

08-2376-cv

United States Court of Appeals for the Second Circuit

LAVA RECORDS, LLC, WARNER BROS. RECORDS, INC.,
CAPITOL RECORDS, INC., UMG RECORDINGS, INC.,
SONY BMG MUSIC ENTERTAINMENT,
ARISTA RECORDS LLC and BMG MUSIC,

Plaintiffs-Appellees,

-against-

ROLANDO AMURAO,

Defendant-Appellant.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

DEFENDANT-APPELLANT'S BRIEF

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APPELLANT'S BRIEF

Defendant-appellant Rolando Amurao, by his attorney, Richard A. Altman, submits this brief in support of his appeal from so much of a final judgment of the U.S. District Court for the Southern District of New York (Hon. Charles L. Brieant, U.S.D.J.)¹, as denied his motion for an award of attorney's fees following plaintiffs' voluntary withdrawal of their claims against him with prejudice, and dismissed his counterclaim for copyright misuse.

As the prevailing party in this copyright infringement action, and under the facts and circumstances of this case, defendant's fee motion should have been granted. This Court should reverse so much of the district court's decision and judgment as denied attorney's fees, and remand the case for a hearing as to the amount to which defendant is entitled.

In addition, this Court should hold that copyright misuse may be asserted as a positive claim for relief, and not solely as an affirmative defense to a copyright infringement claim.

¹ Judge Brieant died on July 20, 2008, *see* N.Y. Times, July 27, 2008, *available at* http://www.nytimes.com/2008/07/27/nyregion/27brieant.html?_r=1&scp=1&sq=brieant&st=cse&oref=login (accessed July 30, 2008).

JURISDICTIONAL STATEMENT

This is an action for copyright infringement, pursuant to 17 U.S.C. § 101 *et seq.* The district court had jurisdiction pursuant to 28 U.S.C. § 1331. Jurisdiction in this Court is based upon 28 U.S.C. § 1291, in that this is an appeal from a final judgment of the district court disposing of all claims by all parties. The final judgment was entered on April 15, 2008² and the notice of appeal was filed on May 6, 2008 (A-25)³. This appeal is thus timely, F.R.A.P. 4(a)(1)(A).

ISSUES PRESENTED FOR REVIEW

1. Is a defendant entitled to attorney's fees in a copyright infringement case in which the plaintiffs admittedly sued an innocent person, based upon an inadequate pre-filing investigation, and then voluntarily withdrew their own case with prejudice, thus making defendant the prevailing party?

2. Did the district court abuse its discretion by denying the defendant's request for fees without considering the factors set forth in *Fogerty v. Fantasy, Inc.*, 510 U.S. 577 (1994) and its progeny?

² The judgment in the record (A-24) is erroneously dated April 15, 2007.

³ References herein to "A" refer to pages in the Joint Appendix.

3. Is the doctrine of copyright misuse available as a positive claim for relief, and not merely as a defense to an infringement claim?

STATEMENT OF THE CASE

This is one of an estimated 20,000 cases brought since 2003 in federal district courts around the nation by members of the Recording Industry Association of America (“RIAA”), alleging copyright infringement by the downloading and filesharing of recorded music over the internet. This flood of litigation has been brought supposedly to stem the detrimental effect on sales of compact disks caused by the free availability of recorded music on the internet, although the extent of that effect has been disputed by disinterested scholars. The vast majority of these actions have resulted in either default judgments, settlements or voluntary dismissals by the plaintiffs.

Essentially, the RIAA theory is that a defendant who downloads song files from the internet, and makes them available to anyone by way of so-called peer-to-peer software (which enables users to exchange files directly between their computers without intermediate servers) has violated both the copyright owner’s right to make copies, contained in 17 U.S.C. § 106(1) and the distribution right of § 106(3). Its position, moreover, is that the distribution right is violated whether or not any copies

have actually been distributed, and that merely making song files available to others is an infringement.

Both of these propositions have been questioned. The right to make a personal copy of copyrighted material may be protected as fair use, 17 U.S.C. § 107. Moreover, it has been frequently held that the distribution right requires the *actual distribution of copies*, and that merely making copies available does *not* violate the distribution right, in the absence of actual distribution of copies to the public. *See generally* Patry, *infra*, *Atlantic Recording Corp. v. Howell* at 6 n. 6; Patry, *The recent making available cases*, <http://williampatry.blogspot.com/2008/04/recent-making-available-cases.html>(both are *available at* <http://recordingindustryvspeople.blogspot.com/2008/08/patry-copyright-blog-shuts-down.html>).

