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Stefan Josephs

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DETERMINING THE LOCATION OF INJURY FOR NEW YORK’S LONG ARM STATUTE IN AN INFRINGEMENT CLAIM

COURT OF APPEALS OF NEW YORK

Penguin Group (USA) Inc. v. American Buddha1
(decided March 24, 2011)

I. INTRODUCTION

The Internet’s explosive growth has pressed the courts to address novel issues and revisit some well-settled ones.2 In particular, the Internet’s universal accessibility and revolutionary communication capabilities have necessitated the development of new mechanisms to determine jurisdiction.3 Additionally, doubt has been cast over the effectiveness of copyright and trademark protections, as the Internet has contributed to dramatic increases in infringement.4 As a result, courts seem intent on focusing on the Internet in personal jurisdiction and copyright infringement analyses, thereby shifting attention from important factors and leaving some issues unsettled.5

A recent decision by the New York Court of Appeals, Pen-

1 946 N.E.2d 159 (N.Y. 2011).
4 See generally Bensusan, 937 F. Supp. at 300 (examining the Internet and trademark infringement); Penguin, 946 N.E.2d at 163 (discussing the Internet’s role in a copyright infringement claim).
5 See Chloé v. Queen Bee of Beverly Hills, LLC, 616 F.3d 158, 167 (2d Cir. 2010) (finding a website less important than a shipment into the state); see also Christian M. Rieder & Stacy P. Pappas, Personal Jurisdiction for Copyright Infringement on the Internet, 38 SANTA CLARA L. REV. 367, 377 (1998) (“Despite all the concern . . . laws regarding personal jurisdiction are more than suitable to adapt to the needs of the Internet in the context of copyright infringement cases.”).
guin Group (USA) Inc. v. American Buddha, illustrates a situation in which the court emphasized the Internet in a personal jurisdiction analysis for a copyright infringement case. The issue was whether “[i]n copyright infringement cases involving the uploading of a . . . literary work onto the Internet, . . . the situs of injury for purposes of determining long-arm jurisdiction . . . [is] the location of the infringing action or the location of the principal place of business of the copyright holder[.]” The court held that the location of injury is the copyright holder’s principal place of business. But, the court reformulated the inquiry and limited its holding only to cases in which the alleged infringement was an unconsented uploading of a work to the Internet.

After a review of the case, this Note argues that the court’s holding in Penguin was correct, but the court’s reformulation of the issue to apply only to cases of unconsented uploading of copyrighted works to the Internet was unnecessary. First, this Note explores a typical personal jurisdiction analysis with a focus on the multilayered consideration of the Internet frequently needed to meet the federal requirements and New York’s long-arm statute’s safeguards. This frames the issue faced by the court in Penguin and shows that the court’s consideration of the Internet was duplicative. Second, this Note analyzes federal copyright law, focusing first on the traditional concepts underlying copyright and then on the Internet’s effect on those concepts. This analysis indicates that, due to the nature of a copyright, infringement causes injury in the holder’s domicile and the Internet’s role in copyright infringement cases has not changed the traditional notion of injury. Third, this Note compares the closely related laws of trademark and copyright, which reveal similarities that welcome the application of Penguin to trademark cases in the future; but this comparison also reveals significant distinctions, especially regarding the Internet.

II. THE OPINION: PENGUIN GROUP (USA) INC. V. AMERICAN BUDDHA

Penguin Group (USA) Inc. (hereinafter “Penguin”) filed suit
in the Southern District of New York against American Buddha (hereinafter “Buddha”), alleging copyright infringement. Penguin claimed that Buddha infringed on four of Penguin’s copyrights by uploading complete versions of copyrighted books onto two Internet websites for public access, along with an assurance to users that downloading was legally permissible. Buddha, incorporated in Oregon with its principal place of business in Arizona, uploaded the protected works in Arizona and Oregon, where its servers storing the digital data were located. Buddha moved to dismiss for lack of personal jurisdiction. Penguin asserted that personal jurisdiction was proper pursuant to New York’s long-arm statute, Civil Practice Law and Rules (“CPLR”) 302(a)(3)(ii), which provides jurisdiction over nondomiciliary defendants who committed a tort outside the state that caused a foreseeable injury within the state. The trial court granted Buddha’s motion, holding Penguin’s injury was purely economic and did not occur in-state because its only connection to New York was Penguin’s domicile. Although the trial court noted that the Internet could complicate the determination, it held the Internet did not do so here because the uploading occurred outside New York.

On appeal, the Second Circuit certified a question to the New York Court of Appeals because of a split among the federal district courts and the lack of governing authority from the Supreme Court or New York Court of Appeals: “In copyright infringement cases, is the situs of injury for purposes of determining long-arm jurisdiction under CPLR 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?” The Court of Appeals reformulated the question to specify and limit inquiry only into copyright infringement cases involving the digital uploading of a protected work to the Internet.

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10 Id. at 160.
11 Penguin, 946 N.E.2d at 160.
12 Id.
13 Id. at 161.
14 Id.
15 Id.
16 Penguin, 946 N.E.2d at 161.
17 Id. In fact, there is a division as to the location of injury for infringement of all intellectual property. See Andy Stroud, Inc. v. Brown, No. 08 CIV. 8246(HB), 2009 WL 539863, at *6 (S.D.N.Y. Mar. 4, 2009) (“[T]here appears to be significant disagreement . . . regarding the locus of an injury in intellectual property cases.”).
18 Penguin, 946 N.E.2d at 161 (“[B]ecause the Internet plays a significant role in this case, we narrow and reformulate the certified question . . . .”).
Although adding only one element to the question, the unconsented uploading to the Internet, the Court of Appeals drastically altered the question and its answer’s inevitable implications.

To begin its analysis, the Court of Appeals explained that New York’s long-arm statute contains a provision that confers jurisdiction over a nonresident defendant who commits a tort outside of New York State causing a foreseeable injury within the state, under CPLR 302(a)(3)(ii). Of CPLR 302(a)(3)(ii)’s five elements, the trial court found element three dispositive and did not examine the other four. Therefore, the only issue on appeal, and the only subject of the certified question, was the third element: an injury suffered in-state.

To determine the applicable rule, the court examined three commercial tort cases in which a plaintiff asserted jurisdiction under CPLR 302(a)(3)(ii). The first was Fantis Foods, Inc. v. Standard Importing Co., in which a New York corporation filed suit against a

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19 Id. ("CPLR 302(a)(3)(ii) . . . provides jurisdiction over nondomiciliaries who commit tortious acts outside the state that result in injuries within New York."). Specifically, it provides:

(a) Acts which are the basis of jurisdiction. As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent: . . .

3. commits a tortious act without the state causing injury to person or property within the state, except as to a cause of action for defamation of character arising from the act, if he . . .

(ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce . . .

N.Y. C.P.L.R. 302(a) (McKinney 2012). LaMarca v. Pak-Mor Mfg. Co., 735 N.E.2d 883, 886 (N.Y. 2000) (enumerating the five elements required for a plaintiff to invoke this provision of the statute: (1) the defendant committed a tortious act out-of-state, (2) the act resulted in the claim, (3) the act caused an injury in-state, (4) the defendant should have reasonably foreseen the injury, and (5) the defendant conducts substantial interstate commerce).


23 402 N.E.2d 122 (N.Y. 1980).
company incorporated and with its principal place of business in Greece, seeking money damages for conversion and trademark infringement.\textsuperscript{24} After agreeing to deliver to the plaintiff a particular shipment of feta cheese, which the plaintiff had inspected and stamped with its trademark, the defendant sold the shipment to one of the plaintiff’s competitors.\textsuperscript{25} Because the agreement was made outside New York, the Court of Appeals held that economic injury to a state citizen alone does not constitute the requisite in-state injury; a more direct injury is required.\textsuperscript{26}

Second, the court examined \textit{Sybron Corp. v. Wetzel},\textsuperscript{27} in which a New York manufacturing corporation filed unfair competition and misappropriation of trade secret claims against a competitor, a Delaware corporation based in New Jersey, seeking to enjoin the defendant from hiring one of the plaintiff’s former employees to prevent the disclosure of trade secrets.\textsuperscript{28} Although the alleged injury was only anticipated economic loss and no actual loss had yet occurred, the Court of Appeals deemed the anticipated and inevitable loss of important customers in New York an in-state injury.\textsuperscript{29}

Third, the court looked to \textit{American Eutectic Welding Alloys Sales Co. v. Dytron Alloys Corp.},\textsuperscript{30} in which, similar to \textit{Sybron}, a New York corporation sought to enjoin a former employee and a New Jersey competitor from using or disclosing confidential trade information.\textsuperscript{31} However, unlike \textit{Sybron}, where the plaintiff had not suffered actual economic loss yet, here the plaintiff had lost customers predominantly in Kentucky and Pennsylvania, but not New York.\textsuperscript{32} The Second Circuit dismissed the case, holding the actual loss of out-of-state customers rendered the plaintiff’s domicile irrelevant in determining the location of injury.\textsuperscript{33}

After examining these cases, the court found \textit{Sybron} to be closest to and most instructive for \textit{Penguin}, even though \textit{Penguin}

\begin{itemize}
\item \textsuperscript{24} \textit{Id.} at 123.
\item \textsuperscript{25} \textit{Id.}
\item \textsuperscript{26} \textit{Id.} at 126.
\item \textsuperscript{27} 385 N.E.2d 1055 (N.Y. 1978).
\item \textsuperscript{28} \textit{Id.} at 1055-56.
\item \textsuperscript{29} \textit{Id.} at 1059.
\item \textsuperscript{30} 439 F.2d 428 (2d Cir. 1971).
\item \textsuperscript{31} \textit{Id.} at 430.
\item \textsuperscript{32} \textit{Id.}
\item \textsuperscript{33} \textit{Id.} at 433 (“[T]here would be no jurisdiction . . . because the places where plaintiffs ‘lost business’ were all out of New York.”).
\end{itemize}
never alleged any anticipated actual economic loss in New York. In drawing its conclusion, the court focused on two factors. First, the court emphasized the role of the Internet in the infringing conduct. The court stated that increased protection from digital Internet piracy infringement was necessary due to developments of digital technology, which make pirating copyrighted works less expensive and easier. In addition, the Internet’s universal accessibility complicates the determination of the actual location of injury because the locations where users access the website and protected works are not easily, if ever, ascertainable. The court even declared the location of the uploading inconsequential.

