

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

CAPITOL RECORDS, INC., et al., Plaintiffs,	)	
	)	
v.	)	Civ. Act. No. 03-cv-11661-NG
	)	(LEAD DOCKET NUMBER)
NOOR ALAUJAN,	)	
Defendant.	)	
	)	
	)	
SONY BMG MUSIC ENTERTAINMENT, et al., Plaintiffs,	)	
	)	Civ. Act. No. 07-cv-11446-NG
v.	)	(ORIGINAL DOCKET NUMBER)
	)	
JOEL TENENBAUM,	)	
	)	
Defendant.	)	
	)	

**PLAINTIFFS' MOTION TO DISMISS COUNTERCLAIMS**

Plaintiffs respectfully submit this Motion under Fed. R. Civ. P. 12(b)(6) to dismiss Defendant's Counterclaims, and state as follows:

**INTRODUCTION AND SUMMARY OF THE ARGUMENT**

Plaintiffs bring this action seeking redress for the infringement of their copyrighted sound recordings pursuant to the Copyright Act, 17 U.S.C. § 101 *et seq.* On August 19, 2008, Defendant filed his Amended Answer and Counterclaims, asserting a purported claim for abuse of process under Mass. Gen. Laws, ch. 231 Section 6(f)<sup>1</sup> and claiming that the statutory damages

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<sup>1</sup> The exact language of Defendant's first counterclaim reads "(1) Defendant is filing a Counterclaim against the Plaintiffs for Abuse of Process under Mass. R. Civ. P. 12(b)(6) and Mass. Gen. Laws, Ch. 231 Section 6(f)." Given Defendant's *pro se* status at the time of filing and the inapplicability of Mass. R. Civ. P. 12(b)(6), Plaintiffs assume that Defendant's citation to this Rule was in error.

established by Congress under the Copyright Act are unconstitutional.<sup>2</sup> As explained below, Defendant's counterclaims fail to state claims upon which relief may be granted. As a result, these counterclaims should be dismissed under Rule 12(b)(6).

It is well established that these counterclaims fail as a matter of law and must be dismissed. Defendant's first counterclaim, seeking damages for abuse of process, fails because Defendant fails to allege the most basic elements of abuse of process to support his claim.<sup>3</sup> Defendant alleges no process that Plaintiffs used, no threat to coerce some collateral advantage, and no recoverable damages he suffered as a result of the alleged abuse of process. Indeed, Defendant's allegations amount to little more than a complaint about difficulties associated with being a defendant in a lawsuit. These complaints do not support a legal claim for abuse of process. Defendant's counterclaim should also be dismissed because Plaintiffs' alleged conduct in prosecuting their claim for copyright infringement is protected under the First Amendment right to petition. Finally, Defendant's counterclaim should be dismissed because public policy favors enforcement actions against copyright infringers. While it is clear that Defendant would

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Similarly, Plaintiffs assume that Defendant intended to seek relief under Mass. Gen. Laws, Ch. 231 Section 6(f), as Mass. Gen. Laws, Ch. 231 is irrelevant.

<sup>2</sup> Defendant's second counterclaim reads "the Copyright Act, 17 U.S.C. § 106(3) was not intended to allow grossly, excessive punitive damages under its law if these statutory damages are in excess of the actual damages suffered." Reading his second counterclaim together with his Motion to Amend (Doc. No. 484), Plaintiffs interpret the counterclaim and the case quoted therein as alleging that the statutory damages established by Congress under the Copyright Act are unconstitutional. Plaintiffs will also address Defendant's erroneous claim that statutory damages must bear a reasonable relationship to actual damages, *infra*.

<sup>3</sup> In fact, the only factual allegations supporting Defendant's abuse of process counterclaim is a conclusory statement that Plaintiffs' investigation was flawed and illegal and that, in relevant part, Defendant has been "harassed, inconvenience[d] and suffered emotional distress to himself and his family due to the malicious, unnecessary, punitive nature of this litigation. . . . for a total of four years harassment, emotional distress, and numerous other efforts of the part of the Plaintiffs' attorneys to harass, persecute, cause undue stress, intimidation, all with disregard by the Plaintiffs' attorneys to the fact in this particular case which have no merit, and only with the purpose of harassment, intentional infliction of emotional distress." (Doc. No. 625, p. 2).

rather not be a defendant in a copyright infringement suit, this is not the basis of a claim for abuse of process.

Defendant's second counterclaim, alleging that the statutory damages provision of the Copyright Act established by Congress are unconstitutional and/or excessive, similarly fails. As a threshold matter, this is not a counterclaim, as it does not seek affirmative relief. Rather, Defendant appears to be seeking to establish a defense to statutory damages under the Copyright Act. Defendant's argument is, at best, an affirmative defense. Additionally, Defendant's attack on statutory damages fails as a matter of law because Plaintiffs are entitled to elect statutory damages without any showing of actual damages.<sup>4</sup> Similarly, there is no requirement that statutory damages bear a relationship to actual damages. Congressional intent behind allowing a plaintiff to elect statutory damages is to achieve a variety of goals beyond compensating copyright holders for actual harm.

For all of these reasons, Defendant's counterclaims should be dismissed.

