UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

CAPITOL RECORDS, LLC; CAROLINE RECORDS, INC.; EMI CHRISTIAN MUSIC GROUP INC.; PRIORITY RECORDS LLC; VIRGIN RECORDS AMERICA, INC.; BEECHWOOD MUSIC CORP.; COLGEMS-EMI MUSIC INC.; EMI APRIL MUSIC INC.; EMI BLACKWOOD MUSIC; EMI FULL KEEL MUSIC; EMI GOLDEN TORCH MUSIC CORP.; EMI LONGITUDE MUSIC; EMI VIRGIN MUSIC, INC.; EMI VIRGIN SONGS, INC., *Plaintiffs*, v. MP3TUNES, LLC, *Defendant*.	No. 07 Civ. 9931 (WHP) **COUNTER-DEFENDANTS' REPLY IN SUPPORT OF THEIR MOTION TO DISMISS AND STAY DISCOVERY ON THE COUNTERCLAIMS OF COUNTER-CLAIMANT MP3TUNES, LLC**
MP3TUNES, LLC, *Counter-Claimant*, v. CAPITOL RECORDS, LLC; CAROLINE RECORDS, INC.; EMI CHRISTIAN MUSIC GROUP INC.; PRIORITY RECORDS LLC; VIRGIN RECORDS AMERICA, INC.; BEECHWOOD MUSIC CORP.; COLGEMS-EMI MUSIC INC.; EMI APRIL MUSIC INC.; EMI BLACKWOOD MUSIC; EMI FULL KEEL MUSIC; EMI GOLDEN TORCH MUSIC CORP.; EMI LONGITUDE MUSIC; EMI VIRGIN MUSIC, INC.; EMI VIRGIN SONGS, INC., EMI GROUP, LTD.; EMI GROUP NORTH AMERICA, INC.; EMI GROUP NORTH AMERICA HOLDINGS, INC.; AND EMI MUSIC NORTH AMERICA, LLC., *Counter-Defendants*.	

MP3tunes' Opposition to EMI's Motion To Dismiss is very telling. It makes virtually no attempt to defend the adequacy of the allegations that form the basis for its counterclaims. Instead, MP3tunes tries to redefine the playing field by basing its opposition on new allegations not contained in its Amended Complaint. This tactic merely underscores the validity of EMI's motion, which is based on the counterclaims as drafted. MP3tunes' opposition, while full of irrelevant allegations about EMI's model for promoting its product, offers no basis on which it could sue EMI for a set of takedown notices that — even assuming the allegations to be true — contain at most 13 mistakes on a list 567 works long. The counterclaims must be dismissed.

Moreover, even if the new allegations could be considered,[1] they do not cure the legal inadequacy of the counterclaims. Whether EMI, as part of a defined marketing plan, ever granted limited licenses for certain of its works to be played, or "streamed," by legitimate, promotional websites with whom it has contracts, or (in extremely rare situations) licenses that permit personal-use downloads of individual works in exchange for obtaining certain consumer information, these facts do not give MP3tunes any right to build a business based on authorizing free unlimited downloads — that is, the mass distribution of permanent copies — of large numbers of EMI's copyrighted works without EMI's consent. Even more absurd is the contentions that because there are infringing blogs and websites that EMI has not sued, EMI has no right to sue MP3tunes. *See* MP3tunes Opp. at 15. Whatever their appeal as rhetoric, these arguments are facially implausible as legal arguments.

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[1] Except in *pro se* cases and motions to dismiss for lack of personal jurisdiction, the Court may not look to matters outside the pleadings. *See, e.g.*, *Thayer v. Dial Indus. Sales, Inc.*, 85 F. Supp. 2d 263, 268 (S.D.N.Y. 2000) ("This Court will not consider plaintiff's affidavit, which was submitted with plaintiff's opposition to the motion to dismiss and was not incorporated by reference in the Complaint."); *Golub v. Tesler*, No. 93 Civ. 1977 (KMW), 1995 WL 234884, at *2 n.1 (S.D.N.Y. Apr. 20, 1995) (refusing to consider plaintiffs' affidavit on motion to dismiss); *Nguyen v. St. Paul Travelers Ins. Co.*, No. 06-4130, 2008 WL 4534395, at *3 n.1 (E.D. La. Oct. 6, 2008). Mr. Robertson's declaration should be disregarded.