In *Capitol Records v. Thomas*, Civil File No. 06-1497 (MJD/RLE)(D.Minn.) the only one of these cases believed to have gone to trial, shortly after a jury verdict in plaintiffs' favor the district judge *sua sponte* said that he may have committed a "manifest error of law" by giving the jurors an incorrect jury instruction which accepted the RIAA's "making available" theory (copies of this and all unreported cases are an appendix to this brief, in the order in which they are cited).

This litigation campaign has been seriously detrimental to the fair administration of justice and the public policy need to establish clear boundaries to copyright law. Repeatedly, the RIAA has used questionable investigations,

unsupported and erroneous legal theories, and hardball and abusive litigation tactics against individuals who, it may safely be assumed, do not normally find themselves forced to defend their personal use of computers in federal courts. Their choices are to pay the RIAA's non-negotiable pre-litigation settlement demand (usually between \$3000 and \$5000), to default, or to defend themselves, either *pro se* or with counsel, if they can afford it. Few can. The RIAA has sued mostly working-class individuals, students, children, the disabled, the homeless and even the dead.³ They have frequently sued entirely innocent persons and are quite cavalier about the burden they impose on the legal process and the federal judiciary, and the effects of such frivolous suits on their defendants.⁴

District judges and commentators have criticized the RIAA's tactics and the legal theories behind them⁵, but the litigation continues, with seemingly little effect

³ <http://arstechnica.com/news.ars/post/20080418-riaa-escapes-sanctions-drops-case-against-homeless-man.html> (accessed May 31, 2008).

⁴ “‘When you fish with a net, you sometimes are going to catch a few dolphin,’ [RIAA spokeswoman Amy] Weiss helpfully explained to me.” Roddy, *The Song Remains the Same*, Pittsburgh Post-Gazette, Sept. 14, 2003, available at <http://www.post-gazette.com/columnists/20030914edroddy0914p1.asp> (last visited February 14, 2008).

⁵ “The concern of this Court is that in these lawsuits, potentially meritorious legal and factual defenses are not being litigated, and instead, the federal judiciary is being used as a hammer by a small group of plaintiffs to pound settlements out of unrepresented defendants.” *Elektra v. O'Brien* (C.D.Calif., March 2, 2007)(copy in appendix).

See Arista v. Does 1-27, 2008 U.S. Dist. LEXIS 6241 at *21 (D.Me. Jan. 25, 2008)(magistrate judge's ruling)(copy in appendix):

(continued...)

on the public's unflagging desire and intention to download music from the internet.⁶

⁵(...continued)

Rule 11(b)(3) requires that a representation in a pleading have evidentiary support and one wonders if the Plaintiffs are intentionally flouting that requirement in order to make their discovery efforts more convenient or to avoid paying the proper filing fees. In my view, the Court would be well within its power to direct the Plaintiffs to show cause why they have not violated Rule 11(b) with their allegations respecting joinder. [I]t is difficult to ignore the kind of gamesmanship that is going on here.....These plaintiffs have devised a clever scheme... to obtain court-authorized discovery prior to the service of complaints, but it troubles me that they do so with impunity and at the expense of the requirements of Rule 11(b)(3) because they have no good faith evidentiary basis to believe the cases should be joined.

See Patry, *Atlantic Recording Corp. v. Howell*, available at <http://williampatry.blogspot.com/2008/04/atlantic-recording-corp-v-howell.html> (April 30, 2008)(accessed on July 29, 2008):

From the beginning of copyright law, copyright owners have had the burden of proving their case, and rightly so. What we are seeing now in the making available cases and in other areas is not only an attempted reversal of centuries of copyright law, but of civil procedure as well...I do not condone infringement of copyright whether by P2P or any other means, and believe that copyright owners have every right to bring litigation against those who have infringed their rights (and here I mean infringed an actual section 106 right, not fabricated rights like attempted distribution). But I do believe that copyright owners must prove their case the old fashioned way.

