

Appeal Nos. 00-16401 and 00-16403

UNITED STATES COURT OF APPEALS
NINTH CIRCUIT

NAPSTER, INC., a corporation,

Defendant-Appellant,

v.

A & M RECORDS, INC., a corporation,

(For Full Caption See Following Pages)

Plaintiffs-Appellees.

NAPSTER, INC., a corporation,

Defendant-Appellant,

v.

JERRY LEIBER, individually and dba JERRY LEIBER MUSIC,

(For Full Caption See Following Pages)

Plaintiffs-Appellees.

Appeal from the U. S. District Court Northern District of California
Civil Nos. C 99-5183 MHP (A&M Records) &
C 00-0074 MHP (Leiber) Judge Marilyn Hall Patel

PETITION OF APPELLANT NAPSTER, INC. FOR
REHEARING AND REHEARING EN BANC

DAVID BOIES
JONATHAN SCHILLER
ROBERT SILVER
PHILIPPE SELENDY
BOIES, SCHILLER & FLEXNER LLP
80 Business Park Drive, Suite 110
Armonk, New York 10504

LAURENCE F. PULGRAM (CSB No. 115163)
DAVID L. HAYES (CSB No. 122894)
FENWICK & WEST LLP
275 Battery Street, Suite 1500
San Francisco, CA 94111
Telephone: (415) 875-2300
Facsimile: (415) 281-1350

**GARY FRANZIONE
EDWARD NORMAND
JESSICA FRIEDMAN
SAMUEL KAPLAN
HELEN MAHER
BOIES, SCHILLER & FLEXNER LLP
5301 Wisconsin Avenue, N.W., Suite 570
Washington, D.C. 20015
Telephone: (202) 237-2727
Facsimile: (202) 237-6131**

**DANIEL JOHNSON, JR. (CSB No. 57409)
DARRYL M. WOO (CSB No. 100513)
JENNIFER M. LLOYD (CSB No. 193416)
MARY E. HEUETT (CSB No. 197389)
EMILIO G. GONZALEZ (CSB No. 197382)
FENWICK & WEST LLP
Two Palo Alto Square
Palo Alto, CA 94306
Telephone: (650) 494-0600
Facsimile: (650) 494-1417**

Attorneys for Defendant-Appellant

Appeal No. 00-16401

NAPSTER, INC., a corporation,

Defendant-Appellant,

v.

**A & M RECORDS, INC., a corporation, GEFFEN RECORDS, INC., a corporation,
INTERSCOPE RECORDS, a general partnership, SONY MUSIC ENTERTAINMENT
INC., a corporation, MCA RECORDS, INC., a corporation, ATLANTIC RECORDING
CORPORATION, a corporation, ISLAND RECORDS, INC., a corporation, MOTOWN
RECORD COMPANY L.P., a limited partnership, CAPITOL RECORDS, INC., a
corporation, LA FACE RECORDS, a joint venture, BMG MUSIC d/b/a THE RCA
RECORDS LABEL, a general partnership, UNIVERSAL RECORDS INC., a corporation,
ELEKTRA ENTERTAINMENT GROUP INC., a corporation, ARISTA RECORDS, INC.,
a corporation, SIRE RECORDS GROUP INC., a corporation, POLYGRAM RECORDS,
INC., a corporation, VIRGIN RECORDS AMERICA, INC., a corporation, WARNER
BROS. RECORDS INC., a corporation,**

Plaintiffs-Appellees.

Appeal No. 00-16403

NAPSTER, INC., a corporation,

Defendant-Appellant,

v.

**JERRY LEIBER, individually and dba JERRY LEIBER MUSIC, MIKE STOLLER,
individually and dba MIKE STOLLER MUSIC, and FRANK MUSIC CORP., on behalf of
themselves and all others similarly situated,**

Plaintiffs-Appellees.

