

To be Argued by:
RICHARD DANNAY
(Time Requested: 30 Minutes)

Court of Appeals
of the
State of New York

PENGUIN GROUP (USA) INC.,

Plaintiff-Appellant,

– v. –

AMERICAN BUDDHA,

Defendant-Respondent.

ON APPEAL FROM THE QUESTION CERTIFIED BY THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT IN DOCKET NO. 09-1739-CV

REPLY BRIEF FOR PLAINTIFF-APPELLANT

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I. American Buddha's Allegations of Improper Intent by the Second Circuit Are Unseemly Speculation

American Buddha's Response begins with, and is premised on, inaccuracy and conjecture:

Penguin Group (USA), Inc. did not argue the situs of a copyright, or the situs of its injury in the District Court or on appeal to the Second Circuit. Accordingly, what the Certifying Panel has presented to this Court is entirely its own theoretical invention, invented to plug a perceived gap in the law interpreting the New York Longarm Statute in a fashion that would tilt the scales of personal jurisdictional law toward New York copyright action plaintiffs.

Brief for Respondent Defendant-Appellee ("Resp. Br.") 1. Penguin of course argued the situs of injury under C.P.L.R. § 302(a)(3) in opposition to American Buddha's 12(b)(2) motion in the district court:

It is axiomatic that American Buddha's copyright infringement has injured Penguin in New York. *See Sybron Corp. v. Wetzel*, 46 N.Y.2d 197, 204, 413 N.Y.S.2d 127 (1978) (under CPLR § 302(a)(3)(ii), a New York-based intellectual property owner is injured in New York by defendant's out-of-state acts of unfair competition and misappropriation of trade secrets).

09 Civ. 528 (GEL), Plaintiff's Memorandum of Law in Opposition to Defendant's Motion to Dismiss for Lack of Personal Jurisdiction, at 7. The situs of injury under C.P.L.R. § 302(a)(3) was the sole issue on appeal to the Second Circuit. American

Buddha’s notion that it is the “theoretical invention” of the Second Circuit is mystifying.¹

Even more peculiar and problematic is the notion, permeating American Buddha’s Response, that the Second Circuit “invented” the situs-of-injury issue to “tilt the scales” toward New York plaintiffs, but fobbed it off on this Court, as “a stalking horse for the true goal of the Certifying Panel – to shift the risk of wrongly-deciding an issue of federally-preempted law to this Court,” Resp. Br. 25, “invit[ing] this Court into error by proposing a course of action that would certainly result in an erroneous decision.” Resp. Br. 23.

American Buddha is mistaken that “[t]his Court has been asked to create a copyright litigation doctrine that will place a heavy thumb on the scales of justice, favoring New York plaintiffs, and disadvantaging defendants from the other forty-nine states” Resp. Br. 4. There is no question of favoring or disadvantaging plaintiffs or defendants regarding substantive rights, remedies or obligations, only the interpretation of a single element of the New York long-arm statute in a copyright infringement case.

¹ The “situs of a copyright” was not at issue before the district court or the Second Circuit, and is immaterial to the certified question. *See infra* § II.A.

Nor could this Court’s decision “tilt the scales of personal jurisdictional law toward New York copyright action plaintiffs.” Resp. Br. 1. While most states have extended their long-arm statutes to the bounds of due process, New York is one of the few exceptions, in that the New York long-arm statute stops short of the due process limits. *See Talbot v. Johnson Newspaper Corp.*, 71 N.Y.2d 827, 829-830 (1988) (“the New York long-arm statute (CPLR 302) does not provide for *in personam* jurisdiction in every case in which due process would permit it.”); *Energy Brands, Inc. v. Spiritual Brands, Inc.*, 571 F. Supp. 2d 458, 469 (S.D.N.Y. 2008) (“the Due Process Clause permits the exercise of jurisdiction in a broader range of circumstances [than does] N.Y. C.P.L.R. § 302.”); *Graphic Controls Corp. v. Utah Med. Prods.*, 149 F.3d 1382, 1385 (Fed. Cir. 1998) (“New York courts and the Second Circuit have consistently interpreted the New York long-arm statute to not extend to the limit of due process”). New York copyright plaintiffs are if anything jurisdictionally disadvantaged in comparison with plaintiffs resident in most other states, a situation that will remain unchanged however this Court decides the certified question.

II. American Buddha’s Preemption Arguments Are Meritless

American Buddha’s arguments premised on the notion that “Congress expressly preempted the field of copyright law; thus, an affirmative answer to the

certified question would impermissibly intrude upon the exclusive jurisdiction of the federal courts,” Resp. Br. 1-2, 7-17, 26-30, are entirely meritless.

