

An examination of jurisdictional defenses available to foreign defendants to copyright claims brought in U.S. courts

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Abstract

This article examines the current state of the extra-jurisdictional reach of United States Courts, as it relates to legal claims arising out of potential copyright violations by foreign defendants; including areas of subject-matter jurisdiction, personal jurisdiction and potential defenses which may be available to the defendant's.

At present, the issue remains unresolved and the American Court system is taking a cautious approach to these types of cases. However, in a rapidly shrinking digital world, it is altogether likely that the standards of review and application of defenses will change.

Keywords: Jurisdiction, copyright, subject matter, minimum contacts, defenses



Introduction

While the Internet revolution has turned many conventional legal concepts upside down, nowhere is it more evident than in the area of jurisdiction. Jurisdiction – the power of a court over a defendant or claim – traditionally has been defined by geographic boundaries, and yet a quick scan of today’s headlines reveals that cyberspace knows no borders. “Youth rights activists” in Canada and Sweden reverse-engineer the copyrighted parental web site block software of a United States corporation and distribute it via the internet.

If this type of cyber activity can lead to jurisdiction by a United States court, international borders may no longer be enough to apprise persons of the laws that govern their conduct, [Michael A. Collora and David M. Osborne, “Cybercrime and Corporate Fraud: Rights and Remedies”, July 28, 2000, MCLE.]

Copyright owners are particularly susceptible to infringement through the Internet because digital content is so easy to generate and widely disseminated over the World Wide Web the potential for copyright and trademark violations is enormous. Notwithstanding this potential for abuse, the applicability of the Federal Copyright Act (17 U.S.C. Sec. 106) and the Digital Millennium Copyright Act (DMCA), 17 U.S.C. § 512 in cyberspace is unsettled. Recent attempts to redress foreign based copyright violations have been met with challenges to both subject matter and personal jurisdiction.

A look at subject matter jurisdiction

The basic foundation for an attack on a claim, brought against foreign defendants in U.S. Courts, is that subject matter jurisdiction does not exist over a claim of foreign copyright infringement. It is well established that “[i]n general, United States copyright laws do not have any extraterritorial effect” *National Enquirer, Inc. v. News Group News Ltd.*, 670 F. Supp. 962, 970 (S.D.Fla. 1987)(quoting *Peter Starr Prod. Co. v. Twin Continental Films*, 783F.2d 1440, 1442 (9th Cir. 1986). . . . and thus “Infringing actions that take place entirely outside of the United States are not actionable in our courts *Robert Stigwood Group, Ltd. v. O’Reilly*, 530 F.2d 1096, 1101 (2d Cir.), cert. denied, 429 U.S. 848, 97 S.Ct. 135, 50 L.Ed.2d 121 (1976)); see also *Update Art, Inc. v. Modiin Pub.,Ltd.*,843 F.2d 67,73 (2d Cir. 1988).

This is so because the “copyright laws do not apply extraterritorially, each of the rights conferred under [the Copyright Act] must be read as extending ‘no farther than the [U.S.] borders.” *Subafilms, Ltd. V. MGM-Pathe Communications Co.*,24 F.3d 1088, 1094 (9th Cir.) (en banc) cert. denied, 513 US 1001 (1994) (quoting 2 Paul Goldstein, Copyright: principles, Law and Practice Sec 16.0 at 675 (1989). [See: Collora and Osborne]. As the *Subafilms*, Court pointed out:

The Supreme Court recently reminded us that “[i]t is a long-standing principle of American law ‘that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’ ” *EEOC v. Arabian American Oil Co. (Aramco)*, 499 U.S. 244, 248, 111 S.Ct. 1227, 1230, 113 L.Ed.2d 274 (1991) (quoting *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285, 69 S.Ct. 575, 577, 93 L.Ed. 680 (1949)). Because courts must “assume that Congress legislates against the backdrop of the presumption against extraterritoriality,” unless “there is ‘the affirmative intention of the Congress

clearly expressed’ ” congressional enactments must be presumed to be “ ‘primarily concerned with domestic conditions.’ ” *Id.* 499 U.S. at 248, 111 S.Ct. at 1230 (quoting *Foley Bros.*, 336 U.S. at 285, 69 S.Ct. at 577 and *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 147, 77 S.Ct. 699, 704, 1 L.Ed.2d 709 (1957)).

