

Case No. 02-4125

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In the  
**United States Court of Appeals**  
for the **Seventh Circuit**

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IN RE: AIMSTER COPYRIGHT LITIGATION

APPEAL OF:

JOHN DEEP, *Defendant.*

**On Appeal from the United States District Court  
for the Northern District of Illinois, Eastern Division**

**Case No. 01-C-8933  
The Honorable Judge Marvin E. Aspen**

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**REPLY BRIEF Of DEFENDANT-APPELLANT  
JOHN DEEP**

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Appellant John Deep respectfully submits this Reply to the Response Brief (“Response”) of Plaintiffs-Appellees (“Copyright Owners”). Due to space constraints, this Reply addresses the issues that Mr. Deep considers to be the most material to this appeal. The fact the Mr. Deep is unable to address many of the minor factual and legal errors in the Response should not be taken as a concession on any point.<sup>1</sup>

**1. The Copyright Owners base their erroneous characterization of the technology at issue on unsupported speculation.**

Like the District Court, the Copyright Owners appear to have a fundamental misunderstanding of the technology at issue in this appeal. One reason is that the Bankruptcy Court in New York, while granting limited relief from the automatic stay, held that the parties could not conduct discovery and the District Court could not conduct an evidentiary hearing. Another reason, however, is that both the District Court and the Copyright Owners nevertheless engaged in significant speculation about the nature and inner functioning of the so-called “Aimster System” while having access only

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<sup>1</sup> Mr. Deep does wish to address, however, the false statement on page 11 of the Response that the New York Bankruptcy Court recently converted the Chapter 11 bankruptcies of Mr. Deep’s corporate co-defendants to Chapter 7 “based on Deep’s fraud and mismanagement.” Neither the Bankruptcy Court’s conversion order (*see* attached Supplemental Appendix) nor the Court’s statements in open court remotely suggest “fraud and mismanagement” by Mr. Deep. Instead, the conversion clearly was based on the corporate debtors’ inability to continue operations due to the broad preliminary injunction that is at issue in this appeal.

to the external user interfaces (“screen shots”) for certain software and websites.<sup>2</sup>

This second reason may be better understood by analogy – for example, trying to understand how a vehicle operates simply by observing the vehicle’s dashboard. Without the benefit of discovery or an evidentiary hearing, neither the District Court nor the Copyright Owners were able to “look under the hood” of the vehicle here – the Copyright Owners were limited to sitting in the driver’s seat and taking the vehicle out for test drives. And the District Court was simply told what the Copyright Owners surmised had happened under the hood, speculation supported only by photographs showing what the vehicle’s dashboard looked like at different times. The end result was speculation by Copyright Owners, reliance on that speculation by the District Court, and a host of erroneous and unexplained factual conclusions generated from that speculation.<sup>3</sup> Unsupported and unexplained speculation does not support issuance of a preliminary injunction. *See Monarch Beverage Co. v. Tyfield Importers, Inc.*, 823 F.2d 1187, 1192 (7<sup>th</sup> Cir.

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<sup>2</sup> A “screen shot” is simply a printout of what appears on a computer user’s screen at any given time. A “user interface” is what the user of software sees on his or her screen at any given time while using the software.

<sup>3</sup> It should be noted that, while the District Court and the Copyright Owners refer to the “voluminous” nature of the parties’ filings, only a small proportion of those filings address the technology at issue. Indeed, much of the volume consists of copyright registrations and other legal documents offered to establish the Copyright Owners’ claims of ownership to scores of musical recordings. (*See, e.g.*, Declaration of Michael Ostroff; Declaration of Richard Cottrell; Declaration of Theodore Chang; Declaration of David Seklir.) And of the filings relating to the technology, the majority consists largely of repetitive screen shots purporting to show computer files with names similar to the copyrighted music titles for which registrations were proffered. (*See* Declaration of Frank Creighton.)

1987) (Under Rule 52(a) “findings of fact must ‘include as many of the subsidiary facts as are necessary to disclose to the reviewing court the steps by which the trial court reached its ultimate conclusion on each factual issue.’”).

One of the District Court’s most significant errors was its conclusion that Mr. Deep and the other defendants must have known who was using the private instant messaging software because each user had to log-in with a user name and password. (Deep Opening Brief at 11 - 13.) In reaching that erroneous conclusion, the District Court relied on a screen shot of the log-in page for the Club Aimster website – a completely separate technology that did not interoperate with the private messaging software. (*See id.*) In their response brief, the Copyright Owners do not directly address this clear error, but attempt to make up for it by stating that users of the private instant messaging software had to “provide a user name and password” when first downloading the messaging software. (Response at 4.) The Copyright Owners ignore, however, the uncontradicted fact that the user name and password of every user was encrypted at all times and could never be ascertained by Mr. Deep. (Deep Opening Brief at 9 – 10; Deep Decl. Opp. Proposed Preliminary Injunction, Oct. 17, 2002, at ¶¶ 6-7.) Mr. Deep therefore could not know or control at any point who was logging on to use the instant messaging software. (*Id.*)



Another crucial factual error that the Copyright Owners press in their Response brief is one that the District Court at least acknowledged to be an unresolved factual issue, namely the alleged existence of a “directory” of available files maintained by the defendants on a “central server.” (Response at 4, 25.) The District Court rightly noted in its Opinion that there was insufficient evidence to make such a finding. (Opinion at 7 n. 6.)

