

September 2011

Cases of Note -- Copyright: Situs of Injury for Intellectual Property Infringement -- Who the Heck Knows?

Bruce Strauch

The Citadel, strauchb@citadel.edu

Follow this and additional works at: <https://docs.lib.purdue.edu/atg>

 Part of the [Library and Information Science Commons](#)

Recommended Citation

Strauch, Bruce (2011) "Cases of Note -- Copyright: Situs of Injury for Intellectual Property Infringement -- Who the Heck Knows?," *Against the Grain*: Vol. 23: Iss. 4, Article 28.

DOI: <https://doi.org/10.7771/2380-176X.5953>

This document has been made available through Purdue e-Pubs, a service of the Purdue University Libraries. Please contact epubs@purdue.edu for additional information.



LEGAL ISSUES



Section Editors: **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>
Bryan M. Carson, J.D., M.I.L.S. (Western Kentucky University) <bryan.carson@wku.edu>
Jack Montgomery (Western Kentucky University) <jack.montgomery@wku.edu>

Cases of Note — Copyright

Situs of Injury for Intellectual Property Infringement — Who the Heck Knows?

by **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

Penguin Group (USA) Inc. v. American Buddha, UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT, 609 F.3d 30; 2010 U.S. App. LEXIS 1269.

Penguin Group USA is the American arm of **Penguin Group** and a huge book trade publisher with its principal place of business in New York City. **American Buddha** is an Oregon nonprofit that runs a “passive Website” called the **Ralph Nader Library**, even though it has nothing whatsoever to do with wily political spoiler **Ralph** “Unsafe At Any Speed” **Nader** himself. **Buddha** operates an online library that provides access to literature. And **Buddha** electronically scooped four **Penguin** books.

Buddha’s principal place of business is Arizona, and their online library is hosted on servers located in Oregon and Arizona. Its 50,000 members can access free of charge the books which **Buddha** promised them are not infringing copyright due to fair use. **Penguin** disagreed and sued in New York under 17 U.S.C. § 501.

Yes, you’re dying to know the four titles in question. They were Oil! by Upton Sinclair; It Can’t Happen Here by Sinclair Lewis; The Golden Ass by Apuleius; and On the Nature of the Universe by Lucretius. Very serious Penguiny kinds of books.

Other than folks in NY being able to access the site, **Buddha** had no other contact with the state. **Buddha** moved to dismiss under FRCP 12(b)(2) for lack of personal jurisdiction. **Penguin** argued they had personal jurisdiction under New York’s **Long-Arm Statute**, N.Y.C.P.L.R. § 302(a). This grants jurisdiction over a party that “commits a tortious act within the state.”

Think car wreck in NYC. Arizona driver goes home. Says come sue me in Tucson. If he drives in NY, he should have the expectation of litigating in NY.

Penguin said copyright infringement is a tortious act and **Buddha** did it in NYC.

But did the injury occur in NY?

Small point (or big point?), but **Penguin** did not allege injury due to New Yorkers reading the books in question. Rather the sole tortious act was **Buddha’s** uploading in NYC.

District Court found the injury occurred in Arizona where the downloading took place. It felt that **Penguin** merely residing in NYC was not enough. There must be a more direct injury within the state. And it went to appeal.

So Penguin should have alleged lost sales in NY? And what were they paying their lawyers to overlook that?

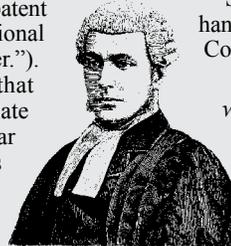
The Appeal

The Second Circuit took a closer look at N.Y.C.P.L.R. and focused on an amendment found in § 302(a)(3)(ii) which gives personal jurisdiction over someone who commits a tortious act outside the state, but injures someone in New York.

This amendment was the result of a gap found in *Feathers v. McLucas*, 209 N.E.2d 68 (1965) in which the NY Court of Appeals declined to apply section 302(a)(2) to a manufacturer who built a gas tank in Kansas that blew up in NY.

But it was still unclear what the situs of injury is in an intellectual property case.

Two lines of authority compete on this issue. Some courts have held the location to be the residence of its owner. See, e.g. *Horne v. Adolph Coors Co.*, 684 F.2d 255, 259 (3d Cir. 1982) (“[I]nsofar as the situs of the property damaged by the alleged wrongdoing is a concern, both a state trade secret and a patent should be deemed to have their fictional situs at the residence of the owner.”). “The theory [of these cases] is that since intellectual property rights relate to intangible property, no particular physical situs exists. If a legal situs must be chosen, it is not illogical to pick the residence of the owner.” *Beverly Hills Fan Co. v. Royal*



Sovereign Corp., 21 F.3d 1558, 1570 (Fed. Cir. 1994).

Indeed. How could one disagree? But some do.

Other courts feel intellectual property is located at the place of the infringement, as that is where sales are lost. *Am. Eutectic Welding Alloys Sales Co., Inc. v. Dytron Alloys Corp.*, 439 F.2d 428 (2d. Cir. 1971).

But that doesn’t deal with the upload v. download question. And the sales might have been lost in Wisconsin, Alabama, and Florida. Does Penguin have to sue Buddha in each state for the piddly lost sales?

What Did the Legislature Intend?

The Second Circuit looked at the legislative history of N.Y.C.P.L.R. and didn’t find squat for guidance. The Long-Arm Statute was intended to be “broad enough to protect New York residents yet not so broad . . . as to burden unfairly non-residents whose connection with the state is remote and who could not reasonably be expected to foresee that their acts outside of NY could have harmful consequences in NY.” *Reyes v. Sanchez-Pena*, 742 N.Y.S.2d 513, 520 (N.Y. Sup. Ct. 2002).

Thanks a bunch legislature. Go back to squandering money. You’re good at that.

So the Second Circuit threw up their hands and certified it to the New York Court of Appeals.

Since law schools are producing way too many lawyers, prospective students should be forced to read and brief cases on jurisdiction before admission. That would send a pack of them to business school. 🐼

Rumors from page 50

then asked the question: “Are you planning to cancel a ‘big deal’ package this fiscal year?” We got 55 responses. 10 (18% said yes) and 45 (82%) said no. The voting is still open. Go to <http://www.against-the-grain.com/2011/07/atg-i-wonder-wednesday-big-deal-cancellations/>.

We in **Charleston** were happy that **Hurricane Irene** changed her mind! Whew! But sorry that our friends in **Vermont** and **New England** caught the brunt of it. Ouch! Let’s hope that these earthquakes and hurricanes stay put for a while! See y’all at the **Charleston Conference** in November and the **ATG NewsChannel** year round!! Love to all y’all! 🐼