

# SETTING FOOT ON ENEMY GROUND: CEASE-AND-DESIST LETTERS, DMCA NOTIFICATIONS AND PERSONAL JURISDICTION IN DECLARATORY JUDGMENT ACTIONS

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## ABSTRACT

In declaratory judgment actions brought by alleged infringers against rights holders, such as actions for declaration of invalidity or non-infringement of intellectual property rights, courts in the U.S. have long maintained that the sending of a cease-and-desist letter alone, absent other acts in an alleged infringer's forum, is not a sufficient basis for personal jurisdiction over the rights holder who mailed them to the alleged infringer's forum. Notwithstanding the similarities between cease-and-desist letters and notifications under the Digital Millennium Copyright Act, the Tenth Circuit Court of Appeals recently decided that the sending of a notification alone, as opposed to a letter, does establish a basis for personal jurisdiction over the rights holder. This article suggests, contrary to the decision of the Tenth Circuit, that letters and notifications should be treated similarly. First, as a matter of doctrine, the two instruments are similar enough to warrant application of the same rule; if a letter does not support the exercise of personal jurisdiction in declaratory judgment actions against the rights holder, neither should a notification. Second, there is a common policy reason for maintaining the same approach to the two instruments—the strong policy favoring settlements that courts have consistently promoted. The Tenth

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Circuit’s approach defeats the policy because it discourages rights holders from using notifications to achieve a speedy removal of allegedly infringing material from the Internet. To avoid personal jurisdiction in the infringer’s forum, rights holders must refrain from using a notification and are thereby deprived of the option to stop further infringements immediately; without such an option they are less likely to seek settlement before filing a lawsuit. It is important to clarify whether notifications will be a basis of personal jurisdiction over a rights holder because the result will determine how practicable the use of notifications will be for rights holders and therefore how effective the notification system will be.

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## I. INTRODUCTION

It matters a great deal to defendants where they are sued. If private individuals with limited resources—as opposed to large corporations with seemingly unlimited resources—are sued in a distant forum, they can find themselves unable to litigate there and thereby lose the chance to protect their rights. Normally, defendants do not expect to face this situation because they plan their actions to avoid exposing themselves to personal jurisdiction in inconvenient fora. For instance, people understand that their negligent driving of a car in a foreign country can lead to a lawsuit against them in that foreign country. When inventors obtain a patent in a foreign country, they anticipate that one day they may need to enforce that patent through litigation in the foreign country and perhaps even to defend the validity of the patent in a court there. But copyright owners do not expect to wake up one day to find out that they have been sued in a court in a foreign forum when they neither committed any acts in that forum, nor did anything to directly affect anyone in that forum. Yet this is precisely what they will encounter when their copyright is infringed online, and they use a notification under the Digital Millennium Copyright Act (the “DMCA”)<sup>1</sup> to stop the infringement.

When their rights are infringed in a foreign forum, rights holders typically get a chance to “set foot on enemy ground” without being attacked there. Without subjecting themselves to personal jurisdiction in the infringer’s forum, rights holders can send cease-and-desist letters and inform the infringer of the right holders’ rights, identity, and intentions to enforce the rights. Rights holders are protected from personal jurisdiction in the infringer’s forum because courts, recognizing the importance of the letters in the policing of rights by rights holders and the seeking of settlements of disputes, do not consider such letters to be sufficient bases for personal jurisdiction over rights holders.<sup>2</sup> Therefore, if the alleged infringer files a declaratory judgment suit as a counte-

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<sup>1</sup> 17 U.S.C. § 512(c)(3) (2006).

<sup>2</sup> *Yahoo! Inc. v. La Ligue Contre Le Racisme Et L’Antisemitisme*, 433 F.3d 1199, 1208 (9th Cir. 2006) (en banc).

If the price of sending a cease and desist letter is that the sender thereby subjects itself to jurisdiction in the forum of the alleged rights infringer, the rights holder will be strongly encouraged to file suit in its home forum without attempting first to resolve the dispute informally by means of a letter.

*Id.*; *see also, e.g.*, *Nova Biomedical Corp. v. Moller*, 629 F.2d 190, 196–97 (1st Cir. 1980); *Conwed Corp. v. Nortene, S.A.*, 404 F. Supp. 497, 506 (D. Minn. 1975).

rattach to the letters, courts in the alleged infringer's forum will not extend personal jurisdiction over a non-resident rights holder<sup>3</sup> based only on the fact that the rights holder sent a letter to the alleged infringer; the sending of a letter by itself will not be a sufficient basis for personal jurisdiction.<sup>4</sup> Promoting the use of letters in this manner is believed to advance judicial economy,<sup>5</sup> and although this approach to cease-and-desist letters is not without its critics,<sup>6</sup> case law is well settled on the point.

One would assume that DMCA notifications would be treated in the same manner in the context of personal jurisdiction because they are similar in function to cease-and-desist letters. Like letters, they inform the alleged in-

<sup>3</sup> The Federal Circuit used the term “non-consenting out-of-state defendant,” which is certainly more precise in this context than “non-resident rights holder.” *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1361 (Fed. Cir. 2006). However, this article uses the latter term for simplification and readability. It is important to emphasize that this article concerns the problem of personal jurisdiction and discusses subject matter jurisdiction only briefly.

<sup>4</sup> However, if the letter is accompanied by other acts committed by the rights holder in the forum jurisdiction, or if the rights holder engages in regular activities there, specific or general jurisdiction may be extended over the non-resident rights holder based on such acts—either alone or in combination with the letter—or activities. For a discussion of the additional acts or activities see, for instance, *Breckenridge*, 444 F.3d at 1363–67. Additionally, bad faith assertions of rights through a letter may subject the rights holder, or the person that claims to be a rights holder, to personal jurisdiction in the alleged infringer's forum as explained *infra* note 69.

<sup>5</sup> On settlements and “the interstate judicial system's interest in obtaining the most efficient resolution of controversies” see, for example, *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998) (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980)).

<sup>6</sup> For example, in the context of “non-practicing entities,” also in some instances referred to as “patent trolls,” see *Overstock.com, Inc. v. Furnace Brook, L.L.C.*, 420 F. Supp. 2d 1217, 1218 (D. Utah 2005) (“The question . . . arises as to whether patent trolls should be subject to more general jurisdiction, perhaps as a way of deterring coercive baseless litigation.”). The court further stated:

Patent trolls can more easily thrive in the environment that the Federal Circuit's precedent has created, for they can threaten litigation against a potential infringer in a foreign forum without fear of being subject to suit themselves in that forum. This is an unintentional ‘benefit’ that might make it reasonable to hold that patent trolls are subject to personal jurisdiction in a foreign forum suit based solely on cease-and-desist letters.

*Id.* at 1222. But see *PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105, 1109 (2d Cir. 1997), where the rights holder “describe[d] his ‘business’ as seeking investments in the development of his . . . product and negotiating royalty agreements with alleged violators of his patents.” There, the court decided that when rights holder sent cease-and-desist letters, he actually “conducted business” in the forum. *Id.* at 1109.

fringer, although indirectly through a service provider, of the existence of the rights and the potential of enforcement action.<sup>7</sup> It is true that notifications, as opposed to letters, also include an important component of extrajudicial enforcement—the immediate takedown of the infringing material<sup>8</sup>—but it is important to note that this component is mandated by the statute. The rights holder cannot avoid this component and use only the portion of the notification that is equivalent to letters without triggering the extrajudicial enforcement. Additionally, notifications, like letters, facilitate settlement not only because they provide alleged infringers with necessary information about the existence of the rights, but also because they are an incentive to rights holders to settle a dispute without filing a lawsuit; rights holders can avoid bearing the costs associated with further display of the infringing material while attempting to settle the dispute.

Every unauthorized display of copyrighted materials translates into damages to the rights holder, and the longer the material is accessible to the public, the higher the damages will likely become. For instance, in the physical world, a display, such as at a swap meet, is not only a simple act of infringement in which visitors view the display; but additionally, visitors may take photographs or make drawings of the material and replicate the material and disseminate it further. The longer the display continues, the more these additional infringements are facilitated. The rights holder incurs costs related to the extension of the display, such as the opportunity cost, e.g., lost revenues, and the costs of investigating subsequent infringements; however, he has an opportunity to avoid, or at a minimum mitigate, the costs by shifting them to the meet operator. Once the meet operator becomes aware of the allegations of infringement, either through a cease-and-desist letter from the rights holder or otherwise, he must decide, assuming he has the power to terminate the display, whether or not he will do so. If he does not and the material is held to be infringing, he may be held secondarily liable, and the rights holder may recover from him the costs, or at least some of the costs, of the extended display.<sup>9</sup> Therefore, it is not to the rights holder's detriment to seek settlement before filing a lawsuit; even if the infringement is not stopped immediately, he can shift to the meet operator the costs of the extension of the display for the period in which he attempts to settle.

On the Internet, it is even more important than in the physical world that the rights holder prevent a continuing display or avoid the costs of such a display. In cyberspace, every minute adds to the tremendous damages associated

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<sup>7</sup> See *infra* Section IV (describing the function of the DMCA notification system).

<sup>8</sup> 17 U.S.C. §§ 512(c)(1)(C), (d)(3) (2006). Other differences between notifications and letters are analyzed *infra* in Section IV.

<sup>9</sup> *Fonovisa, Inc. v. Cherry Auction*, 76 F.3d 259, 260–61 (9th Cir. 1996).

with the speedy and geographically unlimited spread of the material.<sup>10</sup> Yet there might be no infringer from whom the rights holder can recover the costs of the extended cyberspace display because the liability of the “meet operator,” the service provider, is limited by the DMCA.<sup>11</sup> Since the DMCA prevents the rights holder from recovering damages from the service provider, it is important that the rights holder be able to prevent further display himself; in cyberspace, sending a notification is the only tool, short of filing a lawsuit, that permits him to avoid the costs of the extended display. Therefore, if courts wish to promote settlements in cases involving notifications to the same degree that they have done in cases involving letters, they should permit rights holders to avoid the costs of extended display while attempting to settle and allow them to send notifications without being concerned that this act alone will expose them to personal jurisdiction in the alleged infringer’s forum.<sup>12</sup>

Notwithstanding the arguments for equal treatment for letters and notifications, from the single circuit court decision that exists on point so far, it appears that DMCA notifications are not going to enjoy the same status that case law has attached to cease-and-desist letters. The recent decision by the Tenth Circuit in *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*<sup>13</sup> does not treat DMCA notifications the same as cease-and-desist letters in the context of personal juris-

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<sup>10</sup> As recently phrased by counsel for the U.S., “when an online media distribution system is used . . . the number of subsequent acts of infringement by computer users who download illegal copies of the [work] from the original infringer is simply unknowable.” United States of America’s Memorandum in Response to Defendant’s Motion to Dismiss and in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. § 504(c) at 27, *Capitol Records, Inc. v. Alaujan*, 626 F. Supp. 2d 152 (D. Mass. 2009) (Nos. 03-cv-11661-NG, 07-cv-11446-NG).

<sup>11</sup> The safe harbor provisions of the DMCA “protect qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement.” S. REP. NO. 105-190, at 20 (1998). The provisions “leav[e] copyright owners with limited injunctive relief.” *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1142 (N.D. Cal. 2008). On the question whether the DMCA indeed provides a safe harbor to service providers who would be held vicariously liable see Jane C. Ginsburg, *Separating the Sony Sheep from the Grokster Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs*, 50 ARIZ. L. REV. 577, 600–02 (2008).

<sup>12</sup> In a “physical world” example, the rights holder’s options are either 1) send a letter and attempt to settle, or 2) file a lawsuit. In either case, the rights holder will not bear the costs of extended display because either 1) the costs will be shifted to the meet operator, or 2) the infringement will be stopped by the court. The rights holder wins either way and can freely choose. In cyberspace, option 1) does not exist, and the rights holder’s choices are limited to either 1) file a DMCA notification and stop the infringement immediately, or 2) file a lawsuit.

<sup>13</sup> 514 F.3d 1063 (10th Cir. 2008).

diction.<sup>14</sup> The decision concerned a case in which the plaintiff, the alleged infringer, filed an action for declaration of non-infringement of defendant's copyright; the plaintiff claimed that the court had specific jurisdiction over the defendants, a copyright holder and its agent, based on their use of eBay's "Verified Rights Owner" program (the "VeRO program"),<sup>15</sup> a program established under the DMCA safe harbor provisions,<sup>16</sup> through which they filed a notification and effectuated a removal of an auction of the allegedly infringing product. The defendants argued inter alia that the notification under the VeRO program was comparable to a cease-and-desist letter and thus should not have subjected them to personal jurisdiction absent other activity in the forum; however, the Tenth Circuit<sup>17</sup> disagreed and concluded that the notification presented a sufficient basis for personal jurisdiction under the constitutional due process analysis.<sup>18</sup> According to the court, the notification was an act purposefully directed at residents of the forum, plaintiff's injuries arose out of this act, and there was nothing to suggest that extending jurisdiction over the non-resident defendants in this case would be inconsistent with traditional notions of fair play and substantial justice.<sup>19</sup>

This article analyzes the doctrinal and policy reasons for which DMCA notifications should be treated like cease-and-desist letters in the personal jurisdiction inquiry. First, the article considers the role of cease-and-desist letters in

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<sup>14</sup> *Id.* at 1082.

<sup>15</sup> *Id.* at 1069.

<sup>16</sup> How eBay Protects Intellectual Property (VeRO), <http://pages.ebay.com/help/tp/programs-vero-ov.html> (last visited on Mar. 28, 2010).

<sup>17</sup> The Tenth Circuit was deciding an appeal from the U.S. District Court for the District of Colorado, where the plaintiffs filed the suit. They claimed that personal jurisdiction over the rights holders arose in the District of Colorado because the rights holders knew of plaintiffs' location in Colorado and therefore the effect of the DMCA notification was purposefully directed at Colorado. *Dudnikov*, 514 F.3d at 1076–77. For a detailed analysis of the case see *infra* Section V.

<sup>18</sup> The same due process analysis applies under the Fifth and the Fourteenth Amendments. See *Stomp v. NeatO, L.L.C.*, 61 F. Supp. 2d 1074, 1077 n.3 (C.D. Cal. 1999).

The Supreme Court's opinion in *Pennoy* [*v. Neff*, 95 U.S. 714 (1877)] applied the due process clause of the Fourteenth Amendment to the exercise of personal jurisdiction by the courts of the several states, and therefore to federal courts sitting in diversity. But the same due process analysis applies to federal courts in federal question cases, such as this, under the Fifth Amendment's due process clause.

*Id.*

<sup>19</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1079–80, 1082 (10th Cir. 2008).

intellectual property disputes; it discusses the reasons why rights holders use them and the effects they have on alleged infringers. Second, the article outlines the rationale used by courts when they consider letters as a possible basis for personal jurisdiction over a non-resident rights holder. Third, the article turns to DMCA notifications, and while focusing on the issues of personal jurisdiction, reviews the content of the respective provisions of the DMCA and the relevant legislative history; it explains the instrument of notifications and identifies and analyzes differences between notifications and letters that have been reflected in the discussions of personal jurisdiction based on notifications. Fourth, the article reviews the *Dudnikov* case; it outlines arguments raised by the parties in the case and highlights specific points in both the district and circuit court decisions relevant to the present discussion. Finally, this article confronts the arguments set forth by the Tenth Circuit in *Dudnikov* with the rationale used in cases concerning cease-and-desist letters; based on this analysis, this article concludes that notifications should be treated in the same manner as letters when conditions of personal jurisdiction are being evaluated. If cease-and-desist letters alone do not warrant personal jurisdiction in a declaratory judgment action, then neither should DMCA notifications.

## II. CEASE-AND-DESIST LETTERS

Although not exclusive to the area of intellectual property, cease-and-desist letters are frequently utilized in disputes concerning intellectual property and represent an important feature of the intellectual property law landscape. Letters may have a number of effects: they may be instrumental in commencing settlement negotiations or serve as an impetus for licensing discussions; in patent cases they may trigger the filing of reexamination requests or declaratory judgment actions and assist in eliminating “bad” patents from some of the over-patented fields of technology. Letters may also mobilize their addressees to take steps in preparation for a potential lawsuit and initiate development of alternative brands, products, and design-around technologies.

