Ontario Supreme Court
Easthaven, Ltd. v. Nutrisystem.com Inc.,
Date: 2001-08-15

Easthaven, Ltd.

and

Nutrisystem.com Inc. et al.

Superior Court of Justice, Nordheimer J. August 15, 2001

Zak Muscovitch, for plaintiff.

Jonathan Stainsby and Andrea Rush, for defendant, Nutrisystem.com Inc.

[1] NORDHEIMER J.:—The defendant, Nutrisystem.com Inc., moves to dismiss the claim against it on the basis of *res judicata* or, in the alternative, to dismiss or stay the action on the grounds that it is an abuse of process or, in the further alternative, to stay the action on the basis of *forum non conveniens.*

Background

[2] The plaintiff is a corporation incorporated under the laws of Barbados and has its head office in Bridgetown, Barbados. The plaintiff owns the domain name “sweetsuccess.com”. The plaintiff asserts that it acquired the domain name in July 2000 for the purpose of developing an interactive Internet web site featuring sports-related content.

[3] The defendant, Nutrisystem.com Inc., is a corporation incorporated under the laws of the State of Delaware and has its principal place of business in Horsham, Pennsylvania, U.S.A. Nutrisystem.com Inc. is engaged in the marketing, sales and distribution of weight loss programs including on the Internet. Nutrisystem.com Inc. owns certain “Sweet Success®” trademarks which it has used in connection with weight loss products since 1987. These trademarks have been extensively advertised and promoted in the United States and in Canada.

[4] The defendant, Tucows Inc., is a corporation incorporated under the laws of the State of Delaware and has its head office in Toronto, Ontario. Tucows is a domain name registration

service provider and was, at all material times, the registrar of the domain name “sweetsuccess.com”.

[5] On August 29, 2000, Nutrisystem.com Inc. made an inquiry by e-mail to the plaintiff’s agent, Comnetwork, concerning the availability of the domain name. The response received, first by a responding e-mail and then by a telephone call from Comnetwork to Nutrisystem.com Inc., was that the domain name was available for sale at a purchase price of US$146,250.

[6] In response to that advice, Nutrisystem.com Inc. commenced an action in the United States District Court for the Eastern District of Pennsylvania. In that action, Nutrisystem.com Inc. sought relief regarding its registered trademarks and to gain control over the domain name. In support of the relief that it sought, Nutrisystem.com Inc. relied, in part, on the *Cyberpiracy Act* [15 U.S.C. §1125 (1999)] which is a federal statute in the United States.

[7] The complaint in the Pennsylvania action was served on Easthaven and on its agent, Comnetwork. Easthaven was granted permission for its Ontario lawyer to appear in the Pennsylvania action.

[8] On or about October 10, 2000, Nutrisystem.com Inc. commenced proceedings as required by the Uniform Domain Name Dispute Resolution Policy (“UDRP”) and the rules promulgated by the Internet Corporation for Assigned Names and Numbers (“ICANN”). The ICANN proceeding involved the dispute between Nutrisystem.com Inc. and Easthaven over the domain name. It should be noted that clause 4(k) of the UDRP expressly permits a party to commence court proceedings regarding the same complaint that is the subject of the ICANN proceeding provided that any such court proceedings are commenced either before the ICANN proceeding is commenced or after the ICANN proceeding is concluded.

[9] On October 11, 2000, Nutrisystem.com Inc. filed a motion for a preliminary injunction in the Pennsylvania action. In response, Easthaven brought a motion in writing seeking to dismiss the action for lack of personal jurisdiction and on the basis of *forum non conveniens.* Nutrisystem.com Inc. filed responding material to Easthaven’s motion. It appears that, prior to Easthaven’s lawyers receiving the responding material filed by Nutrisystem.com Inc. and having any opportunity to reply, the Pennsylvania court issued its decision dismissing the motion of Easthaven. In his decision, Senior Judge Fullham said, in part:

> I agree with plaintiff that the e-mail and telephone call directed to the plaintiff in Pennsylvania by Easthaven's agent, Comnetwork, which included an offer to sell the 'sweetsuccess.com' domain name, are sufficient to confer specific jurisdiction upon this Court pursuant to Pennsylvania's long-arm statute. Defendants' conduct was expressly aimed at this jurisdiction.

