Content Holders vs. the Web: 2008 US Copyright Law Victories Point to Robust Internet

By Ray Beckerman

The advent of digitalization and the Internet has shaken the foundations of the large recording and filmmaking corporations, whose wealth is measured in the ownership of intellectual property. Technology has simply erased the barriers to entry that once restricted content creation to the few and, in doing so, has eroded their monopoly position.

The Big 4 recording companies, once considered necessary to the success of musical artists, are seeing their monopoly position erode as performers now find themselves able to market their music directly to the entire world, either without the use of middlemen at all or by selecting middlemen who are numerous and who must compete for their business.

The Big 6 motion picture studios, once considered necessary to the success of film makers, are now on the losing end of a competition with everyday people, many of them teenagers, who are creating user-generated content at a dizzying rate, armed with no more than an inexpensive digital camera, videocam, or even a video-capable cell phone. These budding filmmakers likewise have access to the entire world, and for free.

Having been unable to find the key to marketing their vast treasure troves of sound recordings and motion pictures on the Internet, the 10 content owners have launched a litigation campaign the likes of which the world has never seen, arguing in every case for the most expansive possible interpretation of the US Copyright Act.

2008 has not been kind to their arguments, however, as the courts have adhered to a strict construction of the Copyright Act, both its traditional sections and the Digital Millennium Copyright Act (DMCA), designed to enable the United States to participate in a robust worldwide Internet.

Since the campaign was launched in 2003, most of the litigations have been aimed at non-commercial defendants without the resources to contest federal court litigations,[1] and since most involve default judgments, *ex parte* proceedings, and cases in which the defendant has no legal representation, let alone an experienced copyright litigation attorney, the recording companies' cases of that nature had for a while proceeded like a warm knife through butter. In those rare instances where they have been met with resistance, they have usually, sooner or later, dismissed the cases voluntarily. Theirs and the motion picture companies' DMCA take-down notices—almost invariably unchallenged and almost invariably directed against the creations of non-commercial users without resources to retain legal counsel—have resulted in much material being taken down that under existing copyright law need not have been taken down.

In 2008, in those cases in which there has been meaningful opposition and the courts have had the opportunity to be briefed by both sides and to render a decision, the results have been largely negative for the content holders, casting serious doubt on the major premises upon which their campaign is based.

This article will summarize some of the important skirmishes taking place in 2008 and attempt to assess the state of the law in the aftermath.

PRIMARY INFRINGEMENT LIABILITY CASES

"MAKING AVAILABLE" IN THE RIAA LITIGATIONS

One of the most astonishing themes in the primary or direct liability area has been the recording companies'[2]

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attempt to advance a theory that a non-commercial end user can have violated a record company's distribution right for a sound recording, prescribed by 17 USC § 106(3), by merely "mak[ing] available for distribution," notwithstanding (1) the absence of any such suggestion in the statute, (2) decades of case law to the contrary, and (3) unanimity among leading legal scholars to the contrary. Undoubtedly the reason for inclusion of the phrase was the RIAA's awareness that its pre-litigation investigation yielded no evidence of any file's having been distributed within the meaning of 17 U.S.C. § 106(3) and at best yielded some evidence that files were perhaps available.

The following phrase appeared in all of the record companies' boilerplate complaints starting in 2003: "to download . . . , to distribute . . . , and/or *to make the Copyrighted Recordings available for distribution to others*" (italics supplied). There it remained, until October 2007, when District Judge Rudi Brewster in a little-known unpublished case, *Interscope Records v. Rodriguez*,[3] denied an uncontested application for a default judgment on the ground that the RIAA's boilerplate complaint failed to state a claim for relief. The RIAA promptly filed an amended complaint, omitting the "making available" charge. Starting in October 2007, the RIAA jettisoned the phrase "making available" from its complaints.

In a subsequent, more widely noticed, case also *denying* an uncontested application for default judgment, *Atlantic Recording v. Brennan*,[4] Judge Janet Bond Atherton likewise recognized the deficiencies in the RIAA's boilerplate complaint and among them specifically noted that, under well settled law, one of the requisite components for infringement of the distribution right is an actual distribution or dissemination of actual copies or phonorecords, without which there cannot be a violation of the distribution right.

The history of the phrase in contested litigations, starting in 2005 when it was first challenged, has been somewhat bizarre, and certainly inchoate, until 2008, when a string of district court decisions, starting with Judge Atherton's, unceremoniously rejected it.

