

## ARE FOREIGN INTERNET INFRINGERS BEYOND THE REACH OF THE LAW?

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### I. INTRODUCTION

The Internet is one of the most significant technological developments in human history. As a series of interlinked computer networks, it provides unique opportunities for transnational communication and commerce, and the dissemination of information. Some of the significant services provided by the Internet include email, the World Wide Web ("WWW") and newsgroups. The WWW consists of a series of 'sites' on which information is posted through a web 'server' that may be accessed by users worldwide. Newsgroups involve the use of computers or news servers acting as central points to which information is transmitted. The material received is then made available to subscribers to the newsgroup.

A problem may arise when material is placed on an Internet website or sent to a newsgroup that is physically located outside a particular country but is accessible by Australian resident users of the Internet. Suppose, for example, that the website or newsgroup contains material that, if all the relevant acts had occurred in Australia, would amount to an infringement of a local resident's trademark, reputation, or copyright. The question is whether an Australian resident would be precluded from obtaining redress under Australian law simply because, even though it was receivable and had harmful consequences here, the offending subject matter was issued from a place outside the country. If such a result were to follow, then the transnational nature of the Internet would create many opportunities for evasion of national laws. Similar issues may arise where an Australian resident creates a site in Australia and then places the material on a foreign-based server, with the content accessible in Australia, in an attempt to avoid the application of Australian laws.

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The purpose of this article is to examine whether Australian courts are impotent in the face of Internet activity that, although conducted outside the country, has effects on rights held under Australian law. There has been one recent Australian decision involving alleged infringement of Australian law by the placing of material on a foreign website. This decision suggests that local residents may be vulnerable to attack from abroad.

In *Macquarie Bank Ltd v Berg*,<sup>1</sup> an Australian resident sought an interlocutory injunction to restrain a defendant, resident in the United States, from publishing material on an Internet website that it alleged to be defamatory of its reputation under the law of New South Wales. The Court refused to grant the injunction. Before considering the Court's judgment in detail, an outline of the problems facing an Australian plaintiff who wishes to bring an action in relation to a foreign website will be provided. The causes of action considered in this article are those regarded by the author as most likely to arise in the context of the Internet; namely, the common law actions of passing off and defamation, and statutory intellectual property rights.

## II. COMMON LAW RIGHTS

### A. Personal Jurisdiction and Torts

In assessing the rights of Australian resident plaintiffs who claim either to have been defamed or to have had their goodwill appropriated by a website located in a foreign country, the major issue is jurisdiction. Two distinct situations will be addressed in this article. First, where the website is created by a foreign resident outside Australia but accessible in this country and second, where the website is created by an Australian resident in Australia and placed on a foreign-based server with the contents accessible here. The first relevant aspect of jurisdiction is 'personal jurisdiction'. This refers to the amenability of the defendant to the writ of the court and is based on common law and statutory rules. At common law, a defendant is considered subject to the jurisdiction of the court by his or her presence at the time of service of the writ or his or her submission to the jurisdiction. An Australian resident defendant who places a website on a foreign-based server would therefore be likely to be amenable to the jurisdiction of an Australian court on the basis of his or her presence in the country.<sup>2</sup> However, if common law jurisdiction is not available to a plaintiff because the defendant is resident abroad, then the plaintiff will have to serve the defendant outside the jurisdiction. All Australian superior courts have provisions that provide for the exercise of exorbitant or 'long arm' jurisdiction. In the case of an action for defamation or passing off there are likely to be three main bases

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1 *Macquarie Bank Ltd v Berg* (unreported, SC NSW, Simpson J, 2 June 1999).

2 See *Service and Execution of Process Act 1992* (Cth), s 15.

of such jurisdiction:<sup>3</sup> where the claim is founded on a tort committed within the forum;<sup>4</sup> where a claim is brought “in respect of damage suffered wholly or partly [in the jurisdiction] and caused by a tortious act or omission wherever occurring”;<sup>5</sup> and where an injunction is sought to compel or restrain the performance by the defendant of any act within the jurisdiction.<sup>6</sup>

It is important to note that, in relation to the first two bases, the commission of the tort by the defendant is required to have occurred in the Australian State or Territory in which proceedings are brought. Therefore, in the context of a foreign defendant that operates a website located outside Australia that is alleged to appropriate an Australian resident’s goodwill or defame his or her reputation, the key question is whether such conduct amounts to a tort occurring in Australia.

(i) *Defamation*

It is well established from pre-Internet decisions that the place of the wrong is the jurisdiction where the defamatory material was published and received by the plaintiff, rather than where it was uttered or written.<sup>7</sup> If this view were applied to alleged defamation on a foreign based website accessible in Australia, it would seem that the tort of defamation would be deemed to have occurred in Australia, as the place of receipt or download. It is interesting to note that a Canadian court has taken this approach in a recent decision involving transnational defamation on the Internet. In *Kitakufe v Oloya Ltd*,<sup>8</sup> the Court assumed jurisdiction over a defamation suit arising from material allegedly placed on a newspaper website in Uganda on the basis that the tort had been committed in Ontario, Canada, where the website was accessible and the information could be received. Similarly, in a claim arising out of material placed on a newspaper website in Singapore, the High Court of Malaysia stated that it would only have jurisdiction over such a claim if it could be shown that the information was accessible (and had been accessed) in the forum.<sup>9</sup>

There have been a number of United States decisions involving the question of jurisdiction in Internet defamation claims that appear to follow the same pattern. The courts have generally applied the view of the Supreme Court of the United States, in a pre-Internet case, where it was held that jurisdiction may be

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3 See S Dutson, “The Internet, the Conflict of Laws, International Litigation and Intellectual Property: the Implications of the International Scope of the Internet on Intellectual Property Infringements” (1997) *Journal of Business Law* 495 at 498-501.

4 See, for example, Fed Ct: O 8 rl (ac); NSW: Pt 10 r 1A(1)(d); Vic: O 7.01(1)(i).

5 Fed Ct: O 8 rl (ad); NSW: Pt 10 r 1A(1)(e); Vic: O 7.01 (1)(j).

6 Fed Ct: O 8 rl (j); NSW: Pt 10 r 1A (1)(d); Vic: O 7.01 (1)(k).

7 *Bata v Bata* (1948) 92 Sol Jo 574; P Nygh, *Conflict of Laws in Australia*, Butterworths (6th ed, 1995) p 56.

8 *Kitakufe v Oloya Ltd* (unreported, Ontario Court of Justice, Himel J, 18 June 1998).

9 See *Lee Teck Chee v Merrill Lynch International Bank* [1998] CLJ 188, per Nathan J. Both *Kitakufe* and *Lee Teck Chee* may be compared with the decision of the High Court of Singapore in *Goh Chok Tong v Tang Liang Hong* (1997) 2 SLR 641. In that case, the court assumed that the publication of material in a Malaysian newspaper, which was then subsequently published on the Asia-One website (accessible in Singapore), did not amount to a tort within the forum.

exercised over a foreign defendant who directs his or her defamatory message at the forum and the plaintiff suffers harm there.<sup>10</sup> Thus, in a number of cases,<sup>11</sup> personal jurisdiction over a defendant has been found to exist based on the defendant's operation of a webpage that was accessible in the forum and caused harm to the plaintiff there. Such an approach seems consistent with the place of download or receipt based view of jurisdiction described above.