Express preemption under Section 301(a) of the Copyright Act extends to

all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.

17 U.S.C. § 301(a). A state law claim is preempted by the Copyright Act when (1) the work to which the claim is being applied falls within the general categories of works protected by the Copyright Act (the “subject matter requirement”), and (2) the claim seeks to vindicate legal or equitable rights that are equivalent to any of the exclusive rights protected by copyright law (the “general scope requirement”).² *Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 305 (2d Cir. 2004); *Meyers v. Waverly Fabrics*, 65 N.Y.2d 75, 78 (1985); H.R. Rep. No. 1476, 94th Cong., 2d Sess. 130 (1976) (“1976 Act House Report”) (“The intention of section 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the

² Congress, of course, created exceptions even to express preemption under Section 301; e.g., “the status of pre-1972 sound recordings was a matter left to the states.” *Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 556 (2005).

scope of the Federal copyright law.”).

Preemption under Section 301 does not, of course, extend to personal jurisdiction and service of process. Precisely because Congress has not legislated in this area, the federal courts look to state long-arm statutes: “Under Federal Rule of Civil Procedure 4(e), a federal court normally looks either to a federal statute or to the long-arm statute of the State in which it sits to determine whether an out-of-state defendant is amenable to service.” *Omni Capital International, Ltd. v. Rudolf Wolff & Co.*, 484 U.S. 97, 105 (1987). In a federal question case in which the defendant resides outside the forum state, federal courts apply the forum state’s personal jurisdiction rules if the applicable federal statute does not provide for nationwide service of process. *See PDK Labs., Inc. v. Friedlander*, 103 F.3d 1105, 1108 (2d Cir. 1997). The Copyright Act does not provide for nationwide service of process. “In such a circumstance, ‘a federal court applies the forum state’s personal jurisdiction rules.’” *Fort Knox Music, Inc. v. Baptiste*, 203 F.3d 193, 196 (2d Cir. 2000).

American Buddha’s assertions to the contrary, and its arguments that “this Court has no authority” to decide the certified question, Resp. Br. 27, are wrong. To carry them to their illogical conclusion would be to find that there is no personal jurisdiction in any court in a copyright case, because the federal

Copyright Act has no provision for nationwide service of process, and the states, being totally preempted, “have no authority” to fill the void. That is not the case.

A. The Certified Question Concerns the Situs of Injury Under C.P.L.R. § 302(a)(3) in Copyright Infringement Cases, Not the “Situs of a Copyright”

The Second Circuit noted in a footnote:

There is a possible question at the threshold that neither the district court nor the parties have addressed and which we do not here decide: whether a copyright—in and of itself an intangible thing—has a physical location for jurisdictional purposes and, if so, what that location is.

A-223. American Buddha erroneously construes this as a “suggest[ion] that this Court should determine the situs of a copyright,” Resp. Br. 9, and tilts at that straw man over much of its Response.

American Buddha eventually twists the Second Circuit’s posing of a “possible question ... whether a copyright ... has a physical location *for jurisdictional purposes*” into a recommendation that this Court “adopt a rule that, for its residents, federally protected copyrights have their situs *exclusively* in New York,” Resp. Br. 29 (emphasis added), which would, American Buddha admonishes, “begin the process of balkanizing federal copyright law,” *id.*, and

“induce an avalanche of other unforeseen effects,” *id.* at 30.³ American Buddha takes it on itself to warn this Court to “steer well clear of committing a grave infringement upon federal authority.” *Id.*

The “possible question ... whether a copyright ... has a physical location for jurisdictional purposes” is, however, not determinative of whether New York is a “situs of injury” for purposes of determining long-arm jurisdiction under C.P.L.R. § 302(a)(3) in copyright infringement cases.

As to the situs of a copyright, the weight of authority is that “[b]ecause a copyright is an intangible, incorporeal right, it has no *situs* apart from the domicile of the proprietor.” Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 12.01[C] (2010). It is precisely for that reason that “[a] copyright infringement action must ... be based on *in personam* jurisdiction.” *Id.* (citing *Bryan v. University Publ’g Co.*, 112 N.Y. 382 (1889)). Under this Court’s decision in *Bryan*,

[s]uch *in personam* jurisdiction was a prerequisite since a copyright is an intangible, incorporeal right in the nature of a privilege or franchise which does not have a *situs* apart from the

³ American Buddha’s parade of horribles, enumerating, *inter alia*, the “bitter fruits of the blighted harvest that would result from an affirmative answer to the certified question,” Resp. Br. 29-30, makes no sense.

domicile of the owner. ... Absent jurisdiction over the proprietor of the copyright the New York Court did not have jurisdiction of the copyright.