Yet another area of confusion involves the process used for encryption and decryption. It is uncontested that all information shared between users of the private messaging software – information such as user log-ins, instant messages, user profile searches, file transfers, *etc.* – was first encrypted and then later decrypted. The Copyright Owners speculate in their Response, however, that Mr. Deep or the “Aimster system” somehow executed the encryption and decryption processes. (Response at 20.) Similarly, they contend that the DMCA safe harbor in 17 U.S.C. 512(a) is not satisfied because the information transferred between users of the software was “modified” by “Aimster” during transmission. (Response at 35.) However, the evidence proffered by Mr. Deep showed that every time a user transmitted any information outside the user’s computer, the private messaging software encrypted the information *before the information left the user’s computer*. Once another user having the same encryption key (*i.e.* a “buddy” of the first user) received the information, the private messaging software on the second user’s computer automatically decrypted the

information. (Deep Decl., Jan. 22, 2002, at ¶¶ 4, 6, 8, 11, 19.) In other words, all information transferred between users was encrypted and decrypted by the users themselves on their own computers using the private messaging software. Because there is no evidence to suggest otherwise, the Copyright Owners' suggestions are unsupported and incorrect.

Likewise, the Copyright Owners and the District Court fail to appreciate the fundamental nature and necessity of the encryption in the private messaging software, characterizing it as simply a deliberate attempt at "willful blindness." (Response at 20.) Encryption is necessary to the creation and protection of a private instant messaging network. (Opening Brief at 15-16.) And the protection of private communications over the Internet is a matter of significant public policy to Congress. When Congress amended the Copyright Act in 1998 through the Digital Millennium Copyright Act ("DMCA"), it expressly sought to ensure that personal privacy for Internet communications would not be diminished. *See* 17 U.S.C. §§ 512(m), 1205. Indeed, the DMCA legislative history posits that passage of the anti-circumvention provisions of the Act would "substantially enhance the degree to which individuals may protect their privacy as they work, play and communicate on the Internet." S.Rep. No. 105-190 at 18 (1998). In addition, the privacy of Internet communications is protected through the Electronic Communications Privacy Act, which prohibits unauthorized interception or access of electronic communications. 18 U.S.C. §§ 2511, 2701. As such, the

distribution of private messaging software that allows individuals to communicate securely and privately over the Internet implements laudatory goals and cannot be said to be simply an effort towards “willful blindness.”

Finally, the Copyright Owners incorrectly assert that two online tutorials for the private messaging software “used the Copyright Owners’ copyrighted works as examples of music that could be copied.” (Response at 6.) One of these tutorials contains no reference at all to any copyrighted works. (See Forrest Decl. Ex. 1.) And the other tutorial – the “Guardian Tutorial” prepared and posted on an Aimster website by certain Aimster users – only references allegedly copyrighted works in a section discussing how to use the software’s “music player” (a functionality similar to Windows Media Player) to create a “playlist” of songs from files already residing on the user’s hard drive. (See Creighton Decl. Ex. 12; Deep Decl. Opp. Proposed Preliminary Injunction, Oct. 17, 2002, at ¶¶ 6-7.) Because songs in a playlist can come from any source, such as the permissible copying of songs from a purchased CD to one’s computer hard drive (“space-shifting”<sup>4</sup>), the tutorial does not use “copyrighted works as examples of music that could be copied” illegally. (Response at 6.) Nor does the tutorial “methodically demonstrate how to infringe Plaintiffs’ copyrights by using specific copyrighted titles as pedagogical examples” as held by the District Court. (Opinion at 21.) The District Court therefore committed clear error in reaching that factual

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<sup>4</sup> See *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1019 (9<sup>th</sup> Cir. 2001).

conclusion, and the Copyright Owners' reliance on the conclusion in their Response is misplaced.

**2. The District Court should not have issued the preliminary injunction without the benefit of an evidentiary hearing.**

At pages 43 through 45 of their Response, the Copyright Owners contend that Mr. Deep did not sufficiently inform the District Court that material issues of fact required an evidentiary hearing and that the evidence adduced at such a hearing would materially impact the court's decision. To the contrary, however, Mr. Deep set forth on at least two occasions the specific factual issues requiring an evidentiary hearing and the evidence he would introduce at such a hearing concerning those issues. (See Opinion at 16; Motion to Refer Action to Bankruptcy Court, June 25, 2002; Deep Decl. Opp. Proposed Preliminary Injunction, Oct. 17, 2002.) As Section 1 of this Reply Brief illustrates, the anticipated need for an evidentiary hearing proved true, as the District Court made several clear errors of material fact in contravention to the evidence in Mr. Deep's other filings. Indeed, the District Court even made credibility determinations based solely on conflicting affidavits. (See Opinion at 10 fn. 10 [affidavit testimony "unbelievable"]; Opinion at 23 [assertion of lack of knowledge "disingenuous"].) The Court therefore erred by granting the extraordinary relief of a preliminary injunction.