If the place of download is accepted as the location of the wrong in cross border Internet cases, then the possibility is created of multiple infringements in a number of different jurisdictions through a single publication. Hence, subject to the jurisdictional rules of each forum, a plaintiff may be able to bring suits for defamation in respect of the one website in any place where the site is accessible.

However, a number of writers have rejected the view that the place of download should be applied to determine the place of the wrong in the case of Internet infringements that cross national boundaries. In the view of Fawcett and Torremans,<sup>12</sup> the place of upload or issue of the material should be selected on the basis that this produces a single act of infringement for which the defendant can be held responsible in one proceeding. It is also argued that since the whole basis of personal jurisdiction is whether the court has a right to adjudicate upon the acts of the defendant, it is more appropriate to focus on the act of posting or uploading the material.

The consequence of the 'upload' analysis being applied to a defamation action involving a foreign website, however, is that the place of the tort becomes the country in which the defendant creates the infringing material and places it on his or her computer. This location may of course be different to the country in which the server hosting the site is located. Accordingly, personal jurisdiction could not be established over the defendant in Australia based on a tort having occurred in the forum. Unless another basis can be relied upon to establish jurisdiction, the plaintiff will be left to whatever rights he or she may have in the jurisdiction in which the defendant posted the material. Such an outcome may have harsh consequences for the plaintiff. First, the plaintiff may be put to considerable expense in litigating abroad and second, in the context of a defamation action, it may be difficult to establish the requisite reputation in the particular jurisdiction, unless of course the plaintiff has a high international profile.

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10 *Calder v Jones* 465 US 783 (1984).

11 See, for example, *EDIAS Software v Basis International* 947 F Supp 413 (D Ariz 1996); *Telco Communications v An Apple A Day* 977 F Supp 404 (ED Va 1997); *Blumenthal v Drudge* 992 F Supp 44 (DDC 1998); *Bochan v LaFontaine* 1999 US Dist Lexis 8253 (ED Va 1999). Compare these cases with *Naxos Resources (USA) Ltd v Southam Inc* 1996 US Dist Lexis 21757 and 21759 (SD Cal 1996) and *Barrett v The Catacombs Press* 1999 US Dist Lexis 5108 (ED Pa 1999), where jurisdiction was declined on the basis that the mere placing of non-commercial information on a website that is accessible world wide is insufficient to attract the jurisdiction of a particular forum. What is required is evidence that the defendant intended to target residents of the forum specifically by the posting of the defamatory material. It is suggested that this may be a difficult test to satisfy in most defamation cases.

12 J Fawcett and P Torremans, *Intellectual Property and Private International Law*, Clarendon Press (1998) pp 160-1.

A more radical view is that it should be the infringer's nationality that supplies the appropriate forum in cross border Internet infringement cases.<sup>13</sup> The rationale for this view is that any attempt to localise Internet conduct by reference to notions of territoriality is artificial and misleading, given that material on the Internet often passes through a number of countries during the course of transmission.<sup>14</sup> While this theory may correctly expose the difficulty of applying existing jurisdictional principles to new technology (such as the Internet), it is suggested that the nationality of the defendant is an even more arbitrary criterion to employ. In an increasingly mobile world, it is very possible that an individual or corporation may retain little connection with its place of nationality. It is unlikely that an Australian court would adopt such an approach.<sup>15</sup>

(ii) *Passing Off*

In the case of a passing off action, a similar picture to defamation appears to prevail. Passing off is a tort involving proof of three elements: local reputation, misrepresentation and damage.<sup>16</sup> A plaintiff will normally bring such an action where a party has sought to undermine its commercial reputation by suggesting a connection between its and the party's goods that does not exist. A passing off action may be particularly appropriate in the case of the Internet, where large volumes of goods and services are advertised.

In determining what is the place of the wrong for the purposes of passing off, again it appears that the balance of authority favours the view that it is the place of the receipt of the defendant's misrepresentation.<sup>17</sup> Hence, the tort is committed in the place where the conduct complained of is intended to be received, which would be likely to be Australia if the offending material was shown to have been aimed at local consumers. If this view, focusing on the 'receipt' of the information rather than its initial posting, were applied to a claim involving a foreign website, then a plaintiff would be able to show that the tort had occurred within the forum. However, if the 'upload' theory supported by the writers above is adopted,<sup>18</sup> then a plaintiff could not rely upon this ground to establish jurisdiction.

There have been numerous decisions in the United States dealing with jurisdiction and the Internet in the context of intellectual property ("IP") rights.

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13 D Menthe, "Jurisdiction In Cyberspace: A Theory of International Spaces" (1998) 4 *Michigan Telecommunications Technology Law Review* 69.

14 The view that principles of territoriality have no place in resolving jurisdictional disputes involving the Internet has other supporters. See, for example, H Perritt, "Jurisdiction in Cyberspace" (1996) 41 *Villanova Law Review* 1 at 100-3.

15 It should not be thought that this discussion has exhausted the possible candidates for appropriate forum in transnational Internet cases. For example, the domicile of the plaintiff has been suggested as a desirable jurisdiction in tort cases. See G Kaufmann-Kohler, "Internet: mondialisation de la communication—mondialisation de la resolution des litiges?" in K Boele-Woelki and C Kessedjian (eds), *Internet: Which Court Decides? Which Law Applies?*, Kluwer Law International (1998) 89 at 119.

16 *Conagra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302.

17 *Voth v Manildra Flour Mills Ltd* (1990) 171 CLR 538 at 568.

18 Note 12 *supra*.

While courts in some early cases allowed jurisdiction to be exercised merely on the basis that a website was accessible in the forum in which the IP rights were held,<sup>19</sup> in later decisions a stricter standard has been imposed. Under the new standard, the likelihood of jurisdiction being exercised has been made directly proportionate to the nature and quality of the commercial activity that an entity conducts over the Internet.<sup>20</sup> Both courts<sup>21</sup> and commentators<sup>22</sup> are now mindful of the danger posed to the development of the Internet as a business tool by over zealous assumptions of jurisdiction.<sup>23</sup> Accordingly, the majority of United States courts have now adopted a three-stage approach to determining when jurisdiction exists over defendants in relation to Internet activity and IP rights. First, jurisdiction is almost certain to be exercised where the defendant has engaged in active business on the Internet. Second, jurisdiction is possible where there is an exchange of information between computers, and the website is interactive. This will depend upon the degree of interactivity, and the nature of the information exchanged, including whether it is commercial and whether the website is directed at local residents. Third, jurisdiction is unlikely to be exercised where the website is passive and does little more than provide information.<sup>24</sup>

*Zippo Manufacturing Co v Zippo Dot Com Inc*<sup>25</sup> is an example of the first stage above. In this case, a Californian resident was held subject to the jurisdiction of the courts of Pennsylvania in a trademark infringement suit, because it had sold a large number of passwords to subscribing customers in that state, and had also entered into contracts with Internet access providers in Pennsylvania to service customers there. The Court found not only that there was significant business activity involving the Internet, but also that the defendant had directed such conduct toward the residents of the forum. Accordingly, assumption of jurisdiction was not unreasonable.<sup>26</sup>

19 See, for example, *Inset Systems Inc v Instruction Set Inc* 937 F Supp 161 (D Conn 1996) and *Maritz v Cybergold* 947 F Supp 1328 (ED Mo 1996).

20 *Cybersell Inc v Cybersell Inc* 130 F 3d 414 (9th Cir 1997).

