

<b>UMG Recording, Inc. v Veoh Networks, Inc.</b>
2008 NY Slip Op 33155(U)
November 20, 2008
Supreme Court, New York County
Docket Number: 600558/08
Judge: Herman Cahn
Republished from New York State Unified Court System's E-Courts Service. Search E-Courts ( <a href="http://www.nycourts.gov/ecourts">http://www.nycourts.gov/ecourts</a> ) for any additional information on this case.
This opinion is uncorrected and not selected for official publication.

SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT: Cahn

PART 49

Index Number : 600558/2008

UMG RECORDING, INC.,

vs

VEOH NETWORKS, INC,

Sequence Number : 002

DISMISS

INDEX NO. \_\_\_\_\_

MOTION DATE \_\_\_\_\_

MOTION SEQ. NO. \_\_\_\_\_

MOTION CAL. NO. \_\_\_\_\_

The following papers, numbered 1 to \_\_\_\_\_ were read on this motion to/for \_\_\_\_\_

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits \_\_\_\_\_

Replying Affidavits \_\_\_\_\_

PAPERS NUMBERED

Cross-Motion:  Yes  No

Upon the foregoing papers, it is ordered that this motion

**MOTION IS DECIDED IN ACCORDANCE  
WITH ACCOMPANYING MEMORANDUM  
DECISION IN MOTION SEQUENCE .....**

**FILED**  
NOV 24 2008  
COUNTY CLERK'S OFFICE  
NEW YORK

Dated: 11/20/08

[Signature]  
J.S.C.

Check one:  FINAL DISPOSITION  NON-FINAL DISPOSITION

Check if appropriate:  DO NOT POST  REFERENCE

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE FOR THE FOLLOWING REASON(S):

SUPREME COURT OF THE STATE OF NEW YORK  
NEW YORK COUNTY - - PART 49

-----X  
UMG RECORDINGS, INC.,

Plaintiff,

- against -

VEOH NETWORKS, INC., and  
JOHN DOES 1 through 10,  
Defendants.

-----  
**HERMAN CAHN, J.:**

Index No. 600558/08  
**FILED**  
NOV 24 2008  
COUNTY CLERK'S OFFICE  
NEW YORK

Plaintiff UMG Recordings, Inc. (UMG) brings this action against defendant Veoh Networks, Inc. (Veoh) for common-law copyright infringement and unfair competition in connection with the reproduction and distribution, on Veoh's website and through its member network, of sound recordings for which UMG holds the copyright. Veoh moves to dismiss or stay the action based on a prior action pending in the U.S. District Court for the Central District of California (the California action), CPLR 3211 (a) (4). In the alternative, Veoh moves to dismiss or stay the action on the ground of forum non conveniens, pursuant to CPLR 327, or to dismiss based on the Communications Decency Act.

Plaintiff, a Delaware corporation with its principal place of business in California, is a music publishing and recording company which produces, markets, distributes, sells and/or licenses sound recordings throughout the United States. It owns the copyright for a large number of musical recordings, including the rights to numerous recordings made prior to February 15, 1972 (pre-1972 recordings) by such well-known recording artists as Buddy Holly, Chuck Berry, Elton John, the Mamas and Papas, and the Supremes. Defendant Veoh, a California

corporation<sup>1</sup> headquartered in San Diego, California, is an internet service provider that owns and operates a website (Veoh.com) where internet users can upload, view and share videos, including videos containing music for which plaintiff claims it owns the copyright. Veoh also has created a software application (VeohTV) that enables members of the public to watch internet video from a variety of video sources, including CBS, PBS, MTV and Showtime, as well as from independent video producers.