Subafilms, 24 F.3d at 1095. (Quotes in the original). *See also, Arc Ecology v. United States Dept. of the Air Force*, 411 F.3d 1092, 1097 (9th Cir .2005). In, *EEOC v. Arabian American Oil Co. (Aramco)*, 499 U.S. 244 (1991), the Supreme Court held that a “clear statement” in the statute itself, indicating congressional intent to provide relief, was necessary to avoid the presumption against extraterritoriality. *Id.* 499 U.S. at 258 (determining that Title VII of the 1964 Civil Rights Act did not apply extraterritorially to regulate employment practices of U.S. firms that employ Americans abroad).

Clearly, there is no “clear statement” or any other manifestation of an affirmative congressional intention to make 17 U.S.C. § 512(f) apply extraterritorially. To the contrary, Congress tacitly recognized that the statute had no extraterritoriality application in the DMCA counter notification procedures. Those procedures specifically require individuals residing outside of the United States, seeking to file a counter notification in response to a DMCA takedown, to “consent to the jurisdiction of [a] Federal District Court” § 512(g)(3)(D). Had Congress wanted § 512(f) to apply extraterritorially it certainly knew how to require individuals seeking to institute a takedown to consent to the jurisdiction of a Federal District Court.

Additional support for the non-extraterritorial application under DMCA can be found in the notion that “American courts should be reluctant to enter the bramble bush of ascertaining and applying foreign law without an urgent reason to do so” *Subafilms*, 24 F.3d at 1095, FN10 (citing David R. Toraya, Note, Federal Jurisdiction Over Foreign Copyright Actions-An Unsolicited Reply to Professor Nimmer, 70 Cornell L.Rev. 1165 (1985)). This is especially true where there is a great disparity between United States copyright laws and the copyright laws of another country. In the United States, there is interplay between the fair use defense and first amendment free speech protections. *Eldred v. Ashcroft*, 537 U.S. 186 (1993). In many nations there is no corresponding First Amendment protection. Thus, how could a foreign national, in good conscience, be chargeable with knowledge of the intricacies of the United States copyright laws. To hold one to this standard would be contrary to notions of fair play, substantial justice and common sense.

A look at personal jurisdiction

Personal jurisdiction is conferred on a federal court in two ways: general jurisdiction and specific jurisdiction. Either type is sufficient to establish personal jurisdiction over a non-resident defendant. General jurisdiction subjects a defendant to the authority of the court regardless of whether the subject matter of the dispute has any connection to the forum state. For a court to exercise this form of jurisdiction, a non-resident defendant must engage in “continuous and systematic activity, unrelated to the suit, in the forum state.” *United Electrical Radio and Machine Workers of America v. 163 Pleasant St. Corp*, 960 F. 2d 1080, 1088 (1st Cir. 1992) [See: Collora and Osborne].

A defendant can be subject to “general” or “unlimited” jurisdiction, or to “specific” or “limited” jurisdiction. If the defendant has engaged in “substantial, continuous and systematic”

activities within the forum state, then he or she may be subject to personal jurisdiction in forum courts on causes of action arising anywhere, even outside the state: i.e., “general,” or “unlimited,” personal jurisdiction. *Perkins v. Benguet Mining Co.*, 342 US 437, 445-46(1952); see also California Federal Civil Procedure Before Trial (Rutter 2006), section 3:102, *et seq.* If, on the other hand, the defendant’s contacts with the forum state are not sufficiently continuous and systematic to establish general jurisdiction, then the defendant may still be subject to “limited,” or “specific,” jurisdiction on claims related to his activities or contacts in that state. *Burger King Corp. v. Rudzewicz*, 471 US 462, 476-67(1985); *Cornelison v. Chaney*, 16 Cal.3d 143, 148(1976). Under either theory, the Plaintiff bears the burden of proof on the jurisdictional facts. *Rio Properties, Inc. v. Rio Int’l Interlink*, 284 F.3d 1007, 1019 (9th Cir. 2002).

A nonresident defendant is subject to general jurisdiction in the forum state if his or her activities in that state are “substantial, continuous and systematic.” *Perkins v. Benguet Mining Co.*, *supra*; *Vons Companies, Inc. v. Seabest Foods, Inc.*, 14 Cal.4th 434, 446 (1996). The standard for general jurisdiction is “Considerably more stringent” than for specific jurisdiction, (see, *Donatelli v. National Hockey League*, 893 F.2d 459, 463 (1st Cir. 1990)).

