09-1739-cv

UNITED STATES COURT OF APPEALS

for the

SECOND CIRCUIT

PENGUIN GROUP (USA) INC.,

Plaintiff-Appellant

-- v. –

AMERICAN BUDDHA,

Defendant/Appellee

On Appeal from the United States District Court
for the Southern District of New York

BRIEF FOR DEFENDANT-APPELLEE

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CORPORATE DISCLOSURE STATEMENT

This statement is made pursuant to Federal Rule of Appellate Procedure 26.1. Defendant-Appellee American Buddha is a corporate entity and has no parent corporation, subsidiaries or affiliates that have issued shares to the public.

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STATEMENT OF THE ISSUES PRESENTED FOR REVIEW

1. Whether the District Court properly granted Defendant-Appellee American Buddha's motion to dismiss that action for lack of personal jurisdiction, where Plaintiff-Appellant's allegations, if deemed true, established at most a claim of injury in New York based solely on acts performed outside the jurisdiction.

2. Whether the District Court properly exercised its discretion to exclude irrelevant evidence from the determination of the issue of personal jurisdiction.

STANDARD OF REVIEW

The standard of review applicable to the District Court's grant of American Buddha's motion to dismiss for lack of personal jurisdiction is *de novo*. *PT United Can v. Cork*, 138 F.3d 65, 69 (2nd Cir. 1998). Evidentiary rulings are reviewed for abuse of discretion. *Caruolo v. John Crane, Inc.*, 226 F.3d 46, 54 (2nd Cir. 2000). The standard of review for denial of jurisdictional discovery is abuse of discretion. *First City, Texas-Houston, N.A. v. Rafidain Bank*, 150 F.3d 172, 175 (2nd Cir. 1998). The standard of review for denial of leave to amend a complaint is abuse of discretion. *McCarthy v. Dun & Bradstreet Corp.*, 482 F.3d 184, 200 (2d Cir. 2007).

STATEMENT OF THE CASE

On the motion of Defendant-Appellee American Buddha, the District Court dismissed the complaint of Plaintiff-Appellant Penguin Group (USA) Inc. for lack of personal jurisdiction under N.Y. C.P.L.R. 302(a)(3)(ii).

STATEMENT OF THE FACTS

Defendant-Appellee American Buddha is an Oregon nonprofit corporation[1] that operates a passive website at www.naderlibrary.com (the "website"). (A-29-30, Hammond Dec. ¶¶ 3.) American Buddha operates an online library[2] that provides access to classical literature and other works through the website, including three works published in print format by Plaintiff-Appellant Penguin Group (USA) Inc. ("Penguin").[3]

On January 20, 2009, Penguin sued American Buddha in the Southern District of New York in a complaint alleging as follows: "Upon information and belief, defendant American Buddha has engaged in infringing activities that injure plaintiff in this district, and is otherwise subject to personal jurisdiction in this district." (A-6, Complaint ¶ 5.)

American Buddha moved for dismissal pursuant to F.R.Civ.P. 12(b)(2), supporting its motion with evidence establishing a complete absence of contacts

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[1] The sole director of American Buddha is Tara Carreon. (A-77, Exhibit 10 to Kjellberg Declaration; A-174, Supplemental Carreon Dec. ¶ 12.) It is unclear why Penguin erroneously asserts that Charles Carreon, counsel to American Buddha, is a Director. Tara Carreon has been the sole corporate director since January 22, 2002. (A-197-200; Exhibit 5 to Supp. Carreon Dec.)

[2] Penguin takes issue with American Buddha's assertion of the library exemption from copyright liability under 7 U.S.C. § 108. As related *infra*, the District Court found the merits irrelevant to the issue of personal jurisdiction.

[3] The works are *Oil!*, by Upton Sinclair, *It Can't Happen Here* by Sinclair Lewis, and an English translation of *The Golden Ass*, by the Roman poet Apuleius.

between the corporation and New York, as follows: American Buddha has no real estate, personal property, bank accounts, personnel business associates or business activities in New York. (A- 31-32, Carreon Dec. ¶¶ 2 - 14; A-29-30, Hammond Dec. ¶¶ 3 – 6.) The website is hosted on servers located in Tucson, Arizona and Portland, Oregon, and has never used hosting or Internet services based in New York. (A-29-30, Hammond Dec. ¶¶ 4-5.) The servers and the material on the website are not directed toward the residents of the State of New York. (A-30, Hammond Dec. ¶ 6.) The website does not advertise on other websites anywhere, and specifically, does not advertise on websites directed toward New York residents. (A-30, Hammond Dec. ¶ 6.) The website has never been used to market or sell anything to anyone, and specifically, has never been used to market or sell to anyone in the State of New York. (A-30, Hammond Dec. ¶ 6.) American Buddha has no commercial activities, and there are no links from any of its websites, from which it is possible to make a purchase of any product. (A-172, Supplemental Carreon Dec. ¶ 8.)

