

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**

**NAPSTER, INC.'S SUPPLEMENTAL MEMORANDUM IN SUPPORT OF
PETITION FOR REHEARING AND REHEARING *EN BANC***

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Appeal No. 00-16401

NAPSTER, INC., a corporation,

Defendant-Appellant,

v.

**A & M RECORDS, INC., a corporation, GEFLEN 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.

I. PRELIMINARY STATEMENT

Napster, Inc. (“Napster”) submits this supplemental memorandum in support of its February 23, 2001, Petition for rehearing (“Petition”) of the panel’s opinion of February 12, 2001, to bring to the Court’s attention new developments that materially bear upon the matters addressed in Napster’s Petition.

On February 12, 2001, a merits panel of this Court issued an opinion (“Opinion”) affirming in part and reversing in part the injunction entered by the district court on July 26, 2000. The panel ordered a partial remand “on the date of the filing of [the] opinion for the limited purpose of permitting the district court to proceed with the settlement and entry of the modified preliminary injunction.”

A&M Records, Inc. et al. v. Napster, Inc., 239 F.3d 1004, 1029 (9th Cir. 2001). In providing direction to the district court for the purpose of narrowing the prior preliminary injunction, the merits panel “place[d] the burden on plaintiffs to provide notice to Napster of copyrighted works *and files containing such works available on the Napster system* before Napster has the duty to disable access to the offending content.” *Id.* at 1027 (emphasis added). The panel also recognized that Napster’s system is capable of commercially significant noninfringing uses, which cannot be enjoined. *Id.* at 1021.

The district court has now modified the preliminary injunction. Under

Plaintiffs' interpretation, that injunction does *not* require Plaintiffs to provide *any* individual file names of potentially infringing works available on the Napster system, or indeed *any* information other than lists of copyrighted recordings that they own or control. Plaintiffs apparently base this interpretation on the statement by the merits panel that actual knowledge of direct infringement is not required for vicarious liability under *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). *See A&M Records*, 239 F.3d at 1023-24.

Because these facts are directly relevant to the issues now pending on Napster's Petition, Napster submits this supplemental memorandum for consideration by the Court.

II. STATEMENT OF RELEVANT NEW FACTS

On March 5, 2001, the district court entered an order modifying its preliminary injunction in the present action as well as in three related actions (the "Orders").¹ The Orders:

- (1) required Plaintiffs to provide notice to Napster of copyrighted works by providing, for each work: the title and performing artist name (or composer) of the work; the names of "one or more files available on the Napster system containing such

¹ The Orders are attached as Exhibit B to the Declaration of Laurence Pulgram in Support of Napster's Motion for Leave to File Supplemental Memorandum in Support of Petition for Rehearing and Rehearing *En Banc* ("Pulgram Decl.").

- work”; and a certification of ownership or control of the rights in the work that are allegedly infringed (Orders ¶ 2);
- (2) imposed upon all parties a duty to “use reasonable measures in identifying variations of the filename(s), or of the spelling of the titles or artists’ names,” and an obligation to ascertain the actual identify of a work “[i]f it is reasonable to believe that a file available on the Napster system is a variation of a particular work or file identified by plaintiffs” (Orders ¶ 3);
 - (3) required Napster to “search the files available on its system at any particular time against lists of copyrighted recordings provided by plaintiffs” and held that “the results of such a search provide Napster with ‘reasonable knowledge of specific infringing files’ as required by the Ninth Circuit” (Orders ¶ 4);
 - (4) required Napster, within three (3) business days of receipt of reasonable notice of infringing files, to affirmatively search the names of all files being made available by all users at the time those users log on (*i.e.* prior to the names of the files being included in the Napster index) and prevent the downloading, uploading, transmitting or distributing of the noticed copyright sound recordings (Orders ¶ 6);
 - (5) held that Plaintiffs “may provide to Napster in advance of release the artist name, title of the recording, and release date of sound recordings for which . . . there is a substantial likelihood of infringement on the Napster system” and required that Napster, “beginning with the first infringing file[,] block access to or through its system to the identified recording” (Orders ¶ 7);
 - (6) held that, although the Ninth Circuit had “directed that plaintiffs provide to Napster the names of ‘specific infringing files’ containing copyrighted material,” “[g]iven the limited time an infringing file may appear on the system and the individual user’s ability to name her files, relief dependent on plaintiffs’ identifying each ‘specific infringing file’ would be illusory.” (Orders Endnotes 1 and 2)

See Pulgram Decl., ¶ 3, Exh. B (Orders).

In response to these Orders, Napster has implemented significant new technologies to its service, including a complex screening mechanism that locates and excludes file names identified as corresponding to Plaintiffs' copyrighted works. Pulgram Decl., ¶ 4, Exh. C, at 10-16; ¶ 9, Exh. H, at 3-4.

