

LEXSEE 2002 U.S. DIST. LEXIS 16165

ARISTA RECORDS, INC., ET AL., Plaintiffs,-against-MP3BOARD, INC., Defendant.

00 Civ. 4660 (SHS)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

2002 U.S. Dist. LEXIS 16165; Copy. L. Rep. (CCH) P28,483

August 28, 2002, Decided

August 29, 2002, Filed

SUBSEQUENT HISTORY: Judgment entered by, in part *Arista Records, Inc. v. MP3Board, Inc.*, 2003 U.S. Dist. LEXIS 11392 (S.D.N.Y., July 2, 2003)

DISPOSITION: [*1] Plaintiff's motion for summary judgment denied. Defendant's motion for summary judgment denied. Third party defendant's motion for summary judgment granted.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff record companies, defendant internet service provider, and third-party defendant trade association cross-moved for summary judgment in the record companies' action against the internet service provider alleging contributory and vicarious copyright infringement, in violation of the Copyright Act, 17 U.S.C.S. ? 101 et seq., and state law unfair competition.

OVERVIEW: The internet service provider claimed that its activities were protected under the First Amendment, that it did not substantially participate in any infringement, and that the record companies failed to show damages. The trade association claimed that it was justified in sending notification of infringement to the provider, and that there were no knowing material misrepresentations in its notice. The court initially held that the provider's activities were not protected by the First Amendment. The court then held that there were factual issues regarding whether any direct infringement occurred with the aid of the provider's website, and whether the provider engaged in contributory or vicarious copyright infringement. The court further held that the provider's claim against the trade association failed because there was no evidence that any alleged material misrepresentation by the trade association was made knowingly, and that the trade association was justified in sending notification of infringement to the provider.

OUTCOME: Summary judgment was granted for the trade association. The remaining motions were denied.

LexisNexis(R) Headnotes

Civil Procedure > Summary Judgment > Summary Judgment Standard

[HN1] Summary judgment may be granted only when the moving party demonstrates that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. The court must view the evidence in the light most favorable to the nonmoving party and draw all reasonable inferences in its favor, and may grant summary judgment only when no reasonable trier of fact could find in favor of the nonmoving party.

Civil Procedure > Summary Judgment > Burdens of Production & Proof

[HN2] Once the moving party meets its initial burden of demonstrating the absence of a genuine issue of material fact, the nonmoving party must come forward with specific facts to show there is a factual question that must be resolved at trial. *Fed. R. Civ. P. 56(e)*. A nonmoving party must produce evidence in the record and may not rely simply on conclusory statements or on contentions that the affidavits supporting the motion are not credible. In short, a nonmoving party must do more than simply show there is some metaphysical doubt as to the material facts.

Copyright Law > Civil Infringement Actions > Elements > General Overview

Copyright Law > Civil Infringement Actions > General Overview

[HN3] In order to establish liability for contributory or vicarious copyright infringement, a plaintiff must first prove that direct infringement of its works occurred by showing that it owned a valid copyright and unauthorized infringement of its protected material occurred.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN4] Pursuant to 17 U.S.C.S. ? 501(a), infringement occurs when one of the exclusive rights granted to copyright holders by 17 U.S.C.S. ? 106 is violated.

Copyright Law > Civil Infringement Actions > General Overview

Copyright Law > Owner Rights > Distribution > General Overview

[HN5] To show the unlawful "distribution" of a copyrighted work pursuant to 17 U.S.C.S. ? 106(3) the copyright holder must show that an unlawful copy was disseminated to the public. Infringement of the distribution right requires an actual dissemination of copies. A copyright holder may not be required to prove particular instances of use by the public when the proof is impossible to produce because the infringer has not kept records of public use.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN6] A party who, with knowledge of infringing activity materially contributes to the infringing conduct of another, may be held liable as a contributory infringer.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN7] Liability for contributory infringement exists if the defendant engages in personal conduct that encourages or assists the infringement. Merely supplying the "means" to accomplish an infringing activity cannot give rise to the imposition of liability for contributory copyright infringement. Participation in the infringement must be substantial. The assistance must bear a direct relationship to the infringing acts, and the contributory infringer must have acted in concert with the direct infringer.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN8] A defendant must possess either actual or constructive knowledge of the infringing activity to be found contributorily liable.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN9] Without any knowledge of infringing activity, a defendant cannot be found strictly liable for contributory infringement simply for providing a technology that may allow others to exchange copyrighted material. A court may not impute constructive knowledge of infringement to a defendant merely because a technology may be used to infringe plaintiffs' copyrights, where the system is capable of commercially significant noninfringing uses.

Rather, a plaintiff must actually show the defendant knew that infringing activity was taking place instead of simply relying on the technology's potential.

Copyright Law > Civil Infringement Actions > General Overview

Copyright Law > Formalities > General Overview

[HN10] In order for a notice to be considered effective pursuant to the Digital Millennium Copyright Act, it must provide identification of the reference or link, to material or activity claimed to be infringing and information reasonably sufficient to permit the service provider to locate that reference or link. 17 U.S.C.S. ? 512(d)(1)(C)(3).

Copyright Law > Civil Infringement Actions > General Overview

Copyright Law > Formalities > Notice > General Overview

[HN11] When a letter provides notice equivalent to a list of representative works that can be easily identified by the service provider, the notice substantially complies with the notification requirements under 17 U.S.C.S. ? 512(d)(1)(C)(3).

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

Copyright Law > Formalities > Arbitration Royalty Panels

[HN12] Where a bulletin board service operator cannot reasonably verify a claim of infringement due to the copyright holder's failure to provide the necessary documentation to show that there is likely infringement, the operator's lack of knowledge is reasonable and there is no liability for contributory infringement for allowing the continued distribution of the works.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN13] A company may be found vicariously liable for copyright infringement if it has the right and ability to supervise infringing activity and also has a direct financial interest in that activity. Vicarious liability, commonly imposed upon publishers, printers, and vendors of copyrighted materials, is appropriate where a company is in a position to police the conduct of the "primary" infringer.

Copyright Law > Civil Infringement Actions > Defenses > General Overview

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN14] See 17 U.S.C.S. ? 512(d)(1).

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN15] A defendant's ability to block infringers' access to a particular environment for any reason constitutes proof of its right and ability to supervise and control the infringing activities.

Torts > Business & Employment Torts > Unfair Business Practices

[HN16] In New York, an unfair competition claim may be grounded in the appropriation of the exclusive property of the plaintiff by the defendant.

Torts > Business & Employment Torts > Unfair Business Practices

[HN17] Pursuant to New York common law, an unfair competition claim involving misappropriation usually concerns the taking and use of the plaintiff's property to compete against the plaintiff's own use of the same property.

Copyright Law > Civil Infringement Actions > Defenses > Fair Use > General Overview

[HN18] The fair use doctrine encompasses all claims of first amendment in the copyright field.

Copyright Law > Civil Infringement Actions > Defenses > Fair Use > General Overview

[HN19] In analyzing the defense of "fair use," the Copyright Act (Act), 17 U.S.C.S. ? 101 et seq., specifies four factors that must be considered: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C.S. ? 107. Other relevant factors may also be considered in order to apply the test in light of the overall purposes of the Act.

Copyright Law > Civil Infringement Actions > Remedies > General Overview

[HN20] The Copyright Act, 17 U.S.C.S. ? 101 et seq., permits a copyright owner to elect to recover an award of statutory damages simply upon a showing of infringement. 17 U.S.C.S. ? 504(c).

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN21] Pursuant to 17 U.S.C.S. ? 512(f), any person who knowingly materially misrepresents that material or activity is infringing shall be liable for any damages incurred by the alleged infringer who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or dis-

abling access to the material or activity claimed to be infringing.

Copyright Law > Civil Infringement Actions > General Overview

Copyright Law > Formalities > Notice > General Overview

[HN22] For copyright infringement notification purposes, the Digital Millennium Copyright Act (DMCA) permits a copyright owner to identify a "representative" list of works, 17 U.S.C.S. ? 512(c)(3)(A)(ii). However, the DMCA only requires that a copyright owner need only comply "substantially" with the prescribed format.

Copyright Law > Civil Infringement Actions > General Overview

Copyright Law > Formalities > Notice > General Overview

[HN23] 17 U.S.C.S. ? 512 only penalizes copyright holders for knowingly materially misrepresenting that material or activity is infringing. It does not provide a cause of action for knowingly materially misrepresenting that a service provider may be liable for hosting certain material.

Copyright Law > Civil Infringement Actions > General Overview

Copyright Law > Formalities > Notice > General Overview

[HN24] Vagueness does not constitute a material misrepresentation "that material or activity is infringing" pursuant to 17 U.S.C.S. ? 512(f).

Torts > Business & Employment Torts > Interference With a Contract

[HN25] The elements of intentional interference with contractual relations are (1) a valid contract between the plaintiff and a third party; (2) the defendant's knowledge of this contract; (3) intentional acts designed to induce a breach or disruption of the contractual relationship; (4) actual breach or disruption of the relationship; and (5) resulting damage.

Civil Procedure > Pleading & Practice > Defenses, Objections & Demurrers > Affirmative Defenses

[HN26] To assert the litigation privilege, an affirmative defense, the defendant must prove that its statements were made in good faith contemplating a suit.

***Civil Procedure > Pleading & Practice > Defenses, Objections & Demurrers > Affirmative Defenses
Torts > Business & Employment Torts > Interference With a Contract***

[HN27] Pursuant to California state law, justification is

an affirmative defense to a charge of tortious interference with contract. Seeking to protect a copyright by alerting a third party that the copyright is being infringed constitutes a justification defense to that claim.

Torts > Business & Employment Torts > Interference With Prospective Advantage

[HN28] The elements in California of the tort of intentional interference with prospective economic advantage are (1) the existence of a prospective economic relationship containing the probability of future economic rewards for the plaintiff; (2) the defendant's knowledge of this relationship; (3) intentional acts designed to disrupt the relationship; (4) actual causation; and (5) proximate damages. The tort, which is also called interference with prospective economic relations, imposes liability for improper methods of disrupting or diverting the business relationship of another which fall outside the boundaries of fair competition.

Torts > Business & Employment Torts > Interference With Prospective Advantage

[HN29] Because the general wrong inherent in intentional interference with prospective economic advantage is the interference with a business opportunity through methods which are not within the privilege of fair competition, a plaintiff must also prove that the defendant engaged in conduct that was wrongful by some legal measure other than the fact of interference itself. For tortious interference with prospective economic advantage, a plaintiff must prove that the defendant's conduct was not privileged; the defendant does not need to prove privilege as an affirmative defense.

Torts > Business & Employment Torts > Interference With Prospective Advantage

[HN30] Threatening to litigate against a party who is known to be immune from suit may sufficiently constitute wrongful conduct for purposes of tortious interference with prospective economic advantage.

Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview

[HN31] Pursuant to 17 U.S.C.S. ? 512(c), entitled "information residing on systems or networks at direction of users," a service provider is liable for monetary relief for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, unless the service provider does not have knowledge or reason to know of infringing activity and fails to expeditiously to remove or disable access to the infringing material. 17 U.S.C.S. ? 512(c)(1).

COUNSEL: For ARISTA RECORDS, INC., ATLANTIC RECORDING CORPORATION, BMG MUSIC, CAPITOL RECORDS, INC., ELEKTRA ENTERTAINMENT GROUP INC., HOLLYWOOD RECORDS, INC., INTERSCOPE RECORDS, LAFACE RECORDS, MOTOWN RECORD COMPANY, L.P., SONY MUSIC ENTERTAINMENT INC., UMG RECORDINGS, INC., VIRGIN RECORDS AMERICA, INC., WARNER BROS. RECORDS INC., plaintiffs: Richard S. Mandel, J. Christopher Jensen, Jonathan Z. King, Cowan, Liebowitz & Latman, P.C., Katherine B. Forrest, Cravath, Swaine & Moore, New York, NY.

For ARISTA RECORDS, INC., ATLANTIC RECORDING CORPORATION, BMG MUSIC, CAPITOL RECORDS, INC., ELEKTRA ENTERTAINMENT GROUP INC., HOLLYWOOD RECORDS, INC., INTERSCOPE RECORDS, LAFACE RECORDS, MOTOWN RECORD COMPANY, L.P., SONY MUSIC ENTERTAINMENT INC., UMG RECORDINGS, INC., VIRGIN RECORDS AMERICA, INC., WARNER BROS. RECORDS INC., plaintiffs: Steven B. Fabrizio, Recording Industry Association of America, Inc., Michael J. Huppe, Recording Industry Association of America, Washington, DC.

For MP3BOARD, INC., defendant: Kevin Anthony Fox, Newman Tannenbaum [*2] et al., NY, NY.

For MP3BOARD, INC., defendant: Ira Rothken, Rothken Law Firm, San Rafael, Ca.

For RECORDING INDUSTRY ASSOCIATION OF AMERICA INC., counter-defendant: Steven M. Hayes, Pacher, Hayes & Snyder, New York, NY.

For ARISTA RECORDS, INC., ATLANTIC RECORDING CORPORATION, BMG MUSIC, CAPITOL RECORDS, INC., ELEKTRA ENTERTAINMENT GROUP INC., HOLLYWOOD RECORDS, INC., INTERSCOPE RECORDS, LAFACE RECORDS, MOTOWN RECORD COMPANY, L.P., SONY MUSIC ENTERTAINMENT INC., UMG RECORDINGS, INC., VIRGIN RECORDS AMERICA, INC., WARNER BROS. RECORDS INC., counter-defendants: Richard S. Mandel, J. Christopher Jensen, Jonathan Z. King, Cowan, Liebowitz & Latman, P.C., Katherine B. Forrest, Cravath, Swaine & Moore, New York, NY.

For ARISTA RECORDS, INC., ATLANTIC RECORDING CORPORATION, BMG MUSIC, CAPITOL RECORDS, INC., ELEKTRA ENTERTAINMENT GROUP INC., HOLLYWOOD

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RECORDS, INC., INTERSCOPE RECORDS, LAFACE RECORDS, MOTOWN RECORD COMPANY, L.P., SONY MUSIC ENTERTAINMENT INC., UMG RECORDINGS, INC., VIRGIN RECORDS AMERICA, INC., WARNER BROS. RECORDS INC., counter-defendants: Steven B. Fabrizio, Recording Industry Association, Michael J. Huppe, Recording Industry Association of America, [*3] Washington, DC.

For MP3BOARD, INC., counter-claimant: Kevin Anthony Fox, Newman Tannenbaum et al., NY, NY.

For MP3BOARD, INC., third-party plaintiff: Kevin Anthony Fox, Newman Tannenbaum et al., NY, NY.

JUDGES: SIDNEY H. STEIN, U.S. District Judge.

OPINIONBY: SIDNEY H. STEIN

OPINION:

OPINION & ORDER

SIDNEY H. STEIN, U.S. District Judge.

Plaintiffs, several leading record companies, have sued MP3Board, Inc. for contributory and vicarious copyright infringement, 17 U.S.C. §§ 101 et seq., and state law unfair competition. The record companies allege that MP3Board operates an Internet site which provides users with links to pirated copies of the record companies' copyrighted musical recordings, thereby facilitating the users' infringement of the record companies' copyrights. MP3Board has instituted a third-party claim against the Recording Industry Association of America ("RIAA"), a trade association of record companies, for tortious interference and knowing material misrepresentation of infringement in violation of the Digital Millennium Copyright Act ("DMCA"), stemming from the RIAA's sending copyright infringement notices to MP3Board's Internet Service [*4] Providers ("ISPs").

The record companies have moved for summary judgment pursuant to *Federal Rule of Civil Procedure 56*, seeking an order finding MP3Board liable for contributory and vicarious copyright infringement and unfair competition. MP3Board has moved for summary judgment on the grounds that its activities are protected by the First Amendment to the United States Constitution, and has alternatively moved for partial summary judgment on each of the counts of the complaint for a variety of reasons and on the grounds that the record companies have failed to show damages. The RIAA has also moved for summary judgment with respect to MP3Board's third party claims against it.

The record companies' motion for summary judgment is denied because material issues of fact exist regarding whether any direct infringement occurred with the aid of the MP3Board site. MP3Board's motion for summary judgment is denied because its activities are not protected by the First Amendment and because material issues of fact exist regarding whether MP3Board has engaged in contributory or vicarious copyright infringement. The RIAA's motion for summary judgment is granted because its actions were justified [*5] and it did not materially misrepresent that links to infringing material were posted on the MP3Board site.

OVERVIEW

Several major record companies have brought suit against MP3Board for operating a Web site, located at <http://www.mp3board.com>, which provides Internet users with resources enabling them to locate sound recording files from publicly available Web sites. Such audio files can be created by using computer software to digitally copy an audio recording directly onto a computer's hard drive, compressing the digital information via a technology such as MP3 in order to allow for more efficient storage and transmission of the file over the Internet. The record companies have alleged that many of the audio files which can be located with the assistance of MP3Board's Web site are pirated copies of the record companies' copyrighted works.

During the relevant time period, no music files were located on the MP3Board Web site; rather, the Web site featured an automated search engine that searched for, aggregated and organized links to media files on the Web, and provided a tutorial offering users instruction in how to locate and download such files. (MP3Board's Objections [*6] to Pls.' Resp. Ex. A; Eli Mapstead Dep. at 118, 227, 304, 308; Mathewson Dep. at 79-80; Pls.' Exs. 24, 25, 35, 36; Am. Answer P 41.) MP3Board additionally solicited users to post links on the MP3Board site to other sites containing audio files and provided a link to a third party named Freedrive where users could store audio files online. (MP3Board's Objections to Pls.' Resp. Ex. A; Pls.' Exs. 8, 9, 10; Am. Answer P 39.) The MP3Board site also featured a message board which allowed users to post questions or song requests to be replied to by other users or MP3Board staff. (MP3Board's Objections to Pls.' Resp. Ex. A.) In response to users' posted requests, MP3Board personnel personally searched for links to songs and posted the links on the message board, solicited other users to provide the requested works, and obtained and posted passwords to enable users to access certain music files. (Eli Mapstead Dep. at 199-200, 202-03, 205-06, 342; Mathewson Dep. at 52; MP3Board's Objections to Pls.' Resp. Exs. A, B; Am. Answer P 41;

Pls.' Ex. 22.)

On October 27, 1999, the RIAA, acting on behalf of its member record companies, served a subpoena and notice letter to AboveNet Communications, Inc. [*7], the ISP that connected MP3Board's Web site to the Internet. The letter identified artists whose work was being allegedly infringed and requested that AboveNet remove or disable access to the MP3Board site or MP3Board's links to infringing works. (Creighton Decl. P 7 and Ex. A; McDevitt Decl. P 4; McDevitt Dep. at 8-10.) AboveNet did not substantially interrupt MP3Board's service as a result of this letter, and MP3Board suffered no injury. (Eli Mapstead RIAA Dep. at 26, 27; see also Lars Mapstead RIAA Dep. at 385-86.) MP3Board did not dismantle access to any links to the identified artists' works. (Noah Mapstead Dep. at 175-77, 194-98.)

On April 18, 2000, the RIAA sent a notice to Metromedia Fiber Network, Inc., AboveNet's corporate successor. (Creighton Decl. P 8.) Like the October 1999 notice, the April 2000 notice also named representative artists whose works were allegedly being infringed and requested that Metromedia remove MP3Board site or the infringing links from its system. (Creighton Decl. Ex. B.) Moreover, the letter warned Metromedia that failure to comply could subject it to liability pursuant to the DMCA. (Creighton Decl. Ex. B.) In response, Metromedia disabled [*8] Internet access to the MP3Board Web site beginning on April 19, 2000. (Eli Mapstead RIAA Dep. at 37-38, 40.) MP3Board requested that Metromedia restore its service, and Metromedia replied that it would only restore MP3Board's service if MP3Board supplied a counter notification in accordance with the DMCA. On April 21, 2000, MP3Board supplied a counter notification to Metromedia asserting that it had removed the infringing material identified in the RIAA's notice. (Lars Mapstead RIAA Dep. at 498; Knowles Decl. Ex. K.) Metromedia restored MP3Board's Internet connectivity on May 5, 2000. (Eli Mapstead RIAA Dep. at 197.)

On May 25, 2000, the RIAA wrote directly to MP3Board and demanded that MP3Board remove all infringing links from its site by June 2, 2000, naming twenty-one artists and twenty-two song titles which were representative of the titles being infringed, and also attaching printouts of screen shots of MP3Board's Web site on which the RIAA identified 662 links which the RIAA believed to lead to material infringing upon the record companies' copyrights. (Pls.' Ex. 36, Ex. C.) MP3Board failed to dismantle access to any of the identified links in response to this letter. (Noah [*9] Mapstead Dep. at 175-77, 194-98.) On June 23, 2000, the record companies filed suit against MP3Board in the Southern District of New York.

DISCUSSION

[HN1] Summary judgment may be granted "only when the moving party demonstrates that 'there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.'" *Allen v. Coughlin*, 64 F.3d 77, 79 (2d Cir. 1995) (quoting *Fed. R. Civ. P. 56(c)*); see also *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986). The Court must "view the evidence in the light most favorable to the nonmoving party and draw all reasonable inferences in its favor, and may grant summary judgment only when 'no reasonable trier of fact could find in favor of the nonmoving party.'" *Allen*, 64 F.3d at 79 (citation omitted) (quoting *Lund's, Inc. v. Chemical Bank*, 870 F.2d 840, 844 (2d Cir. 1989)).

[HN2] Once the moving party meets its initial burden of demonstrating the absence of a genuine issue of material fact, the nonmoving party must come forward with specific facts to show there is a factual question that must be resolved [*10] at trial. *Fed. R. Civ. P. 56(e)*; see also *Legal Aid Soc'y v. City of New York*, 114 F. Supp. 2d 204 (S.D.N.Y. 2000). A nonmoving party must produce evidence in the record and "may not rely simply on conclusory statements or on contentions that the affidavits supporting the motion are not credible." *Ying Jing Gan v. City of New York*, 996 F.2d 522, 532 (2d Cir. 1993). In short, a nonmoving party must "do more than simply show there is some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986).

I. The Record Companies' Motion for Summary Judgment is Denied Because Issues of Material Fact Exist Regarding Whether the Record Companies' Copyrights Were Infringed by MP3Board's Users.

[HN3] In order to establish liability for contributory or vicarious copyright infringement, a plaintiff must first prove that direct infringement of its works occurred by showing that it owned a valid copyright and unauthorized infringement of its protected material occurred. See *Sony Corp. of Amer. v. Universal City Studios*, 464 U.S. 417, 434, 78 L. Ed. 2d 574, 104 S. Ct. 774 (1984); [*11] *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 113 L. Ed. 2d 358, 111 S. Ct. 1282 (1991); *Rogers v. Koons*, 960 F.2d 301, 306 (2d Cir. 1992). The record companies' ownership of the sound recordings at issue has not been disputed. (Plts.' Rule 56.1 Stmt. PP 23-24.) The RIAA has also confirmed that the 58 files listed in the complaint as available through MP3Board's Web site constituted unauthorized copies of the copyrighted recordings. (Creighton

Reply Decl. P 8.)