Penguin's opposition to the motion did not rebut any of these facts, nor did it alleged that the availability of *Oil!*, *It Can't Happen Here*, or *The Golden Ass* on naderlibrary.com had led to infringements of copyright in New York.

On April 21, 2009, the District Court entered its eight-page Opinion and Order. Based on the finding that "plaintiff has not alleged … a New York

infringement, and bases its claim of injury solely on the economic effect of an injury inflicted by defendant elsewhere," the District Court dismissed the action without reaching the issue of "whether the exercise of jurisdiction would comport with due process." (A-208, Order, p. 8.) Judgment was entered the same day, and Penguin filed its Notice of Appeal on April 23, 2009.

SUMMARY OF THE ARGUMENT

The District Court properly dismissed the action because American Buddha had no jurisdictional contacts with New York, and Penguin's claim was based solely on the economic effect of an alleged injury caused by American Buddha's actions in Oregon and Arizona, and not on any injury occurring in New York.

ARGUMENT

I. THE DISTRICT COURT'S DETERMINATION THAT IT LACKED PERSONAL JURISDICTION OVER DEFENDANT-APPELLEE AMERICAN BUDDHA WAS CORRECT AND SHOULD BE AFFIRMED

The Supreme Court has stated that the requirement that the District Court establish personal jurisdiction over the defendant "represents a restriction on judicial power … as a matter of individual liberty." *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 584, 19 S.Ct. 1563, 143 L.Ed.2d 760 (1999), *quoting Insurance Corp. of Ireland v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702, 102 S.Ct. 2099 (1982).

A. American Buddha's F.R.Civ.P. 12(b)(2) Motion Established A Complete Lack of Jurisdictional Contacts Between The Corporation and The State of New York

American Buddha's motion negated all possibility of finding personal jurisdiction in the State of New York based upon corporate presence, as the District Court found:

> "[American Buddha] conducts no activities in New York, although, of course, as is the nature of the internet, its website

www.naderlibrary.com – which is hosted on servers in Arizona and Oregon – is accessible in New York." (A-203, Order, p. 3.)

Penguin did not introduce any evidence contrary to this finding, and has not claimed that it was erroneous on appeal. Accordingly, the issue is resolved.

B. Penguin Opposed The Motion Solely On The Basis of N.Y. C.P.L.R. 302(a)(3)(ii)

In response to the motion to dismiss for lack of personal jurisdiction, Penguin stayed true to the sparsely-enunciated theory in its complaint, that "defendant American Buddha has engaged in infringing activities that injure plaintiff in this district…" (A-6, Complaint ¶ 5.) The Kjellberg Declaration does not expandin upon this bare statement; accordingly, the District Court had no alternative but to conclude as it did, that "defendant's only connection to New York, as alleged by plaintiff, is the claimed injury caused to plaintiff." (A-203, Order, p. 3.) The District Court further observed that "in asserting jurisdiction over defendant only under C.P.L.R. 302(a)(3) – which provides jurisdiction over torts committed inside New York – plaintiff appears to recognize that 'in the case of web sites displaying infringing material the tort is deemed to be committed where the web site is created and/or maintained.'" (A-203, Order, p. 3, *quoting Freeplay Music v. Cox Radio, Inc.*, 2005 WL 1500896, at *7.)[4]

C. The District Court Correctly Applied N.Y. C.P.L.R. 302(a)(3)(ii)

[4] *Freeplay*, an unpublished opinion by Judge Lynch, was attached as Exhibit 1 to the Carreon Declaration, and appears at A-34-49.)

To Determine That Penguin Based Its Claim "Solely On The Economic Effect of An Injury Inflicted by Defendant Elsewhere," And Failed to Establish That The Alleged Injury Occurred In New York

1. The District Court Applied DiStefano To Determine the Situs of Injury

Although Penguin argues at page 29 of its brief that the District Court "declined … to follow" *DiStefano v. Carozzi, Inc.*, 286 F.3d 81 (2nd Cir. 1976), the contention is somewhat baffling, since the District Court began its analysis with the following extensive quote from *DiStefano*:

> "Courts determining whether there is injury in New York sufficient to warrant [Rule] 302(a)(3) jurisdiction must generally apply a 'situs-of-injury' test, . . . locat[ing] the 'original event which caused the injury.'" *DiStefano v. Carozzi, Inc.*, 286 F.3d 81, 84 (2d Cir. 2001), *quoting Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 171 F.3d 779, 791 (2d Cir. 1999). "[T]he 'original event' occurs where the first effect of the tort . . . is located" and is "generally distinguished not only from the initial tort but from the final economic injury and the felt consequences of the tort." *Id., quoting Bank Brussels Lambert*, 171 F.3d at 792. (A-204, Order, p. 4.)

