

New York Court of Appeals Rules That “Situs of the Injury” of Digital Piracy Is the Copyright Owner’s Place of Business, Helping New York Content Providers Battle Infringement

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On March 24, 2011, the New York Court of Appeals issued a decision which should be a boon to New York publishers and other on-line content providers who seek to sue (and deter) online pirates of their copyrighted works. The Court held in *Penguin Group (USA) Inc v. American Buddha*, 2011 WL 1044581 (N.Y. Mar. 24, 2011) (*American Buddha*) that “[i]n copyright infringement cases involving the uploading of a copyrighted printed literary work onto the Internet,” the situs of the injury for purposes of determining personal jurisdiction under N.Y.C.P.L.R. § 302(a)(3)(ii) is the “location of the principal place of business of the copyright holder,” not, as some courts had held in other circumstances, the location of the infringing action. This ruling will make it easier for publishers based in New York State—where the large majority of U.S. publishers are located—to bring actions in New York for online piracy of their published works, whether or not they can allege an infringing download or use within the state. The full opinion can be found [here](#).

Penguin Group v. American Buddha

Courts have struggled with the challenge of applying personal jurisdiction rules developed in geographical space to the internet. Prior to *American Buddha*, there were two competing lines of authority in New York as to what type of injury within New York was sufficient to confer jurisdiction over a foreign defendant for tortious acts committed outside the state under New York’s long-arm statute, § 302(a)(3)(ii). The Court of Appeals addressed this conflict in the online context in *American Buddha*.

Penguin Group (USA) (Penguin), based in New York, brought a copyright infringement action against *American Buddha*, an Oregon not-for-profit with its principal place of business in Arizona, which makes available free of charge to its members or the general public a wide variety of publications, including works published by Penguin. Penguin alleged jurisdiction under § 302(a)(3)(ii), which provides jurisdiction over foreign parties who commit tortious activities outside the state.

The district court granted *American Buddha’s* motion to dismiss on the grounds that the relevant injury took place where the tortious copying and uploading took place, and any general economic injury to Penguin in New York was not sufficient to confer jurisdiction. On appeal, the Second Circuit reviewed the two contradictory lines of authority and certified the question to the New York Court of Appeals, stressing that the specific impact of the Internet may play an important part in resolving the issue.

The Court of Appeals agreed. The Court acknowledged the split in the cases on whether a generalized injury in New York rather than the infringing act itself was sufficient to confer jurisdiction, but stressed that the location of the infringing act (uploading the file) was less important in the jurisdictional analysis when the alleged infringement involved the internet, “which by its nature is intangible and ubiquitous.” It found New York to be the situs of injury based on two factors.¹

First, the Court acknowledged that the internet and digital technology enable pirates “to reproduce and distribute perfect copies of works” at virtually no cost, making them instantaneously available anywhere. This renders the place of uploading inconsequential, makes it difficult to correlate lost sales to a particular geographic area and, in short, warranted giving the place of the infringing conduct less weight in this context.

Second, because of the multi-faceted nature of copyright, the harm from online piracy impacts more than

reproduction and display, but also the loss of the incentive to write or publish, an injury surely felt in New York where the publishers are located. The absence of any evidence in the record of a direct injury through unauthorized downloads of Penguin's books in New York was not fatal to this conclusion because of policy considerations enshrined in the copyright act; for example, the act provides for the broad availability of injunctive relief whether damages are also awarded or not.

Comments

The Court only addressed the certified question—the situs of injury—and did not rule on the ultimate question of personal jurisdiction over the alleged infringer. It explained that “our decision today does not open a Pandora’s box allowing any nondomiciliary accused of digital copyright infringement to be haled into a New York court when the plaintiff is a New York copyright owner of a printed literary work.” A plaintiff would still have to establish the additional statutory and constitutional requirements that (i) the defendant should “expect or should reasonably expect the act to have consequence in the state,” (ii) “derives substantial revenue from interstate or international commerce,” and (iii) has “minimum contacts” with the forum state, and (iv) that requiring the defendant to defend a suit here comports with “traditional notions of fair play and substantial justice.”

Still, the ruling will have important ramifications for on-line content providers based in New York. Despite *American Buddha’s* focus on “printed literary works,” its reasoning applies with equal force to the digital piracy of movies, television shows, music and other on-line content. These other works are also easily, inexpensively and quickly copied and distributed on-line around the world, and the injury inflicted by piracy of them is surely felt in New York, regardless of where the illegal uploads occur. As the publishing groups pointed out in their amicus brief, permitting content providers to sue out-of-state alleged infringers in New York will make it easier and quicker to obtain preliminary injunctive relief without determining where uploads took place. It will allow New York courts and litigants to benefit from the New York judiciary’s considerable expertise in applying copyright law to digital piracy within all content-providing industries based in New York, leading to greater consistency in this area.

FOOTNOTE

¹ Elizabeth McNamara, Linda Steinman and Christopher J. Robinson of Davis Wright Tremaine filed an amicus brief in support of Penguin on behalf of the Association of American Publishers and the Association of American University Presses, which stressed these two factors deemed “critical” by the Court.

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