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CASES OF INTEREST

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Music Law Weekly Case Update For Music Industry Executives

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Capitol Records, Inc. v. MP3tunes, LLC, USDC S.D. New York, August 22, 2011

 [Click here for a copy of the full decision.](#)

- In a copyright infringement action, defendant MP3tunes, which provides a service that allows users to search the internet for free song files and a service that allows the online personal storage of such song files, was determined to qualify for DMCA safe harbor protection except with respect to certain specific songs identified in DMCA takedown notices and not removed from user lockers.

MP3tunes LLC owns and operates MP3tunes.com which, among other services, provides a storage service that allows users to upload music files to personal online storage lockers and play and download the uploaded songs. MP3tunes also owns and operates Sideload.com, which allows users to search for free song files on the internet; if the user has an MP3tunes locker, Sideload.com will download the song from a third-party website and save it to the user's MP3tunes locker. MP3tunes also has a service that syncs cover art with the user's music file. MP3tunes has a license from Amazon.com to use its cover art for the principal purpose of driving traffic to Amazon.com.

MP3tunes has an anti-infringement policy for both websites. Users must agree to MP3tunes' policy prohibiting storage of infringing content and acknowledge MP3tunes' right to sever its relationship with repeat infringers before they can activate an MP3tunes locker. Though Sideload.com does not impose similar conditions for use, the website links to the anti-infringement policy. MP3tunes also registered an agent with the Copyright Office to receive notices of alleged infringement from copyright owners and displays the contact information of the agent on both websites.

In late 2007, MP3tunes received several takedown notices from EMI Music Group North America ("EMGNA") and EMI Entertainment World ("EEW") that identified specific infringing songs and web addresses and demanded the takedown of all other EMI copyrighted works. In response, MP3tunes removed all the specific links on Sideload.com but did not remove any content from users' lockers. MP3tunes also requested that EMGNA and EEW specifically identify any other infringing links. Neither EMGNA nor EEW responded and EMI instead filed this lawsuit, alleging that MP3tunes failed to qualify for the DMCA safe harbor provisions, and direct infringement and unfair competition. EMI moved for summary judgment, and MP3tunes also moved for summary judgment claiming protection under the safe harbor created by the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. §512.

For a service provider to be eligible for DMCA protection, it must first comply with §512(i), which requires the service provider to have adopted and reasonably implemented a repeat infringer policy. While service providers "have no affirmative duty to police their users," §512(i) denies protection to websites that "purposefully fail to keep adequate records of the identity



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and activities of their users and fail to terminate users no matter how persistent and flagrant their infringement.” EMI argued that MP3tunes purposefully blinded itself to its users’ blatant infringement; MP3tunes countered that they reasonably implemented a procedure to deal with takedown notices and have complied with the notices sent by EMGNA and EEW. MP3tunes also terminated the accounts of 153 repeat infringers who violated copyrights by sharing the contents of their lockers with other users.

The court noted that case law absolves service providers from policing users who merely consume the infringing content from third-party websites, and agreed with MP3tunes, finding that its users are not blatant infringers because its users do not upload or post unauthorized content to the web, but rather sideload content from other websites and do not know for certain whether the material downloaded is infringing copyrights. The court also found that MP3tunes adhered to §512(i) because it tracked the source and web address of every sideloaded song in its users’ lockers, can and did terminate the accounts of repeat infringers, and demonstrated that it not only has a procedure for responding to DMCA takedown notifications but also that it responded to such notices.

Finding that MP3tunes is eligible for DMCA protection, the court then analyzed whether MP3tunes complied with the DMCA takedown notices as required by §512(c)(3) and §512(d)(3). Subsection 512(c) governs material stored on the service provider’s servers at the direction of a user, and potentially applies to MP3tunes’ locker service. Subsection 512(d) governs information location tools like search engines, and potentially applies to Sideload.com. The eligibility requirements for both subsections are the same, though each service must independently qualify.

A proper DMCA notice under each subsection must “identify the copyrighted work or provide a representative list, if multiple works are subject to the same notice, and identify the infringing material with enough information to locate it.” Citing to *Viacom v. YouTube*, 718 F.Supp.2d 514 (S.D.N.Y. 2010), the court noted that notice merely stating “all songs” by a particular artist or some other vague descriptor, and nothing more, is inadequate for the service provider to locate the allegedly infringing material. After proper notice, a service provider must act expeditiously to remove the specific infringing material identified in the notice, but is not required to search for other materials that may infringe the identified copyrighted works. Following *Viacom*, the court determined that MP3tunes did not qualify for safe harbor protection for songs stored in user lockers that were sideloaded from the unauthorized websites identified in the EMGNA and EEW takedown notices because MP3tunes needed to remove the stored content identified in the compliant takedown notice in addition to removing the links. However, the court found that MP3tunes did qualify for safe harbor protection for songs sideloaded from websites not listed in the takedown notices as those notices were not proper as they did not provide the location of additional infringing material.