Perhaps most egregiously, MP3tunes willfully misreads EMI's takedown notices as taking positions that EMI has never claimed. EMI has never claimed that all appearances of its works on the internet are infringing, as MP3tunes tries to suggest. *See* MP3tunes Opp. at 2, 7, 11. The notices were clear: Because EMI "ha[d] not authorized any of its recordings to be copied, distributed, or performed *in this manner on or by MP3[t]unes*," the works would have to be taken down. Counterclaims Ex. A-01 (underlining omitted; italics added). MP3tunes does not and cannot contend that it ever obtained such authorization.[2] MP3tunes should not be permitted to waste the Court's and EMI's resources on these unsupportable theories.

I. MP3TUNES' SECTION 512(F) CLAIM STILL FAILS.

At the outset, MP3tunes' repeated efforts to relitigate and reframe claims already decided must be rejected. The law of the case doctrine and collateral estoppel bar relitigation of the issue decided in California: that seven mistakes in a list 364 works long is not material under Section 512(f). EMI Mem. at 6-8 (quoting Ex. 1 (4/18/08 Order) at 12-13). MP3tunes is wrong that the law of the case doctrine applies only in the same case, *see id.* at 8, and even the case MP3tunes relies on confirms only that the doctrine *does* apply when cases are transferred to other courts. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 816 (1988). Nothing limits the doctrine's applicability here. Second, while a "without prejudice" dismissal does not bar MP3tunes from bringing additional *claims* arising from the same set of facts, it does prevent MP3tunes from relitigating issues actually decided by the California court. The suggestion that the California court "merely held that MP3tunes had not sufficiently pled its claim," MP3tunes

[2] In light of the clear wording of the take-down notices, MP3tunes' repeated allegation that EMI represented that it had never authorized any use of its works on the internet is disingenuous at best. Worse, MP3Tunes' repeated characterizations of this "representation" as perjurious — an allegation of criminal conduct — are statements that a responsible officer of the Court should not make where its foundation for doing so consists solely of a willfully misread takedown notice and facts alleged entirely on information and belief.

Opp. at 14, misreads that decision. Claims are not dismissed for lack of "sufficient[]" pleading, but because the facts alleged do not meet a legal standard. MP3tunes points to no new facts that would present a different issue with respect to those works. MP3tunes Opp. at 14-15.

Moreover, the difference between the original total of seven and the new total of 13 alleged mistakes out of 567 is trivial, because neither figure satisfies Section 512(f).[3] Taking the facts exactly as MP3tunes has pleaded them, MP3tunes has alleged nothing more than an *immaterial* misrepresentation under *Rossi v. Motion Picture Ass'n of America*, 391 F.3d 1000, 1004-05 (9th Cir. 2004), *Arista Records, Inc. v. MP3Board, Inc.*, No. 00-4660, 2002 WL 1997918, at *15 (S.D.N.Y. Aug. 29, 2002), and *MP3tunes, LLC v. EMI Group, PLC*, No. 07CV1844 (WQH), slip op. at 14 (S.D. Cal. Apr. 18, 2008). As those cases recognize, materiality is not a question for the jury, *see* MP3tunes Opp. at 12, but a question of law, and requires something more than the trivial mistakes that MP3tunes alleges. MP3tunes does not even argue that the 13 out of 567 proportion satisfies the materiality requirement.