[10] Subsequent to the release of the decision on its motion, Easthaven ceased to participate in the Pennsylvania action, other than to write to Senior Judge Fullham and complain about the fact that his decision was released before Easthaven had the opportunity to reply to the responding material of Nutrisystem.com Inc. On December 11, 2000, Senior Judge Fullham issued the preliminary injunction sought by Nutrisystem.com Inc. That preliminary injunction, among other things, restrained Easthaven and Comnetwork from taking any action to prevent the transfer of the domain name to Nutrisystem.com Inc.

[11] Nutrisystem.com Inc. sent Senior Judge Fullham's order to Tucows. Tucows responded by transferring the domain name to Nutrisystem.com Inc. on December 20, 2000. This action was then commenced on December 21, 2000. In this action, Easthaven seeks damages against Nutrisystem.com Inc., a declaration that the domain name belongs to Easthaven, an order requiring Tucows to transfer the domain name to Easthaven and for other relief. As a consequence of the commencement of this action, Tucows placed the domain name on "Registrar hold" which has the effect of preventing the domain name from being used. Once the domain name was put on "Registrar hold" by Tucows, Easthaven discontinued this action against Tucows.

[12] On December 27, 2000, Nutrisystem.com Inc. sought a finding of contempt against Easthaven in the Pennsylvania action. While Senior Judge Fullham observed that it "may well be that the defendants have violated the spirit of the injunctive order", he could not find any violation of the actual terms of the order and he therefore dismissed the motion by Nutrisystem.com Inc.

[13] Two other facts should be noted. One is that Easthaven did not take any steps to seek a reconsideration of the order dismissing its motion regarding the jurisdiction of the Pennsylvania court nor did it appeal that order. The other is that on or about November 28, 2000, the arbitration panel in the ICANN proceeding issued its decision in which it found against Nutrisystem.com Inc. The arbitrators concluded that Nutrisystem.com Inc. had failed

to establish that Easthaven had registered or used the domain name in bad faith and therefore declined to order that the domain name be transferred to Nutrisystem.com Inc.

Analysis

[14] I now turn to the issues raised by this motion. The first issue is whether the dispute between Easthaven and Nutrisystem.com Inc. is *res judicata* by virtue of the determinations made in the Pennsylvania action. The requirements for a finding of *res judicata* have recently been reiterated by the Court of Appeal in *Canam Enterprises Inc. v. Coles* (2000), 51 O.R. (3d) 481, 194 D.L.R. (4th) 648 (C.A.) where Finlayson J.A. said, at p. 487 O.R.:

> The principle of *res judicata* applies where a judgment rendered by a court of competent jurisdiction provides a conclusive disposition of the merits of the case and acts as an absolute bar to any subsequent proceedings involving the same claim, demand or cause of action. Issue estoppel is one aspect of *res judicata.* The oft-cited requirements of issue estoppel are attributed to Lord Guest in *Carl-Zeiss-Stiftung v. Rayner & Keeler Ltd. (No. 2),* [1967] 1 A.C. 853 at p. 935, [1966] 2 All E.R. 536 (H.L.): (1) that the same question has been previously decided; (2) that the judicial decision which is said to create the estoppel was final; and (3) that the parties to the judicial decision or their privies were the same persons as the parties to the proceedings in which the estoppel is raised or their privies.

[15] In my view, the finding by the Pennsylvania court that Nutrisystem.com Inc. was entitled to a preliminary injunction does not constitute that decision as a “conclusive disposition of the merits of the case” especially where the injunction was obtained on an unopposed basis. There are no reasons from the Pennsylvania court in support of the decision and there is, therefore, no evidence that there was any conclusive determination of the matters in issue other than the conclusion that, at the point in time of the order, it was appropriate to grant interim relief to Nutrisystem.com Inc. I do not see, therefore, that the principle of *res judicata* can be applied in the circumstances of this case.

[16] The second issue is whether the action should be dismissed or stayed as an abuse of process. The principle of abuse of process was also reviewed by the Court of Appeal in *Canam Enterprises Inc. v. Coles, supra.* Again, I quote Mr. Justice Finlayson at p. 490 O.R.:

> Abuse of process is a discretionary principle that is not limited by any set number of categories. It is an intangible principle that is used to bar proceedings that are inconsistent with the objectives of public policy.

