

1 UNITED STATES COURT OF APPEALS

2 FOR THE SECOND CIRCUIT

3 August Term, 2010

4 (Argued: January 7, 2010 Question Certified: June 15, 2010

5 Certified Question Answered: March 24, 2011

6 Decided: May 12, 2011)

7 Docket No. 09-1739-cv

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9 PENGUIN GROUP (USA) INC.,

10 Plaintiff-Appellant,

11 - v -

12 AMERICAN BUDDHA,

13 Defendant-Appellee.
14 -----

15
16 Before: SACK, KATZMANN, and CHIN,* Circuit Judges.

17 Appeal by the plaintiff from an order of the United
18 States District Court for the Southern District of New York
19 (Gerard E. Lynch, Judge) dismissing this action for lack of
20 personal jurisdiction over the defendant. In answer to a
21 question we certified to the New York Court of Appeals, see
22 Penguin Grp. (USA) Inc. v. Am. Buddha, 609 F.3d 30, 42 (2d Cir.
23 2010), that court has concluded that "[i]n copyright infringement
24 cases involving the uploading of a copyrighted printed literary

* The Honorable Denny Chin, who was at the time of argument a United States District Judge for the Southern District of New York sitting by designation, is now a member of this Court.

1 work onto the Internet, . . . the situs of injury for purposes of
2 determining long-arm jurisdiction under [the relevant section of
3 New York's long-arm-jurisdiction statute is] . . . the location
4 of the copyright holder," Penguin Grp. (USA) Inc. v. Am. Buddha,
5 16 N.Y.3d 295, 301-02, --- N.E.2d ---, ---, --- N.Y.S.2d ---, ---
6 (2011). In light of this response by the Court of Appeals, the
7 judgment of the district court is now:

8 Vacated and Remanded.

9 RICHARD DANNAY, Cowan, Liebowitz &
10 Latman, P.C. (Thomas Kjellberg, of
11 counsel), New York, N.Y., for Plaintiff-
12 Appellant.

13 CHARLES CARREON, Online Media Law, PLLC,
14 Tucson, Ariz., for Defendant-Appellee.

15 PER CURIAM:

16 This appeal, which returns to us after the New York
17 Court of Appeals responded to a question we certified to that
18 Court, concerns the limits of New York's "long-arm" jurisdiction
19 over out-of-state defendants in copyright infringement actions.
20 We assume the readers' familiarity with the facts and procedural
21 history as set forth in our previous opinion in this case. See
22 Penguin Grp. (USA) Inc. v. Am. Buddha, 609 F.3d 30, 32-34 (2d
23 Cir. 2010) ("Am. Buddha II"). We rehearse them here only insofar
24 as we think necessary to explain our final resolution of this
25 appeal.

26 The defendant American Buddha is an Oregon not-for-
27 profit corporation with its principal place of business in
28 Arizona that maintains a website known as the Ralph Nader

1 Library.² The website "provides access to classical literature
2 and other works . . . , including [four] works published in print
3 format by Plaintiff-Appellant Penguin Group (USA) Inc.
4 [("Penguin")]."³ Am. Buddha II, 609 F.3d at 33 (internal
5 quotation marks omitted). Having learned of the existence of
6 American Buddha's website and its contents, Penguin filed suit
7 against American Buddha in the United States District Court for
8 the Southern District of New York, alleging that American
9 Buddha's posting of the four Penguin books on the Internet
10 violated Penguin's copyrights in works that it had published.⁴
11 American Buddha moved to dismiss the complaint pursuant to Rule
12 12(b)(2) of the Federal Rules of Civil Procedure, "contending
13 that it has done nothing that would make it amenable to suit in
14 New York." Penguin Grp. (USA) Inc. v. Am. Buddha, No. 09-cv-528,
15 2009 WL 1069158, at *1, 2009 U.S. Dist. LEXIS 34032, at *1
16 (S.D.N.Y. Apr. 21, 2009) ("Am. Buddha I"). The district court

² The Ralph Nader Library is not affiliated with well known consumer advocate Ralph Nader. See Penguin Grp. (USA) Inc. v. Am. Buddha, 609 F.3d 30, 33 (2d Cir. 2010).

³ Penguin alleges that American Buddha has posted the following four books in their entirety on www.naderlibrary.com, thereby infringing Penguin's copyrights in the printed works: Upton Sinclair, Oil!; Sinclair Lewis, It Can't Happen Here; Apuleius, The Golden Ass (E.J. Kenney trans.); and Lucretius, On the Nature of the Universe (R.E. Latham trans.). Penguin Grp. (USA) Inc. v. Am. Buddha, No. 09-cv-528, 2009 WL 1069158, at *1, 2009 U.S. Dist. LEXIS 34032, at *2 (S.D.N.Y. Apr. 21, 2009).