Lacking any basis to contend that such trivial allegations could constitute material misrepresentations, MP3tunes tries to sidestep the controlling cases that define materiality by asserting that they were "summary judgment cases, which apply a completely different standard." MP3tunes Opp. at 13. That is simply not a valid basis for distinguishing those cases. While courts assess allegations and facts differently for motions to dismiss and motions for summary judgment, the legal standard for materiality is the same. Thus, if the facts alleged fail to satisfy that standard, the complaint must be dismissed. *Compare, e.g.*, *Wojchowski v. Daines*, 498 F.3d 99, 106 (2d Cir. 2007) ("Dismissal under Fed.R.Civ.P. 12(b)(6) is appropriate where,

[3] MP3tunes' focus on the fact that "EMI in its twenty-five page brief does not deny" that the 13 works were non-infringing, MP3tunes Opp. at 15, is not as "telling[]" as MP3tunes tries to suggest; at this stage, EMI is required to accept MP3tunes' allegations as true, no matter how fanciful.

even if all the allegations contained in a complaint are true, a claim fails as a matter of law."), *with Brown v. Cara*, 420 F.3d 148, 152 (2d Cir. 2005) (finding summary judgment appropriate when, "based on facts not in genuine dispute and drawing all inferences in favor of plaintiffs, defendants are entitled to judgment on the merits as a matter of law"). Summary judgment cases are perfectly instructive as to what facts or allegations are necessary to support a legal claim.

Second, MP3tunes' Section 512(f) claim fails independently because MP3tunes has not alleged that it was injured in the way that the statute requires of would-be plaintiffs. *See* 17 U.S.C. § 512(f) (permitting claims only by "one who is injured"). MP3tunes has no standing to bring a claim merely because it believes some statements in the takedown notice are false. The statute requires that the injury be "the result of" taking down the works. *Id.* MP3tunes claims two kinds of harm here, the harm of physically taking down the works listed in the letter and the harm of suing EMI for sending it, but neither satisfies the statute. First, the statute recognizes only harms that are suffered *as the result of* taking down works; the mere act of taking the works down cannot constitute the "resulting" injury. Second, the costs incurred by MP3tunes in voluntarily bringing a claim, MP3tunes Opp. at 13, cannot constitute an injury that justifies the lawsuit. Congress would not have included an injury requirement that a would-be plaintiff could *choose* to suffer, particularly when litigation costs are not cognizable damages. *See Smith v. NBC Universal*, 524 F. Supp. 2d 315, 330 n.93 (S.D.N.Y. 2007) (concluding, where plaintiff had conceded only harm was "litigation costs," "plaintiff suffered no economic damages"). If litigation costs *could* constitute that injury, the injury requirement would be meaningless, because anyone could choose to suffer the injury just by filing suit. That rule would severely distort incentives, as unharmed takedown recipients would bring lawsuits that do nothing but

shift the costs of the plaintiffs' attorney fees. *See* 17 U.S.C. § 512(f) (permitting fees). Having suffered no injury resulting from its takedown, MP3tunes has no right to sue.

II. MP3TUNES' STATE CLAIMS ARE PREEMPTED AND FAIL TO STATE A CLAIM.

A. MP3tunes' State Claims Are Preempted.

Contrary to MP3tunes' suggestion, MP3tunes Opp. at 19, the preemption issue here requires nothing more than straight-forward application of settled principles of law.[4] Unable to identify any reason that Congress would have intended to permit state claims that wholly interfere with the balance it struck, MP3tunes argues only that the Copyright Act does not expressly preempt such claims. *See* MP3tunes Opp. at 19-20. But whether Congress expressly preempted such state-law claims has no bearing on the field- and conflict-preemption analyses. *See Motor Vehicle Mfrs. Ass'n of U.S., Inc. v. Abrams*, 899 F.2d 1315, 1318 (2d Cir. 1990) (recognizing preemption can occur "even if Congress does not expressly preempt"). While state unfair competition laws may continue to support other kinds of claims, MP3tunes Opp. at 21, interpreting those laws to cover claims relating to the takedown notices regulated by Section 512(f) would interfere with the balance Congress set.