The instant complaint alleges that “Veoh has created a sophisticated suite of software and services designed to encourage, induce, and enable members of the public to make, upload, download, ‘share,’ and distribute permanent copies of audiovisual works without regard to the rights of the owners of the property embodied thereon.” Lane Aff., Ex. A ¶ 17. More particularly, UMG alleges that Veoh created and maintains a peer-to-peer internet network (Veohnet) through which Veoh members can make and distribute unauthorized copies of copyrighted works (*id.*, ¶ 18); that Veoh creates unauthorized copies of videos for distribution and display on its website, as well as on third party websites, which are available for free downloading (*id.*, ¶ 19); and that Veoh’s software, and the other tools provided on its website, permit users to permanently download unauthorized copies of videos to users’ computers and personal video players like iPods (*id.*, ¶¶ 21-22). According to the complaint, many of the videos which are available through Veoh’s website contain pre-1972 recordings owned by UMG, and Veoh has infringed its rights in numerous sound recordings by reproducing and distributing the works through its website without UMG’s permission (*id.*, ¶¶ 23, 29-30). UMG also claims that

---

<sup>1</sup> Although the instant complaint alleges that Veoh is a Delaware corporation, Veoh asserts, and UMG does not dispute, that it is a privately held California corporation, as UMG alleges in the complaint filed in a related California action. *See* Lane Aff., Ex. C ¶ 12.

Veoh refuses to use available safeguards to prevent unlawful copying and distribution of copyrighted works, including works containing UMG's pre-1972 recordings (*id.*, ¶ 24).

The Copyright Act of 1996, 17 USC § 101 et seq. (Copyright Act), which provides copyright protection for various classes of artistic and intellectual works, amended earlier copyright law to include sound recordings as copyrightable works for the first time under federal copyright law. See 17 USC § 102. See also Capitol Records, Inc. v Naxos of Am., Inc., 4 NY3d 540, 555 (2005). The amended Copyright Act provided, however, that sound recordings created before February 15, 1972, the effective date of the amendment, will not be covered until February 15, 2067; pre-1972 recordings have been left to state law copyright protection. See 17 USC § 301 (c). As this action involves pre-1972 recordings, the complaint asserts causes of action under state common law for copyright infringement and unfair competition. UMG seeks a preliminary and permanent injunction, enjoining Veoh from directly or indirectly infringing any of UMG's pre-1972 recordings, and from causing, contributing to, facilitating or participating in any infringement of UMG's pre-1972 recordings. The complaint also seeks an accounting, imposition of a constructive trust, restitution and damages, including punitive and exemplary damages.

In September 2007, prior to the commencement of the instant action, UMG, along with seven music publishing companies which are part of the Universal Music Group, initiated an action against Veoh in the U.S. District Court for the Central District of California (the California action), seeking damages and injunctive relief for copyright infringement of post-1972 sound recordings under the Copyright Act. The complaint in the California action alleges that Veoh infringed plaintiffs' copyrighted musical recordings, as well as musical compositions, by

making on its servers unauthorized copies of videos containing plaintiffs' copyrighted music, and converting the videos into a format available to internet users (Lane Aff., Ex. C ¶ 3); and by operating "a 'video sharing' website and network where members of the public can search for, view, upload and download and otherwise 'share' thousands of videos, many thousands of which are infringing copies of copyrighted works" (id., ¶ 12).

The California Complaint contains allegations that, among other things, that Veoh has created software and services that "encourage, induce, and enable" members of the public to make, upload, download, share, sell, rent and distribute copies of videos without regard to the rights of copyright owners, including a proprietary peer-to-peer internet network (Veohnet) used to facilitate the distribution of unauthorized copies of recordings (id., ¶ 17); and that Veoh distributes software for free which enables Veoh members to download permanent copies of videos to their computers or portable video players such as iPods, to share and download videos from other members' computers, and to download videos from third party websites such as YouTube (id., ¶ 18). The California Complaint also contains allegations that Veoh has failed to use available technology to filter out copyrighted material (id., ¶ 13). In the California Complaint, plaintiffs assert causes of action under the Copyright Act for direct, contributory and vicarious copyright infringement, and for inducing copyright infringement. The California plaintiffs seek preliminary and injunctive relief and damages, including defendant's profits, and statutory damages.