2. New York Was Not The Situs of Injury

The District Court summed up its consideration of the issue with a decision that made elegantly simple use of the facts and steered clear of interpolating special rules for the information age. The District Court observed first that infringement that "occurred via defendant's website … plays no role in determining the situs of plaintiff's alleged injury," and explained its conclusion in terms that are totally consistent with the rule enunciated in *DiStefano*, *supra*:

> "[W]hile the electronic nature of the alleged infringement may make it possible for others acting in New York to infringe plaintiff's copyrights here, plaintiff has not alleged such a New York infringement, and bases its claim of injury solely on the economic effect of an injury inflicted by defendant elsewhere." (A-207-208, Opinion and Order, pp. 7-8.)

In so ruling, the District Court adhered to its prior conclusion when it correctly decided *Best Van Lines v. Walker*, 2004 WL 964009, 2004 U.S. Dist. LEXIS 7830, quoted by this Court *inter alia* on review, as follows: "While analyzing a defendant's conduct under the Zippo sliding scale of interactivity may help frame the jurisdictional inquiry in some cases, as the district court here pointed out, 'it does not amount to a separate framework for analyzing internet-based jurisdiction.'" *Best Van Lines v. Walker,* 490 F.3d 239, 251-252 (2nd Cir. 2007), quoting from *Best Van Lines v. Walker,* 2004 WL 964009, at *3, 2004 U.S. Dist. LEXIS 7830, at *9.

In the case at bar, the District Court cited this Court's opinion in *Best Van Lines* for the proposition that "the advent of the Internet … has no doubt added layers of depth to personal jurisdiction jurisprudence," (A-207, Order, p. 7), but did not stray into discussion of the "spectrum of interactivity" analysis that has gained steam over the last several years of dealing with personal jurisdictional challenges in the Internet context.[5] Rather, the District Court adhered to the

[5] *See Royalty Network, Inc. v. Dishant*, No. 08 Civ. 8558 (S.D.N.Y. 7/29/2009) and *Chloe v. Queen Bee of Beverly Hills*, LLC, No. 06 Civ. 3140 (S.D.N.Y.

approach it had applied in *Freeplay, cited supra,* another case that turned on establishing the situs of injury in a copyright infringement action. (A-47, *Freeplay, supra*, *14.) In *Freeplay,* Beasley Broadcast Group, Inc., a Delaware corporation that operated a website that "streamed" music in New York, was sued by the copyright holders in the Southern District of New York, and moved for dismissal for lack of personal jurisdiction. Not surprisingly, the District Court in this case cited *Freeplay* for its prior reasoning:

> "Just as in *Freeplay Music* – which involved a copyright claim – since plaintiff has not alleged that any infringement took place in New York and asserts "only economic loss as a result of the alleged unlicensed use of [its] copyrighted material," claimed to occur here only because plaintiff is based in and conducts business in New York, jurisdiction under C.P.L.R. 302(a)(3) is not justified, because "[a]ny economic loss suffered . . . is only a consequence of the injurious unlicensed use and is not the injury itself." (A-207, Order, p.7, *quoting Freeplay, supra*, 2005 WL 1500896, at *8.)

On appeal, Penguin makes it abundantly clear that its presence in New York is the sole fulcrum of its argument, conceding that American Buddha's website publication is an "act without the state," but arguing that the injury occurs in New York, because that is where Penguin's "offices and personnel are located, and where its copyrights are held." (Appellant's Brief, 21.)

