

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PEARSON EDUCATION, INC., JOHN WILEY &
SONS, INC. CENGAGE LEARNING, INC., and THE
MCGRAW-HILL COMPANIES, INC.,

Plaintiffs,

v.

TEXTBOOK DISCOUNTERS, MICHAEL VIAENE,
VLATKO KLJAJIC and CHUNYONG QIN ALL
D/B/A TEXTBOOK DISCOUNTERS D/B/A
GRACEQIN2009 and JOHN DOE NOS. 1-5,

Defendants.

Civil Action No.
1:10-CV-00324-WHP

**MEMORANDUM OF LAW IN SUPPORT OF THE MOTION BY DEFENDANT
MICHAEL VIAENE, DOING BUSINESS AS TEXTBOOK DISCOUNTERS, TO
DISMISS THE COMPLAINT ON THE GROUNDS OF A LACK OF PERSONAL
JURISDICTION AND IMPROPER VENUE**

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PRELIMINARY STATEMENT

Defendant Michael Viaene, a Minnesota resident, submits this Memorandum of Law in support of his motion to dismiss the Complaint brought by a number of plaintiff publishers located in various states against various out of state defendants. The complaint alleges copyright and trademark infringement arising out of defendant's alleged sale on the Internet of those publishers' own books, bought by defendants from bona fide prior purchasers. Mr. Viaene, who does business under the name Textbook Discounters, moves under Fed. R. Civ. P. 12(b)(2) for dismissal of the complaint as against them on the ground of a lack of personal jurisdiction or, in the alternative, for dismissal under Fed. R. Civ. P. 12(b)(3) for improper venue.

This motion addresses the question of whether any person or firm in the world, having a complaint (however dubious on the merits) against any other person in the world, may require such a person to appear defend himself in the United States District Court for the Southern District of New York on the ground that the defendant, like almost everyone engaged in commerce in the 21st century, utilizes the Internet to sell his wares. Ultimately, the entire basis of the assertion in this action of jurisdiction over defendants, and of venue in this Court, is premised on no more than that fact.

There is no basis under New York's long-arm statute to assert this forum's jurisdiction over Mr. Viaene, and to instantly place him at the distinct disadvantage of being forced to litigate far from home in a world, speaking in terms of due process, that he never made. Mr. Viaene is a resident of the State of Minnesota and conducts all his business there. The Complaint says virtually nothing to suggest that he has anything to do with the State of New York and falls far short of providing a bona fide jurisdictional basis on which to hale him into the Southern District of New York and thereby virtually assure his capitulation. Plaintiffs merely assert a right they

deem self-evident to litigate all their disputes with all the world in this Court on the thinnest of allegations. The law does not support such a policy, especially when issues of constitutional due process are at stake; nor do considerations of equity recommend it. This alone is adequate ground for dismissal.

Moreover, the Complaint should be dismissed on the basis of improper venue. The Complaint's allegation of venue is insufficient as a matter of law, merely identifying the venue statute and neither referring to a specific provision on which plaintiffs rely nor alleging any basis for the allegation stating merely that "Upon information and belief, venue is proper in this District pursuant to 28 U.S.C. § 1391." In any case, there is no provision of that statute that is met by the allegations or the facts here. In such a case, dismissal is proper.

STATEMENT OF FACTS

This lawsuit alleges a number of causes of action against defendants, who are in the business of lawfully buying the foreign editions of textbooks published by plaintiffs for overseas use, and making them available for sale to American students seeking lower cost alternatives to the "United States Editions" of those books. Complaint ¶¶ 13-18, 24. The Complaint goes to great lengths to explain why the U.S. editions are much more valuable to those students – e.g., because they offer features such as better quality paper, online resources, ribbon bookmarks, prettier covers and "different" bindings. Complaint ¶¶ 17-18. In contrast, the "Foreign Editions" of these works lack these qualities and, of primary concern to plaintiffs, are a lot cheaper to produce and thus can be sold at a profit in poorer lands.

Plaintiffs, however, insist that they stay there. They allege that the law of copyright, trademark and unfair competition make it unlawful for American students, whether or not

burdened by the expense of higher education, to economize by buying the cheaper books published by plaintiff but intended for use only by foreigners.

Based on the silence of the Complaint as to the matter of choice, it appears that the publisher plaintiffs have no interest in whether these students or their parents want to, or can, pay the premium plaintiffs charge for sturdy paper, online supplements, graphic design or impressive ribbons sewn right into the binding. Textbook publishers such as plaintiffs are insulated from such concerns in general, because unlike typical consumers, purchasers of academic textbooks have no control over what texts they will be required to utilize in their studies; that is determined by their instructors. There is thus little or no price elasticity in this “market” for their products; students who want a textbook to study from in their homes or dormitories must pay what essentially amounts to a “monopoly” price for the text chosen. Naturally, every “extra” added to the U.S. editions – every unasked-for ribbon, CD and illustration – carries with it a non-negotiable additional cost, and of course increment of profit for plaintiffs, that American students (with their ready access to limitless student loans) are expected to bear.