The important informational value and status of letters as potential initiators of settlements have led to their special treatment in the personal jurisdiction inquiry: courts have repeatedly confirmed that a cease-and-desist letter by itself, absent other acts in the forum, will not present a sufficient basis for the exercise of personal jurisdiction over a non-resident rights holder in a declaratory judgment action.<sup>20</sup> Or, stated differently, when the alleged infringer files a

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<sup>20</sup> See, e.g., *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998) (“[C]ease-and-desist letters alone do not suffice to justify personal jurisdiction.”); Ge-



declaratory judgment suit, he cannot rely solely on the cease-and-desist letter to establish personal jurisdiction over the rights holder; something else, in addition to the letter, must exist—some other act or activity by the rights holder in the forum of the alleged infringer that, combined with a letter, will allow the court to extend its jurisdiction over the non-resident rights holder.<sup>21</sup>

The result of the personal jurisdiction inquiry does not depend on any particular language used in cease-and-desist letters. This flexibility is different from the approach in the subject matter jurisdiction inquiry, which, at least until recently through the application of the “reasonable apprehension of suit” test, mandated the content that such letters had to avoid in order not to create a basis for subject matter jurisdiction over the rights holder.<sup>22</sup> Therefore, certainly until *MedImmune, Inc. v. Genentech, Inc.*,<sup>23</sup> the careful phrasing of letters could avoid subject matter jurisdiction in the alleged infringer’s forum.<sup>24</sup> Since the test for personal jurisdiction has been much more flexible about the particular language used in the letters, the definition of cease-and-desist letters—also known as infringement letters or demand letters—for purposes of the present discussion includes notice letters that are skillfully crafted to avoid subject matter jurisdic-

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netic Implant Sys., Inc. v. Core-Vent Corp., 123 F.3d 1455, 1458 (Fed. Cir. 1997) (“[S]ending infringement letters, without more activity in a forum state, is not sufficient to satisfy the requirements of due process.”); see also David Levine, *Practice Commentary—The Potentially Perilous Cease and Desist Letter*, NYSBA ENT., ARTS & SPORTS L. J., Fall/Winter 2005, Vol. 16, No. 3, at 16, 16–17. Compare certain district court decisions in which personal jurisdiction was extended based on cease-and-desist letters. *E.g.*, *Wise v. Lindamood*, 89 F. Supp. 2d 1187, 1192 (D. Colo. 1999); *Bounty-Full Entm’t, Inc. v. Forever Blue Entm’t Group, Inc.*, 923 F. Supp. 950, 956 (S.D. Tex. 1996); *Dolco Packaging Corp. v. Creative Indus., Inc.*, No. 86-3078-WMB, 1986 WL 84366, at \*2 (C.D. Cal. 1986).

<sup>21</sup> *Genetic Implant*, 123 F.3d at 1458 (“Other activities are required in order for a patentee to be subject to personal jurisdiction in the forum.”). On the various additional acts, see *infra* Section VI.

<sup>22</sup> Michael Weinstein, *The Fate of the Federal Circuit’s “Reasonable Apprehension” Standard in Patent Suits for Declaratory Judgment Following Medimmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007), 76 U. CIN. L. REV. 681, 704 (2008).

<sup>23</sup> 549 U.S. 118 (2007).

<sup>24</sup> It has been suggested that following *MedImmune*, the specific wording of cease-and-desist letters should become less important even for purposes of subject matter jurisdiction. See Weinstein, *supra* note 22, at 704 (2008) (“Now that the *MedImmune* decision has removed those artificial barriers [of the ‘reasonable apprehension of suit’ test], it will be more difficult to avoid invoking declaratory judgment jurisdiction because courts will look beyond practitioners’ words and will consider the meaning behind the words.”). On the relevance of the contents of letters in the subject matter jurisdiction inquiry in declaratory judgment cases prior to *MedImmune*, see *id.* at 689, 703. For the situation post *MedImmune* see an overview of cases in *Hewlett-Packard Co. v. Acceleron L.L.C.*, 601 F. Supp. 2d 581, 587–88 (D. Del. 2009).

tion, and generally any communications from rights holders to alleged infringers in which the holders inform the alleged infringers of the existence of the rights and the fact that the holders claim such rights. The communications may also point to potential alleged infringements and implicitly indicate or explicitly demand that the infringer cease the allegedly infringing activity and desist from it in the future.<sup>25</sup> In the context of personal jurisdiction, courts have found no reason to treat communications differently because they contained an offer of a license,<sup>26</sup> a demand of a settlement,<sup>27</sup> or an explicit threat of a lawsuit.<sup>28</sup>

Although cease-and-desist letters are often used as sincere attempts to achieve settlements, it would certainly be naive to view them only as such. While some rights holders may indeed have such peaceful solutions in mind, others send the letters merely in preparation for lawsuits, since substantive and procedural laws incentivize rights holders to inform alleged infringers of infringements in advance of filing suit.<sup>29</sup> For instance, a patent holder will want to make potential infringers aware of the infringement so that the infringer may thereafter be found to have infringed willfully, giving the rights holder the possibility of obtaining treble damages and attorneys fees if he is eventually successful with his claims; also, if they are sent to a contributory infringer, letters can supply the foundation necessary to impute intent for a finding of contributory infringement.<sup>30</sup> Similarly, the Copyright Act provides for enhanced statutory damages in cases of willful infringement,<sup>31</sup> and punitive damages may be

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<sup>25</sup> See, for example, the court's comments on letters that contained an "implication of infringement" in *Breckenridge Pharmaceutical, Inc. v. Metabolite Laboratories, Inc.*, 444 F.3d 1356, 1367 n.8 (Fed. Cir. 2006).

<sup>26</sup> *Hildebrand v. Steck Mfg. Co.*, 279 F.3d 1351, 1353 (Fed. Cir. 2002); *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998) ("Treating such hybrid cease-and-desist letters differently would also be contrary to fair play and substantial justice by providing disincentives for the initiation of settlement negotiations."). But see *PK Labs, Inc. v. Friedlander*, 103 F.3d 1105 (2d Cir. 1997), for a case in which communications with the alleged infringer were found to have a character more of a solicitation of business than of a cease-and-desist letter. *Id.* at 1109.

<sup>27</sup> *Integrity Mgmt. of Florida, L.L.C. v. Dental WebSmith, Inc.*, No. 4:08CV3079, 2008 WL 4372878, at \*5 (D. Neb. Sept. 19, 2008).

<sup>28</sup> *Hildebrand*, 279 F.3d at 1353. But the fact that the rights holder did not specify the forum of the alleged infringer as the forum of the threatened lawsuit did play a role in the Second Circuit's decision that the letter did not represent a "purposeful avilment" of that forum. *Beacon Enters., Inc. v. Menzies*, 715 F.2d 757, 766 (2d Cir. 1983); see *infra* Part III.

<sup>29</sup> See *infra* notes 30–34.

<sup>30</sup> See, e.g., *Ocean Innovations, Inc. v. Archer*, 483 F. Supp. 2d 570, 583 (N.D. Ohio 2007); *Pickholtz v. Rainbow Techs., Inc.*, 260 F. Supp. 2d 980, 988 (N.D. Cal. 2003).

<sup>31</sup> 17 U.S.C. § 504(c)(2) (2006).

awarded for willful common law copyright infringements.<sup>32</sup> Although letters are not indispensable for establishing willful or contributory infringement, they are helpful if no other proof is available.<sup>33</sup> On the procedural side, letters can be instrumental in the preservation of evidence; if phrased sufficiently, letters may, under appropriate circumstances, trigger an obligation for the alleged infringer to preserve data for the impending lawsuit.<sup>34</sup>

While letters have the advantages for rights holders and disadvantages for potential infringers just mentioned, they also carry other substantial negative effects for their addressees; in some industries, entities deemed to be infringing may be targeted by hundreds of such letters every month. Intel, for example, receives about 100 to 150 assertions per month by persons claiming to hold patents that Intel allegedly infringes, and it costs Intel three to five million dollars a year to deal with the assertions.<sup>35</sup> This amount is not spent simply on stationery and stamps to answer the assertions; rather, it is expended in a series of actions resulting from the strategy that Intel or any other alleged infringer employs in defending against cease-and-desist letters. Every alleged infringer must evaluate claims raised in letters, decide whether the letters should be answered and in what manner, decide whether or not to obtain an attorney's opinion letter, prepare for a lawsuit, and perhaps initiate a search for alternatives and the development of design-around technologies. Whether the letters and claims there-

<sup>32</sup> Although such instances are rare, they exist. *See, e.g.*, *Bridgeport Music, Inc. v. Justin Combs Publ'g*, 507 F.3d 470, 475 (6th Cir. 2007). One of the copyrights at issue was a common law copyright to a sound recording released in 1972; consequently, compensatory and punitive damages were awarded. *Id.* at 476–77.

<sup>33</sup> *Janel Russel Designs, Inc. v. Mendelson & Assocs., Inc.*, 114 F. Supp. 2d 856, 862 n.2 (D. Minn. 2000) (noting that the fact that the plaintiff sent a cease-and-desist letter “bolsters plaintiff’s allegations of intentional infringement”). In a trademark context see, for example, *Dakota Indus., Inc. v. Dakota Sportswear, Inc.*, 946 F.2d 1384, 1391 (8th Cir. 1991).

<sup>34</sup> *Cache La Poudre Feeds, L.L.C. v. Land O’Lakes, Inc.*, 244 F.R.D. 614, 623 (D. Colo. 2007).

[A] demand letter alone may be sufficient to trigger an obligation to preserve evidence and support a subsequent motion for spoliation sanctions . . . .

. . . [A] party’s duty to preserve evidence in advance of litigation must be predicated on something more than an equivocal statement of discontent, particularly when that discontent does not crystalize [sic] into litigation for nearly two years.

*Id.* *But cf.* HON. WILLIAM W SCHWARZER, HON. A. WALLACE TASHIMA, JAMES M. WAGSTAFFE, PRACTICE GUIDE: FEDERAL CIVIL PROCEDURE BEFORE TRIAL Ch. 11(I)(C)(1)(a)(2) (National ed. 2009) (“It is not clear whether a demand letter (or a cease-and-desist letter), *by itself*, is enough to trigger the duty to preserve.”).

<sup>35</sup> Bruce Sewell, General Counsel, Intel, Remarks at the Conference: The Federal Circuit Visits the Valley (Nov. 5, 2008) (notes on file with author).

in are substantiated or not, their effects are very costly for addressees; further damage may be caused by an interruption in sales if the alleged infringer decides to take such a measure as a precaution.

The effects of cease-and-desist letters easily explain why their addressees are eager to clarify the situation, “clear the air of infringement charges,”<sup>36</sup> and sometimes opt to preempt an impending infringement suit by filing first for a declaratory judgment that will relieve them of liability.<sup>37</sup> However, in addition to being guided by a desire to arrive at a quick and definite resolution to clarify their position with respect to the rights holders and protect their business and reputation, the alleged infringers may also wish to file first to secure the forum of their choice. They are likely to file in a forum where it might be advantageous to them, which will very likely, although not necessarily always, be the forum of their residence,<sup>38</sup> and thus preempt any suit filed in a forum that would be unfavorable to their cause.<sup>39</sup> Still, their choice will be limited by the availability of personal jurisdiction over the rights holders. Courts will not find personal jurisdiction in a forum in which the rights holders’ activity was limited to addressing cease-and-desist letters to the forum; the alleged infringers must find other fora in which personal jurisdiction over the rights holders can be established.<sup>40</sup>

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<sup>36</sup> Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1360 (Fed. Cir. 1998).

<sup>37</sup> Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 920 (2001) (“There is a perception that the infringer will achieve an advantage by filing a declaratory judgment action against the patentee, rather than waiting for the patentee to file an infringement suit.”).

<sup>38</sup> The Ninth Circuit viewed the issue unequivocally in *Roth v. Garcia Marquez*, 942 F.2d 617, 624 (9th Cir. 1991) (“[N]o doctorate in astrophysics is required to deduce that trying a case where one lives is almost always a plaintiff’s preference.”).

<sup>39</sup> Moore, *supra* note 37, at 920 (“In cases in which the defendant was able to choose the forum (as with declaratory judgment actions) rather than the patent holder (as in infringement suits), there was a significant difference in outcome: the defendant is much more likely to win when it selects the forum.”).

<sup>40</sup> An important problem here is the question of personal jurisdiction over a non-U.S. patent holder with no presence in the U.S., which was raised in *Avocent Huntsville Corp. v. Aten International Co.*, 552 F.3d 1324 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2796 (2009), and again most recently in *Autogenomics, Inc. v. Oxford Gene Technology Ltd.*, 566 F.3d 1012 (Fed. Cir. 2009). In both decisions, the court’s majority stated that if no other fora with general or specific jurisdiction over the foreign patentee exist, the U.S. District Court for the District of Columbia always has jurisdiction over the foreign patentee under 35 U.S.C. § 293. *Avocent*, 552 F.3d at 1339; *Autogenomics*, 566 F.3d at 1021. Section 293 says that “[t]he court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.” 35 U.S.C. § 293 (2006). On the discussion of the scope of section 293, specifically

Cease-and-desist letters alone, absent additional acts committed in the forum, are very unlikely to establish general jurisdiction, which requires “continuous and systematic” contacts with the forum,<sup>41</sup> and, as explained below, courts have found letters to be insufficient grounds for specific jurisdiction as well.<sup>42</sup> There are actually very few cases in which courts have fully outlined their rationale for this conclusion; their analyses often leave letters aside, briefly noting that letters by themselves are simply not enough, and concentrate on other contacts that rights holders have with the forum that are sufficient per se for finding personal jurisdiction.<sup>43</sup> The next section uses the sometimes fragmentary discussions in court decisions to reconstruct the analysis of letters as a potential basis of personal jurisdiction; it follows the structure of the test for personal jurisdiction over a non-resident defendant.

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whether declaratory judgment suits are covered by the provision, see, for example, *National Patent Development Corp. v. T.J. Smith & Nephew Ltd.*, 877 F.2d 1003, 1006–07 (D.C. Cir. 1989) (reviewing three previous decisions; none of them concerned claims of patent non-infringement, invalidity or unenforceability, but all indicated that declaratory judgments would be covered by § 293). Similarly, the issue was also discussed in *Purdue Research Foundation v. Sanofi-Synthelabo, S.A.*, 332 F. Supp. 2d 63, 67–68 (D.D.C. 2004) (reviewing the five cases reported up to that time). In *Jeckson Electric Co. v. GPE International Ltd.*, No. 1:03-cv-01317-RCL (D.D.C. Sept. 12, 2005), the court found jurisdiction over a non-resident defendant under section 293 in the case involving claims for patent invalidity, unenforceability, and non-infringement and tortious interference with business relations. *Id.* Eventually, the case was dismissed with prejudice. *Id.*

<sup>41</sup> *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 416, 421 (1984).

<sup>42</sup> Compare this to certain district court cases finding jurisdiction based on cease-and-desist letters. See *Wise v. Lindamood*, 89 F. Supp. 2d 1187, 1192 (D. Colo. 1999); *Bounty-Full Entm’t, Inc. v. Forever Blue Entm’t Group, Inc.*, 923 F. Supp. 950, 956 (S.D. Tex. 1996); *Dolco Packaging Corp. v. Creative Indus., Inc.*, No. 86-3078-WMB, 1986 WL 84366, at \*2 (C.D. Cal. 1986). Compare also *PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105 (2d Cir. 1997), where the communications with the alleged infringer were considered more as solicitations of business than cease-and-desist letters. *Id.* at 1109. On the difficulty of distinguishing the specific and general jurisdictions in some factual scenarios see Linda Sandstrom Simard, *Meeting Expectations: Two Profiles for Specific Jurisdiction*, 38 IND. L. REV. 343 (2005).

<sup>43</sup> As noted by Judge Newman in her dissent in *Avocent Huntsville Corp. v. Aten International Co.*, “[a]ll considerations must be weighed, not in isolation, but together, in deciding whether the forum can, and should, entertain the suit.” 552 F.3d 1324, 1344 (Fed. Cir. 2008) (Newman, J., dissenting), *cert. denied*, 2009 U.S. LEXIS 4479, No. 08-1258 (S. Ct. June 15, 2009).

### III. CEASE-AND-DESIST LETTERS IN THE PERSONAL JURISDICTION INQUIRY

Although cease-and-desist letters are not exclusive to patent matters, and disputes over personal jurisdiction based on such letters are not limited to patent litigation, most of the recent court decisions concerning the issue arise in patent declaratory judgment actions. This explains the prevalence of citations to decisions in patent cases, and therefore mostly to decisions by the Federal Circuit Court of Appeals, not only in court opinions in patent cases but also in cases outside the patent law field. Similarly, this section also relies heavily on analyses provided by the Federal Circuit in decisions concerning patent matters. It is debatable whether the conclusions reached on the issue were in any way shaped by the fact that the relevant case law originated in this particular area at a time when its application was perceived by some commentators as favoring rights holders.<sup>44</sup> In any event, courts ruled in favor of rights holders and that is where the law now stands: If the rights holder's contacts with the forum are limited to addressing cease-and-desist letters to the forum, no personal jurisdiction over the rights holder will be found in the forum in a declaratory judgment action filed against him.<sup>45</sup>

This section summarizes courts' analyses of the issue based on the individual steps of the personal jurisdiction inquiry as outlined by *International Shoe Co. v. Washington*.<sup>46</sup> In order for personal jurisdiction over a non-resident defendant to be established, the defendant must have some "minimum contacts" with the forum such that "the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'"<sup>47</sup> The "minimum contacts" step of the test is satisfied if the defendant purposefully avails himself of the forum or "purposefully directed" his activities at residents of the forum" and the litigation arises out of or is related to those activities.<sup>48</sup> However, before this due

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<sup>44</sup> It has been repeatedly contested whether the Federal Circuit had asserted a pro-patentee position on a number of issues. For commentary on the debate see, for example, John M. Golden, *The Supreme Court as "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 678–79 (2009).