21 In *Hearst Corporation v Goldberger* (1997 US Dist Lexis 2065) it was stated that "to allow jurisdiction based on an Internet website [alone] would be tantamount to a declaration that this and every other court throughout the world may assert jurisdiction over all information providers on the global world wide web."

22 DL Burk, "Jurisdiction in a World Without Borders" (1997) 1 *Virginia Journal of Law and Technology* 3, available at <[www.student.virginia.edu/~vjolt/vol1/BURK.htm](http://www.student.virginia.edu/~vjolt/vol1/BURK.htm)>; DL Stott, "Comments: Personal Jurisdiction in Cyberspace: the Constitutional Boundary of Minimum Contacts Limited to a Website" (1997) 15 *John Marshall Journal of Computer and Information Technology* 819 at 852; CL Conner, "*Compuserve v Patterson*: Creating Jurisdiction Through Internet Contacts" (1998) 4 *Richmond Journal of Law and Technology* 9, available at <[www.richmond.edu/~jolt/v4i3/conner.html](http://www.richmond.edu/~jolt/v4i3/conner.html)>.

23 DL Burk *ibid*: "The prospect of multijurisdictional liability may very well raise the price of participation [in the Internet] beyond the average citizen's reach."

24 This test comes from the decision in *Zippo Manufacturing Co v Zippo Dot Com Inc* 952 F Supp 1119 (WD Pa 1997). The *Zippo* principles were recently cited with approval by the United States Fifth Circuit Court of Appeals in *Mink v AAA.4 Development LLC* 190 F 3d 333 (1999).

25 *Ibid*.

26 For another example of carrying on business in the forum, see *Compuserve Inc v Patterson* 89 F 3d 1257 (6<sup>th</sup> Cir 1996) where the defendant entered into contracts with a company whose computer network was located in the forum involving the transmission of computer files.

In contrast, the majority of recent United States cases have fallen into the third category above. In these cases, it has been held repeatedly that a mere advertisement on a website, without any other contact with the forum, does not suffice for jurisdiction in the context of IP infringement. So, in *Bensusan Restaurant Corp v King*,<sup>27</sup> the fact that the defendant's website, containing information about its club in Missouri, was accessible in New York (where the plaintiff operated a club under the same name), was insufficient to give the New York courts jurisdiction.<sup>28</sup>

The key elements in the United States cases for establishing jurisdiction in passing off cases, therefore, are the interactivity of the website and the intention of the operator. If the foreign website is not 'passive' and expressly solicits custom from persons in Australia, then such conduct is more likely to amount to an infringement in this country than that involving a website that is merely accessible in Australia but not directed at local residents. For example, a website that expressly disclaims any intent to contract locally, is probably not subject to the jurisdiction of local courts.

It is interesting to note that the principles from the American cases have been recently applied by the High Court of New Zealand to an Internet passing off dispute. In *New Zealand Post Ltd v Leng*,<sup>29</sup> an injunction was granted to restrain a New Zealand resident from using a domain name on its website, established on a server in the United States, that was found to be deceptively similar to a mark of the plaintiff, another New Zealand resident. In the Court's view, there was a strong argument to say that the tort of passing off had occurred in New Zealand because there were sufficient connections between the defendant's conduct and the forum. In particular, he used the offending name to target New Zealand customers and so 'carry on business' there, in the language of the American decisions. The fact that the defendant was a New Zealand resident reinforced this conclusion. Similarly, in a recent English decision, it was found that the tort of passing off had occurred within England, where an operator of a German website, accessible in England, was found to have solicited custom from both Germany and England.<sup>30</sup>

Hence, it seems that an Australian court is likely to take a flexible approach to determining when the tort of passing off, in relation to a foreign based website, has occurred within the jurisdiction. Provided that the website shows some evidence of solicitation of local custom, rather than merely being an advertisement to the world at large, jurisdiction on this basis will probably be

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27 937 F Supp 295 (SDNY 1996); aff'd 126 F 3d 25 (2d Cir 1997).

28 See also *Cybersell*, note 20 *supra*; *IDS Life Insurance Co v Sun America* 958 F Supp 1258 (ND Ill 1997); *Smith v Hobby Lobby Stores* 968 F Supp 1356 (WD Ark 1997); *CD Solutions Inc v Tooker* 965 F Supp 17 (ND Tex 1997) and *Hearst*, note 21 *supra*. However, United States courts have recognised that jurisdiction may exist in one situation where the defendant's only connection to the forum is a passive website; that is, in the event of 'cyber piracy' or 'squatting'. This occurs where a person takes a trademark belonging to another, establishes domain names on the Internet using that mark and then offers such marks for sale to the rightful owners. In this instance, jurisdiction over that person is proper. See *Panavision International LP v Toeppen* 141 F 3d 1316 (9th Cir 1998).

29 Unreported, High Court of New Zealand, Williams J, 17 December 1998.

30 *Mecklermedia Corp v DC Congress GmbH* [1998] Ch 40.

established. However, the existence of disclaimers on a website, denying any intention to contract with residents of the forum may be evidence pointing against the acceptance of jurisdiction.

(iii) *Injunctions*

What would be the position if the plaintiff were to seek an injunction to restrain a defendant from publishing material on a website that amounted to defamation or passing off rather than filing suit for damages? If the defendant could not be served within the jurisdiction then, again, service outside would be required. It will be recalled that the court rules of all Australian jurisdictions allow service on a foreign defendant where an injunction is sought to compel or restrain the performance of any act by the defendant within the jurisdiction. "Act" in this case refers to any act that amounts to an infringement of the plaintiff's rights in the forum, such as a tort.<sup>31</sup> So, it would seem again that, provided that it can be shown that a tort has occurred or is likely to occur in the forum, service under this head will be proper. Accordingly, the discussion above in relation to when the torts of passing off and defamation are considered to have been committed within the jurisdiction is apposite here also. There have, in fact, been a number of cases where injunctions have been awarded to restrain foreign defendants from committing defamation in the forum.<sup>32</sup>

However, assuming Australian courts take the view, in relation to passing off or defamation actions based on foreign websites, that the place of the tort is not Australia, the plaintiff must find another basis of personal jurisdiction. A possible candidate may be where damage has been suffered in the forum in relation to a tortious act or omission wherever occurring. On its face this provision does not appear to require an infringing act to have occurred within the forum, only that 'damage' is suffered here. This requirement may not be onerous to satisfy since Australian courts have held that damage has been suffered in the forum where the plaintiff continues to incur physical, financial or social consequences of an injury first received abroad.<sup>33</sup> Presumably, if a plaintiff can show some sort of harm in Australia arising from the placing of the offending material on the foreign based website, for example, lost custom or confusion surrounding its product or reputation, then the requisite damage will have been shown.

In summary then, a plaintiff is likely to succeed in asserting personal jurisdiction over either a foreign or local defendant in a tort case involving a website located on a foreign server but accessible in Australia where one of three situations is present. First, where the defendant has been served within the forum; second, where the tort is deemed to have been committed within the jurisdiction; or third, where damage has been suffered there.

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31 *James North & Sons Ltd v North Cape Textiles Ltd* [1984] 1 WLR 1428.

32 *Dunlop Rubber Company Limited v Dunlop* [1921] 1 AC 367; *Tozier and Wife v Hawkins* (1885) 15 QBD 680.