Plaintiffs allege that they “invest significant monies to publish their copyrighted works” [Complaint ¶ 15]. Obviously, and quite rationally, they intend to enjoy “significant” returns on that investment. Yet either they have declined to take the opportunity to persuade American students of the value of their pricey, bells-and-whistles-laden U.S. editions, or have failed to move them on this point despite their mastery of the published word; the Complaint is, again, silent on which of these is the case. In any event, when it comes the arguments plaintiffs make in the Complaint about the advantages of the U.S. editions, it appears that “no one is buying,” for the Complaint alleges that by selling these benighted students the “plain vanilla” edition of plaintiffs’ textbooks to willing buyers – not illegal copies, but works that plaintiffs have placed

in the global market and sold at a price set by them – defendants in this action have caused plaintiffs “irreparabl[e] damage.” Complaint ¶¶ 32, 41 and 45. Moral suasion being either unavailing or untried, plaintiffs have instead opted for blunt force, asserting that the intellectual property laws, and the law of unfair competition, were intended by Congress and the common law to prevent Americans from buying “underground” literature from abroad.

This motion does not address the questionable merits of those claims. The Court should, however, be familiar with them, for the use of this Court as a catchall enforcement mechanism for any defendant amenable to service of process in the United States is no small part of plaintiffs’ strategy of using questionable litigation tactics to eliminate consumers’ choice over where they buy their academic literature. Regarding the trademark claims, the Complaint alleges that defendants infringed plaintiffs’ trademarks “by using them on and/or in connection with the works that they have sold.” But these “works that [defendants]” have sold are, notwithstanding the cagey description, works that plaintiffs manufactured and sold, and works on which they placed their own trademarks. If indeed this could possibly be described as an “infringement,” the trademark claim would still fail by virtue of the failure of the complaint to allege a likelihood of confusion, and are amenable to the defenses of fair use, license and waiver.

Similarly, plaintiffs’ unfair competition claim is completely inscrutable; to the extent it sounds in trademark, plaintiffs have failed to allege a likelihood of confusion; to the extent it sounds in copyright, any related common law claim for unfair competition is preempted by the Copyright Act; and to the extent it is intended to enunciate any other theory of recovery, it has failed to state any cognizable claim for unfair competition under New York law.

Ultimately, both the copyright and trademark claims are barred by the First Sale Doctrine of § 109(a) of the Copyright Act, which generally allows parties that have, like the defendants

here, lawfully acquired ownership of copies of copyright-protected goods to resell those copies to anyone they choose.¹

All these defenses have been preserved, but rather than ask the Court to address such substantive legal questions, defendant respectfully suggests that this Court is not the one that should be deciding them in any event. Turning to the present motion, the procedural tack of pleading questionable claims in a court with no jurisdiction makes sense for plaintiffs attempting to utilize lawsuits to restrict consumer choice. Plaintiffs' practice, demonstrated here, of vaguely alleging the existence of jurisdiction and venue in this District, regardless of any given defendant's relationship with this District or even their own highly attenuated connection to it, is

¹§ 109. Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of direct or indirect commercial advantage only during the 12-month period beginning on —

(1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A), or

(2) the date of the receipt of actual notice served under section 104A(d)(2)(B), whichever occurs first.

Section 602(a) of the Copyright Act, which is the statutory basis of plaintiffs' copyright claim, bars importation of copyrighted works without the copyright owner's authorization, but courts have split on whether the First Sale Doctrine applies to allegations of infringement based on that provision in all cases. The Supreme Court ruled that the defense does apply in *Quality King Distributors v. L'Anza Research*, 523 U.S. 135 (1998), but in *Omega, S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), the Ninth Circuit Court of Appeals held that the rule of *Quality King* did not apply to goods manufactured overseas. On April 19, 2010, the Supreme Court granted certiorari to review the Ninth Circuit's decision in *Costco*. See also, *Pearson Education, Inc. v. Liu*, 656 F.Supp.2d 407, 416 (S.D.N.Y. 2009) (arguing that defense should apply but deferring to Supreme Court dictum and ruling contrary to its own analysis "dubitante.")

no mere technicality. Neither is the Constitution's guarantee of due process with respect to personal jurisdiction, however, and on that basis, as well as plaintiffs' utter contempt for the concept of venue, this Court should dismiss the Complaint and end the automatic "by" for these publishers who have merely come to New York for their forum shopping.