However, the record companies have failed to prove that any direct infringement resulted from MP3Board's operations. [HN4] Pursuant to 17 U.S.C. § 501(a), infringement occurs when one of the exclusive rights granted to copyright holders by 17 U.S.C. § 106 is violated. See *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001). While the structure of MP3Board's site and the scale of the operation certainly give rise to a strong statistical inference that MP3Board users downloaded files containing copyrighted music in violation of the record companies' reproduction rights under Section 106(1), the record companies have failed to eliminate all [*12] genuine issues of material fact.

MP3Board freely acknowledges the possibility that infringement is conducted with the aid of its site. MP3Board has stated that it "is generally aware that some of the music files ... may contain infringing material," and it admits that it "allows" and "generally encourages" site visitors to download music files, thus promoting the "highly effective facilitation of access to popular music." (Am. Answer PP 2, 3, 40, 52.) "MP3Board acknowledges that users may use its systems for purposes of infringement." (MP3Board's Statement of Material Facts in Opp'n to Pls.' Mot. for Summ. J. P 56 (emphasis in original).) MP3Board's principals also testified that they were aware that some of MP3Board's links connected to copyrighted works, and they assumed that those unauthorized copies were downloaded by users of the service through those links. (Eli Mapstead Dep. at 313, 316; Lars Mapstead Dep. at 249.). One principal admitted that it was "particularly likely" that MP3Board's users have used links on MP3Board's Web site to download full-length copies of major record labels' songs. (Noah Mapstead Dep. at 107.) There is also evidence that MP3Board personally assisted [*13] users in obtaining particular songs that the users requested, see Section II(A)(1) *infra*, and a finder of fact could certainly infer that it is likely that those users subsequently downloaded the songs they had requested. However, the record companies have not eliminated all issues of material fact by setting forth any direct evidence of infringement, such as user logs or other technical data showing the downloading of copyrighted and unauthorized files. At the summary judgment stage, the record companies cannot rely solely upon circumstantial evidence and admissions by MP3Board officers that it is statistically "likely" that direct infringement occurred.

Additionally, while the record companies and the RIAA have conclusively established that links to unauthorized infringing files were posted on the MP3Board Web site by describing how the RIAA investigators followed the links on the MP3Board Web site and deter-

mined that they lead to audio files that infringed upon plaintiffs' copyrights, (Creighton Decl. P 10; McDevitt Decl. P 5), [HN5] to show the unlawful "distribution" of a copyrighted work pursuant to 17 U.S.C. § 106(3) the record companies must show that [*14] an unlawful copy was disseminated "to the public." *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 203 (4th Cir. 1997) (internal quotations omitted). "Infringement of the distribution right requires an actual dissemination of ... copies." *National Car Rental Sys. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 434 (8th Cir. 1993) (citing 2 *Nimmer on Copyright* § 8.11[A], at 8-124.1); see also *Napster*, 239 F.3d at 1014. While a copyright holder may not be required to prove particular instances of use by the public when the proof is impossible to produce because the infringer has not kept records of public use, see *Hotaling*, 118 F.3d at 204, in the present case there has been no showing that the record companies did not have access to such data. Accordingly, the record companies' motion for summary judgment regarding contributory and vicarious copyright infringement and unfair competition is denied.

II. MP3Board's Motion for Summary Judgment is Denied Because Issues of Material Fact Exist Regarding Whether MP3Board is Liable for Contributory Copyright Infringement, Vicarious Infringement, [*15] and Unfair Competition.

A. Issues of Material Fact Exist Regarding Whether MP3Board is Liable for Contributory Copyright Infringement.

[HN6] "A party 'who, with knowledge of ... infringing activity ... materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." *Matthew Bender & Co., Inc. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998) (quoting *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)); see also *Ex-Tix, Inc. v. Hit Tix, Inc.*, 919 F. Supp. 728, 732 (S.D.N.Y. 1996). In order to carry its burden, MP3Board must demonstrate the absence of material facts regarding (1) the noninfringing conduct of MP3Board's users, (2) MP3Board's lack of material contribution to that infringement, or (3) MP3Board's lack of knowledge of the infringing activity. MP3Board has failed to demonstrate the absence of material facts with respect to any of the elements. As an initial matter, for the reasons set forth in Section I, *supra*, material facts exist regarding the first element of direct infringement; while the record companies did not eliminate all [*16] issues of material fact, they showed statements by MP3Board's officers and circumstantial evidence regarding MP3Board's Web site which suffice to defeat summary judgment against them on the issue of

direct infringement.

1. Issues of Material Fact Exist Regarding Whether MP3Board Materially Contributed to Any Infringement.

MP3Board cannot obtain summary judgment on the contributory infringement claim on the grounds that no material issues of fact exist regarding MP3Board's material contribution to any infringement. [HN7] Liability for contributory infringement exists if the defendant engages in "personal conduct that encourages or assists the infringement." *Matthew Bender*, 158 F.3d at 706. Merely supplying the "means" to accomplish an infringing activity" cannot give rise to the imposition of liability for contributory copyright infringement. *Sony*, 464 U.S. at 436; see also *Napster*, 239 F.3d at 1020-21. "Participation in the infringement must be substantial. The ... assistance must bear a direct relationship to the infringing acts, and the contributory infringer must have acted in concert with the direct infringer." *Zvi Livnat v. Shai Bar Lavi*, 1998 U.S. Dist. LEXIS 917, No. 96 Civ. 4967, 1998 WL 43221, at *3 (S.D.N.Y. Feb. 2, 1998) [*17] (internal quotation marks and citations omitted). MP3Board argues that the record companies have not shown that MP3Board substantially participated in any infringement. MP3Board styles itself a "passive" tool, contending that "any participation by MP3Board in its users' infringement is tangential to their direct downloading from a third-party website." (MP3Board Mem. in Opp'n at 14, 15.)

However, there is sufficient evidence from which a factfinder could determine that MP3Board engaged in an overall course of conduct which materially contributed to copyright infringement. The MP3Board site featured a search engine: an automated system devoted to searching for, aggregating and organizing links. (MP3Board's Objections to Pls.' Resp. Ex. A.) The site also solicited third parties to post links to sites containing audio files. (MP3Board's Objections to Pls.' Resp. Ex. A; Pls.' Exs. 8, 9, 10; Am. Answer P 39.) MP3Board provided a link to a third party named Freedrive where users could store audio files online. (MP3Board's Objections to Pls.' Resp. Ex. A.) MP3Board offered new users "getting started" information and a tutorial containing instructions on how [*18] to locate and download audio files via MP3Board—actually using one of the record companies' copyrighted recordings as an example. (Eli Mapstead Dep. at 118, 227, 304, 308; Mathewson Dep. at 79-80; Pls.' Exs. 24, 25, 35, 36; Am. Answer P 41.)

The site also contained a message board which allowed users to post questions to be answered by other users or MP3Board staff. (MP3Board's Objections to Pls.' Resp. Ex. A.) Significantly, when individual users posted messages on the message board requesting particular

songs which they could not find links to on the MP3Board site, MP3Board personnel personally searched for links to the requested song files and posted the links on the message board. (Eli Mapstead Dep. at 202-03, 205-06; Mathewson Dep. at 52; MP3Board's Objections to Pls.' Resp. Ex. B; Am. Answer P 41.) When one MP3Board employee could not find any links to one particular work, he solicited users to provide the work. (Pls.' Ex. 22.) MP3Board also obtained and posted passwords to enable users to access certain music files. (Eli Mapstead Dep. at 199-200, 342.)

Thus, based upon all the foregoing facts, genuine issues of material fact exist regarding whether MP3Board materially contributed [*19] to infringement. Not only could a jury find that MP3Board provided the facilities to promote infringing activity, see, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261, 264 (9th Cir. 1996); *Sega Enters. v. Maphia*, 857 F. Supp. 679, 687 (N.D. Cal. 1994); *Sega Enters. v. Sabella*, 1996 U.S. Dist. LEXIS 20470, No. 93 Civ. 4260, 1996 WL 780560, at *8 (N.D. Cal. Dec. 18, 1996), but also that it directly assisted users in locating and downloading infringing files, see *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp. 2d 1290, 1294-95 (D. Utah 1999). Viewed in totality, the record companies have introduced evidence that raises a material issue of fact regarding whether MP3Board's active role in facilitating its users' copying constituted substantial material participation in infringement.

2. Issues of Material Fact Exist Regarding Whether MP3Board Knew that Infringing Activity Was Taking Place.

[HN8] A defendant must possess either actual or constructive knowledge of the infringing activity to be found contributorily liable. See *Zvi Livnat*, 1998 U.S. Dist. LEXIS 917, 1998 WL 43221, at *3; see also *Napster*, 239 F.3d at 1020 [*20] (requiring that the secondary infringer "know or have reason to know" of direct infringement). Issues of fact exist regarding MP3Board's constructive knowledge as well as whether MP3Board obtained actual knowledge of infringement occurring via its site.

a. Issues of Material Fact Exist Concerning Whether MP3Board Possessed Constructive Knowledge of Infringing Activity.

As an initial matter, it is axiomatic that [HN9] without any knowledge of infringing activity, a defendant cannot be found strictly liable for contributory infringement simply for providing a technology that may allow others to exchange copyrighted material. A court may not impute constructive knowledge of infringement to a defendant "merely because ... [a] technology may be used to

infringe plaintiffs' copyrights," where the system is "capable of commercially significant noninfringing uses." *Napster*, 239 F.3d at 1020-21 (citing *Sony*, 464 U.S. at 436, 442-43). In *Sony*, the U.S. Supreme Court refused to permit liability to be imposed upon Sony for providing customers with equipment (the Betamax video cassette recorder) with "constructive knowledge ... that their customers may [*21] use that equipment to make unauthorized copies of copyrighted material." *Sony*, 464 U.S. at 439. Rather, a plaintiff must actually show the defendant knew that infringing activity was taking place instead of simply relying on the technology's potential. At this stage of the litigation, material facts exist regarding whether the Court can impute constructive knowledge to MP3Board based upon its technology's capabilities; the parties have not set forth sufficient facts for the Court to determine whether MP3Board's activities are covered by the Sony doctrine and whether MP3Board's Web site is "capable of commercially significant noninfringing uses."

However, the record companies have introduced direct evidence that MP3Board should have known of any infringement. There is evidence from which a jury could find that MP3Board possessed constructive knowledge of infringement, despite the fact that this case does not share the same strong indicia of constructive knowledge as in the cases cited by the record companies. See *Fonovisa*, 76 F.3d at 261; *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 919; *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 513, 514 (N.D. Ohio 1997) [*22] (the defendant had an active screening procedure by which the defendant's employees personally viewed all files posted on the bulletin board service); *Maphia*, 857 F. Supp. at 683 ("the uploading and downloading of unauthorized copies of Sega's copyrighted video games is particularly known to defendant"); *Sabella*, 1996 U.S. Dist. LEXIS 20470, 1996 WL 780560, at *8 (the defendant, the operator of the bulletin board service, read the user log containing files labeled as Sega Genesis games several times a day, advertised copiers which played unauthorized copies of Sega games, gave downloading privileges to customers that bought copiers, and offered a gift award that would enable users to 'get started right away with [their] collection of games'). Nor does the operating of an audio file search engine have "no other imaginable [noninfringing] use," thus inevitably suggesting infringement to a rational person. *RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984) (where the defendant was engaged in photographing the packaging of copyrighted records and tapes).

The record companies contend that evidence of MP3Board's knowledge can be found in the fact that [*23] MP3Board created 16 genre categories on its site, such as "Pop" and "Classical," in which link contribu-

tors could display their posted links, and one of these categories was entitled "Legal MP3s." (Eli Mapstead Dep. at 153.) The record companies urge that the category heading "Legal MP3s" constitutes evidence that MP3Board recognized that the other categories contained MP3s which were not legal. MP3Board responds that the genre heading "Legal MP3s" does not constitute an admission as to the contents of the other genres, particularly because Epitonic, a third-party MP3 supplier, specifically requested the title "Legal MP3" to describe the category, which contained exclusively Epitonic content. (Eli Mapstead Dep. at 105; Lars Mapstead Dep. at 128.) The record companies also argue that a substantial number of the posted links themselves promoted their illegal nature, as the posters of the links gave themselves such names as "SUPERILLEGAL MP3z," "FREE ILLEGAL MP3 FILES DIRECT DOWNLOAD," "FREE FAST ILLEGAL MP3 DIRECT DOWNLOAD," "The BIGGEST Archive of ILLEGAL MP3 FLZ," "100% ILLEGAL FAST DOWNLOADS," "a HUGE Archive of Illegal MP3 Files!!" and "any song you want." (Pls.' Ex. 23.) MP3Board [*24] contends in response that there is no evidence that it monitored the posting of links, and it has stated that it does not investigate the links, and perceived the names of the posters to be the site-owners' efforts to boost traffic on their sites by means of attention-getting methods. (Lars Mapstead Decl. P 11; Lars Mapstead Dep. at 129.)

Nonetheless, the above-stated facts, combined with the fact that MP3Board's principals acknowledged a statistical possibility that some of the links found on MP3Board's Web site went to copyrighted works and that users had downloaded unauthorized copies of copyrighted sound recordings through the links, (Lars Mapstead Dep. at 249, 451; Eli Mapstead Dep. at 313, 355; Noah Mapstead Dep. at 107), give rise to triable issues of fact regarding whether MP3Board possessed constructive knowledge of the infringing nature of links.

b. Issues of Material Fact Exist Regarding Whether MP3Board Acquired Actual Knowledge of Infringement.

There is also much stronger evidence that MP3Board acquired actual knowledge of infringement from a notice that the RIAA sent to MP3Board pursuant to the DMCA. [HN10] In order for a notice to be considered effective pursuant to [*25] the DMCA, it must provide "identification of the reference or link, to material or activity claimed to be infringing ... and information reasonably sufficient to permit the service provider to locate that reference or link." 17 U.S.C. § 512(d)(3). The RIAA sent notification letters on October 27, 1999 and April 18, 2000 to MP3Board's ISPs, who forwarded copies of the letters

to MP3Board, and also sent a notification letter on May 25, 2000 directly to MP3Board. While the letters dated October 27, 1999 and April 18, 2000 fell short of the DMCA's standard in providing MP3Board with knowledge of infringement, the letter dated May 25, 2000 did provide MP3Board with sufficient knowledge.

The letter from the RIAA to AboveNet dated October 27, 1999 failed to put MP3Board on notice of any infringement. It stated that the MP3Board site:

offers over one thousand direct links to sound files on other Internet sites for download. Many of these files contain recordings owned by our member companies, including songs by such artists as Sugar Ray, Ricky Martin, Radiohead, TLC, Red Hot Chili Peppers, Madonna, Shania Twain, Lou Bega, the Fugees and Acc of Basc. We [*26] have a good belief that the above-described activity is not authorized by the copyright owner, its agent, or the law.

(Pls.' Ex. 34.) By solely listing artists' names, and neglecting to specify any infringing links or even particular songs, the letter did not include "identification of the reference or link, to material or activity claimed to be infringing ... and information reasonably sufficient to permit the service provider to locate that reference or link." 17 U.S.C. § 512(d)(3).

The record companies' citation to the Fourth Circuit's decision in *ALS Scan, Inc. v. Remarq Communities, Inc.*, 239 F.3d 619, 622 (4th Cir. 2001), cannot save this letter. ALS Scan set forth that [HN11] "when a letter provides notice equivalent to a list of representative works that can be easily identified by the service provider, the notice substantially complies with the notification requirements." 239 F.3d at 622. The plaintiff in *ALS Scan* alerted the defendant to infringement in sufficient detail when it

(1) identified two sites created for the sole purpose of publishing ALS Scan's copyrighted works, (2) asserted that virtually [*27] all the images at the two sites were [ALS Scan's] copyrighted material, ... (3) referred RemarQ to two web addresses where RemarQ could find pictures of ALS Scan's models and obtain ALS Scan's copyright information ... [and (4)] noted that material at the site could be identified as ALS Scan's material because the material included ALS Scan's 'name and/ or copyright symbol next to it.'

Id.

However, by merely listed ten artists in the October 27 letter, the RIAA fell short of "substantially complying with the notification requirement." Id. The citation to a handful of performers does not constitute a representative list of infringing material, and certainly did not provide information reasonably sufficient to enable MP3Board to locate the particular infringing works. Therefore, MP3Board's failure to delete links to sites containing music files of the enumerated artists in response to the October 1999 letter, (Lars Mapstead Dep. at 399), cannot give rise to any liability. *C.f. Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995) [HN12] (where a bulletin board service operator cannot reasonably verify [*28] a claim of infringement due to the copyright holder's failure to provide the necessary documentation to show that there is likely infringement, the operator's lack of knowledge is reasonable and there is no liability for contributory infringement for allowing the continued distribution of the works).

The email from the RIAA to Metromedia dated April 18, 2000, and subsequently forwarded to MP3Board, similarly stated that the MP3Board site:

is offering direct links to files on other Internet sites containing full-length sound recordings for other users to download, including songs by such artists as Third Eye Blind, Rage Against the Machine, No Doubt, Rammstein and the Bloodhound Gang. We have a good faith belief that the above-described activity is not authorized by the copyright owner, its agent, or the law.

(Pls.' Ex. 35.) This email, nearly identical in form to the October 27, 1999 letter, similarly failed to put MP3Board on notice of any infringement because it listed solely artists' names, and neglected to specify any links or even particular songs.

However, in contrast with the earlier letters, the letter from the RIAA to MP3Board dated May 25, 2000 substantially [*29] complied with the DMCA notification requirements. The letter not only named particular artists along with specified songs, but was accompanied by printouts of screen shots of MP3Board's Web site, on which the RIAA highlighted and placed an asterisk next to 662 links which the RIAA believed to infringe upon the record companies' copyrights. (Pls.'s Ex. 36, Ex. C.) Despite the fact that the RIAA did not provide MP3Board with the specific Universal Resource Locators ("URI.s")

of the pages to which the links connected, the RIAA provided MP3Board with the pages on MP3Board's own site where the links appeared. (Pls.'s Ex. 36, Ex. C.) Overall, the letter and its attachments identified the material or activity claimed to be infringing and provided information reasonably sufficient to permit MP3Board to locate the links and thus complied with the DMCA. See *17 U.S.C. § 512(d)(3)*; *ALS Scan, 239 F.3d at 622*; see also *Napster, 239 F.3d at 1021-22 & n.6*; *Fonovisa, 76 F.3d at 261, 264*; *Olan Mills, Inc. v. Linn Photo Co., 23 F.3d 1345, 1348 (8th Cir. 1994)*; *Napster, 114 F. Supp. 2d at 918*. [*30]

MP3Board failed to dismantle access to any of the identified links in response to these letters. (Noah Mapstead Dep. at 175-77, 194-98.) MP3Board's argument, that it was not required to disable access to or even investigate the links because the RIAA did not submit the links in electronic form or accompanied with the URLs of the pages to which the links connected, are baseless and not grounded in the text of the DMCA or any judicial interpretation of that statute. Despite the fact that the RIAA did not provide MP3Board with specific URLs, it provided MP3Board with the pages on MP3Board's own site where the links appeared, thus identifying the links to material or activity claimed to be infringing and information reasonably sufficient to permit MP3Board to locate the links. Therefore, because issues of material fact exist regarding whether MP3Board materially contributed to infringing activity and had acquired knowledge of the infringement, summary judgment in favor of MP3Board with respect to the claim of contributory copyright infringement is denied.

B. Issues of Material Fact Exist Regarding Whether MP3Board is Liable for Vicarious Infringement.

[HN13] A company may be found vicariously [*31] liable for copyright infringement if it has the right and ability to supervise infringing activity and also has a direct financial interest in that activity. See *Gershwin Publ'g, 443 F.2d at 1162*. Vicarious liability, "commonly imposed upon publishers, printers, and vendors of copyrighted materials," is appropriate where a company is "in a position to police the conduct of the 'primary' infringer." *Shapiro, Bernstein & Co. v. H. L. Green Co., 316 F.2d 304, 308 (2d Cir. 1963)* (citations omitted).

As an initial matter, although the record companies correctly state that, in general, vicarious infringement is a tort of strict liability and hence the vicarious infringer need not possess knowledge of the infringement, the record companies do not address the additional limitations upon copyright infringement liability relating to online material provided by the DCMA — albeit an af-

firmative defense only vaguely raised in MP3Board's answer. Nonetheless, [HN14] the DMCA provides that a service provider:

shall not be liable ... for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material [*32] or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider does not have actual knowledge that the material or activity is infringing [or] in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent.

17 U.S.C. § 512(d)(1). There are material issues of fact as to whether MP3Board qualifies as a "service provider" entitled to the "safe harbor" protections of section 512(d). MP3Board contends that it is a "traditional search engine," (Def.'s Statement of Material Facts P 20), while plaintiffs contend that MP3Board provides a host of services not provided by traditional search engines, (Pls.' Resp. to Def.'s Statement of Material Facts P20). Even if MP3Board meets the definition of a "service provider" it must still surmount the other hurdles of section 512 — a proposition of doubtful certainty — to qualify for the liability limitations the statute affords. Notably, the statute limits liability rather than providing a complete exemption. See *17 U.S.C. § 512(d)*; see also [*33] *Perfect 10, Inc. v. Cybernet Ventures, Inc., No. CV 01-2595, 213 F. Supp. 2d 1146, 2002 U.S. Dist. LEXIS 7333, at *77 (C.D. Cal. Apr. 22, 2002)*; 3 *Nimmer on Copyright § 12B.01[C][2]*, at 12B-18. Moreover, because there are material issues of fact regarding MP3Board's knowledge of the infringing activity — another factor weighed in the availability of the "safe harbor" provision — MP3Board cannot obtain summary judgment pursuant to the defense of lack of knowledge. See *17 U.S.C. § 512(d)*; see also Section II(A)(2), *supra*.

1. Issues of Material Fact Exist Regarding Whether MP3Board Had the Right and the Ability to Supervise the Infringing Activities.

The record companies have introduced evidence showing that MP3Board possessed the right and the ability to supervise its users and the information displayed on its site. [HN15] A defendant's "ability to block infringers' access to a particular environment for any reason" constitutes proof of its right and ability to supervise and control the infringing activities. *Napster, 239 F.3d at 1023*; see also *Fonovisa, 76 F.3d at 262-63* (a swap-meet operator could exclude vendors [*34] for any reason); *Shapiro,*

316 F.2d at 306-08. The facts have shown that MP3Board had the right and ability to police those who posted links to the site, as well as the ability to delete the links themselves from being displayed to users.