<sup>45</sup> E.g., *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360–61 (Fed. Cir. 1998).

<sup>46</sup> 326 U.S. 310 (1945).

<sup>47</sup> *Id.* at 316.

<sup>48</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472–73 (1985). The Federal Circuit applies its own test to all cases in which "the personal jurisdictional inquiry is 'intimately involved with the substance of the patent laws,'" including declaratory judgment actions involving patents. *Elecs. for Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1348 (Fed. Cir. 2003) (quoting *Akro*

process inquiry is conducted,<sup>49</sup> it must be established that personal jurisdiction is authorized by a state long-arm statute, which may be narrower in scope than the due process framework and therefore render any further inquiry unnecessary.<sup>50</sup> In some states the provisions of long-arm statutes have been found to be co-extensive with the limits of due process,<sup>51</sup> which has been interpreted as resulting in the entire personal jurisdiction inquiry collapsing into a single determination of whether extending personal jurisdiction over the defendant comports with the due process requirement.<sup>52</sup>

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Corp. v. Luker, 45 F.3d 1541, 1543 (Fed. Cir. 1995)); *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1201 (Fed. Cir. 2003). The test follows the due process analysis; it requires that courts examine whether 1) the defendant purposefully directed its activities at residents of the forum, 2) the claim arises out of or relates to the defendant's activities with the forum, and 3) the assertion of personal jurisdiction is reasonable and fair. *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1359–60 (Fed. Cir. 1998).

<sup>49</sup> See *Stomp v. NeatO, L.L.C.*, 61 F. Supp. 2d 1074, 1077 n.3 (C.D. Cal. 1999).

The Supreme Court's opinion in *Pennoyer* [*v. Neff*, 95 U.S. 714 (1877)], applied the due process clause of the Fourteenth Amendment to the exercise of personal jurisdiction by the courts of the several states, and therefore to federal courts sitting in diversity. But the same due process analysis applies to federal courts in federal question cases, such as this, under the Fifth Amendment's due process clause.

*Id.*

<sup>50</sup> Jeffrey A. Van Detta & Shiv K. Kapoor, *Extraterritorial Personal Jurisdiction for the Twenty-First Century: A Case Study Reconceptualizing the Typical Long-Arm Statute to Codify and Refine International Shoe After its First Sixty Years*, 3 SETON HALL CIR. REV. 339, 346 (2007) (“[S]tate legislatures enacted [long-arm statutes] with the belief that they were allowing for the exercise of personal jurisdiction to the limits of due process. However, the statutes actually did not do so.”). On “possible ‘gaps’ between the extent of jurisdiction allowed by the New York [long-arm] statute and that permitted by [D]ue [P]rocess” see, for example, *Best Van Lines, Inc. v. Walker*, 490 F.3d 239, 245 n.8 (2d Cir. 2007).

<sup>51</sup> For example, Alabama, California, Illinois, Texas, Utah, Washington have, but New York has not. Douglas McFarland, *Dictum Run Wild: How Long-Arm Statutes Extended to the Limits of Due Process*, 84 B.U. L. REV. 491, 496, 527, 530–31 (2004).

As of 2004:

[o]f the thirty states that have limited, enumerated-acts long-arm statutes, the courts of only eighteen of those states interpret their statutes; the courts of the other twelve states assert that their enumerated-acts statutes reach the limits of due process. Of the twenty states that have statutes that expressly reach the limits of due process, six states have comprehensive no-limits statutes, and the other fourteen have enumerated-acts statutes with added catch-all no-limits clauses.

*Id.* at 540.

<sup>52</sup> For historical development of this approach and its criticism see McFarland, *supra* note 51.

Long-arm statutes typically contain three provisions that may be considered in cases involving cease-and-desist letters; stated in a simplified manner, personal jurisdiction may be permitted over the defendant in actions arising out of defendant's conduct of "transacting business,"<sup>53</sup> "committing a tortious act,"<sup>54</sup> or "causing injury"<sup>55</sup> in the forum.<sup>56</sup> Some courts have found cease-and-desist letters to constitute the "transacting of business" in the forum of the alleged infringer; their reasoning often points to a 1980 decision by the First Circuit in *Nova Biomedical Corp. v. Moller*,<sup>57</sup> where the court opined that sending letters "can, in certain circumstances, constitute the transaction of business within the

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<sup>53</sup> *E.g.*, N.Y. C.P.L.R. § 302(a)(1) (Consol. 2009).

As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent . . . transacts any business within the state or contracts anywhere to supply goods or services in the state.

*Id.*

<sup>54</sup> *E.g.*, N.Y. C.P.L.R. § 302(a)(2) (Consol. 2009).

As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent . . . commits a tortious act within the state, except as to a cause of action for defamation of character arising from the act.

*Id.*

<sup>55</sup> *E.g.*, N.Y. C.P.L.R. § 302(a)(3) (Consol. 2009).

As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent . . . commits a tortious act without the state causing injury to person or property within the state, except as to a cause of action for defamation of character arising from the act, if he (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce.

*Id.*

<sup>56</sup> A case from the 1970s exists in which assertion of patent rights through an infringement letter was found to constitute use of personal property warranting jurisdiction under the long-arm statute of Minnesota. *Imperial Prods., Inc. v. Zuro*, 176 U.S.P.Q. (BNA) 172, 175 (D. Minn. 1971). But see *Conwed Corp. v. Nortene, S.A.*, 404 F. Supp. 497, 505 (D. Minn. 1975), where the court called the notion that "patents are 'situated in' Minnesota" a "dubious proposition."

<sup>57</sup> 629 F.2d 190 (1st Cir. 1980).



meaning of the Massachusetts long-arm statute.”<sup>58</sup> However, most decisions since *Nova Biomedical* have not considered letters to constitute the transacting of business; for instance, in *Hildebrand v. Steck Manufacturing Co.*,<sup>59</sup> the Federal Circuit viewed a cease-and-desist letter as a “mere solicitation of business by a foreign person [that] does not constitute transacting business” in the forum,<sup>60</sup> and as long as the letter represents only “a cursory attempt at soliciting business”<sup>61</sup> and does not create any “binding obligation” in the forum,<sup>62</sup> it does not survive the subsequent due process analysis. Similarly, the Second Circuit has not found cease-and-desist letters to be the kind of acts that could be deemed transactions of business.<sup>63</sup>

An allegation of an injury caused by cease-and-desist letters was sufficient for the court in *Breckenridge Pharmaceuticals, Inc. v. Metabolite Laboratories, Inc.*<sup>64</sup> to conclude that the Florida long-arm statute “causing injury” provision was satisfied,<sup>65</sup> however, in the same case the court decided that the sending of cease-and-desist letters is unlikely to constitute the “committing of a tortious act” under the Florida long-arm statute because the “letters . . . may qualify as protected communications under federal patent law and thus may not be tortious.”<sup>66</sup> Yet the “tortious nature” of the letters might be irrelevant in this context; as the Ninth Circuit noted in *Yahoo! Inc. v. La Ligue Contre Le Racisme Et L’Antisemitisme*,<sup>67</sup> requiring that the act be wrongful would produce absurd consequences because “if [only] an allegedly wrongful act were the basis for jurisdiction, a holding on the merits that the act was not wrongful would deprive the court of jurisdiction.”<sup>68</sup>

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<sup>58</sup> *Id.* at 197.

<sup>59</sup> 279 F.3d 1351 (Fed. Cir. 2002).

<sup>60</sup> *Id.* at 1354–55. Naturally, additional contacts with the forum might warrant application of the “transacting business” provision; however, letters by themselves will not suffice. *See also* *Graphic Controls Corp. v. Utah Med. Prods., Inc.*, 149 F.3d 1382, 1387 (Fed. Cir. 1998) (stating that the particular letters at issue were “of insufficient quality and degree to be considered the ‘transaction of business’ under New York law”).

<sup>61</sup> *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1363 (Fed. Cir. 2006).

<sup>62</sup> *Hildebrand*, 279 F.3d at 1356.

<sup>63</sup> *Beacon Enters., Inc. v. Menzies*, 715 F.2d 757, 766 (2d Cir. 1983).

<sup>64</sup> 444 F.3d 1356 (Fed. Cir. 2006).

<sup>65</sup> *Id.* at 1361.

<sup>66</sup> *Id.*

<sup>67</sup> 433 F.3d 1199 (9th Cir. 2006) (en banc).

<sup>68</sup> *Id.* at 1208.

Good faith assertions of patent rights do not give rise to tort liability,<sup>69</sup> and there is also a strong presumption that assertions of rights by a patent holder are in good faith;<sup>70</sup> however, this does not warrant an *a priori* exclusion of cease-and-desist letters from potentially tortious acts that may be bases for personal jurisdiction. In any event, regardless of the result of this particular inquiry, letters are likely to fail once the nexus between the act and the declaratory judgment claims are assessed, as explained below.

In addition to comporting with one of the provisions of a state long-arm statute, the act by the defendant must also pass the due process analysis, which is premised on the proposition that when defendants act, they can predict whether and where their acts may expose them to jurisdiction, and based on this predictability they may “structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.”<sup>71</sup> Some initiative is thus expected on the part of the defendant; defendant’s acts must be voluntary, not that of someone else,<sup>72</sup> and defendant’s conduct that is only a necessary reaction to plaintiff’s actions will not suffice.<sup>73</sup> Whether the act is described as a “purposeful availment”<sup>74</sup> or a “purposeful direction,”<sup>75</sup> it must be an act initiated by the defendant that leads to the exercise of personal jurisdiction in the forum. Additionally, the act must represent either “significant activities” or create “continuing obligations” in the forum.<sup>76</sup> Here the obvious problem is that cease-and-desist letters cannot be viewed as acts undertaken voluntarily by the rights holder; they are in fact instigated by the alleged infringer’s activity in the forum. Although the Federal Circuit has found that by

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<sup>69</sup> *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004) (“The federal patent laws preempt state laws that impose tort liability for a patentholder’s [sic] good faith conduct in communications asserting infringement of its patent and warning about potential litigation.”).

<sup>70</sup> *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1369 (Fed. Cir. 1998) (“The law recognizes a presumption that the assertion of a duly granted patent is made in good faith, . . . this presumption is overcome only by affirmative evidence of bad faith.”); *see also* *Golan v. Pingel Enter.*, 310 F.3d 1360, 1370–71 (Fed. Cir. 2002).

<sup>71</sup> *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

<sup>72</sup> *See, e.g., Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 n.17 (1985).

<sup>73</sup> *Nowak v. Tak How Invs., Ltd.*, 94 F.3d 708, 716 (1st Cir. 1996) (“[The] two focal points are voluntariness and foreseeability.”).

<sup>74</sup> *Hanson v. Denckla*, 357 U.S. 235, 253 (1958).

<sup>75</sup> *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 774 (1984). Some courts interpret *International Shoe* and its progeny as requiring defendant’s “purposeful availment” of the forum for contract claims, and “purposeful direction” of defendant’s activities at the forum for tort claims. *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 802 (9th Cir. 2004).

<sup>76</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475–76 (1985).

sending cease-and-desist letters rights holders purposefully directed their activities at residents of the forum,<sup>77</sup> it is questionable whether the court's analysis took into account the voluntariness aspect of the due process requirement or merely sought compliance with the literal meaning of the first factor of the test, which would not appear to fully embody the aspect of voluntariness required under the due process analysis.

While the Federal Circuit views cease-and-desist letters as voluntary acts directed at an alleged infringer's forum because that is the destination of the letters, the Second Circuit actually has promoted a compelling argument that has led it to a contrary conclusion. In *Beacon Enterprises, Inc. v. Menzies*,<sup>78</sup> the court found the fact that the letter was sent to the forum not to be dispositive but instead focused on the content of the letter and pointed out that it did not specify the forum of the threatened litigation—in fact, in this particular case, it did not even specify the location of the alleged infringement.<sup>79</sup> The court reasoned that by not threatening a lawsuit in the alleged infringer's forum, the rights holder did not invoke “the benefits and protections” of the forum and therefore did not purposefully avail himself of the forum.<sup>80</sup> Application of this reasoning would solve the personal jurisdiction dispute in most if not all cases involving cease-and-desist letters because it is likely that the rights holder would not mention the alleged infringer's forum in a letter if he wished to avoid litigation there.

The second factor of the due process test, the nexus between defendant's acts and declaratory judgment claims, is also problematic; long-arm statutes and the due process analysis both require that the claims arise out of or relate to the acts.<sup>81</sup> Unfortunately, as the Federal Circuit noted in *Akro Corp. v. Luker*,<sup>82</sup> the United States Supreme Court “has avoided general pronouncements on the nexus,”<sup>83</sup> and many decisions concerning cease-and-desist letters do not

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<sup>77</sup> *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1202 (Fed. Cir. 2003); *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1362 (Fed. Cir. 2001) (“There can be no dispute that the infringement letter satisfies this factor in the *Akro* test.”).

<sup>78</sup> 715 F.2d 757 (2d Cir. 1983).

<sup>79</sup> *Id.* at 766.

<sup>80</sup> *Id.*

<sup>81</sup> *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998). The first two factors of the test correspond to the “minimal contacts” step of the *International Shoe* two-step test; the third factor of the Federal Circuit's test addresses the due process requirement as does the second step of the *International Shoe* test. *Inamed Corp.*, 249 F.3d at 1360.

<sup>82</sup> 45 F.3d 1541 (Fed. Cir. 1995).

<sup>83</sup> *Id.* at 1547. Courts have taken various approaches to analyzing the nexus. See *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1078 (10th Cir. 2008); *Avocent Hunts-*

discuss the issue simply because courts are able to decline jurisdiction based on other factors. In *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*,<sup>84</sup> *Silent Drive, Inc. v. Strong Indus., Inc.*<sup>85</sup> and *Avocent Huntsville Corp. v. Aten International Co.*,<sup>86</sup> for instance, the Federal Circuit Court relied on the “fair play and substantial justice” factor to reject the argument that personal jurisdiction could be based solely on letters. However, in *Red Wing Shoe* the court did observe that the alleged infringer’s argument that the declaratory judgment claims arose out of the cease-and-desist letter had “at least some merit” because the letter as a “threat of an infringement suit” caused “a wrongful restraint on the free exploitation of non-infringing goods” from which the alleged infringer could free itself only through a declaratory judgment suit.<sup>87</sup> The court further conceded that cease-and-desist letters may “at least partially give rise to the plaintiff’s action” when they “entangle . . . some non-infringing products.”<sup>88</sup> Subsequently, and perhaps surprisingly given the careful language of *Red Wing Shoe*, in *Silent Drive* the Federal Circuit interpreted its own reasoning in *Red Wing Shoe* as confirming that declaratory judgment actions arise out of cease-and-desist letters.<sup>89</sup>

Even when cease-and-desist letters were held to satisfy the “minimum contacts” of the *International Shoe* test, they still were not found to overcome the hurdle of fairness and reasonableness.<sup>90</sup> This prong of the test shifts the bur-

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ville Corp. v. Aten Int’l Co., 552 F.3d 1324, 1336–37 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2796 (June 15, 2009); *Nowak v. Tak How Invs., Ltd.*, 94 F.3d 708, 714–15 (1st Cir. 1996).

<sup>84</sup> 148 F.3d 1355, 1360–61 (Fed. Cir. 1998).

<sup>85</sup> 326 F.3d 1194 (Fed. Cir. 2003).

<sup>86</sup> 552 F.3d 1324, 1333 (Fed. Cir. 2008).

<sup>87</sup> *Red Wing Shoe Co.*, 148 F.3d at 1360.

<sup>88</sup> *Id.*

<sup>89</sup> *Silent Drive*, 326 F.3d at 1202. Earlier, in *Inamed* the court first found personal jurisdiction for the claims of patent misuse and breach of contract and then concluded that “[t]he remaining causes of action seeking declaratory judgment of patent non[-]infringement sufficiently [arose] out of the same set of operative facts to vest the district court with pendent personal jurisdiction over those causes of action.” *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1362 (Fed. Cir. 2001). Thus it appears that in *Inamed* the court was reluctant to find that the declaratory judgment claim arose out of the cease-and-desist letter. But see *Ham v. La Cienega Music Co.*, 4 F.3d 413 (5th Cir. 1993), where the court decided that a demand letter, “although it form[ed] the basis for [plaintiff’s] allegations about the existence of a live controversy, in no way relate[d] to the merits of the copyright question and thus [did] not support personal jurisdiction” in the forum. *Id.* at 416.