### **BACKGROUND**

At the heart of this lawsuit is the battle the recording industry faces against users of peer-to-peer systems who are often "disdainful of copyright and in any event discount the likelihood of being sued or prosecuted for copyright infringement." *In re Aimster Copyright Litigation*, 334 F.3d 643 (7th Cir. 2003). Every month, users of P2P networks unlawfully disseminate billions of perfect digital copies of Plaintiffs' copyrighted sound recordings. *See* Lev Grossman, *It's All Free*, Time, May 5, 2003. As a direct result of piracy over P2P networks, Plaintiffs have sustained and continue to sustain devastating financial losses. Indeed, the Department of Justice

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<sup>4</sup> This is not to suggest or concede that Plaintiffs have not suffered any actual damages. Indeed, Plaintiffs have suffered substantial damages from Defendant's reproduction and distribution of their copyrighted sound recordings to millions of other KaZaA users.

states that online media distribution systems are “one of the greatest emerging threats to intellectual property ownership,” estimated that “millions of users access P2P networks,” and determined that “the vast majority” of those users “illegally distribute copyrighted materials through the networks.” Report of the Department of Justice’s Task Force on Intellectual Property, *available at* <http://www.cybercrime.gov/IPTaskForceReport.pdf> at 39 (October 2004). As the Seventh Circuit explained, “[m]usic downloaded for free from the Internet is a close substitute for purchased music; many people are bound to keep the downloaded files without buying the originals.” *BMG Music v. Gonzalez*, 430 F.3d 888, 890 (7th Cir. 2005). In addition, downloads from P2P networks compete with licensed broadcasts and undermine the income available to authors. *Id.* at 891. Plaintiffs’ losses from on-line music piracy have resulted in layoffs of thousands of employees in the music industry.

The recording industry has deployed a wide range of responses to battle the problem of digital piracy over the Internet, including educational campaigns on college and university campuses across the country and lawsuits against those who use P2P networks to infringe copyrighted sound recordings. While this Court may disagree with the recording industry’s lawsuits against individual infringers, access to the courts is a fundamental right in our society. Indeed, it is among the most precious rights of the liberties safeguarded by the Bill of Rights.” *United Mine Workers v. Illinois State Bar Ass’n*, 389 U.S. 217, 222 (1967).

In the case of digital piracy, there can be no question that the record companies are the victims of those who do not recognize or respect the intellectual property of others and believe they should not have to pay for copyrighted music. As such, the record companies have a fundamental right to prosecute their claims against those who infringe their sound recordings in violation of the Copyright Act.

## FACTS

On August 10, 2004, a third-party retained by Plaintiffs, MediaSentry, detected an individual using the KaZaA peer-to-peer file sharing program under the username “sublimeguy14@KaZaA” to engage in online copyright infringement. This individual had 816 music files in the share directory on his computer and was distributing them to millions of persons who use peer-to-peer networks. MediaSentry determined that the individual used Internet Protocol (“IP”) address 68.227.185.38 to connect to the Internet.

After filing a “Doe” lawsuit against the individual using the IP address, Plaintiffs subpoenaed the individual’s Internet Service Provider (“ISP”) to determine his identity. The ISP, Cox Communications, Inc., identified “J. Tenenbaum” as the individual in question. Plaintiffs sent a pre-litigation letter to J. Tenenbaum on September 16, 2005. The letter invited J. Tenenbaum to contact Plaintiffs’ representatives to discuss resolution of Plaintiffs’ claims prior to filing a lawsuit. In response, an attorney contacted Plaintiffs’ counsel on behalf of Judith Tenenbaum, the owner of the internet account, on October 4, 2005. The attorney informed Plaintiffs’ representative that “the downloader was a college kid home for the summer.”

The next communication was a settlement offer letter dated November 22, 2005, from Defendant Joel Tenenbaum. In the letter, Defendant identified himself as the target of any litigation by Plaintiffs and described himself as a college student. He enclosed a check and offered to settle the claims against him for \$500.<sup>5</sup> When Plaintiffs rejected his settlement offer, Defendant continued to contact Plaintiffs’ representatives to discuss settlement by both letter and telephone. After Plaintiffs rejected Defendant’s offers, Defendant begged Plaintiffs’

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<sup>5</sup> Plaintiffs include details of settlement discussions to demonstrate that 1) contrary to Defendant’s claims of harassment, it was Defendant who initiated essentially all pre-filing contact; and 2) Plaintiffs have been imminently reasonable in dealing with Defendant, who misrepresented his financial situation in order to reduce Plaintiffs’ settlement demand.

representative to consider him a financial hardship and accordingly lower their settlement demand. Plaintiffs' representative agreed to examine Defendant's finances and work with him to craft a settlement offer within his allegedly limited ability to pay. Plaintiffs, however, discovered that, contrary to Defendant's claims, he was not a financial hardship.<sup>6</sup> At this point, Plaintiffs' representative informed Defendant that Plaintiffs did not consider him a financial hardship and Plaintiffs would not lower their settlement demand.