The first time the RIAA's "making available" theory was challenged was a pre-answer motion to dismiss made in 2005 in *Elektra Entertainment v. Santangelo*, where the court's November 2005 decision[5] denied the dismissal motion but never addressed the "making available" issue at all. A string of similar motions was made all across the country in 2005 and 2006, five of which resulted in decisions (peculiar decisions, in the view of the author) to the effect that the court *could not decide* the issue because it did not well enough understand the technology involved or because it was not necessary to reach the issue at the pleadings stage.

One of the motions, however, remained pending for two years. The motion in *Elektra Entertainment v. Barker* attracted *amici curiae* briefs on both sides. When it was finally decided on March 31, 2008,[6] it not only had been rendered anticlimatic by *Brennan* but also was overshadowed by another decision handed down the same day, *London-Sire Records v. Does 1-4*. Both *Barker* and *London-Sire* rejected the "making available" theory.[7] A month later, a similar decision was handed down by Judge Neil V. Wake in *Atlantic Recording v. Howell*.[8] In September in *Capitol Records v. Thomas*,[9] the only known jury verdict in an RIAA case—rendered in October 2007 and awarding $222,000 based on the sharing of 24 song files having a combined retail value of $23.76—was set aside *sua sponte* by District Judge Michael J. Davis based upon his determination that he had committed a "manifest error of law" in accepting the RIAA's proposed jury instruction to the effect that merely "making available" could constitute an infringement of the distribution right. A new trial was ordered.

DAMAGES AND ATTORNEYS FEES ISSUES IN THE RIAA LITIGATIONS

While Judge Davis's decision to reject the "making available" theory was widely anticipated, his surprise pronouncement on the excessiveness of the damages being sought in RIAA cases was not. He had previously indicated that he was not likely to reach the damages question since the liability determination had been fundamentally flawed. Judge Davis wrote:

> The Court would be remiss if it did not take this opportunity to implore Congress to amend the Copyright Act to address liability and damages in peer to peer network cases such as the one currently before this Court. The Court begins its analysis by recognizing the unique nature of this case. The defendant is an individual, a consumer. She is not a business. She sought no profit from her acts. The myriad of copyright cases cited by Plaintiffs and the Government, in which courts upheld large statutory damages awards far above the minimum, have limited relevance in this case. All of the cited cases involve corporate or business defendants and seek to deter future illegal commercial conduct. The parties point to no case in which large statutory damages were applied to a party who did not infringe in search of commercial gain.
>
> The statutory damages awarded against Thomas are not a deterrent against those who pirate music in

order to profit. Thomas's conduct was motivated by her desire to obtain the copyrighted music for her own use. The Court does not condone Thomas's actions, but it would be a farce to say that a single mother's acts of using Kazaa are the equivalent, for example, to the acts of global financial firms illegally infringing on copyrights in order to profit in the securities market. Cf. Lowry's Reports, Inc. v. Legg Mason, Inc., 271 F. Supp. 2d 737, 741-42 (D. Md. 2003) (describing defendants as a "global financial services firm" and a corporation that brokers securities).

While the Court does not discount Plaintiffs' claim that, cumulatively, illegal downloading has far-reaching effects on their businesses, the damages awarded in this case are wholly disproportionate to the damages suffered by Plaintiffs. Thomas allegedly infringed on the copyrights of 24 songs the equivalent of approximately three CDs, costing less than $54, and yet the total damages awarded is $222,000—more than five hundred times the cost of buying 24 separate CDs and more than four thousand times the cost of three CDs. While the Copyright Act was intended to permit statutory damages that are larger than the simple cost of the infringed works in order to make infringing a far less attractive alternative than legitimately purchasing the songs, surely damages that are more than one hundred times the cost of the works would serve as a sufficient deterrent.

Thomas not only gained no profits from her alleged illegal activities, she sought no profits. Part of the justification for large statutory damages awards in copyright cases is to deter actors by ensuring that the possible penalty for infringing substantially outweighs the potential gain from infringing. In the case of commercial actors, the potential gain in revenues is enormous and enticing to potential infringers. In the case of individuals who infringe by using peer-to-peer networks, the potential gain from infringement is access to free music, not the possibility of hundreds of thousands—or even millions—of dollars in profits. This fact means that statutory damages awards of hundreds of thousands of dollars is certainly far greater than necessary to accomplish Congress's goal of deterrence.

