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CASES OF INTEREST

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IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

March 30, 2011

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Penguin Group (USA) Inc. v. American Buddha, New York Court of Appeals, March 24, 2011

 [Click here for a copy of the full decision.](#)

- New York's highest court, answering a certified question from the Second Circuit, holds that in a copyright infringement action where a copyrighted literary work is uploaded to the Internet, for purposes of determining jurisdiction under New York's long-arm statute, the situs of the injury is the copyright holder's principal place of business.

Plaintiff Penguin Group (USA) Inc. is a large publisher located in New York. Defendant American Buddha is a not-for-profit organization incorporated in Oregon and located in Arizona. American Buddha operates two web sites – the American Buddha Online Library and the Ralph Nader Library – which are hosted on servers in Arizona and Oregon. American Buddha uploads various literary works to these websites and allows users to download them. The websites state that such uploading and downloading does not constitute copyright infringement.

Penguin commenced a copyright infringement action against American Buddha in New York federal court, alleging that American Buddha infringed Penguin's copyrights to four books -- (1) "Oil!" by Upton Sinclair; (2) "It Can't Happen Here" by Sinclair Lewis; (3) "The Golden Ass" by Apuleius; and (4) "On the Nature of the Universe" by Lucretius -- by uploading them to the Internet and allowing users to download them. American Buddha claimed that its activities do not constitute copyright infringement under sections 107 and 108 of the Copyright Act, which govern fair use and reproductions by libraries and archives. American Buddha also moved to dismiss the case, arguing that the federal court in New York where the case was brought lacked personal jurisdiction.



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In opposing American Buddha's motion to dismiss, Penguin argued that New York courts had personal jurisdiction over the defendant under Rule 302(a)(3)(ii) of the New York Civil Practice Law and Rules ("CPLR"), which provides jurisdiction over nondomiciliaries who commit tortious acts outside New York that result in injuries within New York. The federal district court granted American Buddha's motion to dismiss, finding that Penguin's injury occurred in Arizona and Oregon, where the copying and uploading of the books took place, not in New York.

Penguin appealed, and after finding a split in state court decisions interpreting the CPLR, the Second Circuit Court of Appeals certified the following question to the New York Court of Appeals:

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

Observing that the Internet plays a significant role in the case, the New York Court of Appeals narrowed and reformulated the certified question as follows:

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

Under the circumstances of this case, the Court of Appeals concluded that the situs of the injury is the location of the copyright holder.

The CPLR permits New York courts to exercise long-arm jurisdiction over out-of-state defendants where (1) the defendant committed a tortious act outside New York; (2) the act caused injury in New York; (3) the defendant expected or should have expected the out-of-state act to have consequences in New York; (4) the plaintiff's claim arises from the out-of-state act; and (5) the defendant derived substantial revenue from interstate or international commerce. The only issue posed to the Court of Appeals concerned the third requirement – whether an out-of-state act of copyright infringement has caused injury in New York. The Court of Appeals began by recognizing that, in other circumstances, an injury does not occur in New York simply because the plaintiff happens to be located in New York and suffers indirect financial loss. However, in the circumstances of this case, involving the Internet, two factors persuaded the court that a copyright owner alleging infringement suffers an in-state injury when its printed literary work is uploaded



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without permission onto the Internet for public access.

First, the court observed that the Internet itself plays an important role in the jurisdictional analysis in the context of this case, as the crux of Penguin's copyright claim is not merely the unlawful electronic copying and uploading of the four copyrighted books, but rather it is the intended consequence of those activities – the instantaneous availability of those copyrighted works on the Internet for anyone, in New York or elsewhere, to access. In cases of this nature, the Court of Appeals held, identifying the situs of injury is not as simple as turning to "the place where plaintiff lost business," because the alleged injury involves online infringement dispersed through the country and perhaps the world.

Second, the Court of Appeals held that the unique bundle of rights granted to copyright owners tips the balance in favor of identifying New York as the situs of injury because a New York copyright holder whose copyright is infringed suffers something more than the indirect financial loss that was deemed inadequate to establish jurisdiction in other cases.

Castorina v. Spike Cable Networks, Inc., USDC E.D. New York, March 24, 2011

 [Click here for a copy of the full decision.](#)

- Court grants defendants' motion to dismiss copyright infringement claim, finding that plaintiffs' treatment for a sports-themed reality television show is not substantially similar to defendants' sports-themed reality television show called *Pros vs. Joes*.

Plaintiffs created and copyrighted a treatment for a reality television show called *Two Left Feet* that features amateur athletes competing against professional athletes, judging by two hosts or announcers, and prizes. Plaintiffs filed a copyright infringement action against the network that broadcast a reality television show called *Pros vs. Joes* in which amateur athletes compete against professional athletes.

