

Certified Question from the Second Circuit  
*Penguin Group (USA) Inc. v. American Buddha*, 609 F.3d 30 (2d Cir. 2010)

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COURT OF APPEALS

STATE OF NEW YORK

PENQUIN GROUP (USA) INC.,

*Plaintiffs-Appellant,*

-against-

AMERICAN BUDDHA,

*Defendant-Appellee.*

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**BRIEF OF *AMICUS CURIAE* FOR THE  
INTERNATIONAL TRADEMARK ASSOCIATION**

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## INTRODUCTION

The International Trademark Association (“INTA”) submits this brief as *amicus curiae* in a copyright case because the Second Circuit’s opinion certifying the jurisdictional question appears to invite this Court to render a broad advisory opinion for all types of intellectual property, even though trademarks, patents and trade secrets are not at issue in this case. Accordingly, INTA respectfully requests that this Court address only the precise issue presented by the Second Circuit’s certified question, *i.e.*, the jurisdiction over parties in a copyright case under C.P.L.R. § 302(a)(3).

INTA submits that such a broad advisory opinion would ignore the fundamental differences among the various kinds of intellectual property and, particularly, those between copyright and trademark. These differences include sharp distinctions in how a copyright is created (by statute) and how a trademark is created (by use in commerce<sup>1</sup>), as well as stark differences in how a copyright owner is harmed (by unauthorized copies of the copyrighted work) versus how a trademark owner is harmed (the goodwill associated with a trademark is injured by a third party’s unauthorized use of the trademark). These differences, as expanded upon below, have a dramatic impact on the proper analysis of jurisdiction under

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<sup>1</sup> Use of the mark in commerce is required for federal trademark protection. *See* 15 U.S.C. § 1051. Use in commerce may not be required to obtain state trademark protection. For example, in New York, the mark must be used anywhere in New York to be entitled to registration but need not be used in commerce as defined under federal law. *See* N.Y. Gen. Bus. Law § 360(b).

C.P.L.R. § 302(a)(3)(ii) in trademark cases versus copyright cases. If this Court were to render a broad advisory opinion in this case – in which trademark owners (not to mention owners of patent and trade secret rights) have not had the opportunity to be heard and no record of trademark-specific facts has been developed – trademark owners might not be heard in future cases with facts unique to trademark rights because the courts determining jurisdiction in those cases may simply apply the broad advisory opinion issued by this Court.

Accordingly, INTA respectfully requests that this Court render its decision on the certified question as it relates to copyright cases, in view of the facts before it under C.P.L.R. § 302(a)(3), and not extend its decision to trademark cases or other distinctly different kinds of intellectual property cases.

#### **STATEMENT OF INTEREST OF *AMICUS CURIAE***

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 5,800 members in more than 190 countries. Its members include trademark owners, law firms, private investigators, and other professionals who regularly assist brand owners in the creation, protection, and enforcement of their trademarks. All of INTA's members share the goal of promoting an understanding of the essential role that

trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition.

INTA members are frequent participants in trademark litigation as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent, and equitable principles of trademark and unfair competition law.

INTA has substantial expertise and has participated as *amicus curiae* in numerous cases involving significant trademark issues, including in this Court. *See ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), *certified questions accepted*, 870 N.E.2d 151 (N.Y. 2007), *cert. denied*, 128 S. Ct. 288, *certified questions answered*, 880 N.E.2d 852 (N.Y. 2007), *later proceedings*, 518 F.3d 159 (2d Cir. 2008).

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with almost all major trademark cases.

INTA generally has not taken a position in non-trademark intellectual property issues – and INTA takes no position on the certified question before this Court. INTA and its members, however, have a particular interest in this case because, beyond the certified copyright jurisdiction question, the Second Circuit's

opinion appears to invite this Court to interpret, without briefing or a relevant case or controversy before it, the application of New York's long-arm statute, C.P.L.R. § 302(a)(3), to other forms of intellectual property, including trademarks.

As discussed more fully below, the differences between copyright and trademark require a separate analysis for each of those intellectual property rights under C.P.L.R. § 302(a)(3). INTA submits this brief only to underscore the importance of why this Court should limit its decision on the certified question to copyright cases. We acknowledge that much of our submission is self-evident and encourages a consideration that this Court would no doubt weigh on its own.

**A. The Court of Appeals Should Answer Only The Second Circuit's Certified Question As It Relates to Copyrights**

**1. The Second Circuit's Opinion Certifying the Question to this Court Appears to Invite the Court to Decide Broadly The Certified Question for All Intellectual Property Cases**

In its opinion certifying the jurisdiction question to this Court, the Second Circuit found no New York case applying C.P.L.R. § 302(a)(3) in a copyright dispute. Accordingly, it certified the following question to this Court:

*In copyright infringement cases, is the situs of injury for purposes of determining long-arm jurisdiction under N.Y. C.P.L.R. § 302(a)(3)(ii) the location of the infringing action or the residence or location of the principal place of business of the copyright holder?*

INTA respectfully submits that this is the only question which this Court should address.