LEGAL ARGUMENT

I. THE COURT LACKS PERSONAL JURISDICTION OVER DEFENDANT VIAENE

a. Plaintiffs' factual allegations do not meet their burden of demonstrating the existence of personal jurisdiction in this Court over defendant Viaene

A plaintiff bears the burden of demonstrating the existence of jurisdiction over the defendants in a lawsuit. *Metropolitan Life Insurance Co. v. Robertson-Ceco Corp.*, 84 F. 3d. 560 (2d Cir. 1996). Once challenged on the point, a plaintiff bears the burden of proving by a preponderance of the evidence the facts necessary to establish personal jurisdiction over the defendant. *Landoil Res. Corp. v. Alexander & Alexander Servs., Inc.*, 918 F.2d 1039, 1043 (2d Cir. 1990). A plaintiff must in good faith plead legally sufficient allegations of jurisdiction to defeat a motion to dismiss for lack of personal jurisdiction. *Guo Jin v. EBI Inc.*, 2008 WL 896192 (E.D.N.Y. 2008). Such allegations must constitute more than mere legal conclusions cast as statements of "fact." *Jazini v. Nissan Motor Co.*, 148 F. 2d 181 (2d Cir. 1998). To make a prima facie showing of personal jurisdiction, [a plaintiff] is required to make specific "averments of fact that, if credited by the ultimate trier of fact, would suffice to establish jurisdiction." *Krepps v. Reiner*, 588 F.Supp.2d 471, 478-9 (S.D.N.Y. 2008). Thus conclusory allegations of jurisdiction, particularly those stated upon information and belief, are insufficient to establish

that the Court has personal jurisdiction over Defendants. *Guo Jin, supra; Wickers Sportswear, Inc. v. Gentry Mills, Inc.*, 411 F. Supp. 2d. 202 (E.D.N.Y. 2006).

Before even weighing the facts as alleged against the relevant legal standards for determining jurisdiction, it must be noted that the Complaint barely attempts to justify the assertion of personal jurisdiction over these defendants. While the Complaint acknowledges both Mr. Viaene and Textbook Discounters to be foreign domiciliaries (¶¶ 8 and 9), ¶ 11, in the section given the heading “Jurisdiction and Venue,” makes no mention at all of facts on which personal jurisdiction could be premised.

The closest thing to an allegation that could possibly meet plaintiff’s fundamental requirement to allege facts amenable to proof by admissible evidence² establishing personal jurisdiction is found in ¶ 24. This paragraph alleges that “Defendants have without permission purchased Foreign Editions of plaintiffs’ books manufactured outside of the United States and

² Plaintiffs state in their pre-motion letter that in opposing this motion they intend to rely in part on information “provided to us pursuant to a private confidential agreement” made in connection with settlement. Whether or not such information is admissible under Fed. R. Evid. 408, this acknowledgment of plaintiff’s trustworthiness with respect to what they themselves characterize, accurately, as “a private confidential agreement” is instructive. It certainly raises the question of what such words mean when used by members of the Bar among themselves. As indicated by these words, presumably the information was indeed understood by all to have been shared pursuant to a “private” “confidentiality” “agreement.” By virtue of all those features of that disclosure – **privacy, confidentiality**, and a **meeting of minds** as to both of these things – the information disclosed has no place in plaintiff’s papers unless and until elicited in the due course of discovery. There is no specific citation or authority for this basic principle of collegiality and trustworthiness.

In any event, as demonstrated below, defendant’s jurisdictional argument is not based on a claim that no materials were shipped to New York – a claim no one with an Internet business enjoying any degree of success could possibly make in good faith. Rather defendant argues that (a) plaintiff clearly had no idea whatsoever whether, or many, any had been when it filed its Complaint, and (b) that merely filling customer orders in this District does not constitute “purposeful availment” in any sense that leaves the concept of due process with even a modicum of dignity.

resold them to purchasers in the United States, including purchasers in the State of New York, through the Internet . . .” This claim, which neither identifies or describes such a purchase nor is couched as having been made upon information and belief, would, as demonstrated below, still fall far short of providing a jurisdictional basis on which to hale Michael Viaene into the Southern District of New York for litigation. And beyond this vague and slender allegation there is nothing else in the Complaint.

b. The Complaint does not allege sufficient minimum contacts by defendant Viaene to establish the minimal level of due process under either New York or federal constitutional standards.

“Where the underlying action is based on a federal statute, [courts] are to apply state personal jurisdiction rules if the federal statute does not specifically provide for national service of process.” *Mareno v. Rowe*, 910 F.2d 1043, 1046 (2d Cir. 1999). If a plaintiff can satisfy the requirements of the New York long arm statute, it must still demonstrate that “the exercise of personal jurisdiction in this case would comport with federal due process standards.” *Girl Scouts of the United States v. Steir*, 102 Fed. Appx. 217, 221 (2d Cir. 2004). Thus it is a principle of constitutional dimension that for a court to assert jurisdiction over a foreign defendant, it respect notions of fair play and substantial justice by finding minimum contacts with the forum state. *International Shoe Co. v. Washington*, 326 U.S. 310 (1945).