Penguin is simply arguing that there is jurisdiction here because plaintiff is here, which would be convenient for Penguin, but not in accord with New York

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8/1/2008), discussing the emerging trend.

law. As the District Court observed, "[Penguin's] theory of jurisdiction is that because it is based in New York, infringement occurring ***anywhere in the world*** necessarily injures plaintiff in New York." (A-205, Order, p. 5, emphasis added.) The District Court held that position to be "unsustainable," and quoted from the New York Supreme Court's decision in *Fantis Foods, Inc. v. Standard Importing Co., Inc.*, 49 N.Y.2d 317 (1980) for the contrary holding that "residence or domicile of the injured party within a State is not a sufficient predicate for jurisdiction, which must be based on a more direct injury … than the indirect financial loss resulting from the fact that the injured person resides or is domiciled here." (A-205, Order, p.5, *quoting Fantis, supra*, 49 N.Y.2d at 326 (other citations omitted).) Contrary to Penguin's argument, this holding is based on the proper application of *DiStefano* situs of injury test, and if this Court concludes that the district courts require instruction in deciding jurisdictional challenges in the Internet context, affirmance of the District Court's decision will provide it.[6]

[6] As the District Court noted, *citing Andy Stroud, Inc. v. Brown*, No. 08 Civ. 8246, 2009 WL 539863 (S.D.N.Y. 3/4/2009), "some cases within this district have endorsed plaintiff's position," and clarification of the issue would seem appropriate. In *Andy Stroud*. the district court factually distinguished *Freeplay, supra*, and ruled consistent with *Freeplay*'s holding that the exercise of jurisdiction was proper because "unlike in *Freeplay Music*, Plaintiffs have alleged unlicensed use and access of infringing works in New York." *See* further analysis of *Andy Stroud, infra*, resolving the asserted "split in authority," at section I.C.6.b.

3. Penguin Tacitly Admits That It Failed To Allege Threatened Loss Of New York Customers Under *Sybron*

Attempting to shoe-horn its way into the holding of *Sybron Corp. v. Wetzel*, 46 N.Y.2d 197 (1978), that the District Court correctly interpreted to require a showing of "the threatened loss of important New York customers," Penguin resorts to torturing the English language:

> "It is not apparent that Penguin's allegations in the complaint and the affidavits, properly construed, do not allege the threatened loss of New York customers under *Sybron*." (Appellant's Brief, 32.)

This is a novel interpretation of the legal requirement that a plaintiff plead "a short and plain statement of the claim showing that the pleader is entitled to relief." F.R.Civ.P. 8(a)(2). Penguin's rule would make Rule 12 motions of all types virtually meaningless, because any allegation would be sufficient that did not specifically negate the facts necessary to plead the claim. The plain meaning of Penguin's convoluted diction is that it failed to allege the threatened loss of New York customers.

Penguin does not find it sufficient, however, to do violence to the plain meaning of words. It also directs a string of epithets at the District Court's analysis of *Sybron* -- "unpersuasive … incomplete … skewed." (Appellant's Brief, 30.) These adjectives well-describe Penguin's own efforts to conjure a superior analysis, that meanders through a discussion of irrelevant legal principles drawn from *Sybron, eg.* -- the decision "applies to intangible property," and "it was not

even necessary that the tort already have been committed for jurisdiction to be available." (Appellant's Brief, 30.) Penguin's futile analytical efforts strongly confirm the District Court's conclusion that the holding in *Sybron* is fatal to Penguin's contentions. (A-206, Order, n. 5 at p. 6.)

4. American Buddha Has Not Solicited Business In New York or Anywhere, and Has No Sources of Revenue, Substantial or Otherwise

Penguin argues that American Buddha engaged in "solicitation" by operating a passive website. A finding of "solicitation" in the jurisdictional context can be made only if the defendant sought to encourage others to "spend money (or otherwise act) in a way that would benefit the defendant." *Wiwa v. Royal Dutch Petroleum Co.*, 226 F.3d 88 (2nd Cir. 2000); *see also, Landoil Res.Corp v. Alexander & Alexander Servs. Inc.*, 98 F.2d 1039, 043 (2nd Cir. 1990)(travel to service accounts in New York is solicitation). While Penguin repeatedly recites the "FREE" mantra, it fails to establish how, by offering access to literary works without charge like every other library, American Buddha reaps some financial benefit from this process of gratis delivery. Further, even where solicitation has been shown in the jurisdictional context, the standard for subjecting a defendant to jurisdiction is "solicitation-plus," that requires a great deal more than merely attracting attention to a website, and is determined under the "doing business" standard of C.P.L.R. § 301, not the "conduct outside the State causing

injury within the State" standard that was applied in the instant case. *Wiwa v. Royal Dutch Petroleum Co.,* 226 F.3d 88 (2nd Cir. 2000); *Bossey v. Camelback Ski Corp,* 22 Misc. 3d 1116(A) (Sup. Ct. Suffolk Co. 2008).

Penguin's claims that American Buddha earns substantial revenue from any source are groundless. As argued *infra*, the District Court properly found that evidence of counsel's own authorial activities was irrelevant.