Second, the court focused on copyright’s special bundle of rights. The court pointed out that certain rights, such as the right to reproduce a work or grant or deny licenses to reproduce a work, do not necessarily preserve profits but encourage creativity and the production of new works. Based on these rights, courts have found injury without a showing of actual economic loss. Thus, the location of lost profits was less important. In support, the court showed that claims of copyright infringement frequently result in an injunction, regardless of specific economic loss. The court held that the location of injury, for purposes of the in-state injury requirement of CPLR 302(a)(ii), in cases of copyright infringement, based on the uploading of a New York copyright holder’s protected work to the Internet, is New York. The plaintiff must allege a copyright infringement and that infringement must be the digital uploading of a protected work to the Internet. The court made clear that the decision did not apply to copyright infringement cases absent Internet

34 Penguin, 946 N.E.2d at 165 (“[T]hese two elements . . . lead[] us to view this case as closer to Sybron than Fantis Foods.”).
35 Id. at 163 (stating that “the convergence of [these] two factors persuades” its decision).
36 Id.
37 Id.
38 Id. at 164.
39 Penguin, 946 N.E.2d at 164 (“[T]he place of uploading is inconsequential . . . .”).
40 Id. (“The second critical factor . . . derives from the unique bundle of rights granted to copyright owners.”).
41 Id.
42 Id. (quoting Salinger v. Colting, 607 F.3d 68, 81 (2d Cir. 2009)).
43 Id. at 165.
44 Penguin, 946 N.E.2d at 165.
45 Id. (emphasis added) (stressing the importance of the presence of both Internet piracy and copyright infringement).
transmission.\textsuperscript{46}

The court rejected Buddha’s claim that the decision would yield a Pandora’s box, citing built-in personal jurisdiction safeguards: the requirements that defendants reasonably anticipate causing the injury, conduct substantial interstate business, and have sufficient minimum contacts with the forum to comport with due process.\textsuperscript{47} Thus, the court in \textit{Penguin} relied on the Internet’s role in piracy of copyrighted works, the special bundle of rights for copyright holders, and the safeguards in New York’s long-arm statute and federal personal jurisdiction requirements.

\section*{III. \textsc{Federal Personal Jurisdiction and New York State’s Long-Arm Statute}}

A brief discussion of personal jurisdiction provides the necessary context for the issue in \textit{Penguin} and demonstrates that state and federal safeguards not only limit a Pandora’s box of infringement suits, as the court stated, but also respond to the court’s concerns regarding the Internet. Thus, because the court in \textit{Penguin} must inevitably consider the Internet’s role at particular points of its analysis, this Note addresses the court’s vague concern over the role of the Internet.

Personal jurisdiction is rooted in the conflicting constitutional interests of individual due process rights and state sovereignty.\textsuperscript{48} The

\begin{footnotesize}
\begin{enumerate}
\item Id. at 165 n.5 (“We do not . . . 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 no opinion on that question . . . .”).\textsuperscript{46}
\item Id. at 165. In fact, on remand, the Southern District of New York dismisses Penguin’s claim for failing to prove that Buddha conducted sufficient interstate business, despite winning this appeal. \textit{Penguin}, 2013 WL 865486, at *4.\textsuperscript{47}
\item See J. McIntyre Mach., Ltd. v. Nicastro, 131 S. Ct. 2780, 2786-87 (2011) (“The Due Process Clause protects an individual’s right to be deprived of life, liberty, or property only by the exercise of lawful power. . . . This is no less true with respect to the power of a sovereign to resolve disputes through judicial process . . . .”). The Constitution requires each state to honor the judgments of other state courts, but the Fourteenth Amendment’s Due Process Clause protects defendants from judgments issued by courts in states that are deemed unreasonably unfair. \textit{See Asahi Metal Indus. Co., Ltd. v. Superior Court of Cal., Solano Cnty.}, 480 U.S. 102, 109 (1987) (“The Due Process Clause of the Fourteenth Amendment limits the power of a state court to exert personal jurisdiction over a nonresident defendant.”); \textit{see also} World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 291 (1980) (“The Due Process Clause of the Fourteenth Amendment limits the power of a state court to render a valid personal judgment against a nonresident defendant. A judgment rendered in violation of due process is void . . . and is not entitled to full faith and credit elsewhere.”) (citations omitted). A judgment is valid only if the court had personal jurisdiction over the
\end{enumerate}
\end{footnotesize}
Supreme Court in *International Shoe Co. v. Washington*\(^{49}\) established the modern personal jurisdiction doctrine. For the first time, jurisdiction was upheld over a nonresident defendant who had not been served within the forum.\(^{50}\) Substantially expanding the grounds for personal jurisdiction, the new test focused on the nature, quality, and quantity of the defendant’s relationship to the forum state.\(^{51}\) The defendant must have sufficient minimum contacts with the forum, such that a court’s exercise of authority is fair and reasonable.\(^{52}\) Those contacts dictate the extent of the court’s jurisdictional authority.\(^{53}\)

Over time, the minimum contacts test evolved with developments in technology and interstate business. Now, even a single contact may be sufficient for related claims.\(^{54}\) To preserve fairness and reasonableness, tenuous contacts suffice only if “the defendant purposefully avail[ed] itself of the privileges of conducting activities within the forum State, thus invoking the benefits and protection of its laws,”\(^{55}\) or the defendant “reasonably anticipate[d] being haled into court there.”\(^{56}\) Reasonable anticipation is met if a defendant “reached out” to the forum\(^{57}\) or acted intentionally to harm a particu-

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\(^{49}\) 326 U.S. 310 (1945). The Supreme Court first established the doctrine in 1877 in its seminal decision of *Pennoyer v. Neff*, 95 U.S. 714 (1877). At that time, the enforceability of in personam court judgments was limited to those issued against defendants that were citizens of or were served within the state. *Id.* at 733.

\(^{50}\) *See Int'l Shoe*, 326 U.S. at 316 (stating that “presence within the territorial jurisdiction of court was [a] prerequisite” for a court to enter a valid judgment against a defendant).

\(^{51}\) *Id.* at 319.

\(^{52}\) *Id.* at 316 (“[D]ue process requires . . . certain minimum contacts with [the forum] such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’ ”) (citations omitted).

\(^{53}\) Pervasive contacts with a state provide the courts with general jurisdiction, meaning those courts may adjudicate all claims against that defendant, whereas continuous but limited contacts establish specific jurisdiction, which limits jurisdiction to claims that arise from the defendant’s contacts. *Int'l Shoe*, 326 U.S. at 318. The latter is the focus of this Note.

\(^{54}\) *See Hanson v. Denckla*, 357 U.S. 235, 251 (1958) (describing progress in communications that “has made the defense of a suit in a foreign tribunal less burdensome”); *see also McGee v. Int'l Life Ins. Co.*, 355 U.S. 220, 223 (1957) (“[I]ncrease in the amount of business conducted by mail across state lines . . . [and] modern transportation and communication have made it much less burdensome for a party sued to defend himself in a [foreign] State . . . .”).

\(^{55}\) *Id.* at 253. “The unilateral activity of those who claim some relationship with a nonresident defendant cannot satisfy the requirement of contact with the forum State.” *Id.*

\(^{56}\) *World-Wide Volkswagen*, 444 U.S. at 297.

lar state resident.\textsuperscript{58}

The adaptability of the minimum contacts test was particularly challenged by the capabilities of communicating and conducting business across state lines without leaving the office, let alone the state, simply by using the Internet.\textsuperscript{59} Early Internet personal jurisdiction decisions varied considerably and, at times, were illogical in light of traditional considerations; while some courts held that a defendant’s Internet activity constituted grounds for jurisdiction in all states,\textsuperscript{60} others held that it did not establish jurisdiction in any state.\textsuperscript{61} And still other courts held that a defendant’s Internet activity must result in a relationship to the forum to establish jurisdiction with only that specific state.\textsuperscript{62} These inconsistent decisions were reconciled in \textit{Zippo Mfg. Co. v. Zippo Dot Com, Inc.},\textsuperscript{63} which provided the current framework of Internet based personal jurisdiction in the form of a sliding scale based on website interactivity and reasonable foreseeability.\textsuperscript{64} At one extreme are interactive websites, which allow users to transmit digital information.\textsuperscript{65} These websites inherently provide minimum con-

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\item \textsuperscript{58} Calder v. Jones, 465 U.S. 783, 790 (1984) (Because the defendants were “primary participants in an alleged wrongdoing intentionally directed at a [forum state’s] resident, . . . jurisdiction over them is proper on that basis.”).
\item \textsuperscript{59} \textit{Zippo Mfg.}, 952 F. Supp. at 1123.
\item \textsuperscript{60} See Inset Sys., Inc. v. Instruction Set, Inc., 937 F. Supp. 161, 165 (D. Conn. 1996) (holding that an Internet advertisement which used another’s trademark and provided a national toll-free phone number for customers established jurisdiction in \textit{all states}); see also Martiz, Inc. v. Cybergold, Inc., 947 F. Supp. 1328, 1334 (E.D. Mo. 1996) (noting drawbacks of comparing the Internet to mail or telephone, and upholding jurisdiction in \textit{all states} based on the defendant’s Internet advertisement and intention to use the advertisement to start a national mailing list).
\item \textsuperscript{61} See Bensusan, 937 F. Supp. at 301 (holding that a defendant’s advertisement, which improperly used another’s trademark, did not constitute purposeful availment or reaching out to the forum because no particular state was targeted).
\item \textsuperscript{62} See Panavision Intern., L.P. v. Toeppen, 938 F. Supp. 616, 621-22 (C.D. Cal. 1996) (holding jurisdiction was proper over a defendant who intentionally infringed on a citizen of the forum’s trademark on the Internet and attempted to derive a benefit from the forum); see also CompuServe, 89 F.3d at 1268 (finding jurisdiction over a defendant who advertised and sold its product via the plaintiff’s website because its business relationships within the forum developed through the advertisement constituted purposeful availment to the forum state, but not \textit{all} states).
\item \textsuperscript{63} 952 F. Supp. 1119 (W.D. Pa. 1997).
\item \textsuperscript{64} \textit{Id.} at 1124 (“[T]he likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.”).
\item \textsuperscript{65} \textit{Id.}
\end{enumerate}
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tacts. At the opposite extreme are passive websites that only unilaterally offer information, which do not establish sufficient minimum contacts. Websites in the middle of the spectrum are evaluated by their interactivity and commercial nature. Today, the Zippo sliding scale is controlling in most jurisdictions, and has been incorporated in many other jurisdictions’ own tests, only a small minority has failed to adopt the Zippo test.