The Supreme Court in *International Shoe* enunciated a two-part test for jurisdiction, which consisted of minimum contacts and fundamental fairness, thus laying the foundation for modern personal jurisdiction law in which the rules for determining personal jurisdiction must focus on the defendant’s contacts with the forum judicial district. The *International Shoe* formula is neither “mechanical nor quantitative.” 326 U.S. at 319. Whether a state may constitutionally exercise personal jurisdiction over a non-resident defendant depends, rather, on

the “quality and nature” of the forum-related activities:

The [minimum contacts] test is not merely . . . whether the activity . . . is a little more or a little less . . . whether due process is satisfied must depend rather upon the quality and nature of the activity in relation to the fair and orderly administration of the laws which it was the purpose of the due process clause to insure. A court must make an “estimate of the inconveniences” resulting to the defendant as a result of a trial away from its home.

Id. at 317. Further, a court must determine whether it is “reasonable” to require the defendant to defend the particular suit in that forum. To reach this determination, the Court must first determine whether the defendant exercised “the privilege of conducting activities within [the] state” and “enjoyed the benefits and protections of the laws of the state.” This assessment of reasonableness and relative inconvenience implies an interest-balancing analysis.

The rule of *International Shoe* was clarified in *Hanson v. Denckla*, 357 U.S. 235 (1958), in which the Supreme Court added a critical factor – purposeful availment – to the due process analysis. Minimum contacts, the *Hanson* Court held, cannot exist unless “there be some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of its laws.” As a result the contacts connecting the defendant to the forum state must be the foreseeable result of the defendant’s own purposeful conduct. 357 U.S. at 253.

This analysis was further refined in the case of the *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 n.9 (1984), in which the Supreme Court distinguished between general and specific jurisdiction. General jurisdiction refers to the jurisdiction to adjudicate claims that do **not** arise from the defendant’s contacts with the forum state. General jurisdiction ordinarily exists **only** when the non-resident defendant’s forum connections are continuous, systematic, and substantial. See also *Perkins v. Benquet Consol. Mining Co.*, 342 U.S. 437 (1952). Specific jurisdiction, by comparison, is jurisdiction to adjudicate claims arising from the

defendant's contacts with the forum state. Thus, if a non-resident defendant is not amenable to general jurisdiction in a state, the state may exercise jurisdiction over the defendant **only** for claims that arise out of the defendant's forum contacts. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474-476 (1985). The threshold of contacts for satisfying the minimum contacts requirement is higher in general jurisdiction cases than it is in specific jurisdiction cases. See *Helicopteros, supra*.

Even if a nonresident defendant is engaged in "continuous and systematic" activities within the forum state, due process requires that the exercise of general jurisdiction be reasonable, that is, it must meet the interest-balancing part of the minimum contacts test. It cannot amount to a denial of fair play and substantial justice. See *Amco Egypt Oil Co. v. Leonis Navigation Co. J.F.*, 1 F.3d 848, 851 n.2 (9th Cir. 1993). Specific jurisdiction, in contrast, exists only when a non-resident defendant has purposefully established significant contact with the forum state **and** the cause of action arises out of or relates to those contacts. In *Burger King*, the Supreme Court reaffirmed the general rule that specific jurisdiction requires a showing by the plaintiff that: (1) the nonresident defendant has purposefully established significant (i.e., not random, fortuitous or attenuated) contact with the forum state. Jurisdiction is not proper unless these threshold requirements are met.

Thus considerations of the relative inconveniences of the plaintiff and defendant, the forum state's interest, and the overall fairness factors becomes necessary only after the minimum contact threshold has been met. See *Burger King, supra*. In *Amco Egypt Oil Co. v. Leonis Navigation Co. J.F.*, 1 F.3d 848, 851 n.2 (9th Cir. 1993) therefore, the Second Circuit Court of Appeals found that the reasonableness prong of the due process inquiry evokes a sliding scale: the weaker the plaintiff's showing of contacts related to the controversy and purposeful

availment by defendant, the less the defendant needs to show unreasonableness to defeat personal jurisdiction. This consideration is of great significance under the facts here.