Unfortunately, by using Kazaa, Thomas acted like countless other Internet users. Her alleged acts were illegal, but common. Her status as a consumer who was not seeking to harm her competitors or make a profit does not excuse her behavior. But it does make the award of hundreds of thousands of dollars in damages unprecedented and oppressive.

The damages issue, more than any other, could signal the death knell for the RIAA's litigation campaign. In this age of micropayments, the record companies' actual damages are in the neighborhood of 35 cents per download.[10] The statutory damages that they have been seeking, from 2,142 to 428,571 times the actual damages, have been attacked as violating the Due Process Clause of the US Constitution.[11] Were Congress to take action as Judge Davis "implored" it to do or were the courts to determine that the RIAA's statutory damages theory violates Due Process, the likelihood of the RIAA's continuing its campaign is nil.

Another interesting damages development in the record company cases is *Maverick Recording v. Harper*, which partially denied the plaintiffs' summary judgment motion on the ground that there were factual issues in the case giving rise to the innocent infringement partial defense afforded by 17 USC § 504(c)(2), which might limit the record companies to $200, as opposed to more than $750, per infringement, in statutory damages. The court ruled that the RIAA would have to proceed to a jury trial unless it agreed to accept $200 per infringement. The RIAA opted for the latter.[12]

Because of the RIAA's uniform practice of suing the person who pays the bill for the suspect Internet account without evidence as to whether that person was the individual who actually infringed copyrights, numerous false positives occur, and many cases are voluntarily dismissed. For example, in *Atlantic Recording v. Andersen*,[13] this was the case, and following traditional copyright attorney's fees analysis, which entailed findings that the record companies were at fault in pursuing the case, the court awarded the defendant $108,000. However, several non-RIAA, non-Internet attorney's fees decisions from the Seventh Circuit may eclipse the significance of *Andersen* and, if followed in other circuits, will have an enormous impact on the RIAA litigation dynamic. These decisions held that even when the defendant's victory in a copyright infringement case is achieved by virtue of the plaintiff's having thrown in the towel, the defendant is *presumptively* entitled to an award of his or her attorney's fees. Defendant's lawyers in RIAA cases have realized the significance of these cases to their clients' plight, and in a Second Circuit RIAA throwing-in-the-towel case, *Lava Records v. Amurao*, the defendant has argued that the Seventh Circuit rule should be followed in the Second Circuit.[14] Interestingly, the record companies' responding brief omitted all reference to the Seventh Circuit authorities, an omission pointed out by defendant in his reply brief. *Lava* is expected to be argued in January.

THE DANCING TODDLER AND FAIR USE

The record companies took a drubbing in another of their missteps, *Lenz v. Universal Music Corp.*.[15] Among the thousands of DMCA take-down notices that they have sent to sites such as MySpace and YouTube, one was based on the following set of facts:

> On February 7, 2007, Plaintiff Stephanie Lenz ("Lenz") videotaped her young children dancing in her family's kitchen. The song "Let's Go Crazy" by the artist professionally known as Prince ("Prince") played in the background. The video is twenty-nine seconds in length, and "Let's Go Crazy" can be heard for approximately twenty seconds, albeit with difficulty given the poor sound quality of the video. The audible portion of the song includes the lyrics, "C'mon baby let's get nuts" and the song's distinctive guitar solo. Lenz is heard asking her son, "what do you think of the music?" On February 8, 2007, Lenz titled the video "Let's Go Crazy # 1" and uploaded it to YouTube.com ("YouTube"), a popular Internet video hosting site, for the alleged purpose of sharing her son's dancing with friends and family. YouTube provides "video sharing" or "user generated content." The video was available to the public at http://www.youtube.com/watch?v=N1KfJHFW1hQ.

YouTube meekly complied, removing the video for six weeks before eventually re-posting it at Ms. Lenz's insistence. Ms. Lenz, represented by the Electronic Frontier Foundation, sued Universal for misrepresentation of a copyright violation within the meaning of the DMCA. Universal moved to dismiss her complaint, arguing that in issuing DMCA take-down notices it is not required to take into account whether the use was a fair use. The court denied the motion, holding that a copyright owner's investigation prior to issuance of a take-down notice must include an analysis of whether the use is a fair use, since a fair use is not an unauthorized use.

WHEN IS A COPY TRANSITORY?

An interesting and important decision that *feels* like it should be mentioned in a discussion of secondary liability but that was decided by stipulation under principles of primary" or direct liability is *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*[16] There, the motion picture companies' copyright infringement claim against Cablevision, based upon their claim that Cablevision's proposed remote storage digital video recorder system violated the motion picture companies' performance rights and reproduction rights, was rejected by the Second Circuit. The lower court decision of Judge Denny Chin, which ruled in favor of the motion picture companies, was reversed.

