, *supra* note 1, at 550).

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