In addition to the constitutional limits on the jurisdiction of federal courts, the exercise of jurisdiction in these courts must also meet any state statutory limits on the exercise of jurisdiction over nonresident defendants, i.e., the long arm statutes. There are two types of long arm statutes. The first type directs the court to exercise jurisdiction on any basis not inconsistent with the constitution of either that state or of the United States. The second form of long arm statute is known as an “enumerated act” statute. These, by contrast, direct the court to exercise jurisdiction over any defendant who commits one of several enumerated acts in the forum state. New York’s long-arm statute (CPLR §302) is an enumerated act statute. The “transacting business” provisions of enumerated act statutes provide the basis for specific jurisdiction over foreign defendants. If no basis for jurisdiction is found under New York’s long-arm statute, the Court does not reach the due process analysis. In this matter, the New York’s long arm statute applies, which states in relevant part:

- (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:
 1. transacts any business within the state or contracts anywhere to supply goods or services in the state; or
 2. commits a tortious act within the state, except as to a cause of action for defamation of character arising from the act; or
 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
 - (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or
 - (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce

C.P.L.R. § 302(a)(1)-(3) (2009). It is generally recognized that in enacting C.P.L.R §302, the New York State Legislature did not seek to exercise all of the jurisdictional power

constitutionally available under the Supreme Court's due process jurisprudence. *Mayes v. Leipziger*, 674 F.2d 178, 183 (2d Cir. 1982). Under the cases interpreting New York's long-arm statute, a nondomiciliary transacts business in New York only when he purposefully avails himself of the privilege of conducting activities within New York and thus invokes the benefits and protections of its laws. *CutCo Indus., Inc. v. Naughton*, 806 F.2d 361, 365 (2d Cir. 1986). Courts in New York have consistently refused to sustain personal jurisdiction under CPLR §302(a)(1) solely on the basis of a defendant's communication, by telephone or letter, from outside New York into the jurisdiction, however. See *Beacon*, 715 F.2d at 766 (citing cases).

For a court to assert jurisdiction over a defendant under §302(a)(1), the plaintiff must satisfy two requirements:

(1) the defendant's business activities in New York must be activities by which the defendant projects itself into New York in a way as to purposefully avail itself of the benefits and protections of New York laws and (2) the plaintiff's cause of action must arise out of that business activity within the state.

Graphic Controls Corp. v. Utah Med. Prods., Inc., 149 F.3d 1382, 1386 (Fed. Cir. 1998). The second requirement, the so-called nexus test, is interpreted very narrowly by the New York courts. *Id.* While a single business transaction is theoretically sufficient to satisfy the nexus test under §302(a)(1), "the cause of action must arise from the transaction of business in New York."; see, *Frummer v. Hilton Hotels Int'l, Inc.*, 227 N.E.2d 851, 852 (N.Y. 1967). The New York courts have made it clear that merely entering into a contract with a New York corporation is **not** sufficient to constitute the transaction of business under §301(a)(1) of the CPLR. See *Success Mktg. Elecs, Inc. V. Titan Sec., Inc.*, 612 N.Y.S.2d 451 (App. Div. 1994). In *Ferrante Equip. Co. v. Lasker-Goldman Corp.*, 258 N.E.2d 202 (N.Y. 1970), the defendant's only New York contact was an agreement by the defendant to indemnify the plaintiff for a contract to be performed by a third party in New York. The court noted that "The mere receipt by a nonresident

of benefit or profit from a contract performed by others in New York is clearly not an act by the recipient in this State sufficient to confer jurisdiction under our long-arm statute.” 258 N.E.2d at 205. All the more so is a contract of sale, where the purchaser happens to be a New York resident and there is little meaningful commercial engagement between the parties, wholly insufficient as a basis for conferring jurisdiction.

In light of the serious nature and profound constitutional dimension of the inquiry into the existence of personal jurisdiction set forth above, we must revisit what the Complaint places before the Court as its basis for asserting that it is present here:

Defendants have without permission purchased Foreign Editions of plaintiffs’ books manufactured outside of the United States and resold them to purchasers in the United States, including purchasers in the State of New York, through the Internet...

Complaint ¶ 24. This fails every conceivable test established by the courts as a pleading sufficient to allege facts on which jurisdiction could be based. In fact, not even being alleged upon information and belief, the allegation above is by all indications a mere guess: Certainly if defendants have sold Foreign Editions to purchasers in the United States, they must have also sold them to purchasers in the State of New York! Absent a specific alleged sale or quantum of sales, much less any purposeful direction of activity into New York in specific by defendant Viaene, plaintiffs have failed adequately to allege the existence of personal jurisdiction over him, and their claims against him should be dismissed. If it were otherwise, anyone who ever sold merchandise, or by inductive reasoning can be said to probably have sold merchandise, to a buyer in New York State would be amenable to process here – a category that includes the whole world and makes the question of personal jurisdiction irrelevant in every copyright or trademark case.

c. The Complaint does not allege facts to establish minimum contacts by defendant Viaene based on his maintenance of an Internet website.