After all attempts to resolve this matter failed, on August 7, 2007, Plaintiffs filed their Complaint against Defendant for copyright infringement. Defendant was served with the Complaint on August 18, 2007. On September 1, 2007, Defendant filed an Answer. On November 23, 2007, Defendant filed a Motion to Amend his Answer, seeking to assert, *inter alia*, a counterclaim that the statutory damages established by Congress under the Copyright Act are unconstitutional. The Court granted Defendant's Motion to Amend on June 17, 2008. On August 19, 2008, Defendant filed an Amended Answer and Counterclaims. His counterclaims appear to seek damages for abuse of process and claim that the statutory damages established by Congress under the Copyright Act are unconstitutional. At the September 23, 2008 hearing, the Court extended Plaintiffs' deadline to file a Motion to Dismiss to October 6, 2008.

## **ARGUMENT**

### **I. LEGAL STANDARD FOR A MOTION TO DISMISS.**

A motion to dismiss under Rule 12(b)(6) should be granted where it appears beyond doubt "that the [claimant] can prove no set of facts in support of his claim which would entitle him to relief." *Eane Corp. v. Town of Auburn*, 1997 U.S. Dist. LEXIS 11143 (D. Mass.

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<sup>6</sup> Indeed, through their own research of public records, Plaintiffs discovered that Defendant had recently purchased a condominium valued at approximately \$250,000. When questioned about the apparent disparity between his claims of poverty and the relative wealth reflected in the public records, Defendant informed Plaintiffs' representative that his mother had purchased the condo for him.

July 25, 1997). Although the district court must accept the well-pleaded factual allegations of the complaint as true, “legal conclusions or conclusory allegations do not benefit from this presumption of truthfulness.” *Omni-Wave Elecs. Corp. v. Marshall Indus.*, 127 F.R.D. 644, 648 (D. Mass. 1989) (citing 2A Moore’s Federal Practice 12.07 (2.-5) (2d ed. 1986)). Moreover, the allegations found in the complaint “must be enough to raise a right to relief above the speculative level.” *Bell At. Corp. v. Twombly*, 127 S. Ct. 1955, 1965 (2007) (plaintiff must plead “enough fact[s] to raise a reasonable expectation that discovery will reveal evidence of [his claim]”).

## **II. DEFENDANT’S COUNTERCLAIMS SHOULD BE DISMISSED BECAUSE EACH COUNTERCLAIM FAILS AS A MATTER OF LAW.**

### **A. Defendant’s Claim For Abuse Of Process Should Be Dismissed.**

Defendant’s counterclaim for abuse of process fails to plead the most basic elements of the claim. Instead, Defendant alleges that Plaintiffs used the legal process to seek redress for their claims of copyright infringement – such conduct does not, and cannot, form the basis of a claim for abuse of process. In addition, Plaintiffs’ alleged conduct is protected under the First Amendment right to petition. Finally, public policy favors copyright holders seeking redress for claims of infringement, as vigorous enforcement of copyright encourages the arts and sciences. Accordingly, Defendant’s first counterclaim should be dismissed.

#### **1. Defendant failed to plead the basic elements of abuse of process.**

Defendant’s first counterclaim, for abuse of process, fails as a matter of law because he has not - and indeed cannot - plead the basic elements of the claim. Under Massachusetts law, a plaintiff stating a claim for abuse of process must allege that “(1) ‘process’ was used; (2) for an ulterior or illegitimate purpose; (3) resulting in damage.” *Am. Mgmt. Servs. v. George S. May Int’l*, 933 F. Supp. 64, 68 (D. Mass. 1996). As Defendant alleges no process that Plaintiffs used and no threat to coerce some collateral advantage, his claim fails as a matter of law.

First, Defendant has not alleged the use of any particular process to be abusive. “Proof of a specific act in an abuse of process setting provides concrete assurance that a process actually has been abused, and that liability will not be based on the badly motivated use of procedures that perhaps were burdensome but not improper.” *Simon v. Navon*, 71 F.3d 9, 17 (1st Cir. 1995).

Here, the only process at issue seems to be the filing of the lawsuit. However, “[f]iling of a lawsuit is a ‘regular’ use of process, and therefore may not on its own fulfill the requirement of an abusive act, even if the decision to sue was influenced by a wrongful motive, purpose or intent.” *Id.* at 16; *Philip Alan, Inc. v. Sarcia*, 2007 Mass. Super. LEXIS 52 (Mass. Super. Ct. Feb. 6, 2007) (same).

Second, Defendant fails to allege an ulterior or illegitimate purpose. Indeed, this essential element requires an allegation of using process as a threat or a club to coerce or extort some *collateral advantage* not properly involved in the proceeding. *Broadway Mgmt. Servs., Ltd. v. Cullinet Software, Inc.*, 652 F. Supp. 1501, 1503 (D. Mass. 1987) (citing *Cohen v. Hurley*, 20 Mass. App. 439, 442 (1985); 1 F. Harper, F. James and O. Gray, *The Law of Torts* § 4.9, at 479, 481 & n.18 (2nd ed. 1986); 3 J. Dooley, *Modern Tort Law* §§ 41.15, 41.18 (1984 rev.)); *Simon*, 71 F.3d at 16-17 (“Plaintiff must allege that defendant committed a specific act which was directed at the collateral, ulterior objective . . . In sum, there must be some basis for finding . . . that the improper act was the means to further the improper purpose”). Further, “the alleged collateral benefits sought must be well-defined and clearly outside the interests properly pursued in the proceeding.” *Broadway Mgmt. Servs.*, 652 F. Supp. at 1503