Due to the expansions of personal jurisdiction over out-of-state defendants in the federal approach, states enacted statutes, which provide specific personal jurisdiction requirements for their courts. Most long-arm statutes act as additional limitations on judicial exercise of authority over nonresidents, such as New York’s CPLR 302. Thus, a non-domiciliary is amenable to jurisdiction in New York only if, first, CPLR 302 confers authority on the court, and second, exercise of jurisdiction comports with federal due process.

New York courts, pursuant to CPLR 302(a)(3), are generally granted authority over nonresident defendants that commit tortious

66 Id.
67 Id.
68 Zippo, 952 F. Supp. at 1124.
69 See Emily Ekland, Comment, Scaling Back Zippo: The Downside to the Zippo Sliding Scale and Proposed Alternatives to Its Uses, 5 ALB. GOV’T L. REV. 380, 384 (2012) (“Most circuits have applied this test . . . ”); see, e.g., Cybersell, Inc. v. Cybersell, Inc., 130 F.3d 414, 418 (9th Cir. 1997) (adopting Zippo’s sliding scale); Mink v. AAAA Dev. LLC, 190 F.3d 333, 336 (5th Cir. 1999) (applying Zippo’s sliding scale); Neogen Corp. v. Neo Gen Screening, Inc., 282 F.3d 883, 890 (6th Cir. 2002) (applying the Zippo test).
70 Best Van Lines, Inc. v. Walker, 490 F.3d 239, 252 (2d Cir. 2007) (applying Zippo only to determine if the defendant had purposefully availed itself or conducted business within the state).
73 Longines-Wittnauer, 209 N.E.2d at 72.
74 LaMarca, 735 N.E.2d at 886. CPLR 302’s four subsections enumerate the only claims New York courts may adjudicate over noncitizens. Of the four subsections, this Note focuses exclusively on subsection (a). Subsection (b) governs marital disputes; subsection (c) provides that defendants amenable to CPLR 302 jurisdiction are not amenable to any claims that are unrelated to its contacts with the state; and subsection (d) governs foreign defamation judgments. N.Y. C.P.L.R. 302 (McKinney 2012). Courts have traditionally construed CPLR 302 more narrowly than the Constitution permits. See Longines-Wittnauer, 209 N.E.2d at 68 (holding CPLR 302 did not confer jurisdiction when the federal requirements were met); see also Kramer v. Vogl, 215 N.E.2d 159, 161-62 (N.Y. 1966) (holding CPLR 302 did not apply to contracts when required minimum contacts were present).
acts outside of the state. CPLR 302(a)(3) requires a showing that: (1) the defendant committed a tortious act out-of-state, (2) the act resulted in the claim, (3) the act caused an injury in-state, (4) the defendant should have reasonably foreseen the injury, and (5) the defendant conducts substantial interstate commerce. Thus, the court’s inquiry in Penguin considered only one of the five necessary elements required by New York’s applicable long-arm provision; the court did not hold or even inquire if jurisdiction was proper.

The first element, commission of a tortious act outside the state, is met by any claim other than breach of contract, which the courts have excluded, or defamation, which the statute excludes. The location of a defendant when it accesses the Internet is the location of the tortious act for torts facilitated by the Internet. The second element requires “an articulable nexus[] or a substantial relationship” between the plaintiff’s injury and the defendant’s conduct that indicates the defendant caused the injury.

Because the addition of CPLR 302(a)(3) increased the courts’ ability to establish jurisdiction over defendants with only tenuous contacts with the state, the two final elements were enacted as safeguards to ensure it is “reasonable to require the defendant to come to New York to answer for tortious conduct committed elsewhere.”

The Internet is frequently a factor in the courts’ treatment of these safeguards, as it was for the district court after the remand of Pen-

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75 Longines-Wittnauer, 209 N.E.2d at 77.
76 LaMarca, 735 N.E.2d at 886.
77 See Lang v. Morris, 823 F. Supp. 2d 966, 975 n.5 (N.D. Cal. 2011) (noting the Court of Appeals did not determine personal jurisdiction in Penguin, but merely found in-state injury).
78 Fantis Foods, 402 N.E.2d at 124 (holding CPLR 302(a) excludes breach of contract suits); Amigo Foods Corp. v. Marine Midland Bank, 348 N.E.2d 581, 584 (N.Y. 1976) (“[N]o breach of a contract . . . may form a basis for long-arm jurisdiction under CPLR 302 . . . ”).
80 See ISI Brands, Inc. v. KCC Int’l, Inc., 458 F. Supp. 2d 81, 89 (E.D.N.Y. 2006) (“Courts have held that . . . the tort is committed where the website is created and/or maintained.”); see also Rescuecom Corp. v. Hyams, 477 F. Supp. 2d 522, 532 (N.D.N.Y. 2006) (“[P]laintiff has not made a prima facie showing that defendant . . . engaged in commercial [I]nternet activity such as would amount to commission of a tortious act in New York under CPLR 302(a)(2). Rather, . . . any tortious conduct in connection with the website occurred in Texas.”).
81 Best Van Lines, 490 F.3d at 246 (quoting Henderson v. I.N.S., 157 F.3d 106, 123).
83 See, e.g., Energy Brands Inc. v. Spiritual Brands, Inc., 571 F. Supp. 2d 458, 471 (S.D.N.Y. 2008) (“[I]t was reasonably foreseeable that publication of web sites with the of-
guin’s claim.\textsuperscript{84} First, to find the requisite foreseeability, a defendant’s Internet activity must manifest intent to target New York in some way or reveal facts that should have alerted the defendant to the possibility of being called into a New York court.\textsuperscript{85} Although this test, which requires a higher standard than the \textit{Zippo} test, is more difficult to satisfy, the two analyses are generally based on the same facts.\textsuperscript{86}

Second, courts often look to the commercial nature of the defendant’s Internet activity to establish the interstate commerce requirement in order to protect defendants engaged in purely local activities.\textsuperscript{87} Thus, some courts do not require interstate revenue or sales if the defendant is clearly not engaged in local events.\textsuperscript{88} For example, an Internet advertisement without sale does not satisfy the interstate commerce safeguard, and a single shipment to New York, even if generated via the Internet, is insufficient to constitute transacting business in New York,\textsuperscript{89} but a combination of both satisfies the interstate business safeguard.\textsuperscript{90}

However, other courts, such as the Southern District in \textit{Penguin II}, strictly interpret the interstate commerce safeguard and re-

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\item \textsuperscript{84} See \textit{Penguin}, 2013 WL 865486, at *4 n.7 (noting Internet activity would have satisfied the foreseeability safeguard and was a factor, although insufficient on its own, in analyzing the interstate revenue requirement).
\item \textsuperscript{85} See, e.g., \textit{Energy Brands}, 571 F. Supp. 2d at 471 (finding reasonable foreseeability because defendant’s use of plaintiff’s trademark would deceive New York customers); but see Digiport USA Corp. v. Does 1-266, No. 10 Civ. 8759(TPG), 2011 WL 1466073, at *4 (S.D.N.Y. Apr. 13, 2011) (holding download of film via the Internet caused an in-state injury to a New York copyright holder, but denied jurisdiction because defendant’s single download did not meet the foreseeability requirement); Royalty Network Inc. v. Dishant.com, LLC, 638 F. Supp. 2d 410, 425 (S.D.N.Y. 2009) (dismissing an infringement claim for lack of foreseeability because an Indian company, not a New York company, appeared to hold the copyright in the music which was uploaded to the Internet).
\item \textsuperscript{86} \textit{Best Van Lines}, 490 F.3d at 252 (“[T]he \textit{Zippo} sliding scale of interactivity may help frame the jurisdictional inquiry in some cases, as the district court here pointed out, ‘[b]ut it does not amount to a separate framework for analyzing [I]nternet-based jurisdiction.’ ” (quoting \textit{Best Van Lines}, Inc. v. Walker, No. 03 Civ. 6585(GEL), 2004 WL 964009, at *3 (S.D.N.Y. May 5, 2004))).
\item \textsuperscript{87} See \textit{Light} v. \textit{Taylor}, 317 F. App’x at 82, 84 (2d Cir. 2009) (finding an unconsented uploading of a New York copyright holder’s photograph to the Internet constituted an out-of-state tort which caused an in-state injury, but it did not generate sufficient revenue to meet interstate commerce requirement).
\item \textsuperscript{88} \textit{LaMarca}, 735 N.E.2d at 886-87; \textit{Ingraham}, 687 N.E.2d at 1296.
\item \textsuperscript{89} \textit{Light}, 317 F. App’x at 84.
\item \textsuperscript{90} \textit{Chloé}, 616 F.3d at 171.
\end{itemize}
quire defendants to actually generate substantial revenue.\textsuperscript{91} Thus, as interstate business is increasingly conducted on the Internet, a defendant’s Internet activity is frequently the focus for meeting these traditional safeguard requirements.

The third requirement, an in-state injury, is the least settled of CPLR 302’s elements and has been the source of the greatest disagreement among the courts.\textsuperscript{92} The courts consider the location of the “original event” as the location of injury, not the location of resultant damage.\textsuperscript{93} This requires distinguishing the “original event” from any lingering injury \textit{and} the tortious act that caused the injury, equating injury to the “first effect.”\textsuperscript{94} However, these distinctions are not always clear; for example, in some medical malpractice cases if the first physical injury to a plaintiff’s person manifested in-state from a medical procedure conducted outside of the state, the injury is deemed to occur in-state, but in other similar cases the injury is deemed to occur where the procedure was conducted.\textsuperscript{95} In addition, because each claim carries its own distinct notion of injury, the first effect for each claim is unique.\textsuperscript{96} Unlike medical malpractice, unfair competition is designed to protect a plaintiff’s economic interests.
and, accordingly, the requisite in-state injury is met upon a showing of lost revenue or customers within the state.\footnote{See Am. Eutectic, 439 F.2d at 435 (holding no in-state injury because plaintiff lost customers outside of the state).} Distinction between the first effect and the resultant harm is especially difficult in copyright infringement cases, like \textit{Penguin}. Therefore, an in depth analysis of the notion of injury caused by infringement of a copyright is necessary to determine the location of Penguin’s injury.