Though MP3tunes qualified for safe harbor protection, such protection is not available under subsections 512(c)(1)(A) or (d)(1) if MP3 had actual knowledge that the material on its websites infringed another’s copyrights or was aware of facts and circumstances that made such infringement apparent. The court found no actual knowledge, because EMI failed to provide evidence that MP3tunes’ executives sideloaded songs from clearly pirated websites, as the sides that they used did not use the words “pirate” or “bootleg” or other words to indicate their illegal purpose. The court also found that MP3tunes did not ignore red flags. Though there are facts and circumstances that may suggest illegal file sharing through the links on Sideload.com and the files stored on MP3tunes, because an investigation would have been required to determine whether



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the material is infringing, those facts and circumstances are not red flags. MP3tunes had no way of knowing for sure whether free songs on the internet are unauthorized unless it investigated, and the DMCA is explicit that a safe harbor is not conditioned on “a service provider monitoring its service or affirmatively seeking facts indicating infringing activity.” 17 U.S.C. §512(m)(1).

Finding that MP3tunes did not have actual knowledge of infringing activities and did not ignore red flags, the court then analyzed whether MP3tunes is a vicarious infringer. Under subsections 512(c)(1)(B) and (d)(2), service providers that directly benefit from and have the right and ability to control their users’ infringing activity are ineligible for DMCA safe harbor protection. The court found that MP3tunes did not have a direct financial benefit that was attributable to the infringing activity. MP3tunes did not promote infringement, the sideloaded songs were stored free of charge, and both infringing and non-infringing users paid the same or nothing at all for the locker services. On the issue of control, the court found that MP3tunes merely had the ability to remove or block access to materials posted on its website – it did not participate in the decisions of its users to link specific websites to Sideload.com and the songs that they sideloaded and stored. The court found that MP3tunes merely enabled its users to download infringing material, and if that is enough to create liability, search engines would also be without DMCA protection. Thus, the court found that MP3tunes is not a vicarious infringer and qualified for DMCA protection except for the songs sideloaded from links identified in EMGNA and EEW’s takedown notices that it failed to remove from user lockers.

The court then turned to the contributory infringement claim. Contributory infringement is secondary liability for copyright infringement, and EMI must show direct infringement by a third party, and that MP3tunes knew or had reason to know of the infringement and materially contributed to the infringement. To show direct infringement, EMI must show ownership of a valid copyright and unauthorized copying. There was no dispute over EMI’s ownership of the copyrights and the court found that there was unauthorized copying by MP3tunes’ users of those songs identified in the takedown notices. MP3tunes unsuccessfully argued that EMI either abandoned its copyrights altogether or authorized downloads outside of the promotional context through offering promotional downloads of copyrighted songs from an authorized website. Having found direct infringement, the court then found that EMI established contributory liability as well.

MP3tunes, through the takedown notices, had actual knowledge that its users had stored and continued to have access to infringing copies of EMI’s works. Moreover, because MP3tunes provided the exclusive venue to download, store and playback infringing records, the court found that MP3tunes had materially contributed to the infringement. Because MP3tunes continued to provide locker services to its users even after it knew they had unlawfully downloaded EMI’s protected material and continued to allow them to store and access those works on its servers, the court granted summary judgment for EMI on its claim for contributory infringement as to the songs listed in the takedown notices that MP3tunes failed to remove from users’ lockers.

EMI also alleged direct infringement by MP3tunes. EMI alleged that MP3tunes executives and employees sideloaded its recordings and MP3tunes is vicariously liable for that activity under respondeat superior. The court denied summary judgment for EMI on this claim because a genuine dispute exists as to whether any of the songs were downloaded by MP3tunes employees in the course of their employment, thereby making MP3tunes liable. However, the court found that Robertson, a named defendant and founder of MP3tunes, is directly liable for songs that he personally sideloaded from



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unauthorized sites.

EMI also alleged that MP3tunes' storage system violated its right to public performance because MP3tunes employs a "master copy" that it uses to rebroadcast songs to users who upload different copies of the same song. However, the record shows that MP3tunes does not use such a master copy but that it preserves the exact digital copy of each song uploaded to the website.

EMI also alleged direct infringement by MP3tunes' use and storage of its copyrighted cover art. MP3tunes has a license from Amazon.com to display the cover art though it is only for the purpose of driving traffic to Amazon.com. There remains a genuine dispute as to whether the use and storage of the art contravenes the terms of the license and the court denied EMI's summary judgment motion on this claim.

EMI also claimed unfair competition by MP3tunes, and MP3tunes moved for summary judgment to dismiss that claim. An unfair competition claim requires showing that the defendant used plaintiff's works without authorization, and either (i) the defendant competed with the plaintiff in the market place, (ii) the defendant acted for commercial benefit, or (iii) the defendant deceived the public. However, the court found a genuine dispute as to whether MP3tunes competes with EMI because MP3tunes offers free copies and storage of song files to internet users and EMI distributes its works over the internet., and denied MP3tunes' motion.

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