Examples of conduct that constitutes use of process for collateral benefit include: intentionally using litigation as a marketing tool against a competitor’s trade show, *Datacomm*



*Interface, Inc. v. Computerworld, Inc.*, 396 Mass. 760, 775-76 (Mass. 1986), commencing an action against a wife for the purpose of coercing a favorable settlement in a divorce proceeding, *Am. Velodur Metal, Inc. v. Schinabeck*, 20 Mass. App. 460 (1985) (*cert. denied* 475 U.S. 1018 (1986)); initiating criminal complaints without probable cause and with intention to use the criminal process to collect a civil debt, *Carroll v. Gillespie*, 14 Mass. App. 12 (1982), using supplementary process to collect twice on debt already paid, *Lorusso v. Bloom*, 321 Mass. 9 (1947); attaching wages with the malicious motive of harassing plaintiff and his employer so as to force plaintiff to contract to purchase household furniture, *Jacoby v. Spector*, 292 Mass. 366 (1935), filing for attachment of real property to prevent the owner's sale of the property to a third party, *Malone v. Belcher*, 216 Mass. 209 (1913); maliciously procuring the arrest of plaintiff on criminal charge in order to compel him to abandon a claim of right of occupation of a certain house and actually to withdraw from its occupation, *White v. Apsley Rubber Co.*, 181 Mass. 339 (1902). *See also Stromberg v. Costello*, 456 F. Supp. 848 (D. Mass. 1978) (party's application for a criminal complaint, maliciously, without probable cause, for the purpose of inducing plaintiff to withdraw his civil action for amounts due would constitute an ulterior purpose).

Unlike those cases, in this case Defendant does not allege anything constituting ulterior purpose. In fact, the closest he comes is alleging that Plaintiffs' only purpose in prosecuting their claim for copyright infringement is "harassment, intentional infliction of emotional distress."<sup>7</sup> (Countercl., at p.2). However, it is well established that "'ulterior motive' is more

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<sup>7</sup> Defendant's apparent unsupported, bald allegation of improper pre-suit investigation is not relevant here. First, there is no factual basis for his conclusory allegations and he cites only to an unrelated complaint in another district. *Omni-Wave Elecs.*, 127 F.R.D. at 648 (legal conclusions or conclusory allegations are not entitled to a presumption of truthfulness for purposes of a motion to dismiss). Second, Plaintiffs' investigation is not relevant to the elements of abuse of process, namely ulterior, collateral purpose and abusive process. Third, as Defendant admitted in his deposition that "sublimeguy14@KaZaA" was his username and that Exhibit B to the Complaint was a copy of his shared

than the intent to harass; there must be intention to use process for coercion or harassment to obtain something not properly part of the suit.” *Broadway Mgmt. Servs.*, 652 F. Supp. at 1503.

Defendant also suggests that the time and money Plaintiffs have forced he and his mother to expend in defending this litigation support his claim for abuse of process.<sup>8</sup> To the contrary, “[n]o Massachusetts case has held that an intention to cause a party to expend substantial time and money to defend against the claims in a suit constitutes an ‘ulterior motive.’” *Id.*, at 1503. Indeed, there is nothing *per se* abusive about a complaint seeking high – even unrealistic – damages or causing a litigation opponent to spend money in defense. *Simon*, 71 F.3d at 17. Moreover, these allegations concern only the present proceeding and, as a matter of law, cannot support a claim for abuse of process. *See [Name Redacted] v. Moran*, 1994 Mass. Super. LEXIS 118 (Mass. Super. Ct. June 17, 1994) (dismissing claim for abuse of process where the plaintiff made no allegation that the defendant sought to compel the plaintiff to do anything or to coerce the plaintiff for an unlawful purpose). Finally, “[w]here the process is used for ‘the exact purpose for which it was designed: litigating the rights of the parties,’” there is no abuse of process.” *Bickford v. Bickford*, 12 Mass. L. Rep. 383 (Mass. Super. Ct. 2000) (citation omitted).

Here, Plaintiffs have brought this lawsuit for the purpose of protecting their copyrights and prosecuting Defendant for his massive infringement of their copyrights. (See Complaint; Section 3, *infra*). Defendant has not – and indeed could not – allege that Plaintiffs are using the

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folder, Plaintiffs’ investigation and subsequent identification of Defendant cannot be reasonably questioned.

<sup>8</sup> Defendant ironically suggests that “menacing, intimidating, harassing papers” filed against him and to which he had to spend time and money researching and responding somehow constitute an abuse of process. Indeed, it is Defendant who has engaged in a pattern of filing baseless motions in this case, including a Motion to Dismiss, Motion for Summary Judgment, and not one, but two motions for sanctions against Plaintiffs’ counsel. Thus, Defendant’s claim of time, money, and research devoted to motions practice is a classic case of self-inflicted wounds.

process to obtain some “collateral advantage.” *See Broadway Mgmt. Servs.*, 652 F. Supp. at 1503. Accordingly, Defendant’s abuse of process counterclaim should be dismissed.