**3. The Supreme Court decision in *Sony* is fully applicable here and precludes enjoining a staple article of commerce under any circumstances, even if other activities amounting to contributory infringement might properly be enjoined.**

In their Response, the Copyright Owners argue strenuously for a narrow application of *Sony Corp. v. Universal*, 464 U.S. 417 (1984), seeking to restrict *Sony*'s holding as much as possible to the facts of that particular case. A fair and complete reading of the decision, however, as well as the case law on which it relies to apply the staple article of commerce doctrine to copyright law, reveal that *Sony*'s holding is not so limited as the Copyright Owners assert.

In choosing to apply the staple article of commerce doctrine, the *Sony* Court looked for guidance to the “closest analogy” available – patent law, with which copyright law bears a “historic kinship.” *Sony*, 464 U.S. at 439. Citing *Dawson Chemical Co. v. Rohm & Hass Co.*, 448 U.S. 176 (1980), the *Sony* Court stated:

A finding of contributory infringement does not ...remove [an] article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are “unsuited for any commercial noninfringing use.”

*Sony*, 464 U.S. at 440-41.

The *Dawson* decision, rendered four years before *Sony*, culminated a long line of Supreme Court opinions that wrestled with the tension created by the judicially created doctrine of contributory infringement<sup>5</sup> and the use of that doctrine by patentees to exert effective control over unpatented articles of commerce used by direct infringers to infringe the patentee's patent. See *Dawson*, 448 U.S. at 187-199. At first the pendulum had swung far to one side in favor of broad contributory infringement application without regard to the resulting expansion of patentees' rights. See *id.* at 187-190 ("The contributory infringement doctrine achieved its high-water mark with the [1912] decision in *Henry v. A.B. Dick*."). The pendulum next had swung far back the other way, as concern about patentees' control over unpatented articles of commerce virtually eliminated the doctrine of contributory infringement. See *id.* at 190-97 (noting Justice Douglas's comment in the 1944 *Mercoide I* decision<sup>6</sup> that the Court "would not 'stop to consider' what 'residuum' of the contributory infringement doctrine 'may be left'").

Congress entered the fray in 1952, enacting section 271 of the Patent Act after years of urging by the patent bar. *Id.* at 200. Section 271, though purported merely to codify existing patent law, did several things. First, it broke the judicially created doctrine of "contributory infringement" into two

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<sup>5</sup> Until 1952 the Patent Act, like the Copyright Act today, did not expressly provide for contributory infringement. See *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1468-69 (Fed. Cir. 1990).

<sup>6</sup> *Mercoide Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944).

separate statutory subsections – 271(b) and 271(c). *See Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990). Subsection (b) encompassed activities amounting to “active inducement” of infringement, while subsection (c) encompassed “contributory infringement” through the sale of a nonstaple article of commerce “especially adapted for use in an infringement” of a patent. *See id.* (quoting 35 U.S.C. § 271). Second, by limiting contributory infringement in subsection (c) to the sale of nonstaple articles of commerce not “especially adapted for use in an infringement,” Congress pulled back from the current state of the case law and struck a new balance based on the staple/nonstaple distinction. *See Dawson Chemical*, 448 U.S. at 199-215. Specifically, “Congress granted to patent holders a statutory right to control *nonstaple* goods that are capable *only* of infringing use in a patented invention.” *Id.* at 213 (emphasis added). Absent passage of that express statutory right, Supreme Court precedent would have denied the patentee *any* ability to control articles of commerce outside the scope of the patent grant – whether staple or nonstaple – and contributory infringement liability would have been largely nonexistent. *See id.* at 196-200. “[T]he staple-nonstaple distinction ... ensure[d] that the patentee’s right to prevent others from contributorily infringing affect[ed] only the market for the invention itself.” *Id.* at 220. It is that crucial staple/nonstaple distinction that the Supreme Court in *Sony* imported into copyright law – a distinction intended to prevent copyright holders from using contributory infringement

claims to obtain “the exclusive right to [control staple articles of commerce] simply because they may be used to infringe copyrights.” *Sony*, 464 U.S. at 441 n. 21.

From this history, it can be seen that *Sony*’s “staple article of commerce doctrine” reaches far more broadly than the Copyright Owners assert. If something is capable *only* of contributing to the infringement of a copyright, extension of the copyright holder’s control over that item may be justified. Yet if the item can be used for noninfringing purposes, the copyright holder is not justified in using his or her limited copyright monopoly to exert control over the item. *See id.* That distinction and its rationale holds equally true regardless of whether the alleged contributory infringer has merely advertised and sold the staple article of commerce (as in *Sony*) or has also somehow “influenced and encouraged” infringement through use of the staple article (as the District Court posited here). *See RCA Corp. v. All-Fast Systems, Inc.*, 594 F.Supp. 335, 339-41 (S.D.N.Y. 1984) (finding contributory infringement but, under *Sony*, enjoining only infringement-specific activities and not other uses of staple equipment); *Elektra Records Co. v. Gem Electronic Distributors, Inc.*, 360 F.Supp. 821, 825 (E.D.N.Y. 1973) (finding contributory infringement and enjoining infringement-specific activities, but ordering return of seized staple machine used to commit infringement).