Pursuant to CPLR 3211 (a) (4), a party may move to dismiss an action based on "another action pending between the same parties for the same cause of action in a court of any state or the United States." CPLR 3211 (a) (4) further provides that "the court need not dismiss upon this

ground but may make such order as justice requires.” A court thus has broad discretion in determining the disposition of an action on the ground that another action is pending. Whitney v Whitney, 57 NY2d 731, 732 (1982); ACE Fire Underwriters Ins. Co. v ITT Indus., Inc., 14 Misc 3d 1211(A), \*5 (Sup Ct, NY County 2006), affd 44 AD3d 404 (1st Dept 2007).

To warrant dismissal, there must be “sufficient identity as to both the parties and the causes of action asserted in the respective actions.” White Light Prods., Inc. v On The Scene Prods., Inc., 231 AD2d 90, 93 (1st Dept 1997). See Simonetti v Larson, 44 AD3d 1028 (2d Dept 2007). With respect to “the same parties,” “[s]ubstantial, not complete, identity of parties is all that is required to invoke CPLR 3211 (a) (4)” (Graham v Dim-Rosy U.S.A. Corp., 128 AD2d 417, 418 [1st Dept 1987][internal quotations omitted]), “which generally is present when at least one plaintiff and one defendant is common in each action.” Morgulas v Yudell Realty, Inc., 161 AD2d 211, 213 (1st Dept 1990).

In considering whether the causes of action are the same, “a comparison must first be made of the allegations of the two complaints to determine whether the suits are indeed for the same cause of action.” Security Tit. & Guar. Co. v Wolfe, 56 AD2d 745, 745 (1st Dept 1977). Although it is not necessary that the precise legal theories presented in the first action also be presented in the second action (Simonetti, 44 AD3d at 1029), it is necessary that both suits arise out of the same subject matter or series of alleged wrongs, and seek the same or substantially the same relief (Kent Dev. Co., Inc. v Liccione, 37 NY2d 899, 901 (1975). “The mere fact that two lawsuits emanate from a common transaction or occurrence is not in and of itself enough to invoke CPLR 3211 (a) (4) . . . [i]f the wrongs alleged are separate and independent.” Montgomery Ward & Co., Inc. v Othmer, 127 AD2d 913, 914 (3d Dept 1987). See Walsh v

Goldman Sachs & Co., 185 AD2d 748 (1st Dept 1992); Ferran v Williams, 194 AD2d 962 (3d Dept 1993); Keenan v American Bridge Div.-US Steel Corp., 31 AD2d 637 (2d Dept 1968). As a practical matter, the courts consider whether there is any good reason for the separate existence of the two actions. See Kent Dev. Co., 37 NY2d at 901. See also Siegel, Practice Commentaries, McKinney's Cons Laws of NY, Book 7B, CPLR C3211:15.

Here, although clearly both actions arise out of the same type of allegedly infringing activities, plaintiff alleges two distinctly different causes of action. Simply put, the instant action seeks relief under New York common law for copyright infringement of sound recordings made prior to February 15, 1972, while the California action seeks relief under the federal Copyright Act for copyright infringement of musical compositions as well as sound recordings made after February 15, 1972. Both the subject matter and the applicable law differ in the two cases. In addition, the relief plaintiff seeks in the state action includes punitive damages, which are not available in the federal action. Even if plaintiff had the option of bringing the common-law claim in the federal action, that is not a sufficient basis upon which to justify dismissal. See Morgulas, 161 AD2d at 213. Nor has defendant established that "a determination in the Federal action will necessarily determine and dispose of all the issues in both actions . . . ." Guilden v Baldwin Sec. Corp., 189 AD2d 716, 716 (1st Dept 1993). Cf. White Light Prods., Inc., 231 AD2d at 95.

Therefore dismissal under CPLR 3211 (a) (4) is not warranted, and that branch of the motion is denied.

Nevertheless, turning to the branch of the motion which seeks dismissal on the ground of forum non conveniens, the Court finds that New York is not a convenient forum for this action.

CPLR 327 (a) provides:

When the court finds that in the interest of substantial justice the action should be heard in another forum, the court, on the motion of any party, may stay or dismiss the action in whole or in part on any conditions that may be just. The domicile or residence in this state of any party to the action shall not preclude the court from staying or dismissing the action.