While there is no evidence that MP3Board could control which links were initially found by its automated procedures, MP3Board could delete links from its database and thus prevent them from being displayed in response to user queries. (Lars Mapstead Dep. at 338, 488-89.) Moreover, MP3Board had stated a policy of restricting users from posting certain types of links, such as those linking to pornography, hate, and hacker and "warez" (illegally copied and distributed commercial software) sites, and did in fact remove offending links from the site and banned repeat offenders of MP3Board's rules from posting any additional links. (Lars Mapstead Dep. at 338; Eli Mapstead Dep. at 328-31, 408-08.) Thus, there is evidence that MP3Board had the right and ability to remove links to infringing works and bar the participation of users who transmitted those infringing files. See *Napster*, 239 F.3d at 1024; see also *Fonovisa*, 76 F.3d at 260, 262. [*35]

2. Issues of Material Fact Exist Regarding Whether MP3Board Possessed a Direct Financial Interest in the Infringing Activities.

The record companies have also introduced evidence indicating that MP3Board possessed a direct financial interest in the exchange of infringing files. Infringement which increases a defendant's user base or otherwise acts as a draw for customers constitutes a direct financial interest. See *Napster*, 239 F.3d 1004 at 1023; *Fonovisa*, 76 F.3d at 262-64 (financial benefit exists where "infringing performances enhance the attractiveness of a venue"); *Shapiro*, 316 F.2d at 307. MP3Board's principals testified that the revenue MP3Board received from banner advertisements on the site was directly tied to the number of users who were exposed to those ads. (Lars Mapstead Dep. at 173, 219, 507-08; Eli Mapstead Dep. at 383; Eli Mapstead RIAA Dep. at 87.) Furthermore, the RIAA's letter dated May 25, 2000 set forth that an extremely high proportion of the links on MP3Board's site went to infringing works. (Pls.'s Ex. 36, Ex. C.) The MP3Board site is exclusively and consciously devoted to locating audio files, and its financial [*36] interest in the locating and copying of music files is thus far more substantial and direct than the general interest, content neutral search engines with which MP3 wishes to compare itself. A jury could certainly find that MP3Board possessed a direct financial interest in infringing activities.

C. Issues of Material Fact Exist Regarding Whether MP3Board Is Liable for Unfair Competition.

The record companies have also sued MP3Board for unfair competition pursuant to New York common law with respect to the record companies' pre-1972 sound recordings, which are not subject to federal statutory copyright protection. See 17 U.S.C. § 301(c); *Firma Melodiya v. ZYX Music, GmbH*, 882 F. Supp. 1306, 1316 (S.D.N.Y. 1995). Summary judgment on this claim in favor of MP3Board is also denied.

[HN16] In New York, an unfair competition claim may be grounded in the appropriation of the exclusive property of the plaintiff by the defendant. See *H.L. Hayden Co. v. Siemens Med. Sys., Inc.*, 879 F.2d 1005, 1025 (2d Cir. 1989). [HN17] Pursuant to New York common law, "an unfair competition claim involving misappropriation usually concerns the taking and [*37] use of the plaintiff's property to compete against the plaintiff's own use of the same property." *Roy Export Co. v. CBS*, 672 F.2d 1095, 1105 (2d Cir. 1982). Due to the legal overlap between the New York tort of unfair competition based upon misappropriation and federal copyright infringement, see *Kregos v. Associated Press*, 3 F.3d 656, 666 (2d Cir. 1993), summary judgment in favor of MP3Board is denied for the reasons stated above denying summary judgment on the copyright infringement claims.

D. Summary Judgment is Denied with Respect to MP3Board's Argument That Its Activities Are Entitled to First Amendment Protection.

MP3Board's argument that its activities are protected by the First Amendment to the U.S. Constitution is without merit. The U.S. Court of Appeals for the Second Circuit has held that [HN18] "the fair use doctrine encompasses all claims of first amendment in the copyright field." *New Era Publs. Int'l v. Henry Holt & Co.*, 873 F.2d 576, 584 (2d Cir. 1989); see also 17 U.S.C. § 107; *Napster*, 239 F.3d at 1028 (rejecting Napster's asserted free speech right to publish a "directory" [*38] in the form of a music file search index because Napster's users were not fair users); *Nihon Keizai Shimbun v. Comline Business Data, Inc.*, 166 F.3d 65, 74 (2d Cir. 1999) ("First Amendment concerns are protected by and coextensive with the fair use doctrine"); *Religious Tech. Ctr. v. Netcom On-Line Commun. Servs.*, 923 F. Supp. 1231, 1258 (stating that the Copyright Act balances First Amendment concerns with the rights of copyright holders).

In its summary judgment papers, MP3Board has not asserted that the activities in question constitute "fair use" and therefore do not violate plaintiffs' copyrights. Moreover, even if it had, the evidence indicates that such a claim would fail. [HN19] In analyzing the defense of "fair use," the Copyright Act specifies four factors that must be considered:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. [*39] Other relevant factors may also be considered in order to apply the test in light of the overall purposes of the Copyright Act. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 549, 85 L. Ed. 2d 588, 105 S. Ct. 2218 (1985); *Sony*, 464 U.S. at 448, 454.

Assuming plaintiffs' allegations to be true, all four mandatory factors weigh against a finding of fair use in the present case. Regarding the first factor, "the purpose and character of the use," the purpose of MP3Board and its users was commercial, as they were allegedly "profiting from the exploitation of the copyrighted work without paying the customary prices." *Harper & Row*, 471 U.S. at 562. Moreover, the copied works were simply retransmitted, not transformed. See *Napster*, 239 F.3d at 1015. Regarding the second factor, "the nature of the copyrighted work," the published creative sound recordings copied are "close to the core of intended copyright protection," and, conversely, far removed from the more factual or descriptive type of work that is more amenable to fair use. See *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 351-52 (S.D.N.Y. 2000) [*40] (citations omitted). Regarding the third factor, "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," plaintiffs contend that entireties of copyrighted works were infringed rather than small portions. Regarding the fourth factor, "the effect of the use upon the potential market for or value of the copyrighted work," the alleged activities of MP3Board and its users on their face could harm the market for the original works. See *Napster*, 239 F.3d at 1017. Thus, because all four factors weigh against a finding of fair use, and there are no other relevant factors apparent, MP3Board's motion for summary judgment based upon the theory that its activities are protected by the First Amendment is denied.

E. Issues of Material Fact Exist Regarding Damages.

MP3Board briefly argues that the record companies have not shown that they have suffered actual damages, or that MP3Board obtained any profits as a result of any infringement. MP3Board is correct: the amount of dam-

ages has not been litigated or established at this juncture. However, MP3Board also summarily — and incorrectly — argues that the record companies cannot prove [*41] statutory damages. [HN20] The Copyright Act permits a copyright owner to elect to recover an award of statutory damages simply upon a showing of infringement. *17 U.S.C. § 504(c)*. Should the record companies establish copyright infringement, they may elect to pursue an award of statutory damages.

III. The RIAA's Motion for Summary Judgment with Respect to MP3Board's Claims Against the RIAA Is Granted.

MP3Board has asserted two claims against the RIAA stemming from the RIAA's notices of copyright infringement sent to MP3Board's ISPs: (a) knowing material misrepresentation of infringement in violation of the DMCA, and (b) tortious interference with contractual relations and prospective economic advantage. The RIAA is entitled to summary judgment on those claims.

On October 27, 1999, the RIAA served a subpoena and DMCA notice letter to AboveNet that identified representative artists and requested AboveNet's "immediate assistance in stopping this unauthorized activity. Specifically, we request that you remove the site, delete the infringing links or that you disable access to this site or the infringing links being offered via your system." (Creighton Decl. [*42] P 7 and Ex. A; McDevitt Decl. P 4; McDevitt Dep. at 8-10.) However, the October 27, 1999 letter caused at most a very short-term interruption in MP3Board's service and, by MP3Board's own statements, no injury to MP3Board. (Eli Mapstead RIAA Dep. at 26-27; Lars Mapstead RIAA Dep. at 385-86.)

On April 18, 2000, the RIAA sent a second DMCA notice to Metromedia, identifying a URL of an MP3Board page, naming representative artists whose works were allegedly being infringed, and requesting Metromedia's

immediate assistance in stopping this unauthorized activity. Specifically, we request that you remove the site or the infringing links from your system and that you inform the site operator of the illegality of his or her conduct.

You should understand that this letter constitutes notice to you that this site operator may be liable for the infringing activity occurring on your server. In addition, under the Digital Millennium Copyright Act, if you ignore this notice, you and/ or your company may be liable for any resulting infringement.

(Creighton Decl. P 8 and Ex. B.) In response to this letter, Metromedia disabled Internet access to the MP3Board Web site beginning April 19, 2000 and [*43] did not restore service until May 5, 2000. (Eli Mapstead RIAA Dep. at 37-38, 40, 197.) As an initial matter, because MP3Board was only damaged by the April 18, 2000 notice, only that notice is potentially actionable.

A. The RIAA Is Entitled to Summary Judgment with Respect to MP3Board's Claim of "Knowing Material Misrepresentation of Infringement" in Violation of the DMCA.

MP3Board asserts that the RIAA's notice contained knowing and material misrepresentation. [HN21] Pursuant to *17 U.S.C. § 512(f)*,

Any person who knowingly materially misrepresents ... that material or activity is infringing ... shall be liable for any damages ... incurred by the alleged infringer ... who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing.

As set forth in Section II(A)(2)(b), *supra*, the RIAA's letter dated April 18, 2000 did not constitute an effective notification to MP3Board pursuant to the DMCA because it listed solely artists' names, and neglected to specify any links or even particular songs. For the same reasons, [*44] the letter did not substantially comply with the notification requirements for Metromedia, as it did not provide location information reasonably sufficient to permit Metromedia to locate the material pursuant to *17 U.S.C. § 512(c)(3)(A)*. See *ALS Scan, 239 F.3d at 625*; see also *Netcom, 907 F. Supp. at 1374*.

The April 2000 letter was simply not specific enough to provide adequate notice. Although [HN22] the DMCA permits a copyright owner to identify a "representative" list of works, *17 U.S.C. § 512(c)(3)(A)(ii)*, in this case, a bare list of musical artists whose songs were allegedly linked to did not constitute a representative list of works, or notice equivalent to a list of representative works that can be easily identified by the service provider. See *ALS Scan, 239 F.3d at 625*. While the DMCA only requires that a copyright owner need only comply "substantially" with the prescribed format, the RIAA's April notice fell short of even that standard. *17 U.S.C. § 512(c)(3)(A)*; see also *ALS Scan, 239 F.3d at 625*. The RIAA cannot shift the DMCA's duty to identify [*45] infringing material from the copyright holders or their agents to ISPs, which is what the April 18, 2000 letter seeks to do.

Nonetheless, liability cannot be incurred by the RIAA pursuant to Section 512(f) for merely sending a letter that constitutes insufficient notification; rather, the DMCA standard is whether the copyright owner's agent "knowingly materially misrepresents ... that material or activity is infringing." There is no evidence that the RIAA incorrectly stated that MP3Board was "offering direct links to files on other Internet sites containing full-length sound recordings for other users to download, including songs by [the listed] artists." The sole evidence of any misrepresentation in this notice consists of the fact that Eli Mapstead stated that he later found one link on the MP3Board site leading to a song by one of the listed artists that was authorized to be on the Internet. (Eli Mapstead Dep. at 481-87.) However, the presence of one authorized song file does not constitute a material misrepresentation in light of the facts of this case. Moreover, MP3Board's claim must fail because there is no evidence that any misrepresentation by the RIAA was made knowingly. [*46]

MP3Board also contends that the RIAA's notification constituted "knowing material misrepresentation" because it improperly threatened a suit for money damages against a service provider that was immune from suit pursuant to *17 U.S.C. § 512(a)*. However, [HN23] Section 512 only penalizes copyright holders for knowingly materially misrepresenting "that material or activity is infringing." It does not provide a cause of action for knowingly materially misrepresenting that a service provider may be liable for hosting certain material.

In addition, MP3Board appears to seek liability for vagueness in the RIAA's notice, and the possibility that vagueness may have induced Metromedia to take the entire MP3Board site offline because Metromedia could not reasonably ascertain which of MP3Board's activities constituted infringing activity. However, [HN24] vagueness does not constitute a material misrepresentation "that material or activity is infringing" pursuant to Section 512(f). MP3Board stretches Section 512 beyond its breaking point.

B. The RIAA Is Entitled to Summary Judgment with Respect to MP3Board's Claims of Tortious Interference with Contractual Relations and Prospective [*47] Economic Advantage.

MP3Board contends in its third claim for relief that when the RIAA caused Metromedia to disrupt MP3Board's service, the RIAA thereby tortiously interfered with MP3Board's contracts with Metromedia as well as MP3Board's expectation of prospective economic advantage from future visitors to its site. (Am. Counterel. PP 80-81.) By applying the New York choice of law rules, see *Arochem Int'l Inc. v. Buirkle, 968 F.2d 266, 269 (2d Cir. 1993)*, the Court finds that California tort law applies

in this matter; California has the greater interest in the litigation of this issue due to the fact that MP3Board is located in California and its contractual relationship with another California corporation was allegedly interfered with in California.

[HN25] The elements of intentional interference with contractual relations are (1) a valid contract between the plaintiff and a third party; (2) the defendant's knowledge of this contract; (3) intentional acts designed to induce a breach or disruption of the contractual relationship; (4) actual breach or disruption of the relationship; and (5) resulting damage. *Quelimane Co. v. Stewart Title Guar. Co.*, 19 Cal. 4th 26, 960 P.2d 513, 530, 77 Cal. Rptr. 2d 709 (Cal. 1998). [*48]

The RIAA contends that MP3Board cannot assert a claim for tortious interference with contract because MP3Board never had a contract with Metromedia, but only had an arrangement with Lars Mapstead's company, Cyberzine, which in turn had a preexisting relationship with AboveNet (later Metromedia). (Noah Mapstead RIAA Dep. at 17-23; Lars Mapstead RIAA Dep. at 33, 407-08.) However, because there is evidence that the contract or a later modification of it was made expressly for MP3Board's benefit — for example, AboveNet/Metromedia assigned a static IP address to MP3Board and agreed to serve as the contact for MP3Board in connection with MP3Board's registration with Network Systems, Inc., (Mapstead Decl. in Opp'n to RIAA's Mot. For Summ. J. PP 2, 4-5), — at this juncture the Court cannot conclude that there was no valid contract with AboveNet/Metromedia that MP3Board could enforce as a third party beneficiary.

The RIAA also contends that the letter to Metromedia on April 18, 2000 was a simple pre-litigation demand letter. However, [HN26] to assert the litigation privilege — an affirmative defense — the RIAA must prove that its statements were made in good faith contemplating a suit. [*49] See *Sade Shoe Co. v. Oschin & Snyder*, 162 Cal. App. 3d 1174, 1180, 209 Cal. Rptr. 124 (1984); *Aronson v. Kinsella*, 58 Cal. App. 4th 254, 263-65, 68 Cal. Rptr. 2d 305 (1997); see also *Matsushita Electronics Corp. v. Lorai Corp.*, 974 F. Supp. 345, 354-55 (S.D.N.Y. 1997). Material issues of fact exist regarding whether the RIAA contemplated filing a suit against Metromedia in "good faith and on serious consideration." *Aronson*, 58 Cal. App. 4th at 266; 68 Cal. Rptr. 2d 305.

Nonetheless, no material issues of fact exist regarding the RIAA's justification for its actions. [HN27] Pursuant to California state law, justification is an affirmative defense to a charge of tortious interference with contract. See *Echazabal v. Chevron U.S.A., Inc.*, 221 F.3d 1347 (9th Cir. 2000) (unpublished), [published at 226 F.3d 1063];

Seaman's Direct Buying Serv., Inc. v. Standard Oil Co., 36 Cal. 3d 752, 686 P.2d 1158, 1165, 206 Cal. Rptr. 354 (Cal. 1984) (overruled on other grounds). Seeking to protect a copyright by alerting a third party that the copyright is being infringed constitutes a justification defense to that claim. [*50] See, e.g., *Shapiro & Son Bedspreed Corp. v. Royal Mills Assoc.*, 764 F.2d 69, 75 (2d Cir. 1985); *Montgomery County Ass'n of Realtors, Inc. v. Realty Photo Master Corp.*, 878 F. Supp. 804, 818 (D. Md. 1995) (notifying customers of an alleged copyright infringement in good faith is justified and does not constitute tortious interference with contractual relations). There have been no material issues of fact raised regarding whether the RIAA acted in good faith in notifying Metromedia of the infringement. Accordingly, the RIAA cannot be subjected to liability for tortious interference with contract and summary judgment should issue in its favor on this claim.

[HN28] The elements in California of the tort of intentional interference with prospective economic advantage are (1) the existence of a prospective economic relationship containing the probability of future economic rewards for the plaintiff; (2) the defendant's knowledge of this relationship; (3) intentional acts designed to disrupt the relationship; (4) actual causation; and (5) proximate damages. *PMC, Inc. v. Saban Entm't, Inc.*, 45 Cal. App. 4th 579, 52 Cal. Rptr. 2d 877, 886 (1996). The tort, which is also [*51] called interference with prospective economic relations, "imposes liability for improper methods of disrupting or diverting the business relationship of another which fall outside the boundaries of fair competition." *Settimo Assocs. v. Environ Sys., Inc.*, 14 Cal. App. 4th 842, 17 Cal. Rptr. 2d 757, 758 (1993)

[HN29] Because the general wrong inherent in intentional interference with prospective economic advantage is the interference with a business opportunity through methods which are not within the privilege of fair competition, a plaintiff must also prove that the defendant "engaged in conduct that was wrongful by some legal measure other than the fact of interference itself." *Della Penna v. Toyota Motor Sales, U.S.A., Inc.*, 11 Cal. 4th 376, 902 P.2d 740, 751, 45 Cal. Rptr. 2d 436 (Cal. 1995). For tortious interference with prospective economic advantage, a plaintiff must prove that the defendant's conduct was not privileged; the defendant does not need to prove privilege as an affirmative defense. See *Bed, Bath & Beyond of La Jolla, Inc. v. La Jolla Square Venture Partners*, 52 Cal. App. 4th 867, 60 Cal. Rptr. 2d 830, 839 (1997). As set forth above, the RIAA [*52] was justified in sending Metromedia the April 18 notification of infringement and no liability can lie for tortious interference with prospective economic advantage.

Moreover, MP3Board has not shown the additional element of wrongful conduct required for a claim of intentional interference with prospective economic advantage. See *Della Penna*, 902 P.2d at 751. While [HN30] threatening to litigate against a party who is known to be immune from suit — as MP3Board alleges — may sufficiently constitute wrongful conduct, see *PMC*, 52 Cal. Rptr. 2d at 891; see also *Matsushita*, 974 F. Supp. at 354, MP3Board's claim that Metromedia was known to be immune from suit pursuant to 17 U.S.C. § 512(a) has no support. There is no evidence showing that the RIAA believed that Metromedia was engaged in "transitory digital network communications," pursuant to Section 512(a), which deals with the transient storage of material in the course of transmitting, routing or providing connections.

Rather, by all outward appearances Metromedia was hosting MP3Board's site on its network, leaving the RIAA to conclude that Metromedia was not merely [*53] transmitting, routing or providing connections for infringing material but that infringing activities were being conducted on Metromedia's system at MP3Board's direction. [HN31] Pursuant to Section 512(c), entitled "information residing on systems or networks at direction of users," a service provider is "liable for monetary relief ... for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the

service provider," unless the service provider does not have knowledge or reason to know of infringing activity and fails to expeditiously to remove or disable access to the infringing material. 17 U.S.C. § 512(c)(1). Absent a showing that Metromedia was immune from liability pursuant to Section 512(a), and that the RIAA knew that Metromedia was immune, liability cannot be grounded on the RIAA's statement that Metromedia could be liable for hosting MP3Board's activities if Metromedia knew of MP3Board's infringement but failed to disable access. MP3Board has pointed to no evidence whatsoever in support of its claim that the RIAA threatened legal action against a party that [*54] it knew to be immune from liability and therefore the RIAA is entitled to summary judgment on this claim.

CONCLUSION

For the reasons stated forth above, the record companies' motion for summary judgment is denied, MP3Board's motion for summary judgment is denied, and the RIAA's motion for summary judgment is granted.

Dated: New York, New York

August 28, 2002

SO ORDERED:

Sidney H. Stein, U.S.D.J.

LEXSEE 2003 U.S. DIST. LEXIS 1967

**BROUGHT TO LIFE MUSIC, INC., Plaintiff, - against - MCA RECORDS, INC.,
ANDRE YOUNG p/k/a DR. DRE, SCOTT STORCH and MARY J. BLIGE, Defendants.**

02 Civ. 1164 (RWS)

**UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW
YORK**

2003 U.S. Dist. LEXIS 1967; 65 U.S.P.Q.2D (BNA) 1954

February 11, 2003, Decided

February 14, 2003, Filed

DISPOSITION: [*1] Motion to dismiss granted.**CASE SUMMARY:**

PROCEDURAL POSTURE: Defendants, associate music producer and artist, moved to dismiss the complaint of plaintiff music publisher which alleged copyright infringement of one of the publisher's musical recordings and inducement to infringe the same work.

OVERVIEW: The publisher did not allege that the producer violated any of its alleged exclusive rights in its works. Specifically, the producer is not alleged to have (1) reproduced plaintiff's work; (2) prepared derivative works based on plaintiff's work; (3) distributed copies of plaintiff's work to the public for sale; or (4) performed plaintiff's work publicly by means of digital audio transmission. The publisher did not attempt to describe by what acts and during what time the producer infringed the copyright. The complaint did not allege that the producer had knowledge of, or reasonably should have anticipated the alleged infringement and alleged only that (1) the producer gave defendant artist a copy of the publisher's song, and that (2) its copyright was infringed with knowledge. There was no allegation of any participation in the alleged infringement by the producer, let alone substantial participation amounting to the conversion of publisher's song for his own use. The complaint also failed to allege a claim for contributory copyright infringement and personal jurisdiction.

OUTCOME: The producer's motion to dismiss was granted.

LexisNexis(R) Headnotes*Civil Procedure > Pleading & Practice > Defenses,**Objections & Demurrers > Failure to State a Cause of Action*

[HN1] Dismissal of a complaint pursuant to Fed. R. Civ. P. 12(b)(6) is appropriate only if it appears beyond doubt that a plaintiff can prove no set of facts in support of the claim which would entitle him to relief. A pleading must at least set forth sufficient information for the court to determine whether some recognized legal theory exists on which relief can be found. Moreover, it is the legal sufficiency of the complaint, not the weight of any evidence offered in support of the action that is to be assessed.

*Civil Procedure > Pleading & Practice > Defenses, Objections & Demurrers > Failure to State a Cause of Action**Copyright Law > Civil Infringement Actions > Elements > General Overview*

[HN2] To withstand a motion to dismiss, a properly pled copyright infringement claim must allege: (1) which specific original work is the subject of the claim, (2) that a plaintiff owns the copyright in the work, (3) that the copyright has been registered in accordance with the statute, and (4) by what acts during what time a defendant infringed the copyright.

Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement Copyright Law > Civil Infringement Actions > Elements > General Overview

[HN3] To establish a claim for contributory copyright infringement, a plaintiff must allege that a defendant with knowledge of the infringing activity, induced, caused, or materially contributed to the infringing conduct of another. A plaintiff must allege that the defendant knew of, and substantially participated in, the alleged direct infringement, for a claim of contributory infringement to stand.

**Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement
Copyright Law > Civil Infringement Actions > Elements > General Overview**

[HN4] Significantly, with regard to the participation prong in a contributory copyright infringement claims, an allegation that a defendant merely provides the means to accomplish an infringing activity is insufficient to establish a claim for contributory infringement. A mere allegation that the defendant has provided a third party with the opportunity to engage in wrongful conduct would not even be enough to survive a motion to dismiss. Rather, participation in the infringement must be "substantial" and the authorization or assistance must bear a direct relationship to the infringing acts, and the contributory infringer must have acted in concert with the direct infringer.

**Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement
Copyright Law > Civil Infringement Actions > Elements > Access**

[HN5] In addition to the requirement of substantial participation in a contributory copyright infringement claim, knowledge of the infringing activity is also critical to sustaining a claim for contributory infringement. Thus, one who supplies another with instruments by which another commits a tort, must be shown to have knowledge that the other will or can reasonably be expected to commit a tort with the supplied instrument. The test is whether the wrongdoing might well have been anticipated by a defendant. Moreover, while knowledge of the infringing activity may be actual or constructive, one who furnishes a copyrighted work to another but is innocent of any knowledge of the other party's intended illegitimate use will not be liable.

**Copyright Law > Civil Infringement Actions > Liability of Related Defendants > General Overview
Civil Procedure > Pleading & Practice > Filing of Complaint**

[HN6] More specific allegations contained in an opposing brief cannot be used to supplement otherwise conclusory allegations in a complaint.

Civil Procedure > Jurisdiction > Personal Jurisdiction & In Rem Actions > Personal Jurisdiction

[HN7] N.Y.C.P.L.R. art. 301 applies to non-resident defendants who are engaged in such a continuous and systematic course of doing business in New York as to warrant a finding of presence in the state. Thus, a non-resident defendant must conduct, or purposefully direct business, in New York not occasionally or casually, but with a fair measure of permanence and continuity.

Civil Procedure > Jurisdiction > Personal Jurisdiction & In Rem Actions > Personal Jurisdiction

[HN8] Determining whether a defendant "does business" in New York for purposes of N.Y.C.P.L.R. art. 301, courts traditionally consider the existence of an office in New York, the solicitation of business in New York, the presence of bank accounts and other property in New York, and the presence of employees or agents in New York.

**Civil Procedure > Jurisdiction > Personal Jurisdiction & In Rem Actions > Personal Jurisdiction
Copyright Law > Civil Infringement Actions > General Overview**

[HN9] Under N.Y.C.P.L.R. art. 302(a)(1), which establishes jurisdiction when the defendant transacts business in the state, it is well-settled that the relationship between the claim and the in-state transaction must be "direct."

**Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement
Civil Procedure > Jurisdiction > Personal Jurisdiction & In Rem Actions > Personal Jurisdiction**

[HN10] Cases invoking a contributory copyright infringement theory to establish an agency relationship sufficient to invoke N.Y.C.P.L.R. art. 302(a)(2) require a close nexus between the defendant and the primary infringer such that the defendant can be deemed to be purposefully using an intermediary to take advantage of the market in the forum state, while avoiding jurisdiction for infringement.

Civil Procedure > Jurisdiction > Personal Jurisdiction & In Rem Actions > Personal Jurisdiction

[HN11] N.Y.C.P.L.R. art. 302(a)(3) authorizes jurisdiction over non domiciliaries who commit a tortious act outside the state causing injury to person or property within the state.

COUNSEL: DeSIMONE, AVILES, SHORTER & OXAMENDI, Attorneys for Plaintiff, New York, NY, By: RALPH DeSIMONE, ESQ., LOUISE CHERKIS, ESQ., Of Counsel.

SONNENSCHN NATH & ROSENTHAL, Attorneys for Defendant Scott Storch, New York, NY, By: CHRISTINE LEPERA, ESQ., HOWARD H. WELLER, ESQ., Of Counsel.

JUDGES: ROBERT W. SWEET, U.S.D.J.

OPINIONBY: ROBERT W. SWEET

OPINION: Sweet, D.J.,

Defendant Scott Storch ("Storch") has moved to dis-

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miss the complaint of plaintiff Brought to Life Music, Inc. ("BTLMI") pursuant to *Rule 12(b)(6), Fed. R. Civ. P.*, for failure to state a claim and pursuant to *Rule 12(b)(2) and (3), Fed. R. Civ. P.*, for lack of personal jurisdiction and venue. For the reasons set forth below, the motion is granted.

Prior Proceedings

The complaint in this action was filed on February 13, 2002, alleging copyright infringement of BTLMI's musical recording "Sam Adams" and inducement to infringe the same work.

The complaint states as to Storch:

Upon information and belief, defendant Mr. Scott Storch is an associate of the defendant Andre Young p/k/a Dr. Dre and provided a copy of the musical track Sam Adams to defendant Andre Young p/k/a Dr. Dre.

The plaintiff Brought To Life, [*2] Inc. is informed and believes, therefore avers, that the defendants have infringed upon the copyright of plaintiff Brought To Life, Inc. in its Sam Adams musical track by copying portions of the Sam Adams musical track from the song entitled FAMILY AFFAIR appearing on the compact disc entitled NO MORE DRAMA, and the compact disc NO MORE DRAMA being the infringing work has been sold within this judicial district and elsewhere.

Plaintiff alleges copying and infringement by the remaining defendants.

The instant motion was heard and marked fully submitted on January 15, 2003.

The Standard For 12(b)(6)

[HN1] Dismissal of a complaint pursuant to *Federal Rules of Civil Procedure 12(b)(6)* is appropriate only if "it appears beyond doubt that the plaintiff can prove no set of facts in support of the claim which would entitle him to relief." *Carell v. The Shubert Organization, Inc.*, 104 F. Supp. 2d 236, 246 (S.D.N.Y. 2000). A pleading "must at least set forth sufficient information for the court to determine whether some recognized legal theory exists on which relief" can be found. 2 James Wm. Moore et al., *Moore's Federal Practice* P 12.34[1][b] (3d ed. [*3] 2002). Moreover, it is the legal sufficiency of the complaint, "not the weight of any evidence offered in support of the action" that is to be assessed. *Spadafor v. Reale*, 2001 U.S. Dist. LEXIS 13514, 2001 WL 1020359, at *1

(S.D.N.Y. Sept. 5, 2001).

The Complaint Fails to Allege a Claim for Copyright Infringement

[HN2] To withstand a motion to dismiss, a properly plead copyright infringement claim must allege:

(i) which specific original work is the subject of the claim, (ii) that plaintiff owns the copyright in the work, (iii) that the copyright has been registered in accordance with the statute, and (iv) by what acts during what time the defendant infringed the copyright.

Marvullo v. Gruner & Jahr AG & Co., 2001 U.S. Dist. LEXIS 266, 2001 WL 40772, at *2 (S.D.N.Y. Jan. 17, 2002) (citing *Kelly v. L.L. Cool J.*, 145 F.R.D. 32, 35 (S.D.N.Y. 1992), aff'd, 23 F.3d 398 (2d Cir.) cert. denied, 513 U.S. 950 (1994)).

Plaintiff here has not alleged that Storch has violated any of its alleged exclusive rights in its works. Specifically, Storch is not alleged to have (i) reproduced plaintiff's work; (ii) prepared derivative works based [*4] on plaintiff's work; (iii) distributed copies of plaintiff's work to the public for sale; or (iv) performed plaintiff's work publicly by means of digital audio transmission. See 17 U.S.C. § 106. Plaintiff has not attempted to describe "by what acts and during what time" Storch infringed the copyright.

The Complaint Fails to Allege a Claim for Contributory Copyright Infringement

[HN3] To establish a claim for contributory copyright infringement, a plaintiff must allege that the defendant "with knowledge of the infringing activity, induced, caused, or materially contributed to the infringing conduct of another." *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). A plaintiff must allege that the defendant knew of, and substantially participated in, the alleged direct infringement, for a claim of contributory infringement to stand.

[HN4] Significantly, with regard to the participation prong, an allegation that a defendant "merely provided the means to accomplish an infringing activity" is insufficient to establish a claim for contributory infringement. *Livnat v. Lavi*, 1998 U.S. Dist. LEXIS 917, 1998 WL 43221, [*5] at *3 (S.D.N.Y. Feb. 2, 1998) (citation omitted); see also *Quiroga v. Fall River Music, Inc.*, 1998 U.S. Dist. LEXIS 19039, 1998 WL 851574, at *37 (S.D.N.Y. Dec. 7, 1998) ("[a] mere allegation that the defendant provided the third

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party with the opportunity to engage in wrongful conduct would not even be enough to survive a motion to dismiss"); *Display Producers, Inc. v. Shulton, Inc.*, 525 F. Supp. 631, 633 (S.D.N.Y. 1981) (a mere allegation that the defendant provided the primary infringer "with the opportunity to engage in wrongful conduct does not, without more, state a claim for contributory infringement . . ."). Rather, participation in the infringement must be "substantial" and the "authorization or assistance must bear a direct relationship to the infringing acts, and the contributory infringer must have acted in concert with the direct infringer." *Livnat*, supra, 1998 U.S. Dist. LEXIS 917, 1998 WL 43221, at *3 (citing 3 Melville B. Nimmer, David Nimmer, *Nimmer on Copyright* § 12.04[A][2][a], at 12-75 (1996)).

[HN5] In addition to the requirement of substantial participation, knowledge of the infringing activity is also critical to sustaining a claim for contributory infringement. [*6] Thus, one who "supplies another with instruments by which another commits a tort, must be shown to have knowledge that the other will or can reasonably be expected to commit a tort with the supplied instrument. The test is whether [the] wrongdoing . . . might well have been anticipated by the defendant." *Display Producers*, 525 F. Supp. at 633 (citations omitted). Moreover, while knowledge of the infringing activity may be actual or constructive, "one who furnishes a copyrighted work to another but is innocent of any knowledge of the other party's intended illegitimate use will not be liable." *Livnat*, supra, 1998 U.S. Dist. LEXIS 917, 1998 WL 43221, at *3 (citing 3 *Nimmer on Copyright* § 12.04[A][2][b] at 12-76-77).

Here, the complaint does not allege that Storch had knowledge of, or reasonably should have anticipated the alleged infringement and alleges only that (i) Storch gave defendant Andre Young a copy of BTLMI's song, and that (ii) its copyright was infringed with knowledge.

There is no allegation of any participation in the alleged infringement by Storch, let alone substantial participation amounting to the "conversion [of] plaintiff's song for his own use. [*7] "

BTLMI has not distinguished the authorities cited by Storch. See *Carell v. The Shubert Organization, Inc.*, 104 F. Supp. 2d 236, 271 (S.D.N.Y. 2000) (motion to dismiss claim of contributory infringement granted where plaintiff failed to allege authorization or participation sufficient for liability); *Cable News Network, L.P., L.L.P. v. GOSMS.com, Inc.*, 2000 U.S. Dist. LEXIS 16156, 2000 WL 1678039, at *6 (S.D.N.Y. Nov. 6, 2000) (motion to dismiss claim of contributory infringement granted where plaintiff failed to allege supervision or control over, or contribution to, the infringement); *Livnat*, supra, 1998 U.S. Dist. LEXIS 917, 1998 WL 43221, at *4 (plaintiff

could not sustain a claim for contributory copyright infringement against a defendant who left plaintiff's photographs with the primary infringer since the defendant lacked actual or constructive knowledge that the primary infringer would make use of the photographs) and *Calloway v. The Marvel Entertainment Group*, 650 F. Supp. 684, 1983 WL 1152, at *2 (S.D.N.Y. Dec. 23, 1983) (motion to dismiss claim of contributory infringement granted where plaintiff failed to allege that defendant supervised or had a financial interest in the infringing [*8] activities or participated in the dissemination of the work or materially contributed to the infringement).

In fact, the allegation by BTLMI of contributory infringement is made in plaintiff's opposition, not in the complaint. As this Court previously pointed out, [HN6] more specific allegations contained in an opposing brief cannot be used to supplement otherwise conclusory allegations in a complaint. *Livnat v. Lavi*, 1997 U.S. Dist. LEXIS 13633, 1997 WL 566097, at FN1 (S.D.N.Y. Sept. 8, 1997). In any event, even the allegations in BTLMI's opposition fail to support a claim of contributory infringement against defendant Storch. The allegation that Storch's infringement is "well documented in his association with co-defendant Andre Young" does not allege a claim for contributory infringement.

The Complaint Fails to Allege Personal Jurisdiction Adequately

BTLMI has alleged that Storch is a Pennsylvania resident (Compl. P 4) and has failed to show that jurisdiction over Storch may be asserted under [HN7] CPLR 301, which applies to non-resident defendants who are "engaged in such a continuous and systematic course of 'doing business' in New York as to warrant a finding of 'presence'" in the [*9] state. *Carell*, (supra), 104 F. Supp. 2d at 268. Thus, a non-resident defendant must conduct, or purposefully direct business, in New York "not occasionally or casually, but with a fair measure of permanence and continuity." *Id.* (citations omitted); *Landoil Resources Corp. v. Alexander & Alexander Servs., Inc.*, 918 F.2d 1039, 1043 (2d Cir. 1991) (citation omitted). In [HN8] determining whether a defendant "does business" in New York for purposes of CPLR 301, courts traditionally consider the existence of an office in New York, the solicitation of business in New York, the presence of bank accounts and other property in New York, and the presence of employees or agents in New York. See *Carell*, supra, 104 F. Supp. 2d at 268; *Landoil Resources*, supra, 918 F.2d at 1043. Nowhere in the complaint does BTLMI allege the existence of any of the traditional indicia.

The activities set forth in the opposition to the motion include (i) Storch's involvement with musical recordings

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produced in New York; (ii) the derivation of income from the sale of musical recordings nationwide, including New York; (iii) musical performances [*10] in New York; and (iv) co-publishing relationship with a New York entity. These activities, not alleged in the complaint but asserted, do not constitute as stated the degree of continuous and systematic contacts required under CPLR 301. See *Mantello v. Hall*, 947 F. Supp. 92, 98 (S.D.N.Y. 1996) (finding allegations that defendant regularly entered into licensing agreements with New York entities for rights to produce plays elsewhere and regularly hired New York actors did not amount to "doing business" and stating that "the mere existence of a business relationship with entities within the forum state is insufficient to establish presence") (citations omitted); *Jacobs v. Felix Bloch Erben Verlag fur Buhne Film und Funk KG*, 160 F. Supp. 2d 722, 732 (S.D.N.Y. 2001) (producers' contacts with this forum, which included viewing theater productions, negotiating, and casting and hiring talent for productions overseas, were insufficient to establish jurisdiction under CPLR 301). BTLMI has relied on *ABKCO Indus., Inc. v. Lennon*, 85 Misc. 2d 465, 377 N.Y.S.2d 362 (N.Y. Sup.Ct. 1975). That case was "an exception to the norm" and a "departure [*11] from established principle and precedent" because the defendant there, a member of The Beatles, exploited his musical recordings through New York accountants and attorneys whom he had retained on a continuing basis (see *ABKCO Indus., Inc. v. Lennon*, 52 A.D.2d 435, 384 N.Y.S.2d 781, 784 (1st Dep't 1976)) and was therefore found to be doing business in New York "pervasively, unmistakably, undeniably, continuously, and substantially." 377 N.Y.S.2d at 366.

[HN9] Under CPLR 302(a)(1), which establishes jurisdiction when the defendant transacts business in the

state, "it is well-settled that the relationship between the claim and the in-state transaction must be 'direct.'" *Jacobs*, 160 F. Supp. 2d at 739 (finding connection between alleged copyright infringement and defendants' in-state activities was too remote).

[HN10] Cases invoking a contributory infringement theory to establish an agency relationship sufficient to invoke CPLR 302(a)(2) require a close nexus between the defendant and the primary infringer such that the defendant can be deemed to be purposefully using an intermediary "to take advantage of the market in the forum state, while avoiding [*12] jurisdiction for infringement." *The Topps Co., Inc. v. Gerrit J. Verbug Co.*, 961 F. Supp. 88, 91 (S.D.N.Y. 1997). No such connection is alleged here.

[HN11] CPLR 302(a)(3) authorizes jurisdiction over non domiciliaries who commit a tortious act outside the state causing injury to person or property within the state. As concluded above, the complaint has failed to allege that Storch committed such an act.

In the absence of appropriate jurisdictional allegations, the complaint is dismissed.

Conclusion

For the reasons set forth above, the motion of Storch is granted, and the complaint is dismissed with leave granted to replead within twenty (20) days.

It is so ordered.

New York, NY
February 11, 2003

ROBERT W. SWEET
U.S.D.J.

LEXSEE 1994 U.S. DIST. LEXIS 21457

**CACI INTERNATIONAL INC. et al., Plaintiffs, v. PENTAGEN TECHNOLOGIES
INTERNATIONAL, LTD., et al., Defendants.**

Civil Action No. 93-1631-A

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA,
ALEXANDRIA DIVISION**

1994 U.S. Dist. LEXIS 21457

June 16, 1994, Decided

June 16, 1994, Filed

DISPOSITION: [*1] Plaintiffs' Motion for Summary Judgment GRANTED as to Counts I, II, IV and V, and DENIED as to Count III. Defendants' Motion for Summary Judgment GRANTED as to Count III and DENIED as to all other counts.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff alleged infringers brought action against defendant copyright holders seeking a declaratory judgment that they had not infringed on any copyrights or trademarks and for damages under state law claims of breach of contract, tortious interference with contract, and defamation.

OVERVIEW: The court found that alleged infringers and copyright holders had terminated their teaming agreement concerning the marketing of copyright holders' software product to the military after the copyright interests became disputed. Alleged infringers teamed with another company to get the military contract. The court granted a summary judgment for alleged infringers as to copyright and trademark infringement, tortious interference, and defamation and granted summary judgment for copyright holders on the breach of contract claim. Because of the statutes of limitations and no evidence of a derivative work, the court found no copyright or trademark infringement. The court concluded that alleged infringers had no breach of contract claim against those copyright holders who did not warrant good title to the software rights. Because copyright holders had taken actions that harmed alleged infringers' business relationship with its new teaming partner, the court determined that there was tortious interference. Finally, the court found that copyright holders had knowingly made false statements about alleged infringers.

OUTCOME: The court granted summary judgment for

alleged infringers by finding no copyright or trademark infringement and finding tortious interference and defamation. The court granted summary judgment for copyright holder on alleged infringers' breach of contract claim.

LexisNexis(R) Headnotes

*Copyright Law > Formalities > Deposit & Registration > Registration > Registration Certificates
Copyright Law > Civil Infringement Actions > Presumptions & Requirements > Registration Requirement*

Copyright Law > Subject Matter > General Overview
[HN1] Registration of a copyright is a prerequisite for bringing an infringement claim. *17 U.S.C.S. § 411(a)*.

*Copyright Law > Formalities > General Overview
Copyright Law > Civil Infringement Actions > Defenses > Statutes of Limitations & Laches*

[HN2] The statute of limitations for copyright infringement claims is three years from the date the cause of action accrued.

*Copyright Law > Civil Infringement Actions > Elements > Copying by Defendants
Copyright Law > Ownership Interests > General Overview*

[HN3] A claim of copyright infringement requires a showing of ownership of a valid copyright and unauthorized copying of the copyrighted work.

*Copyright Law > Collective & Derivative Works > Derivative Works
Copyright Law > Conveyances > General Overview
Copyright Law > Ownership Interests > Governmental Works*

[HN4] The owner of a copyright under Title 17 has certain exclusive rights, including the right to authorize (1) the

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reproduction of a copyrighted work, (2) the preparation of derivative works based upon the copyrighted work, and (3) the distribution of copies of the copyrighted work to the public by sale or other transfer of ownership, or by rental, leasing, or lending. 17 U.S.C.S. § 106.

Copyright Law > Civil Infringement Actions > Elements > Substantial Similarity > General Overview

Copyright Law > Collective & Derivative Works > Derivative Works

Copyright Law > Civil Infringement Actions > Elements > Copying by Defendants

[HN5] A copyright holder may prove copying by showing access to the copyrighted work and substantial similarity between the copyrighted work and the infringing work.

Trademark Law > Infringement Actions > Jurisdiction > General Overview

Trademark Law > Federal Unfair Competition Law > General Overview

Trademark Law > Infringement Actions > Defenses > General Overview

[HN6] Trademark infringement claims are subject to a two-year statute of limitations.

Torts > Business & Employment Torts > Interference With a Contract

[HN7] To prove tortious interference with contract under Virginia law, plaintiffs must show (1) the existence of a valid contractual relationship or business expectancy; (2) knowledge of the relationship or expectancy on the part of the interferer; (3) intentional interference inducing or causing a breach or termination of the relationship or expectancy; and (4) resultant damage to the party whose relationship or expectancy has been disrupted.

Torts > Defamation & Invasion of Privacy > Defamation Actions

Copyright Law > Civil Infringement Actions > Infringement Online > Determinations

[HN8] Under Virginia law, it is defamation per se to prejudice a person in his trade, and that prejudice arises from statements which cast aspersion on its honesty, credit, efficiency or its prestige or standing in its field of business.

COUNSEL: For CACI, INTERNATIONAL, INC., CACI, INC - FEDERAL, plaintiffs: Christian Reginald Bartholomew, Joseph William Koegel, Jr., Steptoe & Johnson, Washington, DC.

For PENTAGEN TECHNOLOGIES INTERNATIONAL, LTD., JOHN C BAIRD, MITCHELL R LEISER, defendants: Gregory E. Stambaugh, Brown & Stambaugh, Manassas, VA.

For PENTAGEN TECHNOLOGIES INTERNATIONAL, LTD., JOHN C BAIRD, MITCHELL R LEISER, defendants: Joel Z. Robinson, New York, NY.

For MITCHELL R LEISER, defendant: John Kenneth Zwerling, Zwerling & Kemler, P.C., Alexandria, VA.

For USA, interested party: Robert A Spencer, U.S. Attorney's Office, Alexandria, VA.

JUDGES: Leonie M. Brinkema, United States District Judge.

OPINIONBY: Leonie M. Brinkema

OPINION:

MEMORANDUM OPINION

I

This matter is before the Court on motions for summary judgment. The central issue in this matter is whether plaintiffs have infringed a copyright by marketing software to a third party pursuant to a teaming agreement with the alleged copyright holder's [*2] subsidiary/licensee and the copyright holder's "successor in interest." Additionally, plaintiffs seek declaratory judgment regarding any infringement of defendants' trademark and damages for related state law claims of breach of contract, tortious interference with business relations, and defamation.

Plaintiffs moved for summary judgment on all issues pursuant to *Fed. R. Civ. P. 56*. Defendants filed an opposition to that motion in which they also moved for summary judgment on all issues. The Court's disposition of these matters is reflected in this opinion.

II

The ownership history of the software that is at the heart of this controversy is long and tortuous. Because this history bears on some of the issues in this matter, it will be necessary to recount it here, although every effort will be made to be succinct. The parties do not differ to any significant degree about these facts.