The applicability of *Sony's* “staple article of commerce doctrine” to cases involving the “influence[ing] and encouragement” of infringement in connection with the sale of a staple product can best be seen, once again, by looking to analogous cases in patent law. As stated above, the 1952 passage of section 271 of the Patent Act divided the judicially created doctrine of contributory infringement into two subsections, (b) and (c). While subsection (c) expressly incorporates the “staple article” distinction, subsection (b) – addressing “active inducement” of infringement – does not. Nevertheless, it is clear that a finding of “active inducement” under subsection (b) does not permit the enjoining of a staple article of commerce. This particular question is addressed in a leading patent law treatise: “The patent owner’s remedies under Section 271(b) for active inducement cannot be expanded so as to establish exclusive control over [a] staple commodity.” Donald S. Chisum, CHISUM ON PATENTS, at § 17.04[3]] (2003). One of the cases cited by Professor Chisum for this proposition is the Fifth Circuit’s opinion in *Dawson Chemical*, which was affirmed by the Supreme Court decision cited in *Sony*. The Fifth Circuit opined that, even if a defendant is found liable for “actively inducing” infringement in connection with the sale of a staple article, the resulting injunction must be limited to the “inducing” activities:

The patentee’s relief ... would not be an injunction forbidding the defendant’s sale of staples, since mere sale is not wrongful under either (b) or (c). Appropriate relief might extend to an injunction against continuing to “actively induce” infringement, conduct forbidden by (b).

*Rohm & Haas Co. v. Dawson Chemical Co.*, 599 F.2d 685, 703 n. 24 (5<sup>th</sup> Cir. 1979), *aff'd sub. nom. Dawson Chemical Co. v. Rohm & Hass Co.*, 448 U.S. 176 (1980); *see also B.B. Chemical Co. v. Ellis*, 314 U.S. 495, 497-98 (1942) (assuming inducement by defendant but rejecting contributory infringement claim due to plaintiff's "use of its patent as the means of establishing a limited monopoly in its unpatented materials"); *Individual Drinking Cup Co. v. Errett*, 297 F. 733 (2<sup>nd</sup> Cir. 1924)(finding contributory infringement through inducement but reversing injunction of staple article); *Allergan Sales, Inc. v. Pharmacia & Upjohn, Inc.*, 41 U.S.P.Q.2d 1283, 1287, 1996 U.S. Dist. LEXIS 21051 \*23-24 (S.D. Cal. 1996) (finding inducement and enjoining specific inducing activities, but not enjoining sale of staple product).

Here, while the District Court found that "Aimster" "influenced or encouraged" infringement by users of the messaging software, its injunction is not so limited. Instead, it orders Mr. Deep (and the rest of the broadly defined "Aimster") to *prevent use of the software to infringe, even if that means preventing use of the software altogether*. Such an injunction places undue control over a staple article of commerce in the hands of certain copyright owners, a result contrary to the holding in *Sony*. *See Sony*, 464 U.S. at 441 n. 21.

Indeed, the injunction is particularly problematic because the private messaging software contains certain intellectual property owned by the defendants. The injunction precludes not only the defendants' use and

distribution of the software, but also that of any “licensees” and “assignees” of the defendants. Without a license or assignment of the intellectual property rights in the software, no third party can use or distribute the private messaging software, regardless of whether that use or distribution is remotely connected to activity determined to be infringing.

Moreover, the Copyright Owners’ reliance on the District Court’s “influence and encouragement” finding as a basis for contributory infringement is not supported by *Sony*. According to the District Court, “[T]he court in *Sony* approvingly cited the district court's finding that Sony had not ‘influenced or encouraged’ the unlawful copies. *Sony*, 464 U.S. at 438.” (Opinion at 27.) The *Sony* majority simply noted, however, that there was no evidence that any of the specific acts of home recording introduced into evidence at trial (the activities of six people) was “influenced or encouraged” by Sony Corporation’s advertisements.<sup>7</sup> *Sony*, 464 U.S. at 438; *Universal City Studios, Inc. v. Sony Corp.*, 480 F.Supp. 429, 436-438, 460 (C.D. Calif. 1979). It is clear from the four justice dissent in *Sony* and the court of appeals decision below that Sony Corporation both knew that the Betamax could and would be used to infringe copyrights and that its advertising of the product “influenced or encouraged” infringement. *See Sony*, 464 U.S. at 490 (Blackmun, J., dissenting) (“I agree with the Court of

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<sup>7</sup> Here, likewise, the record below provides no evidence whatsoever that the defendants’ advertisements (or other activities for that matter) “influenced or encouraged” any specific infringing acts. Indeed, there was no evidence of specific infringing acts at all – only the District Court’s conclusion that the defendants had conceded the issue of direct infringement in general. (Opinion at 18.)

Appeals that if off-the-air recording is an infringement of copyright, Sony had induced and materially contributed to the infringing conduct of Betamax owners.”); *Universal City Studios, Inc. v. Sony Corp.*, 659 F.2d 963, 975 (9<sup>th</sup> Cir. 1981) (“The corporate appellees ‘know’ that the Betamax will be used to reproduce copyrighted materials. In fact, that is the most conspicuous use of the product. That use is intended, expected, encouraged, and the source of the product’s consumer appeal.”).