On the issue of the reproduction right, the court held that:(1) the buffered versions were not copies within the meaning of the Copyright Act since the 1.2-second period in which they were buffered was insufficient to satisfy the part of the statutory definition of copies that requires that they exist for more than a "transitory duration"; and (2) as to the playback versions, Cablevision could not be directly liable since it was the customer, not Cablevision, who was making the copies; that is, there was no volitional conduct on Cablevision's part.

As to the public performance right, the Second Circuit found for the defendant on the ground that the transmission was not "to the public." (The court called into question the Third Circuit decision in *Ford Motor v. Summit Motor Products*,[17] which said that a distribution to one person could be "to the public" but did not formally reach the question since the allegations related to the public performance right rather than to the distribution right.)[18]

SECONDARY INFRINGEMENT LIABILITY CASES

A very important case helping to carve out an understanding of life under the DMCA is *IO Group, Inc. v. Veoh Networks, Inc.*[19] The court granted the defendant's motion for summary judgment on the basis of the DMCA, holding that the defendant's video-sharing Web site complied with the DMCA and was entitled to the protection of the statute's safe-harbor provision. The court's decision noted, among other things, that the DMCA was "designed to facilitate the robust development and world-wide expansion of electronic commerce, communications, research, development, and education in the digital age" and rejected plaintiff's contention that Veoh had failed to reasonably implement its notification policy for repeat offenders.

An interesting parallel to the copyright case is the trademark infringement decision from New York's Southern District in *Tiffany (NJ) Inc. v. eBay, Inc.*,[20] where, following a bench trial, District Judge Richard J. Sullivan concluded that "it is the trademark owner's burden to police its mark, and companies like eBay cannot be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their websites." Judge Sullivan found that eBay had diligently complied with Tiffany's requests to take down offending auctions and had generally implemented policies to discourage, rather than foster, trademark infringement.

THE TECHNOLOGY ISSUES, THE NEXT MAJOR BATTLEGROUND

In 40,000 RIAA cases against end users, the statistics are as follows:

- Number of times the RIAA's investigator has been deposed: 0
- Number of times the RIAA's expert has been deposed: 1

The RIAA's expert, at his lone deposition, admitted that neither he nor the investigator had satisfied any of the *Daubert* reliability factors, and yet the defendant's motion to exclude his testimony *in limine* was denied.[21]

Based upon my impression of the flawed technology upon which the RIAA's cases are founded, the judicial rejection of the "making available" theory, the legal problems that the RIAA's investigators are having with the fact that they never obtained private investigator's licenses, and the conflicts of interest of the RIAA's expert, who profits from the sale of filtration software to the local area networks (LANs) that the RIAA is threatening with suit, I anticipate that litigation over the technology will move to center stage in these cases.

BATTLEGROUND ASSESSMENT

As the dust settles on the battleground that 2008 represented, my subjective appraisal of the situation is as follows:

1. The courts are not opting for the exotic interpretations of the Copyright Act in general or of the DMCA in particular, which the 10 large content holders are seeking; instead, they are focusing on reading the statutes as they were written.
2. The "making available" theory is virtually dead on arrival. While it remains for appeals courts to officially seal its final doom, there is no non-frivolous argument that can be made on its behalf. When summoned across country to Duluth, Minnesota, to argue on behalf of the "making available" theory, the noted Supreme Court appellate lawyer brought in by the RIAA could think of nothing more persuasive to say than that "it can't be that that's the law."
3. The essential guiding principle for social networks and for online marketplaces will be that, when a rights holder brings an IP violation to their attention, they must act, and they must routinely take reasonable precautions to prevent wholesale rights violations, but as long as they have followed those two principles and are not inducing or encouraging infringement, they can expect to win if they are sued.
4. The courts will look with disfavor on outlandish damages awards against non-commercial infringers.
5. Innovative distribution, playback, and display of digital recordings and videos will continue to be a complex and technical area, with the distribution rights and the performance rights being implicated in addition to the reproduction right.
6. Although the courts have not ruled out the possibility of a copy being something that exists in only an ephemeral format in RAM (random access memory), they are requiring that it be in memory for more than a transitory duration.
7. Content holders that persist in sending torrents of DMCA take-down notices without taking fair use into account do so at their peril.
8. It is too early to tell whether the Seventh Circuit rule, that attorneys fees should be routinely assessed against copyright infringement plaintiffs who throw in the towel, will be adopted widely, but if it is, this in and of itself will force the RIAA to conduct better investigations before it initiates litigation, which brings us to the issue which may be the next frontier in those cases: technology.