In the face of *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1205-06 (N.D. Cal. 2004), and *Lenz v. Universal Music Corp.*, No. 07-03783, 2008 WL 962102, at *4 (N.D. Cal. Apr. 8, 2008), MP3tunes cannot claim that Section 512(f) lacks preemptive force. MP3tunes Opp. at 21. Both cases found conflict preemption under Section 512(f). Nor, in the face of *ASCAP v. Pataki*, No. 95 Civ. 9895, 1997 WL 438849 (S.D.N.Y. Feb. 27, 1997), can it

[4] In particular, MP3tunes' claim that "[n]o court of law has ever applied this theory to this context," MP3tunes Opp. at 19, stretches the truth. MP3tunes is one of only a handful of parties to ever invoke Section 512(f). More telling than the dearth of preemption law is that in *none* of the decisions under that statute has a court ruled on parallel state claims with respect to precisely the same activities covered by Section 512(f), as MP3tunes asks this Court to do.

argue that the kind of conflict presented in this case is insufficient. Contrary to MP3tunes' description of it, that case was definitively *not* an express preemption case and *never mentions* 17 U.S.C. § 301. *See ASCAP*, 1997 WL 438849, at *4-*5. Rather, that case involved a state law that would have made it harder for copyright owners to enforce their exclusive rights than Congress had dictated. *See id.* Because the state law gave accused infringers a counterclaim against the copyright owner who made some "inadvertent[]" mistake, and "permit[ted] the infringer to offset federal copyright damages against him with damages he is entitled to under the state provisions," the S.D.N.Y. concluded that the state law would deter copyright owners from enforcing the rights Congress gave them. *See id.*

That is precisely what MP3tunes seeks to do with the state causes of action here. To the extent those laws cover any activities regulated by Section 512(f) — or are "complementary" to that statute, as MP3tunes puts it, MP3tunes Opp. at 21 — the federal law preempts. Any other holding would let states undue the balance that Congress crafted.

B. The State-Law Claims Fail on the Merits.

Even if state-law counterclaims were not preempted, they still cannot withstand a motion to dismiss. To state an unfair business practices claim under General Business Law § 349, MP3tunes would have to show that EMI's takedown notices to MP3tunes constituted consumer-oriented practices. EMI Mem. at 16-17. Recognizing that the takedown notices were directed at MP3tunes, not consumers, MP3tunes posits that consumers could be harmed if "their lockers are shut down" or if "they … lose the ability to access and utilize" the MP3tunes websites. MP3tunes Opp. at 16. However, MP3tunes did not (and could not) allege that any lockers or websites were shut down; the takedown notices made no such demand. MP3tunes alleged only that 13 works were needlessly disabled. The consumer-oriented theory was created out of thin air for purposes of this motion. In any event, even if MP3tunes could allege such facts, it is not

enough to show an action had *consequences* for consumers; if it were, the statute would cover any economic activity whatsoever. The activities must be consumer oriented. When the accused party "had no contact with the … ultimate consumer," and there was no "potential that a customer in an inferior bargaining position would be deceived," the activity is not consumer-oriented. *Weiss v. Polymer Plastics Corp.*, 21 A.D. 3d 1095, 1097 (2d Dep't 2005).