**2. Plaintiffs’ Alleged Conduct Is Protected Under The First Amendment Right to Petition.**

The First Amendment guarantees “the right of the people . . . to petition the Government for a redress of grievances.” *U.S. Const. Amend. I*. The Supreme Court has declared the right to petition to be “among the most precious rights of the liberties safeguarded by the Bill of Rights.” *United Mine Workers*, 389 U.S. at 222. This right to petition has been extended to afford a party the right to access the courts. *See Calif. Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508 (1972); *Davric Maine Corp. v. Rancourt*, 216 F.3d 143, 147 (1st Cir. 2000).

Consistent with this right, sometimes referred to as *Noerr-Pennington* immunity, numerous courts have shielded litigants from claims relating to the filing of litigation. *See, e.g., Id.*; *T.F.T.F. Capital Corp. v. Marcus Dairy, Inc.*, 312 F.3d 90, 93 (2d Cir. 2002); *Chemicor Drugs, Ltd. v. Ethyl Corp.*, 168 F.3d 119, 128-129 (3d Cir. 1999); *Video Int’l Prod., Inc. v. Warner-Amex Cable Comm.*, 858 F.2d 1075, 1082-83 (5th Cir. 1988); *Am. Mfg. Servs., Inc. v. Official Comm. of Unsecured Creditors of the Match Elecs. Group, Inc.*, 2006 U.S. Dist. LEXIS 22987, at \*15 (N.D.N.Y. 2006) (“The *Noerr-Pennington* doctrine generally immunizes from liability a party’s commencement of a prior court proceeding.”). Courts have also extended *Noerr-Pennington* “to encompass concerted efforts incident to litigation, such as prelitigation ‘threat letters.’” *Primetime 24 Joint Venture v. Nat’l Broad. Co.*, 219 F.3d 92, 100 (2d Cir. 2000); *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1367-68 (5th Cir. 1983).

Defendant here alleges that Plaintiffs have committed abuse of process under Mass. Gen. Laws, ch. 231 Section 6(f) by contacting him regarding this lawsuit and by filing the Complaint

and “harassing papers.”<sup>9</sup> Such allegations seek to prevent the commencement of this litigation and others like it and, therefore, are contrary to the First Amendment Right to Petition and established precedent holding the commencement of a lawsuit to be immune from such claims. *See Atlantic Recording Corp. v Raleigh*, No. 06- CV-1708-CEJ, Slip. op. at 5-9 (E.D. Mo. Aug. 18, 2008) (dismissing RICO, fraudulent misrepresentation, prima facie tort, and conspiracy counterclaims against some of these same plaintiffs, on grounds that plaintiffs’ conduct, including “filing lawsuits against ‘Doe ‘ defendants, *ex parte* discovery, efforts to settle their claims with defendant, and request for damages within the statutory range . . . are immune from liability . . . under the Noerr-Pennington doctrine.”) (Exhibit A); *Primetime 24 Joint Venture*, 219 F.3d at 100 (holding that actions such as sending out pre-suit letters and making threats of litigation are covered by *Noerr-Pennington*). For this additional reason, Defendant’s counterclaim for abuse of process should be dismissed.

### **3. Public Policy Supports Dismissal Of Defendant’s Counterclaim For Abuse Of Process.**

Public policy favors dismissal of Defendant’s counterclaim for abuse of process. Contrary to Defendant’s claim, prosecuting infringers, such as Defendant, furthers the purposes of the Copyright Act. Indeed, the core purpose of copyright law is “to secure a fair return for an author’s creative labor” and thereby “to stimulate artistic creativity for the general public good.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (internal quotations omitted); *Lotus Dev. Corp. v. Borland Int’l*, 140 F.3d 70, 73 (1st Cir. Mass. 1998) (overriding purpose of the Copyright Act is “to encourage the production of original literary, artistic, and musical

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<sup>9</sup> Again, Plaintiffs respectfully point out that Plaintiffs’ filings to date include the Complaint, a Motion to Compel Overdue Discovery Responses, and a Status Report, while Defendant’s filings include a Motion for Summary Judgment, a Motion to Dismiss, two Motions for Sanctions, and a Motion to Amend his Answer. All of Defendant’s motions, except the Motion to Amend, were denied as meritless.

expression for the public good”); *Satava v. Lowry*, 323 F.3d 805, 812 (9th Cir. 2003)

(“[C]opyright law achieves its high purpose of enriching our culture by giving artists a financial incentive to create”). Accordingly, Defendant’s claim that Plaintiffs should be discouraged from bringing future suits against infringers runs counter to the spirit and purpose of the Copyright Act and should be rejected. (*See* Countercl. at 3.)

In a factually analogous case, the Fifth Circuit recently held that the record company plaintiffs’ “motivation in bringing the suit was proper” and plaintiffs “should not be deterred from bringing future suits to protect their copyrights because they brought an objectively reasonable suit.” *Virgin Records America, Inc. v. Thompson*, 512 F.3d 724, 726 (Jan. 4, 2008). Another court has held, “it would be inconsistent with the purposes of the Copyright Act to deter plaintiffs . . . from bringing suits when they have a reason to believe, in good faith, that their copyrights have been infringed.” *Kebodeaux v. Schwegmann Giant Super Markets, Inc.*, 33 U.S.P.Q.2d 1223, 1224 (E.D. La. 1994) (internal quotation omitted).

Here, Plaintiffs filed suit against Defendant based on his identification of himself as the infringer and for the purpose of protecting their copyrights. Such enforcement actions advance the Copyright Act’s goals of compensation and deterrence and should not be discouraged. Accordingly, Defendant’s counterclaim should be dismissed.