Plaintiffs will in opposing rely on *Pearson Education, Inc. v. Shi*, 525 F.Supp.2d 551, 556 (S.D.N.Y. 2007), a facially similar case in which jurisdiction was found based on similar allegations of Internet sales. Unlike here, however, in *Shi* the allegations were far more specific than those here. As the opinion states, “The Court finds that Defendants' contacts with New York, *i.e.*, the alleged sale of nineteen copyrighted books and/or electronic files of the same works into New York, are sufficient to constitute a transaction of business.” *Id.* at 557-558. This is a far cry from “Defendants” – which could be any of the defendants in this action, *i.e.*, defendants other than Mr. Viaene – have . . . resold them to purchasers . . . in the State of New York, through the Internet.”

Similarly, in *Pearson Educ., Inc. v. Kumar*, 2010 WL 1609024, 11 (S.D.N.Y. 2010), the Court explicitly ruled that it did not base its finding of jurisdiction on long-arm jurisdiction, but rather on the fact that in addition to the existence of record evidence of sales to New York, the defendant Kumar was personally served in New York State. The Court noted that his “own actions suggest that it would not be unduly burdensome for him to defend this action in New York. He has admittedly traveled to New York on numerous occasions, distributing the copyrighted works he sold on the Internet.” That is not the case here.

Another case relied on by defendants in their pre-motion correspondence, *John Wiley & Sons, Inc. v. Swancoat*, 2009 WL 2486048 (S.D.N.Y. 2009), is hardly useful. The Court in that decision merely states, without analysis or citation to case law, that “Swancoat has sufficient minimum contacts with the State of New York. He has sold books into New York State that allegedly infringed the plaintiff's copyrights. Swancoat has received payment for the books and exchanged contact and mailing information with New York residents. Thus, he could reasonably

have expected to be subject to suit in New York for the sales of those products into New York.” By this standard – merely making sales into New York, contrary to all the cases actually requiring that the regularity and nature of interaction with the forum be weighed – there is, again, virtually no limit on who may be forced to litigate in New York.

Indeed, these decisions are not controlling on this Court, and we submit that the trend is, to the contrary, not to premise jurisdiction merely on allegations of Internet sales. In *Chloe, Div. of Richemont North America, Inc. v. Queen Bee of Beverly Hills, LLC*, 571 F.Supp.2d 518 (S.D.N.Y. 2008), this Court granted a motion under 12(b)(2) to dismiss complaint where jurisdiction was premised on the possibility of Internet-based sales of counterfeits to New York residents due to the existence of an interactive website which could be utilized in New York.

Wrote Judge Holwell:

Some decisions from this circuit suggest that the operation of an "interactive" commercial website is by itself sufficient to support personal jurisdiction. . . . Some cases have suggested that it is not the interactive website itself, but sales or other contacts made through such a website, that are significant for jurisdictional purposes. . . .

The Second Circuit has not directly addressed the extent to which a commercial interactive website, without more, can support personal jurisdiction over a defendant. However, the Court believes that it is more consistent with “traditional statutory and constitutional principles,” to require some additional evidence of a defendant's “purposeful availment” of the forum beyond that defendant's maintenance of an interactive commercial website, even when the website permits consumers to place orders online. . . .

Moreover, this approach is consistent with that adopted by other circuits. For example, in *Toys "R" Us, Inc. v. Step Two S.A.*, the Third Circuit held that

[T]he mere operation of a commercially interactive web site should not subject the operator to jurisdiction anywhere in the world. Rather, there must be evidence that the defendant "purposefully availed" itself of conducting activity in the forum state, by directly targeting its web site to the state, knowingly interacting with residents of the forum state via its web site, or through sufficient other related contacts.

318 F.3d 446, 454 (3d Cir.2003). The court noted that other circuits had also

found that "purposeful availment" required some showing of intentional and/or specific interaction with the forum beyond the mere existence of a website. *Id.* at 453.

Similarly, in *Carefirst of Md., Inc. v. Carefirst Pregnancy Ctrs., Inc.*, the Fourth Circuit held that a defendant's "semi-interactive" website – one "through which there [has] not occurred a high volume of transactions between the defendant and residents of the foreign jurisdiction, yet which [does] enable users to exchange information with the host computer"-- does not subject the defendant to personal jurisdiction in a given forum unless the defendant acts "with the manifest intent of engaging in business or other interactions within [the forum]." 334 F.3d 390, 399 (4th Cir.2003) (quoting *ALS Scan, Inc. v. Digital Serv. Consultants, Inc.*, 293 F.3d 707, 714 (4th Cir.2002)); see also *Rothschild Berry Farm v. Serendipity Group LLC*, 84 F.Supp.2d 904, 909 (S.D. Ohio 1999) ("A growing body of law holds that a defendant has not purposefully availed itself of the privilege of doing business within the forum state, merely because it has [a] web site on the Internet, which can be utilized by customers within that state to order products.").