33 *Girgis v Flaherty* (1985) 4 NSWLR 248 at 266, per McHugh JA; *The Katowice II* (1992) 25 NSWLR 568 at 577.



However, even where an Australian court considers that it has personal jurisdiction over the defendant, under either the common law or statutory rules, it may be persuaded, in its discretion, not to exercise such jurisdiction. A defendant may seek a stay of proceedings on the basis that the Australian court would be a "clearly inappropriate forum" to try the action.<sup>34</sup> While this test historically has not proven easy to satisfy, a defendant could argue that the mere accessibility of a foreign website in Australia, without any other connection between the action and the defendant to the country, is too insignificant a basis for an Australian court to assume jurisdiction. The American Internet authorities mentioned above may again be of assistance here. Other factors, such as the respective locations of witnesses and evidence, whether other proceedings are pending in respect of the same subject matter either in Australia or abroad, and whether the plaintiff would lose any significant procedural advantage by a stay being ordered, may also be relevant.

## B. Subject Matter Jurisdiction and Torts

Before leaving the issue of jurisdiction in relation to the actions of defamation and passing off, the question of subject matter jurisdiction or justiciability must be addressed. While personal jurisdiction refers to a court's power to apply its processes to a particular defendant, subject matter jurisdiction refers to its competence to hear particular claims.<sup>35</sup> In the case of a tort that is found to have been committed within an Australian State or Territory, it is clear that an Australian court has competence to resolve such a matter. However, where the tort is found to have been committed outside the country, Australian courts have only limited competence or subject matter jurisdiction to resolve such a claim.

Specifically, an action in relation to a foreign tort (either for damages or an injunction) may only be brought in an Australian court where two conditions, known as 'double actionability', are satisfied.<sup>36</sup> The first condition is that the relevant events would have given rise to liability in tort under Australian law if they had taken place in this country, and the second requires that the alleged wrong be actionable as a tort in the country where it was committed. In essence then, the plaintiff must show that the events in the foreign country would have given rise to a tort of similar character to that which forms the basis of the plaintiff's claim. Therefore, even where a plaintiff can secure personal jurisdiction over a defendant (for example, because he or she was served within the jurisdiction), if the tort is found to have been committed outside the forum then the plaintiff must establish 'double actionability' before the Australian court can resolve the matter.

Hence, it seems that this requirement will have to be shown both in the case of the foreign resident defendant who maintains a website outside Australia which

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34 Note 17 *supra*. See, for a discussion and criticism of the rule in *Voth*, R Garnett, "Stay of Proceedings in Australia: A Clearly Inappropriate Test?" (1999) 23 *Melbourne University Law Review* 30.

35 Note 3 *supra* at 496, citing *MacKinnon v Donaldson* [1988] Ch 482 at 493 and *Flaherty v Girgis* (1987) 162 CLR 574 at 598, per Mason ACJ, Wilson and Dawson JJ.

36 *McKain v RW Miller and Company (South Australia) Pty Ltd* (1992) 174 CLR 1.

is accessible here, and the Australian resident defendant who places material accessible in Australia on a server located in a foreign country.

In the context of passing off, there have been a number of English and Scottish cases that have found the double actionability test satisfied and so have allowed claims to proceed in the forum in respect of foreign wrongs. The Scottish decision of *James Burrough Distillers Plc v Speymalt Whisky Distributors*<sup>37</sup> is a good example. This case involved an action in relation to the sale of whisky in Italy that allegedly infringed the plaintiff's goodwill in that country. The plaintiff was successful in an action of passing off on the basis that, although all the elements of the claim (goodwill, misrepresentation and damage) occurred outside Scotland, the claim was actionable under local law. The Scottish Court felt that because the Italian law of unfair competition was "broadly similar" to the Scottish law of passing off, there was actionability under Italian law.<sup>38</sup>

It is likely that many jurisdictions would have laws against passing off and unfair competition, so establishing actionability under the law of the place of the wrong may not be difficult. However, it is possible that in the case of defamation there is a much wider divergence of national laws, with some countries recognising much broader rights of freedom of expression than others. Hence, where a person creates a website and places it on a server in a jurisdiction with lax defamation laws he or she may well be safe from the jurisdiction of Australian courts, at least where the court finds that the tort has been committed outside the country.

### III. STATUTORY CLAIMS

An Australian plaintiff may also seek to bring a number of claims under Australian statutes in relation to activity on foreign websites. In this article, three types of statutory claims will be considered: first, claims under the *Trademarks Act 1995* (Cth) ("the TMA"); second, claims under the *Trade Practices Act 1974* (Cth) ("the TPA"); and third, claims under the *Copyright Act 1968* (Cth) ("the CRA").

As in the case of common law actions, when considering the conduct of a person taking place at least in part outside Australia, the first question to consider is whether the Australian court has personal jurisdiction over the defendant. If the defendant has not submitted to or cannot be served within the jurisdiction, and service outside is required, it is likely that the three bases of extended jurisdiction identified above would also be applicable to statutory claims. That is, first, where the action is based on a tort committed within the forum,<sup>39</sup> second, in respect of damage suffered in the forum caused by a tort

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37 1989 SLT 561.

38 See also, to the same effect, *Alfred Dunhill Ltd v Sunoptic SA* [1979] FSR 337.

39 Note that the Federal Court Rules also speak of a "cause of action arising in the Commonwealth" (O 8 r 1(a)) and a "breach of an Act ... in the Commonwealth" (O 8 r 1(b)).

wherever occurring;<sup>40</sup> and third, where an injunction is sought to compel or restrain the performance of an act within the forum.

In relation to the first two bases, there is clear authority that actions for infringements of statutory intellectual property rights are "torts" for the purpose of those provisions.<sup>41</sup> The more difficult question that arises under the first and third bases is whether an infringement of the particular statute has occurred in Australia.

### A. Trademark Claims

Examining trademarks first, it will be necessary for the plaintiff to show that material placed on a foreign website amounts to an infringement in Australia of a trademark registered under the TMA. The basic test for infringement of a trademark is to show an unauthorised use of a substantially identical or deceptively similar trademark for the same or similar goods or services.<sup>42</sup> It has been argued that the placing of a mark on a website that advertises goods and services is more likely to be an offending use than the adoption of the mark as a domain name or its use as a navigation tool to a person's website.<sup>43</sup>

However, under the first and third jurisdictional grounds above, it is not enough that an infringement has occurred; it must have also taken place in Australia. That is, it must be established that the defendant, by placing a mark on a foreign website, has either used the mark or intends to use the mark as a trademark in Australia. Similar to the actions of passing off and defamation that were analysed above, resolution of this question in favour of the plaintiff requires an Australian court to consider the infringing act as being the receipt or accessing of the injurious material in Australia rather than the placing of the matter on the foreign website.

In the case of breaches of statutes such as the TMA, the position is more complicated. First, it is accepted law that statutory intellectual property rights are territorial in nature; that is, a party cannot seek to restrict the use of a right granted to him or her outside the country in which the right was conferred. While the provisions of the TMA do not expressly limit the Act's operation to acts of infringement occurring in Australia, it is suggested that an Australian court would nevertheless reach this conclusion by reference to the presumption governing the operation of statutory IP rights.<sup>44</sup>

Another problem from the plaintiff's point of view is that the terms of the TMA define infringement as an unauthorised use of the plaintiff's mark. Such a formulation seems to focus attention on the defendant's conduct in putting the

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40 The Federal Court Rules also grant jurisdiction in the case of damage suffered in respect of a breach of an Act, wherever the breach occurs (O 8 r 1(c)).