Independent Film Distributors, Ltd. v. Chesapeake Industries, Inc., 148 F. Supp. 611, 614 (S.D.N.Y. 1957) (citing *Bryan; Ebsary Gypsum Co. v. Ruby*, 256 N.Y. 406, 409-410 (1931) (“the subject matter of the controversy is an intangible right of property, an incorporeal interest in patents and in unpatented inventions. Such an interest has no *situs* ... apart from the domicile of the owners.”)); *see also Sullivan v. Author Solutions, Inc.*, 2008 U.S. Dist. LEXIS 60069, *6 (E.D. Wis. July 23, 2008) (“a copyright is an intangible, incorporeal right that has no *situs* apart from the domicile of the proprietor.”); *London Film Productions, Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47, 49 (S.D.N.Y. 1984) (same).

It could well be inferred from those authorities that the *situs* of a copyright “for jurisdictional purposes” is the domicile of its owner. Such an inference is, to be sure, consistent with a finding that infringing that same copyright causes “injury to person or property” in the state where the infringed intellectual property is held. *Royalty Network, Inc. v. Dishant.com, LLC*, 638 F. Supp. 2d 410, 423 (S.D.N.Y. 2009); *McGraw-Hill Cos. v. Ingenium Techs. Corp.*, 375 F. Supp. 2d 252, 256 (S.D.N.Y. 2005); *Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.*, 2005 U.S. Dist.

LEXIS 2143, *4 (S.D.N.Y. Feb. 14, 2005)). It is not a prerequisite or condition to so finding, however.

B. The Scope of the Exclusive Rights Under Copyright, and Ownership of Those Rights, Have No Bearing on the Certified Question

American Buddha argues that “imposing a ‘situs’ upon copyrights would throw sand into the wheels of the system” because “copyright law ... protects an inconceivably diverse range of creative activities,” Resp. Br. 2; 11 (“Copyrights inure to the creators of a vast range of creative works”). American Buddha’s assertions are mostly erroneous and, directed as they are to the non-issue of “the situs of a copyright,” irrelevant. The “panoply of rights” under copyright, Resp. Br. 12, has no bearing on, and will be unaffected by, this Court’s answer to the question certified by the Second Circuit, regarding the situs of the injury in a copyright case under C.P.L.R. § 302(a)(3).

The same is true regarding copyright ownership, including “multiple rights held by many different persons.” Resp. Br. 12. The Copyright Act confers standing to sue upon the legal and beneficial owner of a copyright, or of exclusive rights thereunder. 17 U.S.C. § 501(b). Neither copyright ownership nor standing to sue have any bearing on, or will be affected by, this Court’s answer to the question concerning *in personam* jurisdiction under the C.P.L.R. certified by the

Second Circuit. American Buddha’s illustrative narrative regarding the separate ownership of copyright rights by the various contributors to a motion picture, Resp. Br. 13, is *ipse dixit*, and mistaken. In truth,

Ordinarily a motion picture embodies a large number of contributions, including those of the author of the story, author of the screenplay, director, editor, cameraman, individual producer, etc. These persons ordinarily are not regarded as the “author” of the film in the copyright sense. ... Since most films are largely “made for hire” the employer is usually regarded as the “author.” In most cases the employer is the producing company

Compendium of Copyright Office Practices § 2.14.3, at 2-51 (1973); *see* 17 U.S.C. § 101(2) (defining “work made for hire” to include “a work specially ordered or commissioned for use ... as a part of a motion picture or other audiovisual work”); 1976 Act House Report, at 120 (“a motion picture would normally be a joint rather than a collective work with respect to those authors who actually work on the film, although their usual status as employees for hire would keep the question of coownership from coming up.”).

Finally, whatever American Buddha may mean by its assertion that “the plethora of exemptions further blurs the issue of what is a copyright,” Resp. Br. 15, the various exemptions under the Copyright Act, including fair use and the library exemption, can in no way be impacted by this Court’s interpretation of C.P.L.R. § 302(a)(3).

This Court’s decision of the question certified by the Second Circuit will have no effect on copyright rights, exemptions, subject matter or standing to sue.

C. American Buddha’s Claim that the “Library Exemption” Shields It From Infringement Liability is Meritless

Notwithstanding its repeated assertions that the merits are irrelevant, American Buddha devotes multiple pages to raising and arguing an affirmative defense—that its conceded acts of infringement are immunized under the “library exemption” under 17 U.S.C. § 108.