Attacks on personal jurisdiction are premised on the notion that the targeting of the worldwide web does not establish personal jurisdiction on a potential defendant in every conceivable country, state or municipality that receives or can access it. In sum an out-of-state defendant's Internet activity must be *expressly targeted at or directed to forum state* to establish minimum contacts necessary to support exercise of personal jurisdiction over defendant in the forum state. *Young v. New Haven Advocate*, 315 F.3d 256 (4th Cir., 2002). In *Young* the Fourth Circuit reviewed both this proposition and its decision in *ALS Scan*. the Court specifically pointed out that *ALS Scan*:

held that “specific jurisdiction in the Internet context may be based only on an out-of-state person's Internet activity directed at [the forum state] and causing injury that gives rise to a potential claim cognizable in [that state].” *Id.* at 714. We noted that this standard for determining specific jurisdiction based on Internet contacts is consistent with the one used by the Supreme Court in *Calder v. Jones*, 465 U.S. 783, 104 S.Ct. 1482, 79 L.Ed.2d 804 (1984). *ALS Scan*, 293 F.3d at 714. *Calder*, though not an Internet case, has particular relevance here because it deals with personal jurisdiction in the context of a libel suit. ... The Supreme Court held that California had jurisdiction over the Florida residents because “California [was] the focal point both of the story and of the harm suffered.” *Calder*, 465 U.S. at 789, 104 S.Ct. 1482. The writers' “actions were expressly aimed at California,” the Court said, “[a]nd they knew that the brunt of [the potentially devastating] injury would be felt by [the actress] in the State in which she lives and works and in which the National Enquirer has its largest circulation,” 600,000 copies. *Calder*, 465 U.S. at 789-90, 104 S.Ct. 1482.

Young, 315 F.3d at 262. The *Calder* effects test requires foreseeable harm to the Plaintiff in the state that he or she lives. *Calder v. Jones*, 465 U.S. 783 (1984). Although a plaintiff need not be a resident of the forum state, for jurisdiction to attach, the defendant must, absent that, have minimum contacts there. *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984).

The central inquiries with respect to specific jurisdiction are whether the Defendant’s purposefully established minimum contacts with the forum state and whether those contacts

would make personal jurisdiction reasonable and fair under the circumstances. *Burger King, supra*. “Crucial to the minimum contacts analysis is a showing that the defendant ‘should reasonably anticipate being haled into court’ [in the forum state] because the defendant has ‘purposefully avail[ed] itself of the privilege of conducting activities there.’ ” *Id.* (citations omitted).

Finally it must be remembered that the rules regarding personal jurisdiction are founded on the Due Process Clause, which requires that an individual have “fair warning” that a particular activity may subject it to the jurisdiction of the forum state. *See, e.g., Burger King*, 471 U.S. at 472. Due process requires that a non-resident defendant have minimum contacts with the forum state. *See World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980); *United Eletrical*, 960 F. 2d at 1085. The minimum contacts test is satisfied when the claim arises out of or is related to the defendant’s activities in the forum state, when the defendant’s contacts represent purposeful availment of the privilege of conducting activities in the forum state, and when the exercise of personal jurisdiction is reasonable. *Foster-Miller v. Babcock & Wilcox Canada*, 46 F.3d 138, 144 (1st Cir. 1995). While these three factors together comprise the requirements for due process, the overall focus of the minimum contacts test is on the deliberativeness of the defendant’s contacts: were the contacts performed voluntarily, and was it reasonably foreseeable that these contacts might subject the defendant to appearing in the courts of the forum state or the United States? *See World Wide Volkswagen* at 297; *Burger King*, 471 U.S. at 475.

It is fundamental that some “minimum contacts” are required for a court to exercise jurisdiction over a defendant. In fact due process requires that a defendant have “certain minimum contacts with (the forum state) such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.” *International Shoe Co. v. Washington*, 326 US 310, 316 (1945); *Asahi Metal Industry Co., Ltd. v. Superior Court of California, Solano County*, 480 U.S. 102 (1987)(recognizing the burden litigation in the United States would pose to foreign defendants). The purpose of the minimum contacts requirement is to (1) protect the defendant against the burdens of litigating at a distant or inconvenient forum, and (2) insure that states do not reach out beyond the limits of their sovereignty imposed by their status in a federal system. *World-Wide Volkswagen* 444 at 291.

Generally, federal courts have the same powers of personal jurisdiction as the courts of the state in which they are located. FRCP Rule 4(k)(1)(A). If the forum state's long-arm statute does not enable plaintiff to obtain personal jurisdiction over a defendant in a state court action, plaintiff generally will be unable to obtain personal jurisdiction in a federal court action. *Omni Capital Int'l v. Rudolf Wolff & Co. Ltd.*, 484 US 97, 104-105(1987). When interpreting the scope and effect of the forum state's long-arm statute, the federal court must follow the statutory construction provided by that state's highest court. *See Kendall v. Overseas Develop. Corp.*, 700 F2d 536, 538 (9th Cir. 1983). California’s long arm statute allows California courts to exercise jurisdiction over a nonresident defendant subject to the constraints of the United States and California Constitution. *Asahi*, 480 U.S. at 107.