41 *Spotless Group Ltd v Proplast Pty Ltd* (1987) 10 IPR 668 at 670.

42 *Trademarks Act* 1995 (Cth) s 120(1)-(2). Note that under s 120(3), a "well known" mark may also be capable of infringement even where such a mark is used in respect of goods and services for which it is not registered by the owner.

43 See "Australia" in D Campbell (ed), *Law of International Online Business: A Global Perspective*, Sweet & Maxwell (1998) p 113.

44 *Ibid.*, p 117.

material on the Internet rather than on whether the material was received or accessed, as in passing off or defamation. Moreover, if the view of Fawcett and Torremans described above is adopted,<sup>45</sup> then it will be the country where the information was uploaded by the website operator that will be the place of infringement rather than the place of download or receipt.

However, Australian courts may be reluctant to conclude that the TMA cannot be applied to a website which, although located on a foreign based server, deliberately targets Australian consumers. Such an outcome could possibly leave the plaintiff with no remedy at all, since it is highly unlikely that a suit for breach of an Australian registered trademark could be brought in the country in which the website was located. An alternative approach, relying on the *Zippo*<sup>46</sup> line of authority referred to above, would be to resolve the issue of the location of infringement by reference to whether the operator intended to do business in Australia. So, for example, where a defendant simply places information on a passive website with no solicitation of Australian custom, then a court may be less likely to conclude that use of a trademark in this country has occurred. An opposite result may be reached, however, where a highly interactive website is created with a clear intention to target local residents.

There is an English pre-Internet case that seems to support this view. In *Reuters Co Ltd v Muhlens*,<sup>47</sup> a defendant advertised to local customers in England, soliciting business, from outside the country using the plaintiff's trademark. The Court found that such conduct amounted to an infringing use within the forum.

Hence, if the approach from the American Internet decisions and the *Reuters* case were applied to the example of the foreign based website accessible in Australia, the result would be that the concept of 'use' in relation to trademarks would acquire a broader meaning and an extraterritorial dimension. 'Use' no longer would simply be the act of placing the material on the website, but instead there would be an examination of the intention of the operator in creating the site, in particular whether he or she was actively soliciting customers in Australia and the degree of contact with such persons. Therefore, an Australian registered trademark holder may, in the context of the Internet, have acquired a form of extraterritorial protection for its rights. While this outcome may seem radical, if the view were taken that local trademark rights could not be applied outside Australia, then the plaintiff could be exposed to unchallengeable attack from foreign websites.

However, as was noted above, it may be possible to establish personal jurisdiction in a trademark suit on a basis other than that an infringement occurred within Australia. For example, the plaintiff may be able to serve the defendant within the jurisdiction or show that damage has been suffered there arising from an infringement elsewhere. Nevertheless, even where personal jurisdiction is established on one of these grounds, the fact that the infringement

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45 Note 12 *supra*.

46 Note 24 *supra*.

47 [1954] Ch 50.

occurred abroad may still be fatal to any suit in Australia for the reason that there is no *subject matter* jurisdiction over the action.

It will be recalled that Australian courts have limited subject matter jurisdiction in relation to torts committed outside the country and that proceedings may only be brought in relation to a foreign tort where 'double actionability' is shown. That is, that the events giving rise to the action would amount to a tort if committed in Australia and give rise to civil liability of a similar kind under the law of the place of the wrong.<sup>48</sup> It was noted above, in the context of suits for passing off where all the elements of the tort occurred abroad, that plaintiffs have had little trouble in establishing double actionability in respect of that cause of action. However, in the case of foreign infringements of statutory intellectual property rights (including trademarks, copyrights and patents) plaintiffs have had much less success. Courts have consistently found that because such rights are territorial, there can be no actionability in the forum in respect of acts taking place abroad, and so no subject matter jurisdiction exists.<sup>49</sup>

Hence, it seems that where an infringement of an Australian statutory IP right is found to have occurred abroad, proceedings can never be brought here. However, some commentators have suggested that the 'double actionability' rule has been misapplied by the courts in the context of statutory IP rights.<sup>50</sup> In particular, the territorial limitation on such rights should not be a bar to their actionability under the law of the forum, because the correct question to ask is whether, had the infringement occurred in Australia, Australian law would have recognised that the plaintiff had a claim for relief. Since the plaintiff's action is based on an Australian statute this requirement will be clearly satisfied and so, provided that the law of the place of the wrong recognises a broadly similar form of liability for the conduct, a claim for foreign infringement of an Australian statutory IP right should be allowed to proceed.

However, until such a view is accepted, Australian courts are likely to continue to refuse to hear actions for foreign infringements of local statutory IP rights. Accordingly, in the context of a trademark action in relation to activity on a foreign website, whether conducted by an Australian or a foreign resident defendant, it becomes crucial for the plaintiff to show that the breach occurred here.

## B. Trade Practices Claims

In the Australian context, it is always useful to consider whether a plaintiff may have a cause of action under the TPA in respect of material posted on a

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48 Note 36 *supra*.

49 *Def Lepp Music v Stuart Brown* [1986] RPC 273; *Norbert Steinhardt & Son v Meth* (1961) 105 CLR 440.

50 Although the views were expressed in the context of the enforcement of *foreign* IP rights in the forum, the same point can be made with respect to the application of Australian statutory rights abroad. See GW Austin, "The Infringement of Foreign Intellectual Property Rights" (1997) 113 *Law Quarterly Review* 320 at 323-4; G Tritton, *Intellectual Property In Europe*, Sweet & Maxwell (1996) p 768.

foreign website. Section 52, which prohibits misleading and deceptive conduct in trade or commerce, may be the most obvious provision, particularly where the plaintiff uses on a website a mark or name that is similar to that of an Australian resident corporation. Unlike the TMA, the territorial scope of the TPA is expressly provided for in the legislation itself. As a result, a court, in determining whether it has subject matter jurisdiction over a TPA claim involving a foreign website must first examine the terms of the Act.

Section 5(1) of the TPA provides that the Act applies to breaches committed within Australia by any corporation (local or foreign) and to breaches committed outside Australia by companies incorporated or carrying on business in Australia, or by Australian citizens or residents. However, actions in relation to breaches outside Australia can only be brought with the consent of the Attorney-General.<sup>51</sup> Hence, it would seem that for a foreign resident website operator to be subject to the TPA, any infringement of the Act must be found to have occurred in this country.

Fortunately for Australian plaintiffs, there is authority<sup>52</sup> that suggests that, in determining the place of breach for the purposes of a s 52 claim, the rules governing the place of the tort for misrepresentation are applied. That is, the place where the conduct was intended to be received not the place from where the material was issued. Provided that the material on the website was aimed at Australian consumers, Australia would be likely to be the place of infringement, and so an Australian court would have subject matter jurisdiction over the action. Consequently, the overseas breaches provision would not have to be relied upon.