Defendant Pentagen Technologies International, Ltd. ("Pentagen") is an English corporation with an office in New York. Defendant Baird Technologies, Inc. ("BTI") is a Delaware corporation, also located in New York. BTI is the United States subsidiary of Pentagen. Defendant John Baird ("Baird") was an [*3] officer of both Pentagen and BTI during the time periods relevant to this lawsuit. He

was also a developer of the MENTIX software, which is at the heart of the parties' dispute. Defendant Mitchell Leiser is a vice-president and director of Pentagen and was, at relevant times, an officer and director of BTI.

In 1989, Robert O'Brien invested in Pentagen through his company, Runaway Development Group, S.A. ("RDG"). Overall, O'Brien/RDG invested \$400,000, part of which was common stock convertible into secured promissory notes of Pentagen. O'Brien exercised that option in Spring, 1990. Pentagen issued the notes which were secured by the intellectual property of Pentagen, namely MENTIX. On June 21, 1990, Pentagen assigned its patent applications to RDG. O'Brien also began acting as a director of Pentagen and BTI. Pentagen defaulted on the loan and O'Brien asserted ownership of the software through his own corporations RDG and Expert Objective Systems Development Corporation (EOSD). O'Brien also filed suit against Pentagen and BTI in New York alleging securities fraud. Pentagen counterclaimed, asserting that O'Brien/RDG converted the MENTIX software because the underlying security interest [*4] was void under English law which does not allow for equity interests to be converted into secured loans.

At about the same time O'Brien/RDG converted equity interest in the fledgling software enterprise into a secured loan, BTI was marketing the MENTIX software to the Army Materiel Command (AMC), which is part of the United States Government Department of Defense. From all reports, the AMC was favorably impressed with the software, which purportedly translates programming applications from one language to another. Although the AMC expressed some interest in procuring the software, it had two notable reservations about the vendor, BTI. The first concern was that BTI had no "track record" of providing goods and services to the government, and therefore could not qualify as a "responsible party." The second concern was that BTI was a wholly owned subsidiary of an English company, and therefore its products would be difficult to procure in light of the Buy America Act. At this point BTI approached plaintiffs. CACI International ("CACI"), an international high-tech business for systems engineering and information sciences, is a Delaware corporation with its principal place of business [*5] in Virginia. CACI-Federal ("CACI-Fed") is a CACI subsidiary which focuses on systems integration, custom software development, and software engineering. BTI recognized that plaintiffs had significant experience marketing to the government and that CACI was recognized as a "responsible party." CACI and BTI, through its officer Baird and later through O'Brien, negotiated a teaming agreement under which CACI would market MENTIX to the AMC. BTI assured CACI that it had a Master Licensing Agreement with Pentagen which allowed it to license

MENTIX to third parties, such as CACI and the AMC.

During these negotiations two events occurred, unknown to CACI at the time, which bear on this present imbroglio. The first was Pentagen's defalcation on the O'Brien loan with the subsequent assertion of ownership rights over MENTIX by RDG. The second was Pentagen's failure to make the appropriate corporate filings in England, which resulted in the corporation being struck from the list of companies from March 1990 to September 14, 1990, during which time its assets, including the intellectual property MENTIX, was bona vacantia, and forfeit to the Crown.

O'Brien and BTI's counsel advised CACI that [*6] RDG was a successor in interest to Pentagen's MENTIX copyright. Having been provided with a copy of the assignment of Pentagen's rights by O'Brien, and having been informed that RDG was licensing its subsidiary EOSD to provide MENTIX for the teaming agreement, CACI amended the draft teaming agreement to reflect that change. CACI sent the revised draft to O'Brien and Baird. Baird did not respond, but O'Brien continued the negotiations. On August 15, 1990, CACI signed the teaming agreement with BTI (O'Brien signing as "acting CEO"), EOSD and O'Brien. In that agreement, BTI, EOSD and O'Brien warranted to CACI, Inc.-Federal that they had good title to or adequate rights to license MENTIX. However, later that same day, Baird told CACI that RDG did not have title to MENTIX and suggested that CACI not enter into the teaming agreement with them. CACI advised Baird that the teaming agreement had already been signed.

Concerned by this communication, CACI turned to O'Brien for assurances regarding the ownership of MENTIX and licensing capabilities of EOSD, BTI and O'Brien. O'Brien again sent a copy of the assignments. Thereafter, pursuant to the teaming agreement, CACI made a copy of the software [*7] in September 1990 and returned the original MENTIX disks to O'Brien. n1

n1 This copying was a two-step process. The first version of the software which O'Brien sent reflected the copyright holder as Baird. CACI sought clarification and O'Brien sent new disks which reflected that EOSD was the copyright holder.

Based on these representations, CACI proceeded to perform under the teaming agreement by sending a "white paper" to the AMC recommending a research project to develop MENTIX into a product that would serve the AMC's needs. Next, CACI prepared and presented a business proposal outlining the method of reengineering AMC information systems to integrate databases and modern-

ize systems. Several meetings were held with AMC to make presentations and answer questions. At the end of September, 1991, after this work had been done, Baird again contacted CACI and disputed O'Brien's rights to MENTIX. Baird faxed to CACI a copy of the counterclaim to a suit brought by RDG against Pentagen and Baird in New York. Although [*8] CACI was referenced in the counterclaim, it was not a party in that lawsuit.

Three days later, Baird also asserted his belief that CACI was on the verge of entering into a contract with the AMC involving MENTIX, and offered to sign the teaming agreement and to provide the licensing rights for MENTIX to CACI. On October 3, CACI informed Pentagen that there was no contract with the AMC. Pentagen again offered CACI what it believed were the necessary licensing rights and indemnification should CACI wish to proceed with an AMC procurement. At that point O'Brien again assured CACI that RDG had title to MENTIX. O'Brien sent another copy of the assignments. Additionally, NSL, the owner of the software from which MENTIX was derived, informed CACI by letter that "as far as we are concerned, Mr. Baird has no continuing arrangement or agreement with respect to Q'Nial."

CACI discontinued all activity related to marketing MENTIX to the AMC and began its own internal review of the situation. Eight weeks later, in January 1992, CACI terminated the teaming agreement and returned its copy of MENTIX to O'Brien. Defendants have presented no evidence of CACI making any additional copies of MENTIX or [*9] of getting any contract from AMC for this project.

The next month, the U.S. Army Information Systems Selection and Acquisition Agency issued a request for proposals for the Army's Sustaining Base Information Services ("SBIS") Program. CACI teamed with IBM to submit a proposal. In July 1993, IBM was awarded the SBIS contract, and CACI currently serves as a subcontractor to IBM on that contract.

At this point CACI was drawn into the litigation quagmire surrounding the ownership of MENTIX. In July 1993 Pentagen filed suit against CACI in the Supreme Court of New York claiming conversion of MENTIX based on CACI's marketing of the software to the AMC, as well as violations of the New York Penal Code and nonexistent sections of the Virginia Code of Criminal Justice based on the same marketing activity. CACI moved to dismiss in September, and that motion was still pending when, in January 1994, the action became removable to the federal court. That lawsuit is now on the docket of the United States District Court for the Southern District of New York and the motion to dismiss remains pending.

In December 1993, Pentagen filed a complaint against

CACI in federal court alleging (1) copyright [*10] infringement under 17 U.S.C. § 501; (2) trademark infringement and unfair competition under §§ 32 and 43 (a) of the Lanham Act, 15 U.S.C. §§ 1114 and 1125; and (3) a violation of the Major Fraud Against the United States Act, 18 U.S.C. § 1031. That complaint is based again on CACI's marketing MENTIX to the AMC and adds that CACI's use of its RENovate methodology and CACI's development of software on the SBIS contract will infringe Pentagen's copyright of MENTIX. CACI filed a motion to dismiss all counts of Pentagen's complaint on February 22, 1994.

Believing that the federal court in New York lacked jurisdiction over it and that Pentagen's claims would ultimately be litigated in the Eastern District of Virginia, CACI filed its complaint on December 22, 1993, seeking declaratory judgment regarding Pentagen's copyright infringement and trademark infringement and adding supplemental state law claims for damages arising from breach of contract, tortious interference with contract and defamation. Following this Court's ruling denying defendants' motion to dismiss, defendant BTI failed to file an answer. An Order entering [*11] Default Judgment against BTI issued on March 17, 1994.

With this background in mind, the Court now addresses the legal issues raised in the summary judgment motions.

III

Copyright infringement

The defendant owners of the MENTIX copyright are precluded as a matter of law from establishing copyright infringement with respect to some of CACI's activity while CACI possessed the software. [HN1] Registration of a copyright is a prerequisite for bringing an infringement claim 17 U.S.C. § 411(a); See *Eastern Pub. and Advertising, Inc. v. Chesapeake Publ. & Advertising, Inc.*, 831 F.2d 488, 490 (4th Cir. 1987). Pentagen did not register its MENTIX copyright until December 7, 1993. Additionally, [HN2] the statute of limitations for copyright infringement claims is three years from the date the cause of action accrued. Because the registration did not occur until December 1993, activities that predate December 1990 are not actionable under a copyright infringement theory. Defendants argue that the Court should consider the teaming agreement and marketing to the AMC as a continuous and on-going scheme and have the later alleged acts of infringement relate [*12] back to earlier activities. This Court has rejected any application of a "rolling statute of limitations" theory under the copyright law. *Hoey v. Dixel Systems Corp., et al.*, 716 F. Supp. 222, 223 (E.D. Va. 1989). Therefore, activities predating

December 7, 1990, are as a matter of law outside the scope of this lawsuit. Specifically, CACI's making one backup copy of MENTIX in September 1990 cannot constitute copyright infringement.

This Court limits its examination of the copyright infringement question to the marketing activities to AMC that occurred after December 7, 1993 and in connection with the SBIS contract. [HN3] A claim of copyright infringement requires a showing of ownership of a valid copyright and unauthorized copying of the copyrighted work. *Avtec Systems, Inc. v. Peiffer*, 1994 U.S. App. LEXIS 6522, *7 (4th Cir. 1994). Although plaintiffs raise some challenges to defendants' ownership of a valid copyright, the central issue to be decided is whether marketing without actual distribution of a software package constitutes copyright infringement. n2 For the reasons set forth below, we hold that it does not.

n2 Plaintiff argues that during the time Pentagon was not a registered company, March to September 1990, it cannot assert ownership of the copyright because its assets were bona vacantia and property of the Crown. Though the intricacies of British property law as they relate to the application of copyright ownership under the U.S. Code are of keen academic interest, the Court finds that the issues in this case can be squarely addressed without resort to such Rumpolean antics.

[*13] [HN4]

The owner of a copyright under Title 17 has certain exclusive rights, including the right to authorize (1) the reproduction of a copyrighted work, (2) the preparation of derivative works based upon the copyrighted work, and (3) the distribution of copies of the copyrighted work to the public by sale or other transfer of ownership, or by rental, leasing, or lending. 17 U.S.C. § 106. In marketing the work to the AMC, plaintiffs offered to prepare a derivative work, MENTIX-MVS. There is no evidence in the record that the derivative work was actually prepared or that MENTIX was copied (within the statutory time frame) or distributed in any respect pursuant to the AMC during CACI's marketing efforts under the teaming agreement. In rebuttal to plaintiffs' evidence that it did none of those things, defendants offer only a statement by an AMC employee that he overheard a comment related to MENTIX from which he inferred that a copy of the software had been made by CACI and provided to the AMC. Such evidence does not rise to a genuine dispute of material fact, let alone act as proof of infringement. In claiming that a mere offer to provide a derivative work of copyrighted [*14] material constitutes infringement,

defendants overlook an essential element of an infringement claim: that the work was copied. [HN5] A copyright holder may prove copying by showing access to the copyrighted work and substantial similarity between the copyrighted work and the infringing work. *M. Kramer Mfg. Co., Inc. v. Andrews*, 783 F.2d 421 (4th Cir. 1986). Apart from the backup copy, there is no direct evidence of copying. There is no evidence in the record of a work that is "substantially similar" to MENTIX resulting from the AMC marketing efforts.

As to the SBIS contract, defendants contend that CACI's offer to provide re-engineering services through its RENovate methodology would necessarily require use of a product either derived from or substantially similar to MENTIX. CACI disputes that it had access to the MENTIX software at the time it teamed with IBM to prepare a proposal on the SBIS contract. The evidence supports CACI's assertion that MENTIX was returned the month before the government solicited SBIS proposals. Even if the Court draws the inference that CACI contemplated using a MENTIX-infringing copy or derivative in a government contract before the Army's [*15] request for proposals came out, particularly during the time before the backup copy of the software was returned, there is still no evidence in the record that CACI created a product that is substantially similar to MENTIX. Moreover, the unrebutted evidence, specifically the report of Dr. Rotenstreich, plaintiffs' expert, reflects that MENTIX (or its derivative) could not perform the reengineering offered by CACI in the SBIS project. That report also concluded that MENTIX is almost "identical" to Q'Nial and that "as a software engineering tool Q'Nial can be replaced by many other tools that are much better and less expensive." Such a finding substantively undercuts defendants' arguments that a software product developed by CACI under the SBIS contract to provide software reengineering depended on access to MENTIX or would be substantially similar to MENTIX. Therefore, the Court finds that with respect to both the AMC marketing effort and the SBIS contract proposal, plaintiffs are entitled to declaratory judgment on Count I.

Trademark infringement

Plaintiffs seek declaratory judgment that their use of the word MENTIX in marketing efforts with the AMC does not constitute trademark [*16] infringement or unfair competition under 15 U.S.C. §§ 1114 and 1125. In addressing the issue of trademark infringement, the Court is without jurisdiction to look at claims arising before December 1991. [HN6] Trademark infringement claims are subject to a two-year statute of limitations. See *Unlimited Screw Products, Inc. v. Malm*, 781 F. Supp. 1121, 1125 (E.D.Va. 1991). Defendants allege that plain-

tiffs deceived the United States government by stating to the AMC that it could legally provide MENTIX software when it allegedly could not. Those proposals, however, were made before December 1991. There is no evidence in the record of activity by plaintiffs within the scope of the limitations period that could have infringed MENTIX's trademark. Therefore, this Court finds that plaintiffs are entitled to summary judgment as to count II.

Breach of Contract

Plaintiffs allege that defendants breached the teaming agreement which plaintiffs terminated on January 20, 1992. Under the terms of the August 15, 1990, teaming agreement between CACI and BTI/EOSD/O'Brien, BTI and EOSD warranted that they had good title or adequate right to license MENTIX and [*17] that they would indemnify and hold plaintiff CACI-Federal harmless with respect to infringement claims, and shall "(i) defend at its own expense, (ii) obtain through negotiation or (iii) modify the product to make it noninfringing while preserving the original functionality, so as to enable the parties to continue using such products as originally intended under this Agreement." Pltf. Ex. 4B. Plaintiffs seek to enforce the indemnification clause against both BTI, a signatory to the agreement, and Pentagen, as the alter ego of BTI which exercised pervasive control over BTI. Plaintiffs also ask the Court to find defendants Baird and Leiser personally liable because they held themselves out as officers of Pentagen during the time Pentagen was not a corporation, which included the time the teaming agreement was signed.

The Court has already entered default judgment against BTI, requiring BTI to indemnify and hold CACI harmless with respect to the claims asserted by Pentagen. Under the terms of the May 2, 1994 Order of this Court, CACI needs to establish that: (1) Pentagen was BTI's alter ego; and (2) Baird and Leiser were Pentagen's or BTI's alter egos in order to obtain summary judgment [*18] against all three defendants.

The teaming agreement is governed by the law of Virginia. With respect to piercing the corporate veil, plaintiffs must show that BTI is "the alter ego, alias, stooge, or dummy of the individuals sought to be charged personally and that the corporation was a device or sham used to disguise wrongs, obscure fraud, or conceal crime." *RF&P Corp. v. Little*, 247 Va. 309, 440 S.E.2d 908, 913 (Va. 1994) (quoting *Cheatle v. Rudd's Swimming Pool Supply Co.*, 234 Va. 207, 360 S.E.2d 828, 831 (Va. 1987)).

Plaintiffs direct the Court to a number of factors in arguing that Pentagen was BTI's alter ego: the directors of Pentagen and BTI were "essentially identical", the boards of directors met simultaneously, BTI borrowed substan-

tial sums from Pentagen which have not been repaid (because BTI is insolvent), and Pentagen owned a majority of BTI's stock. Given these facts, plaintiffs argue, the Court should find that Pentagen was the alter ego of BTI. Virginia courts are reluctant to pierce the corporate veil in contract situations. *Beale v. Kappa Alpha Order*, 192 Va. 382, 64 S.E.2d 789 (1951); *Garrett v. Ancarrow Marine, Inc.*, 211 Va. 755, 180 S.E.2d 668 (1971). [*19] This is especially true where, as here, the two companies have held themselves out as separate entities, separate records are kept, and the formalities associated with corporate entities are observed. Moreover, under the facts developed in this record, it was BTI as controlled by O'Brien, not Pentagen, which entered into the teaming agreement. The Court, therefore, denies plaintiffs' request for summary judgment on Count III. Under the default judgment already entered plaintiffs are entitled to an ex parte hearing in which to offer proof of damages as to BTI.

Tortious interference with business relations

Plaintiffs claim that defendants Pentagen, Baird and Leiser have tortiously interfered with CACI's contract with IBM to perform work on the SBIS program. [HN7] To prove tortious interference with contract under Virginia law, plaintiffs must show "(1) the existence of a valid contractual relationship or business expectancy; (2) knowledge of the relationship or expectancy on the part of the interferer; (3) intentional interference inducing or causing a breach or termination of the relationship or expectancy; and (4) resultant damage to the party whose relationship or expectancy [*20] has been disrupted." *Duggin v. Adams*, 360 S.E.2d 832, 835, 234 Va. 221 (Va. 1987) (quoting *Chaves v. Johnson*, 230 Va. 112, 335 S.E.2d 97, 102 (Va. 1985)).

Defendants do not dispute any of the facts alleged by plaintiffs. CACI teamed with IBM to perform work under the SBIS contract and is a subcontractor for the SBIS contract. Pentagen was aware of the contractual relationship between IBM and CACI, as evidenced by Pentagen's press releases of October 28, 1993 and December 10, 1993 which reference the IBM/CACI contract. There is also undisputed evidence that Pentagen communicated with other parties to the SBIS contract, such as the Army and other contractors in an attempt to interfere with CACI's contractual relationship with IBM. Indeed, Pentagen threatened IBM, other subcontractors and the Army with litigation for associating with CACI and urged a losing bidder to pursue a bid protest of the SBIS award based on the allegation that CACI was infringing on the MENTIX software copyright.

CACI argues that Pentagen's interference was premeditated and harassing. As a result of Pentagen's action

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IBM advised CACI that CACI could not use its RENovate methodology on the [*21] SBIS contract without IBM's prior written authorization. Because of discovery abuses and failure to follow court orders, defendants were precluded on May 2, 1994, from submitting evidence on the issue of tortious interference.

CACI has not submitted evidence that Baird and Leiser acted as other than officers of Pentagen when these interfering actions were made. All these actions were taken after Pentagen had been reinstated as a corporation. Therefore, the Court does not find individual liability on this count as to Baird and Leiser for whom summary judgment is granted. However, as to the corporate defendants, the Court finds that plaintiffs are entitled to summary judgment on Count IV in an amount to be determined at trial.

Defamation

Plaintiffs seek recovery for defamation, contending that Pentagen alleged in a press release dated September 13, 1993, and elsewhere, that CACI used and marketed the MENTIX computer software or a derivative of MENTIX as a significant component of CACI's RENovate process. This Court must follow the legal standard for defamation articulated in *Swengler v. ITT Corp.*, 993 F.2d 1063 (4th Cir. 1993), which holds that [HN8] under Virginia [*22] law it is defamation per se to prejudice a person in his trade, and that prejudice arises from statements "which cast aspersion on its honesty, credit, efficiency or its prestige or standing in its field of business." *Id.*, quoting *General Products Co., Inc. v. Meredith Corp.*, 526 F. Supp. 546, 549-50 (E.D. Va. 1981). In an October 28, 1993, press release Pentagen alleged that CACI's SBIS software bears a striking similarity to MENTIX and infringes Pentagen's copyright and trademark in MENTIX. CACI offered to allow Pentagen to review records that would demonstrate that CACI was not using MENTIX software in connection with RENovate, but Pentagen did not accept the offer. The record further reflects that Pentagen made those public statements with knowledge that they were false. Specifically, after defendant Leiser conducted his own "investigation" in September, 1993 of plaintiffs' RENovate methodology he concluded that "Renovate is a process and it is !!!!!TOOL INDEPENDENT!!!!" To put it clearly, defendants knew that plaintiffs' RENovate process did not infringe the MENTIX copyright at all before they issued press releases to the contrary. After the public allegations [*23] were made, the defendants purposefully ignored opportunities to learn the facts relevant to their allegations. Plaintiffs have established by clear and convincing evidence that defendants acted with malicious intent and are therefore entitled to punitive damages. *Swengler, supra*.

Therefore, the Court finds that plaintiffs are entitled to judgment on count V and the trial will go forward to determine the amount of compensatory and punitive damages.

Entered this 16th day of June, 1994.

Leonie M. Brinkema

United States District Judge

ORDER

For the reasons stated in the accompanying Memorandum Opinion, plaintiffs' Motion for Summary Judgment is GRANTED as to Counts I, II, IV and V, and DENIED as to Count III. Defendants' Motion for Summary Judgment is GRANTED as to Count III and DENIED as to all other counts. It is hereby

ORDERED that judgment is entered against Pentagen Technologies International, Ltd. on Counts I and II, declaring that: plaintiffs' marketing efforts directed at the AMC did not infringe Pentagen's MENTIX copyright; CACI's RENovate process does not infringe Pentagen's MENTIX copyright; the work to be performed by CACI on the SBIS contract does [*24] not infringe Pentagen's MENTIX copyright; and plaintiffs' marketing efforts directed at the AMC did not infringe any trademark held by Pentagen.

Further, it is hereby

ORDERED that judgment is entered against Pentagen Technologies International, Ltd. on Count IV, as to Pentagen's liability for tortiously interfering with the contractual relationship between CACI-Federal and IBM.

Further, it is hereby

ORDERED that judgment is entered against Pentagen Technologies International, Ltd., Baird and Leiser as to Count V, as to the defendants' liability for defamation per se.

Further, it is hereby

ORDERED that judgment is entered against plaintiffs with respect to defendants Pentagen Technologies International, Ltd., Baird and Leiser as to Count III.

In sum, the issues that remain for trial on June 20, 1994 are damages on Count IV, compensatory and punitive damages on Count V, and plaintiffs' ex parte proof of damages against BTI on Count III.

The Clerk is directed to forward copies of this Order and the Memorandum Opinion to counsel of record.

Entered this 16th day of June, 1994.