5. The District Court Construed Penguin's Complaint Liberally In Its Favor by Inferring Economic Injury Despite The Lack of Any Evidence Thereof

The District Court found that Penguin had made "[n]o allegation that defendant's activities have resulted in infringement of the copyrights in these works by anyone other than defendant, or even that such activity is likely." (A-202, Order, p. 2.) This would normally go hand in hand with the conclusion that Penguin had suffered no damage at all, but the District Court did not reach that conclusion and instead presumed that the injury Penguin alleged – pecuniary damage in Penguin's home state of New York – actually occurred.

Penguin argues that the District Court should have construed the pleadings more liberally in its favor, but the District Court did, in fact, construe the pleadings as liberally as possible. Penguin presented no evidence whatsoever of even the most trivial economic injury – not a single sale had been shown to be lost. Nevertheless, the Order presumed that Penguin had suffered economic injury in

New York. (A-208, Order, p. 8.) However, the District Court also concluded that such an injury, being merely the in-State economic consequence of an injury that took place outside the state, was not the type of jurisdictionally cognizable injury that can trigger personal jurisdiction over a foreign defendant. The District Court could not change the nature of the presumed injury, or shift its situs to New York. Accordingly, notwithstanding its willingness to infer injury where none was alleged, the District Court could not engineer a basis for personal jurisdiction over American Buddha that was structurally lacking.

6. Penguin's Remaining Legal Arguments Are Flawed and Do Not Make A Cogent Case For Reversal

a. Mischaracterizations of The District Court's Ruling and Supporting Precedents

As noted *supra*, Penguin mischaracterizes the District Court's ruling as inconsistent with the holding in *DiStefano*, which the District Court actually cited at the outset and carefully followed. Penguin also makes numerous references to the "line of authority" that it claims the District Court mistakenly followed; however, it fails to analyze cases cited in the Order.[7] That is because a review of those authorities would not be favorable to its position. Instead of analyzing those authorities, Penguin resorts to hyperbole, claiming that the District Court's

[7] Penguin fails to discuss *Lehigh Valley Indus. v. Birenbaum*, 527 F.2d 87 (2nd Cir. 1976) and *Art Leather Mfg. Col, Inc. v. Albumx Corp.*, 888 F.Supp. 565 (S.D.N.Y. 1995) cited at A-204 for the principle that injury must be directly caused by tortious activity. Penguin also fails to discuss *Freeplay Music v. Cox Radio, Inc.*, 2005 WL 1500896, discussed *supra*.

decision "defies logic," then deflects attention from the thinness of its argument by erecting straw men and knocking them down with vigor. Penguin argues, for example, that "the totality of the circumstances in a case such as this are vastly different from those in such cases as *Hermann v. Sharon Hosp., Inc., supra*,[8] in which a New York individual was injured by doctors in Connecticut, but felt the consequences when she was back in New York." (Appellant's Brief, 23.) The District Court *did not* cite *Hermann*, and *did consider* the totality of the circumstances presented by Penguin's allegations; however, those allegations, that showed no cognizable injury occurring in New York, failed to establish jurisdictional contacts sufficient to subject American Buddha to personal jurisdiction.

b. Irrelevant Discussions of Legislative History and The New York Longarm Statute

Penguin opens its brief by recounting of the legislative history of the New York Longarm Statute, incorporating a litany of cases involving an exploding gas tank from Kansas, the bite of a Spanish dog, a defective fondue pot from Canada, dental malpractice in New Jersey, and medical negligence in Connecticut. This barrage of irrelevant legal history is apparently aimed at weakening the unquestioned holding in *DiStefano*, that required the District Court to determine the location of the "original event which caused the injury." *DiStefano*, 286 F.3d

[8] *Hermann v. Sharon Hosp., Inc.*, 135 A.D. 2d 682 (2nd Dept. 987).

at 84, citing N.Y. C.P.L.R. 302(a).

Penguin uses its discussion of the Longarm statute to demolish another straw man. Although the District Court's decision didn't claim to be holding back the "floodgates of litigation," Penguin says it "echoed" that concern, and launches a volley of argument to assure this Court that "the findings of numerous courts comprising 'the competing line of cases' [have not] resulted in the opening of floodgates or the lubrication of slippery slopes." (Appelant's Brief, 24.) No citation is provided, of course, to these "findings of numerous courts." (Id.) Such argument illuminates no issues for determination, and merely obscures the clear process of analyzing the sufficiency of the District Court's decision.[9]

Penguin also cites to legal tests, such as the five-part test enunciated in *LaMarca v. Pak-Mor Mfg. Co.*, 95 N.Y.2d 210, 713 N.Y.S.2d 304 (N.Y. 2000), and then baldly asserts that it presented facts sufficient to satisfy the test, when it clearly did not. Penguin submitted no evidence that American Buddha had derived *any* income from *any* source, much less the "substantial revenue from interstate or international commerce" required by the *LaMarca* test.