⁶ *See* Fisher, *Download Uproar: Record Industry Goes After Personal Use*, available at <http://www.washingtonpost.com/wp-dyn/content/article/2007/12/28/AR2007122800693.html> (December 30, 2007)(accessed July 29, 2008)(“Despite more than 20,000 lawsuits filed against music fans in the years since they started finding free tunes online rather than buying CDs from record companies, the recording industry has utterly failed to halt the decline of the record album or the rise of digital music sharing.” *See also* Holt, *The Effect of Recording Industry Lawsuits on the Market for Recorded Music*, 1 *Vanderbilt Undergraduate Research Journal* 1 (2005)(available at ejournals.library.vanderbilt.edu/vurj/include/getdoc.php?id=112&article=14&mode=pdf - (accessed July 29, 2008)(“the recording industry ought to place more confidence in the findings of the academic community and acknowledge that file sharing, although an interesting phenomenon that may have important future consequences throughout all sectors of business, does not appear to be directly related to serendipitous decline in sales that marked the early twenty-first century...it would seem prudent for the recording industry to adapt to and discover the benefits intrinsic to this new technology, not attack it”).

For a general discussion of the process and the issues, *see* Beckerman, *How the RIAA Litigation Process Works*, http://info.riaalawsuits.us/howriaa_printable.htm (accessed July 29, 2008). For a recent article with recommendations for the federal judiciary as to how they should seek to level the playing field in these cases, *see* Beckerman, *Large Recording Companies v. The Defenseless: Some Common Sense Solutions to the Challenges of the RIAA Litigations*, 47 ABA Judges' Journal, Summer 2008.

Defendant argued in the lower court that the case against him was presumptively unreasonable, because the methodology in these by which the RIAA plaintiffs find putative defendants is defective, as a matter both of technology and the pre-filing investigation required by Rule 11. The RIAA's investigation consists of identifying song files which are available on individuals' computers by means of peer-to-peer software, and obtaining Internet Protocol ("IP") addresses which may (but do not necessarily) identify a particular individual who accessed the internet on a particular date and time. The investigations are done by a private company named MediaSentry, a part of a company called SafeNet. This company's activities have been challenged in this and other cases in other states (A-146-47), because they are considered to be a private investigator, and many states have statutes requiring such investigators to be licensed, which MediaSentry is not.

Following the investigation by MediaSentry, RIAA companies then bring a single John Doe action against numerous defendants in the districts where the Internet Service Provider (“ISP”)(frequently a college or university) is located. This then provides the opportunity to subpoena the ISP to force them to disclose the identities of the subscribers (or students) who actually pay for or use the internet connection. The ISPs then disclose the information, usually without affording the subscriber or student notice and an opportunity to move to quash the subpoena on grounds of privilege (*see* F.R.Civ.P. 45(c)(3)(A)(iii)).

Thus, the assumption is that the putative infringer and the subscriber are one and the same. But parents have children who use the internet connection (as here), or people have friends and visitors who might use their computers, or they have wireless routers which can permit anyone to access their internet service from a distance. It is thus objectively unreasonable technically to assume that the subscriber is always the person doing the downloading without further investigation, and yet that is the sole basis upon which plaintiffs proceed.

Once the subscriber’s identity is disclosed, the RIAA companies write letters to them (A-165-67), accuse them of infringement, demand arbitrary sums to settle the cases (which sums are non-negotiable), and if the cases are not settled, they bring suits in the district where the subscriber or student resides.

PRIOR PROCEEDINGS

While the RIAA's business judgment and the questionable strategy of suing one's customers for recorded music are not before this Court, its actions in this case most assuredly are. This action was aggressively and even acrimoniously litigated by the parties. Plaintiffs filed their complaint against Mr. Amurao on January 16, 2007 (A- 27-47). On or about February 12, 2007, he filed an answer (A-49-57) with thirteen affirmative defenses and two counterclaims: one for a declaratory judgment that defendant's actions did not constitute copyright infringement, and a second one for copyright misuse, which sought to void the plaintiffs' copyrights on the ground that they had misused their copyright monopoly.

One of the affirmative defenses in the answer was that the provision for statutory damages in copyright cases, 17 U.S.C. § 504(c), was unconstitutional as applied. Pursuant to Southern District Local Rule 24.1(a), defendant's counsel notified the district court of this allegation (A-58), which in turn notified the U.S. Attorney for the Southern District of New York (A-59), whose office notified the district court that it was "reviewing the matter" (A-60). However, the U.S. Attorney did not further respond or participate in the case.