1. **PRELIMINARY STATEMENT**

Napster, Inc. respectfully petitions for rehearing of the panel's decision of February 12, 2001, which involves questions of exceptional public importance. The panel held, as it was bound to, that Napster's revolutionary peer-to-peer file-sharing technology is itself lawful. Nevertheless, the panel's partial affirmance of injunctive relief conflicts with decisions of the Supreme Court and this Court, eviscerates the protections Congress legislated to protect Internet Service Providers (ISPs), and would obstruct even indisputably lawful uses of Napster's technology by its over fifty million users.

First, the panel fundamentally undermined the Digital Millennium Copyright Act ("DMCA") by failing to address the applicability of its safe-harbor provision, 17 U.S.C. §512(d). The DMCA provides that a qualifying ISP is not required to "monitor[] its service or affirmatively seek[] facts indicating infringing activity" (§512(m)), and that any injunction based on copyright infringement must be narrowly tailored only to disable access to specific online addresses or users, or to material at a specific location. §512(j). The panel ordered injunctive relief inconsistent with these provisions, requiring Napster to "polic[e] its system" and "affirmatively use its ability to patrol its system and preclude access to potentially infringing files." Opinion ("Op.") 48-49. These orders were made before any court had determined whether Napster is entitled to the Act's qualified immunity from

liability (which it is). As a consequence, the panel nullified the DMCA's safe harbor provision and its proscription of overbroad injunctive relief. That decision erodes the DMCA's limitations on judicial equitable power over ISPs, and also imposes on Napster duties inconsistent with its compliance with the DMCA.

Second, the panel's decision conflicts with the Supreme Court's decision in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). The *Sony* Court held that a technology used for direct copyright infringement cannot be the basis for "vicarious" or "contributory" infringement if that technology is "a staple article . . . of commerce suitable for substantial noninfringing use." *Id.* at 440. The panel erroneously confined *Sony's* "staple article of commerce" doctrine to contributory infringement. That error would undo *Sony*, allowing a copyright holder simply to pursue the technology provider under the "other label" of vicarious liability. The error: (i) creates precedent that will hinder the development of new technologies; and (ii) will materially affect the scope of any injunction against Napster.

Third, the panel erred in holding that the First Amendment provides no protection even where the injunction's overbreadth may result in preventing authorized and lawful sharing of information. This violates the fundamental principle that limitations on expressive speech must be narrowly tailored.

Fourth, the panel erred in requiring broad injunctive relief rather than a compulsory royalty: (i) in conflict with *Sony*, this Court’s prior decisions, and the congressional goal to protect ISPs, the decision would limit the availability of an Internet technology that the panel itself found capable of substantial noninfringing uses; and (ii) the underlying liability is based on noncommercial use by consumers of digital recording technologies, an area that, under the Audio Home Recording Act (“AHRA”), constitutes special circumstances warranting a compulsory royalty remedy.

2. BACKGROUND

On July 26, 2000, the district court (Patel, J.) enjoined Napster from “facilitating others in copying, downloading, uploading, transmitting, or distributing” “all works plaintiffs own.” *A&M Records, Inc. v. Napster, Inc.*, 114 F.Supp.2d 896, 927 (N.D.Cal. 2000). Before the injunction took effect, the motions panel of this Court granted an emergency stay pending appeal, finding that Napster had “raised substantial questions of first impression going to both the merits and the form of the injunction.” Order dated July 28, 2000, at 2.

On February 12, 2001, the merits panel issued its opinion, affirming in part, reversing in part and remanding for the district court to modify its overbroad injunction consistent with the panel’s directions. Op.48-49. The panel ordered that Plaintiffs must provide notice of copyrighted works and files available on

Napster’s system, and that Napster thereafter had the duty not only to disable access to identified files shared by particular users (as Napster already does pursuant to its DMCA policy), but also affirmatively “to police the system within the limits of the system,” seek out other copies potentially shared by other users, and disable access to those files as well. *Id.*

3. **STANDARD FOR REHEARING**

A party may seek rehearing en banc where: (1) the panel decision conflicts with a decision of the Supreme Court or the court to which the petition is addressed; or (2) the proceeding involves one or more questions of exceptional importance. Fed.R.App.P. 35(b)(1).