Second, common-law unfair competition requires misappropriation of another's labors. *See* EMI Mem. at 17 (citing, *inter alia*, *Telecom Int'l Am., Ltd. v. AT&T Corp.*, 280 F.3d 175 (2d Cir. 2001)). MP3tunes tries to argue that the only element required for an unfair competition claim is "deception." MP3tunes Opp. at 17. That is simply incorrect. As courts have recognized, there is a long history of "mischievous application" of this statute. *Roy Export Co. Estab. of Vaduz, Liechtenstein v. Columbia Broad. Sys., Inc.*, 672 F.2d 1095, 1105 (2d Cir. 1982). The notion that "deception" alone is sufficient to state a claim under Section 349 rests on a single sentence of dicta and appears never to have been enforced. Indeed, courts are highly skeptical of the theory. As one court in this circuit has noted, "a careful reading" of the cases confirms that mere deception does not constitute a claim. *Sears Petroleum & Trans. Corp. v. Archer Daniels Midland Co.*, No. 5:03-CV-1120, 2006 WL 1304699, at *4 (N.D.N.Y. May 9, 2006). Since the "deception" theory first appeared, courts have dutifully mentioned its existence, but — even in the cases MP3tunes cites[5] — appear never to have upheld a claim on those grounds. As *Sears Petroleum* explained in debunking the "deception" myth, "the tort of unfair competition is comprised of two distinct elements, one addressing the misappropriation of property or commercial advantage and the second focusing upon the manner of the

[5] *E.g.*, *NYC Mgmt. Group Inc. v. Brown-Miller*, No. 03 Civ. 2617, 2004 WL 1087784, at *9 (S.D.N.Y. May 14, 2004); *H.L. Hayden Co. of New York, Inc. v. Siemends Med. Sys., Inc.*, 879 F.2d 1005, 1025 (2d Cir. 1989); *Michele Pommier Models, Inc. v. Men Women NY Model Mgmt., Inc.*, 14 F. Supp. 2d 331, 337 (S.D.N.Y. 1998).

misappropriation." *Sears Petroleum*, 2006 WL 1304699, at *4. Although the unfairness element can be satisfied "in a variety of ways[,] including by a showing of fraudulent representations," *id.*, a showing of deception does not replace that first element of misappropriation.

Finally, MP3tunes misstates the standard for a claim under California's Unfair Competition Law. As EMI made clear, that law focuses on anti-competitive conduct. EMI Mem. at 18. Thus, while under certain circumstances a misrepresentation can be part of a "fraudulent" or "unfair" business practice, MP3tunes' own cases confirm that such a claim survives only if "members of the public" or "consumers" are the individuals being deceived.[6] Lacking any allegation that the notice injured consumers, the Section 17200 claim fails, too. *See Daugherty v. American Honda Motor Co., Inc.*, 144 Cal. App. 4th 824, 839 (Cal. Ct. App. 2006).

III. MP3TUNES' DECLARATORY CLAIM IS USELESS PROCEDURAL FENCING.

As expected, EMI Mem. at 18-22, MP3tunes' opposition does not identify any issue raised or potential relief requested in its declaratory judgment counterclaim that would not already be addressed in EMI's copyright suit. Instead, MP3tunes argues that a declaration "is of critical importance … for the next big record company that tries to bully it out of business." MP3tunes Opp. at 23. Needless to say, not only would a declaratory judgment against EMI have no binding effect against the other copyright owners whose rights are being violated, but EMI cannot be forced to litigate in their stead. *See Stickrath v. Globalstar, Inc.*, No. C07-1941, 2008 WL 2050990, at *6 (N.D. Cal. May 13, 2008) (recognizing that a declaratory judgment plaintiff "is not entitled to an abstract declaration … that will ward off all future litigation"). Further, the suggestion that a useless declaratory judgment action should be retained in case EMI dismisses

[6] *Bank of the West v. Superior Court*, 2 Cal. 4th 1254, 1267 (Cal. 1992); *State Farm Fire & Cas. Co. v. Superior Court*, 45 Cal. App. 4th 1093, 1104 (Cal. Ct. App. 1996); *People v. Casa Blanca Convalescent Homes, Inc.*, 159 Cal. App. 3d 509, 530 (Cal. Ct. App. 1984); *Motors, Inc. v. Times Mirror Co.*, 102 Cal. App. 3d 735, 740 n.2 (Cal. Ct. App. 1980).

its own case is without merit: If that concern justified retaining a duplicative declaratory judgment claim, no court would ever dismiss them, because dismissal is always a possibility. Dismissing MP3tunes' declaratory judgment claim without prejudice is more than sufficient to protect against that harm. *See also Arista Records LLC v. Usenet.com, Inc.*, No. 07-8822, 2008 WL 4974823, at *4-*5 (S.D.N.Y. Nov. 24, 2008).