To establish personal jurisdiction over Buddha, Penguin depended heavily on Buddha’s Internet activity.\footnote{See Penguin, 2013 WL 865486, at *6.} In a sense, the New York Court of Appeals correctly recognized that “the Internet plays a significant role in this case,” but it incorrectly found that the Internet played a role in determining the location of Penguin’s injury—Buddha’s Internet activity is the principal ground for Penguin to satisfy the first element, commission of tortious conduct without the state, and the safeguards of reasonable anticipation and substantial interstate revenue.\footnote{Id. at *6.}

For the first element, the location of the defendant at the time of the commission of the tort will be the location of the tortious conduct; therefore, because Buddha’s tortious conduct was the unconsented uploading of Penguin’s works to the Internet and those acts were committed in either Oregon or Arizona, the first element is met.\footnote{Id. at *4.} For the first safeguard, Buddha’s reasonable anticipation of causing harm within New York is proven by Buddha’s website, which not only allowed but also solicited users to download Penguin’s copyrighted works.\footnote{Id.} And, although New York courts require more than the \textit{Zippo} sliding scale interactivity, Buddha’s conduct indicated that it reasonably anticipated being haled into a New York court.\footnote{Id. at *6.} First, Penguin’s copyright ownership is contained in the notice of copyright affixed to Penguin’s works.\footnote{Penguin, 946 N.E.2d at 160.} This is not only accepted as sufficient notice, but Penguin’s literary works needed to be scanned into a computer before being uploaded to the Internet—Buddha cannot claim to have been unaware of the works’ copyright status. Second, Buddha placed assurances on its website that its users

\footnote{97 See Am. Eutectic, 439 F.2d at 435 (holding no in-state injury because plaintiff lost customers outside of the state).}
\footnote{98 See Penguin, 2013 WL 865486, at *6.}
\footnote{99 Id.}
\footnote{100 Although the court did not make such a holding, Buddha did not contest the first element. Id. at *4.}
\footnote{101 Id.}
\footnote{102 Id. at *6.}
\footnote{103 Penguin, 946 N.E.2d at 160.}
were permitted to download Penguin’s works. Thus, Buddha was at least aware of, even if it did not concede, the possibility of being sued in New York by Penguin, whose copyright notice included its New York place of business. Despite dismissing Penguin’s claim on other grounds, the district court on remand indicated in dicta that Buddha’s Internet activity, in fact, did satisfy the foreseeability safeguard.

To meet the second safeguard, Penguin had to show that Buddha derived substantial interstate or international revenue. This factor, of the five required to satisfy CPLR 302(c), posed the greatest challenge to Penguin and was fatal to Penguin’s assertion of jurisdiction. Buddha derived just over two thousand dollars in two years of operating its websites, emailed users across the country to encourage downloading from its website, and provided users with links to Amazon, where users could purchase books written by the defendants. The court acknowledged that the interstate revenue requirement was intended to protect defendants engaged in purely local activity and that Buddha’s activity was clearly not purely local, but the court interpreted CPLR 302’s language strictly and looked only at Buddha’s actual revenue, not Buddha’s commercial nature. Relying on precedent that indicated two thousand dollars was insufficient interstate revenue, the court dismissed Penguin’s claim. However, the court expressed concern about interstate revenue as an effective safeguard in light of the Internet’s ubiquitous marketplace. The court realized that the Internet allows businesses to develop the necessary infrastructures and communications to conduct non-local business without the interstate revenue once needed.

In addition, Buddha’s website is the primary focus in the federal analysis under the Zippo sliding scale test developed in response to the Internet. Buddha claimed that its only contact with New York was the accessibility of its website, which did not target New York

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104 Id. at 160-61.
106 Id. at *4.
107 Id.
108 Id. at *2.
109 Id.
111 Id. at *6.
112 Id.
specifically. Therefore, Penguin probably could not have demonstrated that Buddha purposefully availed itself of the benefits of New York’s markets or reached out to the forum state. However, because New York’s reasonable anticipation safeguard is stricter than the Zippo test, it is likely that Buddha’s interactive website would constitute sufficient minimum contacts.

Thus, Internet activity is an important focus of the court in satisfying multiple elements of CPLR 302(c). Further, because the Internet has fundamentally altered interstate business, it is likely that the legislature or the New York Court of Appeals, as it did in Penguin, will shift focus from a mechanical examination of the quantity of revenue to a more realistic scrutiny of a defendant’s local nature. Significantly, the Internet is relevant for these elements because it has given rise to novel, pertinent facts. Thus, not only is consideration of the Internet repetitive but, as argued, consideration of the Internet is irrelevant in establishing the location of injury caused by copyright infringement because the Internet has not changed the fundamental notion of infringement injury.

IV. AN EXAMINATION OF COPYRIGHT AND TRADEMARK LAW IN LIGHT OF PENGUIN

An examination of copyright law is needed to appreciate the court’s opinion in Penguin. This Section provides a background by analyzing copyright law’s unique bundle of rights: the protection they offer owners, the limitations on those protections, and the remedies for their violation. These core principles show that ownership of a copyright in itself suggests that infringement causes injury at the location of the holder. Additionally, this Section compares the core concepts of copyright law to those of trademark law. These comparisons reveal similarities that initially suggest Penguin is applicable to trademark infringement; however, these comparisons also reveal distinctions, which indicate the location of injury in trademark infringement cases is far more complex which ultimately makes application of Penguin inappropriate.

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A. Traditional Concepts of Copyright Ownership

Copyright law, governed by the Copyright Act,114 protects “original works of authorship fixed in any tangible medium of expression . . . .”115 Copyrights allow authors to exclude others from using their work by providing a bundle of six fundamental exclusive use rights: the right of reproduction, adaption, publication, public performance, public display, and public performance by digital transmission.116 Copyright’s goal is to encourage creative developments by authors for the benefit of society, merely using economic incentive as a tool.117 Any violation of a copyright’s bundle of rights gives rise to a cause of action for infringement,118 which is proven by two elements: “(1) ownership of a valid copyright, and (2) copying of” essential elements of the work.119 Generally, registration is a prerequisite to instituting an infringement claim.120 Copying is proven by evidence that the defendant had access to the protected work or by a showing that an alleged copy is so strikingly similar as to support an inference of copying, not coincidence.121 Copyright infringement occurs at the time of copying, regardless of that infringement’s economic effect on the owner.122 Therefore, the focus of copyright infringement suggests the injury it causes

117 See Fogerty v. Fantasy, Inc., 510 U.S. 517, 526, 527 (1994) (stating copyright’s purpose); see also Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (stating copyright law’s goals and mechanisms). Copyright law’s purpose is stated in the Constitution’s Patent and Copyright Clause. U.S. CONST. art. I, § 8, cl. 8 (“To promote the . . . Progress of Science and useful Arts, by securing for limited Times to Authors . . . the exclusive Right to their . . . Writings . . .”). Copyright law also encourages investment in the arts by protecting “work[s] made for hire.” 17 U.S.C. § 201(b) (2012).
121 See Computer Assocs. Int’l, Inc. v. Altai, Inc., 982 F.2d 693, 701 (2d Cir. 1992) (discussing access and similarity); see also Selle v. Gibb, 741 F.2d 896, 901 (7th Cir. 1984) (“[A]n inference of access may still be established circumstantially by proof of similarity which is so striking that the possibilities of independent creation, coincidence and prior common source are, as a practical matter, precluded.”).
is not necessarily economic in nature. Simply an unconsented copying creates a legally actionable injury; injury does not require an unconsented work to cause the copyright holder to lose revenue.\textsuperscript{123} Infringement does not require any showing of lost sales, or even a showing that the protected work ever generated revenue.\textsuperscript{124} Moreover, infringement may discourage a copyright holder from producing additional works, not necessarily an economic loss.\textsuperscript{125} In fact, it is possible for copyrighted works to increase in economic value after their protection term expires. And, copyright infringement claims have been maintained to preserve control and limit access to a work in the absence of economic injury.\textsuperscript{126}

Thus, the broad rights granted to a copyright owner to exclusively control a work downplay the importance of locating actual economic loss, a concern of the court in \textit{Penguin}. Moreover, because copyright law intends to encourage creativity in authors, it is most reasonable to presume injury inherently occurs at the holder’s domicile because that disincentive to produce can only be experienced by the author—the first effect of the infringement.

Furthermore, copyright protection is not limitless, but its limitations reinforce the separation between the notion of infringement injury and financial loss. In terms of subject matter, ideas and facts are explicitly excluded from protection to preserve the public’s access to them,\textsuperscript{127} thus avoiding conflict with the First Amendment and encouraging development of the arts by authors who utilize those ideas or facts.\textsuperscript{128} In addition, the Copyright Act provides legally permissible uses of protected works known as fair use.\textsuperscript{129} Fair use encourages “courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”\textsuperscript{130} Copyrighted works, in some circumstances, may be used for reporting, teaching, criticism, or research.\textsuperscript{131} There-

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\bibitem{123} Id. at § 13.01.
\bibitem{124} Id.
\bibitem{125} \textit{Twentieth Century Music Corp.}, 422 U.S. at 156.
\bibitem{127} 17 U.S.C. § 102(b) (2012).
\bibitem{128} \textit{Harper}, 471 U.S. at 556.
\bibitem{131} 17 U.S.C. § 107. Parody and satire are defenses to copyright infringement included in
\end{thebibliography}
fore, even the limitations on copyrights’ protections are designed to maximize production of creative works, not a source of protection for all actual economic loss.