American Buddha’s assertion that “there is no legislative history that bears upon the proper interpretation of the library exemption from copyright liability,” Resp. Br. 16, rests faulty analysis on erroneous facts. Perhaps the most egregious of American Buddha’s mistakes is that “Section 108 was enacted July 30, 1947.” *Id.* at 16-17. The Section 108 that was enacted July 30, 1947 is not the current statute, under which American Buddha claims exemption. The act of July 30, 1947 (61 Stat. 652) codified and enacted the Copyright Act of 1909, as amended, into positive law as title 17 of the United States Code. *See Copyright Law Revision Studies No. 1, 86th Cong., 2d Sess. 14 (Comm. Print 1960).* The former Section 32, titled “Forfeiture and destruction of articles prohibited importation,” was codified in 1947 as Section 108 of the 1909 Act.

The 1909 Act contained no provision comparable to Section 108 of the 1976 Act; not surprisingly, since Section 108 was enacted (on January 1, 1978) expressly to adapt copyright law to then-current technology:

One of the most controversial, and hard-fought, issues in the legislative process that produced the current Act concerns library photocopying. This issue ripened against the background of technological advances that produced the “photocopying revolution,” with its attendant, almost irresistible, pressure to permit libraries, archives, and others to use such machinery without fear of copyright liability.

Nimmer § 8.03; see Louise Weinberg, *The Photocopying Revolution and the Copyright Crisis*, 38 *The Public Interest* 99, 100 (1975) (“over 50 per cent of photocopying is thought to be of copyrighted materials. Although some of this is done in store-front photocopying centers, most copying of copyrighted materials can fairly be assumed to take place where those materials are stored—libraries, public and private, independent and in-house.”).

After 1978 the advance of technology continued, indeed accelerated:

Two decades after the Act was adopted, photocopies became “old hat” when juxtaposed against the intervening “computer revolution.” The question arose how to treat libraries insofar as their collections include material in electronic form. In response, Congress amended Section 108 in the context of the Digital Millennium Copyright Act.

Nimmer § 8.03. The legislative history of the DMCA amendment is thus acutely relevant to American Buddha’s defense that its website, that urges and facilitates

the “FREE, FREE, FREE” copying and downloading of pirate e-books, A-163, is “a library operating under the library exemption”—and shows it to be specious.⁴ See S. Rep. No. 105-190, 105th Cong., 2d Sess. 62 (1998) (“DMCA Senate Report”) (“the term ‘libraries’ and ‘archives’ as used and described in this provision still refer to such institutions only in the conventional sense of entities that are established as, and conduct their operations through, physical premises”); Penguin Opening Brief 7-8.

When Congress passed the DMCA amendment, amending subsections 108(b) and (c) to allow digital copies, it expressly limited use of those copies to library and archives *premises*. In identical language the House and Senate Judiciary Committees explained that

the proviso that any copy of a work that the library or archive makes in a digital format must not be made available to the public in that format except for use on the premises of a library or archives in lawful possession of such copy [was] necessary to ensure that the amendment strikes the appropriate balance, permitting the use of digital technology by libraries and archives while guarding against *the potential harm to the copyright owner’s market from patrons obtaining unlimited access to digital copies from any location*.

⁴ American Buddha’s apparent ignorance of the DMCA’s legislative history is ironic in light of its elaborate and calculated invocation of the DMCA “safe harbor” provision for “service providers” at the outset of this case.

DMCA Senate Report, at 61-62; House Judiciary Comm., Section-by-Section Analysis of H.R. 2281 as Passed by the United States House of Representatives on Aug, 4, 1998, 105th Cong. 48 (1998) (emphasis added). American Buddha’s “online library” of course has no physical premises, and it urges American Buddha’s 50,000 members and the public at large to access and download unlimited pirate copies of pirate e-books from any location. American Buddha’s claim that it does so under the “library exemption” is objectively unreasonable, indeed fatuous.

III. American Buddha’s Contentions that the Decision Below Was Correct Under New York Law, and that This Court Lacks Authority to Decide the Certified Question, Are Without Merit

As the district court acknowledged, there is “significant disagreement within this district regarding the situs of injury in intellectual property cases, with some cases finding ‘that the torts of copyright infringement and trademark infringement cause injury in the state where the allegedly infringed intellectual property is held’” A-206. The Second Circuit found that “deciding which approach better comports with the intent of the New York Legislature is more appropriate for the

New York Court of Appeals than it is for us.” A-228.⁵

In contending that “the district court decision was correct under New York law,” Resp. Br. 18-23, American Buddha does not address or even acknowledge the split in the New York federal courts that led to the Second Circuit’s certifying the question to this Court.⁶ American Buddha apparently fails to recognize that the Second Circuit referred the certified question to this Court because the proper application of New York law is in dispute, and that resolving such disputes is the province of this Court.