4. **ARGUMENT**

A. **Digital Millennium Copyright Act**

ISPs—defined to include providers of online services and search engines, such as Napster (17 U.S.C. §512(k)(1)(B))—are integral to the ability of Internet users to obtain information. *See* S.Rep.No.105-190 (1998). As a result, “[i]n the ordinary course of their operations, service providers must engage in all kinds of acts that expose them to potential copyright infringement liability.” *Id.* The DMCA provides ISPs four safe harbors from monetary liability for direct, vicarious, and contributory infringement. *Id.*; §§512(a)-(d). The DMCA also proscribes the entry of any form of injunctive relief against ISPs qualifying for a safe harbor except in accordance with the narrow parameters of §512(j). “By

limiting the liability of service providers, the DMCA ensures that the efficiency of the Internet will continue to improve” and its variety and quality will expand.

S.Rep.No.105-190 at 8.

The panel’s decision eviscerates the DMCA’s safe harbor in a case of first impression that will impact all ISPs and peer-to-peer file sharing networks, and millions of consumers. The panel properly “depart[ed] from the reasoning of the district court that Napster failed to demonstrate that its system is capable of commercially significant non-infringing uses.” Op.30. Yet, without addressing whether Napster is a qualifying ISP for purposes of §512(d)—as it must—the panel remanded for entry of injunctive relief. If Napster qualifies under that safe harbor for “information location tools,” the order plainly conflicts with §512(j) and the limits on judicial equitable power imposed by that section.¹ It also imposes affirmative duties on Napster inconsistent with Napster’s compliance with the DMCA. The result is three errors.

¹ The panel’s “questions” about the DMCA should not hinder a determination that Napster is protected by the safe harbor. First, both the district court and the Plaintiffs acknowledged that Napster’s index is an “information location tool” under §512(d). ER179; ER164. Second, that an ISP does not have “knowledge” of infringing activity absent actual notice of file name and location involves the very issues briefed on appeal and discussed in this petition. Opening 53-56, Opp. 31-36, Reply 28-31, Amicus of Ad Hoc Copyright Coalition 16-21. Third, although the timing of Napster’s DMCA compliance policy might be relevant under §512(i) to damages for the period before the policy’s posting, as the district court found (ER183), it is irrelevant to the availability of prospective injunctive relief.

First, the panel erred in permitting an injunction requiring Napster to “bear[] the burden of policing the system” and “affirmatively use its ability to patrol the system and preclude access to potentially infringing files listed in its search index” (Op.48) once copyrighted works are identified. For an ISP that qualifies under §512(d), the Act bars entry of any such injunction.

An injunction against a qualifying ISP can only: (i) restrict access to specific material “residing at a particular online site”; (ii) restrict access to “the accounts of the subscriber or account holder that are specified in the order”; or (iii) restrain infringement of “copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.” 17 U.S.C. §512(j)(1)(A)(i)-(iii) (Emphasis added.)

By providing that an injunction must be limited to disabling access to a specific address or user, or specific material at a particular online site, the Act precludes an injunction that requires, without specification of file name and location, disabling of files or users throughout a network. Nor does it allow the imposition of an affirmative obligation to “patrol” or “police” a system—as the panel ordered, requiring Napster to monitor and seek out infringing activities of its users with its publicly available search function. Indeed, the availability of the safe harbor provisions cannot be conditioned on “a service provider monitoring or

affirmatively seeking facts indicating infringing activity.” §512(m)(1). The form of injunction approved thus contravenes §512(j)(1) and the statutory scheme.

Second, the panel erred in failing to address the obligatory considerations for injunctive relief set forth under §512(j)(2), including whether: (1) the injunction “would significantly burden either the provider or the operation of the provider’s system or network”; (2) “implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material”; and (3) “other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.” These are “mandatory considerations for the court beyond those that exist under current law” *See* S. Rep.No.105-190 at 53. The panel’s decision, based on a mere balance of hardships test, is invalid under §512(j)(2).