Perhaps the strongest support for construing the location of injury at the copyright holder’s domicile is based on remedies the Copyright Act provides for infringement. The typical remedy for copyright infringement is an injunction.\textsuperscript{132} Pursuant to section 502 of the Copyright Act, courts are given broad discretion in granting injunctions to halt infringement.\textsuperscript{133} In the past, the irreparable harm to a plaintiff, which is required for an injunction, was presumed by the courts upon a showing of success on the merits.\textsuperscript{134} However, the Supreme Court’s holding in eBay Inc. v. MercExchange, L.L.C.,\textsuperscript{135} that permanent injunctions may not be categorically granted for patent infringement without the normal injunction analysis, casts doubt on the accepted presumption of irreparable harm in copyright cases.\textsuperscript{136} Although it was a patent case, the Court examined copyright law for instruction,\textsuperscript{137} and its holding applies equally to copyright, as irreparable harm was historically presumed for each.\textsuperscript{138}

As a result, the circuits are split on the proper treatment of in-
junction analysis for copyright and trademark infringement;\textsuperscript{139} however, the Second Circuit settled the issue in \textit{Salinger v. Colting},\textsuperscript{140} a copyright infringement case. It held that irreparable harm should not be presumed and injunctions should be granted only upon a showing that an injury cannot be remedied by monetary damages.\textsuperscript{141} Although irreparable harm is no longer presumed, most infringement cases still result in an injunction.\textsuperscript{142}

This emerging dispute frames the conflicting views of copyright infringement remedies; while some courts believe that an appropriate remedy should be based on property law, others believe that it should be based on liability law.\textsuperscript{143} Because property law favors allowing the property owner to negotiate and determine what qualifies as appropriate consideration for release of a certain right, this theory supports liberal issuance of injunctions to allow copyright owners to negotiate licenses.\textsuperscript{144} But, because liability aims to compensate a plaintiff for a loss, it favors awarding monetary damages.\textsuperscript{145} Therefore, the courts’ preference of awarding injunctions in copyright infringement cases reflects a perception that copyright infringement injury relates to the holder’s control over its property rather than any actual lost revenue.\textsuperscript{146}

In addition to the differences associated with injunctive relief, the monetary relief available for copyright infringement distinguishes the location of injury for such infringement from any lost sales and

\textsuperscript{139} See \textit{Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.}, 654 F.3d 989, 996 (9th Cir. 2011) (applying eBay in a copyright infringement case); \textit{Perfect 10, Inc. v. Google, Inc.}, 653 F.3d 976, 980 (9th Cir. 2011) (applying eBay in a copyright infringement case); \textit{Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.}, 645 F.3d 26, 37 (1st Cir. 2011) (declining to apply presumption of irreparable harm). \textit{But see} Bethesda Softworks, L.L.C., \textit{v. Interplay Entm’t Corp.}, 452 F. App’x 351, 354-55 (4th Cir. 2011) (applying presumption of irreparable harm for only preliminary injunctions, but eBay for permanent injunctions).

\textsuperscript{140} 607 F.3d 68 (2d Cir. 2010).

\textsuperscript{141} \textit{Id.} at 82.


\textsuperscript{143} \textit{Id.} at 423-24.

\textsuperscript{144} \textit{Id.} at 410.

\textsuperscript{145} \textit{Id.} at 412.

\textsuperscript{146} It appears that the Second Circuit still has a tendency to grant injunctions. Kathleen K. Olson, \textit{Injunctions and the Public Interest in Fair Use Cases After Ebay}, 17 \textit{COMM. L. & POL’Y} 235, 255 (2012) (“[T]here is no evidence to show that injunctions are more difficult to obtain in federal courts that did not adopt the presumption of irreparable harm and have always used the four-part test . . . that was re-introduced in patent cases by eBay and to copyright cases [in the Second Circuit] by \textit{Salinger} and \textit{Perfect 10.”}) (footnote omitted).
places the location at the domicile of the copyright holder. Money damages may be awarded in addition to or in place of injunctive relief for copyright.\textsuperscript{147} Section 504 of the Copyright Act grants courts broad discretion in awarding monetary damages, and allows plaintiffs to elect actual or statutory damages.\textsuperscript{148} A plaintiff seeking actual damages may recover its losses as compensation for the infringement as well as the portion of the defendant’s profits attributable to the infringement, preventing an infringer from unfairly benefiting.\textsuperscript{149} Thus, a copyright holder may suffer a legally actionable injury without ever incurring an actual loss when another benefits from an infringement of that copyright.\textsuperscript{150} In addition, due to the inherent difficulty in ascertaining actual economic loss resulting from an infringement, plaintiffs may recover statutory damages without presenting any evidence of actual economic loss.\textsuperscript{151} Courts which award statutory damages typically award the fair market value of a license for the defendant’s particular use of the protected work, known as a compulsory license.\textsuperscript{152} This compulsory license view once again supports the notion that the injury is a violation of a holder’s property right, not a copyright holder’s lost business, whereas the liability theory is based on a plaintiff’s lost business. Thus, conceptualizing the location of injury at the location of download or upload conflicts with the general concepts of copyright infringement injury.

Further, as in \textit{Penguin}, injunctive relief is granted liberally in copyright infringement cases because it is difficult, if at all possible, to show loss of sales.\textsuperscript{153} Thus, the court’s acknowledgment of the in-


\textsuperscript{148} 17 U.S.C. § 504(c) (2012).

\textsuperscript{149} \textit{Nimmer, supra} note 115, at § 14.01 ("[T]he copyright owner . . . is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement . . . .’” (quoting 17 U.S.C. § 504(b) (2006))); \textit{see also} On Davis v. The Gap, Inc., 246 F.3d 152, 159, 176 (2d Cir. 2001) (awarding both measures of damages).

\textsuperscript{150} Washington Shoe Co. v. A-Z Sporting Goods Inc., No. 11-35166, 2012 WL 6582345, at *8 (9th Cir. Dec. 17, 2012) (stating infringement injures a holder based on the weakening of the holder’s control over his work).

\textsuperscript{151} \textit{See, e.g.}, Island Software & Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 262-63 (2d Cir. 2005) (stating statutory damages may be awarded with no evidence of actual economic loss). A plaintiff may elect statutory damages, which range from $750-$30,000, at any time prior to final judgment. 17 U.S.C. § 504(c); \textit{Island Software}, 413 F.3d at 262-63 (2d Cir. 2005) (stating the “court will grant anywhere between $750 and $30,000 for each copyright infringed” in awarding statutory damages).

\textsuperscript{152} \textit{Davis}, 246 F.3d at 166 n.5.

\textsuperscript{153} \textit{Penguin}, 946 N.E.2d at 164 (citing \textit{Salinger}, 607 F.3d at 81)).
herent difficulty of ascertaining actual economic loss from infringement renders its earlier consideration of the difficulty in ascertaining the location of impermissible downloads unnecessary. Whether the infringement occurs over the Internet or not, proving actual economic damage has been held by the courts and recognized in the Copyright Act’s statutory damages provisions as nearly impossible. Further, injunctions are issued in infringement cases before actual loss occurs because initial loss may result in ongoing severe damage, such as the loss of incentive to produce or the belief among the public that the work’s copyright has expired and is in the public domain. Thus, consideration of the locations of downloads is imprudent because it may cause harm that an injunction would have avoided.

Thus, it was gratuitous for the New York Court of Appeals to have reformulated the Second Circuit’s question. The court’s limited holding does not provide as much instruction as it could have. By reformulating the question, the court avoided settling the issue as to the location of injury for copyright infringement that does not involve the Internet.

B. A Comparison of the Core Concepts of Trademark and Copyright Law

A review of the court’s reasoning in Penguin reveals a greater issue than the court’s unwarranted inclusion of the Internet in its analysis. The court opened the door to application of Penguin to trademark infringement disputes. Therefore, this Note will examine the core concepts of trademark law to demonstrate the flaws and risks in this aspect of the court’s reasoning. This is particularly important because courts have frequently decided cases without clearly differentiating trademark and copyright law. In fact, other courts in trademark cases have relied on Penguin since it was decided.

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154 Penguin, 946 N.E.2d at 164.
156 See Penguin, 946 N.E.2d at 161 (noting a split in the lower courts’ application of CPLR 302(a)(3)(ii) to all copyright infringement cases).
157 See McGraw-Hill Cos. v. Ingenium Techs. Corp., 375 F. Supp. 2d 252, 256 (S.D.N.Y. 2005) (“The torts of copyright and trademark infringement cause injury in the state where the allegedly infringed intellectual property is held . . . .”) (citation omitted); see also Design Tex, 2005 WL 357125, at *1 (“[P]laintiffs (and their intellectual property) are based in New York, the injury is felt within the state no matter where the infringement takes place.”) (citation omitted).
158 See Mrs. U.S. Nat. Pageant, Inc. v. Miss U.S. Org., LLC, 875 F. Supp. 2d 211
Trademark law, governed by the Lanham Act,\textsuperscript{159} protects any “word, name, symbol, or device, or any combination thereof,” used in commerce to identify the source of a product and distinguish it from similar products.\textsuperscript{160} Copyright and trademark share formalistic characteristics such as the fact that both are primarily governed by federal statute\textsuperscript{161} and that both provide additional benefits to owners who nationally register their works or marks.\textsuperscript{162} More importantly, both share substantive traits due to their conceptual similarity: ownership of a copyright or trademark is a right of exclusive use, analogous to property.\textsuperscript{163} However, the laws also have clear distinctions as a result of their divergent purposes: copyrights encourage creative developments by authors and merely use economic incentive as a tool;\textsuperscript{164} trademarks aim to “promote competition and the maintenance of product quality,”\textsuperscript{165} a purely economic concept.\textsuperscript{166} Trademark’s obligatory link to monetary gain or loss is unlike any link between copyright and economic value.

Just as copyright law confers on owners a monopoly use right, trademark law also provides owners with an exclusive use right, and


\textsuperscript{162} Although not required, authors may register their works with the Copyright Office and may register their trademarks with the Patent and Trademark Office. 17 U.S.C. § 408 (2012); 15 U.S.C. § 1051(a)(1). Registration within five years of a work’s first publication is a prima facie showing of a valid copyright and is required for the Act’s attorney’s fees provision. 17 U.S.C. § 410(c) (2012); 17 U.S.C. § 412 (2012). Trademark registration acts as a presumption of ownership, while unregistered marks require prior use in commerce. 15 U.S.C. § 1051(a)(1).

\textsuperscript{163} See generally McCARTHY, supra note 161, at § 6:14 (discussing similarities and differences of copyright and trademark).

\textsuperscript{164} Id.