The certification of the question was not a referendum on Judge Lynch, for whom Penguin shares American Buddha’s high regard. Resp. Br. 19. Indeed, Judge Lynch’s contribution to the “development of the law applying C.P.L.R. § 302(a),” Resp. Br. 19, is particularly illustrative, insofar as Judge Lynch, as a

⁵ Penguin maintains that the Second Circuit’s formulation of the question is unnecessarily binary; a finding that cognizable injury from out-of-state copyright infringement occurs at the residence, or location of the principal place of business, of the copyright holder does not preclude a finding that such injury also occurs at the location of the infringing action.

⁶ American Buddha’s omission is at least consistent with the fantasy that the Second Circuit “invented” the certified question in a scheme to “tilt the scales of personal jurisdictional law toward New York copyright action plaintiffs.” Resp. Br. 1.

district judge, took *both* of the “approaches” found in the question certified for review. In *Savage Universal Corp. v. Grazier Constr., Inc.*, 2004 U.S. Dist. LEXIS 16088 (S.D.N.Y. Aug. 12, 2004) (Lynch, J.), the defendant, like American Buddha, was an Oregon corporation with no traditional “presence” in New York, whose infringing activities were conducted via websites physically located outside New York. Judge Lynch, using the approach he rejected in this case, denied the defendant’s motion to dismiss for lack of personal jurisdiction, and held that C.P.L.R. § 302(a)(3) was satisfied:

Savage Universal has presented sufficient allegations that the alleged infringement caused injury within New York, as the “first effects” of trademark infringement or dilution are typically felt where the trademark owner resides and conducts business, and can include injury in the form of damage to goodwill, lost sales, or lost customers.

Savage Universal Corp., 2004 U.S. Dist. LEXIS 16088, *30. The court in *Fifth Ave. of Long Island Realty Assocs. v. Caruso Mgmt. Co.*, 2009 U.S. Dist. LEXIS 13369 (E.D.N.Y. Feb. 17, 2009), relied on Judge Lynch’s *Savage Universal Corp.* opinion, along with those of Judge Rakoff in *McGraw-Hill Companies, Inc. v. Ingenium Technologies Corp.*, 375 F. Supp. 2d 252 (S.D.N.Y. 2005), and *Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.*, 2005 U.S. Dist. LEXIS 2143 (S.D.N.Y. Feb. 14, 2005), to find that “for the purpose of Section 302(a)(3), the place of the injury in a trademark case is the place where the trademark owner resides and does

business.”

Savage Universal Corp. was applied similarly in a copyright case, *Capitol Records, LLC v. VideoEgg, Inc.*, 611 F. Supp. 2d 349, 363 (S.D.N.Y. 2009), in which the “alleged tort was committed in California where the website was created and is maintained.” The plaintiffs were “New York companies that claim to have suffered in-state injuries in the form of diminished value of their copyrights which they own here.” The court found that “Plaintiffs’ allegations clearly satisfy the first ... element[] of Section 302(a)(3)(ii),” citing *Savage Universal Corp.* for the proposition that “injury stemming from tortious infringement in New York, for the purposes of long-arm jurisdiction, can occur in the form of damage to goodwill, lost sales or lost customers.” *Id.*

American Buddha’s citation, Resp. Br. 22, of *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010), as “endorsing” its favored “analytical framework for application of C.P.L.R. § 302(a) to Internet cases” is deceptive at best. In *Chloe* the Second Circuit found that the defendant “transacted business within the state under section 302(a)(1)”; the court accordingly “need not reach the question of whether a New York court could properly exercise jurisdiction under section 302(a)(3).” The Second Circuit expressly abstained from “addressing the application of section 302(a)(3)”; to do so “would be inappropriate in light of this

Court’s recent certification of a question regarding the proper interpretation of section 302(a)(3) to the New York State Court of Appeals.” *Chloe*, 616 F.3d at 169.

American Buddha’s citation of *Fantis Foods, Inc. v. Standard Importing Co.*, 49 N.Y.2d 317 (1980), Resp. Br. 3, 22-23, 31, essentially begs the question. In granting American Buddha’s motion to dismiss, the district court relied on *Fantis Foods*, under which claims of “injury” based on the fact that a party who incurs an “indirect financial loss” happens to be resident or domiciled in New York are insufficient to support personal jurisdiction under Section 302(a)(3). The Second Circuit, however, found that under *Sybron* there is a “reasonable likelihood” that this Court will “interpret the alleged wrong here ... to involve *more* than derivative economic harm within the State.” A-230 (emphasis added). This Court, that is, may (and should) find that a New York copyright owner seeking, *inter alia*, equitable relief for irreparable injury under 17 U.S.C. § 502(a) does not claim merely to have suffered “derivative economic injury” under *Fantis Foods*.