Specific jurisdiction, in contrast, is conferred when the suit arises out of a defendant’s forum-based contacts. Here too the exercise of specific jurisdiction must be consistent with due process. *Foster-Miller*, 46 F.3d at 143. Thus when a nonresident defendant’s contacts with the forum state are not sufficient for general jurisdiction, he or she may still be subject to “specific” jurisdiction on claims related to his or her activities or contacts in the state. In such instances it must be shown that:

- 1) The out-of-state defendant purposefully directed his activities towards residents of the forum state or otherwise established contacts with the forum state;
- 2) Plaintiff's cause of action arises out of or results from the defendant's forum-related contacts; and
- 3) The forum's exercise of personal jurisdiction in the particular case comports with fair play and substantial justice.

Burger King, 471 US at 477-78; *Helicopteros Nacionales de Columbia v. Hall*, 466 U.S. 408, 414-415(1984); see, *Data Disc. Inc. v. Systems Technology Associates, Inc.*, 557 F.2d 1280, 1287 (9th Cir.1977). The basic requirement is that "the cause of action must arise out of an act done or transaction consummated in the forum, or defendant must perform some other act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws." *Vons*, 14 Cal.4th at 448.

The "purposeful" factor requires that the nonresident defendant must have purposefully directed his activities at forum residents, or purposefully availed himself of the privilege of conducting activities within the forum state. *Hanson v. Denckla*, 357 US 235, 253-4 (1958); *Kulko v. Sup. Ct.*, 436 US 84, 94(1978); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997); *Vons, supra*, at 458. The second factor requires that the plaintiff's claim arise out of or be related to defendant's forum activities

Application of the these defenses in the real world

Recently these issues played out San Francisco where an activist filed suit against a nonresident British copyright owner alleging misrepresentation under copyright infringement takedown provisions of DMCA, 17 U.S.C. § 512(f). The suit also sought a declaratory judgment of noninfringement. See, *Doe v. Geller*, 533 F.Supp.2d 996 (N.D. Cal. 2008). The Defendant Uri Geller, moved to dismiss for lack of subject matter and personal jurisdiction. Vaughn R. Walker, Chief Judge of the United States District Court for the Northern District of California pointed out that "[n]o federal court has ever addressed subject matter jurisdiction under § 512(f), and the subject matter jurisdiction issue in this case is complex." *Id* at 1003. After a thorough analysis of the relevant law Judge Walker concluded that "Suffice it to say, subject matter jurisdiction is neither clear nor definitive. Accordingly, the court is 'convinced that the challenge to the court's subject-matter jurisdiction is not easily resolved and that the alternative ground [of personal jurisdiction] is considerably less difficult to decide.'" *Id* at 1004.

Indeed it was Judge Walker pointed out that "[t]he court has its doubts whether plaintiff can demonstrate "purposeful direction" into California under the first prong of the jurisdiction test. Although defendants allegedly sent the takedown notice to YouTube in California, Sapient resides in Pennsylvania. *Id* at 1005. Ultimately the Court dismissed the case because the exercise of Jurisdiction would not be reasonable. In doing so Judge Walker concluded that "[i]t is 'unreasonable and unfair' for this court to assert jurisdiction over British residents in a suit brought by a Pennsylvania resident over an allegedly tortious fax sent to a third party in California." *Id* at 1010.

Judge Walker forewarned that "internet users will not always be able to establish jurisdiction in their home states (or in the United States) over defendants in § 512(f) cases. The sender of a takedown notice may not know where the target of the takedown notice lives, and therefore the sender does not purposefully direct his actions at any specific individual state." *Id*.

Summary

The modern emergence of claims asserting extraterritorial jurisdiction based cyber activity has made it imperative for foreign individuals and corporation to carefully evaluate their activity in a rapidly shrinking digital world. This article has argued principally that the necessary legal machinery is already in place to raise jurisdictional based defenses when faced with claims of copyright infringement in U.S. Court. As plaintiffs lawyers get more aggressive and creative US Courts may continue to erode defenses based on a lack of subject matter and personal jurisdiction. However the potential for further evolution rests in the synergy between the U.S. Constitution and principles of international law.

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