\textsuperscript{166} See id. (stating trademark law’s aim); Blue Bell, Inc. v. Farah Mfg. Co., Inc., 508 F.2d 1260, 1265 (5th Cir. 1975).
thus the right to exclude use by others.\textsuperscript{167} The court’s analysis of copyright’s special bundle of rights in \textit{Penguin} provided only two examples of these rights, one of which was a copyright owner’s right to exclude.\textsuperscript{168} Further, the Supreme Court’s decision in \textit{eBay}, cited by the court in \textit{Penguin} to illustrate a copyright holder’s right to exclude, has been applied to both trademark and copyright cases.\textsuperscript{169}

However, the extent of each body of law’s right to exclude is very different; thus, the notions of injury caused by a violation of each right give rise to strikingly dissimilar causes of action for infringement. Trademark infringement is a use of identical or similar marks in commerce that is likely to confuse consumers as to the source of a product or service.\textsuperscript{170} A plaintiff must show that it owns the mark and customer confusion is likely to result from the specific use of that mark by another.\textsuperscript{171} Likelihood of customer confusion is the cornerstone of trademark infringement.\textsuperscript{172} Although each circuit has developed its own test for consumer confusion, the tests are extremely similar and all focus on the effect of a particular use of a mark on the public.\textsuperscript{173} This is unlike copyright infringement analysis, which focuses only on the parties and their works, not the public’s reaction to an uncontested copying.\textsuperscript{174} Thus, trademark infringement only occurs once customer confusion is likely or has occurred,\textsuperscript{175} but copyright infringement occurs immediately at the time of copying.

\begin{itemize}
\item\textsuperscript{167} Park ‘N Fly, 469 U.S. at 198.
\item\textsuperscript{168} \textit{Penguin}, 946 N.E.2d at 163-64.
\item\textsuperscript{169} Id. (citing \textit{eBay}, 547 U.S. at 392); Bolmarcich, supra note 138, at 1.
\item\textsuperscript{170} Deborah F. Buckman, Annotation, \textit{Lanham Act Trademark Infringement Actions in Internet and Website Context}, 197 A.L.R. F\textsc{ed}, 17 (2004).
\item\textsuperscript{171} Tana v. Dantanna’s, 611 F.3d 767, 773 (11th Cir. 2010).
\item\textsuperscript{172} KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 120 (2004).
\item\textsuperscript{173} Generally, courts consider: (1) the similarity of the marks, (2) the similarity of the products the marks are used with, (3) the similarity of the parties’ sales methods and marketing channels, (4) the degree of care exercised by purchasers, (5) the sophistication of consumers, (6) the likelihood the original user will enter the junior user’s market, (7) evidence of actual confusion, and (8) the defendant’s intent. See Anheuser-Busch, Inc. v. Balducci Publ’ns, 28 F.3d 769, 774 (8th Cir. 1994) (providing six consumer confusion factors); Pignons S.A. de Mecanique de Precision v. Polaroid Corp., 657 F.2d 482, 487 (1st Cir. 1981) (assessing likelihood of confusion factors); AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979) (providing factors for determining customer confusion); Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (providing likelihood of consumer confusion “variables”).
\item\textsuperscript{174} 17 U.S.C. § 501 (2012).
\item\textsuperscript{175} \textit{KP Permanent}, 543 U.S. at 124 (stating infringement does not occur until proof of a likelihood of customer confusion).
\end{itemize}
regardless of the public’s reaction.\footnote{See Nimmer, supra note 115, at § 8.01(g) (discussing the time infringement occurs).} 

In further distinction, registration is a prerequisite to a copyright, but not trademark, infringement claim.\footnote{17 U.S.C. § 411(a) (providing registration is a prerequisite to a copyright infringement claim); see Thompson Med. Co., v. Pfizer Inc., 753 F.2d 208, 212 (2d Cir. 1985) (stating infringement applies “whether or not a [trademark is] registered . . . .”). On March 1, 1989, Section 411(a) was amended to eliminate the registration requirement for works produced in foreign countries which are parties to certain international copyright treaties, most notably, the Berne Convention. 17 U.S.C. § 411(a).} If a trademark is not registered, a user may prove ownership by previous use in commerce; failure to use a mark in commerce, even if registered or previously used, may result in forfeiture of ownership or abandonment.\footnote{15 U.S.C. § 1127. Abandonment is not automatic; non-use must be coupled with either the owner’s intent to discontinue use for the “reasonably foreseeable future,” or the mark’s loss of distinctiveness. Silverman v. CBS Inc., 870 F.2d 40, 45, 46 (2d Cir. 1989).} Because the public’s association of a trademark with a product’s source is developed by relying on the mark for purchasing decisions, which in turn provides sales and economic gain to the mark owner, essentially, a mark’s economic value must be proven to state a claim for infringement. Further, registration is not required because prior use in commerce gives notice of the trademark’s ownership. But, because copyrights protect even works that the public has little or no awareness of and works with no monetary value, registration is needed to provide notice of ownership.

Further, because trademark infringement protects customers from accidentally purchasing a product affixed with a competitor’s trademark instead of that mark owner’s product, which inevitably would cause the owner to lose revenue, essentially, trademark infringement is dependent on actual or likely economic injury. Therefore, the injury infringement causes to a trademark owner is linked directly to the customers that observe the infringing use and the lost sales resulting from that observation. But, the injury infringement causes to a copyright is linked to the expansive right to control an original work.\footnote{See Sony, 464 U.S. at 464 (discussing the harm of a single impermissible copy of a registered work).} Therefore, in conceptualizing the location of injury for infringement, copyright should focus on the location of the copyright holder while trademark infringement should focus on the location of infringement.

In contrast to the strikingly different forms of infringement in copyright and trademark law, trademark law protects holders and the
value of their marks, like copyright law, by protecting against dilution of famous marks in two ways: tarnishment and blurring.\textsuperscript{180} Tarnishment is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”\textsuperscript{181} Blurring is the use of a mark similar to a famous mark that reduces the famous mark’s distinctiveness.\textsuperscript{182} Unlike trademark infringement, a plaintiff may state a claim for dilution regardless of the likelihood another mark will confuse consumers as to a product’s source.\textsuperscript{183} In addition, trademark infringement is generally limited to disputes between competitors in the same industry, but dilution does not require any market commonality.\textsuperscript{184} Thus, copyright infringement and trademark dilution protect the intangible property, the right of exclusive use, regardless of the public’s perception.

The protections granted by copyright and trademark law are limited to preserve the public’s interests. In terms of subject matter, copyright excludes ideas and facts to prevent a copyright from stifling the development of the arts by authors that benefit from access to protected works, which is not related to any commercial or economic consideration.\textsuperscript{185} This is unlike trademark law’s prohibition of monopoly use of a mark which limits society’s access to functional or descriptive product elements, such as generic marks.\textsuperscript{186} Once again


\textsuperscript{182} Id. Blurring requires a consideration of: (i) the extent of similarity between the famous mark and the junior mark, (ii) the famous mark’s level of distinctiveness, (iii) the exclusive use of the famous mark which the owner is engaging in, (iv) the degree of public recognition of the famous mark, (v) the junior mark user’s intent to associate with the famous mark, and (vi) evidence of actual association between the two marks. 15 U.S.C. § 1125(c)(2)(B)(i-vi).


\textsuperscript{184} Id.

\textsuperscript{185} 17 U.S.C. § 102(b); Harper, 471 U.S. at 556.

\textsuperscript{186} Qualitex, 514 U.S. at 164-65. Arbitrary or fanciful marks, which are marks with no previous association to a product it is used with, and suggestive marks, which are marks that only mention an ingredient or characteristic of a product, are per se protectable. Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9-12 (2d Cir. 1976). A mark that is descriptive of a product is protectable only if it is distinctive, which requires a showing of secondary meaning. 15 U.S.C. § 1052(c)(1) (2012); 15 U.S.C. § 1052(f) (2012). Secondary meaning occurs when the public primarily associates the specific mark owner, not the product type in general, with the mark. Abercrombie & Fitch, 537 F.2d at 10. A generic mark is one that is synonymous with a product, not a particular source, and is never protectable; a mark can become generic and lose protection over time. Id. at 9-10. No mark that is deceptive of the product it is used in connection with is protectable. 15 U.S.C. § 1052(a) (2012).
trademark focuses on consumers.

In addition, the Copyright Act and the Lanham Act both provide a defense for fair use.\(^\text{187}\) Whereas copyright fair use encourages “courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster,”\(^\text{188}\) trademark fair use focuses on the use of a mark’s effect on consumers in two forms of fair use: classic fair use and nominative fair use.\(^\text{189}\) Classic fair use permits non-owners to use a registered mark to accurately describe their own product.\(^\text{190}\) Nominative fair use allows the use of another’s protected mark to identify that mark owner or its product so long as it is not likely to cause consumers to falsely believe the mark holder is the product’s source, affiliate, or sponsor.\(^\text{191}\)

Further limitations on the extent of trademark protection also indicate its link to consumers. Trademark monopolies are limited in scope by geography\(^\text{192}\) and industry.\(^\text{193}\) Thus, multiple entities may

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\(^\text{188}\) Campbell, 510 U.S. at 577 (quoting Stewart, 495 U.S. at 207) (internal quotation marks omitted).

\(^\text{189}\) New Kids on the Block v. News Am. Pub., Inc., 971 F.2d 302, 308 (9th Cir. 1992) (discussing difference between classic and nominative fair use in trademark law).

\(^\text{190}\) Car-Freshner Corp. v. S.C. Johnson & Son, Inc., 70 F.3d 267, 269 (2d Cir. 1995) (classic fair use “allows a competitor to use another’s registered trademark to describe aspects of one’s own goods” (quoting Mattel, Inc. v. Azrak-Hamway Int’l, Inc., 724 F.2d 357, 361 (2d Cir. 1983))).

\(^\text{191}\) Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 102 (2d Cir. 2010) (“The doctrine of nominative fair use allows ‘[a] defendant [to] use a plaintiff’s trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion about the source of [the] defendant’s product or the mark-holder’s sponsorship or affiliation.’ ” (quoting Merck & Co. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402, 413 (S.D.N.Y. 2006))); New Kids on the Block, 971 F.2d at 308 (“[W]here the defendant uses a trademark to describe the plaintiff’s product, rather than its own, we hold that a commercial user is entitled to a nominative fair use defense . . . .”); Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 225-26 (3d Cir. 2005) (defining nominative fair use).

