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Jurisdiction and Procedure

Maryland Court Rules that Use of the Internet Did Not Confer Personal Jurisdiction Over Breakaway Franchisee's Manager's Operation of an Identical Business in South Carolina

A residential home cleaning franchisor brought suit in federal court in Maryland against several South Carolina franchisees as well as one franchisee's office manager in *The Cleaning Authority, Inc. v. Neubert, et al.*, 2010 U.S. Dist. LEXIS 92526 (D. Md. Sept. 7, 2010). The Cleaning Authority (TCA) alleged several of its franchisees attempted to terminate their franchise agreements in order to continue operating an identical cleaning business with identical customers through an employee or other third parties unknown to TCA. The office manager moved to dismiss on the grounds that the Maryland court had no personal jurisdiction over her in South Carolina. TCA argued that the court had jurisdiction because the manager used the internet to access its customized, proprietary business management software (headquartered in Maryland) for the franchisee's business information and continued operation of the cleaning business.

The court's analysis of jurisdiction hinged on whether the use of TCA's software was direct electronic activity into Maryland, with the intent to engage in business in Maryland, that resulted in a cognizable potential cause of action in the state. The court held that because the manager's access was limited to information posted to the internet *from* Maryland, and did not involve the transmission of information by the manager *into* Maryland, TCA failed to establish personal jurisdiction. Moreover, any effect of the manager's actions was felt in South Carolina, not Maryland. Therefore, and because neither party sought to transfer the case to South Carolina, the court dismissed the claims against the manager without prejudice.