Leonie M. Brinkema

1994 U.S. Dist. LEXIS 21457, *24

United States District Judge

Alexandria, Virginia

LEXSEE 1990 U.S. DIST. LEXIS 18496

**DAE HAN VIDEO PRODUCTION, INC., Plaintiff, v. DONG SAN, CHUN, et al.,
Defendants**

Civil Action No. 89-1470-A

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA,
ALEXANDRIA DIVISION**

1990 U.S. Dist. LEXIS 18496; 17 U.S.P.Q.2D (BNA) 1306; Copy. L. Rep. (CCH) P26,740

June 18, 1990, Decided

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff production company and third-party defendant television company sought a permanent injunction and statutory damages, pursuant to 17 U.S.C.S. §§ 502(a) and 504(c), after they had been granted partial summary judgment against defendants on the question of liability in an action for infringement of copyrights on Korean television programs.

OVERVIEW: Plaintiff production company and third-party defendant television company were granted partial summary judgment and defendants found liable for infringement of domestic copyrights on Korean television programs through copying and distribution. Upon a trial on the issue of remedies, the court issued a permanent injunction against each of the defendants, pursuant to 17 U.S.C.S. § 502(a), to eliminate the threat of future infringements, given the ease of copying the television programs. In denying an award of damages with respect to three defendants, the court ruled that plaintiff and third-party defendant failed to prove the number of infringements committed by them and thus there was insufficient basis to determine damages. In awarding statutory damages against the other two defendants, under 17 U.S.C.S. § 504(c), the court found there were 615 acts of infringement, but that such infringement was not willful. Since there was insufficient evidence to determine actual damages, the statutory minimum of \$500 per infringement was awarded as a sufficient amount to compensate plaintiff and third-party defendant and to deter defendants.

OUTCOME: A permanent injunction issued against defendants because there was a likelihood of future infringements absent the injunction. No damages were awarded with respect to three defendants because the number of their infringements could not be determined. Statutory

damages of \$500 per infringement were awarded against the other defendants because actual damages were not ascertainable and the infringements were not willful.

LexisNexis(R) Headnotes

*Copyright Law > Conveyances > General Overview
Copyright Law > Civil Infringement Actions > Presumptions & Requirements > General Overview*

[HN1] In order to establish defendants' liability for infringement under 17 U.S.C.S. § 501, plaintiffs must first prove that they are the owner, assignee or licensee of a valid copyright in the disputed works. Plaintiffs must then show that the defendants copied their work and that they improperly appropriated their expression.

Copyright Law > Civil Infringement Actions > Remedies > Injunctive Relief

Copyright Law > Civil Infringement Actions > Remedies > Damages > Infringer Profits

Copyright Law > Civil Infringement Actions > Remedies > Costs & Attorney Fees

[HN2] The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights, the impoundment and destruction of all reproductions of his work made in violation of his rights, a recovery of his actual damages and any additional profits realized by the infringer or a recovery of statutory damages, and attorney's fees.

Copyright Law > Civil Infringement Actions > Remedies > Injunctive Relief

[HN3] In copyright actions, courts traditionally grant permanent injunctions once liability is established and there is a continuing threat to the copyright.

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Copyright Law > Civil Infringement Actions > Remedies > Damages > Infringer Profits
Copyright Law > Civil Infringement Actions > Remedies > Damages > Actual Damages
Copyright Law > Civil Infringement Actions > Remedies > Damages > Statutory Damages

[HN4] Under the provisions of 17 U.S.C.S. § 504(a), a copyright owner is entitled to either one of two forms of damages: (i) the owner's actual damages and any additional profits of the infringer, or (ii) statutory damages.

Copyright Law > Foreign & International Protections > Multilateral Treaties
Copyright Law > Civil Infringement Actions > Remedies > Damages > Statutory Damages
Copyright Law > Civil Infringement Actions > Remedies > Damages > Actual Damages

[HN5] Pursuant to 17 U.S.C.S. § 504(c), the copyright owner may elect, at any time before final judgment is rendered, to recover statutory damages in lieu of actual damages and lost profits. Section 504(c)(1) permits the court, in the exercise of its discretion, to award between \$250 and \$10,000 for each copyrighted work infringed before March 1, 1989. For infringements occurring after March 1, 1989, the effective date of the Berne Convention Implementation Act, the court may award between \$500 to \$20,000 per infringement. Within these limits, the court's discretion and sense of justice are controlling. If it is determined that the infringements were committed willfully, the court may increase the award up to \$50,000 for each copyright infringed prior to March 1, 1989 and up to \$100,000 for each infringement thereafter. On the other hand, if the infringement is found to be innocent the court may reduce the award to as little as \$100 per infringement committed prior to March 1, 1989 and \$200 thereafter.

Copyright Law > Civil Infringement Actions > Remedies > Damages > General Overview

[HN6] The policy behind an award of statutory damages encompasses both compensation for the plaintiff and deterrence of the defendant.

Copyright Law > Civil Infringement Actions > Burdens of Proof

Copyright Law > Civil Infringement Actions > Remedies > Damages > General Overview

[HN7] The plaintiff bears the burden of proving the number of infringements for which damages may be assessed.

Copyright Law > Civil Infringement Actions > Remedies > Damages > Actual Damages

Copyright Law > Civil Infringement Actions > Remedies > Damages > Statutory Damages

[HN8] When awarded, statutory damages should bear some relation to the actual damages suffered.

Copyright Law > Civil Infringement Actions > Burdens of Proof

Copyright Law > Civil Infringement Actions > Remedies > Damages > Statutory Damages

[HN9] The burden of proving that the infringements were committed willfully is on the plaintiff. The defendants, in turn, have the burden of proving that the infringements were committed innocently; that they were not aware and had no reason to believe that his or her acts constituted an infringement of copyright. 17 U.S.C.S. § 504(c)(2). Courts have focused largely on the element of intent, and the per-infringement award tends understandably to escalate, in direct proportion to the blameworthiness of the infringing conduct.

Copyright Law > Civil Infringement Actions > Remedies > Damages > General Overview

[HN10] An individual, including a corporate officer, who has the ability to supervise infringing activity and has a financial interest in that activity, or who personally participates in that activity is personally liable for the infringement.

Copyright Law > Civil Infringement Actions > Remedies > Costs & Attorney Fees

[HN11] See 17 U.S.C.S. § 505.

Copyright Law > Civil Infringement Actions > Remedies > Costs & Attorney Fees

[HN12] Courts have employed the following factors to guide the exercise of their discretion over an award of attorneys' fees: (1) the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith; (2) the defendants' status as innocent infringers; (3) the plaintiffs' prosecution of the action in bad faith; and (4) the defendants' good faith attempt to avoid infringement. The presence of such factors weighs in favor of denying an award of fees and costs.

JUDGES: [*1]

James C. Cacheris, United States District Judge.

OPINIONBY:

CACHERIS

OPINION:

MEMORANDUM OPINION

This matter came on for trial on April 23, 1990, on the issue of damages and the imposition of a permanent

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injunction. The damages arose when copyrights held in the United States on numerous Korean television programs were infringed by the defendants through unlawful copying and distribution. An injunction has been sought to prevent any future infringements. The question of liability was previously resolved when the court granted the Motion for Partial Summary Judgment submitted by the plaintiff, Dae Han Video Production, Inc. ("Dae Han"), and the third party defendant, Korean Television Enterprises, Ltd. ("KTE"). n1

n1 At the same hearing, the court denied the Motions for Partial Summary Judgment submitted by defendants Han Yang Oriental Grocery Company and Koritech Inc. in furtherance of their counterclaims for violations of the Sherman Act and *Va. Code* §§ 18.2-499 and 500. As it had been determined that KTE and Dae Han were pursuing legally protected copyrights, no violation of the antitrust laws could have occurred in connection with the enforcement of such rights. The defendants' counterclaims therefore were dismissed. See *Drop Dead Co. v. S.C. Johnson & Son*, 326 F.2d 87, 96 (9th Cir. 1963), cert. denied, 377 U.S. 907 (1964) (stating, in the context of trademark rights, that vigorous enforcement of such rights is exactly the "sort of aggressive competition and promotion that antitrust law seeks to protect.")

[*2]

Dae Han is a New York corporation with a license to distribute Korean television shows in the eastern United States. Dae Han's licensor is KTE, a wholly owned subsidiary and the American agent of Korean Broadcasting System ("KBS"). KBS and Munwha Broadcasting Company ("MBC") produce motion pictures for television broadcasts in Korea and have assigned the rights to distribute these pictures in the United States to KTE.

Dae Han alleges that the defendants herein are copying and distributing vast numbers of unauthorized copies of the Korean television shows. As a result, plaintiff contends that the value of its exclusive license to distribute has been greatly diminished. Because each television show is only valuable until the next episode is made available, the plaintiff argues that it is irreparably injured as a result of each act of infringement.

This matter first came before the court on the motion of plaintiff, Dae Han, for an Ex Parte Temporary Restraining Order, a Writ of Seizure, and an Order to Show Cause for Preliminary Injunction. On October 17, 1989, the plaintiff's ex parte motion was granted and an

order was entered restraining the defendants for ten days from selling, [*3] renting or duplicating any videotapes substantially similar to those at issue in the present litigation. In addition, the defendants were ordered to appear before this court on October 27, 1989 to show cause why a preliminary injunction should not be issued pending final determination of the case. Finally, a Writ of Seizure was issued to the U.S. Marshall for the Eastern District of Virginia directing the marshall to enter the premises of the defendants and seize any articles infringing on the plaintiff's copyrights. On October 21, 1989, the marshall's office executed the Writ of Seizure and discovered large amounts of allegedly infringing videotapes and duplicating equipment. In addition, upon entering the Koritech offices, the marshals observed the defendants in the process of creating additional copies of the Korean videotapes.

On October 27, 1989, at the show cause hearing, the court, after an extensive presentation of evidence and full argument, denied the plaintiff's motion for a preliminary injunction, dissolved the temporary restraining order, and ordered the plaintiff to return before October 30, 1989 all items seized from the defendants. The court took this action after [*4] concluding that Dae Han had failed to prove it was the exclusive licensee of KTE for purposes of distribution in the eastern region of the United States. Of particular relevance was the weak language of assignment in the distributorship agreement between Dae Han and KTE, especially the provision requiring Dae Han to obtain written permission from KTE before bringing suit to enforce KTE's copyrights.

On April 6, 1990, this court granted Dae Han's and KTE's Motion for Partial Summary Judgment against the defendants Koritech, Han Yang, Mr. and Mrs. Jung Chan Lee, and Mr. Young Min Ro. At that time, the court held that KTE had received from KBS and MBC valid assignments of the networks' distribution rights in the United States. The copyright registrations filed pursuant to these assignments were also found to be valid and legally enforceable. As the defendants never denied that they had reproduced and rented the programs, all the elements necessary to prove copyright infringement had been established. n2 The issues of damages and attorneys' fees were reserved for argument until April 23, 1990.

n2 [HN1] In order to establish defendants' liability for infringement under 17 U.S.C. § 501, plaintiffs must first prove that they are the owner, assignee or licensee of a valid copyright in the disputed Korean television programs. See *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 908 (2d Cir. 1980). Plaintiffs must then show that the defendants "'copied' their work and that they 'improperly appropriated' their 'expression'." *Hoehling*

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v. Universal Studios, Inc., 618 F.2d 972, 977 (2d Cir.), cert. denied, 101 S.Ct. 121 (1980) (quoting, *Arstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

[*5]

I

Findings of Fact

The court adopts the Oral Stipulation of Facts made on the morning of the damages hearing. After reviewing the pleadings, legal authorities, and arguments of counsel, the court finds the relevant facts of this case to be as follows:

Plaintiff Dae Han Video Productions, Inc. is a New York corporation. Counterclaimant Korean Television Enterprises, Ltd. (KTE) is a California corporation. Dae Han has been assigned by KTE the rights to distribute in the Eastern region of the United States videotapes of the Korean television programs herein at issue. KTE is the owner of the copyrights to these programs in the United States. KTE was assigned these rights by the Korean Broadcasting System ("KBS") and the Munwha Broadcasting Company ("MBC"), two Korean corporations which produce the programs and air them on Korean television. KTE is a wholly owned subsidiary of KBS. (Complaint; Testimony of David Ahn.)

KTE, through Dae Han, regularly registers copyrights for each episode of the Korean programs in the United States Copyright Office. From the period of October 16, 1986 through April 6, 1990, KTE obtained 1,975 separate copyright registrations, each covering a single episode [*6] of the Korean programs which KTE distributes. (Plaintiff Exh. 15.)

Defendant Han Yang Oriental Grocery Co. ("Han Yang") is a retail grocery store located at 4215 Annandale Center Drive, Annandale, Virginia. Han Yang is owned and operated by Mr. and Mrs. Jung Chan Lee. Han Yang rented Korean language video tapes to its customers until March 5, 1990. (Oral Stipulation.)

Defendant Koritech is a corporation of the State of Maryland established in late 1988 and having its principal place of business at 7121 Columbia Pike, Annandale, Virginia. Koritech was in the business of reproducing and distributing Korean language videotapes, both on a wholesale and retail basis. Koritech is owned by Mr. and Mrs. Young Min Ro. Young Min Ro is the President of Koritech and a defendant in this proceeding. (Oral Stipulations.) Koritech distributed unauthorized copies of Korean language videotapes from March 1, 1989 until November 16, 1989.

Mr. and Mrs. Lee were warned early in 1988 by David

Ahn, the President of Dae Han, about their rental of unauthorized video tapes. This warning occurred during a visit by Ahn to Han Yang in order to investigate their improper distribution of Korean videotapes. Ahn advised [*7] the Lees that they would be subject to damages for renting the tapes. The Lees responded that they "did not care" about the copyright violations. (Testimony of Ahn, transcript at 44.) On or about March 25, 1989, counsel for Dae Han wrote defendants "Mr. and Mrs. Chan Lee" and the "Han Yang Supermarket Department Store" regarding their ongoing acts of copyright infringement. This letter stated that Dae Han had the exclusive license to copy and distribute Korean videos in the eastern United States and ordered the defendants to cease their Korean video operations. (Plaintiff's Exh. 2.)

In December of 1988, Han Yang entered into an oral contract with Kuk Dong Videos, a Chicago company, to supply Han Yang with Korean videos. (Testimony of Carl Pruffer). At the time, Kuk Dong was the authorized KTE distributor for the Northwest region of the United States. Han Yang began receiving videotapes from Kuk Dong through an affiliated company of Han Yang, Annandale Gift. (Def. Exh. 4 and 5.) Annandale Gift is owned in part by defendant Jung Chan Lee but is operated by Mr. Hong Kim, Lee's brother-in-law. Tapes were supplied by Kuk Dong from February 1, 1989 until March 5, 1990. Han Yang stopped renting [*8] Kuk Dong's videos when it learned that KTE had terminated its distributorship agreement with Kuk Dong.

In late December of 1988, Young Min Ro responded to a newspaper advertisement for Korean video distributorships placed by KTE. KTE wrote to Ro in January, 1989 and informed him that no decision had yet been made concerning his request for an East Coast distributorship. In late Spring of 1989, David Ahn told Ro that Dae Han was the official distributor for Korean videos in the eastern U.S. After this, Ro learned from advertisements placed by the DuBon Corporation that it claimed possession of the ownership rights in the Korean programs. Koritech began reproducing and distributing Korean videotapes when it opened its Maryland office in late 1988. In August of 1989, Koritech opened a store in McLean, Virginia from which it continued to reproduce and distribute Korean videotapes. (Testimony of Ro.)

On or about September 7, 1989, a letter was sent by Dae Han to "Mr. Dong San, Chun," "Mr. Young Min Rou," and "Koritech [sic] & V.I.P. Video Co." This letter was identical in substance to the one sent to Han Yang on March 25, 1989. (Plaintiff's Exh. 2.) In response, Mr. Edward G. Gruis, counsel [*9] for Koritech and Young Min Ro, wrote letters to Dae Han, dated September 18 and September 29, 1989, inquiring as to the validity of Dae

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Han's copyrights in the Korean programs. Dae Han did not answer these letters. (Affidavit of Edward G. Gruis, October 25, 1989.) Dae Han filed suit against Koritech and Han Yang on October 6, 1989. (Oral Stipulation.)

The Korean Radio & Television Writers Association ("KRTA") is an organization whose members author scripts for Korean radio and television programs. KRTA negotiates royalty agreements on behalf of its membership with Korean networks and distributors. KRTA currently contends that its authors retain copyright ownership of the scripts themselves and their contents. (Testimony of Kwan Suk Lee.) KRTA entered into an agreement with the DuBon Corporation of New York on August 11, 1989 whereby KRTA assigned its rights to the programs in the United States to Dubon. This agreement was retroactive to January of 1989. The assignments have been recorded in the U.S. Copyright Office (Def. Exh. 7) and have been advertised in newspapers widely distributed throughout the Korean communities in this country. n3

n3 Under Article 74 of the Korean Copyright Act, the author of a motion picture who consents to the cinematization of his work by a another person also consents, absent an agreement to the contrary, to the reproduction and distribution of the work by said person. In the present case, no agreement to the contrary was entered into between KRTA and either of the Korean networks who initially produced the programs. Absent such an agreement between these primary parties, any subsequent agreement between KRTA and DuBon which attempts to limit the Korean networks' rights under Article 74 is ineffective. (Testimony of H. Wang.)

[*10]

Ro was informed by KRTA that KTE had been paying KRTA royalties until 1988 for the right to distribute the Korean programs. KTE ceased payment of royalties in 1989. Ro shared this information with his attorney, Mr. Gruis, who orally informed Ro that, in his opinion, KRTA was the true holder of the copyrights. Based upon the information obtained from KRTA and in reliance on his attorney's advise, Young Min Ro concluded that DuBon, not KTE, possessed valid ownership rights in the Korean programs. Thereafter, Ro entered into an agreement with DuBon to distribute videotapes of the programs in Maryland and Virginia. (Testimony of Ro.)

DuBon is currently in the process of negotiating a royalty agreement with KTE for the American distribution rights to the Korean programs. KTE, as recently as April of 1990, has offered to pay DuBon \$70,000 for the distribution rights. DuBon has not accepted this offer. Pursuant

to its agreement with KRTA, DuBon paid \$150,000 for the right to distribute the programs in 1989. DuBon currently owes KRTA \$100,000 for the rights to the programs in 1990. This sum has not yet been paid. DuBon is hoping to negotiate an agreement with KTE which will require KTE [*11] to pay \$200,000 for distribution rights in 1990. DuBon then plans to use these funds to pay the remainder of its debt to KRTA. DuBon recognizes that if it fails to reach an agreement with KTE, it will still be obligated to pay KRTA the sums owing. (Testimony of Seung Joo Kim.) KTE has taken no legal action against either DuBon or KRTA challenging KRTA's assertion of copyright ownership. (Testimony of Hyon Sik Sohng.)

In a number of related actions, Federal District Courts have upheld Dae Han's and KTE's copyright claims and issued injunctions against businesses distributing the tapes without authorization. For example, in *Korean Television Enterprises, Inc. v. Duk Nam Lee*, Civil No. 85-3252 (E.D.N.Y. Oct. 3, 1986), it was held that KTE received a valid assignment of distribution rights from KBS and MBC; that the U.S. copyrights in the Korean programs were valid and enforceable; and that KTE was entitled to damages and an injunction against the defendants because of their infringing activities. See also, *Korean Television Enterprises, Ltd. v. Nekohnyang Oriental Market, Inc.*, Civil No. 87-1830 (E.D. Penn. March 31, 1988) (granting KTE's request for a preliminary injunction [*12] against defendants to prevent further infringements); *Kae Han Video Productions, Inc. v. Kuk Dong Oriental Food, Inc.*, Civil No. H-87-436 (D. Md. Dec. 15, 1988) (granting summary judgment in favor of Dae Han and imposing permanent injunction against defendants). Through publication in Korean language newspapers, the decisions in these cases have been widely circulated throughout this country's Korean communities. (Testimony of Ahn, transcript at 45; Plaintiff's Exh. 3.)

According to the testimony of David Ahn, the following number of Korean programs were registered with the U.S. Copyright Office during the periods indicated:

10/16/86 - 1/31/89:	927 titles
2/1/89 - 3/5/90:	863 titles
3/6/90 - 4/6/90:	68 titles
Total:	1,858 titles
10/16/86 - 2/28/89:	975 titles
3/1/89 - 4/6/90:	883 titles
Total:	1,858 titles

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Ahn testified, based upon his knowledge and experience in the Korean video rental business, as well as upon his personal observation of Han Yang's activities Yang during his four or five visits to the [*13] store, that Han Yang had to have rented all of the programs registered by KTE from November 16, 1989 to March 5, 1990. This results in a total of 1,790 separate acts of infringement on the part of Han Yang. (Testimony of Ahn, transcript at 51-53.)

As to Koritech, invoices were obtained showing the distribution of Korean tapes to its customers. These documents are fairly voluminous and are written almost entirely in Korean. Ahn testified that he reviewed these invoices and they indicate that each of the programs registered by KTE from March 1, 1989 to November 16, 1989 were rented by Koritech. Dae Han contends that there were 615 registrations during this period; thus, Dae Han alleges 615 separate acts of infringement on the part of Koritech.

KTE has been assigned by KBS and MBC the exclusive right to reproduce and distribute the networks' programs in the United States. Pursuant to this assignment, KTE has the right to register these programs with the U.S. Copyright Office and obtain all of the protection afforded under the copyright laws of this country. As a distributor of KTE, Dae Han has the right to protect KTE's copyrights within its distribution area in the Eastern United States. [*14] DuBon, on the other hand, is the assignee in this country of the ownership rights in the Korean programs held by KRTA. As the defendants never properly raised the issue, the court has not addressed what effect KRTA's alleged ownership rights have on the Korean networks' assignment of rights to KTE or on KTE's ability to enforce its copyright registrations in the United States. n4 But see, *Korean Television Enterprises v. Duk Nam Lee*, supra., (holding that the Korean scripts were "works made for hire" and that the copyrights to them were therefore owned by the production companies. 17 U.S.C. §§ 101, 201(b).)

n4 The Koritech defendants attempted to raise this issue on the eve of the damages hearing. See Defendants' Request for Reconsideration and Pretrial Memorandum of Law. The court ruled that this motion was untimely because it was based upon facts already known to the parties and therefore should have been fully briefed and argued in conjunction with the parties' motions for summary judgment.

II

Remedies [*15]

The Supreme Court has noted the extensive remedies available to the holder of a copyright when infringement has occurred:

[HN2] The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights, the impoundment and destruction of all reproductions of his work made in violation of his rights, a recovery of his actual damages and any additional profits realized by the infringer or a recovery of statutory damages, and attorney's fees.

Sony Corp. v. Universal City Studios, 464 U.S. 417, 433-34, 104 S.Ct. 774, 78 L.Ed.2d 574 (1983); see 17 U.S.C. §§ 502-505. In this case, plaintiff seeks a permanent injunction against future infringing activities by defendants, statutory damages and attorneys' fees.