The High Court of New Zealand recently reached a similar conclusion in considering an application to restrain conduct on a foreign website allegedly in breach of the misleading or deceptive conduct provisions of the *Fair Trading Act* 1986 ('the FTA'). In *New Zealand Post v Leng*,<sup>53</sup> the Court granted an injunction to restrain a New Zealand resident defendant from using a domain name on its US-based website that was arguably deceptively similar to that of the plaintiff. The Court felt that an arguable case for infringement in New Zealand had occurred because the defendant was resident in New Zealand and the offending domain name had been used to conduct business in that country, causing harm to the plaintiff's goodwill there. It is suggested that this reasoning again focuses upon the receipt or downloading of the objectionable material rather than its initial posting.<sup>54</sup>

However, if an Australian court were to consider that, in relation to a TPA claim involving a foreign website, the place of breach was outside Australia, then there would be difficulties in bringing an action. It seems that, even where

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51 *Trade Practices Act* 1974 (Cth) s 5(3)

52 *Hunter Grain Pty Ltd v Hyundai Merchant Marine Co Ltd* (1993) 117 ALR 507 at 518-20.

53 Note 29 *supra*.

54 See also *Qantas Airways Ltd v The Domain Name Company Ltd* (unreported, High Court of New Zealand, Faire M, 26 March 1999) where it was held that, in relation to another claim under the FTA for misleading or deceptive conduct involving a website, the material part of the cause of action arose in the place of access to the information.

the defendant is incorporated or carrying on business in Australia, the consent of the Attorney-General would be required and no action could be brought if the defendant lacks that connection.

### C. Copyright

It is generally agreed that most material on the Internet would be subject to the protection of the law of copyright,<sup>55</sup> assuming that the content meets the standard statutory tests for protection.<sup>56</sup> For example, emails sent from person A to person B, information posted to newsgroups and material placed on websites would all be likely to be protected. Under Australian law, a website is most probably protected as a "literary work" under the CRA. The category of literary works includes computer programs<sup>57</sup> and a website would appear to fall within the definition of "computer program".<sup>58</sup> Particular parts of a website may also contain items that are separately protected by copyright such as graphics, photographs and sound recordings.

A difficult question that arises in relation to the Internet and copyright is determining when an 'infringement' has occurred. The clearest example of infringement is actual copying itself, which has been defined as the reproduction of a work in any material form. This would include storage of the work in any medium by electronic means. However it is important to note that the Internet, as a form of technology, operates on the basis of material being constantly copied.<sup>59</sup> For example, in the case of a web page, the host server computer holds the original and then each browsing computer, upon request by a user, stores a copy for display. In a sense then, whenever a person accesses a website a form of copying occurs because that is required for the work to be perceived. However, such 'copying' is unlikely to amount to an infringement of copyright but would be deemed instead to fall within an implied licence granted to users to make copies incidental to viewing the information.

However, a clear example of infringement would be where a party placed material on a website that violated the copyright work of another, whether that work is located on the Internet or elsewhere. However, again a problem arises when the offending material is placed on a foreign website. The drafters of the Australian legislation have made it clear that the scope of copyright protection

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55 C Gringras, *The Laws of the Internet*, Butterworths (1997) p 163.

56 For example, under Australian law, originality of authorship plus first publication in Australia or publication elsewhere (or, in the case of unpublished works, first making in Australia) by an Australian national or resident is required. See *Copyright Act 1968* (Cth) s 32.

57 *Ibid* s 10(1).

58 Note 43 *supra* at 101.

59 Note 55 *supra*, p 163.

only extends to Australian territory,<sup>60</sup> which is consistent with the general proposition mentioned above that statutory IP rights are territorial in nature. Seemingly then, a defendant who places material on a foreign website that infringes an Australian resident's copyright cannot be held liable for direct infringement, even when the content is accessible in Australia. Put another way, an Australian court would lack subject matter jurisdiction over a claim for foreign infringement of local copyright on the basis that it would not be 'actionable' in the forum.<sup>61</sup> The application of the 'double actionability' principle to statutory IP rights was discussed above under trademarks.

A plaintiff may, however, seek to argue that the place of infringement in copyright actions is the location where the copies are received or may be accessed, rather than the place from where they are transmitted. It was suggested above that such an argument has a reasonable chance of success in the case of passing off and defamation, and some chance of success in the case of trademarks. However, in the case of copyright, such a view is unlikely to be accepted. While in the case of defamation and passing off (and possibly breach of trademark) the notion that the offending information is intended to be and has been received is central to the existence of the cause of action, in copyright this fact is less significant.

In regard to copyright infringement, it may be argued that the key element of the action is the unauthorised use of another's work, and the issue of whether a third party has obtained access to the copy is incidental. On balance then, it seems unlikely that a foreign based website operator would be found to have infringed Australian copyright by placing the material on a website accessible in Australia. As regards copyright, at least, the views of Fawcett and Torremans<sup>62</sup> on the place of breach in Internet actions should be accepted.

However, it may be that an Australian Internet user who accesses a foreign based website with content that infringes Australian copyright could be individually liable for infringement, separately from the operator of the site. The infringement may arise from the point made above, that a form of 'copying' occurs whenever a person accesses a website as the browsing computer displays the material. Unlike the case of the website operator, there would appear to be no jurisdictional barrier to an Australian court hearing such a claim because the

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60 Section 36 of the CRA provides that "copyright in a... work is infringed by a person who... does *in Australia* or authorises the doing *in Australia* of any act comprised in the copyright." However, it is important to note that, under the Berne Convention of 1886 (as enacted in Australian law in the *Copyright (International Protection) Regulations 1969* (Cth)), an action for infringement in Australia may also be brought (a) by an author of a work who is a national or resident of another Berne Convention country or (b) by an author whose work was first published in such a country (Reg 4(1)). Likewise, an author who is an Australian resident or national or whose work was first published in Australia would be able to bring an action in a foreign country for infringement occurring there, where the country is a member state of Berne.

61 Note 49 *supra*.

62 Note 12 *supra*. Other scholars have argued that, in the case of copyright, the locus of infringement should be the place where the material was posted; see R Fentiman, "Conflicts Aspects of Online Infringements", presented at the Fourth Joint Hague Conference entitled *Private International Law Aspects of Cyberspace*, 5 July 1997, p 3.



infringement would have occurred within Australia.<sup>63</sup> It may seem unreasonable, however, that the person who committed the original and most blatant infringement of copyright, the operator, can escape responsibility simply because its acts did not occur within the country while a user may be liable even though it may have accessed the site without any knowledge of its unlawful contents.

However, there may be another route whereby the acts of the foreign operator can fall within the jurisdiction of the CRA. It could be argued that where an operator places information on a foreign website in breach of Australian copyright and a local user accesses such material, hence committing an infringement, the operator has *authorised* the user's breach of copyright.<sup>64</sup> Authorisation is included as a further basis of infringement under s 36 of the CRA, and has been held to consist of three elements: first, the knowledge of likely infringement; second, the power to prevent the infringement; and third, allowing the infringement by express or implied conduct.<sup>65</sup>

A recent English decision, not involving the Internet, indicates that a foreign resident may be held liable under the forum's copyright legislation for authorising, from outside the forum, an infringement of copyright that occurs within the forum. In *ABK Co Music and Records Inc v Music Collection International*<sup>66</sup> a party claimed copyright over certain sound recordings. The second defendant, resident outside England, had granted a licence to the first defendant to produce and sell copies of the recordings in England. The Court of Appeal held that the foreign defendant could be liable for authorising an infringement in England. According to the Court, if both the acts of authorisation and primary infringement had to occur within the forum then a defendant could

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63 Note 3 *supra* at 510. However draft legislation currently before the Commonwealth Parliament may alter this position. Clause 45 of the Copyright Amendment (Digital Agenda) Bill 1999 ("the Digital Agenda Bill") provides:

43A Temporary reproductions made in the course of communication

The copyright in a work, or an adaptation of a work, is not infringed by making a temporary reproduction of the work or adaptation as part of the technical process of making or receiving a communication.