\(^\text{192}\) See Patsy’s Italian Rest., Inc. v. Banas, 658 F.3d 254, 266 (2d Cir. 2011) (discussing concurrent use of the same mark by two different companies due to the geographic limitation of the trademark owner’s monopoly); Brennan’s, Inc. v. Brennan’s Rest., L.L.C., 360 F.3d 125, 135 (2d Cir. 2004) (discussing likelihood of consumer confusion caused by use of a mark which acquired secondary meaning in a limited geographic area).

use the same or similar marks concurrently, without causing infringement. Using traditional marketing and advertising methods, two products that use the same mark in different geographic areas are not likely to be seen by the same consumers, and thus are unlikely to confuse any potential customers. Likewise, the use of identical or similar marks in different industries with different consumers is unlikely to cause customer confusion. In contrast, a copyright’s monopoly has no regional boundaries for any uses, commercial or otherwise, regardless of the region or industry in which the owner does business.

Moreover, the limit on a copyright’s right of exclusive use distances the notion of injury from trademark’s strictly economic concept. Copyright’s protections are limited in time. Trademark’s protections may last perpetually, as long as the owner continues to use the mark in commerce, thus preserving its economic value. Thus, a single copyright infringement may lead to ongoing injury if the public incorrectly believes the work has entered the public domain, but no such belief is reasonable for a trademark. Therefore, copyright law requires a broader notion of injury to deter even a single infringement.

As an additional similarity, the typical remedy for a successful trademark infringement claim is also an injunction. Pursuant to the Lanham Act, courts are given broad discretion in granting injunc-

195 See, e.g., Brennan’s, 360 F.3d at 135 (finding no likelihood of confusion because of geographic separation). However, registration provides an owner with a geographic monopoly (but isn’t a remedy subject to a showing of likelihood of confusion?). Id. at 134. For a discussion on the Internet’s effect on traditional geographic and industry limitations of a trademark’s monopoly, see discussion infra page 1055.
196 See, e.g., Mead Data Cent., 875 F.2d at 1031-32 (finding no likelihood of confusion in separate industries).
197 See 17 U.S.C. § 106 (stating a copyright owner’s exclusive rights); see also Harper, 471 U.S. at 546 (“Section 106 of the Copyright Act confers a bundle of exclusive rights to the owner of the copyright.”) (footnote omitted).
199 Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 115 (2d Cir. 2001) (stating that “trademark rights can be forever”).
200 Congress recognized the possible harm from a single infringement and enacted a single infringement statutory damages provision. 17 U.S.C. § 504(c)(1). See Campbell, 510 U.S. at 586 (stating copyright infringement may cause consumers to believe a work is no longer protected).
tions to halt infringement. Just like copyrights, historically the Circuits presumed irreparable harm upon a showing of success on the merits. And, just as eBay cast doubt on this presumption and Salinger settled the issue in copyright law, courts have applied eBay and Salinger to preliminary as well as permanent injunctions and in all intellectual property cases, including trademark. This is another example of how courts commonly compare trademark and copyright law. Although irreparable harm is no longer presumed, most infringement cases still result in an injunction. But the reasons courts generally grant injunctions in copyright and trademark infringement cases are not the same and reflect deep conceptual distinctions. In trademark cases, injunctions are primarily granted because of the inherent difficulty in calculating the damage to an owner’s business. This fact welcomes application of Penguin to trademark cases because the court stated that the difficulty in calculating damages supported its holding in the copyright infringement case. However, as was pointed out earlier, copyright cases often result in injunctions under a property theory, not simply due to the difficulty in calculating damages. Therefore, the court’s reasoning in Penguin is actually more applicable to trademark cases than copyright cases.

Furthermore, money damages may be awarded in addition to or in place of injunctive relief for copyright or trademark infringement. The Lanham Act provides monetary relief to infringed trademark holders; the governing law considers a hodgepodge of factors

202 See id. (describing available injunctive relief); Roederer v. J. Garcia Carrión, S.A., 732 F. Supp. 2d 836, 881 (D. Minn. 2010) (finding that a permanent injunction is necessary).
203 Tom Doherty Assocs., Inc. v. Saban Entm’t, Inc., 60 F.3d 27, 35 (2d Cir. 1995) (“Most of the case law on this issue involves trademark and copyright disputes, where a presumption of irreparable harm arises once a plaintiff establishes a likelihood of success on a claim.”).
204 See Tecnimed SRL v. Kidz-Med, Inc., 462 F. App’x 31, 32 (2d Cir. 2012) (stating there is no longer a presumption of irreparable harm in trademark infringement cases). But see Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co., 571 F.3d 873, 877 (9th Cir. 2009) (“Because the court found a likelihood of success on the merits, it reasonably presumed irreparable injury.”); Lorillard Tobacco Co. v. Amouri’s Grand Foods, Inc., 453 F.3d 377, 381-82 (6th Cir. 2006) (“As to irreparable harm, our Circuit requires no particular finding of its likelihood to support injunctive relief . . . when a likelihood of confusion or possible risk to reputation appears from infringement . . . .”) (internal quotation mark omitted).
205 Phillips, supra note 142, at 420.
206 Penguin, 946 N.E.2d at 164.
207 15 U.S.C. § 1171 (2012); see, e.g., Carl Zeiss Stiftung v. VEB Carl Zeiss Jena, 433 F.2d 686, 706-07 (2d Cir. 1970) (denying monetary relief in favor of an injunction); Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 120 (9th Cir. 1968) (“The equitable limitation upon the granting of monetary awards under the Lanham Act . . . make[s] it clear that such a remedy should not be granted as a matter of right.”).
differing in each circuit. Most frequently, monetary relief takes the form of damages and is measured by either the plaintiff’s proven loss in sales or the decrease in its business’s value resulting from the infringement. At other times, monetary relief is measured by the defendant’s profits, but usually as a presumption of the plaintiff’s lost sales, not as punishment for the defendant’s unjust enrichment. Because proving an actual economic loss caused by an infringement is nearly impossible, the majority of courts, including the Second Circuit, but not all, require a showing of actual customer confusion or deception for awarding monetary damages. This implies that a trademark causes injury at the location that consumers observe the purportedly infringing use of a mark and become confused, not at the location of the trademark holder. However, the court in Penguin relied on the difficulty of calculating actual damage for copyright infringement, thereby encouraging analogy to trademark infringement.

In sum, the court in Penguin relied on copyright holders’ right to exclude and the difficulty in calculating actual economic loss. This is not incorrect, but it is an overly broad expression of copyright’s exclusive use rights that also touches on its similarities with

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209 Id.

210 See generally RESTATEMENT (FIRST) OF RESTITUTION § 136 (1937); GOLDSTEIN, supra note 161, at 333. In limited cases, courts have awarded damages based on the cost to the mark owner in repairing its goodwill. See, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1375 (10th Cir. 1977).

211 See George Basch Co., Inc. v. Blue Coral, Inc., 968 F.2d 1532, 1537 (2d Cir. 1992) (“[T]he law in this Circuit is well settled that a plaintiff need not demonstrate a c- tual damage . . . under § 35 of the Lanham Act.” (citations omitted)).

212 See, e.g., Gracie v. Gracie, 217 F.3d 1060, 1068 (9th Cir. 2000) (“While actual confusion may be relevant as evidence of the likelihood of confusion . . . actual confusion is not necessary to obtain a recovery . . . .”); Burger King Corp. v. Mason, 855 F.2d 779, 781 (11th Cir. 1988) (“[T]he law in this Circuit is well settled that a plaintiff need not demonstrate actual damage . . . under § 35 of the Lanham Act.”) (citations omitted).

213 See, e.g., Zelinski v. Columbia 300, Inc., 335 F.3d 633, 639 (7th Cir. 2003) (requiring plaintiff to show evidence of actual confusion and actual economic loss); Res. Developers, Inc. v. Statue of Liberty-Ellis Island Found., Inc., 926 F.2d 134, 139 (2d Cir. 1991) (“When a plaintiff seeks money damages . . . under section 43(a), the plaintiff must introduce evidence of actual consumer confusion.”); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. i (1995) (monetary relief for infringement “requires proof that some consumers have actually been confused or deceived.”).
trademark law. A more in depth analysis of each law reveals that these comparisons may be misplaced and unwise.

C. The Internet’s Effect on Copyright and Trademark Law

This Section examines the effects of the Internet on the relationship between trademark and copyright law. This analysis shows that the court’s reformulation of the certified question in *Penguin* was too narrow because it downplayed the significance of copyright’s unique bundle of rights and it strengthened the applicability of *Penguin* to trademark infringement cases. The court’s reasoning for relying on the Internet’s role in *Penguin* applies equally to trademark infringement cases involving the Internet. Furthermore, although the Internet has cast doubt on the effectiveness of traditional protections for trademark and copyright holders, the issues raised by the Internet have not changed the notion of injury from infringement to a copyright holder, while it has fundamentally altered the notion of injury a trademark holder suffers from infringement.

The Internet has acted as the means for a dramatic increase in infringement of copyrighted works and protected marks. Among the approximately two billion Internet users worldwide, an estimated seventy-five billion dollars worth of copyrighted material is infringed via the Internet annually. In fact, copyright piracy has become so commonplace that much of society no longer considers it theft. In addition, as companies increasingly depend on the Internet to convey information about their products to consumers and conduct business transactions, infringing on a competitor’s protected mark provides

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greater reward. Furthermore, because regulation of the Internet is lacking compared to most other commercial and communication modes, and because the Internet is conceptually new to the courts, novel issues as to copyright and trademark protections arise.

Websites such as YouTube and Wikipedia allow individuals with no computer background to upload material, which is often copyrighted, to the Internet for universal access, known as User Generated Content. Other websites offer peer-to-peer (“P2P”) file sharing, such as Napster, Grokster and BitTorrent, which have been shut down. P2P does not involve the uploading of a work to a central website for universal access; P2P websites make files on their users’ computers available to other users to copy.

As a result, copyright holders frequently assert claims of secondary liability, which holds liable entities that knowingly assist others in benefiting from infringement, against website providers. Secondary liability has two forms: contributory infringement, the intentional inducement or encouragement of direct infringement by another, and vicarious infringement, the failure to exercise a power to stop another’s direct infringement. Secondary liability, though, is not new to the Internet and has been applied to innovative technology.