That a case must be decided on its facts is a well-established tenet of the judicial system. *See City of Los Angeles v. Lyons*, 461 U.S. 95, 101 (1983). A decision based on the uncertain facts of a future event violates this long-standing principle and amounts to an advisory opinion. *Long Island Lighting Co. v. City of Suffolk, N.Y.*, 604 F. Supp. 759, 763 (E.D.N.Y. 1985).

Here, the Second Circuit's opinion certifying the present C.P.L.R. § 302(a)(3) jurisdiction question in a copyright case includes statements that appear to invite this Court to go beyond the copyright facts before it, and to broadly, through an advisory opinion, decide the jurisdiction question for all intellectual property cases, including trademark cases<sup>2</sup>:

- “The district court recognized two competing lines of authority interpreting section 302(a)(3)(ii), one that views the situs of injury as the location of the . . . plaintiff and, in some cases, the location of its *intellectual property*.” *Penguin Group (USA) Inc. v. Am. Buddha*, 609 F.3d 30, 32 (2d Cir. 2010) (emphasis added in *italics* for this quote and all the quotes below).
- “Neither the New York Court of Appeals nor this Court has decided what the situs of injury is in an *intellectual property* case.” *Id.* at 36.

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<sup>2</sup> While a broad decision on the applicability of C.P.L.R. § 302(a)(3) could affect all intellectual property, INTA limits its discussion to trademark rights.

- “Several courts have at least suggested that *intellectual property* has a location for jurisdictional purposes.” *Id.* at 36 n.4.
- “The district court recognized a division of authority as to the situs of injury for purposes of section 302(a)(3)(ii) in *intellectual property* infringement cases.” *Id.* at 36.
- “The New York Court of Appeals has never squarely applied N.Y. C.P.L.R. § 302(a)(3)(ii) in the *intellectual property* context.” *Id.* at 38.
- “But *Sybron* does raise a reasonable likelihood that the New York Court of Appeals may interpret the alleged wrong here - which [sic] is analogous to a commercial tort and involves both the presumptive presence of *intellectual property* rights in the State, and the likely ability of the plaintiff to foresee that distribution of the copyright material in use will cause loss beyond that caused by the initial unauthorized uploading of the copyrighted works - to [sic] involve more than derivative economic harm within the State.” *Id.* at 39.
- “Although we have never extended this logic to conclude that there was jurisdiction in New York courts over a defendant in

an *intellectual property* dispute, district courts in this Circuit have.” *Id.* at 40.

- “But these cases can be read to suggest that the injury from the infringement of an *intellectual property* right committed outside of New York may be a New York injury for section 302(a)(3) purposes if it adversely affects the plaintiff and his *intellectual property* . . . .” *Id.* at 41.
- “Looking not to domicile or residence but to lost business at the site of the allegedly infringing action taken by the defendant, some other district courts in this Circuit have concluded that injuries resulting from *intellectual property* torts occur where the infringing action is taken.” *Id.*
- “Resolution of this appeal requires deciding how the New York Legislature intended to strike the balance between the protection of New York-based *intellectual property* holders and the rights of defendants with few if any apparent ties to New York beyond the availability of material they have uploaded to a website out-of-state.” *Id.* at 42.
- “If the Court of Appeals decides the situs of injury to be the location of the plaintiff and the *intellectual property* at issue,

then the district court's opinion must, with virtual certainty, be vacated and we expect to remand for further proceedings." *Id.*

- In its review of arguments supporting personal jurisdiction over American Buddha, the Second Circuit discussed trade secret misappropriation and cited approvingly a district court opinion in a trademark infringement case for the principle that an injury to any "*intellectual property right*" occurs wherever the right is held. *Id.* at 40.

Finally, although the Second Circuit certified a very specific question for review by this Court, the Second Circuit concluded its opinion by stating, "...we do not intend to limit the scope of the Court of Appeals' analysis through the formulation of our question and *we invite the Court of Appeals to expand upon or alter this question as it should deem appropriate.*" *Id.* at 42-43 (emphasis added). This last comment, coupled with numerous other broad references to "intellectual property" by the Second Circuit, is the basis for INTA's concern that the Second Circuit's certification might prompt a decision that purposely or inadvertently addresses the certified question for all intellectual property cases, including trademark cases, even though there was no trademark case or controversy before the Second Circuit or this Court and, therefore, no opportunity for the parties to brief trademark issues.