[HN3] In copyright actions, courts traditionally grant permanent injunctions once liability is established and there is a continuing threat to the copyright. *National Football League v. McBee & Bruno's, Inc.*, 792 F.2d 726, 732 (8th Cir. 1986); *Pacific & Southern Co., Inc. v. Duncan*, 744 F.2d 1490, 1499 (11th Cir. 1984), [*16] reh. den. en banc, 749 F.2d 733, cert. denied, 471 U.S. 1004 (1985). In the present case, a permanent injunction must issue against these defendants in order to eliminate the threat of future infringements. The plaintiff has shown that the defendants have infringed their copyrights continuously over a sustained period of time. Given the ease with which copies of the Korean programs can be made and the availability of master tapes from alternative, unauthorized sources, a sufficiently strong likelihood of future infringement exists to warrant imposition of a permanent injunction pursuant to 17 U.S.C. § 502(a). See *Dae Han Video Productions, Inc. v. Kuk Dong Oriental Food, Inc.*, supra. Accordingly, the defendants will be permanently enjoined, absent proper authorization, from duplicating, renting, or selling videotapes of Korean television programs produced by KBS or MBC and assigned to KTE.

[HN4] Under the provisions of 17 U.S.C. § 504(a), a copyright owner is entitled to either one of two forms of damages: (i) the owner's actual damages and any additional profits of the infringer, or (ii) statutory damages. [HN5] Pursuant to 17 U.S.C. § 504(c), the [*17] copyright owner may elect, at any time before final judgment is rendered, to recover statutory damages in lieu of actual damages and lost profits. Section 504(c)(1) permits the court, in the exercise of its discretion, to award between \$250 and \$10,000 for each copyrighted work infringed before March 1, 1989. For infringements occurring after March 1, 1989, the effective date of the Berne Convention Implementation Act, the court may award between \$500

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to \$20,000 per infringement.

Within these limits, "the court's discretion and sense of justice are controlling." *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106-107, 39 S.Ct. 194, 63 L.Ed. 499 (1919). If it is determined that the infringements were committed "willfully," the court may increase the award up to \$50,000 for each copyright infringed prior to March 1, 1989 and up to \$100,000 for each infringement thereafter. On the other hand, if the infringement is found to be "innocent" the court may reduce the award to as little as \$100 per infringement committed prior to March 1, 1989 and \$200 thereafter. In this case, the plaintiff has elected, in a timely manner, to [*18] receive statutory damages.

[HN6] The policy behind an award of statutory dam-

ages encompasses both compensation for the plaintiff and deterrence of the defendant. See *International Korwin Corp. v. Kowalczyk*, 665 F. Supp. 652, 659 (N.D. Ill. 1987) aff'd., 855 F.2d 375 (7th Cir. 1988) (citing, *Music City Music v. Alpha Foods, Ltd.*, 616 F. Supp. 1001, 1003 (E.D. Va. 1985)). The plaintiff contends that the infringements committed by these defendants were "willful" and that an award above the statutory minimum would be appropriate and would not constitute an abuse of the court's discretion. However, given the large number of infringements claimed, the plaintiff has conceded that an award of the statutory minimum would adequately satisfy the statute's deterrent purposes and would not be opposed.

Plaintiff seeks to recover against Han Yang and Mr. and Mrs. Lee the following:

Period	Copyrights	Damages
10/16-86 - 2/28/89	975 (x \$ 250.00) =	\$ 243,750
3/1/89 - 4/6/90	815 (x \$ 500.00) =	\$ 407,500
	Total	\$ 661,250

[*19]

Plaintiff seeks to recover from Koritech and Young Min Ro \$307,500 (615 x \$500.00).

[HN7] The plaintiff bears the burden of proving the number of infringements for which damages may be assessed. In the case at bar, the plaintiff has failed to present sufficient evidence to establish that Han Yang infringed 1,790 separate copyrights. The only evidence presented to support this figure was provided by David Ahn. Ahn's statement that Han Yang "must have" violated this number of copyrights due to the nature of its videotape rental business is nothing more than sheer speculation by a witness highly interested in the outcome of this action.

No evidence was submitted by Dae Han to prove what tapes Han Yang rented or held in its inventory during the period in question. Dae Han contends that it did not submit records of Han Yang's rentals because Han Yang either did not keep such records or failed to provide them upon request. While this may be true, it does not cure the speculative nature of the evidence which Dae Han chose to offer to establish damages. The court is unwilling to rely on such evidence to award Dae Han what would amount

to a windfall award that could potentially drive the defendants' [*20] store out of business. No other evidence as to the number of infringements by Han Yang was offered by the plaintiff during the hearing to determine damages. Accordingly, the court is without a sufficient basis to determine the number of infringements committed by Han Yang and will therefore decline to award any statutory damages against either Han Yang or Mr. and Mrs. Lee. n5

n5 Dae Han did submit as an attachment to its initial Complaint in this action the affidavits of Ki Chin, Kim and Eun Young, Kim. These state that, at the direction of David Ahn, Ki Chin and Eun Young entered Han Yang on September 2, 1989 in order to purchase Korean videotapes. Nine tapes were purchased from Han Yang. (Complaint, Exh. D and E.) Attached to these affidavits are translated lists of the programs purchased and the corresponding certificates of registration for each title. Plaintiff also submitted affidavits by David Ahn and Han Suk Yoon made in support of its Motion for Summary Judgment. This indicates that on March 30, 1990 ten additional infringing tapes were pur-

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chased from Han Yang by Han Suk Yoon. These affidavits and their accompanying registration certificates, however, were not admitted into evidence at the damages hearing on April 23, 1990. The court will therefore decline to include these purchases in calculating the damage award.

[*21]

The evidence presented by the plaintiff to establish the number of infringements by Koritech is stronger because the invoices of Koritech's sales were available. David Ahn testified that he reviewed these invoices and determined that the 615 programs copyrighted by KTE from March 1, 1989 to November 16, 1989 were each rented by Koritech. No other evidence was presented by the plaintiff to corroborate this claim. The invoices, written primarily in Korean, were not translated, nor were the specific invoices which reflect the infringing sales identified. Ahn also failed to explain what process he employed to match the invoices with the copyright registrations. Despite the weakness of this proof, no evidence was offered by Koritech to rebut it. Although Koritech did argue in its Statement of Facts and Post Trial Memorandum of Law that only 33 infringements are recorded in the invoices, it failed to present any evidence during trial to support this interpretation of the invoices. Although Ahn's status as an interested party raises questions about his credibility, the lack of any rebuttal evidence leaves the court with no option but to conclude that sufficient evidence has been presented [*22] by the plaintiff to establish that Koritech committed 615 acts of infringement.

The court must now determine where in the permitted statutory range the damages should fall. All of the proven infringements attributable to each defendant occurred after March 1, 1989 resulting in an applicable damage range of \$500 to \$20,000 per infringement. [HN8] When awarded, statutory damages should bear some relation to the actual damages suffered. *Fitzgerald Publishing Co., Inc. v. Baylor Publishing Co., Inc.*, 670 F. Supp. 1133, 1140 (E.D.N.Y. 1987), aff'd., 862 F.2d 304 (2d Cir. 1988). Unfortunately, as was the case in *Dae Han Video Productions v. Kuk Dong Oriental Food, Inc.*, supra., little evidence has been provided to assist the court in exercising its discretion. No evidence has been furnished concerning profits reaped by the defendants or revenues lost by the plaintiffs. Only the issue of blameworthiness has been extensively argued by the parties.

[HN9] The burden of proving that the infringements were "committed willfully" is on the plaintiff. The defendants, in turn, have the burden of proving that the infringements were committed innocently; that they [*23] were "not aware and had no reason to believe that his

or her acts constituted an infringement of copyright." 17 U.S.C. § 504(c)(2); see also, *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 677 F. Supp. 740, 764 (S.D.N.Y. 1988). "Courts have . . . focused largely on the element of intent, and the per-infringement award tends understandably to escalate, in direct proportion to the blameworthiness of the infringing conduct." *Milene Music, Inc. v. Gotaucou*, 551 F. Supp. 1288, 1296 (D.R.I. 1982).

The plaintiff has not sustained its burden of proving willful infringement on the part of Koritech. Nor, on the other hand, has Koritech presented sufficient evidence to establish that their infringements were innocent. Young Min Ro testified that he made inquiries at KRTA and learned that KTE had paid royalties to KRTA until 1988. He passed this information on to his attorney, Mr. Gruis, who responded that in his opinion, KTE did not possess valid copyrights. Relying on the advice of counsel, Ro then entered into a distributorship agreement with DuBon. Based on these good faith attempts to determine the true owner of the programs' distribution rights, the court [*24] finds that the infringements committed by Koritech and Young Min Ro were not willful.

As to the innocence of Koritech's infringements, Young Min Ro clearly was aware that the copyrights to the Korean programs were in dispute and that Dae Han claimed to possess a valid interest. While DuBon also claimed ownership of the programs, it cannot be said that Koritech "was not aware and had no reason to believe that [its] acts constituted an infringement of copyright." Indeed, the agreement between Koritech and DuBon was motivated by Koritech's desire to obtain a valid, non-infringing means of distribution after it failed to obtain authorization from KTE.

As the court has no evidence before it concerning profits obtained by Koritech or losses incurred by Dae Han as a result of the infringements, the court will award the statutory minimum of \$500 for each of the 615 infringements committed by Koritech, resulting in a total award of \$307,500. n6 Due to the large number of infringements at issue and the lack of any opposition from the plaintiff to an award at the low end of the statutory range, this large award, mandated by the terms of 17 U.S.C. § 504(c), is more than sufficient to satisfy [*25] the intent of the copyright laws.

n6 Koritech has also argued that the plaintiff may not recover statutory damages or attorney's fees for the alleged infringement of those video tapes originating from KBS. This assertion is grounded upon a perceived failure by the plaintiff to satisfy the registration provisions of 17 U.S.C. § 412. Koritech contends that because a substitute

1990 U.S. Dist. LEXIS 18496, *25; 17 U.S.P.Q.2D (BNA) 1306;
Copy. L. Rep. (CCH) P26,740

assignment of rights was entered into between KBS and KTE on March 12, 1990, the registrations filed pursuant to the June 1985 assignment became untimely and invalid. No case law has been offered in support of this position.

In granting summary judgment, this court ruled that the June, 1985 assignment and all registrations filed under it were valid. At the time of registration, the terms of 17 U.S.C. § 412 had been complied with. The substitute assignment of March 12, 1990 did not retroactively destroy the registrations' validity. The plaintiff is therefore entitled to pursue statutory damages for all of Koritech's infringements of the registered copyrights.

[*26]

The court has already concluded that insufficient evidence was presented by the plaintiff to establish the number of infringements committed by Han Yang. Discussion regarding the willfulness or innocence of any infringements committed by these defendants is therefore unnecessary.

Mr. Young Min Ro is jointly and severally liable with Koritech for the damages herein awarded.

[HN10] An individual, including a corporate officer, who has the ability to supervise infringing activity and has a financial interest in that activity, or who personally participates in that activity is personally liable for the infringement.

Southern Bell Telephone & Telegraph Co. v. Associated Telephone Directory Publishers, 756 F.2d 801, 811 (11th Cir. 1985) (citing, *Lauratex Textile Corp. v. Allton Knitting Mills, Inc.*, 517 F. Supp. 900, 904 (S.D.N.Y. 1981)). Each of these individual defendants played primary roles in the operation of the corporate defendants and all had obvious financial interests in the infringing activities.

IV

Attorney's Fees

The awarding of attorney's fees and costs is provided for by 17 U.S.C. § 505:

[HN11] The court in its discretion may allow the [*27] recovery of full costs by or against any party. . . . The court May also award a reasonable attorney's fee to the prevailing party as part of the costs.

[HN12] Courts have employed the following factors to guide the exercise of their discretion over an award of

attorneys' fees:

(1) the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith; (2) the defendants' status as innocent infringers; (3) the plaintiffs' prosecution of the action in bad faith; and (4) the defendants' good faith attempt to avoid infringement.

The presence of such factors weighs in favor of denying an award of fees and costs. *National Broadcasting Co., Inc. v. Sonneborn*, 630 F. Supp. 524, 542 (D. Conn. 1985).

Two of these four factors are present in this case. The issue of whether the assignments to KTE were authentic and properly registered was complex and litigated by the defendants in good faith. In addition, the defendants' efforts to find legitimate sources for the Korean programs through their respective agreements with DuBon and Kuk Dong amounted to a good faith attempt to avoid infringing on KTE's copyrights. For these reasons, the plaintiff's [*28] request for an award of attorneys' fees and costs will be denied.

V

Conclusions of Law

1. That the defendants have infringed the copyrights belonging to plaintiff Dae Han Video Productions, Inc. and third party defendant Korean Television Enterprises, Ltd.

2. That the defendants Han Yang Oriental Grocery Co., Mr. and Mrs. Jung Chan Lee, Koritech, Inc., and Mr. Young Min Ro are permanently enjoined, absent proper authorization, from duplicating, renting or selling any videotapes of Korean television programs produced by KBS or MBC and assigned to KTE for distribution in the United States.

3. That Dae Han and KTE are entitled to damages from Koritech, Inc. and Mr. Young Min Ro, jointly and severally, in the amount of \$307,500.

4. That neither Dae Han nor KTE are entitled to any damages from Han Yang Oriental Grocery Co. or Mr. and Mrs. Jung Chan Lee.

5. That neither Dae Han nor KTE are entitled to an award for attorneys' fees or costs incurred in relation to this action.

An appropriate Order shall issue.

ORDER

In accordance with the accompanying Memorandum Opinion it is hereby ORDERED:

(1) that the request for a permanent injunction by

1990 U.S. Dist. LEXIS 18496, *28; 17 U.S.P.Q.2D (BNA) 1306;
Copy. L. Rep. (CCH) P26,740

plaintiff Dae Han Video Productions, Inc. [*29] and third party defendant Korean Television Enterprises, Ltd. is GRANTED, and the defendants Han Yang Oriental Grocery Co., Mr. and Mrs. Jung Chan Lee, Koritech, Inc., and Mr. Young Min Ro shall be, and hereby are, PERMANENTLY ENJOINED, absent proper authorization, from duplicating, renting or selling any videotapes of Korean television programs produced by KBS or MBC and assigned to KTE for distribution in the United States;

(2) that the request for statutory damages by Dae Han Video Productions, Inc. and Korean Television Enterprises, Ltd. against defendants Koritech, Inc. and Young Min Ro is hereby GRANTED. Damages are

awarded against Koritech, Inc. and Mr. Young Min Ro, jointly and severally, in the amount of \$307,500;

(3) that the request for statutory damages by Dae Han Video Productions, Inc. and Korean Television Enterprises, Ltd. against defendants Han Yang Oriental Grocery Co. and Mr. and Mrs. Jung Chan Lee is DENIED;

(4) that the request for attorneys' fees and costs by Dae Han Video Productions, Inc. and Korean Television Enterprises, Ltd. is DENIED.

(5) that the Clerk shall forward copies of this Order together with the Memorandum Opinion to all counsel of record. [*30]

LEXSEE 1998 U.S. DIST. LEXIS 13468

JOE DIMAGGIO, Plaintiff,-against-INTERNATIONAL SPORTS LTD., d/b/a BOXING ILLUSTRATED, JOHN G. LEDES, and HAVEN C. ROOSEVELT, Defendants.

97 Civ. 7767 (HB)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

1998 U.S. Dist. LEXIS 13468; 49 U.S.P.Q.2D (BNA) 1215; Copy. L. Rep. (CCH) P27,817

August 28, 1998, Decided

August 31, 1998, Filed

DISPOSITION: [*1] Defendant's motion to dismiss plaintiff's complaint GRANTED.

state law claims with leave to replead.

CASE SUMMARY:**LexisNexis(R) Headnotes**

PROCEDURAL POSTURE: Defendants, magazine publisher and related individuals, sought to dismiss, pursuant to *Fed. R. Civ. P. 12(b)(6), 12(b)(1)*, plaintiff photographer's complaint, which alleged copyright infringement as well as various state law claims including claims for breach of contract, equitable relief, loss of use, conversion, and for return of a holding fee.

OVERVIEW: Regarding the copyright claim, the court stated that the photographer failed to specify which original works were the subject of the copyright claim; rather, he referred to nebulous multiple images. The photographer's complaint failed to allege that the images at issue, whatever they consisted of, were registered pursuant to the statutory requirements. Accordingly, the photographer's copyright claim was dismissed for failure to comply with the requirements of *Fed. R. Civ. P. 8*. Regarding the state claims, the court stated that the complaint failed to allege subject matter jurisdiction pursuant to *28 U.S.C.S. § 1332* because the pleadings did not demonstrate that the parties were completely diverse where the complaint did not allege what state the photographer, an individual, was a citizen of, where the publisher's principal place of business was, or what state one of the individual defendants was a citizen of. Because the photographer's claim for copyright infringement was dismissed and the photographer failed to allege diversity jurisdiction, the court declined to exercise supplemental jurisdiction over the photographer's purported state law claims, *28 U.S.C.S. § 1367(c)(3)*.

OUTCOME: The court granted defendants' motion to dismiss the photographer's copyright infringement and

Copyright Law > Civil Infringement Actions > Elements > Ownership
Copyright Law > Civil Infringement Actions > Elements > Copying by Defendants
Copyright Law > Civil Infringement Actions > Elements > Substantial Similarity > General Overview
 [HN1] To establish a claim of copyright infringement, a plaintiff is required to demonstrate two elements: (1) ownership of a valid copyright and (2) copying constituent elements of the copyrighted work without authorization. Copying may be proven by showing access and substantial similarity between the works.

Copyright Law > Civil Infringement Actions > General Overview
Civil Procedure > Pleading & Practice > Pleadings > Interpretation
Copyright Law > Ownership Interests > Governmental Works
 [HN2] *Fed. R. Civ. P. 8(a)(2)* requires a short and plain statement of the claim showing that the pleader is entitled to relief. In applying that rule to copyright infringement actions, courts require that particular infringing acts be alleged with specificity. The complaint must include: (1) which specific original works are the subject of the copyright claim; (2) that the plaintiff owns the copyrights in those works; (3) that the copyrights in question have been registered in compliance with the statute; and (4) by what acts and during what time the defendant has infringed the copyright.

Evidence > Procedural Considerations > Inferences & Presumptions
Civil Procedure > Jurisdiction > Diversity Jurisdiction

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Copyright Law > Civil Infringement Actions > Jurisdiction & Venue > General Overview

[HN3] Diversity jurisdiction exists in a civil action between citizens of different states when the matter in controversy exceeds the sum or value of \$75,000. 28 U.S.C.S. § 1332(a)(1). The party seeking to invoke jurisdiction under 28 U.S.C.S. § 1332 bears the burden of demonstrating that the grounds for diversity exist and that diversity is complete.

Civil Procedure > Jurisdiction > Diversity Jurisdiction > Citizenship

[HN4] An individual is considered to be a citizen of the state where he or she is domiciled.

Civil Procedure > Jurisdiction > Diversity Jurisdiction > Citizenship

[HN5] A corporation is deemed to be a citizen of any state by which it has been incorporated and where it has its principal place of business. 28 U.S.C.S. § 1332(c).

Civil Procedure > Jurisdiction > Diversity Jurisdiction > Amount in Controversy

Evidence > Procedural Considerations > Inferences & Presumptions

[HN6] A party invoking the jurisdiction of the federal court has the burden of proving with reasonable certainty that the claims are in excess of the statutory jurisdictional amount.

COUNSEL: For JOE DIMAGGIO, plaintiff: Stephen A. Weingrad, Weingrad & Weingrad, L.L.P., New York, NY.

For JOHN LEDES and INTERNATIONAL SPORTS LTD., d/b/a BOXING ILLUSTRATED, defendants: David A. Cutner and Debra I. Resnick of Cutner & Associates, PC., New York, NY.

JUDGES: Harold Baer Jr., U.S.D.J.

OPINIONBY: Harold Baer Jr.

OPINION:

OPINION AND ORDER

Hon. Harold Baer, Jr., District Judge: n1

n1 Sylvia Beltran, a second-year student at Columbia Law School, assisted in the research and preparation of this decision.

Defendants move to dismiss plaintiff's complaint pursuant to *Fed.R.Civ.P. 12(b)(6)* and *12(b)(1)*. For the rea-

sons stated below, the defendants' motion to dismiss is GRANTED, with leave to replead within 30 days.

I. Background

Plaintiff Joe DiMaggio ("DiMaggio") is a freelance photographer who photographs well-known prize fighters. In his complaint, he alleges that he created and copyrighted photographic images, which were infringed by the defendants, through their unauthorized publication of said photographs. (Am. Compl.P 15). Specifically, plaintiff alleges that he created images known as *The Scream* [*2] and *Mike Tyson in Ring*, and that he has secured the copyright of said images. (Am Compl. P 17). Plaintiff contends that in early 1995, in the May-June issues of a magazine known as *Boxing Illustrated*, and in promotional material, the defendants infringed his copyright by publishing multiple images referred to as *Mike Tyson in Ring*. (Am. Compl. P 20). Plaintiff further alleges that the defendants infringed plaintiff's copyright by publishing multiple images referred to as "The Scream" in the same issue of *Boxing Illustrated*. (*Id.* at P 21). In addition to his copyright claim, the plaintiff also alleges various state law claims including claims for breach of contract, equitable relief, loss of use, conversion, and for return of a holding fee. (Am. Compl. PP 27-40).

Defendant International Sorts Ltd. ("ISL") is a wholly-owned subsidiary of U.S. Equities, which was formed for the purpose of publishing *Boxing Illustrated*. *Nordco A.S. v. Ledes*, 1997 U.S. Dist. LEXIS 13904, 1997 WL 570546, 44 U.S.P.Q.2D (BNA) 1220, 1221 (S.D.N.Y. 1997). n2 According to the complaint, defendant John Ledes is a principal, officer and shareholder of ISL. (Am. Compl. P 6). *Boxing Illustrated* [*3] is a magazine that had been published by National Sports Publishing Co., Inc. ("National Sports"). After National Sports ceased publication of *Boxing Illustrated*, ISL began publication of the magazine, and, in April 1996, changed its name to *International Boxing Digest*. See 44 U.S.P.Q.2D (BNA) at 1221-1222.

n2 This Court may consider the *Nordco* decision in ruling on a motion to dismiss under Rule 12(b)(6) because it was cited in the plaintiff's amended complaint. *San Leandro Emergency Med. Group Profit Sharing Plan v. Philip Morris Cos.*, 75 F.3d 801, 808-09 (2d Cir. 1996).

II. Discussion

A. Plaintiff's Copyright Claim

[HN1] To establish a claim of copyright infringement, plaintiff is required to demonstrate two elements: (1)

1998 U.S. Dist. LEXIS 13468, *3; 49 U.S.P.Q.2D (BNA) 1215;
Copy. L. Rep. (CCH) P27,817

ownership of a valid copyright and (2) copying constituent elements of the copyrighted work without authorization. See *Fonar Corp. v. Domenick*, 105 F.3d 99, 103 (2d Cir. 1997). Copying may be proven by showing access and substantial similarity between the works. *Eckes v. Card* [*4] *Prices Update*, 736 F.2d 859, 863 (2d Cir. 1984).