<sup>90</sup> *Silent Drive*, 326 F.3d at 1202; *Red Wing Shoe Co.*, 148 F.3d at 1360; *see also* *Nova Biomedical Corp. v. Moller*, 629 F.2d 190, 197 (1st Cir. 1980).

den to the defendant to show that there are considerations for which the exercise of jurisdiction over him would be unreasonable.<sup>91</sup> In evaluating reasonableness, courts will examine a number of factors; the Supreme Court in *World-Wide Volkswagen Corp. v. Woodson*,<sup>92</sup> based on its prior decisions, summarized some of the factors that may be involved in the analysis: “the burden on the defendant,” “the forum State’s interest in adjudicating the dispute,” “the plaintiff’s interest in obtaining convenient and effective relief,” “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies,” and “the shared interest of the several States in furthering fundamental substantive social policies.”<sup>93</sup> Courts may consider additional factors; for instance, the Ninth Circuit scrutinizes also “the extent of the defendants’ purposeful interjection into the forum state’s affairs,”<sup>94</sup> “the extent of conflict with the sovereignty of the defendants’ state,” and “the existence of an alternative forum.”<sup>95</sup>

Courts have found that all reasonableness factors weigh in favor of the alleged infringer except for one factor that tilts the entire analysis in favor of the rights holder. Some analyses of the various factors considered to support jurisdiction over the rights holder produce clearer results than others; for instance, an alleged infringer’s interest in obtaining convenient and effective relief seems undeniable, and of course his forum state has a great interest in adjudicating the dispute because it wishes to relieve him of the threat of a possible infringement suit and enable him to continue his business operations without damaging interference by the rights holder. It is most efficient to resolve the controversy where the evidence and witnesses are located,<sup>96</sup> which in a non-infringement

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<sup>91</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477 (1985).

<sup>92</sup> 444 U.S. 286 (1980).

<sup>93</sup> *Id.* at 292.

<sup>94</sup> *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1487 (9th Cir. 1993).

<sup>95</sup> *Id.* at 1487–88. The Eighth Circuit uses:

a five-factor test in analyzing the constitutional requirements needed for personal jurisdiction: (1) the nature and quality of defendant’s contacts with the forum state; (2) quantity of contacts; (3) source and connection of the cause of action with those contacts; and to a lesser degree; (4) the interest of the forum state; and (5) the convenience of the parties.

*Wessels, Arnold & Henderson v. Nat’l Med. Waste, Inc.*, 65 F.3d 1427, 1432 (8th Cir. 1995). The Second Circuit has applied the five factors as outlined in *World-Wide Volkswagen*. See *Kernan v. Kurz-Hastings, Inc.*, 175 F.3d 236, 244 (2d Cir. 1999) (quoting *Metropolitan Life Ins. Co. v. Robertson-Ceco Corp.*, 84 F.3d 560, 568 (2d Cir. 1996)).

<sup>96</sup> *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1323 (9th Cir. 1998) (internal citation omitted) (“This factor focuses on the location of the evidence and witnesses. It is no longer weighed heavily given the modern advances in communication and transportation.”).

action will be the forum of the alleged infringer, and this factor easily outweighs the availability of an alternative forum.

The conflict with the sovereignty of the rights holder's state does not arise in intellectual property declaratory judgment cases; the issue is completely independent from whether the claims involve rights based on U.S. law or foreign law. The analysis is somewhat more complicated when a foreign intellectual property right is at issue; although courts have been skeptical about extending their jurisdiction to cases involving foreign registered rights,<sup>97</sup> courts may be willing to adjudicate foreign non-registered rights. For instance, such could have been the situation in *Dudnikov* if the U.K. rights holder had accused the alleged U.S. infringers of infringing a U.K. copyright, and if the alleged infringers had brought a declaratory judgment action in the U.S. based on U.K. law. If the court had decided to ascertain declaratory judgment claims based on U.K. law, that is, if it treated the claims as transitory causes of action,<sup>98</sup> it might have still found it reasonable to adjudicate the case in the U.S., particularly if the alleged infringer was a U.S. entity or a foreign entity with a presence in the U.S. However, as opposed to a case involving a registered right, in the case of an unregistered right, such as copyright, no conflict with the sovereignty of the rights holder is to be expected because any decision in the case—whether a finding of non-infringement or infringement—need not be recognized and enforced in a foreign jurisdiction because the alleged infringer resides in the forum of the court that is going to issue the decision.

Surprisingly, courts do not attach a great weight to the burden on the defendant—a non-resident rights holder. Although courts recognize that this factor tends to weigh strongly in favor of the rights holder,<sup>99</sup> they emphasize that it cannot be dispositive of the analysis. Only if the burden on the defendant reaches the level of due process deprivation would it outweigh the other factors,<sup>100</sup> and courts suggest that the current means of communication and trans-

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<sup>97</sup> See, e.g., Eric Chan, *Asserting Foreign Patent Claims in U.S. Federal Courts: What's Left After Voda v. Cordis?*, 18 ALB. L.J. SCI. & TECH. 1, 45–46 (2008); Marketa Trimble, *Cross-Border Injunctions in U.S. Patent Cases and Their Enforcement Abroad*, 13 MARQ. INTELL. PROP. L. REV. 331, 332 n.3, 357–58 (2009).

<sup>98</sup> As did, for instance, the U.S. District Court for the Southern District of New York in *London Film Productions Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47, 48–49 (S.D.N.Y. 1984). *But cf.* *Lucasfilm v. Andrew Ainsworth*, [2009] EWCA Civ 1328, ¶ 174 (U.K.). On justiciability of foreign copyright claims in general see, for instance, SAM RICKETSON & JANE C. GINSBURG, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* 1296–97 (2006).

<sup>99</sup> *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1323 (9th Cir. 1998); *Caruth v. Int'l Psychoanalytical Ass'n*, 59 F.3d 126, 128 (9th Cir. 1995).

<sup>100</sup> *Panavision Int'l*, 141 F.3d at 1323; *Caruth*, 59 F.3d at 128–29.

portation, such as “fax machines and discount air travel,”<sup>101</sup> mitigate any significant burden on the defendant.<sup>102</sup> Although it is unlikely that fax machines and discount plane tickets indeed make a defendant’s position significantly easier, particularly when that defendant is an individual and is haled into a foreign forum, courts do not see distance as a significant obstacle for personal jurisdiction.

Of the factors that courts weigh to assess the “fairness and reasonableness”<sup>103</sup> of a suit, two remain: “the extent of the defendants’ purposeful interjection into the forum state’s affairs”<sup>104</sup> and the “shared interest of the several States in furthering fundamental substantive social policies.”<sup>105</sup> Depending on the facts of the case, the purposeful interjection factor may weigh in either way; a finding of sufficient minimum contacts with the forum in the first part of the due process analysis does not exclude the possibility that a court would reject the notion that such contacts are sufficient to satisfy the requirements of reasonableness.<sup>106</sup>

Importantly, however, there remains the policy factor, which courts have considered as dispositive of the entire personal jurisdiction inquiry.<sup>107</sup> This factor, along with the strong policy favoring settlements, turns the entire inquiry in favor of the rights holder. In *Red Wing Shoe* the Federal Circuit Court explained that

[p]rinciples of fair play and substantial justice afford a patentee sufficient latitude to inform others of its patent rights without subjecting itself to jurisdiction in a foreign forum. A patentee should not subject itself to personal jurisdiction in a forum solely by informing a party who happens to be located there of suspected infringement.<sup>108</sup>

Similarly, if substantive law encourages rights holders to inform potential infringers of possible infringement, the rights holders who act on such encouragement and utilize cease-and-desist letters should not be disadvantaged for

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<sup>101</sup> *Panavision Int’l*, 141 F.3d at 1323 (pointing to prior decisions).

<sup>102</sup> *Id.*

<sup>103</sup> See *supra* notes 90 and 91 and accompanying text.

<sup>104</sup> *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1487 (9th Cir. 1993).

<sup>105</sup> *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980).

<sup>106</sup> *Core-Vent*, 11 F.3d at 1488. (“Even if there is sufficient ‘interjection’ into the state to satisfy the [purposeful availment prong], the degree of interjection is a factor to be weighed in assessing the overall reasonableness of jurisdiction under the [reasonableness prong].”).

<sup>107</sup> See *infra* note 110 and accompanying text.

<sup>108</sup> *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360–61 (Fed. Cir. 1998).

such behavior by being exposed to the jurisdiction of the court in the forum to which they sent the letters.<sup>109</sup>

The policy factor's prominence in the personal jurisdiction inquiry was reiterated by the Federal Circuit in *Silent Drive* where the court stated that cease-and-desist letters "would satisfy the minimum contacts requirement of due process except for policy considerations unique to the patent context."<sup>110</sup> Although this statement may have been generated by a simplified reading of the court's previous observations, and doubts may exist as to whether letters indeed fulfill all the other requirements for sufficient minimum contacts with the forum, it exemplifies the emphasis that courts put on the policy argument. Even so, this argument is apparently not persuasive enough to save a rights holder from personal jurisdiction in the alleged infringer's forum if the rights holder, instead of sending a letter, files, out of either choice or necessity, a DMCA notification. The Tenth Circuit concluded that, at a minimum, where a rights holder in fact has an option to use either, a notification will serve as a sufficient basis for asserting personal jurisdiction over the rights holder.<sup>111</sup> Before discussing the approach that the Tenth Circuit adopted towards a DMCA notification in the personal jurisdiction inquiry, the following section explains the origins and workings of the notifications, reviews the effects that the notifications have on alleged infringers and compares those effects to the impact of cease-and-desist letters.

#### IV. THE DMCA NOTIFICATION FRAMEWORK

The historical background, functioning, and effects of the DMCA notification system have been presented in various detail and from different perspectives by a number of authors.<sup>112</sup> However, none of the existing descriptions

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<sup>109</sup> *Nova Biomedical Corp. v. Moller*, 629 F.2d 190, 196 (1st Cir. 1980).

<sup>110</sup> *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1206 (Fed. Cir. 2003).

<sup>111</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1082 (10th Cir. 2008).

<sup>112</sup> Mark A. Lemley, *Rationalizing Internet Safe Harbors*, 6 J. TELECOMM. & HIGH TECH. L. 101, 113–115 (2007); Hannibal Travis, *Opting Out of the Internet in the United States and the European Union: Copyright, Safe Harbors, and International Law*, 84 NOTRE DAME L. REV. 331, 347–50 (2008); Jennifer M. Urban & Laura Quilter, *Efficient Process or "Chilling Effects"? Takedown Notices Under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 631–36 (2006); Jeffrey Cobia, Note, *The Digital Millennium Copyright Act Takedown Notice Procedure: Misuses, Abuses, and Shortcomings of the Process*, 10 MINN. J. L. SCI. & TECH. 387, 387–94 (2009); Debra Weinstein, Note and Recent Development, *Defining Expeditious: Uncharted Territory of the DMCA Safe Harbor Provision—A Survey of What We Know and Do Not Know About the Expedi-*



and analyses have viewed the DMCA from the perspective of personal jurisdiction issues. For the purposes of this article, therefore, it is helpful to briefly review the legislative history and content of the relevant provisions of the DMCA<sup>113</sup> and focus on the aspects that are important for the discussion of personal jurisdiction in a potential subsequent declaratory judgment suit brought by an alleged infringer against a rights holder who had sent a DMCA notification.

DMCA notifications were introduced by the 1998 Digital Millennium Copyright Act,<sup>114</sup> which was designed primarily to implement the WIPO treaties on copyright as well as on performances and phonograms.<sup>115</sup> The Act also added section 512 to the Copyright Act to deal with liability limitations for Internet service providers for copyright infringement that results from postings of infringing material on the Internet.<sup>116</sup> It was not the first piece of legislation to address the limitation of civil liability of entities that provided Internet services: the Communications Decency Act of 1996<sup>117</sup> also included provisions limiting the liability of service providers—the so-called “‘good samaritan’ blocking and screening of offensive material” provisions<sup>118</sup>—but matters of intellectual property were left out.<sup>119</sup> The DMCA thus filled a part of the gap left by the Telecommunications Act by regulating the issue with regard to liability for copyright infringement.<sup>120</sup>

Both Acts were passed in reaction to the realities of the rapidly growing Internet and to the needs of those who facilitated its functioning, such as Internet service providers. As the Internet exploded in the 1990s it became clear that entities providing various Internet services, such as storage providers or search

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*tiousness of Service Provider Responses to Takedown Notifications*, 26 CARDOZO ARTS & ENT. L.J. 589, 596–609 (2008).

<sup>113</sup> 17 U.S.C. § 512 (2006).

<sup>114</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

<sup>115</sup> *Id.* at 2861.

<sup>116</sup> *Id.* at 2877–86.

<sup>117</sup> Telecommunications Act of 1996, Pub. L. No. 104-104, sec. 502, § 223, 110 Stat. 56 (1996) (codified as amended at 47 U.S.C. § 223 (2006)); *see also* *Reno v. Am. Civil Liberties Union*, 521 U.S. 844, 858–59 (1997). Paul D. Driscoll, *Legal Issues in Online Journalism*, in *ONLINE NEWS AND THE PUBLIC* 81, 108 (Micheal B. Salwen et al. eds., 2005) (“The Communications Decency Act collapsed under First Amendment review, but the protection against liability from third-party content remained in effect.”).

<sup>118</sup> 47 U.S.C. § 230(c) (2006).

<sup>119</sup> § 230(e)(2).

<sup>120</sup> Lemley, *supra* note 112, at 101 (“In the last 12 years, both Congress and the courts have concluded that Internet intermediaries should not be liable for damages for a wide range of content posted or sent through their systems by another.”); *see id.* at 101 n.2 (listing examples of additional provisions and court decisions that shape the matter).

engine operators, could not effectively police the content that others posted or that was merely made visible on the Internet through their services. Service providers therefore pushed for limitations on their liability for content posted by others and sought to be viewed solely as transmitters of content and not as participants in any infringement possibly committed by users of their services.<sup>121</sup> Their position was reflected by Senator John Ashcroft in the Senate floor debate over the Bill: “[T]he notion that service providers should not bear the responsibility for copyright infringements when they are providing a means of communication is a key notion for the future growth and development of digital communications and most importantly the Internet.”<sup>122</sup>

Naturally, pulling on the other end of the rope were copyright holders. They were concerned about the magnitude of the infringement made possible by the Internet, due to the overwhelming volume of infringing material and speed with which it could be disseminated. In exchange for relieving service providers from liability, copyright holders demanded cooperation from service providers in stopping infringement on the Internet with requisite effectiveness and speed.<sup>123</sup>

The original compromise reached between service providers and copyright holders did not include a system of notifications of alleged infringements.<sup>124</sup> The limitation of liability for service providers was made contingent, *inter alia*, upon an absence of “actual knowledge that the material [was] infringing” or a lack of awareness “of facts or circumstances from which infringing activity [was] apparent.”<sup>125</sup> Consequently, to avoid liability, providers were required to take down the material if they possessed such actual knowledge or were aware of such facts or circumstances.<sup>126</sup> This solution was criticized and eventually judged inadequate by some members of the Senate Judiciary Com-

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<sup>121</sup> As Senator Ashcroft stated:

[I]f someone illegally transmits material on the Internet, the Internet companies that provide the opportunity for people to transmit the material shouldn't be held responsible any more than the phone company should be held responsible if you were to say something illegal over the phone, or that Xerox should be held responsible if you violate a copyright by illegally copying material on the Xerox machine.

144 CONG. REC. S4888 (daily ed. May 14, 1998) (statement of Sen. Ashcroft).

<sup>122</sup> *Id.* at S4889 (statement of Sen. Ashcroft).

<sup>123</sup> *Id.* at S4889 (statement of Sen. Ashcroft); *Id.* at S4892 (statement of Sen. Boxer); *Id.* at S4894 (statement of Sen. Biden).

<sup>124</sup> *Id.* at S4889 (statement of Sen. Ashcroft).

<sup>125</sup> H.R. REP. NO. 105-551, pt. 1, at 8 (1998).

<sup>126</sup> *Id.*

mittee, who expressed concerns that alleged infringers would have no sufficient “procedural protections to ensure that material is not disabled without proper justification.”<sup>127</sup>

The legislators sought a mechanism that would “balance the need for rapid response to potential infringement with the end-users [sic] [the alleged infringers] legitimate interests in not having material removed without recourse.”<sup>128</sup> Such a mechanism was devised in an Ashcroft-Leahy-Hatch amendment to the Bill, which created a system of notifications “to ensure that computer users [were] given reasonable notice when their Web sites [were] the subject of infringement complaints.”<sup>129</sup> In addition to notifications, the system also included counter notifications with the power to initiate a “put back procedure” designed to give sufficient protection to the alleged infringers whose material had been taken down pursuant to notifications.<sup>130</sup> Therefore, the introduction of the DMCA notification system did not as much evidence a compromise reached between service providers and copyright holders as it epitomized the concerns of Internet users and some legislators that users would suffer unjustified takedowns and disablements of access to material that they had posted on the Internet.

The introduction of a mechanism to deal with notifications under the DMCA was made one of the conditions that service providers would have to fulfill to enjoy the limited liability offered by the Act.<sup>131</sup> These conditions vary according to the nature of services provided; the DMCA distinguishes among providers providing (a) transitory digital network communications, that is, transmitting, routing, or providing connections—including intermediate or transient storage, (b) system caching or intermediate or transient storage, (c) storage

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<sup>127</sup> S. REP. NO. 105-190, at 21 (1998); 144 CONG. REC. S4889 (daily ed. May 14, 1998) (statement of Sen. Ashcroft) (the agreement that the OSPs entered into would have protected the interests of the copyright owners, but it provided little or no protection for an Internet user who was wrongfully accused of violating copyright laws). OSP stands for “online service provider.” Urban & Quilter, *supra* note 112, at 621.