Third, the panel erred in imposing affirmative duties inconsistent with Napster’s compliance with the DMCA. The DMCA creates a “put back” procedure by which a user’s sworn declaration of non-infringement requires automatic reinstatement of the material unless the rights holder sues the user—thereby ensuring ISPs have no duty to referee disputes between copyright holders and system users (e.g., disputes over digital transmission rights or other important questions of ownership). §512(g); S.Rep.No.105-190 at 50-51 (put back right designed to protect users). The panel's decision abrogates the procedure, replacing

the DMCA's comprehensive notice and disablement provisions with new requirements that fail to provide a mechanism to deal with users' objections to file blocking. By displacing Congress' comprehensive statutory scheme with undefined directives to police "files," "works," "content," and "materials" (Op. 48-49), the panel has created the very ambiguities the DMCA sought to eliminate.

These errors are particularly significant given the DMCA's express purpose to protect Internet technologies, such as Napster's file sharing system, by limiting ISP exposure for copyright infringement by Internet users. *See Sony*, 464 U.S. at 431 (sound policy underlies courts' consistent deference to Congress when technological innovations alter the market for copyrighted materials; Congress has the ability to accommodate competing interests implicated by such technology). Preventing the harm of a shutdown or degradation of an ISP's system such as Napster's—dismissed without consideration as "speculative" by the panel (quoting the district court)—is the very purpose of the DMCA.

No court has yet held, even preliminarily, that Napster does not qualify for the safe harbor provisions of §512(d). The district court summarily rejected Napster's DMCA defense, concluding that the Act does not shelter contributory infringers. *A&M Records, Inc.*, 114 F.Supp.2d at 919 n.24. While the panel corrected that erroneous holding (Op.42), it neither assessed the applicability of the

DMCA nor remanded for such an assessment before ordering a non-complying injunction, stating that the issue “will be more fully developed at trial.” *Id.*

Napster now faces an injunction inconsistent with the DMCA’s limitations on such relief and requiring Napster’s non-compliance with the statute. Because the panel’s opinion circumvents the clear mandate of the Act, the Court should rehear the arguments on appeal.

B. Vicarious Liability

In *Sony*, the Supreme Court addressed the issue of technologies that may be used to duplicate copyrighted works, and resolved the tension between the rights of copyright holders and the rights of others “freely to engage in substantially unrelated areas of commerce.” 464 U.S. at 442. Under *Sony*’s application of the “staple article of commerce” doctrine, a technology used for or capable of “substantial noninfringing uses”—as the panel found Napster’s technology—may not be the basis of claims of copyright infringement. *Id.* at 442. Liability for infringing uses may be imposed on the technology provider only where there is actual knowledge, authorization, and control over the infringing use. *Id.* at 437-39.

The panel seriously misconstrued *Sony* in a decision that, unless corrected, will create unfortunate precedent and destroy *Sony*’s protection of new technologies.

First, the panel clearly erred in holding that the *Sony* doctrine—and its threshold requirements of actual knowledge, authorization, and control—does not apply to vicarious liability claims. This error profoundly mistakes and undercuts *Sony*.

The *Sony* holding squarely addresses vicarious liability. The Court: (i) held that “[t]here is no precedent in the law of copyright for the imposition of vicarious liability . . .” based on constructive knowledge that a technology may be used for copyright infringement, *id.* at 439; (ii) held that “contributory infringement is merely a species” of vicarious liability, *id.* at 435; (iii) used the term “vicarious liability” throughout the opinion; and (iv) stated that a “reasoned analysis of respondents’ unprecedented contributory infringement claim necessarily entails consideration of arguments and case law which may also be forwarded under the other label[]” of vicarious liability. *Id.* at 435n.17.

If the *Sony* holding did not cover vicarious liability—contrary to the clear language of the opinion—copyright holders seeking to impose liability for use of new technologies could avoid *Sony*’s requirements for actual knowledge and control by simply asserting a claim under the “other label” of vicarious liability.