Id. at 528-530 (footnote omitted). This first opinion by Judge Holwell was subsequently supplemented by a second which dealt with a number of subsequent decisions as well as new submissions by the plaintiff, including the matter of a law-firm generated purchase of merchandise delivered into the District solely for the purpose of artificially "manufacturing" jurisdiction (which plaintiffs admit in their pre-motion submission to having done here as well). In another rigorous analysis, which compares favorably to the fairly desultory treatment of the issue in most decisions to the contrary, the Court stood its ground, explaining as follows:

At least two decisions by courts of this district appear to take an opposite view. First, in *Cartier[v. Seah LLC*, 598 F.Supp.2d 422 (S.D.N.Y. 2009)], Judge Kaplan exercised jurisdiction over a Florida company that made a single sale to a New York resident and advertised its counterfeit products in *Skymall*, the airline magazine. While language in Judge Kaplan's opinion suggests that a single, internet-based sale of a counterfeit product supports specific personal jurisdiction over a non-resident defendant, the opinion in fact holds that such a sale supports jurisdiction if it is **coupled with other activities directed at the forum state** – the *Cartier* defendant distributed 150,000 catalogs to airlines for placement on flights originating from New York. See *id.* at 425. For this reason, Judge Kaplan's decision is best understood as a hybrid "stream of commerce"/"commercial relationship" case, and does not conflict with the Court's ruling here.

This does not hold true for Judge Sweet's decision in *Mattel, Inc. v. Adventure Apparel*, No. 00 CIV. 4085 (RWS), 2001 WL 286728 (S.D.N.Y. Mar. 22, 2001).

There, Judge Sweet exercised jurisdiction over an Arizona defendant who sold a single counterfeit product to an investigator in New York. While the bulk of Judge Sweet's opinion addressed New York's long arm statute, see *id.* at *3-4, the opinion held in passing that exercising jurisdiction over the defendant was also consistent with due process. Judge Sweet explained:

[T]here were “certain minimum contacts with [the forum] such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.” In reaching this conclusion, the relevant factors have been considered, as well as Adventure's [defendant's] argument that Mattel's [plaintiff's] trickery [by making a purchase to “create” jurisdiction] renders the exercise of personal jurisdiction by this Court violative of due process.

Id. at *4 (citations omitted).

The Court does not find this analysis persuasive, although it agrees that the kind of “trickery” alleged here is no bar to the exercise of long-arm jurisdiction. See *infra* pp. 356-57. The quoted passage does not consider the distinction, prominent in [the controlling cases], between isolated business contacts with a forum and contacts that demonstrate purposeful availment of the forum's laws and institutions. Nor does it consider the mountain of contrary authority cited in the Court's prior opinion. See *Chloé I*, 571 F.Supp.2d at 524-25. Accordingly, the Court respectfully declines to follow *Mattel*.

Chloe v. Queen Bee of Beverly Hills, LLC, 630 F.Supp.2d 350, 355 (S.D.N.Y. 2009). Major commentators are in accord. As copyright expert William Patry writes, for example:

[T]he mere generalized exploitation of an infringing work in the stream of commerce does not amount to purposeful availment. To find otherwise would mean that a copyright defendant would be subject to personal jurisdiction in any and all states where a copy was ultimately sold, no matter the minimal amount of sales, and without any additional acts being directed at the forum. Such a broad rule would amount to national service of process, something the Copyright Act does not provide. Purposeful acts may be through an agent or joint venture with a forum resident, provided there is a relationship between the acts of the agent and the specific cause of action.

W. Patry, *Patry on Copyright* § 17:154 (West 2010).

By virtue of the Complaint's vagueness, defendant Viaene cannot know exactly what admissible evidence of sales plaintiff will submit in response to this motion, other than the questionable “proof” promised in plaintiff's promotion letter. Notwithstanding these anticipated

submissions, it is respectfully submitted that Judge Holwell's analysis in *Chloe* as to what truly constitutes bona fide "purposeful availment of the forum's laws and institutions," and the equitable and constitutional considerations that undergird it, point to the same result here: Dismissal of the Complaint here as against Michael Viaene on jurisdictional grounds.

II. VENUE IN THIS COURT IS IMPROPER

a. **Plaintiffs' factual allegations do not meet their burden of showing why venue in this Court is proper.**

If venue is improper in the district court where the action was filed, as here, the Court may, within its discretion under 28 USC § 1406(a), dismiss the action or transfer the action to any district in which it can be brought to promote the interest of justice. *Minnette v. Time Warner*, 997 F. 2d 1023 (2d Cir. 1993). As with allegations respecting jurisdiction the burden is on plaintiffs properly to plead, and on challenge to demonstrate, that venue in this District is proper. *Garg v. Winterthur*, 2007 WL 136263 (S.D.N.Y. 2007); *Cartier v. Micha*, 2007 WL 1187188 (S.D.N.Y. 2007). This plaintiffs have not done, and cannot do even upon additional submissions.