⁴ Subject matter jurisdiction was premised on the federal courts' "original and exclusive" jurisdiction over actions alleging copyright infringement pursuant to 17 U.S.C. § 501. Compl. ¶ 4; see 28 U.S.C. § 1338(a).

1 agreed, ruling, as we later characterized it, that the "situs of
2 the injury" was "where the book[s in which Penguin holds the
3 copyrights were] electronically copied -- presumably in Arizona
4 or Oregon, where American Buddha and its computer servers were
5 located -- and not New York, where Penguin was headquartered."
6 Am. Buddha II, 609 F.3d at 32; see also Am. Buddha I, 2009 WL
7 1069158, at *4, 2009 U.S. Dist. LEXIS 34032, at *13. This appeal
8 followed.

9 Concluding that resolution of the issues raised on
10 appeal "require[d] analysis of state law and policy
11 considerations that this Court is ill-suited to make," Am. Buddha
12 II, 609 F.3d at 32, we certified a question to the New York Court
13 of Appeals, which that Court has now answered.

14 The district court's dismissal of Penguin's complaint
15 rested on its interpretation of New York's long-arm statute, N.Y.
16 C.P.L.R. 302(a)(3)(ii). It provides, in pertinent part:

17 [A] court may exercise personal jurisdiction
18 over any non-domiciliary . . . who . . .
19 commits a tortious act without the state
20 causing injury to person or property within
21 the state, . . . if he . . . expects or
22 should reasonably expect the act to have
23 consequences in the state and derives
24 substantial revenue from interstate or
25 international commerce

26 N.Y. C.P.L.R. 302(a)(3)(ii). To establish jurisdiction under
27 this provision, a plaintiff must demonstrate that:

28 (1) the defendant's tortious act was
29 committed outside New York, (2) the cause of
30 action arose from that act, (3) the tortious
31 act caused an injury to a person or property
32 in New York, (4) the defendant expected or

1 should reasonably have expected that his or
2 her action would have consequences in New
3 York, and (5) the defendant derives
4 substantial revenue from interstate or
5 international commerce.

6 Am. Buddha II, 609 F.3d at 35 (citing LaMarca v. Pak-Mor Mfg.
7 Co., 95 N.Y.2d 210, 214, 735 N.E.2d 883, 886, 713 N.Y.S.2d 304,
8 307 (2000)).

9 In this case, the applicability vel non of the long-arm
10 statute turns on the third requirement: the situs of Penguin's
11 injury. For the district court to find that the long-arm statute
12 conferred jurisdiction on courts in New York, Penguin was
13 required to show that it suffered injury "within the state."
14 After examining two competing lines of New York cases, the
15 district court reasoned that "[b]ecause Penguin pleaded
16 infringement only by American Buddha, and not by any individual
17 who downloaded material from American Buddha's site, . . .
18 business was lost through the copying of the copyrighted works by
19 American Buddha and not through their placement on the Internet."
20 Id. at 37 (characterizing the district court's analysis in Am.
21 Buddha I). The district court therefore concluded that Penguin's
22 business was lost -- and its injury suffered -- "where the books
23 were uploaded -- Oregon or Arizona -- not where they were
24 downloaded and used, which could have been anywhere that the
25 Internet is available, including New York." Id. (same).

26 On appeal to this Court, we decided that resolution of
27 the appeal "require[d] a determination of how the New York State
28 Legislature intended to weigh the breadth of protection to New

1 Yorkers whose copyrights have allegedly been infringed against
2 the burden on non-resident alleged infringers whose connection to
3 New York may be remote and who may reasonably have failed to
4 foresee that their actions would have consequences in New York."
5 Id. at 32; see also id. at 37-41 (reviewing the legislative
6 history of the relevant long-arm provisions and New York cases
7 interpreting them).

8 We therefore certified the following question to the
9 New York Court of Appeals:⁵ "In copyright infringement cases, is
10 the situs of injury for purposes of determining long-arm
11 jurisdiction under N.Y. C.P.L.R. § 302(a)(3)(ii) the location of
12 the infringing action or the residence or location of the
13 principal place of business of the copyright holder?" Id. at 32.

14 On March 24, 2011, the Court of Appeals answered a
15 "narrow[ed] and reformulate[d]" version of our question. Penguin
16 Grp. (USA) Inc. v. Am. Buddha, 16 N.Y.3d 295, 301, --- N.E.2d ---
17 , ---, --- N.Y.S.2d ---, --- (2011) ("Am. Buddha III"). The
18 Court rephrased our question as follows: "In copyright
19 infringement cases involving the uploading of a copyrighted
20 printed literary work onto the Internet, is the situs of injury
21 for purposes of determining long-arm jurisdiction under N.Y.
22 C.P.L.R. § 302(a)(3)(ii) the location of the infringing action or
23 the residence or location of the principal place of business of

⁵ The district court does not have statutory authority to ask the New York Court of Appeals for its views on unsettled and important issues of New York law. We do. See N.Y. Comp. Codes R. & Regs. tit. 22, § 500.27(a).