[17] The scope of the principle of abuse of process is also explained in *Hunter v. Chief Constable of the West Midlands Police,* [1982] A.C. 529, [1981] 3 All E.R. 727 where Lord Diplock said, at p. 536 A.C.:

> My Lords, this is a case about abuse of the process of the High Court. It concerns the inherent power which any court of justice must possess to prevent misuse of its procedure in a way which, although not inconsistent with the literal application of its procedural rules, would nonetheless be manifestly unfair to a party to litigation before it, or would otherwise bring the administration of justice into disrepute among right-thinking people. The circumstances in which abuse of process can arise are very varied; those which give rise to the instant appeal must surely be unique. It would, in my view, be most unwise if this House were to use this occasion to say anything that might be taken as limiting to fixed categories the kinds of circumstances in which the court has a duty (I disavow the word discretion) to exercise this salutary power.

[18] Again, I have difficulty in characterizing this action as an abuse of process given the circumstances in which it arises. Nutrisystem.com Inc. commenced proceedings in Pennsylvania. That was understandable given that Pennsylvania is its base of operations. Pennsylvania has, however, no connection to Easthaven. I must say that I have considerable difficulty in understanding the basis upon which the Pennsylvania court determined that it had personal jurisdiction over Easthaven. The concept that a court can obtain personal jurisdiction over a defendant based on the fact that the defendant's agent sent a single e-mail into that jurisdiction and then placed a single telephone call into the jurisdiction is one that results in an assumption of jurisdiction over parties that is remarkable in its reach.

[19] Easthaven has chosen a different jurisdiction in which to commence its proceeding. Without commenting on whether Ontario is a proper or appropriate jurisdiction (a subject to which I will turn shortly), it seems to me that Easthaven had every bit as much right to choose Ontario for its proceeding as Nutrisystem.com Inc. did to choose Pennsylvania. Certainly, the mere fact that Easthaven chose a different jurisdiction to litigate the issue is not one which I would find in these circumstances to "be manifestly unfair to a party to litigation before it, or

would otherwise bring the administration of justice into disrepute among right-thinking people". I therefore conclude that this action is not an abuse of process.

[20] Finally there is the issue of *forum non conveniens.* Nutrisystem.com Inc. submits that the onus is on Easthaven to establish that Ontario is clearly a more appropriate forum for the resolution of this dispute than is Pennsylvania. Easthaven contends that the onus is on Nutrisystem.com Inc. to displace its choice of Ontario as the forum. I do not consider that it is necessary for me to resolve the question of onus, given the view that I take as to the proper resolution of the issue, as I will set out below.

[21] I do believe that it is first necessary to determine whether Ontario is an appropriate forum before one determines whether it is the more convenient forum or, put another way, whether there is another forum that is clearly more convenient. In order to determine if Ontario is an appropriate forum, it is necessary to determine if there is a real and substantial connection between Ontario and the subject matter of the litigation, that is, the ownership of the domain name.

[22] The requirement that there be a real and substantial connection between the subject matter of an action and the right of a court to assume jurisdiction over it is referred to in the decision of the Supreme Court of Canada in *Morguard Investments Ltd. v. De Savoye,* [1990] 3 S.C.R. 1077, 76 D.L.R. (4th) 256. In the course of his decision for the court, Mr. Justice La Forest said, at p. 1103 S.C.R.:

> These concerns, however, must be weighed against fairness to the defendant. I noted earlier that the taking of jurisdiction by a court in one province and its recognition in another must be viewed as correlatives, and I added that recognition in other provinces should be dependent on the fact that the court giving judgment "properly" or "appropriately" exercised jurisdiction. It may meet the demands of order and fairness to recognize a judgment given in a jurisdiction that had the greatest or at least significant contacts with the subject-matter of the action. But it hardly accords with principles of order and fairness to permit a person to sue another in any jurisdiction, without regard to the contacts that jurisdiction may have to the defendant or the subject-matter of the suit;…

[23] Easthaven argues that Ontario has a real and substantial connection to the subject matter of the action because the registrar for the domain name is Tucows and Tucows has its head office in Toronto. Easthaven builds on that fact to its assertion that a domain name is property; that property is located where registration of it takes place and, therefore, the situs of the domain name is Ontario. Nutrisystem.com Inc., on the other hand, asserts that a domain name is not property but is simply a bundle of rights like a copyright. It relies in this regard on the decision of the Supreme Court of Canada in *Compo Co. v. Blue Crest Music Inc.,* [1980] 1 S.C.R. 357, 105 D.L.R. (3d) 249 where Estey J. said, at pp. 372-73 S.C.R.:

