

Personal Jurisdiction

New York Federal Judge Denies Jurisdiction Over Alleged California Cybersquatter

Because a New York federal court lacks jurisdiction over a California resident, the court should dismiss a lawsuit alleging she registered a domain name solely to profit by cybersquatting, a New York federal magistrate judge has recommended.

***Phoenix-Dolezal v. Ni*, No. 11 Civ. 3722, 2012 WL 121105 (S.D.N.Y. Jan. 17, 2012).**

"This case is interesting because it reads like short primer on traditional personal jurisdiction and minimum contacts. The twist is that the defendant is a domain name owner," said **Kelly P. McCarthy**, an intellectual property partner at **Sideman & Bancroft LLP**, who advises clients on cyber-squatting matters.

"Although it is true that 'the Internet is everywhere,' and domains established in one place can be accessed almost anywhere in the world, this decision confirms more is needed to establish jurisdiction than simply existing online," McCarthy explained.

THE CONTESTED DOMAIN

Christopher Phoenix-Dolezal sued Lili Ni, who owns phoenix.tv, in the U.S. District Court for the Southern District of New York after she allegedly refused to sell him the domain for less than \$2 million, court documents say.

His complaint alleges that Ni bought the domain in violation of the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d).

To support his allegations, Phoenix-Dolezal asserts that Ni never developed a website or used phoenix.tv in commerce since she bought the domain.

Plus, he argues, phoenix.tv is substantially similar to Phoenix TV, and he has a pending trademark application with the U.S. Patent and Trademark Office for the latter mark.

However, according to the report and recommendation by U.S. Magistrate Judge James L. Cott, Ni bought the domain in 2006, years before Phoenix-Dolezal started his business or filed a trademark application. Although the domain had been dormant, the judge found that it recently went live and had been a live website years before, but had been undergoing development.



The magistrate's report and recommendation highlights issues that attorneys should consider when determining if the facts of a case show "bad faith with intent to profit" in violation of the Anticybersquatting Consumer Protection Act. Kelly P. McCarthy, an intellectual property partner at Sideman & Bancroft LLP, notes the following:

1. Who initiated contact between the parties, and were such communications of significant duration and substance so as show the domain owner lacked legitimate business interest in the domain?
2. Typically, demands of large purchase prices are a strong indicator of bad faith, but are there facts that refute this rule of thumb? Is there evidence to suggest the domain holder has some claim of legitimate business use but would reconsider business plans if a large purchase payment were on the table?
3. What is the specific timeline of the facts? Is there any evidence that the domain owner had notice (constructive or otherwise) of trademark rights held by the plaintiff?

NO MINIMUM CONTACTS

More importantly, Judge Cott found that the District Court must have personal jurisdiction over Ni before it can assess the merits of Phoenix-Dolezal's allegations. He concluded that Ni does not have the minimum contacts with the state of New York to reasonably be expected to defend a lawsuit in the state.

Ni lives and works in California, and the website's domain registrar and hosting service are located there, according to Judge Cott.

Additionally, the only contact Ni had with New York is an email that she sent to Phoenix-Dolezal in response to his request for her to sell the domain, the judge explained.

The plaintiff allegedly sent her other emails before he filed suit or threatened to sue, but she never responded, the report noted.

Therefore, the magistrate found that the court lacked the minimum contacts required to establish personal jurisdiction, and he recommended that U.S. District Judge Lewis A. Kaplan dismiss the action.

'BAD-FAITH INTENT TO PROFIT' ANALYSIS

Although Judge Cott's report did not reach any conclusion about the merits of Phoenix-Dolezal's cyber-squatting allegations, he highlighted some facts that would be relevant in deciding whether Ni bought phoenix.tv in bad faith, according to McCarthy.

Specifically, the report noted:

- Phoenix-Dolezal initiated contact with Ni for the specific purpose of buying phoenix.tv, and Ni only responded once to say phoenix.tv was a legitimate website that was under construction.
- Ni allegedly offered to sell the domain to Phoenix-Dolezal for \$2 million, although “similar” premium websites cost between \$5,000 and \$10,000.
- Ni bought the website in 2006 before Phoenix-Dolezal even started his business. Plus, Phoenix-Dolezal allegedly filed his application with the U.S. Patent and Trademark Office after he had threatened Ni with a lawsuit.

In other words, McCarthy said, Judge Cott analyzed who initiated the contact, whether Ni’s communications showed a legitimate business interest in the domain, Ni’s offering price as compared with the domain’s market value, the timing of the lawsuit and the trademark application.

Lacking the minimum contacts necessary for personal jurisdiction, however, the magistrate recommended that the judge dismiss the lawsuit.

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