The court noted that the Second Circuit "has not yet had the opportunity to articulate how similar reality television programs must be for a 'substantial similarity' to exist between them under the copyright laws. But the Second Circuit's general framework for analyzing copyright claims is certainly insightful." As such, the court applied the "ordinary observer" test which asks whether "an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work."



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The court dismissed the complaint, holding that “no objective observer could conclude that *Two Left Feet* and *Pros vs. Joes* share a substantially similar ‘total concept and overall feel.’” According to the court, plaintiffs’ treatment “consists largely of stock concepts and ‘scenes a faire,’ such as fielding a baseball hit by a professional baseball player, and images depicting ‘panic, tension, relief, or failure.’”

And, although copyright law may protect the original way in which an author has selected, coordinated, and arranged various elements, the court stated that plaintiffs’ treatment contains limited original selection, coordination and arrangement of unprotectable elements. The court noted that plaintiffs “concede as such” since their treatment contained “some ambiguity or lack of detail” so that the sequence of events would be determined by “what the people in the show end up doing.” According to the court, “the treatment’s vagueness, however intentional, also undercuts its protectability” because the less specifics and details it contained, “the less it uniquely and imaginatively ‘selected, coordinated and arranged’ the stock elements contained within.” Furthermore, the court held that the stock elements in plaintiffs’ treatment are “largely inherently functional to the idea of a sports reality show, not ‘original’ creative expressions of any particular idea.” The court acknowledged that plaintiffs’ treatment did select, coordinate and arrange some elements in a creative, non-purely functional way – such as including in the group of amateurs some “goofballs” for comic relief and ringers “to make the other guys envious and competitive” and forcing the contestants to sing – but the court noted that none of these elements are contained in the defendants’ show.

Beatty v. Tribune Media Services, Inc., USDC C.D. California, March 24, 2011

 [Click here for a copy of the full decision.](#)

- In a declaratory action seeking a determination of the rights to the Dick Tracy character, the court grants plaintiff’s motion for summary judgment, concluding that plaintiff satisfied the requirements of the parties’ agreement for retaining the rights to the Dick Tracy character.

Plaintiff Warren Beatty entered into an agreement with defendant Tribune Media Services for the rights to the Dick Tracy character. The agreement provided that the rights would revert to defendant if it provided notice to Beatty and if Beatty did not begin principal photography on a motion picture or “television series or special” using the Dick Tracy character within two years of receiving such notice. In 1990, Beatty starred in the Disney motion picture *Dick Tracy*. Beatty thereafter entered into an agreement with Disney to make a television show starring Nancy Kerrigan dancing with various characters including Dick Tracy. In 1995, defendant agreed



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that this television show would qualify as a “television special” for purposes of satisfying the agreement.

In 2005, defendant filed suit, seeking a determination that the Dick Tracy rights had reverted to it. The court dismissed the complaint because defendant had not provided notice to Beatty of its intention to re-acquire the rights. Shortly thereafter, defendant provided notice to Beatty of its intention to re-acquire the rights to the Dick Tracy character.

Within the two-year period after receiving the notice, Beatty filmed a television program to be shown on the Turner Classic Movies (TCM) channel in which he dressed up as Dick Tracy and answered questions posed by a film critic. The show was to be shown as part of a Dick Tracy marathon but was never broadcast.

Beatty then filed a declaratory action, seeking a determination that he still owned the rights to the Dick Tracy character based on his completion of principal photography on the television show within two years of receiving defendant’s notice of reversion. Defendant claimed that Beatty’s “thirty minute clip show” did not qualify as a “television special” because it was not intended for broadcast on a free commercial network, it was less than two hours long, and it was not a stand-alone program but rather was intended to be shown on TCM right before TCM broadcast the 1990 *Dick Tracy* motion picture.

The court granted summary judgment for Beatty, holding that none of the supposed requirements for the television special that defendant listed were contained in the agreement. The court also noted that the Nancy Kerrigan television show, which defendant agreed qualified as a “television special,” was less than an hour long and included only a fleeting appearance by the Dick Tracy character. “The two segments were the same length; they both were not part of a television series but stood alone as television episodes; they were both shot for television; and they both involved the use of the Dick Tracy character. Defendant may be frustrated that Plaintiff has not used his rights to Dick Tracy for more profitable ends. The court, however, cannot ‘create for the parties a contract they did not make,’ and the court ‘cannot insert language that one party now wishes were there.’”

The court also rejected defendant’s assertion that Beatty acted in bad faith by making the television show solely to retain his rights in the character and did not make the show to create value in the Dick Tracy character. The court stated that “[t]hat may very well be true; no more was required. . . . It is not an act of bad faith for a party to act in conformity with rights which have been provided to him under the terms of the Agreement.”



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