

First Case Study Problem, Business Law I

Please prepare a short essay-style answer addressing the two questions contained in the following fact pattern.

Jones Racing Equipment (“Jones Racing”) is an Ohio corporation that fabricates and assembles engine blocks and related high-performance automotive equipment for public sale. Its business dealings are nationwide. Jones Racing maintains its business operations and corporate offices in Columbus, Ohio.

Dave Smith is a 50-year old resident of North Carolina. Smith does business as North Carolina Machine. Dave Smith has never physically entered the State of Ohio.

After reading the Jones Racing web site on the Internet, Smith purchased a high-performance Chevrolet engine block from Jones Racing.

Several months later, Smith contacted Jones Racing by phone, claiming that the block was defective. Jones Racing retrieved the block, inspected it and determined that Smith had made numerous, material modifications to the block. Jones Racing declined to refund Smith his purchase price and returned the engine block to Smith.

Smith was dissatisfied and acutely upset. Over the following months, he posted numerous defamatory, false and misleading statements concerning Jones Racing, its reputation and its products on the public forum sections of popular and well-used websites dealing with the high performance industry, trade and enthusiasts. Smith knew his postings were not true. He took this action to hurt Jones Racing.

Jones Racing experienced a loss of business that it was able to directly trace to no less than twenty Ohio companies and more than 100 Ohio residents, all of whom had been influenced in a negative manner by Smith's postings on the Internet.

Jones Racing files a civil lawsuit against Smith in Franklin County, Ohio, seeking damages for defamation and interference with contractual relationships.

Smith files a motion to dismiss arguing that the Ohio court lacks personal jurisdiction over him to decide the merits of Jones Racing's lawsuit.

The trial court grants Smith's motion to dismiss.

Jones Racing appeals to your court.

Would you affirm or reverse the lower court's ruling? Please explain the basis for your ruling.