<sup>128</sup> S. REP. NO. 105-190, at 21.

<sup>129</sup> 144 CONG. REC. S4886 (daily ed. May 14, 1998) (statement of Sen. Leahy).

<sup>130</sup> S. REP. NO. 105-190 states:

The put back procedures were added as an amendment to this title in order to address the concerns of several members of the Committee that other provisions of this title established strong incentives for service providers to take down material, but insufficient protections for third parties whose material would be taken down.

*Id.* at 50.

<sup>131</sup> 144 CONG. REC. S4889 (daily ed. May 14, 1998) (statement of Sen. Ashcroft).

at the direction of a user, and (d) information location tools.<sup>132</sup> Limitation of liability for providers of services under (b), (c)—such as eBay or YouTube—and (d)—such as Google—is contingent *inter alia* upon introduction of the notification system.<sup>133</sup>

The operation of the system may be briefly described as follows: Once a copyright holder has a good faith belief<sup>134</sup> that either a system caching provider under (b), a storage provider under (c), or a referral and linking provider under (d) is storing or linking to material that infringes the rights holder's copyright, the holder may file a DMCA notification with an agent designated by the service provider.<sup>135</sup> The notification must contain the elements listed in section 512(c)(3)—section 512(b)(2)(E) for providers under (b)—including the identification of the copyrighted work and the infringing material. Upon receiving the notification, providers must remove the allegedly infringing material or disable access to it.<sup>136</sup> Additionally, providers under (c) must notify the subscriber, the alleged infringer, of the removal.<sup>137</sup> If and when the subscriber responds to the allegations in the notification by a counter notification, the provider must provide a copy of the counter notification to the rights holder and inform the rights holder “that it will replace the removed material or cease disabling access to it in 10 business days.”<sup>138</sup> The provider is supposed to post the material back online between the tenth and fourteenth business day following receipt of the

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<sup>132</sup> 17 U.S.C. §§ 512(a), (b), (c).

<sup>133</sup> See 17 U.S.C. §§ 512(b)(2)(E), (c)(1)(C), (c)(2), (c)(3), (d)(3), (f)–(g) (2006).

<sup>134</sup> Rossi v. Motion Picture Ass'n, 391 F.3d 1000, 1007 (9th Cir. 2004) (“[T]he ‘good faith belief’ requirement . . . encompasses a subjective, rather than objective, standard of conduct.”).

<sup>135</sup> 17 U.S.C. § 512(c)(2) (2006). Copyright holders do not have to utilize the notification system; service providers are obligated to take down material if they possess “actual knowledge that the material or an activity using the material on the system or network is infringing,” or if they are “aware of facts or circumstances from which infringing activity is apparent.” §§ 512(c)(1)(A), (d)(1)(A). Therefore, other forms of notification to the service providers may suffice for the material to be taken down.

However, neither actual knowledge nor awareness of a ‘red flag’ may be imputed to a service provider based on information from a copyright owner or its agent that does not comply with the notification provisions of . . . subsection (c)(3), in which case the limitation on liability set forth in . . . subsection (c) may still apply.

H.R. REP. NO. 105-551, pt. 2, at 54 (1998).

<sup>136</sup> See § 512(b)(2)(E) (providing an additional condition for service providers).

<sup>137</sup> § 512(g)(2)(A).

<sup>138</sup> § 512(g)(2)(B).

counter notification unless the provider is notified that the rights holder has filed an action with a court for a restraining order.<sup>139</sup>

For purposes of the present discussion, it is important to note that only one provision of section 512 concerns the issue of jurisdiction;<sup>140</sup> section 512, among other things, provides that the alleged infringer must include in the counter notification the “subscriber’s name, address, and telephone number, and a statement that the subscriber *consents to the jurisdiction* of [the] Federal District Court for the judicial district in which the address [of the subscriber] is located.”<sup>141</sup> The Act thus gives the copyright holder the advantage of having identified at minimum one forum in the U.S. where the alleged infringer can be sued for copyright infringement—at least that seems to be the reason why the consent to jurisdiction is injected into the DMCA. The copyright holder learns about the forum selected by the alleged infringer once the holder receives a copy of the counter notification with the information about the forum.<sup>142</sup>

However, no mirror-image of such advantage is offered to the alleged infringer,<sup>143</sup> who is left to search for a possible forum by himself if he wishes to file a declaratory judgment action against the copyright holder. In fact, although the alleged infringer must be notified of the removal or disablement of access to the material that he has posted,<sup>144</sup> in no place does the Act require that the service provider reveal the identity or address of the copyright holder to the alleged infringer. There must be “[i]nformation reasonably sufficient to permit the service provider to contact the complaining party” in the notification;<sup>145</sup> but nowhere is it stated that such information must be transmitted to the alleged infringer. Although the practical significance of this omission may be negligible

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<sup>139</sup> § 512(g)(2)(C). However, service providers include provisions in their terms of service that limit their liability for not putting the material back online. See Urban & Quilter, *supra* note 112, at 629.

<sup>140</sup> 17 U.S.C. § 512(g)(3)(D) (2006).

<sup>141</sup> § 512(g)(3)(D) (emphasis added).

<sup>142</sup> § 512(g)(2)(B).

<sup>143</sup> This asymmetry in the DMCA was pointed out by the District Court for the Northern District of California in *Doe v. Geller*, 533 F. Supp. 2d 996, 1011 (N.D. Cal. 2008) (noting that “[i]f that result seems asymmetrical and unfair, then the problem should be resolved by Congress, not this court”).

<sup>144</sup> § 512(g)(2)(A). To avoid liability, the service provider must, inter alia, “take[] reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material.” *Id.*

<sup>145</sup> 17 U.S.C. § 512(c)(3)(A)(iv) (2006).

because the alleged infringer, in most cases, is likely to know or be able to determine the identity of the copyright holder, this will not always be the case.<sup>146</sup>

The fact that DMCA notifications enable an alleged infringer to be informed of the alleged infringement without being provided information about the copyright holder's identity and location is only one of the features that make notifications different from cease-and-desist letters. Even absent this difference, there is no question that notifications and letters are different. The following features distinguish them in three important respects:

First, while letters are addressed directly to the alleged infringer, notifications are filed with a third party—a service provider.<sup>147</sup> The primary reasons for this difference are that the DMCA provisions: a) were drafted to deal with a service provider's contributory liability rather than the liability of other alleged infringers, Internet users, and b) reflected the expectation that often the true identity of the alleged infringer would be concealed and therefore the copyright holder would not be able to contact the alleged infringer directly.<sup>148</sup> However, a lack of knowledge of the infringer's identity is not a condition for using a notification; even when the copyright holder knows who the alleged infringer is the holder may still file a notification with the service provider.<sup>149</sup>

Second, both letters and notifications tend to have negative effects on alleged infringers, who may suspend their sales, begin to evaluate the claim, and prepare for a possible lawsuit.<sup>150</sup> However, in the case of letters, alleged infringers maintain some discretion; for instance, they may decide not to reduce or suspend their sales. Notifications leave the infringers no possibility at all to influence the removal or disablement of access by the third party service provider, at least for the initial period until they file a counter notification and the ten business days for the rights holder's action expire.

Third, to countervail the speedy measures of removal or disablement of access to allegedly infringing material, the system of DMCA notifications offers

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<sup>146</sup> See, e.g., Complaint at 5, *Kopp v. Vivendi Universal Games, Inc.*, 2006 WL 1232482 (C.D. Cal. Mar. 23, 2006) (No. 06-01767) (“In its notification to plaintiff, eBay identified the intellectual property rights owner . . . as the ESA and provided [an] email address . . . as contact information. However, the ESA was actually working in combination with and with the authorization of the other defendants . . .”). If an alleged infringer receives only a name of an individual copyright holder, such as of an otherwise unknown lay photographer, and an email address it might be difficult to determine where the holder resides.

<sup>147</sup> 17 U.S.C. § 512(c)(3)(A).

<sup>148</sup> H.R. REP. NO. 105-551, pt. 2, at 60 (1998).

<sup>149</sup> However, the fact that the rights holder knew the alleged infringer's identity may have an important impact on assessment of personal jurisdiction as explained later.

<sup>150</sup> See discussion *supra* Section II.

a speedy relief from these measures. While a rights holder may threaten an alleged infringer with a cease-and-desist letter forever, and thus effectively force the alleged infringer to file a declaratory judgment suit if the alleged infringer wishes to clarify the situation, the DMCA notification system provides the alleged infringer with certainty. The alleged infringer's reaction to a notification with a counter notification will force the copyright holder to act within the given time frame or the material will be returned online, at least in theory. The problem is that the DMCA does not prevent rights holders from attacking the same infringing material with repeated notifications. Since service providers cannot ignore repeated notifications, they must continue to remove the material from the Internet upon each notification. Additionally, repeated notifications may result in the alleged infringers being labeled as repeat infringers and eventually excluded from services of the providers, who must implement policies that include suspension of services to those who are deemed to be repeat offenders.<sup>151</sup>

The limitation of liability of service providers on the Internet was without doubt "critical for the future development of the Internet."<sup>152</sup> However, notwithstanding efforts to take into account the interests of Internet users who might be unjustifiably accused of copyright infringement, the Act does not seem

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<sup>151</sup> 17 U.S.C. § 512(i)(1)(A) (2006). The problem of possible suspension due to repeated notifications is feared by plaintiffs initiating actions. See *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1069 (10th Cir. 2008); Complaint at 5–6, *Kopp v. Vivendi Universal Games, Inc.*, 2006 WL 1232482 (C.D. Cal. Mar. 23, 2006) (No. 06-01767). *Kopp v. Vivendi Universal Games, Inc.* settled as a result of these concerns. See Notice of Dismissal Pursuant to Rule 41(a)(1), *Kopp v. Vivendi Universal Games, Inc.*, 2006 WL 1232482 (C.D. Cal. June 8, 2006) (No. 06-01767). As Urban and Quilter have stated:

Notice in a § 512(a) context cannot result in "takedown," but it can result in a record of alleged infringers about whom multiple complaints are made. . . . Anecdotal evidence of correspondence from OSPs to their users in our database shows that some OSPs treat § 512(a) notices in this way.

Urban & Quilter, *supra* note 112, at 676. The authors "use the term 'OSP' to reflect any online service provider covered by § 512, modifying it with the appropriate section. This helps to avoid confusion with the term 'ISP' which is often, but not always, used more narrowly to describe § 512(a) (Internet access) providers." *Id.* at 621 n.2. As the discussion at the Sixth Annual Stanford E-Commerce Best Practices Conference at Stanford Law School in 2009 revealed, there are a number of problems with implementing the policies presented, for instance, by "phantom users," who do not provide true data about themselves and thus can maintain access indefinitely by using different identities. Notes by author from Sixth Annual Stanford E-Commerce Best Practices Conference, Stanford Law School (2009) (on file with author); see also *Perfect 10, Inc. v. CCBill L.L.C.*, 488 F.3d 1102, 1109 (9th Cir. 2007) (discussing the "reasonableness" and "implementation" of the policy regarding repeat infringers).

<sup>152</sup> 144 CONG. REC. S4889 (daily ed. May 14, 1998) (statement of Sen. Ashcroft).

to fully serve their interests.<sup>153</sup> Apparently the DMCA did not envisage that an alleged infringer would wish to file a declaratory judgment action to defend against copyright infringement allegations contained in a DMCA notification. Consequently, the DMCA is not concerned with providing information to the alleged infringer that would help him when filing the action; the reason might be that, somewhat ironically, the entire system has actually been designed to help alleged infringers avoid filing declaratory judgment suits. Picturing a prototypical alleged infringer as a little girl drawing a duck resembling Disney's Donald Duck, Senator Ashcroft emphasized that the DMCA provides alleged infringers with "a right to initiate a process that allows them to put their material back on line, without the need to hire a lawyer and go to court."<sup>154</sup>

In fact, it seems that the solution embedded in the DMCA was constructed on two premises: 1) alleged infringers want to avoid litigation, and 2) they are under no time pressure to have their material reposted on the Internet. Legislators inserted a provision concerning liability for misrepresentations in notifications<sup>155</sup> but certainly made no effort to facilitate the filing of declaratory judgment suits against copyright holders by alleged infringers. Yet declaratory judgment actions are filed by alleged infringers, whether they be political activists<sup>156</sup> or PowerSellers on eBay.<sup>157</sup> These are the kinds of Internet users for whom ten days off the Internet translates into significant losses, without even mentioning any additional damages that can be caused by being expelled from an Internet service once being labeled as a repeat infringer. These Internet users are not likely to hesitate to embark on litigation to clarify their rights, and practice has shown that alleged infringers do turn to litigation because the DMCA notification system is not immune from abuse by rights holders, or at a minimum not free from allegations of abuse.<sup>158</sup> The Internet is replete with reports of

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<sup>153</sup> Urban & Quilter, *supra* note 112, at 692–93 (suggesting changes to the DMCA that would lead to "re-balancing" the DMCA).

<sup>154</sup> 144 CONG. REC. S4888 (daily ed. May 14, 1998) (statement of Sen. Ashcroft).

<sup>155</sup> 17 U.S.C. § 512(f)(1) (2006).

<sup>156</sup> See, e.g., Rebecca Tushnet, *Power Without Responsibility: Intermediaries and the First Amendment*, 76 GEO. WASH. L. REV. 986, 1002–05 (2008) (discussing the danger of abusing the DMCA notification system to suppress free speech).

<sup>157</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1067 (10th Cir. 2008) (noting the plaintiffs held the status of PowerSellers); see eBay PowerSeller & Top-rated Seller Portal, <http://pages.ebay.com/services/buyandsell/welcome.html> (last visited on Mar. 29, 2010) (defining a PowerSeller).

<sup>158</sup> See, e.g., Cobia, *supra* note 112 (discussing various abuses of the DMCA notification system); cf. Urban & Quilter, *supra* note 112, at 681 (finding through empirical research "an unfortunately high incidence of questionable uses of the [DMCA] process," but admitting that such uses might often be unintended); Notes by author from Sixth Annual Stanford E-



DMCA misuse by rights holders,<sup>159</sup> and the Electronic Frontier Foundation and Public Citizen have been active in representing or supporting some of the alleged infringers.<sup>160</sup>

Naturally, not all actions brought by alleged infringers are limited to declaratory judgment claims or involve allegations of bad faith by rights holders in assertion of rights, and personal jurisdiction is not always contested. So far there has been only one such case where the issue of personal jurisdiction advanced to the circuit level. This case is reviewed in detail in the following section.

#### V. PERSONAL JURISDICTION BASED ON A DMCA NOTIFICATION IN THE DUDNIKOV CASE

*Dudnikov* is unique among the existing cases dealing with DMCA notifications because it raised the question of whether a court in the forum of the alleged infringer's residence may exercise personal jurisdiction over a copyright holder based on a DMCA notification that the copyright holder filed against the alleged infringer.<sup>161</sup> Importantly, both the district court and the circuit court addressed the issue of whether DMCA notifications should be treated in the same manner as cease-and-desist letters when they are considered as the exclusive basis of personal jurisdiction over the rights holder.<sup>162</sup> This section reviews

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Commerce Best Practices Conference, Stanford Law School (2009) (on file with author) (calling it a "gigantic problem on the abuse side" when "time-sensitive and newsworthy" content is attacked).

<sup>159</sup> *E.g.*, *Unsafe Harbors: Abusive DMCA Subpoenas and Takedown Demands*, ELECTRONIC FRONTIER FOUNDATION, Sept. 2003, [http://www.eff.org/files/20030926\\_unsafe\\_harbors.pdf](http://www.eff.org/files/20030926_unsafe_harbors.pdf).

<sup>160</sup> *E.g.*, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1066 (10th Cir. 2008); *Vernor v. Autodesk, Inc.*, 555 F. Supp. 2d 1164, 1164 (W.D. Wash. 2008); *Doe v. Geller*, 533 F. Supp. 2d 996 (N.D. Cal. 2007); *Machulis v. Silver*, 3:07-cv-01235-JSW (N.D. Cal. Mar. 1, 2007); *Kopp v. Vivendi Universal Games, Inc.*, 2006 WL 1232482 (C.D. Cal. Mar. 23, 2006) (No. 06-01767).

<sup>161</sup> *Dudnikov*, 514 F.3d at 1063, 1082; *see also* *Doe v. Geller*, 533 F. Supp. 2d 996, 1010 (N.D. Cal. 2008) (rejecting the proposition that personal jurisdiction over the rights holder in the case could be established in the forum of the service provider's seat); *Novotny v. Chapman*, No. 05-72158, 2005 WL 1981344, at \*1 (E.D. Mich. 2005) (rejecting the argument that the court had personal jurisdiction over the defendant based on the fact that the rights holder filed DMCA counter notifications, which, according to the plaintiff, "offer[ed] evidence of [p]laintiffs' consent to proceed in Michigan").