#### **4. Courts Have Held That Plaintiffs’ Actions In Prosecuting Claims For Copyright Infringement Do Not Constitute Abuse Of Process.**

Courts have held that record company plaintiffs’ actions in prosecuting claims for copyright infringement do not constitute abuse of process. In a recent decision, involving similar allegations of harassment against record company plaintiffs, the court held:

Here, Duty claims that this is one case in thousands where the Recording Companies are suing individual users of peer-to-peer networks such as Kazaa in an effort to frighten users away from the networks, thereby putting the networks out of business. This might be true. In fact, the Recording Companies state in

their briefings that “they face a massive problem of digital piracy over the Internet” and accordingly they have “sustained and continue to sustain devastating financial losses.” (citation omitted) *It is not, however, an abuse of the legal process to organize a large-scale legal assault on small-scale copyright infringers that together cause devastating financial losses. Moreover, it is not an abuse of the legal process if the Recording Companies’ goal in bringing these actions is to scare would-be infringers into complying with federal law, and thereby prevent the networks that allegedly facilitate the alleged infringement from doing so.*

*Interscope Records v. Duty*, 2006 U.S. Dist. LEXIS 20214, at \*13-14 (D. Ariz. April 14, 2006)

(emphasis added).

To the contrary, courts have recognized that record company plaintiffs are entitled to bring claims against infringers of their copyrighted sound recordings.

For now, our government has chosen to leave the enforcement of copyrights, for the most part, in the hands of the copyright holder. *See* 17 U.S.C. § 101, *et seq.*, Plaintiffs face a formidable task in trying to police the internet in an effort to reduce or put a stop to the online piracy of their copyrights. Taking aggressive action, as Plaintiffs have, to defend their copyrights is certainly not sanctionable conduct under Rule 11. The right to come to court to protect one’s property rights has been recognized in this country since its birth.

*Atlantic Recording Corp. v. Heslep*, 2007 U.S. Dist. LEXIS 35824, at \*16 (N.D. Tex. May 16,

2007). Similarly, in *Atlantic Recording Corp. v Raleigh*, another factually analogous case

brought by many of the same record company plaintiffs, the court recognized the plaintiffs’ right to access the courts and attempt to settle their claims with infringers.

A civil action is a lawful means for people to have their private disputes, including financial disputes, decided. (internal citation omitted). A typical demand letter serves notice to a potential defendant that the potential plaintiff plans to pursue litigation, unless the underlying dispute can be privately resolved, by an agreement to pay money or other legitimate consideration . . . . Settlement demands of this sort are overtures to negotiation, not threats to inflict economic injury.

*Raleigh*, Civ. No. 4:06-CV-1708 CEJ at p. 11 (Exhibit A).

Just as in the cases above, Plaintiffs here initiated this lawsuit against Defendant to seek redress for their claim of infringement. Plaintiffs’ petitioning activity is not only lawful, but

“among the most precious rights of the liberties safeguarded by the Bill of Rights.” *United Mine Workers*, 389 U.S. at 222. As such, liability does not – and cannot – attach for Plaintiffs’ conduct in filing the Complaint and attempting to settle their claim against Defendant. Accordingly, Defendant’s counterclaim for abuse of process should be dismissed.

**B. Defendant’s Counterclaim That Statutory Damages Are Unconstitutional Should Be Dismissed.**

Defendant’s counterclaim for unconstitutionality of statutory damages should be dismissed because it does not seek affirmative relief and because it fails as a matter of law, as statutory damages are constitutional. Indeed, statutory damages under the Copyright Act reflect a carefully crafted statutory scheme through which Congress intended to serve both compensatory and punitive purposes. Accordingly, Defendant’s counterclaim for unconstitutionality of statutory damages should be dismissed.

**1. The Unconstitutionality of Statutory Damages Is Not a Counterclaim Because it Does Not Seek Affirmative Relief.**

Defendant’s purported counterclaim for unconstitutionality of statutory damages fails because it does not seek affirmative relief.<sup>10</sup> The test to determine if the allegation is a counterclaim is whether the defendant asks for affirmative relief. *See O’Connor’s Federal Rules \* Civil Trials*, 193 (2008); *RTC v. Midwest Fed. Sav. Bank*, 36 F.3d 785, 791-92 (9th Cir. 1993). Where the defendant fails to ask for affirmative relief, the allegations are not a counterclaim.<sup>11</sup> Indeed, Fed. R. Civ. P. 12(b)(6) mandates dismissal “if it clearly appears, according to the facts

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<sup>10</sup> Defendant’s purported counterclaim is also improper because he failed to notify the Attorney General of his challenge to the constitutionality of the statutory damages provision of the Copyright Act, 17 U.S.C. § 504, as required by 28 U.S.C. § 2403 and Fed. R. Civ. P. 5.1. While Defendant was *pro se* at the time of filing, his attorney affirmed the Answer and Counterclaims at the September 23, 2008 Status Conference.