Further, the *LaMarca* test, and the application of due process analysis, were

[9] The "floodgates" argument is off the mark, in any event. The point of requiring plaintiffs to carry the burden of showing that the defendants have sufficient contacts with the forum to warrant the imposition of jurisdiction upon them is not to reduce the volume of litigation, but to protect individual liberty from unwarranted exercise of judicial power. *Ruhrgas AG, supra*, 526 U.S. at 584.

not reached below, and are not relevant here, as the District Court made clear at the conclusion of its analysis, after finding that Penguin "bases its claim of injury solely on the economic effect of an injury inflicted by defendant elsewhere."

> "As this issue is dispositive, it is not necessary to explore whether plaintiff has met its burden on the other elements necessary to establish jurisdiction under Rule 302(a)(3)(ii), or whether the exercise of jurisdiction would comport with due process." (A-208, Order, p. 8.)

Because the exercise of personal jurisdiction must comport both with statutory requirements and constitutional limits, once the District Court found Penguin could not meet the statutory requirements, it concluded its analysis. "It is hardly novel for a federal court to choose among threshold grounds for denying audience to a case on the merits." *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. at 585. Accordingly, American Buddha will confine its arguments to the matters properly before this Court, *i.e.*, those that were decided below and at issue here.

c. Misconstruction of Authorities

Penguin misconstrues the holding in *Andy Stroud, cited supra* at note 6, arguing that it was decided under the "*McGraw-Hill* and *Design Tex*" line of authority. (Appellant's Brief, 28.) However, this was not the case, because *Andy Stroud* specifically took account of the *Freeplay* decision, and concluded that "this Court need not decide which of these approaches is appropriate, as Plaintiff has adequately pled a New York injury under either approach." *Andy Stroud*, WL 539863, at *6.

The fact is, the divergent statements in both *McGraw-Hill* and *Design Tex* -- that intellectual property infringement in New York equals injury in New York -- appear to be dictum, because both cases involved significant physical entry of either persons or material into New York in order to transact an infringing sale. In *McGraw-Hill Cos. v. Ingenium Techs. Corp.*, 375 F. Supp. 2d 252 (S.D.N.Y. 2005), defendant's representative met with plaintiff's employees "at McGraw-Hill's offices in New York several times each year [and there] were numerous other contacts with New York as well; for example, Ingenium each month e-mailed to a McGraw-Hill employee based in New York a revenue and expense report relating to their arrangements." *Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.*, 2005 U.S. Dist. LEXIS 2143 (S.D.N.Y. Feb. 14, 2005) involved the deliberate delivery by a Georgia company of infringing vinyl wall covering designs to a New York company in response to a specific request from within New York to send the designs to New York. Accordingly, just like *Andy Stroud* itself, each of these cases involved actual commercial transactions consummated in the forum state, and could have been decided under the analysis applied by the District Court in *Freeplay* and in the case at bar. The proper construction of this line of opinions would identify dictum as dictum and eliminate a perceived split in district court personal jurisdictional analysis.

Other cases cited by Penguin are inapposite. *Savage Universal Corp. v. Grazier Constr.*, 2004 U.S. Dist. LEXIS 16088 (S.D.N.Y. Aug. 13, 2004) (Lynch, J.), a trademark lawsuit decided by the District Court, involved a defendant who cybersquatted on plaintiff's business website, thus causing a loss of customers, sales, revenue and goodwill in New York. The District Court found, *inter alia*, that "the entire purpose of [defendant's] activity appears to have been to damage [the plaintiff's] reputation and business."

Fifth Ave. of Long Island Realty Associates v. Caruson Mgmt., 2009 U.S.Dist. LEXIS 13369, *5-6 (E.D.N.Y. Feb. 17, 2009) was a trademark dispute between a New York limited liability partnership and a California limited liability partnership over the trademark "Americana," in the market for leasing property management services in shopping centers, where enormous business interests were at issue, the defendant had an office in New York, the parties had a history of prior litigation, the ownership of Internet domain names were in dispute, and on a record of dueling affidavits, the court resolved the issue of whether personal jurisdiction existed, the dispositive fact being that defendant had announced to the New York real estate world that it had:

> "[O]pened an office in New York and professed to the business community that its New York office was 'a strategic expansion for the company,' stating that 'the opening of a New York office ... establishes a pivotal location for the company in the hub of the U.S. fashion industry,' allowing [defendant] to 'expand on [its] existing relationship with top industry innovators in fashion and retail,' have 'closer contact

with premier fashion houses as well as the latest retail pioneers' and 'explore real estate opportunities on the East Coast.'"