It is important to note that the statements of the *Sony* dissent and the court of appeals applied not merely to the “time-shifting” activities held by the majority to constitute fair use. The *Sony* district court considered “home-use recording” of television programs broadcast for free over the public airwaves – it did not make any findings as to “pay or cable television,” as to “tape swapping, organized or informal,” or “tape duplication within the home or outside, by individuals, groups or corporations.” *Universal City Studios, Inc. v. Sony Corp.*, 480 F.Supp. 429, 442 (C.D. Calif. 1979). And comprising the category of “home-use recording,” there were at least two distinct activities:

The first is "time-shifting," whereby the user records a program in order to watch it at a later time, and then records over it, and thereby erases the program, after a single viewing. The second is "library-building," in which the user records a program in order to keep it for repeated viewing over a longer term. Sony's advertisements, at various times, have suggested that Betamax users "record favorite shows" or "build a library."

*Sony*, 464 U.S. at 458-59 (Blackmun, J., dissenting). The *Sony* majority found only “private, noncommercial *time-shifting* in the home” to be fair use, thereby leaving a wide variety of other uses of the Betamax as likely infringing activities. *Id.* at 442 (emphasis added). That being the case, it follows that Sony Corporation’s advertisements “influenced and encouraged” both noninfringing *and* infringing activities by Betamax purchasers. Fully aware of this, the Supreme Court majority still rejected “the proposition that supplying the ‘means’ to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement.” *Sony*, 464 U.S. at 436.

**4. Vicarious liability under the Copyright Act does not properly extend beyond the doctrine’s traditional *respondeat superior* scope.**

Contrary to the Copyright Owners’ argument (Response at 28), vicarious liability under the Copyright Act does not extend beyond the doctrine’s normal *respondeat superior* scope.<sup>8</sup> “It is well established that traditional vicarious liability rules ordinarily make principals or employers vicariously liable for acts of their agents or employees in the scope of their authority or employment.” *Meyer v. Holley*, \_\_\_ U.S. \_\_\_, 123 S.Ct. 824, 828 (2003). The District Court, however, imposed vicarious liability in a situation

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<sup>8</sup> The phrase *respondeat superior*, while sometimes used in a manner limited to master/servant relations, generally is used to refer more broadly to any principal/agent relationship. See, e.g., BLACK’S LAW DICTIONARY at 1313 (West Publ. 7<sup>th</sup> ed. 1999). It is in the latter, broader sense that we use the phrase here.

where no principal/agent or other similar relationship even arguably existed. Because it had no basis for doing so, Mr. Deep respectfully submits that the Court erred in its application of the doctrine.

Because the Copyright Act contains no express provision for vicarious copyright infringement liability, a court must determine the extent to which Congress nevertheless intended the doctrine of vicarious liability to apply.<sup>9</sup> Copyright infringement is a tort.<sup>10</sup> In a decision earlier this year, the United States Supreme Court held: “[W]hen Congress creates a tort action, it legislates against a legal background of ordinary tort-related vicarious liability rules and consequently intends its legislation to incorporate those rules.” *Meyer*, 123 S.Ct. at 828. According to the Supreme Court, unless Congress indicates otherwise, its “silence, while permitting an inference that Congress intended to apply *ordinary* background tort principles, cannot show that it intended to apply an unusual modification of those rules.” *Id.* at 829 (emphasis in original). Specifically, the Supreme Court held that courts may “appl[y] unusually strict rules only where Congress has specified that such was its intent.” *Id.*

Ordinary principles of vicarious liability simply do not reach to the extent held by the District Court – they are always limited to some kind of principal/agent relationship. Black’s Law Dictionary equates “vicarious

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<sup>9</sup> See, e.g., *Meyer*, 123 S.Ct. at 828-30; *D&S Auto Parts, Inc. v. Schwartz*, 838 F.2d 964, 966-68 (7<sup>th</sup> Cir. 1988).

<sup>10</sup> See, e.g., *Milwaukee Concrete Studios v. Fjeld Mfg. Co.*, 8 F.3d 441, 447 (7<sup>th</sup> Cir. 1993); *Leo Feist, Inc. v. Young*, 138 F.2d 972, 975 (7<sup>th</sup> Cir. 1943).

liability” to *respondeat superior* and defines it as “[l]iability that a supervisory party (such an employer) bears for the actionable conduct of a subordinate or associate (such as an employee) because of the relationship between the two.” BLACK’S LAW DICTIONARY at 927 (West Publ. 7<sup>th</sup> ed. 1999); *see also Meyer*, 123 S.Ct. at 828; *Auriemma v. Rice*, 957 F.2d 397, 400 (7<sup>th</sup> Cir. 1992) (“Action in the course of one’s duty is the basis of vicarious liability.”); *Proctor & Gamble Co. v. Haugen*, 222 F.3d 1262, 1277 (10<sup>th</sup> Cir. 2000) (“Vicarious liability may arise either from an employment or agency relationship.”). The limited scope of vicarious liability is best illustrated by the fact that the Supreme Court, this Court, and other federal appellate courts routinely turn to general agency law and the Restatement (Second) of Agency for guidance on the subject. *See Meyer*, 123 S.Ct. at 828 (determining vicarious liability parameters under the Fair Housing Act); *Burlington Industries, Inc. v. Ellerth*, 524 U.S. 742, 755-56 (1998) (determining vicarious liability parameters under Title VII of the Civil Rights Act); *A.S.M.E. v. Hydrolevel Corp.*, 456 U.S. 556, 566 (1982) (determining vicarious liability parameters under federal antitrust laws); *id.* at 592 n. 18 (Powell, J., dissenting); *Hartmann v. Prudential Ins. Co.*, 9 F.3d 1207, 1210 (7<sup>th</sup> Cir. 1993) (determining vicarious liability of defendant under applicable state law in diversity action); *Jones v. Federated Financial Reserve Corp.*, 144 F.3d 961, 964-65 (6<sup>th</sup> Cir. 1998)(determining vicarious liability parameters under Fair