[HN2] Rule 8(a)(2) of the Federal Rules of Civil Procedure requires a "short and plain statement of the claim showing that the pleader is entitled to relief." In applying this rule to copyright infringement actions, courts have required that particular infringing acts be alleged with specificity. *Tom Kelley Studios Inc. v. Int'l Collectors Society Inc.*, 1997 U.S. Dist. LEXIS 14571, 1997 WL 598461, at *1, 44 U.S.P.Q.2D (BNA) 1799 (S.D.N.Y. Sept. 25, 1997); *Franklin Elec. Publishers, Inc. v. Unisonic Products Corp.*, 763 F. Supp. 1, 4 (S.D.N.Y. 1991). The complaint must include: (1) which specific original works are the subject of the copyright claim; (2) that plaintiff owns the copyrights in these works; (3) that the copyrights in question have been registered in compliance with the statute; and (4) by what acts and during what time defendant has infringed the copyright. *Tom Kelley Studios*, 1997 WL 598461, at *1; *Kelly v. L.L. Cool J.*, 145 F.R.D. 32, 36 (S.D.N.Y. 1992), *aff'd*, 23 F.3d 398 (2d Cir.), *cert. denied*, 513 U.S. 950, 130 L. Ed. 2d 318, 115 S. Ct. 365 (1994); *Foster v. WNYC-TV*, 1989 U.S. Dist. LEXIS 13724, 1989 [*5] WL 146277, 14 U.S.P.Q.2D (BNA) 1048 (S.D.N.Y. Nov. 20, 1989).

Defendants contend that plaintiff has failed to allege such facts. I agree. Plaintiff alleges that the image *The Scream* and multiple images referred to as *Mike Tyson in the Ring* were created and copyrighted by him, and were copied largely and placed on the market by the defendants. (Am. Compl. PP 17-18). However, plaintiff fails to specify which original works are the subject of the copyright claim. Rather, he refers to nebulous multiple images entitled *Mike Tyson in the Ring* and *The Scream*. See *Cole v. Allen*, 3 F.R.D. 236, 237 (S.D.N.Y. 1942) (complaint failed to allege copyright claim where plaintiff alleged that defendant copied episodes and incidents from any of six books). While plaintiff comes close to compliance on this score, he fails totally on the required allegations of statutory compliance. Although plaintiff alleges that he owns the copyrights in multiple images known as *The Scream* and *Mike Tyson in Ring* (Am. Compl. PP 17, 19), he fails to allege with sufficient clarity that the copyrights in these images were registered pursuant to statutory requirements. Plaintiff's amended complaint states [*6] that he obtained a certificate of registration covering these images, and states that a copy of his copyrighted images is attached as Exhibit A. (Am. Compl. PP 17, 22). However, Exhibit A is a certificate of registration dated May 8, 1989 for a work or works entitled *The Life and Times of Joe*

DiMaggio. There are no photographs attached to the certificate and there is no indication that this certificate of registration covers the works at issue, *Mike Tyson in the Ring* and *The Scream*. n3

n3 The complaint is also deficient with respect to the fourth requirement. Although the amended complaint specifies that the infringing images were allegedly published in the May-June 1995 issues of *Boxing Illustrated*, it does not specify what specific images were infringed, but again, refers to the multiple images entitled *Mike Tyson in the Ring* and *The Scream*. In addition, although the amended complaint states that a copy of defendants' infringing images is attached as Exhibit B, Exhibit B contains only one unidentified photograph.

[*7]

The complaint in the instant matter is similar to the complaint that was rejected for failure to comply with Rule 8 in *Kelly v. L.L. Cool J.*, 145 F.R.D. 32 (S.D.N.Y. 1992). In *Kelly*, the complaint alleged copyright infringement of two songs, *Dance to the Drummer's Beat* and *What You're Going to Do*. The court held that the complaint failed to allege whether and when the copyright in one of these songs was registered pursuant to statutory requirements. Although the complaint had attached to it a copyright certificate for *Dance to the Drummer's Beat*, it did not contain a certificate for *What You're Going to Do*. Thus, the court held that the complaint failed to allege statutory registration of said song. *Id.* at 36. Similarly, here, plaintiff's complaint fails to allege that the images *Mike Tyson in the Ring* and *The Scream*, whatever they may consist of, were registered pursuant to the statutory requirements. Accordingly, plaintiff's copyright claim is dismissed for failure to comply with the requirements of Rule 8.

B. Jurisdiction

The plaintiff's copyright claim provides this Court with original subject matter jurisdiction. Diversity jurisdiction [*8] is another matter. The complaint fails to allege subject matter jurisdiction pursuant to 28 U.S.C. § 1332 because the pleadings do not demonstrate that the parties are completely diverse. [HN3] Diversity jurisdiction exists in a civil action between citizens of different states when the matter in controversy exceeds the sum or value of \$75,000. 28 U.S.C. § 1332(a)(1). The party seeking to invoke jurisdiction under 28 U.S.C. § 1332 bears the burden of demonstrating that the grounds for diversity exist and that diversity is complete. *Advani Enterprises, Inc. v. Underwriters at Lloyds*, 140 F.3d 157, 160 (2d Cir. 1998).

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Copy. L. Rep. (CCH) P27,817

Here, the complaint does not even allege what state the plaintiff Joe DiMaggio, an individual, is a citizen of. Rather it states that plaintiff has his place of business in Pennsylvania. (Am. Compl. P 3). This allegation is insufficient because [HN4] an individual is considered to be a citizen of the state where he or she is domiciled. See *Gilbert v. David*, 235 U.S. 561, 569, 59 L. Ed. 360, 35 S. Ct. 164 (1915). Plaintiff's complaint gives no indication of where he is domiciled. Moreover, although the complaint alleges that defendant ISL is a domestic corporation organized [*9] under the laws of New York, it does not allege where ISL's principal place of business is. It therefore fails to identify ISL's citizenship, because [HN5] a corporation is deemed to be a citizen of any state by which it has been incorporated and where it has its principal place of business. See 28 U.S.C. § 1332(c); *Advani Enterprises*, 140 F.3d at 161 (complaint which merely alleged that plaintiff was a U.S. corporation with an office in New York failed to identify plaintiff's citizenship for diversity purposes). Finally, the complaint does not allege what state defendant Haven C. Roosevelt is a citizen of; rather, it alleges that he is licensed to practice law in New York. n4

n4 Moreover, although I need not reach this issue now, plaintiff's allegation that the amount in controversy is greater than \$75,000 as required under 28 U.S.C. § 1332 is dubious. [HN6] A party invoking the jurisdiction of the federal court has the burden of proving with reasonable certainty that the claims are in excess of the statutory jurisdictional amount. *Tongkook America, Inc. v. Shipton Sportswear Co.*, 14 F.3d 781, 784 (2d Cir. 1994).

[*10]

Accordingly, because plaintiff's claim for copyright infringement is dismissed and plaintiff has failed to al-

lege diversity jurisdiction, this Court declines to exercise supplemental jurisdiction over the plaintiff's purported state law claims. 28 U.S.C. § 1367(c)(3); *United Mine Workers of America v. Gibbs*, 383 U.S. 715, 16 L. Ed. 2d 218, 86 S. Ct. 1130 (1966); *Anderson v. M & T Pretzel, Inc.*, 1997 U.S. Dist. LEXIS 20876, 1997 WL 802934, 46 U.S.P.Q.2D (BNA) 1094 (S.D.N.Y. Dec. 31, 1997); *Calloway v. Marvel Entertainment Group*, 1983 WL 1141, at *3 (S.D.N.Y. June 30, 1983). n5

n5 Plaintiff moves for Rule 11 sanctions against the defendants for filing the instant motion. This motion is summarily denied. Plaintiff's motion fails to comply with the procedural requirements of Rule 11, and, in any event, is frivolous.

III. Conclusion

For the foregoing reasons, defendant's motion to dismiss plaintiff's complaint is GRANTED. However, because many of plaintiff's deficiencies may be curable, [*11] plaintiff is afforded the opportunity to replead. See, e.g., *Calloway*, 1983 WL 1141, at *3. Thus, leave to replead is granted and plaintiff may file a Second Amended Complaint within 30 days from the date of this Opinion and Order, failing that, the motion is granted and the movant is instructed to prepare and serve a proposed order on notice. The plaintiff will have 72 hours to submit a proposed counter-order.

SO ORDERED.

New York, New York
August 28, 1998

Harold Baer Jr.

U.S.D.J.

LEXSEE 2005 U.S. DIST. LEXIS 30388

ELEKTRA ENTERTAINMENT GROUP, INC., a Delaware corporation; VIRGIN RECORDS AMERICA, INC., a California corporation; UMG RECORDINGS, INC., a Delaware corporation; BMG MUSIC, a New York general partnership; and SONY BMG MUSIC ENTERTAINMENT, a Delaware general partnership, Plaintiffs,—against—PATRICIA SANTANGELO, Defendant.

05 Civ. 2414 (CM)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

2005 U.S. Dist. LEXIS 30388

November 28, 2005, Decided

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiffs brought an action against defendant for copyright infringement, seeking damages and injunctive relief. Defendant moved to dismiss pursuant to *Fed. R. Civ. P. 12(b)(6)*, on the ground that plaintiffs failed to satisfy the pleading requirements set forth in *Fed. R. Civ. P. 8(a)*, as applied to copyright infringement claims.

OVERVIEW: Plaintiffs' complaint satisfied Rule 8's pleading requirements, as applied to copyright infringement claims. It was undisputed that plaintiffs identified which specific works formed the subject of the copyright claim and asserted that plaintiffs owned the copyrights in those works and that such copyrights were properly registered. Plaintiffs' statement, while brief, contained more than simply broad and sweeping allegations of infringement. Rather, it sufficiently put defendant on notice as to which acts—downloading and distribution of certain copyrighted recordings via online media—formed the basis of plaintiffs' claim. Moreover, contrary to defendant's contention, it was of no consequence that plaintiffs pleaded on "information and belief" rather than setting forth specific evidentiary facts to support their allegations. The court found that plaintiffs also satisfied the final requirement—that plaintiffs identified by what acts and during what time defendant infringed the copyrights. Plaintiffs' allegation of continuous and ongoing infringement satisfied Rule 8's pleading requirements.

OUTCOME: Defendant's motion to dismiss was denied.

LexisNexis(R) Headnotes

Civil Procedure > Pleading & Practice > Defenses, Objections & Demurrers > Failure to State a Cause of Action

[HN1] Dismissal of a complaint for failure to state a claim pursuant to *Fed. R. Civ. P. 12(b)(6)* is proper where it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claim that would entitle him to relief. The test is not whether the plaintiff ultimately is likely to prevail, but whether he is entitled to offer evidence to support his claims. The court assumes that all factual allegations in the complaint are true and draws all reasonable inferences in the plaintiff's favor. In considering a motion to dismiss for failure to state a claim under *Fed. R. Civ. P. 12(b)(6)*, a district court must limit itself to facts stated in the complaint or in documents attached to the complaint as exhibits or incorporated in the complaint by reference.

Civil Procedure > Pleading & Practice > Filing of Complaint

[HN2] Pursuant to *Fed. R. Civ. P. 8*, a pleading must contain a short and plain statement of the claim showing that the pleader is entitled to relief. *Fed. R. Civ. P. 8(a)(2)*. The purpose of the rule is to give the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests. With the exception of claims for fraud and mistake, the sufficiency of a complaint is judged by the liberal system of notice pleading set up by the federal rules.

Civil Procedure > Pleading & Practice > Filing of Complaint

Copyright Law > Civil Infringement Actions > Elements > General Overview

[HN3] A complaint alleging copyright infringement sufficiently complies with *Fed. R. Civ. P. 8* when the plaintiffs assert (1) which specific original works form the subject of

the copyright claim; (2) that plaintiffs own the copyright in those works; (3) that the copyrights have been registered in accordance with the statute; and (4) by what acts and during what time the defendant infringed the copyright. A properly plead copyright infringement claim must identify the particular infringing acts with some specificity. Broad, sweeping allegations of infringement do not comply with Rule 8.

Civil Procedure > Pleading & Practice > Filing of Complaint

{HN4} Pleading upon information and belief is sufficient to satisfy federal notice pleading under *Fed. R. Civ. P. 8(a)*. Under Rule 8, plaintiffs need only give notice of the claim, leaving factual details and evidentiary issues to be developed during discovery.

COUNSEL: [*1] For Elektra Entertainment Group Inc., Elektra Entertainment Group Inc., a Delaware corporation; Virgin Records America, Inc., Virgin Records America, Inc., a California corporation, UMG Recordings, Inc., UMG Recordings, Inc., a Delaware corporation; BMG Music, BMG Music, a New York general partnership; Sony BMG Music Entertainment, Sony BMG Music Entertainment, a Delaware general partnership, Plaintiffs; J. Christopher Jensen, Timothy E. Congrove, Cowan, Liebowitz & Latman, P.C., New York, NY.

For Patricia Santangelo, Defendant: Morlan Ty Rogers, Beldock Levinc & Hoffman LLP, New York, NY.

JUDGES: Colleen McMahon, U.S.D.J.

OPINIONBY: Colleen McMahon

OPINION:

DECISION AND ORDER DENYING DEFENDANT'S MOTION TO DISMISS

McMahon, J:

Plaintiffs Elektra Entertainment Group, Inc., Virgin Records America, Inc., UMG Recordings, Inc., BMG Music, and Sony BMG Music Entertainment (collectively "Plaintiffs") are recording companies that own or control exclusive rights to copyrights in sound recordings. (Complaint ("Cplt.") P11). Pursuant to the Copyright Act of 1976, 17 U.S.C. § 106, Plaintiffs enjoy the exclusive right to reproduce and to distribute to the public the copyrighted [*2] sound recordings at issue. (Cplt. P12).

Plaintiffs bring this action against defendant for copyright infringement, seeking damages and injunctive relief.

In their Complaint, Plaintiffs allege that:

Plaintiffs are informed and believe that Defendant, without the permission or consent of Plaintiffs, has used, and continues to use, an online media distribution system to download the Copyrighted Recordings, to distribute the Copyrighted Recordings to the public, and/or to make the Copyrighted Recordings available for distribution to others. In doing so, Defendant has violated Plaintiffs' exclusive rights of reproduction and distribution. Defendant's actions constitute infringement of Plaintiffs' copyrights and exclusive rights under copyright. (Cplt. P13).

Defendant moves to dismiss pursuant to *Federal Rule of Civil Procedure 12(b)(6)*, on the ground that Plaintiffs have failed to satisfy the pleading requirements set forth in *Federal Rule of Civil Procedure 8(a)*, as applied to copyright infringement claims. Because the court finds that Plaintiffs have adequately plead their claim under *Rule 8's* [*3] lenient pleading standard, defendant's motion is denied.

Standard of Review

{HN1} Dismissal of a complaint for failure to state a claim pursuant to *Federal Rule of Civil Procedure 12(b)(6)* is proper where "it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claim that would entitle him to relief." *Harris v. City of New York*, 186 F.3d 243, 247 (2d Cir.1999). The test is not whether the plaintiff ultimately is likely to prevail, but whether he is entitled to offer evidence to support his claims. *Chance v. Armstrong*, 143 F.3d 698, 701 (2d Cir.1998). The court assumes that all factual allegations in the complaint are true, and draws all reasonable inferences in the plaintiff's favor. *EEOC v. Staten Island Sav. Bank*, 207 F.3d 144, 148 (2d Cir.2000). "In considering a motion to dismiss for failure to state a claim under *Fed.R.Civ.P. 12(b)(6)*, a district court must limit itself to facts stated in the complaint or in documents attached to the complaint as exhibits or incorporated in the complaint by reference." *Kramer v. Time Warner, Inc.* 937 F.2d 767, 773 (2d Cir. 1991). [*4]

Discussion

Defendant moves to dismiss the Complaint on the ground that Plaintiffs have failed to satisfy the pleading requirements applicable to copyright infringement claims. In particular, defendant claims that Plaintiffs fail to set forth the specific acts and the dates and times of the alleged copyright infringement, as required by *Federal Rule*

of Civil Procedure 8.

[HN2] Pursuant to *Rule 8*, a pleading must contain a "short and plain statement of the claim showing that the pleader is entitled to relief." *Fed. R. Civ. P. 8(a)(2)*. The purpose of the rule is to "give the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests." *Gmurzynska v. Hutton*, 355 F.3d 206, 209 (2d Cir. 2004) (citing *Swierkiewicz v. Sorema N.A.*, 534 U.S. 506, 122 S. Ct. 992, 152 L. Ed. 2d 1 (2002)). "With the exception of claims for fraud and mistake [] the sufficiency of a complaint is judged by the 'liberal system of notice pleading' set up by the federal rules." *Eternity Global Master Fund Ltd. v. Morgan Guar. Trust Co. of N.Y.*, 375 F.3d 168, 177 (2d Cir. 2004) (citing *Leatherman v. Tarrant County Narcotics Intelligence & Coordination Unit*, 507 U.S. 163, 113 S. Ct. 1160, 122 L. Ed. 2d 517 (1993)). [*5]

[HN3] A complaint alleging copyright infringement sufficiently complies with *Rule 8* when the plaintiffs assert (1) which specific original works form the subject of the copyright claim; (2) that plaintiffs own the copyright in those works; (3) that the copyrights have been registered in accordance with the statute; and (4) by what acts and during what time the defendant infringed the copyright. *Franklin Elec. Publ'r, Inc. v. Unisonic Prod. Corp.*, 763 F.Supp. 1, 4 (S.D.N.Y. 1991); *Home & Nature Inc. v. Sherman Specialty Co, Inc.*, 322 F.Supp.2d 260, 266 (E.D.N.Y. 2004). A properly plead copyright infringement claim must identify "the particular infringing acts . . . with some specificity. Broad, sweeping allegations of infringement do not comply with *Rule 8*." *Marvullo v. Gruner & Jahr*, 105 F.Supp.2d 225, 230 (S.D.N.Y. 2000).

Plaintiffs' Complaint satisfies *Rule 8*'s pleading requirements, as applied to copyright infringement claims. It is undisputed that Plaintiffs have identified which specific works form the subject of the copyright claim, and have asserted that Plaintiffs own the copyrights in those works and that such copyrights have [*6] been properly registered. The court finds that Plaintiffs also have satisfied the final requirement—that Plaintiffs identify by what acts and during what time defendant infringed the copyrights.

The Complaint, to which a list of the relevant copyrighted recordings is attached, alleges that defendant "has used, and continues to use, an online media distribution system to download the Copyrighted Recordings, to distribute the Copyrighted Recordings to the public, and/or to make the Copyrighted Recordings available for distribution to others." (Cplt. P13). This statement, while brief, contains more than "simply broad and sweeping allegations of infringement." Rather, it sufficiently puts defendant on notice as to which acts—downloading and

distribution of certain copyrighted recordings via online media—form the basis of the Plaintiffs' claim. See *Home & Nature Inc*, 322 F.Supp.2d at 266–267 (finding sufficient under *Rule 8* plaintiff's claim that, since December 2000, defendant has infringed one or more copyrights by "importing, causing to be manufactured, selling and/or offering for sale unauthorized tattoo-like jewelry items"); *Buckman v. Citicorp*, 1996 U.S. Dist. LEXIS 891, 1996 WL 34158, [*7] *2 (S.D.N.Y. Jan. 30, 1996) (finding that the complaint, which alleged that defendant "copied by Electronically Reproducing," misappropriated, used and exploited "Buckman's Theory," sufficiently put defendant on notice of plaintiff's claims); cf. *Marvullo*, 105 F.Supp.2d at 230 (finding that, "Aside from the specific allegation that defendant [] violated plaintiff's copyright by unauthorizedly cropping the McNeely photograph, [the complaint] fails to allege with specificity any acts by which either defendant directly or contributorily violated plaintiff's copyright").

Moreover, contrary to defendant's contention, it is of no consequence that Plaintiffs plead on "information and belief," rather than setting forth specific evidentiary facts to support their allegations. At least one court has expressly held that, [HN4] "Pleading 'upon information and belief' is sufficient to satisfy federal notice pleading under *Fed.R.Civ.P. 8(a)*." *Steinbrecher v. Oswego Police Officer Dickey*, 138 F.Supp.2d 1103, 1109–1110 (N.D.Ill. 2001). Under *Rule 8*, Plaintiffs need only give notice of the claim, leaving "factual details and evidentiary [*8] issues [to be] developed during discovery." *Capitol Records, Inc. v. Wings Digital Corp.*, 218 F.Supp.2d 280, 284 (E.D.N.Y. 2002); see also *Plunket v. Estate of Conan Doyle*, 2001 U.S. Dist. LEXIS 2001, 2001 WL 175252, *6 (S.D.N.Y. Feb. 22, 2001) (holding that plaintiff need not specify in the complaint each infringing act, as "discovery is likely to provide many of the details of the allegedly infringing acts and much of this information may be exclusively in defendant's control").

With respect to the time period of the alleged copyright infringement, the Complaint alleges that, since February 28, 2005 (the date the Complaint was filed), defendant has "used and continues to use an online media distribution system to download the Copyrighted Recordings." (Cplt. P13). This assertion of continuous and ongoing infringement satisfies the pleading requirements applicable to claims for copyright infringement. In *Franklin Electronic Publishers*, the court found it sufficient under *Rule 8* that, ". . . while plaintiff has not alleged the date defendants allegedly commenced their infringing activities, plaintiff has alleged that defendant continues to infringe." *Franklin Elec. Publ'r*, 763 F.Supp. at 4; [*9] cf. *Plunket*, 2001 U.S. Dist. LEXIS 2001, 2001 WL 175252 at *5 (dismissing copyright infringement claim under *Rule 8*

in part because complaint did not include any description whatsoever of the time period during which the alleged infringement occurred). Similarly, in *Home & Nature*, the court concluded that "the fourth element [of pleading a copyright infringement claim] is satisfied because plaintiff states that the defendant has, since December 2000, infringed and continues to infringe 'one or more' of its copyrights by 'importing, causing to be manufactured, selling and/or offering for sale unauthorized tattoo-like jewelry items.'" *Home & Nature Inc.*, 322 F.Supp.2d at 266-267. The court declined to order a more definite statement with regard to the copyright infringement claim, finding that the complaint adequately put the defendant on notice of the acts and times of alleged infringement. *Id.* Likewise, in the present case, Plaintiffs' allegation of continuous and ongoing infringement satisfies *Rule 8's* pleading requirements.

For the foregoing reasons Defendant's motion to dismiss is denied.

The Court notes that this case has garnered a considerable following on the [*10] Internet — partly due to a mistaken belief that I have already decided the case in favor of Mrs. Santangelo. I have not — and today's simple pleading ruling does not begin to address the merits. We will turn to them now, and to the question that is raised by this and similar complaints: is an Internet-illiterate parent, who does not know Kazaa from a kazoo, and who can barely retrieve her e-mail, liable for copyright infringement committed by that parent's minor child, who downloads music over the Web without the parent's knowledge or permission — but using the parent's Internet account?

This constitutes the decision and order of the Court.

Dated: November 28, 2005

Colleen McMahon

U.S.D.J.