<sup>11</sup> An exception to this rule is a counterclaim for recoupment. *Container Recycling Alliance v. Lassman*, 359 B.R. 358, 364 (D. Mass. 2007). However, the recoupment exception is inapplicable here.

alleged, that the [party] cannot recover on any viable theory.” *Correa-Martinez v. Arrillaga-Belendez*, 903 F.2d 49, 52 (1st Cir. 1990). *See also Interscope Records v. Kimmel*, 2007 U.S. Dist. LEXIS 43966, at \*16 (N.D.N.Y. June 18, 2007) (dismissing defendant’s copyright misuse counterclaim because it does not provide grounds for affirmative relief).

Here, Defendant’s purported counterclaim appears to attack the constitutionality of statutory damages under the Copyright Act. On its face, it neither sets for a cause of action nor claim for relief. *See* Counterclaim (“Defendant’s Counterclaim is that the Copyright Act, 17 U.S.C. section 106(3) was not intended to allow grossly, excessive punitive damages under its law if these statutory damages are in excess of the actual damages suffered.”). As such, his claim is not a counterclaim and should be dismissed.

Indeed, it is well established that allegations attacking statutory damage schemes are, at best, affirmative defenses. *See Classic Concepts, Inc. v. Linen Source, Inc.*, 2006 U.S. Dist. LEXIS 96767, at \*22 (C.D. Cal. Apr. 26, 2006) (preclusion of statutory damages under the Copyright Act is an affirmative defense); *Shady Records, Inc. v. Source Enters.*, 2004 U.S. Dist. LEXIS 26143 (S.D.N.Y. Dec. 30, 2004) (allegations of bar on statutory damages under the Copyright Act for infringements commencing prior to registration is affirmative defense); *Bell v. Ameriquest Mortg. Co.*, 2004 U.S. Dist. LEXIS 24289 (N.D. Ill. Nov. 29, 2004) (discussing affirmative defense challenging statutory damages). *See also Maverick Recording Co. v. Chowdhury*, Civ. No. 07-cv-200, slip op. at 3 (DGT) and *Elektra Entertainment Group v. Torres*, Civ. No. 07-cv-640, slip op. at 3 (DGT) (Aug. 19, 2008) (granting record company plaintiffs’ motion to dismiss purported counterclaim for attorneys’ fees on the ground that it is not the proper subject of a counterclaim) (same) (attached collectively as Exhibit B)

Accordingly, Defendant’s second counterclaim should be dismissed.



## **2. The Copyright Act Demonstrates Congress' Intent to Allow a Plaintiff To Recover Statutory Damages.**

Under the Copyright Act, the plaintiff copyright owner in a civil case may recover “the copyright owner’s actual damages and any additional profit of the infringer” or “instead . . . statutory damages.” 17 U.S.C. § 504(a). “Because awards of statutory damages serve both compensatory and punitive purposes, a plaintiff may recover statutory damages *whether or not* there is adequate evidence of the actual damages suffered by plaintiffs or of the profits reaped by defendant, in order to sanction and vindicate the statutory policy of discouraging infringement.” *Los Angeles News Serv. v. Reuters Television Int’l, Ltd.*, 149 F.3d 987, 996 (9<sup>th</sup> Cir. 1998) (emphasis added). Indeed, “[s]tatutory damages have been made available to plaintiffs in infringement actions *precisely because of the difficulties inherent in proving actual damages and profits*, as well as to encourage vigorous enforcement of the copyright laws.” *Yurman Design, Inc. v. PAJ, Inc.*, 93 F. Supp. 2d 449, 462 (S.D.N.Y. 2000) (emphasis added).

Congress has carefully tailored the remedy of statutory damages and has revised section 504(c) several times since 1976 to *increase* the ranges of damages. In the most recent amendments, in 1997, Congress increased the minimum and maximum awards by 50%, with the maximum award for non-willful infringement increasing from \$20,000 to \$30,000. See Pub. L. No. 106-160, 113 stat. 1774. The Report of the Committee on the Judiciary explained that increases were needed to achieve “more stringent deterrent to copyright infringement and stronger enforcement of the laws.” H.R. Rep. No. 106-216, at 2 (1999). The House Report elaborated in a way that resonates strikingly with the facts of this case:

Many computer users are *either ignorant that copyright laws apply to Internet activity, or they simply believe that they will not be caught or prosecuted for their conduct*. Also, many infringers do not consider the current copyright penalties a real threat and continue infringing even after a copyright owner puts them on notice. . . . In light of this disturbing trend, *it is manifest that Congress respond appropriately with updated penalties to dissuade such conduct*. H.R. 1761

increases copyright penalties to have a significant deterrent effect on copyright infringement.

*Id.* at 3 (emphasis added).

In sum, the statutory damages provisions in the Copyright Act reflect a carefully considered and targeted legislative judgment intended not only to compensate the copyright owner, but also to punish the infringer, deter other potential infringers, and encourage vigorous enforcement of the copyright laws. *See F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952); *On Davis v. The Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001); *N.A.S. Import, Corp. v. Chenson Enterprises, Inc.*, 968 F.2d 250, 252 (2d Cir. 1992). The wisdom of Congress' regime and the amounts set forth therein is not within the province of this Court to second guess. *See Eldred v. Ashcroft*, 537 U.S. 186, 222 (2003) (“[T]he Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the [Copyright] Clause . . . [and] [t]he wisdom of Congress’ action . . . is not within [the Supreme Court’s] province to second guess.”); *ABC, Inc. v. PrimeTime 24, J.V.*, 17 F. Supp. 2d 478, 489 (D.N.C. 1998) (“Congress passed the Copyright Act . . . . If Congress can create the right, it follows that it can also create the remedy”).