On March 9, in correspondence purporting to enforce the Orders, counsel for the *A&M Records* Plaintiffs stated that, according to Plaintiffs' interpretation of the Orders:

- (1) "Napster has an affirmative duty to police its system, including as outlined in paragraph 4 of the preliminary injunction, and . . . plaintiffs are *not* required to provide *any* individual file names, or any information other than lists of copyrighted recordings that they own or control." Pulgram Decl., ¶ 5, Exh. D, Sub-Exh. 4, at 2 (emphasis added).
- (2) "Napster should, among other actions, monitor its message boards and chat rooms to determine the means by which users may seek to avoid the filtering Napster employs to comply with the modified preliminary injunction." *Id.* at 1.
- (3) "Napster should account for [any users' efforts to evade Napster's copyright screening devices] in its filtering process." *Id.* at 2.

Consistent with this interpretation of the Orders, Plaintiffs have provided multiple notices of hundreds of thousands of copyrighted works *without* corresponding names of files available through the Napster system. Pulgram Decl., ¶ 4, Exh. C, at 2; ¶ 9, Exh. H, at 1-2, and Sub-Exh. 1.

On March 13, counsel for Napster responded that both paragraph 2 of the

Orders and the Ninth Circuit panel Opinion placed “the burden on Plaintiffs to provide notice to Napster of copyrighted works *and files containing such works* before Napster has the duty to disable access to the offending content.” Pulgram Decl., ¶ 4, Exh. C, at 1 (emphasis added). Nonetheless, Plaintiffs continued to provide multiple notices of hundreds of thousands of copyrighted works without corresponding names of files available through the Napster system. Pulgram Decl., ¶ 9, Exh. H., at 1.

On March 20, counsel for Napster explained that, under Plaintiffs’ interpretation of the relative allocation of burdens under the Orders, Plaintiffs had:

- (1) Consistently declined to provide variants in song and artist name; (Pulgram Decl., ¶ 9, Exh. H, at 10-11)
- (2) Provided numerous non-complying notices, and put Napster to the undue expense of determining the notices’ non-compliance; (Pulgram Decl., ¶ 9, Exh. H, at 8)
- (3) Mixed complying items in the same notice with non-complying items making it impossible to differentiate in the time allowed by the injunction, and resulting in the wrongful exclusion of works; (Pulgram Decl., ¶ 9, Exh. H, at 4-8)
- (4) Provided thousands of file names that could not, on human review, be construed as containing the allegedly protected work (*id.*); and
- (5) Sent quantities of information to Napster apparently without human review, attempting to shift to Napster the duty to make determinations of the accuracy of the data which Plaintiffs assembled and which is, in the first instance, Plaintiffs’ obligation. *Id.*

Pulgram Decl., ¶ 9, Exh. H, at 4-12.

The degree to which Napster is excessively burdened by compliance, Plaintiffs' delivery of non-complying notices, and the inevitable consequences of (1) extensive blocking of *authorized* files and (2) degradation of the Napster service are more fully set out in Napster's First and Second Compliance Reports, filed March 13th and 20th, 2001. Pulgram Decl., ¶¶ 4, 9, Exhs. C-I.

III. ARGUMENT

As Napster's Petition makes plain, the panel's partial affirmance of injunctive relief was based on significant error. Among other things, the decision: (1) failed to assess the applicability of the safe harbor provisions of the Digital Millennium Copyright Act ("DMCA"), and the DMCA's strict limitations on judicial power to order injunctive relief against qualifying Internet Service Providers ("ISPs") such as Napster; (2) refused to assess Napster's alleged "vicarious" liability for copyright infringement under the "staple article of commerce" doctrine set forth in *Sony*, which limits the duties of technology providers that do not have actual knowledge of specific infringing uses of the technology; and (3) held that, although the Napster system is capable of commercially significant noninfringing uses, Napster could nonetheless be enjoined to block the sharing of files based solely on file names—even though

there is an imperfect correspondence between the names of files (which are chosen by users) and the contents of those files. *A&M Records*, 239 F.3d at 1024.

Napster anticipated that these errors would materially impact any injunctive relief that the district court entered after the limited remand by the panel.

Plaintiffs' interpretation of the injunction confirms the validity of the concerns identified by Napster in its Petition in at least three ways.