> Mr. Hughes for the respondent in answer to a question from the Bench put it very well when he said that copyright law is neither tort law nor property law in classification, but is statutory law. It neither cuts across existing rights in property or conduct nor falls between rights and obligations heretofore existing in the common law. Copyright legislation simply creates rights and obligations upon the terms and in the circumstances set out in the statute. This creature of statute has been known to the law of England at least since the days of Queen Anne when the first copyright statute was passed. It does not assist the interpretive analysis to import tort concepts. The legislation speaks for itself and the actions of the appellant must be measured according to the terms of the statute.

[24] I am inclined to agree with Nutrisystem.com Inc. on this point. It does seem to me to be difficult to characterize a domain name as property. When I say property, I refer to either real or personal property. I appreciate that a domain name, like a copyright or a trademark, could be properly characterized as intangible property. I adopt, in this regard, the definitions of property and intangible property from Black's Law Dictionary, 7th edition (St. Paul, Minn.: West Group, 1999), as follows:

property—"the right to possess, use, and enjoy a determinate thing (either a tract of land or a chattel)".

…

intangible property—"property that lacks a physical existence".

[25] The definition of intangible property aptly demonstrates the problem which is central to the issue here. A domain name lacks a physical existence. The mere fact that it is registered

through a corporation that happens to carry on business in Toronto does not give the domain name a physical existence in Ontario. A domain name is still simply a unique identifier for a particular Internet site located on a particular computer. That computer may be located anywhere in the world and be unrelated to where the domain name is registered. The fact is that the Internet is an entity without conventional geographic boundaries. As Whitten J. observed in *Pro-C Ltd. v. Computer City Inc.* (2000), 7 C.P.R. (4th) 193, [2000] O.J. No. 2823 (S.C.J.), at para. 1:

> The Internet, in reality a network of networks, has created a whole new territory independent of conventional geography. The conceptual location of this electronic interactivity available to us through our computers is oft referred to as “cyberspace” [note omitted]. Unlike a “real” territory with fixed borders, the Internet is constantly growing and at a phenomenal rate.

[26] The question of how one determines jurisdictional issues when dealing with the Internet or cyberspace is one which has only recently arisen and there is, consequently, little authority dealing with the issue. Indeed, I was not provided with any authorities by the parties on the issue—a fact that is perhaps not surprising given that there appear to be few authorities which have expressly dealt with the issue. This point was made by the U.S. Court of Appeals, Ninth Circuit, in *Panavision International v. Toeppen,* 141 F.3d 1316 (9th Cir. 1998) where Judge Thompson said, at p. 1320:

> Applying principles of personal jurisdiction to conduct in cyberspace is relatively new. “With this global revolution looming on the horizon, the development of the law concerning the permissible scope of personal jurisdiction based on Internet use is in its infant stages. The cases are scant.” *Zippo Mfg. Co. v. Zippo Dot Com, Inc.,* 952 F. Supp. 1119, 1123 (W.D. Pa. 1997).

[27] The decision in *Panavision* is helpful, however, because it does expressly address this issue albeit in the context of American procedure and legal concepts. The court in *Panavision* observed that personal jurisdiction could be founded on either general jurisdiction or specific jurisdiction. The court held that general jurisdiction could be found in such a case only if the person was domiciled in the jurisdiction or his activities there were “substantial” or “continuous and systematic”. In terms of specific jurisdiction, the court adopted a three-part test as follows, at p. 1320:

> (1) The nonresident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or results from the defendant's forum-related activities; and (3) exercise of jurisdiction must be reasonable.

[28] The court then referred to its earlier decision in *Cybersell, Inc. v. Cybersell, Inc.,* 130 F.3d 414 (9th Cir. 1997) and made the following observation, at p. 1321:

> In reaching this conclusion in *Cybersell,* we carefully reviewed cases from other circuits regarding how personal jurisdiction should be exercised in cyberspace. We concluded that no court had ever held that an Internet advertisement alone is sufficient to subject a party to jurisdiction in another state. Id. at 418. In each case where personal jurisdiction was exercised, there had been "something more" to "indicate that the defendant purposefully (albeit electronically) directed his activity in a substantial way to the forum state".