<sup>162</sup> *Dudnikov*, 514 F.3d at 1068, 1082; Order on Recommendation of Magistrate Judge at 4–5, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, No. 05-CV-02505-WDM-OES (D. Colo. Sept. 14, 2006).

the facts of the case, the arguments raised by the parties, and the relevant points in the district and circuit court decisions.

The plaintiffs, two Colorado residents, sold goods through online auctions on eBay, a California-based Internet service.<sup>163</sup> The pages on which they auctioned their goods mentioned the name under which they traded, and listed the “Item Location” as Colorado.<sup>164</sup> The defendants included a British corporation, holder of the copyright at issue, and its agent, a Delaware corporation with a principal place of business in Connecticut.<sup>165</sup> Having learned that the plaintiffs initiated auctions for fabric with an image that defendants claimed infringed its copyright, the rights holder’s agent filed a notification with eBay on December 2, 2005.<sup>166</sup> Based on the notification, eBay took down the auctions and sent a notice to the plaintiffs.<sup>167</sup> An exchange between the plaintiffs and the defendants followed, and the plaintiffs offered to cease offering the fabric if the defendants would request that eBay remove the “black marks” that were attached to plaintiffs’ business on eBay because of the defendants’ notification.<sup>168</sup> Additionally, on December 5, 2005, the plaintiffs followed up with a VeRO counter notification,<sup>169</sup> and on December 12, 2005, they filed a complaint in the U.S. District Court for the District of Colorado for declaratory judgment of copyright non-

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<sup>163</sup> *Dudnikov*, 514 F.3d at 1068.

<sup>164</sup> *Id.* eBay encourages its users, although arguably for different reasons, to post the item’s location:

By entering the ZIP Code where the item is located, you receive extra visibility at no additional cost. Your item is shown in buyers’ search results when they sort or filter by location. Your item appears in the global and local marketplaces at the same time.

By specifying where your item is located you can:

- Attract buyers from your local area.
- Inform buyers in your local area and nearby states that the item may, in some cases, be less expensive to ship.
- More easily sell large, heavy, or fragile items. eBay buyers have expressed interest in purchasing these types of items locally.

eBay.com, Specifying Your Item’s Location, <http://pages.ebay.com/help/sell/local.html> (last visited Mar. 29, 2010).

<sup>165</sup> *Dudnikov*, 514 F.3d at 1068.

<sup>166</sup> *Id.* at 1067.

<sup>167</sup> *Id.*

<sup>168</sup> *Id.* at 1068 (discussing plaintiff’s attempt to avoid being labeled a repeat offender).

<sup>169</sup> Complaint at 6, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2008 WL 821900 (D. Colo. Dec. 12, 2005) (No. 05-CV-02505-RPM-OES).

infringement and injunctive relief.<sup>170</sup> They claimed that the takedown not only caused them a loss of revenue but also exposed them to potential further harm since “another takedown could result in the loss of the entire eBay auction business.”<sup>171</sup> If eBay considered them to be “repeat offenders” at some point in the future, with these black marks against them, eBay could suspend their business altogether.<sup>172</sup>

The defendants responded to the complaint with a motion to dismiss for lack of personal jurisdiction and improper venue.<sup>173</sup> Specifically, they denied that either general or specific jurisdiction could be extended over them in Colorado, emphasizing that they “lack[ed] *any* meaningful contact with Colorado.”<sup>174</sup> They pointed out that they “have never resided, owned property, or maintained any meaningful business presence in Colorado.”<sup>175</sup> As for the eBay notification, they suggested that it should not be considered as purposefully directed at Colorado because it was transmitted not to plaintiffs in Colorado but to eBay in California, and that the claims presented by the plaintiffs did not arise out of the notification.<sup>176</sup>

The plaintiffs viewed the situation differently; in their opinion, the notification was in fact an intentional act purposefully directed at the Colorado forum and the defendants were fully aware that the effects were likely to occur in the forum.<sup>177</sup> The plaintiffs pointed out that the defendants must have been aware of their location in Colorado, since it was indicated on the auction pages.<sup>178</sup> Therefore, when filing the notification with eBay the defendants must

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<sup>170</sup> *Id.* at 1.

<sup>171</sup> *Id.* at 5.

<sup>172</sup> Response to Defendants’ Motion to Dismiss Complaint for Lack of Personal Jurisdiction and Improper Venue at 4, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2006 WL 822779 (D. Colo. Feb. 24, 2006) (No. 05-CV-02505-RPM-OES).

<sup>173</sup> Defendants’ Motion to Dismiss Complaint for Lack of Personal Jurisdiction and Improper Venue at 1, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2006 WL 822778 (D. Colo. Feb. 9, 2006) (No. 05-CV-02505-RPM-OES). Since the jurisdiction of the District Court covers the entire state of Colorado, the question of venue depends on the result of the personal jurisdiction inquiry.

<sup>174</sup> *Id.* at 2.

<sup>175</sup> *Id.*

<sup>176</sup> *Id.* at 6.

<sup>177</sup> Response to Defendants’ Motion to Dismiss Complaint for Lack of Personal Jurisdiction and Improper Venue at 7, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2006 WL 822779 (D. Colo. Feb. 24, 2006) (No. 05-CV-02505-RPM-OES).

<sup>178</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1076 (10th Cir. 2008).

have known that it would cause effects in Colorado.<sup>179</sup> In their analysis, the plaintiffs relied on *Calder v. Jones*,<sup>180</sup> a case concerning a libelous article that was written and edited by Florida residents about a California resident.<sup>181</sup> The Supreme Court in *Calder* held that a California court could extend personal jurisdiction over the Florida residents because they had known that their acts would cause injury in California.<sup>182</sup> Similarly, the plaintiffs in *Dudnikov* argued that the defendants should be subject to personal jurisdiction in Colorado because their acts were directed to have effects there.<sup>183</sup>

In response to the motion to dismiss, the plaintiffs also compared notifications and cease-and-desist letters.<sup>184</sup> They contrasted the effects of the notification used in *Dudnikov* with cease-and-desist letters involved in the declaratory judgment case *Wise v. Lindamood*.<sup>185</sup> In *Wise*, which was decided by the U.S. District Court for the District of Colorado in 1999, the court rejected personal jurisdiction based on letters sent by a copyright and trademark holder to an alleged infringer.<sup>186</sup> The *Dudnikov* plaintiffs emphasized that while in *Wise* “the defendant took NO direct action against the plaintiff,” in *Dudnikov* “the Defendants took aggressive and direct actions to terminate the auctions,” whereby “the conduct of the Defendants precipitated the injury and the complaint.”<sup>187</sup> The plaintiffs further suggested that extending jurisdiction based on DMCA notifications was necessary to prevent non-resident copyright holders from possessing the unlimited “power to shut down auctions, websites, and a wide range of other Internet-based content under the DMCA” resulting in “already widespread abuse of the DMCA system [going] unchecked.”<sup>188</sup> Additionally, it

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<sup>179</sup> The rights holders denied that they had knowledge of the location of the sellers in Colorado. *Id.*

<sup>180</sup> 465 U.S. 783, 785 (1984).

<sup>181</sup> *Id.*

<sup>182</sup> *Id.* at 791.

<sup>183</sup> Response to Defendants’ Motion to Dismiss Complaint for Lack of Personal Jurisdiction and Improper Venue at 7, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2006 WL 822779 (D. Colo. Feb. 24, 2006) (No. 05-CV-02505-RPM-OES).

<sup>184</sup> *Id.*

<sup>185</sup> 89 F. Supp. 2d 1187, 1188 (D. Colo. 1999).

<sup>186</sup> *Id.* at 1191.

<sup>187</sup> Response to Defendants’ Motion to Dismiss Complaint for Lack of Personal Jurisdiction and Improper Venue at 5, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2006 WL 822779 (D. Colo. Feb. 24, 2006) (No. 05-CV-02505-RPM-OES).

<sup>188</sup> Appellants’ Reply Brief at 3, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2007 WL 984024 (10th Cir. Feb. 26, 2007) (No. 06-1458). On the abuses, or the alleged abuses, of the DMCA system, *see supra* notes 156 and 158.

would prevent alleged infringers from being forced “to bring actions contesting frivolous DMCA notices in foreign jurisdictions around the country and the world.”<sup>189</sup>

At the district court level the defendants prevailed over the plaintiffs and the court dismissed the case for lack of personal jurisdiction.<sup>190</sup> Although the magistrate judge appointed in the case recommended that personal jurisdiction be found, Judge Miller sustained defendants’ objections in his order of September 14, 2006.<sup>191</sup> He disagreed with the plaintiffs’ contention that eBay notifications and cease-and-desist letters should be treated differently and stated that “the reasoning of *Red Wing Shoe Co.* and *Wise* should be applied to deny the existence of specific jurisdiction.”<sup>192</sup> In his briefly outlined analysis, he emphasized that a “wrongful act” is needed to support specific jurisdiction under *Calder*, a requirement that he found supported by the language in the Ninth Circuit Court decision in *Bancroft & Masters, Inc. v. Augusta National Inc.*<sup>193</sup> In Judge Miller’s view, *Calder*’s effects argument could not be applied because the notification in *Dudnikov* did not represent a “wrongful act”; instead, he portrayed the notification as an “innocent or lawful activity” that had no direct impact in Colorado<sup>194</sup> and expressed the view that DMCA notifications are “closely akin” to cease-and-desist letters.<sup>195</sup>

The Tenth Circuit disagreed with Judge Miller and reversed the order.<sup>196</sup> The court found that the defendants’ intentional act of filing the VeRO notification was purposefully directed at Colorado; that the declaratory judgment action arose out of the act; and that extending jurisdiction over the defendants was fair and reasonable.<sup>197</sup> The court also categorically rejected the proposition that notifications could be viewed as akin to cease-and-desist letters.<sup>198</sup> The following paragraphs review the details of the court’s due process analysis in the case.

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<sup>189</sup> Appellants’ Reply Brief at 3, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 2007 WL 984024 (10th Cir. Feb. 26, 2007) (No. 06-1458).

<sup>190</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1068 (D. Colo. 2008).

<sup>191</sup> Order on Recommendation of Magistrate Judge at 1, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, No. 05-CV-02505-WDM-OES (D. Colo. Sept. 14, 2006).

<sup>192</sup> *Id.* at 3.

<sup>193</sup> 223 F.3d 1082, 1087 (9th Cir. 2000).

<sup>194</sup> Order on Recommendation of Magistrate Judge at 4, *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, No. 05-CV-02505-WDM-OES (D. Colo. Sept. 14, 2006).

<sup>195</sup> *Id.*

<sup>196</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1082 (10th Cir. 2008).

<sup>197</sup> *Id.*

<sup>198</sup> *Id.*

In the first step of the due process analysis, the court rejected the proposition that the act would have to be “wrongful” in order to establish personal jurisdiction;<sup>199</sup> it pointed out that the reading of *Bancroft*, upon which Judge Miller relied, was “effectively overruled” by the Ninth Circuit in *Yahoo Inc.*, which noted that the requirement of the “wrongfulness” of the act “would improperly conflate the jurisdictional analysis with the merits.”<sup>200</sup> Although thereby relieved of the need to discuss the question of wrongfulness of the notification, the Tenth Circuit still entertained the issue and suggested that even if wrongfulness were required, plaintiffs’ allegations in *Dudnikov* would have sufficed for the notification to be considered a “wrongful act” for the purposes of a personal jurisdiction inquiry because “the facts [as] described . . . [were] sufficient to permit an inference that defendants tortiously interfered with plaintiffs’ business.”<sup>201</sup>

The court was not persuaded by the defendants’ proclamations that they had no knowledge of plaintiffs’ residence when they filed the VeRO notification;<sup>202</sup> the court seemed to have no doubt that they in fact knew and had directed the notification at Colorado. The court stated that the notification “can be fairly characterized as an intended means to the further intended end of canceling plaintiffs’ auction in Colorado.”<sup>203</sup> The court explained that “[i]n this way, it is something like a bank shot in basketball. A player who shoots the ball off of the backboard intends to hit the backboard, but he does so in the service of his further intention of putting the ball into the basket.”<sup>204</sup> The court did not volunteer its opinion about what the result might be if the defendants had not known where the plaintiffs resided; rather, relying on plausible allegations by the plaintiffs, it limited its analysis to the scenario in which defendants knew which forum was involved.

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<sup>199</sup> *Id.* at 1072–73.

<sup>200</sup> *Id.* at 1072 (citing *Yahoo! Inc. v. La Ligue Contre Le Racisme Et L’ Antisemitisme*, 433 F.3d 1199, 1208 (9th Cir. 2006) (en banc)). The Ninth Circuit Court stated:

[W]e do not read *Calder* necessarily to require in purposeful direction cases that all (or even any) jurisdictionally relevant effects have been caused by wrongful acts. We do not see how we could do so, for if an allegedly wrongful act were the basis for jurisdiction, a holding on the merits that the act was not wrongful would deprive the court of jurisdiction.

*Yahoo! Inc.*, 433 F.3d at 1208.

<sup>201</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1073 (10th Cir. 2008).

<sup>202</sup> *Id.* at 1076.

<sup>203</sup> *Id.* at 1075.

<sup>204</sup> *Id.*

In the second step of the due process analysis, the court considered whether the *Dudnikov* action arose out of the notification.<sup>205</sup> First, following a discussion of the existing approaches to this step, the court concluded that any of the tests used by courts—the but-for, proximate causation, or the proximate cause test—“support[ed] a determination that plaintiffs’ cause of action [arose] from the defendants’ contact with Colorado.”<sup>206</sup> Second, the court opined that notifications, as opposed to letters, are used not only to threaten litigation, but also to “affirmatively interfere” with an alleged infringer’s business, and a declaratory judgment suit against a rights holder clearly “arises directly from [such] interference.”<sup>207</sup>

In the third step of the due process analysis, the court examined whether the suit would “offend ‘traditional notions of fair play and substantial justice’” and, after reviewing the five relevant factors outlined by the Supreme Court,<sup>208</sup> concluded that “[n]one of these factors, separately or in combination, seem[ed] to weigh definitively in favor of defendants.”<sup>209</sup> The court found no particular burden that the litigation could pose for the defendants, given the fact that their “threat to litigate in federal court indicates a willingness to litigate in some federal court in the United States.”<sup>210</sup> Since U.S. law was to be applied in the case, and other possible fora—California, Connecticut or Delaware—had no stronger connection to the case than Colorado, the court leaned towards Colorado as having a greater interest in resolving the dispute than any fora in the U.K. or the other possible fora in the U.S.<sup>211</sup>

Finally, addressing the “strong federal policy” of promoting settlements through the special treatment of cease-and-desist letters in the personal jurisdiction inquiry, the court rejected the notion that VeRO notifications should be promoted in the same manner.<sup>212</sup> It emphasized the immediate effects of notifications, which make them go “well beyond providing notice,”<sup>213</sup> and analogized the notification in *Dudnikov* to the letter sent by the defendant in *Bancroft*,<sup>214</sup> which triggered the domain name registrar’s dispute resolution mechanism.

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<sup>205</sup> *Id.* at 1078.

<sup>206</sup> *Id.* at 1079.

<sup>207</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1080 (10th Cir. 2008).

<sup>208</sup> *See World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980).

<sup>209</sup> *Dudnikov*, 514 F.3d at 1080.

<sup>210</sup> *Id.*

<sup>211</sup> *Id.* at 1080–81.

<sup>212</sup> *Id.* at 1082.

<sup>213</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1082 (10th Cir. 2008).

<sup>214</sup> *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d 1082, 1085 (9th Cir. 2000).

Both the letter in that case and the notification in *Dudnikov* were more than just a threat of litigation, and therefore in *Dudnikov*, as in *Bancroft*, extending personal jurisdiction over the defendants could not be deemed unfair.<sup>215</sup> Based on the due process analysis, the Tenth Circuit decided that the district court had personal jurisdiction over the defendants based on their filing of the notification.<sup>216</sup>

Currently, at least in the Tenth Circuit, a DMCA notification by itself, without an additional act by the rights holder in the forum of the alleged infringer, is sufficient to subject the rights holder to jurisdiction in that forum. The court indicated that since the defendants knew where the plaintiffs were located, they could have used a cease and desist letter, instead of a notification, if they wished to avoid personal jurisdiction in Colorado.<sup>217</sup> However, once the notification was filed, and taking into account all the effects that the plaintiffs had to fend off, “plaintiffs’ only recourse, other than capitulation, was litigation.”<sup>218</sup>

In its decision the court identified and relied heavily on one significant difference between notifications and cease-and-desist letters—the effects of a DMCA notification, which extend beyond providing notice,<sup>219</sup> and result in an “affirmative interference” with the alleged infringer’s business.<sup>220</sup> The court used this characteristic of notifications to overcome the two steps that other courts had struggled with in assessing whether cease-and-desist letters could present a sufficient basis for personal jurisdiction—the relatedness aspect of the “minimum contacts,” and the fairness and reasonableness factor.<sup>221</sup> Citing the effects of the notification, the court brushed off any doubts as to whether the action “arose out of” the notification and rejected policy arguments promoting notifications as tools to initiate settlements.<sup>222</sup> The following section contrasts the court’s reasoning in *Dudnikov* with the rationale used by courts in cases concerning cease-and-desist letters; and questions whether the effects of DMCA

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<sup>215</sup> *Dudnikov*, 514 F.3d at 1082.