Finally, the case of *Mario Valente Collezione v. Confezioni Semeraro*, 174 F.Supp. 2d 170 (S.D.N.Y. 12/06/2001) upheld jurisdiction over a party that had directly, and through an agent in New York, made false representations to the Bloomingdales and Lord & Taylor department stores to the effect that the plaintiff had gone out of business or could no longer sell a certain line of clothing in New York.

In summary, several authorities that Penguin represents support its position in fact do not support it at all, and those that appear to do so only in dictum. *Andy Stroud*, *supra*, and the *McGraw-Hill* and *Design Tex* line of authority can properly be harmonized with established personal jurisdictional analysis to keep it on a steady course in the face of technological developments that may present challenges to the judicial system, but do not warrant the wholesale abrogation of sensible protections for out of state defendants who have committed no injurious acts within New York.

D. Penguin Forfeited The Opportunity to Amend or Seek Jurisdictional Discovery By Not Raising Those Matters Below

The failure to raise an issue in the District Court results in its forfeiture except where exceptional circumstances compel its consideration on appeal. *Mycak v. Honeywell,* 953 F.2d 798, 803 (2nd Cir. 1992); *Davis v. Musler*, 713 F.2d 907, 917 (2nd Cir. 1983) (Van Graffeiland, concurring). Penguin did not

request leave to amend, and accordingly, forfeited the argument. *Pipiles v. Credit Bureau of Lockport*, 886 F.2d 22, 25 (2nd Cir. 1989)(denying request for leave to amend Fair Credit Collection Act complaint where leave not sought from District Court). Similarly, Penguin did not request leave to conduct jurisdictional discovery or to amend its complaint, and may be deemed to have forfeited those arguments. If the District Court is deemed to have impliedly denied requests that were never made, the implied denial thereof would be subject to review for abuse of discretion. *First City, Texas-Houston, N.A. v. Rafidain Bank*, 150 F.3d 172, 175 (2d Cir. 1998)(denial of jurisdictional discovery); *McCarthy v. Dun & Bradstreet Corp.*, 482 F.3d 184, 200 (2d Cir. 2007)(denial of leave to amend). Because Penguin failed to establish a prima facie case of jurisdiction over American Buddha, the District Court would be correspondingly deemed to be well within its discretion in refusing to allow discovery. *Jazini v. Nissan Motor Co.*, 148 F.3d 181, 186 (2nd Cir. 1998). With regard to its request for leave to amend, Penguin has not shown how amendment would produce any result other than what has already been obtained. Accordingly, remand would be futile, and Penguin's request therefore may appropriately be denied.

II. THE DISTRICT COURT PROPERLY HELD THAT DMCA PROCEDURES, THE MERITS, AND THE LITERARY EFFORTS OF OPPOSING COUNSEL WERE IRRELEVANT

Penguin's opposition to American Buddha's motion was backed by the Declaration of Thomas Kjellberg, that: (1) recounted the exchange of correspondence over DMCA procedures between American Buddha's counsel and Penguin's counsel (A-50-51; Kjellberg Declaration, ¶¶ 2-7); (2) attached "screen shots" of various websites other than naderlibrary.com (A-58-60; A-69-71); (3) attached incorporation documents from the Oregon Secretary of State for American Buddha and opposing counsel's LLC (A-73-83); (4) attached documents regarding the registration of various domain names registered in the name of opposing counsel (A-85-94); (5) attached correspondence between opposing counsel and in-house counsel for Google, Inc. about a dispute having nothing to do with this case (A-96-98); (6) provided a detailed bibliography of literary works written by opposing counsel (A-52-55, Kjellberg Dec. ¶¶ 14-22); (7) attached screen shots of opposing counsel's literary works offered for sale through the Amazon Kindle wireless reader (A-100-143); (8) attached screen shots of opposing counsel's professional website (A-154-158); and, (9) attached a screen shot of the website where opposing counsel offers a non-fiction book for free reading and sale (A-151).