That absurd result cannot be read into *Sony*.²

² The panel’s failure to appreciate this result may be due to its misstatement of the contributory infringement standard. Contrary to its opinion (Op.26), contributory
(footnote continued)

The panel’s reading is also inconsistent with prior decisions of the Ninth Circuit that do not distinguish between contributory infringement and vicarious infringement under *Sony*. E.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261 (9th Cir. 1996) (“courts have long recognized that in certain circumstances, vicarious or contributory liability will be imposed,” citing *Sony*); *Los Angeles News Service v. Tullo*, 973 F.2d 791, 797 (9th Cir. 1992) (“[u]nlike the claim against the VTR distributors involved in *Sony*, [plaintiff’s] claim against [defendant] is not that [defendant] is vicariously liable for alleged infringements by its customers”). Other courts have also interpreted *Sony* to set out the test for vicarious liability.³

Second, the panel’s error disturbs the balance of rights between copyright holders and technology providers effected by *Sony*. Under the panel’s holding, a provider of technology must affirmatively seek facts indicating infringing activity to escape vicarious liability for copyright infringement. The obligation to “patrol” (which reinstates the constructive knowledge element rejected by *Sony*) shifts to the technology provider the costs and burdens of copyright enforcement incident to

(footnote continued)

infringement may not be found where the defendant “had reason to know” of direct infringement. *Sony*, 464 U.S. at 439 n.19.

³ E.g., *Broadcast Music, Inc. v. La Trattoria E, Inc.*, No.Civ.A. 95-1784, 1995 WL552881, at *2 (E.D.Pa. Sept. 15, 1995); *Telerate Sys., Inc. v. Caro*, 689 F.Supp. 221, 228 (S.D.N.Y. 1988).

ownership of the copyright monopoly (and its benefits).⁴ While the panel may believe the burdens should be so shifted, the Supreme Court—relying upon congressional intent in the analogous area of the patent code, 35 U.S.C. §271(c)—decided the question otherwise.

This error materially affects the scope of the injunction allowed by the panel. For purposes of vicarious liability—but not contributory infringement—the panel imputes to Napster knowledge which could be gained by “patrolling” and “policing” its users. Accordingly, the panel’s remand states (Op.47) that Napster “may be vicariously liable when it fails to affirmatively use its ability to patrol its system,” such that plaintiffs need not provide actual notice of infringing file locations or users, but only notice of files “available on the system.” The imposition of this sort of burden on a provider of staple articles of commerce is contrary to *Sony*. Plaintiffs, in fact, have already sought to make the most of the error. They assert before Judge Patel that the panel’s decision authorizes an order that would require from Napster the impossible: to “ensure that no access is permitted on or through its system to Plaintiffs’ Protected works.” Pulgram Decl. in Support of Judicial Notice, Ex.A, ¶4. Plaintiffs also urge imposing the following

⁴ That this is a question of burden shifting is made plain by the panel’s finding (Op.38-39) that “[a]s a practical matter, Napster, its users and the record company plaintiffs have equal access to infringing material by employing Napster’s ‘search function.’” Napster’s “premises” are in the public domain.

indeterminate and extraordinarily broad obligation upon Napster to “seek facts indicating infringing activity”:

“Napster shall employ such measures and technology as are reasonably available to affirmatively patrol its system and preclude access to plaintiffs’ Protected Works, and shall use its search function to identify plaintiffs’ Protected Works and bar participation of users” *Id.*

While we disagree that Plaintiffs’ order is permissible under the panel’s opinion, it illustrates the significance of the panel’s error.

The panel’s derivation of the duty to “police” is equally problematic. Finding that Napster reserved the right to terminate users, the panel held: “To escape imposition of vicarious liability, the reserved right to police must be exercised to its fullest extent.” Op.37. The panel accordingly held that, “within the limits of the system,” Napster is affirmatively obligated to search for infringing activities. Op.49. By that reasoning, all ISPs (such as AOL and Altavista.com) have affirmative duties to monitor users and seek out facts of copyright infringement—because all ISPs reserve the right to terminate users. Indeed, the DMCA requires such a reservation of rights. §512(i). The panel’s holding thus requires any DMCA-compliant ISP affirmatively to “seek facts indicating infringing activity” to escape vicarious liability—despite the DMCA’s express exemption of ISPs from such duties. §512(m).