<sup>216</sup> *Id.*

<sup>217</sup> *Dudnikov*, 514 F.3d at 1082.

<sup>218</sup> *Id.* As for the resolution of the *Dudnikov* case, the Tenth Circuit reversed the District Court’s order and remanded in January 2008. No *writ of certiorari* was filed in the case, which continued before Judge Miller until the parties settled. See information on plaintiffs’ website at Tabberone’s Hall of Shame—Sevenarts Ltd and Chalk & Vermilion Fine Arts, <http://tabberone.com/Trademarks/HallOfShame/SevenArtsLtd/SevenArtsLtd.shtml> (last visited Mar. 29, 2010).

<sup>219</sup> *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1082 (10th Cir. 2008).

<sup>220</sup> *Id.* at 1080.

<sup>221</sup> *Id.* at 1079–80.

<sup>222</sup> *Id.* at 1082.



notifications indeed differ from the effects of cease-and-desist letters to such a degree as to warrant a different result in the personal jurisdiction inquiry.

## VI. DMCA NOTIFICATIONS AND THE DUE PROCESS ANALYSIS

Should cease-and-desist letters and DMCA notifications be treated differently by courts when they decide whether letters and notifications present a sufficient basis for personal jurisdiction in declaratory judgment actions against rights holders? This section answers the question by contrasting the reasoning adopted by the Tenth Circuit in *Dudnikov* with the rationale that courts utilize when they conclude that cease-and-desist letters do not present a sufficient basis for personal jurisdiction over rights holders. The analysis follows the individual steps of the personal jurisdiction test to reach the conclusion that although differences between letters and notifications exist, these differences should not warrant opposite results in the personal jurisdiction inquiry.

*Dudnikov* offered no indication as to how a DMCA notification might fit into a provision of a long-arm statute because the Colorado long-arm statute, which applied in the case, was found to be co-extensive with the Due Process Clause.<sup>223</sup> The court did not assess the application of the Colorado statute and proceeded directly with the constitutional analysis.<sup>224</sup> However, one may hypothesize what the result of a long-arm statute inquiry might be: A notification, like a cease-and-desist letter, is unlikely to be found to be an act of “transacting business” in the forum, but might pass as an act “causing injury” there. If letters have been considered to “cause injury” in the forum, notifications would clearly qualify as well. In fact, the Tenth Circuit considered the effects of notifications to be even harsher than the effects of letters.<sup>225</sup> Applying the “committing of a tortious act” provision would be as problematic in cases of notifications as in instances of letters because notifications, if filed in good faith, are also not tortious.<sup>226</sup> Clearly the tortious nature of an act need not be readily apparent for the act to satisfy the long-arm statute provision, but the tortious nature must still be alleged by the plaintiff. If there was no bad faith in the rights holder’s assertion of rights, through a letter or notification, the provision on tortious acts should

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<sup>223</sup> *Dudnikov*, 514 F.3d at 1070; Douglas D. McFarland, *Dictum Run Wild: How Long-Arm Statutes Extended to the Limits of Due Process*, 84 B.U. L. REV. 491, 527 (2004).

<sup>224</sup> *Dudnikov*, 514 F.3d at 1070.

<sup>225</sup> *Dudnikov*, 514 F.3d at 1082.

<sup>226</sup> See *Rossi v. Motion Picture Ass’n*, 391 F.3d 1000, 1007 (9th Cir. 2004) (discussing why plaintiff’s tortious interference, defamation, and intentional infliction of emotional distress claims must fail).

not apply. Similarly, even if notifications are considered “tortious acts” for purposes of the long-arm statute, declaratory judgment claims, as opposed to claims for misrepresentation or tortious interference with business, should not be viewed as arising out of the acts. Regardless of the result of the long-arm statute inquiry, it should be the same whether a letter or a notification is at issue.

Similarly, no different outcome should result when the voluntariness factor is assessed under the due process test. Both the Federal Circuit in patent cases and the Tenth Circuit in *Dudnikov* decided that letters and notifications were sufficient acts by the rights holders to substantiate personal jurisdiction if other parts of the due process test were satisfied. However, the act of sending letters or filing notifications in good faith only partly expresses a choice made by the rights holder because both letters and notifications are a rights holder’s reaction to an alleged infringer’s conduct. Only if letters or notifications are sent in bad faith can it be argued that there is anything voluntary about them. Therefore, in the absence of bad faith by the rights holder, voluntariness cannot be ascribed to the rights holder’s action, whether it involves the sending of a letter or the filing of a notification.

Scrutiny of the “direction at the forum” aspect of the due process analysis may yield different results depending on whether the approach of the Second Circuit or the Federal Circuit is adopted. The Second Circuit approach<sup>227</sup> is unlikely to lead to varying outcomes; as long as letters and notifications do not mention the forum of the alleged infringer as the forum where the rights holder contemplates filing a lawsuit, no direction at the alleged infringer’s forum will be found.<sup>228</sup> However, different outcomes for letters and notifications may result under the Federal Circuit approach. In contrast to the Second Circuit, the Federal Circuit focuses not on the contemplated direction of the future rights holder’s actions with regards to enforcement of his rights, that is, the potential place of filing an infringement suit, but on the direction of the letter itself to the alleged infringer.<sup>229</sup> Here, one of the differences between letters and notifications clearly complicates the analysis: Notifications, as opposed to the letters, are addressed to a service provider, not to an alleged infringer.<sup>230</sup> The question, therefore, is whether the notification is to be deemed directed at the alleged in-

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<sup>227</sup> See generally *Beacon Enters., Inc. v. Menzies*, 715 F.2d 757, 763–64 (2nd Cir. 1983) (illustrating the Second Circuit’s approach of the “direction at the forum” prong of the due process analysis).

<sup>228</sup> *Id.* at 766.

<sup>229</sup> See *supra* note 77.

<sup>230</sup> 17 U.S.C. § 512(c)(3)(A) (2006).

fringer, particularly if the rights holder does not know the location of the alleged infringer when he files the notification.

*Dudnikov* did not answer the question of whether an act on the Internet, or the effects of a DMCA notification, will be deemed directed at a specific forum, and only a few other cases may be called to assist on this issue. Although a significant number of cases deal with personal jurisdiction on the Internet, they mostly concern the issue of jurisdiction avilment through a website.<sup>231</sup> Fewer cases exist that deal with the issue of an actor directing his act on the Internet at a specific and yet unknown forum.

It would be tempting to develop a theory that would enable courts to presume that defendants direct their acts at a specific forum. After all, the defendants know they will be targeting a particular person in some specific forum; they just do not know which particular forum that might be. Indeed, the District Court for the Eastern District of Michigan adopted an approach based on such a theory in *Dedvukaj v. Maloney*,<sup>232</sup> a case involving a sale of paintings on eBay.<sup>233</sup> The court viewed personal jurisdiction over a seller on eBay as a tradeoff—personal jurisdiction in a beforehand unknown forum in exchange for the possibility of availing oneself of the tremendous commercial potential of cyberspace.<sup>234</sup> The court concluded that when the defendant sold paintings in an online auction to the plaintiff, the defendant availed itself of the plaintiff's forum even though when he acted, the defendant did not know which forum it was.<sup>235</sup>

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<sup>231</sup> See *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1125–26 (W.D. Pa. 1997); see also *Brayton Purcell L.L.P. v. Recordon & Recordon*, 575 F.3d 981, 986–87 (9th Cir. 2009); *Trintec Indus., Inc. v. Pedre Promotional Prods., Inc.*, 395 F.3d 1275, 1281 (Fed. Cir. 2005); *Capitol Records, L.L.C. v. VideoEgg, Inc.*, 611 F. Supp. 2d 349, 358–59 (S.D.N.Y. 2009); Michael Geist, *The Shift Toward “Targeting” for Internet Jurisdiction*, in WHO RULES THE NET? INTERNET GOVERNANCE & JURISDICTION 91, 94–105 (Adam Thierer & Clyde Wayne Crews, Jr. eds., 2003).

<sup>232</sup> 447 F. Supp. 2d 813 (E.D. Mich. 2006).

<sup>233</sup> *Id.* at 816.

<sup>234</sup> *Id.* at 820. The court stated:

It should, in the context of these commercial relationships, be no great surprise to sellers—and certainly no unfair burden to them—if, when a commercial transaction formed over and through the internet does not meet a buyer's expectations, they might be called upon to respond in a legal forum in the buyer's home state. Sellers cannot expect to avail themselves of the benefits of the internet-created world market that they purposefully exploit and profit from without accepting the concomitant legal responsibilities that such an expanded market may bring with it.

*Id.*

<sup>235</sup> *Id.* at 821.

However, this approach was not followed by other courts in similar cases involving the issue of personal jurisdiction over a seller on eBay.<sup>236</sup>

The problem of extending personal jurisdiction over defendants who direct their acts at a forum hidden in cyberspace is that it denies the defendants their constitutionally guaranteed ability to “structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.”<sup>237</sup> Presumptively, defendants do not shape their conduct based solely on the substantive law that might apply in a lawsuit. If they did so, it could be argued that as long as the federal copyright statute governed the matter, defendants would structure their conduct in the same manner no matter where potential alleged infringers resided. In addition to substantive law, however, defendants may base their conduct on other facets of the legal landscape that are connected with a specific potential forum, for example, whether juries tend to be known as pro-rights-holder oriented. Therefore it is erroneous to presume that rights holders will make the same choices no matter where the alleged infringers reside in the U.S. or consent to jurisdiction, even when the substantive law that governs in all possible fora is a federal statute.

Furthermore, when structuring their conduct, rights holders must take into account not only all U.S. jurisdictions, but also all jurisdictions worldwide. This is largely because when filing a notification, the holder may “target” an alleged infringer outside the U.S. Although the DMCA requires that alleged infringers select a U.S. jurisdiction, the requirement applies only to those who file a counter notification and have an address in the U.S.<sup>238</sup> An alleged infringer who decides to file a declaratory judgment action without ever filing a coun-

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<sup>236</sup> See *Boschetto v. Hansing*, 539 F.3d 1011, 1017–18 (9th Cir. 2008) (discussing the issue of an act purposefully directed at an unknown and yet eventually specific forum), *cert. denied*, 129 S. Ct. 1318 (2009). The question was raised whether a sale through an eBay auction could make the seller subject to personal jurisdiction in the buyer’s forum when the seller did not know (and for that matter, no one actually knew) the identity, and therefore, the forum of the buyer when the auction was posted on eBay. However, the court did not even reach the question of direction at the forum; instead, it rejected personal jurisdiction because it deemed the sale, on which it was supposed to be based, to be “a one-time contract” that “created no ‘substantial connection’ or ongoing obligations” in the forum. *Id.* at 1019. According to the court, the use of eBay per se does not “fend[] off jurisdiction in all cases”; specifically, regular business conducted on eBay may be taken into account in the personal jurisdiction inquiry. *Id.* Judge Rymer, in her concurring opinion, pointed out a number of state and federal district court decisions that also decided against personal jurisdiction over the seller on eBay in the forum of the buyer. *Id.* at 1023 n.6; see also *Robey v. Hinnners*, No. 2008-CA-000989-MR, 2009 Ky. App. LEXIS 70, at \*8–17 (Ky. Ct. App. May 29, 2009) (citing recent cases).

<sup>237</sup> *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

<sup>238</sup> 17 U.S.C. § 512(g)(3)(D) (2006).

ter notification, or who has no address in the U.S., need not consent to jurisdiction in a U.S. forum. Consequently, when the rights holder files a notification against an alleged infringer he may expose himself not only to an unidentified U.S. jurisdiction, but also to a non-U.S. jurisdiction if such a forum considers the notification a sufficient basis for jurisdiction over the rights holder.<sup>239</sup> It appears unreasonable to expect that rights holders will “structure their primary conduct” based on an expectation that their acts might result in their being haled to any forum in the world.

Naturally, the lack of personal jurisdiction over a defendant in the forum where the alleged infringer resides does not mean that the alleged infringer is left without a remedy. The alleged infringer may still bring suit in any other forum where jurisdiction over the rights holder may be established. At a minimum, the forum of the rights holder’s residence should always be an option. Suppose, however, that: 1) the rights holder is a non-U.S. entity with no U.S. presence; and therefore 2) the only alternative forum is outside the U.S.; but 3) the foreign courts in the alternative forum do not consider copyright claims to be transitory causes of action,<sup>240</sup> and therefore refuse to entertain declaratory judgment actions of non-infringement of a foreign—in this case, U.S.—copyright. This foreign “alternative” forum suddenly does not offer an alternative for litigation at all. The District Court for the Northern District of California proposed a solution in *Doe v. Geller*,<sup>241</sup> where the alleged infringer brought claims against the copyright holder for misrepresentation under section 512(f) and a declaration of copyright non-infringement.<sup>242</sup> The court suggested that if no jurisdiction over a rights holder may be obtained in the alleged infringer’s forum or elsewhere in the U.S., the preference for a default forum in cases under section

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<sup>239</sup> See Urban & Quilter, *supra* note 112, at 676 (stating “material . . . resid[ing] outside the United States” has been targeted by a “large number of notices”).

<sup>240</sup> On the issue of copyright claims as transitory causes of action, see *supra* note 98 and accompanying text.

<sup>241</sup> 533 F. Supp. 2d 996 (N.D. Cal. 2008).

<sup>242</sup> Having already been sued for copyright infringement by the rights holders in the Eastern District of Pennsylvania, the rights holders’ residence forum, the alleged infringer filed a suit in the Northern District of California and attempted to establish that the California court had personal jurisdiction over the rights holders based on the fact that they had filed a DMCA notification with the service provider YouTube in California. *Id.* at 1001. The plaintiff claimed that the two English rights holders knowingly misrepresented to YouTube that one of plaintiff’s postings infringed their copyright, a claim under section 271(f) of the DMCA, and sought a declaration of non-infringement; whereas the rights holders claimed lack of subject matter and personal jurisdiction. *Id.* at 1000.

512(f) should be the forum of the service provider.<sup>243</sup> This proposal seems quite reasonable; although extending jurisdiction over the rights holder in the service provider's forum, in general, is likely to fail the test of reasonableness, it may nevertheless be justified if no alternative forum is available. The question is whether it is sound to expect *a priori* that no alternative forum exists outside the U.S. Instead, the existence of a foreign alternative forum should be scrutinized in each individual case. As for the declaratory judgment claim alone, the court did not elaborate on whether the result of its analysis would have been different for a non-infringement claim absent the claim for misrepresentation under section 512(f).<sup>244</sup> It may be argued that declaratory judgment claims, if brought alone, would not really "arise out of" notifications.

The relatedness of a rights holder's act to an alleged infringer's claim is the subject of scrutiny in the next step of the due process analysis. It appears indisputable that claims such as those for misrepresentation, including misrepresentation under section 512(f), or tortious interference with a business alleged to be committed by sending a cease-and-desist letter, or filing a DMCA notification, arise directly out of the letter or the notification. However, with declaratory judgment claims, the nexus is equivocal. It is difficult to suggest, for instance, that a claim for non-infringement of a patent arises out of a cease-and-desist letter. As is sometimes argued by rights holders and pointed out by courts, the claim arises out of the allegedly infringing activities of the alleged infringer and not out of the letters sent by the rights holder.<sup>245</sup> If a broader ap-

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<sup>243</sup> However, in this particular case, where the defendants resided in the Eastern District of Pennsylvania, and therefore an alternative forum in the U.S. was available, the court held that finding personal jurisdiction over the English defendants in California based on the DMCA notification that they sent to a service provider located in California would be unreasonable—after all, the court emphasized, "[s]uch broad jurisdiction, premised solely on the happenstance that many internet companies that are not even parties to § 512(f) litigation have offices in Silicon Valley, is unreasonable." *Geller*, 533 F. Supp. 2d at 1009. The court further emphasized:

If plaintiff's theory of jurisdiction were upheld, then the Northern District of California could assert jurisdiction over every single takedown notice ever sent to YouTube or any other company in Silicon Valley. Citizens around the world—from Indonesia to Italy, Suriname to Siberia—could all be haled into court in the San Francisco Bay area, California, USA, for sending off a fax claiming that a video clip is infringing.