The Second Circuit's recent decision in *Chloe v. Queen Bee of Beverly Hills, LLC*, a trademark counterfeiting case, adds to INTA's concern. There the Second Circuit concluded, in a trademark case, that the defendant was subject to personal jurisdiction under C.P.L.R. §302(a)(1) because it transacted business within New York, *i.e.*, there was an actual sale of an infringing product in New York. 616 F.3d 158 (2d Cir. 2010).

Notably, however, the Second Circuit in *Chloe* refused to reach the question of whether jurisdiction might also lie under C.P.L.R. §302(a)(3), adding in a footnote: "We note further that addressing the application of section 302(a)(3) 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. *Penguin Group (USA) Inc. v. American Buddha*, No. 09-1739-cv, --- F.3d ---, 2010 WL 2365545 (2d Cir. June 15, 2010)." *Id.* at 169 n.6. This dictum suggests that the Second Circuit left open the possibility for this Court to render a broad advisory opinion on the certified jurisdiction question for all forms of intellectual property, including trademarks, even though there is no opportunity in this case for interested parties to address the issues unique to forms of intellectual property other than copyright.

INTA respectfully submits that it would be preferable not to render an advisory opinion without a relevant case and controversy and appropriate briefing

by interested parties, including those parties whose trademark rights could be most affected under C.P.L.R. § 302(a)(3)(ii). This is especially true, where, as here, (1) there are fundamental differences between copyrights and trademark rights that necessarily would render a broad decision “advisory” in nature; and (2) trademark owners have had no opportunity to be heard on the matter before this Court or to develop a record with respect to a relevant set of factual circumstances involving a trademark.

**2. The Differences Between Trademarks and Copyrights Require That The Determination of the Certified Jurisdictional Question Be Tailored to the Copyright Case Before this Court**

Each form of intellectual property differs in the fundamental right that it protects. Indeed, the Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.* warned against blurring the boundaries between trademark and copyright law. 539 U.S. 23, 34, 123 S. Ct. 2041, 2048 (2003). In particular, the scope of rights provided by copyright and trademark protections is defined quite differently. See 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6:14 (4th ed. 2010) (“MCCARTHY”).

Two important and relevant distinctions between copyright and trademark rights are the manner in which such rights are created and the scope and length of protection afforded to each right. On the one hand, copyrights are established when a work is created in a fixed tangible medium of expression, and copyright

protection extends nationwide, and indeed worldwide, for a fixed period of time under a federal statute. *See* 17 U.S.C. § 101, *et. seq.*; Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 828 U.N.T.S. 221, S. TREATY DOC. No. 99-27 (1989) (codified in various sections of 17 U.S.C. § 106A (2006)). Trademark rights in the United States, on the other hand, are acquired based upon an owner's use of the mark in commerce<sup>3</sup> to identify the source or origin of a product or service, and their geographic scope depends upon use, registration, and reputation. 5 MCCARTHY §§ 26:1, 26:31. Unlike copyrights, trademarks do not expire after any specified term, and can be perpetual as long as they continue to be used in commerce.<sup>4</sup> 3 MCCARTHY § 17:9. In addition, while both state and federal courts have jurisdiction to hear trademark cases, only federal courts have exclusive jurisdiction to hear copyright and patent cases.

Another fundamental difference between copyright and trademark is that an infringer violates an exclusive copyright at the moment that the infringer copies (or adapts, distributes, performs, or displays) the work. *See* 17 U.S.C. § 501; 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.01 (Matthew Bender, rev. ed.) ("NIMMER"); MCCARTHY § 6:14. Under trademark law, however, mere reproduction alone does not necessarily constitute infringement. MCCARTHY § 6:14. Rather, an infringer violates state or federal trademark law when the

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<sup>3</sup> *See supra* note 1.

<sup>4</sup> *See supra* note 1.

infringer causes a likelihood of confusion, or dilution, or unfairly competes, *i.e.*, when the infringer jeopardizes a trademark owner's goodwill in a mark by use of a confusingly similar mark or dilution of a famous mark. 5 MCCARTHY § 23:1; 4 Louis Altman & Malla Pollack, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES § 22:17 (4th ed. 1997).

These important distinctions highlight how analysis of the certified question under C.P.L.R. § 302(a)(3), concerning the situs of injury under the New York long-arm statute, might be different in copyright and trademark cases, depending on the facts presented. In a copyright case, the location of the owner or the place of the infringing act may be important. In contrast, the central focus in a trademark case may instead be the impact an infringer's use has on a trademark owner's reputation and goodwill, and the location of the trademark owner or the infringer may not be as important in the jurisdictional analysis as the territory in which the infringing use damages the reputation of the trademark owner.