Third, the panel appears to have concluded that requiring Napster to “police” its system and block files by file name is consistent with *Sony*’s holding that the technology provider must be in a “position to control the use of the copyrighted works.” 464 U.S. at 437. Assuming that the DMCA safe harbor does not apply (which it does), and that imposing an affirmative duty to seek out knowledge is consistent with *Sony* (which it is not), the decision is still in error to the extent it requires Napster to find and control unauthorized uses even where: (1) file blocking may limit authorized uses; and (2) file blocking may degrade system performance.

Finding that Napster’s ability to control its users is “cabined by the system’s current architecture” (Op.36-38), the panel acknowledged that “the Napster system does not ‘read’ the content of indexed files.” Op.38. The panel held, however, that Napster has the ability and obligation to “police” file name indices because the names chosen by Napster’s users “reasonably or roughly correspond to the material in the file.” Op.38.

That file names only “reasonably or roughly correspond to the material in the file” means that file-name blocking will routinely, and inadvertently, screen out authorized content. File names often do not identify the artist or song title or nature of the recording (e.g., authorized concert recording versus unauthorized

master recording). For example, the name “c:\\programmer\\winamp\\09.aquarius.mp3” does not identify a unique recording from over 100 songs, 17 albums, and 5 artists similarly named. ER01387¶10.⁵ Further, there is no evidence or finding that Napster’s technology could block an indefinite number of file names without directly affecting or disabling system performance. ER01826.

Napster requests, at a minimum, that the decision be clarified to make plain that no obligation should be imposed which: (1) restrains authorized file sharing; or (2) impairs system performance for authorized uses.

C. **First Amendment**

The panel held that “First Amendment concerns in copyright are allayed by the presence of the fair use doctrine” and need not be assessed on remand. Op.49. But by contrast to an order that merely enjoins unauthorized uses of copyrighted works, one that reaches too broadly—restraining the authorized expression and sharing of other information—violates the First Amendment. *E.g., New Era Publications Int’l v. Henry Holt & Co.*, 695 F.Supp. 1493, 1527-28 (S.D.N.Y. 1988), *aff’d*, 873 F.2d 576 (2d Cir. N.Y. 1989) (denying injunction against entire

⁵ When Metallica attempted to identify unauthorized files through computerized searches of Napster’s index for song titles, it misidentified thousands of authorized recordings as being unauthorized. ER01820-1821. Similarly, blocking the unauthorized Britney Spears’ hit song “Oops I did it Again” risks blocking “I Did
(footnote continued)

publication notwithstanding certain infringing material); *see also CPC Int'l, Inc. v. Skippy, Inc.*, 214 F.3d 456 (4th Cir. 2000) (injunction requiring partial removal of infringing website content overbroad on First Amendment grounds). The panel's rejection of Napster's fair use defense bears upon unauthorized uses only; it cannot justify an overbroad injunction reaching authorized uses (as to which "fair use" is irrelevant). The decision sets dangerous precedent minimizing constitutional protections in regulating communications technologies.

The Supreme Court has recognized the importance of the Internet as a forum for advancing First Amendment interests. *Reno v. A.C.L.U.*, 521 U.S. 844, 853, 870 (1997). The panel erred in compelling Napster to "police" its system and block access without requiring that an injunction be narrowly tailored to protect non-infringing speech. Plaintiffs have already capitalized on this error to propose a form of injunction that wholly disregards the problem of restraining authorized uses. *Supra*, 12-13.

D. Compulsory Royalty

If relief is ordered against Napster for infringing uses by consumers of its revolutionary technology, the only appropriate remedies could be: (1) a narrowly tailored injunction conforming to DMCA §512(j); or, if the DMCA is inapplicable,

(footnote continued)

It" by the Dave Matthews Band (authorized to be shared through Napster's Featured Artist Program).

(2) a compulsory royalty. Having refused to apply the DMCA, the panel's rejection of a compulsory royalty is inconsistent with this Court's prior decisions and the fundamental public policy to promote technological development, as expressed in *Sony* and the AHRA.