The doctrine of forum non conveniens, now codified as CPLR 327, thus permits a court, in its discretion, to dismiss an action “where it is determined that the action, although jurisdictionally sound, would be better adjudicated elsewhere.” Islamic Republic of Iran v Pahlavi, 62 NY2d 474, 479 (1984), cert denied 469 US 1108 (1985). The doctrine is flexible, requiring the balancing of “various competing factors” in light of the facts and circumstances of the particular case. Pahlavi, 62 NY2d at 479; National Bank and Trust Co. of N. Am., Ltd. v Banco de Vizcaya, S.A., 72 NY2d 1005, 1007 (1988), cert denied 489 US 1067 (1989).

Among the factors to be considered are the burden on the New York courts, the potential hardship to the defendant, and the unavailability of an alternative forum in which plaintiff may bring suit. The court may also consider that both parties to the action are nonresidents and that the transaction out of which the cause of action arose occurred primarily in a foreign jurisdiction. No one factor is controlling . . . [as] [t]he rule rests upon justice, fairness and convenience.

Pahlavi, 62 NY2d at 479 (citations omitted). See also Silver v Great Amer. Ins. Co., 29 NY2d 356, 361 (1972).

Although the burden is on the party challenging the forum to demonstrate that the action would be best adjudicated elsewhere (Pahlavi, 62 NY2d at 479), it is well settled that New York courts “should not be under any compulsion to add to their heavy burdens by accepting jurisdiction of a cause of action having no substantial nexus with New York.” Silver, 29 NY2d

at 361. See Martin v Mieth, 35 NY2d 414 (1974). Dismissal is appropriate “when it plainly appears that New York is an inconvenient forum and that another is available which will best serve the ends of justice and the convenience of the parties.” Silver, 29 NY2d at 361; Bader & Bader v Ford, 66 AD2d 642, 645 (1st Dept 1979).

Here, consideration of the relevant factors leads to the conclusion that defendant has met its burden of showing that this litigation has no substantial nexus with New York, and that in the interest of justice, the action should be heard in another forum.

Neither party is a resident of New York, which, while not determinative, is an important factor to consider. Silver, 29 NY2d at 361. Nor does either party maintain its principal place of business here. The fact that defendant has an office in New York and therefore is subject to New York jurisdiction is not a controlling factor, as it is undisputed that both UMG and Veoh are headquartered in California, and that most, if not all, of Veoh’s executive and management personnel are located in California, as is its office for copyright compliance. It is also not disputed that the majority of the potential witnesses, as well as relevant documents and other evidence, are located in California.

Further, while plaintiff contends that “[b]y its nature, Veoh’s infringing activities know no geographic boundaries” (Pl. Br. at 18), it does not allege that any of the infringing activities arose out of Veoh’s New York office, that any of the copyrighted works in question were created in New York, or that any of the copyright agreements pertaining to those works were negotiated or made in New York. To the extent that plaintiff argues that New York has a substantial interest in the subject matter of the dispute because some users of the Veoh website are New York residents, the small percentage of Veoh users that are residents of New York (see UMG’s Memo.

in Opp. at 18) does not create more than a general connection which Veoh has with this and numerous other jurisdictions arising out of the very nature of its business. See Bader & Bader, 66 AD2d at 644.

Notably, UMG itself has recognized that California is a suitable alternative forum, as it argued, in a motion to dismiss a related federal action commenced by Veoh against UMG in the Northern District of California, that the Central District of California is “the most convenient, efficient, and logical forum to resolve any copyright disputes between the parties” (Lane Aff., Ex. A at 2). Although UMG disputes the relevance to this case of its arguments in the federal case, UMG based its argument, in part, on such factors as the location, in Los Angeles, of members of Veoh’s executive team, including the executive responsible for handling copyright infringement notices (id. at 22); the location of evidence, including computer servers used to make unauthorized copies of videos (id. at 21, 22); the convenience of witnesses (id. at 24); and the fact that “Los Angeles also happens to be the exclusive forum that Veoh itself has selected, and which it contractually imposes upon the public, to adjudicate claims against Veoh” (id. at 2)(emphasis in original).