It was an exciting year in the tug of war between old-line content rights holders and the Internet. I think on balance that the Internet won.

NOTES

1. Beckerman, Ray, "Large Recording Companies vs. The Defenseless : Some Common Sense Solutions to the Challenges of the RIAA Litigations," Judges Journal, Summer 2008, located at *http://beckermanlegal.com/Documents/080729LargeRecordingCompaniesVsTheDefenseless.pdf*.
2. The recording company cases in the United States have been prosecuted by a trade association, the Recording Industry of Association of America, Inc. (RIAA), albeit in the name of the recording companies in the litigation captions. As shorthand, we will sometimes refer to the recording companies as the RIAA. However, it should be noted that the RIAA has hundreds of members, and yet none of them, other than the Big 4 recording companies, participated in the litigation campaign. One therefore has to wonder why that is and whether the RIAA is being used as a front for coordinated action by four supposed competitors.
3. Interscope Records v. Rodriguez, No. 06-2485, 2007 WL 2408484 (S.D. Cal. 2007).
4. Atlantic Recording v. Brennan, 534 F. Supp. 2d 278 (D. Conn. 2008).
5. Elektra Entertainment v. Santangelo, 2005 WL 3199841 (S.D.N.Y. 2005).

6. Elektra Entertainment v. Barker, 551 F. Supp. 2d 234 (S.D.N.Y. 2008).
7. Barker appeared to leave the door open for a different theory that would dispense with actual distribution—"offering to distribute for purposes of redistribution"—but the court gave no guidance as to what would constitute an "offer to distribute for purposes of redistribution," and it seems clear that in the case of noncommercial users there would be no offer to "distribute" nor would there be any purpose of "redistribution." The subsequent decisions Atlantic Recording v. Howell and Capitol Records v. Thomas explicitly rejected that aspect of Barker.
8. Atlantic Recording v. Howell, 554 F. Supp. 2d 976 (D. Ariz. 2008).
9. Capitol Records v. Thomas, 2008 U.S. Dist. LEXIS 84155 (D. Minn. Sept. 24, 2008).
10. Wholesale price = 70 cents. Expenses = ~ 35 cents. Lost profits = ~ 35 cents.
11. *See*, *e.g.*, UMG Recordings v. Lindor, 2006 WL 3335048 (E.D.N.Y. 2006). *See also* Barker, J. Cam, "Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement," 83 Texas L. Rev. 525 (2004).
12. Maverick Recording v. Harper, 07-CV-026-XR (W.D. Tex. Aug. 7, 2008) (unpublished but available online at *http://beckermanlegal.com/Documents/maverick_harper_080808.pdf*).
13. Atlantic Recording v. Andersen, 2008 WL 185806 (D. Ore. 2008).
14. A copy of the appellant's brief is available online at *http://beckermanlegal.com/Documents/lava_amurao_080801AppellantsBrief.pdf*.
15. Lenz v. Universal Music Corp., 572 F. Supp. 2d 1150 (N.D. Cal. 2008).
16. Cartoon Network LP, LLLP v. CSC Holdings, Inc., 536 F. 3d 121 (2d Cir. 2008).
17. Ford Motor v. Summit Motor Products, 930 F.2d 277 (3d Cir. 1991).
18. Interesting sidenotes on Cartoon Network are that (a) the plaintiff by stipulation waived its claim for secondary liability, so the case was decided solely on the issue of direct liability, (b) the defendant by stipulation waived its fair use defense, so there was no issue as to whether the process — which could be characterized as "time-shifting" and "format-shifting" — is a fair use, and (c) the defeated lawyers for the motion picture companies included the same lawyers who represent Viacom in Viacom v. YouTube, the same lawyers who represent the RIAA in Arista v. LimeWire, and the appellate lawyer who was flown into Duluth by the RIAA for the Capitol Records v. Thomas argument.
19. IO Group, Inc. v. Veoh Networks, Inc., 2008 U.S. Dist. LEXIS 65915 (N.D. Cal. Aug. 27, 2008).
20. Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463 (S.D.N.Y. 2008).
21. UMG Recordings, Inc. v. Lindor, 531 F. Supp. 2d 453 (E.D.N.Y. 2007).