The panel's decision narrowly construes the courts' discretion on the basis that Congress "arguably limited" the availability of the remedy. This Court, however, has repeatedly recognized that compulsory licenses are preferable where injunctions would prevent public access to new technologies or creative works. *See Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988), *aff'd*, 495 U.S. 207 (1990), quoting 3 M. Nimmer, *Nimmer on Copyright* §14.06[B] at 14-55 to 14-56.2 (1988) (awarding compulsory royalty to renewal copyright owner to avoid "public injury" from injunction of distribution of the film "Rear Window"); *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981) ("Professor Nimmer's suggestion of damages or a continuing royalty would constitute an acceptable resolution for infringement caused by in-home taping of television programs by VCR"); *see also Sony*, 464 U.S. at 499-500 (Blackmun, J., dissenting) (concurring "in the Court of Appeals' suggestion that an award of . . . continuing royalties . . . may well be an appropriate means of balancing the equities in this case").

A compulsory license is particularly appropriate here because: (1) an injunction would limit the availability of a dynamic technology that the panel found capable of substantial noninfringing uses; and (2) the underlying liability is based on noncommercial use of digital recording technologies. Each basis is independently sufficient for a compulsory license; the presence of both is dispositive.

First, the panel’s injunction would seriously impair the availability of Napster’s technology by imposing severe—and potentially prohibitive—burdens upon Napster to “police” its users. This would undermine *Sony* and hinder development of peer-to-peer file sharing technologies. *See Kelly v. Arriba Soft Corp.*, 53 U.S.P.Q.2d 1361 (C.D.Cal. 1999) (“[w]here, as here, a new use and new technology are evolving, the broad transformation purpose of the use weighs more heavily than the inevitable flaws in its early stages of development.”) It is also inconsistent with *Abend*’s “special circumstances” and “great public injury” test: over 50 million users of Napster’s technology will be directly affected by a shutdown or degradation in Napster performance. Further, it conflicts with the fundamental goal of Congress to limit injunctions against ISPs—a clear congressional finding of the “special circumstances” required by *Abend*. §512(j); 3 M. Nimmer, §14.06[B], 14:55-62 (“Society should not lose the benefit of recording technology . . . [A]bsent such legislation [providing for a compulsory license], it

would appear to be open to the courts to order a royalty payment to be made in lieu of an injunction.”)

Second, Congress has expressed its preference in the AHRA to impose compulsory royalty remedies where the underlying liability is based on noncommercial use of digital audio recording technologies. The panel held the AHRA inapplicable because of an exclusion of computers as digital audio recording devices. But the limitations on royalty requirements are not co-extensive with the immunities conferred by 17 U.S.C. §1008. Further, the only purpose of the exclusion for computer hard drives was to exempt computer programs and talking books—not the recording of music files.⁶ In any case, the AHRA evidences the compelling public policy in protecting the noncommercial use of digital audio recording technologies such as Napster.

A compulsory royalty remedy thus should be imposed in lieu of any injunction.

⁶ See testimony of RIAA’s general counsel. ER01262-01268.

5. **CONCLUSION**

For the reasons stated, Napster respectfully requests that this Court rehear or rehear en banc the panel's decision.

Dated: February __, 2001

BOIES, SCHILLER & FLEXNER LLP

By: _____
David Boies

Respectfully submitted,

FENWICK & WEST LLP
A Professional Corporation

By: _____
Laurence F. Pulgram
(CSB No.115163)

Attorneys for Defendant-Appellant
NAPSTER, INC.

“FORM 8” CERTIFICATION OF COMPLIANCE TO FED. R. APP.
P.32(a)(7)(C) AND CIRCUIT RULES 32-1 AND 32-2 FOR CASE NOS. 00-
16401 and 00-16403

I certify, pursuant to Fed R. App. P.32(a)(7)(C) and Circuit Rules 32-1 and 32-2, that the attached Reply Brief of Appellant Napster, Inc. is proportionately spaced, has a typeface of 14 points or more, and contains 4,192 words (based on the word processing system used to prepare the brief).

Dated: February __, 2001

FENWICK & WEST LLP

By: _____
Laurence F. Pulgram

Attorneys for Defendant-Appellant
NAPSTER, INC.

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