The applicable statute, 28 U.S.C. § 1391(b) provides:

A civil action wherein jurisdiction is not founded solely on diversity of citizenship may, except as otherwise provided by law, be brought only in (1) a judicial district where any defendant resides, if all defendants reside in the same State, (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated, or (3) a judicial district in which any defendant may be found, if there is no district in which the action may otherwise be brought.

Paragraph 12 of the Complaint is the sole basis of its allegation of venue, and is insufficient as a matter of law. It merely recites what the applicable venue statute is, setting forth neither a specific provision of that statute nor any information or basis for the belief for alleging in conclusory fashion that "Upon information and belief, venue is proper in this District pursuant to

28 U.S.C. § 1391.” In fact, the standards of that statute are not met here, neither in the Complaint nor in the facts. Courts require, just as with any other pleading matter, more than conclusory allegations when pleading venue:

G.F.C. also argues, in conclusory fashion, that venue is proper because its complaint alleges (1) that “a substantial part of the events or omissions giving rise to the claims herein occurred in this district” and (2) that “Goody's actions have had, and continue to have, an impact on interstate commerce and on commerce within the state of New York.” . . . These general and conclusory allegations do not alone support a finding of venue under § 1392(b). Further, as discussed below, the specific allegations contained in its opposition papers also fail to support venue here.

G.F.C. Fashions, Ltd. v. Goody's Family Clothing, Inc., 1998 WL 78292, 3 (S.D.N.Y. 1998).

It is undisputed that this is not a District in which “any defendant may be found.” No defendant is alleged to reside in this District, to do business here, nor to have been served here. *See, e.g., Jackson v. American Brokers Conduit*, 2010 WL 2034508, 2 (S.D.N.Y. 2010) (dismissing claim based on improper venue). Alternatively, Section 1391(b)(2) permits an action to be brought in a judicial district in which “a substantial part of the events or omissions giving rise to the claim occurred.” Under §1391(b)(2), **significant** events material to plaintiff's claim must have occurred in the district for venue to be proper, as the Second Circuit Court of Appeals explained in *Gulf Ins. Co. v. Glasbrenner*, 417 F.3d 353 (2d Cir. 2005):

[W]e caution district courts to take seriously the adjective “substantial.” We are required to construe the venue statute strictly. *See Olberding v. Illinois Cent. R.R.*, 346 U.S. 338 (1953). That means for venue to be proper, significant events or omissions material to the plaintiff's claim must have occurred in the district in question, even if other material events occurred elsewhere. It would be error, for instance, to treat the venue statute's “substantial part” test as mirroring the minimum contacts test employed in personal jurisdiction inquiries.

417 F.3d at 357. Thus, to establish venue in a trademark action, it has been held that the defendant must have aimed its marketing and advertising at the district or have sold its infringing goods there. *See, D'Anton Jos, S.L. v. Doll Factory, Inc.*, 937 F. Supp. 320, 321-22 (S.D.N.Y.

1996). And in copyright matters, it has been established in this Circuit that it is not the place where a work is created, much less where its owner resides, that defines “substantiality.” Rather, the focus is on the defendant’s actions:

Plaintiff argues that venue is appropriate in this district under 28 U.S.C. § 1391(b)(2) because the Subject Work was created here, and “such creation is obviously a ‘substantial part’ of the underlying action” for copyright infringement and misappropriation. Defendant responds that:

[T]he events giving rise to the claim (i.e., defendant's access and alleged infringement of the subject work) occurred in New York City and New Jersey, hundreds of miles away from this District. The fact that the subject work was created in Buffalo is irrelevant and an erroneous interpretation of the “giving rise” clause of § 1391(b)(2).

The phrase “events or omissions giving rise to the claim” in 28 U.S.C. § 1391(b)(2) suggests a focus on the actions of the defendant, not on those of the plaintiff. For this reason, plaintiff’s reliance upon this section fails.

Gaines, Emhof, Metzler & Kriner v. Nisberg, 843 F. Supp. 851, 854 (W.D.N.Y. 1994) (citation omitted). Ultimately, venue is not based on a plaintiff’s convenience, or that of its lawyers. As the Court said in *Rappoport v. Steven Spielberg, Inc.*, 16 F.Supp.2d 481, 494 (D.N.J. 1998), “The only nexus to this District appears to be that Rappoport currently resides here and apparently made telephone calls . . . from here. . . . Based on the foregoing, venue is improper in this District pursuant to § 1391(b).” Here, too, nothing about this case provides a legitimate basis for venue in the Southern District of New York, notwithstanding the address of plaintiffs’ counsel.

CONCLUSION

For all the foregoing reasons, this Court should dismiss the Complaint herein on the grounds of a lack of personal jurisdiction over defendant Viaene and improper venue.

Respectfully submitted,

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