It is not true that “Penguin did not allege anything but the most general statement of harm in its complaint,” App. Br. 31. In the Complaint Penguin sought “preliminary and permanent injunctive relief and damages arising out of American

Buddha’s willful infringement of Penguin’s exclusive rights”; alleged that “American Buddha’s acts have irreparably damaged and, unless enjoined, will continue to irreparably damage Penguin”; and alleged that “Penguin has no adequate remedy at law for these wrongs and injuries.” A-5, A-9.

New York, in any event, is more than Penguin’s domicile or residence. New York is where Penguin holds and manages its copyrights, where the copyright-publishing contracts are made and maintained, and where all decisions about copyright matters are made; “the place where the corporation’s high level officers direct, control, and coordinate the corporation’s activities. Lower federal courts have often metaphorically called that place the corporation’s ‘nerve center.’” *Hertz Corp. v. Friend*, 130 S. Ct. 1181, 1186 (2010). It appears beyond question that Penguin experiences the effects of American Buddha’s copyright infringement at its nerve center.

A. American Buddha Misconstrues *Sybron* and Overlooks *Sung Hwan*

In *Sybron*, this Court held that a tortious act committed out of state that was likely to cause injury through loss of business in state was sufficient to satisfy personal jurisdiction regardless of whether damages were ascertainable or likely recoverable.

Sung Hwan Co., Ltd. v. Rite Aid Corp., 7 N.Y.3d 78, 85 (2006). American Buddha does not even refer to this Court’s reiteration in *Sung Hwan* of the standard

articulated in *Sybron Corp. v. Wetzel*, 46 N.Y.2d 197 (1978).

Instead, American Buddha focuses erroneously on distinguishing the facts, or distorted versions of the facts, of *Sybron* from those of the present case: “the Certifying Panel’s suggestion to equate this garden-variety copyright case with the industrial espionage fact pattern of *Sybron* ... is wholly unwarranted, and would distort the logic of *Sybron* past the breaking point.” Resp. Br. 3, 25 (“To equate these two cases as similar ‘commercial torts’ is frankly absurd.”). Characterizing copyright infringement and trade secret misappropriation as commercial torts is hardly controversial. *Business Trends Analysts v. Freedonia Group, Inc.*, 650 F. Supp. 1452, 1455-1456 (S.D.N.Y. 1987) (“Copyright infringement, violation of § 43(a) of the Lanham Act, violation of New York’s anti-dilution statute, and the use of misappropriated trade secrets in the production or sale of a product are all commercial torts ...”); *Lipton v. Nature Co*, 781 F. Supp. 1032, 1035 (S.D.N.Y. 1992). More critically, American Buddha misses *Sybron*’s point, also repeated in *Sung Hwan*, that C.P.L.R. § 302(a)(3),

drafted by sophisticated experts, does not limit the kinds of tortious acts covered to personal injury, property damage, or other noncommercial torts. Under such circumstances the statute should be read with the breadth it easily carries, and the unqualified legislative enactment respected.

Sybron Corp. v. Wetzel, 46 N.Y.2d at 205; see *Sung Hwan*, 7 N.Y.3d at 85:

We see no reason why jurisdiction should be denied merely because a plaintiff is relying on a theory of economic loss resulting from a tortious act rather than seeking compensation for personal injury resulting from that same tortious act. For purposes of establishing long-arm jurisdiction, a tort should be broadly defined to encompass one that causes economic injury.

“Actual harm,” Resp. Br. 25, is not part of the *Sybron/Sung Hwan* standard, under which threatened loss, *Sybron*, 46 N.Y.2d at 205, or likely injury, *Sung Hwan*, 7 N.Y.3d at 85, in New York is all that is required. American Buddha’s contention that “the copying of a file off the Internet by their lawyer certainly is no harm at all,” Resp. Br. 31, is inapposite. The ability of Penguin’s lawyer to access American Buddha’s website, on which there are “no technological or other measures in place controlling access to the Penguin works, or any of the copyrighted works of third parties” offered for FREE copying, A-51, and take away complete e-book copies of each of the Penguin books at issue in this case, shows that American Buddha’s pirate “library” poses an imminent threat of injury to Penguin and its copyrights in New York. American Buddha simply ignores this Court’s holding that “[i]f a tort must already have been committed for jurisdiction to be available under the statute, then that section would never be usable by a plaintiff seeking anticipatory injunctive relief. Such a result is unacceptable.” *Sybron*, 46 N.Y.2d at 204. Evidence of “actual harm” is no more a requirement than evidence of infringing acts in New York.