[29] I find the analysis of the U.S. Court of Appeals in *Panavision* to be helpful in my consideration of whether I should conclude that Ontario does have jurisdiction in the circumstances of this case. I can easily conclude that there is no general jurisdiction in this court over the defendant. Nutrisystem.com Inc. is not domiciled in Ontario nor is there any evidence that it has engaged in activities here that were substantial or continuous and systematic.

[30] In terms of whether I could find a basis for jurisdiction under the concept of specific jurisdiction, I note that none of the three factors set out above are established by the facts of this case. First, Nutrisystem.com Inc. has not done any act nor consummated any transaction within Ontario. Second, there being no activities by Nutrisystem.com Inc. in Ontario, it follows that the claim cannot arise from such activities. Third, it seems to me in the circumstances of this case it would be unreasonable for this court to exercise jurisdiction over a Pennsylvania corporation at the behest of a Barbados corporation. Finally, the sole cogent connection to Ontario is the presence of Tucows as a defendant in the action but even that basis has since been removed as a consequence of the plaintiff's decision to discontinue the action against Tucows. If Tucows had remained in the action, a different conclusion might have resulted although I will say that it does not seem that Tucows is a necessary party to any proceeding

since it appears that Tucows is prepared to abide by any court order, regardless of the jurisdiction from which it emanates, that finally determines the issue of the ownership of the domain name.

[31] I have concluded, therefore, that there is no real and substantial connection between the remaining parties, or the events giving rise to this claim, and Ontario. Consequently Ontario has no jurisdiction over the subject matter of this action and the action should be stayed on that basis pursuant to rule 21.01(3)(a) of the Rules of Civil Procedure [R.R.O. 1990, Reg. 194].

[32] For the sake of completeness, I will briefly address the issue of *forum non conveniens* on the assumption that Ontario could exercise jurisdiction over the subject matter of the action. The factors to be considered in determining the issue of *forum non conveniens* are set out in *Eastern Power Ltd. v. Azienda Comunale Energia & Ambiente* (1999), 178 D.L.R. (4th) 409, 50 B.L.R. (2d) 33 (Ont. C.A.) where Mr. Justice MacPherson listed them as follows:

(i) the location where the contract in dispute was signed,

(ii) the applicable law of the contract;

(iii) the location in which the majority of witnesses reside;

(iv) the location of key witnesses;

(v) the location where the bulk of the evidence will come from;

(vi) the jurisdiction in which the factual matters arose;

(vii) the residence or place of business of the parties, and;

(viii) loss of juridical advantage.

[33] None of these factors either establish Ontario as the convenient forum nor do they weigh in favour of having the action determined here. While the plaintiff relies on the fact that its contract with Tucows is subject to the laws of Ontario, the dispute here is not about that contract. While there is no evidence before me as to the witnesses that would be called in this action, since neither Easthaven nor Nutrisystem.com Inc. has any connection to Ontario it is a reasonable assumption that none of their witnesses are here nor is any of their evidence.

While it could be said that Ontario is the jurisdiction where the factual matters arose, on the assumption that the fact of the domain name being registered through Tucows in favour of Easthaven is a central factual matter, that, by itself, is insufficient to make Ontario the convenient forum. As I have already noted, neither Easthaven or Nutrisystem.com Inc. have their place of business here. Finally, there is no loss of juridical advantage to which Easthaven can point if the action is not determined in Ontario whereas there may be a loss of juridical advantage to Nutrisystem.com Inc. if the action is tried here given its reliance on the *Cyberpiracy Act* of the United States.

[34] Considering all of these factors, and recognizing the fact that a court in Pennsylvania has already assumed jurisdiction over this matter, I conclude that, as between Ontario and Pennsylvania, Pennsylvania would clearly be the more convenient forum for the determination of the issues raised in this action.

[35] Consequently, I grant an order staying this proceeding. Nutrisystem.com Inc. is entitled to its costs of the proceeding, including this motion, payable forthwith by Easthaven. I am prepared to fix the costs of the proceeding on receipt of proper submissions from the parties in that regard unless the parties can agree on the amount. Nutrisystem.com Inc. will file its submissions within ten days of the date of these reasons and Easthaven will file its responding submissions within ten days thereafter. No reply submissions are to be filed without leave.

Order accordingly.