Finally, plaintiff essentially acknowledges that it commenced the instant action in New York largely based on “New York’s century-old history of providing broad common law protection for parties, like UMG, that own recordings that predate February 15, 1972” (Pl. Br. at 20). Although the choice-of-law question presented here has not yet been adjudicated, California courts are capable of applying New York law should the need arise. See Flintkote Co. v American Mut. Liab. Ins. Co., 103 AD2d 501, 507 (2d Dept 1984), affd 67 NY2d 857 (1986); Travelers Cas. & Sur. Co. v Honeywell Intl. Inc., 48 AD3d 225, 226 (1st Dept 2008).

In view of the above, the Court does not reach the issue of whether the Communications Decency Act of 1996 (CDA), 47 USC § 230, bars the instant claims. The Court notes, however, that the weight of authority does not support the conclusion that Veoh is entitled to immunity from this lawsuit under the CDA.

Section 230 (c) of the CDA provides that “[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.” This immunity is limited by § 230 (e), which provides, in pertinent part, that “[n]othing in this section shall be construed to limit or expand any law pertaining to intellectual property.” It also provides that “[n]othing in this section shall be construed to prevent any State from enforcing any State law that is consistent with this section. No cause of action may be brought and no liability may be imposed under any State or local law that is inconsistent with this section.” Id.

Veoh argues that § 230 (e) (2) applies only to federal intellectual property law, and therefore it is immune from prosecution under state intellectual property law. There is disagreement, however, among courts as to whether “any” law refers only to federal intellectual property law or whether it also applies to state intellectual property law. In Perfect 10, Inc. v CCBill LLC, 488 F3d 1102, 1119 (9<sup>th</sup> Cir 2007), cert denied \_\_\_ US \_\_\_, 128 S Ct 709, on which defendant relies, the Ninth Circuit found that “in the absence of a definition from Congress, we construe the term ‘intellectual property’ to mean ‘federal intellectual property’.” Id. Other courts have, expressly or implicitly, rejected that interpretation, based on a plain reading of the statute and in view of the purpose of the statute. See Doe v Friendfinder Network, Inc., 504 F Supp 2d 288, 302, 2008 US Dist LEXIS 25737, \*\* 35 (DC NH 2008) (“any law”

includes state law); Gucci Am., Inc. v Hall & Assocs., 135 F Supp 2d 409 (SDNY 2001) (without expressly addressing issue, permitting state law intellectual property claims to proceed). See generally Zeran v America Online, Inc., 129 F3d 327, 330 (4th Cir 1997), cert denied 524 US 937 (1998) (discussing intent of law to protect computer service providers from tort claims based on third party actions).

As the court noted in Gucci,

The purpose of this statutory immunity is not difficult to discern. Congress recognized the threat that tort-based lawsuits pose to freedom of speech in the new and burgeoning Internet medium. The imposition of tort liability on service providers for the communications of others represented, for Congress, simply another form of intrusive government regulation of speech . . .

Congress made a policy choice . . . not to deter harmful online speech through the separate route of imposing tort liability on companies that serve as intermediaries for other parties' potentially injurious messages.

135 F Supp 2d at 415, quoting Zeran, 129 F3d at 330-31.

The court in Gucci went on to note that the claims there, including state law claims, “are grounded in the law of intellectual property and, therefore, do not, on a motion to dismiss, implicate Section 230 immunity.” Id.

Accordingly, it is

ORDERED that the motion to dismiss is granted and the complaint is dismissed with costs and disbursements to defendant as taxed by the Clerk of the Court; and it is further

ORDERED that the Clerk shall enter judgment accordingly.

Dated: November 20, 2008

Enter:

  
\_\_\_\_\_  
J.S.C.

**FILED**  
NOV 24 2008  
COUNTY CLERK'S OFFICE  
NEW YORK