Credit Reporting Act); *United States v. O'Connell*, 890 F.2d 563, 568 (1<sup>st</sup> Cir. 1989) (determining vicarious liability parameters under False Claims Act).

When Congress passed the Copyright Act of 1976, it gave no indication that it intended anything other than traditional vicarious liability rules to apply. The enacted statute said nothing about vicarious liability, and the legislative history of the Act provided only the following:

The committee has considered and rejected an amendment to this section intended to exempt the proprietors of an establishment, such as a ballroom or night club, from liability for copyright infringement committed by an independent contractor, such as an orchestra leader. A well-established principle of copyright law is that a person who violates any of the exclusive rights of the copyright owner is an infringer, including persons who can be considered related or vicarious infringers. To be held a related or vicarious infringer in the case of performing rights, a defendant must either actively operate or supervise the operation of the place wherein the performances occur, or control the content of the infringing program, and expect commercial gain from the operation and either direct or indirect benefit from the infringing performance. The committee has decided that no justification exists for changing existing law, and causing a significant erosion of the public performance right.

H.Rep. 1476, 94<sup>th</sup> Cong., 2<sup>nd</sup> Sess. 159-60, *reprinted in* 1976 U.S. Code Cong. & Admin. News 5775-76. Both the fact that Congress declined to change the existing law of vicarious liability and its description of the existing law (which is consistent with ordinary agency principles<sup>11</sup>) refute any notion that

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<sup>11</sup> An independent contractor acting subject to the control of the hiring party is an agent. See RESTATEMENT (SECOND) OF THE LAW OF AGENCY §§ 1- 3, 14o (1958).



Congress intended vicarious liability for copyright infringement to exist in the absence of an agency or other similar relationship.<sup>12</sup>

Notably, this Court's only decision addressing vicarious liability under the 1976 Copyright Act – *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7<sup>th</sup> Cir. 1992) – in no way suggests anything other than ordinary principles of vicarious liability under the Copyright Act. In that case, Hard Rock Cafe sued CSI, which owned and operated two flea markets at which counterfeit items bearing the Hard Rock trademark had been sold by vendors. After disposing of the issue of contributory liability, the Court turned to Hard Rock's argument that the vicarious liability standard for copyright infringement should be applied in the present trademark action. The Court held the vicarious liability standard previously enunciated in *David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7<sup>th</sup> Cir. 1989) – a limited standard based on “the joint tortfeasor model” – to be the extent of that doctrine for purposes of trademark infringement. *See Hard Rock Cafe*, 955 F.2d at 1150. However, the Court went on to opine – consistent with general agency law – that even if the standard for copyright

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<sup>12</sup> On page 37 of the Response, the Copyright Owners purport to quote legislative history to the 1998 Digital Millennium Copyright Act regarding vicarious liability for copyright infringement. The quoted legislative history, however, relates to an *unenacted proposal* in a report by the House Judiciary Committee. *See* H.R.Rep. No. 105-551, pt. 1 (1998). The House Commerce Committee subsequently jettisoned that proposal in favor of an alternate statutory scheme making its way through the Senate at the time, which scheme later was enacted into law. *See* H.R.Rep. No. 105-551, pt. 2 (1998). The views of one congressional committee in 1998 concerning a failed proposal are irrelevant to the intent behind a Congressional enactment twenty years earlier. *See Central Bank, N.A. v. First Interstate Bank, N.A.*, 511 U.S. 164, 187 (1994).

cases were applied in that case, no vicarious liability would lie. Specifically, the Court pointed to the facts that CSI had not “hired” its vendors, did not take percentages of vendor sales, and exercised a low level of control over the vendors’ activities. *Id.* at n. 4. This low level of control existed notwithstanding CSI’s rules prohibiting the sale of certain items, including “illegal items.” *Id.* at 1146.

In addition, the *Hard Rock Cafe* decision noted that the “purpose of the [vicarious liability] doctrine is to prevent an entity that profits from infringement from hiding behind undercapitalized ‘dummy’ operations when the copyright owner eventually sues.” *Id.* at 1150. This policy basis likewise is consistent with traditional notions of vicarious liability in other areas of the law, wherein the potential insolvency of the agent and the profit to the principal from the agency relationship is seen as justifying the imposition of liability on the principal. *See* Alfred C. Yen, A Personal Injury Perspective on Copyright in an Internet Age, 52 HASTINGS L. J. 929, 932 (2001); Alan O. Sykes, The Boundaries of Vicarious Liability, 101 HARV. L. REV. 563, 567 (1988); Alan O. Sykes, The Economics of Vicarious Liability, 93 Yale L.J. 1231, 1241-42 (1984).