IV. MP3TUNES SHOULD NOT BE PERMITTED TO FILE A FIFTH COMPLAINT.

Apparently aware that its counterclaims do not state claims, MP3tunes requests leave to amend its pleadings one more time. MP3tunes Opp. at 23-24. That request should be denied. MP3tunes is already on its *fourth* complaint arising out of EMI's takedown notices. After EMI moved to dismiss MP3tunes' California complaint, MP3tunes amended it to add more claims. The suit there was dismissed. Then MP3tunes brought the same claims here, made a technical amendment to it, and now tries to amend its theories mid-stream once again. Enough is enough.

Leave to amend would be particularly useless given the nature of the facts MP3tunes apparently wants to add. New references to "over 140" EMI works — apparently collected by Michael Robertson personally, in his public appeal for anonymous tips about EMI, *see* Ex. 3 (Michael Robertson, *MP3tunes Files Counterclaims Against EMI (How You Can Help)*, Dec. 4, 2008) — that are being made available on "blogs and related online sites," MP3tunes Opp. at 6 (emphasis omitted), are legally frivolous and would not change this analysis. Alleging that EMI's copyrighted works are frequently linked to on *blogs and other websites* does not even come close to alleging that the works are authorized for distribution. The infringement of copyrighted works across the internet is *precisely why* EMI is forced to send takedown notices and litigate its copyright claims. It is bad enough that MP3tunes claims others' infringement justifies its own. Now it wants to claim that those others' infringements *give it a right to sue EMI*.

V. A STAY OF DISCOVERY IS APPROPRIATE.

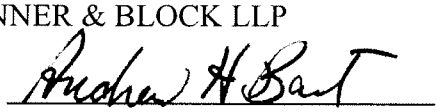
Finally, MP3tunes has not shown the necessary prejudice to warrant proceeding with discovery while this motion is pending. First, MP3tunes can hardly claim urgency; the company waited nearly a year to file its counterclaims and until the day before service of opposition papers on this motion to serve discovery. Second, MP3tunes argues that discovery on its counterclaims will overlap with discovery for EMI's affirmative claims. MP3tunes Opp. at 24. As EMI has made clear, EMI has no objection to discovery on MP3tunes' defenses on EMI's claims. However, MP3tunes' requests go well beyond that, looking to dig into all of EMI's communications with any person involved in streaming or downloading music online and every work that EMI has ever offered to distribute for free on the internet, regardless of whether EMI has accused MP3tunes of infringing it. *See* Ex. 4 at Req. 2; Ex. 6 at Req. 9. These requests are about EMI's investigative and licensing practices through other distribution networks. They are of dubious validity even on MP3tunes' counterclaims but will be wholly impermissible if the counterclaims are dismissed. A short stay will avoid a massive waste of resources for discovery that MP3tunes itself has shown little interest in pursuing.

CONCLUSION

For all of the foregoing reasons, counter-defendants respectfully request that their motion to dismiss MP3tunes' counterclaims and to stay discovery on the counterclaims be granted.

Dated: New York, New York
January 8, 2009

JENNER & BLOCK LLP

By: 

Andrew H. Bart, Esq.
Carletta F. Higginson, Esq.
919 Third Avenue, 37th Floor
New York, New York 10022
Telephone: (212) 891-1600
Facsimile: (212) 891-1699

STEVEN B. FABRIZIO (Bar No. SF-8639)
BRIAN HAUCK (*pro hac vice*)
JENNER & BLOCK LLP
1099 New York Ave. NW, Suite 900
Washington, DC 20001
Telephone: (202) 639-6000
Facsimile: (202) 639-6066

Attorneys for Counter-Defendants