It is suggested that the effect of this provision is that a person who merely accesses a website containing infringing material would not himself or herself be separately liable for infringement.

64 This conclusion assumes, of course, that a person who merely accesses a website in Australia containing infringing material commits a separate breach of copyright here. However, if cl 45 of the Digital Agenda Bill is enacted, such action will no longer constitute an infringement.

65 *University of NSW v Moorhouse* (1975) 133 CLR 1. These factors have been adopted in a new definition of authorisation in cl 39 of the Digital Agenda Bill:

After s 36(1)

Insert:

(1A) In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in the copyright in a work, without the licence of the owner of the copyright, the matters that must be taken into account include the following:

the extent (if any) of the person's power to prevent the doing of the act concerned;

the nature of any relationship existing between the person and the person who did the act concerned;

whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

66 [1995] RPC 657.

simply avoid liability for infringement by executing abroad a document that provides for authorisation.<sup>67</sup>

It has been suggested<sup>68</sup> that such reasoning may be applied to the Internet, so that a person who copies an Australian copyright work on a website located outside Australia but retrievable within the country is responsible for authorising an infringement here. In essence, it would be the placing of the infringing work on the Internet itself that constituted the authorisation. The adoption of such an approach would be a great step towards preventing foreign infringers from exploiting the territorial limitations of the CRA to escape liability.

#### IV. THE QUESTION OF ENFORCEABILITY OF ORDERS

Where an injunction is sought, it has been suggested that, although jurisdiction exists to grant the order, a court has a discretion to refuse relief on the ground that enforcement would be difficult where, for example, a defendant resides out of the jurisdiction. However, the weight of authority seems to favour the view that a court will not contemplate that its orders will be disobeyed<sup>69</sup> and there have, accordingly, been many instances where injunctions have been issued against foreign defendants.<sup>70</sup>

#### V. AN ANALYSIS OF THE *MACQUARIE BANK* CASE

It will be recalled that *Macquarie Bank*<sup>71</sup> concerned an application by an Australian resident for an injunction to restrain publication of material on a website located outside Australia by a United States resident, where the content was alleged to be defamatory under the law of New South Wales. The Court declined the application for three principal reasons. First, the Court doubted

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67 *Ibid* at 660-1, per Hoffman LJ (with whom Neill LJ agreed). The reasoning of this case would seem to apply equally in the case of the Australian legislation since s 36 of the CRA defines infringement as *inter alia* "authorising the doing in Australia of any act contained in the copyright". In other words, the provision does not stipulate that both the authorisation and the primary infringement must have occurred in Australia.

68 Note 55 *supra*, p 209.

69 *National Australia Bank Ltd v Dessau* [1988] VR 521 at 523, per Brooking J; *Castanho v Brown & Root (UK) Ltd* [1981] AC 557 at 574, per Lord Scarman; *Derby & Co Ltd v Weldon (Nos. 3 and 4)* [1990] 1 Ch 65 at 81, per Lord Donaldson of Lynton MR and at 95, per Neill LJ. See also P Nygh, "The Common Law Approach" in C McLachlan and P Nygh (eds), *Transnational Tort Litigation: Jurisdictional Principles* (1996) 25. See also I Spry, *Equitable Remedies*, Sweet & Maxwell (4th ed 1990) p 337, where the author argues that where it has been shown that enforcement would be impossible, this is a factor to be taken into account in the court's discretion in granting the remedy, together with other matters such as the inconvenience to the plaintiff if relief is not granted.

70 See, for example, *Dunlop Rubber Company Limited v Dunlop* [1921] 1 AC 367; *Tozier*, note 32 *supra* (to restrain libel in the forum); and *In Re Burland's Trademark* (1889) 41 Ch D 542 (to restrain infringement of a local trademark). More recently, courts have granted *mareva* injunctions against foreign defendants; see *Derby & Co Ltd v Weldon* *ibid*.

71 Note 1 *supra*.

whether the injunction could be enforced against the defendant, given that he was resident outside the jurisdiction. The Court noted that enforcement depended upon his voluntarily returning to New South Wales, the likelihood of which was uncertain, even though the defendant had other proceedings pending against the plaintiff in the courts of that State.

The second reason provided for refusing the injunction, which the Court suggested was of greater significance, was that if such an order were granted, the effect would be to restrain publication of the material to any place in the world. The consequence, therefore, would be "to superimpose the law of New South Wales relating to defamation on every State, Territory, country of the world", which would be injurious to relations between countries, given that the defamation law of other countries is likely to be very different to that of New South Wales. Furthermore, because it was not practically possible in terms of Internet technology, for a website operator to deny access to particular countries, the Court did not have the option of issuing an order preventing publication in New South Wales alone.<sup>72</sup>

A number of comments can be made about the Court's judgment. The focus here, however, will be restricted to the issues of jurisdiction and enforceability in relation to foreign website activity. It is interesting to note that the Court did not address the issue of subject matter jurisdiction over the injunction action. As discussed above, for an Australian court to have subject matter jurisdiction or justiciability over a tort claim, whether the remedy sought is damages or an injunction, one of two elements must be present. Either the tort must have occurred within the jurisdiction or, if not, the events underlying the claim must give rise to civil liability as a tort under the law of the forum and under the law of the place of the wrong (the 'double actionability' principle).

The Court seemed to assume that the place of the tort was outside New South Wales when it stated that it had jurisdiction to restrain conduct occurring outside the jurisdiction. However, the Court's conclusion as to the place of the tort may have been inaccurate and may have unnecessarily complicated the case. As was noted above, in cases involving cross border defamation, it is strongly arguable that the place of tort is the country where the published material is received, not the place from where it is transmitted. While there remains some doubt as to whether this principle will apply to actions involving the Internet, it is probable that the Court had subject matter jurisdiction over the injunction claim based simply on the fact that the tort occurred in New South Wales.

However, even accepting the Court's conclusion that the place of the tort was outside New South Wales, its further determination that jurisdiction existed to award an injunction was not substantiated. In particular, the Court made no reference to the 'double actionability' principle and whether it was satisfied in relation to the wrong in question. This omission is particularly important because, as was noted above, in the case of defamation it may be difficult to

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72 The third reason given for declining the injunction was that such orders are rarely given in defamation cases because of a concern to allow defendants to raise all possible defences and to protect freedom of expression; see *Chappell v TCN Channel Nine Pty Ltd* (1988) 14 NSWLR 153.

establish actionability under both the law of the forum and the law of the place of the wrong, given the divergence of national laws on the topic. Although it has been suggested that equity may grant relief in respect of acts occurring abroad without regard to the law of the foreign country in question,<sup>73</sup> the better view seems to be that "equity follows the law".<sup>74</sup> Hence, in a common law action for damages, if some compliance with the law of the place is required to bring the action in the forum (as is the case with a foreign tort), it is suggested that the same position must also apply to equitable relief.