Finally, it should be noted that cases such as *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.* (cited in *Hard Rock Café*) that involve the imposition of vicarious liability on an *agent* based on the infringing acts of the agent’s *principal* are likewise consistent with

traditional agency rules and do not represent a departure from the norm. In *Gershwin*, the party found vicariously liable, CAMI, acted an agent of the direct infringers. See 443 F.2d 1159, 1163 (2<sup>nd</sup> Cir. 1971). However, the court found that CAMI knowingly engaged in “pervasive participation in the formation and direction” of the infringing activities. *Id.* Under traditional agency law, “[a]n agent is subject to liability ... for the consequences of another’s conduct which results from his directions if, with knowledge of the circumstances, he intends the conduct, or its consequences.” RESTATEMENT (SECOND) OF THE LAW OF AGENCY § 344. According to the Reporter’s Notes for section 344, the rule applies, among other things, “to corporate officers who cause the corporation to commit a tort” – *i.e.* to agents whose principals commit torts at the agents’ direction. *Id.*; see also *Donsco, Inc. v. Casper Corp.*, 587 F.2d 602, 606 (3<sup>rd</sup> Cir. 1978)(“[An] officer ... acting for a corporation also may make the corporation vicariously or secondarily liable under the doctrine of respondeat superior....”). That was the situation in *Gershwin*, meaning that *Gershwin*’s holding is perfectly consistent with ordinary principles of agency law.

**5. The *Napster* decision does not support the Copyright Owners’ arguments.**

From the very first pages of their brief, the Copyright Owners attempt to equate “Aimster” with “Napster.” Those efforts are misdirected, however, for at least two reasons. First, the Ninth Circuit’s decision in *A&M Records*

*v. Napster* was not nearly as favorable to the Copyright Owners' position here as they assert. Second, the technology at issue here, though based broadly on peer-to-peer Internet communications, is fundamentally very different from Napster's technology.

Unlike the Copyright Owners and the District Court in this case, the *Napster* court recognized that the Supreme Court's decision in *Sony* is binding precedent that must guide appellate court decisions regarding contributory copyright infringement. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020-22 (9<sup>th</sup> Cir. 2001). In particular, the Ninth Circuit repudiated the lower court's application of *Sony*'s "substantial noninfringing use" holding, finding that the "district court improperly confined the use analysis to current uses, ignoring the system's capabilities." *Id.* at 1021. Moreover, the Ninth Circuit limited application of the contributory infringement doctrine to situations in which a computer system operator has "specific information which identifies infringing activity." *Id.* (emphasis added). The Court further found that the record supported the district court's finding that "Napster ha[d] actual knowledge that specific infringing material is available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material." *Id.* at 1022 (emphasis in original). By requiring "specific" information sufficient to "identify" infringing activity, and by relying on a finding that Napster "could block access to the system by the suppliers of the

infringing material,” the Ninth Circuit properly limited contributory infringement to situations where the defendant has both sufficiently specific knowledge to identify the infringing party and the capability of controlling that infringer without having to resort to a “shut down” of an entire system or business. Under *Napster*, therefore, the Copyright Holder’s list of reasons why Mr. Deep purportedly had *general* knowledge of *possible* infringement (Response at 15 – 18) is insufficient. See also *Sony*, 464 U.S. at 437 (contributory infringement exists where defendant is “*in position to control* the use of copyrighted works by others *and ha[s] authorized the use* without permission of the copyright holder”) (emphasis added).

Not only does the law in *Napster* fail to support the Copyright Owners’ position here, the facts provide no support either. Napster’s software and system was devoted solely to the sharing of computer files of a certain format (“MP3”) used primarily for storing music. Unlike the private messaging software at issue here, Napster’s technology provided no instant messaging capabilities, no ability to share files in other computer formats (such as word processing files, spreadsheet files, image files, etc.), and no protection for its users’ privacy. Those differences are all very significant. First, while the question of whether the Napster software was “capable of substantial noninfringing uses” may have been somewhat arguable, see *Napster*, 239 F.3d at 1021, that is not the case here. Instant messaging, and particularly

private instant messaging, is a growing industry.<sup>13</sup> And while Napster's potential noninfringing use was largely limited to the swapping of noncopyrighted music, the potential noninfringing uses of private messaging software with file transfer capabilities dwarfs the potential infringing uses of such software. Indeed, the ubiquitous nature of e-mail reflects the broad capabilities of instant messaging software. While e-mail and instant messaging are different in certain ways, they are fundamentally the same in function – they each provide a means for Internet users to communicate in writing with one another and to share computer files of virtually any format.