218 Oduol, supra note 216, at 503; Springer, supra note 217, at 316.


220 Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 948 (2005) (holding defendant liable for promoting infringement by providing file sharing platform); A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1012 (9th Cir. 2001) (holding P2P file sharing provider liable for infringement); Andrew V. Moshirnia, Giant Pink Scorpions: Fighting Piracy with Novel Digital Rights Management Technology, 23 DePaul J. ART, TECH. & INTELL. PROP. L. 1, 9 (2012) (“Peer-to-Peer (‘P2P’) file sharing services such as Napster and, more recently, BitTorrent clients, has (check quote – should be have)allowed users to easily obtain and share illegitimate lossless (check?) copies of works.”) (footnote omitted).

221 Metro-Goldwyn, 545 U.S. at 948; A&M Records, 239 F.3d at 1012.

222 See, e.g., Metro-Goldwyn, 545 U.S. at 929 (stating the “argument for imposing indirect liability” on a P2P web service provider is “powerful”); A&M Records, 239 F.3d at 1024 (finding P2P web service provider liable for contributory and vicarious infringement); see also Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., 907 F. Supp. 1361 (N.D. Cal. 1995) (finding secondary liability and discussing its importance to web service providers which allow file sharing).

223 See Metro-Goldwyn, 545 U.S. at 930 (defining contributory infringement); see also Sony, 464 U.S. at 439 (defining vicarious liability).
in the past, such as in *Sony Corporation of America v. Universal City Studios, Inc.*,\(^\text{224}\) in which the defendant manufactured videotape recorders capable of copying television programs.\(^\text{225}\) Thus, despite the Internet’s role in increasing the frequency of secondary copyright infringement, the traditional notion of injury associated with infringement has effectively applied to these cases.

In addition, Congress has responded to the Internet’s proliferation of copyright infringement. In 1998, Congress amended the Copyright Act to add the Digital Millennium Copyright Act ("DMCA").\(^\text{226}\) To encourage authors to put their works in digital format, the DMCA makes it a crime to circumvent a work’s technical infringement safeguards, such as the protection on a DVD that prevents it from being copied to a computer, codifying secondary liability for assisting digital piracy.\(^\text{227}\) Further, the DMCA has safeguards for online service providers to encourage the Internet’s use and provide certainty “with respect to copyright infringement liability online.”\(^\text{228}\) However, to invoke these safeguards, web service providers must have the “right and ability to control [infringing] activity,” or receive financial benefit from the infringing activity,\(^\text{229}\) the same elements of common law secondary infringement.\(^\text{230}\) Thus, the DMCA has codified these previously accepted copyright protection concepts.

Therefore, although an increase in copyright infringement facilitated by the Internet has necessitated responses from the courts

\(^{224}\) 464 U.S. 417.

\(^{225}\) Id. at 419-20.


\(^{227}\) Garamgaibaatar, *supra* note 215, at 207; *see, e.g.*, Universal City Studios, Inc. v. Corley, 273 F.3d 429, 435 (2d Cir. 2001) (“The DMCA . . . backed with legal sanctions the efforts of copyright owners to protect their works from piracy behind digital walls such as encryption codes or password protections.”).


\(^{229}\) 17 U.S.C. § 512(c).

\(^{230}\) *See* Garamgaibaatar, *supra* note 215, at 207 (discussing similarities to secondary liability and the DMCA); *see also* *Sony*, 464 U.S. at 439 (providing elements of secondary liability).
and legislature, classic concepts of infringement have been the basis of the issues raised and the driving policies behind the developing law. There is no question that the development of the Internet has allowed potential infringers to pirate protected works with greater ease and less cost. As a result, copyright holders have increasingly suffered from infringement. An infringing party’s use of some other means of transmitting a protected work, such as the telephone or mail, should not result in less protection than had the infringement occurred on the Internet.

In contrast, the Internet has not only increased the frequency of trademark infringement, but has altered the classic notions of consumer and marketplace, resulting in some circuits discarding factors of their likelihood of consumer confusion analysis. Because these adapted tests reflect the Internet’s unification of historically separate markets and marketing channels, which is one reason for the increase in infringement, past limitations on protection based on industry and geography have become less of an obstacle for trademark owners. Although focus remains on the likelihood of consumer confusion, the Internet has also created entirely new forms of infringement, fundamentally altering existing law at times in conflict with traditional protections.

For example, “cybersquatting” occurs when one incorporates another’s trademark in a domain name or web address. Cyber-

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235 See Brookfield Comm’ns, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1058 (9th Cir. 1999) (stating relevant consumer confusion factors for Internet trademark infringement cases are “the similarity of marks, the relatedness of product offerings, and the overlap in marketing and advertising channels”); see also Century 21, 425 F.3d at 225-26 (stating relevant factors are: “(1) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (2) the length of time the defendant has used the mark without evidence of actual confusion; (3) the intent of the defendant in adopting the mark; and (4) the evidence of actual confusion”).

236 Drew, supra note 234, at 151 (“The Internet Age has also created an entirely new set of issues in the realm of . . . trademarks.”) (footnote omitted).

237 Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc., 202 F.3d 489, 493 (2d Cir. 2000) (“Cybersquatting involves the registration as domain names of well-known trademarks by
squatting often resembles classic infringement, as competitors benefit from a mark owner’s reputation by attracting consumers that sought the mark owner by using the trademark in a web address or search engine. But at other times, cybersquatting disputes involve non-competitors, unlike classic infringement, because many cybersquatters sell domain names to mark owners for profit. Initially, courts were unsure if this could cause consumer confusion, as the Internet was not yet accepted as a tool for consumers in developing product expectations and making purchases. Over time, courts increasingly granted recovery in these situations using anti-dilution law, even in classic infringement situations. In 1999, Congress followed suit and enacted the Anticybersquatting Consumer Protection Act, which holds liable a user of another’s trademark in domain names for profit.

In addition, the Internet has given rise to infringement from the use of “ad words.” Internet search engines, such as Google, sell advertisement space on their search results pages that are triggered by specified searches, such as a trademark, to target customers. Unlike cybersquatting, ad words have received disparate treatment by the circuits, resulting in inconsistent decisions. Although issues go beyond use in commerce, due to varying interpretations of trademark’s use in commerce requirement, some circuits require display of a trademark in a triggered advertisement, but others

238 Panavision Int’l, 141 F.3d at 1319.
239 See Sporty’s Farm, 202 F.3d at 493 (cybersquatting benefits “non-trademark holders who then try to sell the names back to the trademark owners”); see also Cello Holdings, L.L.C. v. Lawrence-Dahl Co., 89 F. Supp. 2d 464, 474 (S.D.N.Y. 2000) (involving defendant accused of “blackmailing” a domain name).
240 See, e.g., Primedia Intertec Corp. v. Tech. Mktg. Corp., 35 F. Supp. 2d 809, 822 (D. Kan. 1998) (holding use of trademark in domain was not likely to cause confusion because products sold on website were not similar to mark owner’s).
243 Id.
246 Taft, supra note 244, at 760-61.
have held an advertisement designed to generate sales constitutes use in commerce in itself.247

The responses to the proliferation of the Internet in trademark law seem appropriate in context but seem inconsistent with the underlying purpose of trademark law. Generally, courts adapted to provide trademark owners with greater protection. However, in many circumstances this has eroded accepted limitations on a mark owner’s right of exclusive use, limiting the availability of marks, which hinders a company’s ability to distinguish its product, and thus adversely affects competition. First, because many non-competing companies use similar Internet marketing channels, such as search engines, and because application of anti-dilution protection has expanded dramatically, like it has for cybersquatting, a mark owner’s right of exclusive use now extends across industries.248 Second, the Internet’s ubiquitous and borderless marketplace has rendered the physical location of a mark owner or Internet consumer irrelevant because consumers in all locations may view, and thus be confused by, an improper use of a trademark.249 As a result, entrants to a market trying to launch a business may be precluded from using marks that were historically available for concurrent use due to regional distances.250

V. CONCLUSION

This Note demonstrates that the court’s holding in Penguin was correct, but the court’s reformulation of the issue to apply only to cases of unconsented uploading of a copyrighted work to the Internet was unnecessary. First, a typical personal jurisdiction analysis frequently requires a multilayered consideration of the Internet to meet some of the federal requirements and the requirements of New


248 See Coffee Dan’s, Inc. v. Coffee Don’s Charcoal Broiler, 305 F. Supp. 1210, 1217 n.13 (N.D. Cal. 1969) (“[W]e feel constrained not to give [dilution] overly broad application lest it swallow up all competition . . . .”); see also Klieger, supra note 183, at 789 (discussing the anti-competitive effect of overly expanding protection).

249 Drew, supra note 234, at 151 (discussing the Internet’s erosion of geographically isolated trademark rights).

250 See Mireles, supra note 214, at 487 (“[E]rosion of the Dawn Donut rule harms the ability of new entrants to establish themselves in markets when a competitor is operating in a remote market and has an Internet presence.”).
York’s long-arm statute. This shows the court’s consideration of the Internet in *Penguin* was duplicative. Second, an examination of the traditional concepts underlying federal copyright law demonstrates that the nature of a copyright itself suggests infringement causes injury in the holder’s domicile and the Internet has not changed the traditional notion of injury. Third, the court’s discussion of copyright law in *Penguin* welcomes the application of *Penguin* to trademark cases in the future because it did not distinguish copyright from any other intellectual property; however, a deeper analysis reveals significant distinctions, especially regarding the Internet, between copyright and trademark law, which indicates application of *Penguin* is ill-advised.

Therefore, the New York Court of Appeals should not have reformulated the certified question posed to it, and it should have ruled, as it did but more broadly, that the location of injury caused by infringement is the location of the copyright holder.

*Stefan Josephs*

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* J.D. Candidate 2014, Touro College Jacob D. Fuchsberg Law Center; B.A. 2008 in Economics, Stony Brook University. I would like to thank my parents for their support throughout the year. In addition, I would like to thank Professor Rena Seplowitz for the invaluable guidance in researching, writing and editing this note. Finally, I would like to thank Tiffany Frigenti, Kina Grbic, and the rest of the Touro Law Review staff for assisting me.