First, under Plaintiffs' interpretation of the modified preliminary injunction ("plaintiffs are *not* required to provide *any* individual file names, or *any* information other than lists of copyrighted recordings that they own or control" (Pulgram Decl., ¶ 5, Exh. D, Sub-Exh. 4, at 2)), Napster, or any ISP, must (1) affirmatively search for potentially infringing works (2) without *any* actual notice that such works are even available on its system, and without the file name or location of any such material. The imposition of such duties on a technology provider is wholly inconsistent with the DMCA's comprehensive scheme regulating ISPs, and with *Sony's* allocation of burdens between technology providers and copyright holders. Under the DMCA, a qualifying ISP is *not* required to "monitor[] its service or affirmatively seek[] facts indicating infringing

activity.” 17 U.S.C. § 512(m).² Rather, any injunction must be narrowly tailored to disable access to *specific* online addresses or users, or material at a *specific* location. 17 U.S.C. § 512(j). Under *Sony*, “[t]here is no precedent in the law of copyright for the imposition of vicarious liability” based on constructive knowledge (464 U.S. at 439), and no basis for the imposition of affirmative duties to exclude files absent knowledge of specific infringing files.³ Indeed, Plaintiffs’ interpretation of the Opinion would extend the scope of vicarious liability to hold an ISP liable even for the conduct of consumers who endeavor to evade and frustrate the ISP’s devices for excluding copyrighted material. This expansion of the doctrine so far beyond its roots in joint tort liability has no basis in law or policy. A. Yen, *Internet Service Provider Liability For Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L.J. 1833, 1844, 1858, 1863-65, 1871-72 (2000).

2 By contrast, Plaintiffs assert that, under the panel’s Opinion, Napster must “monitor its message boards and chat rooms” and “affirmative[ly] police its system.” Pulgram Decl., ¶ 5, Exh. D, Sub-Exh. 4, at 1, 2.

3 The merits panel held that *Sony* “has no application to Napster’s potential liability for vicarious copyright infringement,” 239 F.3d at 1021, a holding upon which Plaintiffs apparently rely. We note that the merits panel misattributed to Anne Hiaring the proposition that *Sony*’s staple article of commerce doctrine “provides a defense only to contributory infringement, not to vicarious infringement”; that statement in fact is drawn from the *A&M Records* Plaintiffs’ brief in this very litigation (attached as an appendix to Ms. Hiaring’s PLI article). *Id.*

Second, even under Napster’s interpretation of the injunction, the Orders have already required extensive blocking of works that may be *authorized* to be shared by its users. Pulgram Decl., ¶ 9, Exh. H, at 6-8; ¶ 10, Exh. I, (Motwani Decl.), ¶ 9 (for example, tens of thousands of “live” and “concert” recordings are being blocked based on notices from the record company Plaintiffs, based on claimed rights in master studio recordings). The merits panel recognized that Napster’s system is capable of commercially significant noninfringing uses, which cannot be enjoined. *A&M Records*, 239 F.3d at 1021. The panel’s further holding that Napster could nonetheless be enjoined to block the sharing of files based on file names—despite an acknowledged imprecision in the correspondence between file name and file content (*A&M Records*, 239 F.3d at 1024)—created a clear potential for contradiction.

This contradiction has now been realized. To comply with its duties under the injunction, Napster has been obligated to block even authorized files. Because files must be blocked based on words contained in the file name, the exclusion of unauthorized files inevitably also blocks authorized files whose names contain the same words. Pulgram Decl., ¶ 4, Exh. C, at 5-7; ¶ 9, Exh. H, at 12-14. Under Plaintiffs’ interpretation, the overbreadth problem is even more severe because Plaintiffs would have no obligation to determine whether *any* file names available

on the Napster system actually correspond to Plaintiffs' works (if not, the blocking of a given set of file names and variants will *only* exclude *authorized* works).

These problems show that the duties imposed on Napster under the panel Opinion and the Orders do not respect the effective limits of Napster's control over use of its technology. They also reflect the panel's error in holding that Napster could be required to block the sharing of unauthorized files based simply on file names, irrespective of the overly broad exclusion of authorized speech.

Third, the radically divergent interpretations of the Orders by Plaintiffs and by Napster illustrate the problems with the panel's Opinion: that, on the one hand, *Sony* does not allow for the imposition of contributory infringement liability based on constructive knowledge, but, on the other hand, *Sony* is somehow inapplicable to the very same conduct under the "other label" of vicarious liability. The ability of Plaintiffs to advance their insupportable construction of Napster's duties and burdens derives directly from the flaws in the panel's Opinion.

In sum, Plaintiffs have taken the panel's Opinion as an opportunity to shift to Napster the burden of preventing infringements of which it receives no notice; to put forward interpretations of notice and knowledge that would cause serious overblocking of authorized uses, in contravention of *Sony* and in a manner that portends the shut-down of the Napster system; and to impose a new judicially-

crafted notice-and-takedown procedure directly at odds with the procedures of the DMCA. These developments subsequent to Napster's Petition make plain the severity of the panel's errors and the risks they impose not only for Napster's survival, but for ISPs and new Internet technologies generally.

IV. CONCLUSION

In light of these new developments, and for the reasons stated above and in its Petition, Napster respectfully requests that this Court rehear, or rehear *en banc*, the panel's decision of February 12, 2001.

Dated: March __, 2001

Respectfully submitted,

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