*Id.*

<sup>244</sup> See generally *id.*

<sup>245</sup> See, e.g., *Wise v. Lindamood*, 89 F. Supp. 2d 1187, 1191 (D. Colo. 1999). But cf. *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998) ("[T]he mirror-image analysis does not account for the legitimate use of a declaratory judgment action as a disentanglement tool.").

proach of relatedness is adopted, as has been the practice by the Federal Circuit, then it suggests the conclusion that in addition to claims of misrepresentation or tortious interference, declaratory judgment claims also arise out of letters and notifications.<sup>246</sup>

Finally, in the last step of the due process analysis—the requirement that maintaining the suit be reasonable and fair—the *Dudnikov* court focused on the strong policy argument favoring pre-lawsuit settlements,<sup>247</sup> which has been cited as the basis for excluding cease-and-desist letters from the kinds of acts that form the basis of personal jurisdiction.<sup>248</sup> The court in *Dudnikov* reasoned that DMCA notifications cannot be promoted in the same manner as letters because their effects differ significantly from those caused by letters.<sup>249</sup> The effects are indeed different, with the most important distinction being that a notification leaves no discretion to the alleged infringer, who cannot decide whether or not to take the risk of continuing to post the allegedly infringing material on the Internet.<sup>250</sup> Instead, the effects accrue immediately and the alleged infringer cannot prevent them, at least in the initial period.<sup>251</sup> However, these immediate harsh effects were designed to be countervailed by the put back procedure: If the alleged infringer reacts with a counter notification and the rights holder does not follow up with a court action within the prescribed period, the service provider must put back online the allegedly infringing material.<sup>252</sup> The fact that the put back procedure does not work in practice as intended by the Act is troubling, but is a problem that should be addressed through a reform of the notification system<sup>253</sup> and not remedied through a particular approach to personal jurisdiction based on notifications. Moreover, it seems impossible to compare the severity of the effects that letters and notifications have on any particular entity; in fact, courts have never scrutinized in detail what effects letters have on alleged infringers nor derived their conclusions based on the degree of severity of such effects. Undeniably, both instruments can result in very high costs for the alleged infringer, and it seems unwarranted to base the different outcome on a

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<sup>246</sup> See *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1078–79 (10th Cir. 2008) (discussing the various tests used by courts to assess relatedness).

<sup>247</sup> *Dudnikov*, 514 F.3d at 1081–82.

<sup>248</sup> *Id.*

<sup>249</sup> *Id.*

<sup>250</sup> See *supra* Section IV.

<sup>251</sup> *Id.*

<sup>252</sup> See *supra* note 138 and accompanying text.

<sup>253</sup> See *Urban & Quilter, supra* note 112, at 626–31.

presumption that the effects of a notification must be harsher than the ones that might have been theoretically caused by a letter.

## VII. A DMCA NOTIFICATION AS “A CEASE-AND-DESIST LETTER PLUS AN ADDITIONAL ACT”

There is another perspective from which the problem of personal jurisdiction based on DMCA notifications may be analyzed: Courts have found that if cease-and-desist letters are combined with certain additional acts, personal jurisdiction can be extended over rights holders based on the combination.<sup>254</sup> Some courts have cited *Dudnikov* as an example of the types of cases in which the rights holder also committed other acts in addition to sending a letter; for example, when a rights holder sends a letter and also files a notification, the notification has been interpreted as the additional act that justifies the exercise of personal jurisdiction.<sup>255</sup> In fact, the mere filing of a notification may be interpreted as “letters plus an act,” on the theory that a notification comprises two elements: 1) a “notice” element, the information transmitted to the alleged infringer via the service provider, and 2) an “additional act,” the takedown mandated by the DMCA. Should a notification be considered an “additional act” when its use is combined with the use of a letter? Should a notification be considered “letters plus an additional act” when a notification alone is used? Do notifications play a role in incentivizing rights holders to attempt settlement to such a degree and in such a similar manner to cease-and-desist letters that they deserve to be treated the same way?

From the various types of conduct found by courts to qualify as sufficient “additional acts”—the conclusion of exclusive license agreements,<sup>256</sup> license agreements including obligations such as to enforce rights or inform potential infringements of rights,<sup>257</sup> systemic development of markets through vari-

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<sup>254</sup> *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1202 (Fed. Cir. 2003); *Genetic Implant Sys., Inc. v. Core-Vent Corp.*, 123 F.3d 1455, 1458 (Fed. Cir. 1997).

<sup>255</sup> *Campbell Pet Co. v. Miale*, 542 F.3d 879, 886–87 (Fed. Cir. 2008).

<sup>256</sup> *See Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1335–36 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2796 (2009); *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1366–67 (Fed. Cir. 2006); *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1202 (Fed. Cir. 2003); *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1361 (Fed. Cir. 2001); *Akro Corp. v. Luker*, 45 F.3d 1541, 1548–49 (Fed. Cir. 1995).

<sup>257</sup> *Nova Biomedical Corp. v. Moller*, 629 F.2d 190, 191, 196–97 (1st Cir. 1980) (finding that no due process concern existed because in addition to sending the letters, the patent holder maintained a cross-licensing agreement with the Massachusetts corporation, which apart from royalties also included provisions on exchange of quarterly reports on worldwide sales, inspections by the patent holder of the licensee’s books, and obligations to inform of sus-



ous activities,<sup>258</sup> or judicial or extra-judicial enforcement of the rights at issue<sup>259</sup>—the “additional acts” of extrajudicial enforcement are particularly pertinent for the purposes of the present analysis. An instructive example of a case involving such acts is *Campbell Pet Co. v. Miale*,<sup>260</sup> in which the Federal Circuit found that the rights holder’s conduct at a convention, which included confronting employees of the alleged infringer and trying to have the convention manager remove the allegedly infringing products, reached the level of the kind of extrajudicial enforcement that in combination with a cease-and-desist letter warranted personal jurisdiction over the rights holder.<sup>261</sup>

Undeniably, every DMCA notification includes a component of extra-judicial enforcement. A notification can be dissected into a “cease-and-desist letter” portion, which corresponds to the informational character expected of a cease-and-desist letter; and an “extrajudicial enforcement” portion, which leads to the “quasi preliminary injunction”—the takedown of the allegedly infringing material—that the service provider must perform upon receiving a notification.<sup>262</sup> In that sense, the “extrajudicial enforcement” portion, embedded in a notification, resembles the attempt by the rights holder in *Campbell* to have the

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pected infringements). However, the Federal Circuit has found that a non-exclusive license without right to inspect, obligation to enforce rights, etc., is insufficient for personal jurisdiction. See *Breckenridge Pharm., Inc.*, 444 F.3d at 1367; *Red Wing Shoe Co. v. Hockerson-Halberstadt*, 148 F.3d 1355, 1361–62 (Fed. Cir. 1998).

<sup>258</sup> See *Genetic Implant Sys, Inc. v. Core-Vent Corp.*, 123 F.3d 1455, 1458–59 (Fed. Cir. 1997); *Viam Corp. v. Iowa Exp.-Imp. Trading Co.*, 84 F.3d 424, 428–29 (Fed. Cir. 1996). *But cf.* *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1020 (Fed. Cir. 2009) (“[O]nly enforcement or defense efforts related to the patent rather than the patentee’s own commercialization efforts are to be considered for establishing specific personal jurisdiction in a declaratory judgment action against the patentee.”); *Avocent*, 552 F.3d at 1338 (holding that the sale of defendant’s goods in the forum without an exclusive distribution relationship was not sufficient); *Ham v. La Cienega Music Co.*, 4 F.3d 413, 416 (5th Cir. 1993) (finding an insufficient basis for personal jurisdiction because no injury was alleged from the distribution).

<sup>259</sup> See *Campbell Pet Co. v. Miale*, 542 F.3d 879, 886 (Fed. Cir. 2008) (discussing defendant’s extra-judicial enforcement attempts as exceeding the bounds of simple infringement notification); *PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105, 1109 (2nd Cir. 1997) (concluding that appellee’s attempts to enforce his patent rights in New York were sufficient to warrant extending personal jurisdiction to him). *But cf. Nova Biomedical*, 629 F.2d at 190 (holding that personal jurisdiction did exist when the enforcement lawsuit was filed not against the plaintiff, a manufacturer, but against end users of the allegedly infringing product and in a different forum).

<sup>260</sup> 542 F.3d 879 (Fed. Cir. 2008).

<sup>261</sup> *Id.* at 886.

<sup>262</sup> 17 U.S.C. § 512(b)(2)(E), (c)(1)(C), (d)(1)(C)(3) (2006).

convention manager remove the allegedly infringing product from a display. By filing a notification, the copyright holder initiates an analogous process in which a service provider must remove the allegedly infringing material from the website.

However, one of the important distinctions between the situation in *Campbell* and a case involving a DMCA notification is whether the act of “extrajudicial enforcement” can be separated from the notice of infringement. In *Campbell*, the cease-and-desist letter and the demand for removal were separable from one another,<sup>263</sup> and the rights holder could have sent only a letter, thereby shielding herself from personal jurisdiction. However, the two portions of a notification are inseparable as both portions are operative once a notification is filed, and the rights holder cannot bypass the second portion of the notification.<sup>264</sup> In *Campbell*, the rights holder could have sent letters to the alleged direct infringer and even to the convention organizer, thus avoiding subjecting herself to jurisdiction in the alleged infringer’s forum. But in notification cases, unless the rights holder knows the identity of the alleged infringer, he will not be able to send a letter, and will have to use a notification, thereby setting in motion the “extrajudicial enforcement” and exposing himself to personal jurisdiction in the potentially undesirable forum.

The inseparability of the notice and the “extrajudicial enforcement” embedded in a DMCA notification suggests that rights holders should not be “punished” for using a notification when a cease-and-desist letter is not available and a notification is the only form of notice possible. Under such a scenario, if the Tenth Circuit’s approach in *Dudnikov* is followed, two situations can be envisioned: One in which personal jurisdiction will not be established based on a notification, and another in which it will. The first situation involves a rights holder who knows neither the identity *nor* the location of the alleged infringer. In this case, the notification will not be deemed to be directed at the particular forum of the alleged infringer; will not surpass the “minimum contacts” step of the due process analysis; and cannot become a basis for personal jurisdiction over the rights holder. Consequently, the rights holder will retain the possibility to inform the alleged infringer of the infringement without being exposed to personal jurisdiction even if the alleged infringer hides in cyberspace.

The second situation results in a different outcome because the rights holder does not know the identity of the alleged infringer, but is aware of his location. In this case, the rights holder still cannot use a letter, but the notification he files will be deemed to be directed at the forum of the alleged infringer,

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<sup>263</sup> *Campbell*, 542 F.3d at 881–83.

<sup>264</sup> See *supra* section IV.

and because the direction requirement will thereby be satisfied, personal jurisdiction will be extended over the rights holder. Although this is perhaps not a very common scenario at present, it seems to be the most advantageous scenario from a potential infringer's point of view because it is a simple way to lure the rights holder into the potential infringer's forum. But it is also an unjust outcome for the rights holder when he has a notification as his only option to put the alleged infringer on notice. As a result, the rights holder is deprived of the opportunity to "set foot on enemy ground" to attempt to reach a settlement without being exposed to personal jurisdiction in the "enemy's" forum.

While the latter situation is clearly unjust to the rights holder, suppose the rights holder knows not only the location but also the true identity of the alleged infringer and therefore can choose between a letter and a DMCA notification. Apparently this was the case in *Dudnikov*, the outcome of which suggests that a rights holder may act in one of three ways: He may 1) limit his actions to sending a cease-and-desist letter to the alleged direct infringer and avoid jurisdiction in the alleged infringer's forum; 2) send a DMCA notification and commit an act of "extrajudicial enforcement" that will lead to exposure to personal jurisdiction in the alleged infringer's forum; or 3) utilize both a letter *and* a notification, with the same consequences as in 2). The latter two choices create a problem for the rights holder that is connected with another important distinction between *Campbell* and a case involving a DMCA notification, which concerns the possibility of avoiding, or at a minimum, mitigating the cost of extended access to the infringing material while the rights holder attempts to settle.

Once a rights holder discovers material infringing his rights, whether displayed on the Internet or in the physical world, it is important for him to halt the infringement as soon as possible. In cases involving intermediaries who might be held secondarily liable, such as the convention organizer in *Campbell*, the rights holder can shift the cost of the extended access to the infringing material by sending a cease-and-desist letter to the intermediary. The cost at that point—or even earlier if conditions of secondary liability were fulfilled before the intermediary received the letter—lies with the intermediary, who must decide whether or not to stop the display. If he does not and the material is later found to be infringing, the rights holder can recover the cost of the extended display from the intermediary. This is an important component of the incentive to settle: If he will incur the cost of the extended display while waiting for the alleged infringer's reaction to the letter, the rights holder will not be as motivated to settle. The legal framework is structured so that the rights holder does not lose by sending a letter to the alleged direct infringer in a good faith attempt at settlement. If settlement is not achieved, the rights holder is not subject to the alleged direct infringer's forum, assuming that the only contact with the forum

was the letter; but he can still collect increased damages from the direct, and after receiving the letter, if not earlier, willful, infringer, and he may also recover the cost of extended access from the secondary infringer.

In cases where the intermediary is a service provider, with liability limited by the DMCA, the problem, according to the approach adopted in *Dudnikov*, is that the rights holder cannot attempt to settle without either incurring the cost of the extended display or exposing himself to the alleged infringer's forum. The only way to avoid the cost is to file a notification, which leads to an immediate takedown. However, because this action is deemed to include an act of "extrajudicial enforcement," it establishes the basis for personal jurisdiction in the alleged infringer's forum. To prevent being haled to that forum, the rights holder must refrain from using the notification and bear the cost of an extended display, which seems to be particularly damaging in cyberspace where costs can grow exponentially every second that the material is posted or linked to. Yet, the rights holder has no secondary infringer from whom to recover the costs of extended display because, under the DMCA, no monetary relief can be obtained from the service provider.<sup>265</sup> Therefore, a rights holder's attempts to settle without exposing himself to the alleged infringer's forum will be extremely costly. As such, he might decide to file a lawsuit first to secure the forum of his choice rather than wait for the unknown result of the settlement efforts.

The opportunity to avoid the cost of extended display is an integral component of the incentive to settle without suit, and absent this opportunity, the incentive for a rights holder to attempt settlement is significantly diminished. If the policy of promoting settlements continues to be dispositive in the personal jurisdiction inquiry when jurisdiction based on cease-and-desist letters is evaluated, it should also govern the consideration of jurisdiction over rights holders in DMCA notification cases and lead to the same result: No personal jurisdiction over a rights holder based on a notification.

### VIII. CONCLUSIONS

This paper presents the reasons for which a good faith DMCA notification, utilized either alone or in tandem with a cease-and-desist letter, should not be considered a basis for extending personal jurisdiction over a non-resident rights holder in an alleged infringer's forum. First, the outcome of the application of a long-arm statute and the due process personal jurisdiction analysis should not be different for letters and notifications because distinctions between the two instruments are not of sufficient magnitude as to warrant different ap-

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<sup>265</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, § 512, 112 Stat. 2877 (1998).

proaches to them. Second, notifications deserve to be treated in the same manner as letters in the personal jurisdiction inquiry because they are equal relatives in the incentive to settle; they both enable the rights holder to avoid the costs of having the infringing material remain accessible—costs that are likely to be higher in cyberspace than in the physical world. Although the court in *Dudnikov* concluded otherwise, the same treatment should be afforded to notifications as long as the policy of promoting settlements prior to filing lawsuits remains important enough to warrant the exclusion of cease-and-desist letters from the possible bases of personal jurisdiction.

If the *Dudnikov* approach is adopted, it may lead to two significant and undesirable consequences: First, infringers will adjust their conduct to ensure that they can lure any rights holder into their forum; they will list their location on the Internet but not reveal their identity, ensuring that rights holders will not be able to send cease-and-desist letters but will be forced to utilize notifications. Such notifications will then be deemed to be directed at the forum of the alleged infringer and will expose rights holders to personal jurisdiction in that forum. Second, presuming that infringers will shape their practices to their best advantage, rights holders will be left with no instrument that will allow them to propose settlement without creating the potential danger of being haled to the infringers' forum, and they will no longer have an incentive to seek settlement before filing a lawsuit.

Naturally, characterizing these consequences as “undesirable” presumes that two policies continue to control the analysis, namely the strong policy of promoting settlements and the particular equilibrium of copyright protection and Internet operation that underpins the DMCA. Perhaps repeated abuses of rights by their holders that seem to have permeated the intellectual property landscape in the last decade will change the emphasis that we wish to afford to the policy of promoting settlements. Perhaps these negative experiences will weaken the policy to the point that it will one day be outweighed by factors of fairness and reasonableness in the due process analysis; and good reasons will be found to extend personal jurisdiction over rights holders even in cases when a letter or notification was sent in good faith. Similarly, if the particular balance of copyright protection and operation of the Internet that underpinned DMCA policy when it was drafted proves to be outdated, it may lead to a future conclusion that it is in fact fully justifiable for a rights holder to bear the burden of the cost of extended access to infringing material on the Internet. However, that conclusion is not justified at present.

The DMCA notification system has flaws and commentators generally agree that it should be revised because the potential for abuse of the system is

indeed intolerable. As various commentators have suggested,<sup>266</sup> a substantial revision of the system to fully account for the needs of Internet users—who are also potential alleged infringers—and service providers is highly desirable. In whatever form and to whatever extent the revision may take place, whether it focuses on the DMCA in isolation or comprehensively as a reform unifying various aspects of all systems of Internet safe harbors,<sup>267</sup> it should also address the issue of personal jurisdiction over rights holders who send notifications with the good faith intention of settling disputes.

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<sup>266</sup> See Lemley, *supra* note 112, at 119; Urban & Quilter, *supra* note 112, at 688–93.

<sup>267</sup> Lemley, *supra* note 112, 102.