Furthermore, it should be noted that the authorities cited by the Court in support of the proposition that an injunction may be awarded in respect of acts abroad either did not involve tort actions<sup>75</sup> or involved torts having been, or likely to be, committed *within* the forum.<sup>76</sup>

The third observation to make about the Court's judgment is that, at least in its result, it suggests that a party resident outside Australia may create a website with content that would be defamatory under Australian law without risk of sanction by an Australian court. The first reason given by the Court for its conclusion was that the Court had doubts as to whether it could enforce any injunction against the defendant, given that he was located outside the forum. It is suggested, however, that such an approach seems dubious both on the facts of the case and as a matter of principle. First, on the facts, it was acknowledged that the defendant had other proceedings of his own pending against the plaintiff in New South Wales that may have provided some incentive for the defendant to return to the jurisdiction. Second, in terms of principle, it was noted above<sup>77</sup> that the clear trend of authority is for courts to assume that their orders will be obeyed and so, in the absence of clear evidence that a foreign court would not do so, an injunction should issue against a foreign defendant.

The second reason provided for declining relief in the *Macquarie Bank* case, that the effect of granting an order would be to restrain publication world wide, and so superimpose the law of New South Wales upon the whole world, is also troubling. Surely the inevitable result of *any* injunction being granted to restrain publication on a website, whether located in Australia or abroad, is that access to the site is denied to all possible users, wherever they may be located. To that extent, the law of the forum will always be superimposed upon the world in any case involving Internet infringement, simply because the borderless nature of the technology makes it impossible to make orders territorially confined to particular jurisdictions. Consequently, if the Court's reasoning is accepted, then an injunction could never be awarded in a wholly domestic case involving a New South Wales plaintiff, defendant and New South Wales-based website because of the result that access to the website to users from outside New South Wales

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73 *In re The Anchor Line (Henderson Brothers) Ltd* [1937] Ch 483 at 488, per Luxmoore J.

74 I Spry, note 69 *supra*, p 40.

75 The case of *Helicopter Utilities v Australian National Airlines Commission* (1963) 80 WN (NSW) 48 involved an application in New South Wales for an injunction to restrain performance of a contract in Victoria.

76 Namely, *Dunlop Rubber Co v Dunlop* [1921] 1 AC 367 and *Tozier*, note 32 *supra*.

77 See notes 69-70 *supra* and accompanying text.

would also be barred. The power of the courts to issue relief in relation to Internet infringements would therefore be seriously hamstrung.

It is interesting to note that injunctions have been issued in a number of Commonwealth jurisdictions restraining the use of material on websites<sup>78</sup> and it was not suggested by the courts in those cases that relief should not have been granted because it would have had the effect of depriving users in other countries of access to the content. In fact, in two very recent cases, one in New Zealand and one in Canada, the argument was expressly rejected. In *Telecom Corporation of New Zealand Limited v Yellow Web Limited*<sup>79</sup> the Court acknowledged that, although the Internet facilitated worldwide communication, this could not be a reason to deny the plaintiff an injunction precluding the defendant from using words on its website that were arguably in breach of a local trademark. Similarly, in *Bell Actimedia Inc v Puzo*<sup>80</sup> the Court granted an injunction to prevent use of a domain name in breach of a Canadian trademark even though the product advertised on the defendant's website was intended "for the French speaking world", not merely for Canadians.

To some extent, this outcome is harsh for defendants, particularly those with multinational businesses, since the effect of an injunction may be to prevent advertising under a particular name world wide, even though the infringement may be confined to one jurisdiction only. However, at least in cases involving commercial advertising on the Internet, a partial solution may be available. It was mentioned above that the use of disclaimers on a website, whereby a party refutes any intention to do business in Australia, may be a way of avoiding being subjected to local jurisdiction. As an alternative to issuing an injunction requiring the removal of material on a website, a court could presumably order a defendant, as a condition of its being allowed to continue to operate the original website, to add a disclaimer whereby the operator states that it will not accept orders from consumers of a particular country. Of course, a plaintiff may not be happy with this approach if he or she felt that Australian consumers could still be confused or deceived by the defendant's use of the injurious mark or material, but it may be an option for a court to consider. However, in the context of defamation, where the offending material is usually not designed by a defendant to attract custom for itself but to pass comment on the plaintiff, the use of court ordered disclaimers would seem to be less helpful.

The Court in the *Macquarie Bank* case, in denying the request for an injunction, may have considered that the proper remedy in claims arising from foreign website activity would be damages. However, such an order may be undesirable to plaintiffs for a number of reasons. First, the defendant, as in the *Macquarie Bank* case itself, may be impecunious, in which case damages would

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78 For example, in England: *British Telecommunications v One In A Million Limited* [1998] 4 All ER 476 (CA); New Zealand: *Oggi Advertising Ltd v McKenzie* [1999] 1 NZLR 631 (HC NZ); *New Zealand Post v Leng*, note 29 *supra*; *Telecom Corporation of New Zealand Limited v Yellow Web Limited* (unreported, High Court of New Zealand, Potter J, 14 April 1999); Canada: *Bell Actimedia Inc v Puzo* (unreported, Federal Court of Canada, Blais J, 26 April 1999).

79 *Ibid.*

80 Note 78 *supra*.

never be recovered. Second, it may be that the problems of enforcing a damages award, particularly if the defendant has no assets in Australia, may be almost as great as with an injunction order, as some jurisdictions are notoriously reticent to recognise any foreign judgments.

Third, even if the defendant has assets in Australia sufficient to satisfy a judgment, it may be that the effect of a court order to pay damages gives rise to the same problem that concerned the Court in *Macquarie Bank* regarding the award of an injunction. For example, suppose a plaintiff brought an action for damages for defamation or passing off and was successful. The defendant's obligation, strictly speaking, would only be to pay the amount of the award. If the injurious material had been published in a newspaper, journal or on a television program, then payment of the award would settle the dispute between the parties, assuming no further publication by the defendant.

However, the position of material published on the Internet is rather more complicated. Information on a website remains accessible and capable of multiple republication unless the content is removed or altered. Consequently, the defendant could find himself or herself subject to further suit for continuing breaches in respect of the same website. In effect, then, the defendant has to do the same thing as it would be required to do if an injunction were issued; that is, remove the offending material. Therefore, it may be seen that whenever court intervention is sought in relation to website activity, whether located in Australia or abroad, the effect may be to restrain publication of the material world wide and so superimpose the law of the forum on the whole world. Once again, this result seems an inescapable consequence of the borderless nature of the Internet but one that must be accepted if plaintiffs are to obtain redress for Internet infringements. Unfortunately, the Court in the *Macquarie Bank* case, in possibly suggesting that damages was a more appropriate remedy than an injunction in cases of infringement by a foreign website, may not have appreciated this point.

## VI. CONCLUSION

One of the major challenges posed by the Internet for legal regulation is that it is a borderless medium. A particular problem arises where a party creates a website that is physically located outside a particular country but infringes that country's laws. In such a situation, a court faces a clear conflict between the interests of the local resident whose rights may have been infringed and who seeks redress from the local courts, and the needs of international business and users worldwide who will be deterred from using the medium if jurisdiction over their activities is too widely assumed. So far, no clear pattern has emerged in judicial decisions as to the correct approach to be adopted in regulating Internet activity that crosses national borders, although the recent *Macquarie Bank* case suggests that Australian courts may be reluctant to intervene. The American experience shows, however, that whatever approach is taken, such questions are likely to arise frequently in the future.