### **3. Defendant’s Argument That Statutory Damages Must Be Proportionate to Actual Damages Has Been Considered, And Rejected, by Numerous Courts.**

In his counterclaim, Defendant claims that the statutory damages sought by Plaintiffs are unconstitutionally excessive and disproportionate. (Countercl., p. 2-3.) As the Supreme Court has made clear, there is no requirement that statutory damages be related to actual damages. *See FW Woolworth*, 344 U.S. at 233. *Columbia Pictures Television, Inc. v. Krypton Broadcasting of Birmingham, Inc.*, 259 F.3d 1186 (9th Cir. 2001), demonstrates this very point. In that case, after

the jury returned a verdict of \$31.68 million for 440 infringements, the defendant moved for a new trial, arguing that the damages were “excessive.” *Columbia Pictures Television, Inc. v. Feltner*, Case No. CV 91-6847 ER (CTx), Order at 2 (C.D. Cal. June 10, 1999) (Exhibit C). Denying the motion, the district court held that a defendant cannot argue that the award was overly punitive, since the award amount fell squarely within the statutory range provided by the statutory damages provision of section 504(c). *Id.* (affirmed at *Krypton Broadcasting*, 259 F.3d at 1195). The court further held that “[t]o receive statutory damages, the Plaintiff did not need to prove the damages actually suffered.” *Id.*

The Second Circuit reached the same conclusion in *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101 (2d Cir. 2001). In that case, a jury found that the defendant had willfully infringed the plaintiff’s copyright in four pieces of jewelry and awarded statutory damages of “\$68,750 per work infringed,” two-thirds of the then-maximum of \$100,000 per work. *Id.* at 113. Significantly, while the district court vacated the *punitive damages* award because “the jury was not presented with any evidence concerning damages” and did not find “any . . . lost profits whatever,” the district court rejected defendant’s argument that *statutory damages* under the Copyright Act must be “reasonably related to the harm.” *Id.* at 462-63. As the district court noted, “[s]tatutory damages have been made available to plaintiffs in infringement actions ***precisely because of the difficulties inherent in proving actual damages and profits***, as well as to encourage vigorous enforcement of the copyright law.” *Id.* (emphasis added). The Second Circuit affirmed, noting that the award was “within the statutory range” and thus within the jury’s “discretion.” *Yurman*, 262 F.3d at 113-14. See *Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 458 (D. Md. 2004) (rejecting defendant argument that an award of copyright statutory damages should be limited to four times actual damages and subject to due

process review, holding that “there has never been a requirement that statutory damages be strictly related to actual injury.”).

In *SESAC, Inc. v. WPNY*, 327 F. Supp. 2d 531 (W.D. Pa. 2003), the district court sustained a \$1.26 million verdict where actual damages (the cost of a license) were \$6,000. Specifically rejecting the defendant’s argument, also made by Defendant here, that statutory damages should be proportionate to damages sustained by Plaintiffs, the court concluded its opinion with an observation that applies equally here:

[I]t is Congress’ prerogative to pass laws intended to protect copyrights and to prescribe the range of punishment Congress believes is appropriate to accomplish the statutory goal. The Court should not interfere lightly with a carefully crafted statutory scheme by substituting its judgment for that of the legislature. In essence, that is what the defendants ask us to do.

*Id.* at 532.

Plaintiffs are aware of no case in which a court has reduced or set aside as excessive an award that fell within the range permitted by the Copyright Act.<sup>12</sup> For all of these reasons, Defendant’s counterclaim asserting that statutory damages under Section 504(c) of the Copyright Act are unconstitutional as a matter of law and the counterclaim should be dismissed.

## CONCLUSION

For the above reasons, Plaintiffs respectfully request that this Court dismiss Defendant’s counterclaims, and for such other relief as the Court deems just and necessary.

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<sup>12</sup> Defendant’s reliance on *Lindor* is misplaced. First, the court in *Lindor* merely allowed the defendant to amend her answer to add an *affirmative defense* of unconstitutionality of statutory damages. Second, no court has ever held that the congressionally detailed scheme of statutory damages under the Copyright Act is unconstitutional. Finally, as explained above, the *Lindor* Court erred in applying the limits of punitive damages to the statutory scheme for damages under the Copyright Act.

Respectfully submitted,

/s/ Claire Newton

John R. Bauer, BBO# 630742  
Nancy M. Cremins, BBO # 658932  
Claire Newton, BBO # 669598  
ROBINSON & COLE LLP  
One Boston Place  
Boston, MA 02108-4404  
Main Phone: (617) 557-5900  
Main Fax: (617) 557-5999

ATTORNEYS FOR PLAINTIFFS

DATED: October 6, 2008

**CERTIFICATE OF SERVICE**

I, Claire Newton, hereby certify that on October 6, 2008, this document filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF), and served, via first class mail and e-mail, on counsel for Defendant Joel Tenenbaum, at the below addresses:

Charles Nesson, Esq. 1575 Massachusetts Ave, Griswold 501 Cambridge, MA 02138 617 230 4691 nesson@gmail.com
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/s/ Claire Newton

Claire Newton