1 the copyright holder?" Id. at 301-02, --- N.E.2d at ---, ---
2 N.Y.S.2d at --- (emphasis added).⁶ The Court concluded that "a
3 New York copyright owner alleging infringement sustains an in-
4 state injury pursuant to CPLR 302(a)(3)(ii) when its printed
5 literary work is uploaded without permission onto the Internet
6 for public access." Id. at 304, --- N.E.2d at ---, --- N.Y.S.2d
7 at ---.

8 The New York Court of Appeals observed that "the
9 Internet itself plays an important role in the jurisdictional
10 analysis in the specific context of this case." Id. at 304, ---
11 N.E.2d at ---, --- N.Y.S.2d at ---. "[T]he alleged injury in
12 this case involves online infringement that is dispersed
13 throughout the country and perhaps the world." Id. at 305, ---
14 N.E.2d at ---, --- N.Y.S.2d at ---. The Court therefore
15 concluded that "it is illogical to extend" the traditional tort
16 approach that "equate[s] a plaintiff's injury with the place
17 where its business is lost or threatened" to the context of
18 "online copyright infringement cases where the place of uploading
19 is inconsequential and it is difficult, if not impossible, to
20 correlate lost sales to a particular geographic area." Id. at
21 305, --- N.E.2d at ---, --- N.Y.S.2d at ---.

⁶ The Court of Appeals emphasized that it was not "necessary [for it] to address whether a New York copyright holder sustains an in-state injury pursuant to CPLR 302(a)(3)(ii) in a copyright infringement case that does not allege digital piracy and, therefore, express[ed] no opinion on that question." Am. Buddha III, 16 N.Y.3d at 307 n.5, --- N.E.2d at --- n.5, --- N.Y.S.2d at --- n.5.

1 The Court also identified the right of a copyright
2 holder "'to exclude others from using his property'" as a
3 "critical factor that tips the balance in favor of identifying
4 New York as the situs of injury." Id. at 305, --- N.E.2d at ---,
5 --- N.Y.S.2d at --- (quoting eBay Inc. v. MercExchange, L.L.C.,
6 547 U.S. 388, 392 (2006)). In light of this right and the
7 "undisputed" fact that "American Buddha's Web sites are
8 accessible by any New Yorker with an Internet connection," the
9 Court viewed the "absence of any evidence of the actual
10 downloading of Penguin's four works by users in New York" as "not
11 fatal to a finding that the alleged injury occurred in New York."
12 Id. at 306, --- N.E.2d at ---, --- N.Y.S.2d at ---.

13 The Court of Appeals rejected American Buddha's
14 assertion that its decision would "open a Pandora's box allowing
15 any nondomiciliary accused of digital copyright infringement to
16 be haled into a New York court when the plaintiff is a New York
17 copyright owner of a printed literary work." Id. at 307, ---
18 N.E.2d at ---, --- N.Y.S.2d at ---. The Court was satisfied that
19 the long-arm statute's "built-in safeguards against such
20 exposure," together with the requirements of the United States
21 Constitution's Due Process Clause, would guard against such
22 abuse. Id. at 307, --- N.E.2d at ---, --- N.Y.S.2d at ---.

23 When this appeal was last before us, we indicated that
24 "were we eventually to agree with Penguin, contrary to the
25 district court's decision, that the situs of injury was indeed
26 New York, the proper course would be to remand to the district

1 court to consider the remaining four factors for personal
2 jurisdiction under the long-arm statute." Am. Buddha II, 609
3 F.3d at 41. The Court of Appeals' decision now compels us to
4 "agree with Penguin" and to conclude, for the purposes of the
5 personal jurisdiction analysis pursuant to New York's long-arm
6 statute, that the situs of Penguin's alleged injury was New York.

7 As we observed in American Buddha II, the district
8 court's opinion and order dismissing Penguin's complaint
9 addressed only the situs-of-injury issue. See id.; Am. Buddha I,
10 2009 WL 1069158, at *4, 2009 U.S. Dist. LEXIS 34032, at *13 ("As
11 this issue is dispositive, it is not necessary to explore whether
12 plaintiff has met its burden on the other elements necessary to
13 establish jurisdiction under Rule 302(a)(3)(ii), or whether the
14 exercise of jurisdiction would comport with due process."). We
15 therefore vacate the judgment of the district court and remand
16 this case to that court for its consideration in the first
17 instance of whether Penguin has established the four remaining
18 jurisdictional requisites, and the extent to which the assertion
19 of personal jurisdiction over American Buddha would be consistent
20 with the requirements of Due Process.

21 For the foregoing reasons, the judgment dismissing the
22 plaintiff's complaint is vacated and the case is remanded to the
23 district court for further proceedings consistent with this
24 opinion and with the Court of Appeals' response to our certified
25 question.