In its Response, as in the Second Circuit, American Buddha recurrently focuses on the wrong statute. Its recitations alleging the absence of, e.g., real estate, personal property, bank accounts, personnel, business associates or business activities and web servers in New York, Resp. Br. 5-6, 18, might be relevant to determining the propriety of personal jurisdiction under C.P.L.R. § 301 or 302(a)(1). They are beside the point under Section 302(a)(3). In reciting the district court’s finding that “plaintiff has not alleged ... a New York infringement,” Resp. Br. 6, American Buddha again misses the point that Section 302(a)(3) was enacted specifically to remedy the “serious gap in the coverage afforded by” Section 302(a)(2), under which an allegation of an infringement or other tortious act within New York is required. Judicial Conference Report on C.P.L.R., 1966 McKinney’s Session Laws of NY, at 2788. A rule that injury occurs only at the situs of the precipitating tortious act improperly conflates the two, and effectively writes Section 301(a)(3) out of the C.P.L.R.

A rule that a New York copyright owner must “allege a New York infringement” to obtain jurisdiction under C.P.L.R. § 302(a)(3) would also have the perverse effect of encouraging infringement claims against New York readers; such claims would be required in order for the copyright owner to pursue the true culprit, the party that creates the pirate e-books and facilitates their download by

New York readers. Penguin is loath to sue its readers—particularly where, as here, those readers have been actively misled by American Buddha’s affirmative misrepresentations that downloading its “online library” of “free” pirated e-books is blessed under the “library privilege” and protected as fair use.⁷ Requiring that New York readers be named as defendants in order for a New York federal court to assert personal jurisdiction over an out-of-state copyright infringer is hardly sound public policy.

The record belies American Buddha’s claim to have “no commercial activities,” App. Br. 6. *See* Penguin Opening Brief, at 49-53; *see also, e.g.* , A-71 (“Everybody talks about free online content, but only ABOL, the American Buddha Online Library, has found the right way to deliver it - the old fashioned way through a library format. Tear aside the veil that separates you from cultural exploration, study, and enjoyment, and dip into a rich melange of cinema, art, literature, philosophy and social criticism. Click the banner below to join ABOL. It’s free.”). What is more, American Buddha’s conclusory allegations that its websites have “never been used to market or sell to anyone in the State of New

⁷ American Buddha’s misrepresentations and encouragement of infringement foreclose any argument that American Buddha’s websites are passive.

York,” App. Br. 6, and that it “has never pursued anyone in New York for any purpose, much less to make an impossible sale of books that are available ... FREE, FREE, FREE!,” *id.* at 27, even if proven, would not diminish the likelihood that American Buddha’s pirate e-books will “cause injury through loss of business in state,” irrespective “of whether damages [a]re ascertainable or likely recoverable.” *Sung Hwan*, 7 N.Y.3d at 85.

As the court noted in *Sony BMG Music Entm’t v. Tenenbaum*, 672 F. Supp. 2d 217 (D. Mass. 2009), a party’s alleged lack of commercial purpose in no way diminishes its capacity to cause injury to copyright owners. Indeed, FREE, FREE, FREE copies of pirate e-books distributed over the internet are even *more* harmful than pirated product sold in the marketplace:

Although the purpose of Tenenbaum’s file sharing may not have been “commercial” in any classic sense, as noted above, from a consequential perspective the difference becomes harder to make out. The Court sees little difference between selling these works in the public marketplace and making them available for free to the universe of peer-to-peer users. *If anything, the latter activity is likely to distribute even more copies—and therefore result in a bigger market impact—because there is no cost barrier at all. It is difficult to compete with a product offered for free.*

Tenenbaum, 672 F. Supp. 2d at 231. *See also Sony BMG Music Entm’t v.*

Tenenbaum, 2010 U.S. Dist. LEXIS 68642, *76-77 (D. Mass. July 9, 2010)

(“Aside from being illegal, such conduct may reduce demand for music from

legitimate sources and thus dampen the monetary incentive for artists to create new works.”).

American Buddha contends that the question certified by the Second Circuit is a

ridiculous ... suggestion, that amounts to asking this Court to append to the New York Longarm Statute words to this effect: “any lawsuit arising from a song written in the State of New York, or which has been licensed to a New Yorker, shall be litigated in the State of New York.”

Resp. Br. 33. American Buddha’s contention is itself ridiculous. It is at best an exceptionally disrespectful iteration of the “floodgates” argument that, like previous iterations, simply ignores the fact that a plaintiff who has shown that injury within New York is likely must also “successfully demonstrate[] that either the first or second jurisdictional subset of CPLR 302(a)(3) has been met.”