These fundamental differences between copyright and trademark illustrate the danger of a broad advisory opinion on the applicability of C.P.L.R. § 302(a)(3)(ii) to intellectual property generally, and make it clear that this Court's decision concerning the proper application of C.P.L.R. § 302(a)(3) in this copyright case should not establish a precedent applicable to trademark cases.



Although the New York State courts have not addressed in any detail the applicability of C.P.L.R. § 302(a)(3) in trademark cases involving infringement over the Internet, the Second Circuit's federal district courts have held repeatedly that jurisdiction under C.P.L.R. § 302(a)(3)(ii) may lie in trademark cases involving infringement by an out-of-state defendant over the Internet because of the harm felt by a New York company due to the injury to the trademark owner's goodwill. See *Energy Brands Inc. v. Spiritual Brands, Inc.*, 571 F. Supp. 2d 458, 467 (S.D.N.Y. 2008) (“[I]n trademark infringement cases, the injury requirement is satisfied by harm and threatened harm resulting from actual or potential confusion and deception of internet users in New York State.”); *Savage Universal Corp. v. Grazier Constr., Inc.*, No. 04 Civ. 1089(GEL), 2004 WL 1824102, at \*9 (S.D.N.Y. Aug. 13, 2004) (finding plaintiff had adequately pleaded infringement where “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”) (internal quotation omitted); *PDK Labs v. Proactive Labs, Inc.*, 325 F. Supp. 2d 176, 181 (E.D.N.Y. 2004) (finding jurisdiction under C.P.L.R. § 302(a)(3) because the defendant had displayed allegedly infringing packaging on its website where it could be viewed by New Yorkers, and also at national trade shows outside New York which New York

customers likely attended, holding “the harm and threatened harm to [plaintiff] from confusion of its actual or potential New York customers who view [defendant’s] packaging constitutes a sufficient injury under § 302(a)(3)”); *Star Media Network, Inc. v. Star Media, Inc.*, No. 00 CIV 4647(DLC), 2001 WL 417118, at \*2 (S.D.N.Y. Apr. 23, 2001) (denying motion to dismiss for lack of personal jurisdiction, finding that under C.P.L.R. § 302(a)(3) “injury ‘within the state’ includes ... threatened harm in the New York market resulting from the confusion and deception of New York computer users”); *Cable News Network, LP v. GoSMS.com, Inc.*, No. 00 Civ. 4812 (LMM), 2000 WL 1678039, at \*4 (S.D.N.Y. Nov. 6, 2000) (plaintiffs’ allegations that New York residents had been confused by defendant’s use of plaintiffs’ trademarks over the Internet was sufficient to allege harm within the state); *Citigroup Inc. v. City Holding Co.*, 97 F. Supp. 2d 549, 568 (S.D.N.Y. 2000) (“Injury within the state includes harm to a business in the New York market in the form of lost sales or customers .... This rule is satisfied by Citigroup’s claim that its actual and potential customers in New York are confused or deceived when they view and interact with the City National web sites.”).

The reasoning in the above cases relies both on the potential for customers in New York to become confused and on the logic that confusion, even if not occurring in New York, could lead to lost sales and customers by a company based

in New York, thereby injuring the owner's goodwill. *Id.* The arguments and considerations relating to confusion and goodwill injury – the foundation of trademark law being to avoid public deception – are not necessarily applicable in the context of copyright infringement. 1 MCCARTHY § 2:33.

Although it is true that the growth of the Internet has dramatically changed the jurisdictional analysis in many intellectual property cases, and enhanced the need for intellectual property owners to be able to maintain jurisdiction in their resident state over non-resident infringers, the differences between copyright and trademark warrant a separate and distinct jurisdictional analysis based on historic and constitutional differences, as well as the type of injury suffered from the infringement. A broad advisory opinion by this Court that answers the certified question regarding the applicability of C.P.L.R. § 302(a)(3) to include trademark cases, with only facts relating to copyright infringement before it, could improperly foreclose viable claims for jurisdiction in trademark cases because of the distinctly different rights being protected.

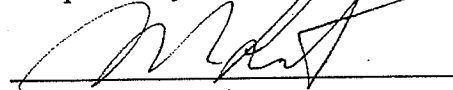
Accordingly, INTA respectfully requests that the Court be mindful of the important fundamental differences between each form of intellectual property and the impact these differences would have in any analysis of personal jurisdiction under C.P.L.R. § 302(a)(3)(ii).

## CONCLUSION

For the foregoing reasons, INTA respectfully urges that this Court answer only the certified question regarding the situs of injury for purposes of determining the applicability of the long-arm statute C.P.L.R. § 302(a)(3)(ii) to copyright infringement cases, and not include references to trademarks or other forms of intellectual property.

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