Napster's lack of privacy protection for its users, as well as its use of a central server by which the purveyors of infringing materials could be both identified and restricted from the Napster system, is an even more important distinguishing feature. As discussed above, the Ninth Circuit's decision against Napster on both contributory infringement and vicarious liability grounds rested on its conclusion that Napster had information about the infringing activity taking place that was sufficiently specific to identify the infringing users and prevent those particular users from accessing the system. *Napster*, 239 F.3d at 1022, 1024. Here, by contrast, Mr. Deep lacked that ability because the encrypted nature of the private messaging software made it impossible to match putatively infringing activity with any particular

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<sup>13</sup> See "Message in a Bottleneck," CNET News.com, March 13, 2003, (viewed at <http://news.com.com/2009-1033-992348.html?tag=bplst>); "VeriSign, AOL Team On Encrypted Instant Messaging," IDG News Service, May 10, 2002 (viewed at <http://www.nwfusion.com/news/2002/0510veriaol.html>).

user or to prevent use of the messaging software by any particular user. It is true that Mr. Deep could use the messaging software to see, for instance, that “Witti15” or “Mi652” had files that appeared to correspond to the titles of copyrighted music. However, “Witti15” and “Mi652” were simply user names, which Mr. Deep had no way of matching to any particular person. (Deep Decl., Jan. 22, 2001, at ¶¶ 4, 8-12, 15, 19, 46; Deep Decl. Opp. Proposed Preliminary Injunction, Oct. 17, 2002, at ¶¶ 4-15.) Furthermore, Mr. Deep had no way of knowing when someone with the user name “Witti15” or “Mi652” was using the private messaging software and no way to restrict or otherwise control that use. (*Id.*) Mr. Deep therefore lacked both the specific knowledge and ability to control that the Ninth Circuit found Napster to have, making the *Napster* decision of limited value to the Copyright Owners here.

**6. Mr. Deep did not waive his objections to the vague and overbroad nature of the preliminary injunction.**

On page 41 of their Response, the Copyright Owners assert that Mr. Deep failed to object below to the vague and overbroad nature of the preliminary injunction order. However, Mr. Deep opposed the entry of any preliminary injunction on numerous grounds, including the grounds that he could not possibly know of specific infringing activities and therefore could not control any such activity and that a preliminary injunction was inappropriate under *Sony*, the DMCA, and other applicable law. Opposition

to the entry of *any* preliminary injunction necessarily embraces the entry of a vague and overbroad injunction.

In addition, in response to the Copyright Owners' proposed injunction, Mr. Deep specifically asserted that he could not comply with the requirements of the proposed injunction; that the proposed injunction was "grossly overbroad" by not specifying who or what was to be enjoined; that overly broad injunctions are improper, particularly at the preliminary injunction stage (quoting *Mantek Division v. Share Corp.*, 780 F.2d 702, 711 (7<sup>th</sup> Cir. 1986)); and that a more "narrowly tailored injunction [was] the only appropriate" form of relief. (Deep Decl. Opp. Proposed Preliminary Injunction, Oct. 17, 2002, at ¶¶ 20–23; see also Deep Decl. Jan. 22, 2002 at ¶ 46.) Notably, Mr. Deep made these objections without the aid of legal counsel. (See Def.'s Resp. to Proposed Prelim. Inj., Oct. 17, 2002.)

Finally, "plain error" and purely legal arguments may be raised in an appeal even if not sufficiently raised below. See *Capitol Indem. Corp. v. Keller*, 717 F.2d 324, 329 (7<sup>th</sup> Cir. 1983)(plain error); *Pegues v. Morehouse Parish*, 706 F.2d 735, 738 (5<sup>th</sup> Cir. 1983)(legal arguments). Here, it was both plain error and a pure matter of law that the preliminary injunction extended beyond the specific activities that were the subject of the Copyright Owners' motion and, indeed, vaguely enjoined Mr. Deep from "directly, indirectly, contributorily, or vicariously infringing" any of the Copyright Owners' copyrighted works. "Merely telling the enjoined party not to violate a statute



is routinely condemned.” *KSM Fastening Systems, Inc. v. H.A. Jones Co., Inc.*, 776 F.2d 1522, 1526 (Fed. Cir. 1985); *see also City of Mishawaka v. American Elec. Power Co.*, 616 F.2d 976, 991 (7<sup>th</sup> Cir. 1980); *Russell C. House Transfer & Storage Co. v. U.S.*, 189 F.2d 349, 351 (5<sup>th</sup> Cir. 1951). As such, Mr. Deep respectfully requests that any failure to raise these arguments sufficiently below be excused.

Respectfully submitted,

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## CERTIFICATE OF COMPLIANCE

Pursuant to Fed.R.App.P. 32 (a)(7)(C)(i), I hereby certify that the foregoing brief contains 6,988 words, including headings, footnotes, and quotations, and therefore complies with the type-volume limitation of Fed.R.App.P. 32(a)(7)(B)(i).

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### **CIRCUIT RULE 31(e) CERTIFICATION**

Pursuant to Circuit Rule 31(e), I hereby certify that I have filed electronically versions of the foregoing brief in non-scanned PDF format and that a digital version of the brief has been sent to all parties listed on the Certificate of Service on a virus-free disk.

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## CERTIFICATE OF SERVICE

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**SUPPLEMENTAL DESIGNATION OF APPENDIX CONTENTS**

<b><u>Description of Item</u></b>	<b><u>Record Entry No.</u></b>	<b><u>Appendix Page No.</u></b>
Order Converting Cases to Chapter 7 (United States Bankruptcy Court, Northern District of New York)	N/A	1

## **SUPPLEMENTAL APPENDIX**