Ingraham v. Carroll, 90 N.Y.2d 592, 597 (1997). American Buddha’s contention is wrong even on its own terms: a song (or painting, photograph, sculpture, architectural work, computer program, etc.) could be created in New York, and the copyright owner could be resident or domiciled in Nashville or Los Angeles or Marrakesh.

To the extent that American Buddha contends that a “bright-line rule” regarding personal jurisdiction is problematic, it is wrong again. As the Supreme

Court noted in *Hertz Corp.*, *supra*, “administrative *simplicity is a major virtue in a jurisdictional statute*. Complex jurisdictional tests complicate a case, eating up time and money as the parties litigate, not the merits of their claims, but which court is the right court to decide those claims.” *Hertz Corp.*, 130 S. Ct. at 1193 (emphasis added).

American Buddha finally acknowledges the existence of the “jurisdictional subset[s] of CPLR 302(a)(3),” *Ingraham*, 90 N.Y.2d at 597, when it contends that it is futile for this Court to decide the certified question because a finding that American Buddha reasonably foresaw that its tortious acts might have consequences in New York, and also derives substantial revenue from interstate or international commerce, is impossible, Resp. Br. 34. American Buddha sells itself short on the foreseeability requirement. It should be easily within the capacity of a company operating websites with a “membership of over 50,000 users,” A-96, that claims to “educate[] members as to the meaning of lawful fair use of copyrighted materials, and impose[] contractual and technical limitations on access to the archive,” A-58, and itself publishes e-books and sells them nationally and internationally on Amazon.com, A-100-144, to foresee that the creation and dissemination of pirate e-book versions of Penguin books might have consequences in New York, where Penguin’s principal place of business is

located—as indicated on each of the Penguin books American Buddha scanned and distributed.

American Buddha’s claim to be “a non-profit library that engages in no commerce anywhere whatsoever,” Resp. Br. 34, is contrary to the record, which shows that American Buddha is a corporation that, along with operating “the American Buddha Online Library, the world’s best media website,” www.american-buddha.com/newsignuppage.htm, engages in substantial commercial publishing activity, selling its own literary works in e-book form on Amazon.com. See Penguin Opening Brief 50-53; 09-1739-cv, Brief for Plaintiff-Appellant Penguin Group (USA) Inc. (Second Circuit), at 34-41.

American Buddha’s attestations to the modesty of its revenue are self-serving, and are not dispositive even if credited. The substantial-revenue element “requires no direct contact with New York State.” *Ingraham*, 90 N.Y.2d at 598 (citation omitted). Instead, it is intended to avoid the exercise of personal jurisdiction over non-domiciliaries whose activities are of a “local character.” *LaMarca v. Pak-Mor Mfg. Co.*, 95 N.Y.2d 210, 215 (2000). American Buddha’s letter to the general counsel of Google Inc. makes clear that American Buddha is no local operation, but instead is a major player in the online library area, with aspirations to become even more significant. American Buddha complains to

Google that the removal of American-buddha.com from the Google index is “interfering both with the access of its 50,000-plus members, and with the Library Site’s ability to reach new members”; indeed, “Google’s *de facto* boycott of the Library Site injures American Buddha, its present and prospective members, *and the Internet-using public at large.*” A-96 (emphasis added). Such activities cannot fairly be characterized as local in character. *LaMarca*, 95 N.Y.2d at 215.

On remand, in addition to assessing whether American Buddha’s activities are of a “local character,” the court may look to the percentage of American Buddha’s total income that is derived from interstate or international commerce, as well as the total itself (American Buddha submitted no evidence as to either figure), in determining whether that income is “substantial.” *Allen v. Canadian General Electric Co.*, 65 A.D.2d 39, 42-43 (3d Dep’t 1978). “Irrespective of the approach chosen, the main concern is the overall nature of the defendant’s business and the extent to which he can fairly be expected to defend lawsuits in foreign forums.” *Energy Brands*, 571 F. Supp. 2d 458 at 468.

As noted in *Tenenbaum*, *supra*, “from a consequential perspective” American Buddha’s alleged absence of a commercial purpose is a distinction without a difference. *Tenenbaum*, 672 F. Supp. 2d at 231. It is of course from a consequential perspective that injury, and the situs of injury, to a New York

copyright owner is assessed under C.P.L.R. § 302(a)(3).

Under the totality of the circumstances, American Buddha is easily seen to have “an active interest in interstate or international commerce,” *McGowan v. Smith*, 52 N.Y.2d 268, 273-74 (1981).

CONCLUSION

The question certified to this Court by the United States Court of Appeals for the Second Circuit should be answered as follows: The tort of copyright infringement causes injury, both monetary and irreparable, where the copyright owner resides or has its principal place of business, and where the infringed intellectual property is held and administered—in this case, New York.

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