Before deciding the merits of a claim, the District Court is required to decide whether there is personal jurisdiction over the defendant, for if there is not, the court has no authority to render a decision on the merits. "Personal jurisdiction … is an essential element of district court jurisdiction, without which the court is powerless to proceed to an adjudication." *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 584, 19 S.Ct. 1563, 143 L.Ed.2d 760 (1999), *quoting Employer's Reinsurance v. Bryant,* 299 U.S. 374, 382, 57 S.Ct. 374 (1937); *see also, Arrowsmith v. United Press International,* 320 F.2d 219, 221 (2nd Cir. 1963).

In its eight-page Opinion and Order granting American Buddha's motion, the District Court found much of Penguin's proposed evidence to be superfluous:

> "In response to defendant's motion, plaintiff discusses the merits of its copyright infringement claim, argues the relative lack of merit in defendant's anticipated defenses, and provides a guided tour through the mechanisms for notification and counter-notification under the Digital Millennium Copyright Act, leading to its conclusion that defendant 'invited' this lawsuit. All of that, however, is irrelevant to the only issue presently before the Court: whether there is a basis for jurisdiction over defendant." (A-201, Opinion and Order, p. 1.)

The District Court acted well within its discretion by declining to consider irrelevant matters. Arguing that such matters come within the "totality of circumstances" relevant to determining the issue of personal jurisdiction, Penguin has attempted to exhume this corpus of non-probative facts on appeal. (Appellant's Brief, 25 - 26.) However, the totality of the circumstances does not expand the scope of evidence beyond those facts having a tendency to prove the

matter in dispute.[10] In a hearing on personal jurisdiction, "[t]he proper inquiry … is "whether looking at 'the totality of the defendant's activities within the forum', purposeful acts have been performed in New York …." *Sterling Nat'l Bank & Trust Co. v. Fidelity Mortgage Investors*, 510 F.2d 870, 873 (2nd Cir. 1975), *quoting Galgay v. Bulletin Company, Inc.*, 504 F.2d 1062, 1064 (2d Cir. 1974)(further citations omitted). The District Court determined that statements regarding "the lack of merit of American Buddha's purported defenses … American Buddha's sophistication with regard to electronic commerce and internet litigation … and certain writings, actions and statements of Charles Carreon,"[11] were irrelevant to the jurisdictional issues presented by the motion to dismiss.

As this Court held in *Arlio v. Lively*, 474 F.3d 46 (2nd Cir. 2007), reversing a trial judgment where irrelevant evidence was admitted:

> "To open the doors of relevance so wide as to allow a plaintiff to recite facts concerning claims he is not making or damages he is not seeking would violate the spirit of the Federal Rules and "hamper rather than advance the search for truth." *Arlio v. Lively*, 474 F.3d at 52-53, *quoting* 2 Weinstein & Berger, Weinstein's Federal Evidence § 402.02[3], at 402-15

Penguin's argument that the issue of personal jurisdiction encompasses issues as wide-ranging as the merits of the case, unalleged defenses, the

[10] *See*, Advisory Committee Note, F.R.E. § 401. "Once the rules of pleading and procedure have determined the material facts in a case, the concept of relevance can be applied to limit evidence that is admissible to prove those facts." Wright and Graham, Federal Practice and Procedure: Evidence § 5126, at 15.

[11] Appellant's Brief, 25 - 26.

defendant's character, and the literary efforts of its counsel, is simply a chimerical notion with no basis in law. The District Court properly rejected the suggestion, and this Court should do so as well.

III. CONCLUSION

The District Court correctly dismissed the action for lack of personal jurisdiction over American Buddha. Penguin has articulated no valid grounds for reversal. Accordingly, this Court is respectfully requested to affirm the judgment.

Dated: September 24, 2009

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CERTIFICATE OF COMPLIANCE

I certify that this brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) and contains no more than 5,392 words, exclusive of the table of contents and table of authorities, as measured by the word processing system used to prepare it.

Dated: September 25, 2009

s/Charles Carreon
Charles Carreon
Attorney for Defendant-Appellee

CERTIFICATE OF SERVICE

The undersigned hereby certifies:

On the date subscribed below, I served the foregoing Appellee's Brief on

Richard Dannay
Cowan, Liebowitz & Latman, P.C.
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New York, New York 10036

By enclosing the same in an envelope so addressed, and depositing it, on the said date, in a U.S. Postal Service mail receptacle, postage fully prepaid.

I further certify that the original and all required copies of the foregoing Appellee's Brief were filed with the Clerk of the Second Circuit Appellate District by mailing the same to the Clerk via U.S. Postal delivery on the date subscribed below.

Dated this 25th day of September, 2009

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