Plaintiffs then brought a motion to dismiss the counterclaims (A-62-3), and the Electronic Frontier Foundation ("EFF") moved for leave to file a brief *amicus curiae*

in opposition to that motion (A-76-8). Defendant opposed the motion to dismiss (A-98-111). The plaintiffs opposed the EFF's motion and brief (A-90-96), but at oral argument, the district court granted it (A-114). The court also dismissed the declaratory judgment counterclaim, but did not dismiss the copyright misuse counterclaim (A-114-15). Plaintiffs then served a reply to it (A-125-28).

Plaintiffs then conducted wide-ranging discovery, including document demands, interrogatories and notices to admit, and took depositions of defendant, his wife, and his two children. There were letters to the court to address discovery disputes. Then, when they learned that Mr. Amurao had a limited knowledge of the English language (he is Filipino, and a Tagalog interpreter was required during his deposition), and he testified that did not even know how to turn on a computer, let alone use it, and that his only connection to the case was that he paid the bill for the internet service to his home where his family resided, they announced their intention to discontinue the action against Mr. Amurao, and to sue his daughter Audrey. They have since done so and that action is pending (*Lava Records LLC et al. v. Amurao*, 08 cv 3462, S.D.N.Y.).

Defendant refused to consent to the discontinuance without a fee award as a condition. Plaintiffs then moved to discontinue their action with prejudice under F.R.Civ.P. 41 and for summary judgment on the counterclaim under Rule 56. They

also moved for discovery sanctions against defendant and his counsel on the ground that he had failed to cooperate properly with plaintiffs, essentially by not telling them immediately that his daughter, not he, had done the downloading of music files (A-149-237).

Defendant moved for three orders (A-140-148): (1) An order barring the use of testimony or evidence from MediaSentry, on the grounds that they lacked a license required under New York State law; (2) an order extending the time for discovery and for defendant to respond to the summary judgment motion, and compelling the appearance of a witness affiliated with the plaintiffs whose identity had only recently been learned; (3) an order granting defendant a reasonable attorney's fee as a condition to granting the plaintiffs' motion to dismiss its own case with prejudice, because that dismissal would render Mr. Amurao the prevailing party within the meaning of 17 U.S.C. § 505.

Immediately following oral argument of the parties' motions, the district judge read his decision from the bench (A-9-23). He denied all the motions but two: He granted the plaintiffs' motions for a voluntary dismissal with prejudice. He also dismissed the copyright misuse counterclaim, not on summary judgment as plaintiffs had requested, but for failure to state a claim (thereby reversing himself *sub silentio* on his earlier decision upholding the claim):

The courts in this district have consistently held that copyright misuse is a defense that cannot be asserted as an affirmative claim. There are district court decisions that effect [sic], as I pointed out somewhat earlier, those decision are not necessarily binding on this court but they certainly lack the authority of a decision of the Supreme Court or of the Second Circuit by which this court is bound, whether I agree with it or not...The court does not see fit to permit the use of the doctrine as a sword or a basis for affirmative relief and declines to create such a claim out of nothing at this time. And the defendant's counterclaim is hereby dismissed with prejudice for failing to state a claim.

As for the motion seeking fees, the court said (A-16, 20-22):

The question of fees, the court reaches the same conclusions and does not believe that the case calls for fee shifting and that the court should not take actions which discourage or make it more difficult for a litigant to advantage of Rule 41 because Rule 41 really means that the court is open for the trial of cases where they have to be tried. We don't create unnecessary legal business.

...

The father is not totally possessed with what used to be called clean hands, because he knew that it was his computer equipment, he knew that the reason the plaintiffs got to him was that they traced his name from the service bureau which they all subscribe to. And had he wanted to do so, he could either say, ah, yeah, we took up a couple of the songs. I guess he did put that in his letter.⁷ Or he could have said, it's really my daughter's activities, you can talk to her. Daughter is over 21...And as far as the need to deter litigation, I don't perceive a need to deter litigation. The court recognizes litigation as access to the courts is one of the First Amendment protections, and people have a right to come in, and in recent years we've had Rule 11 applied to creative pleadings, and the authors and supporters of Rule 11 don't come clean and tell us this....And if you're going to go around imposing fee shifting or sanctions whenever the other side wins, that not what the constitutional

⁷ Mr. Amurao had responded to plaintiffs' pre-litigation demand by writing a letter (A-133).

theories of access to the courts over the years of the existence of our nation have been about....

A final judgment was entered on April 15, 2008 (A-24) and defendant filed a timely notice of appeal on May 6, 2006 (A-25).

SUMMARY OF ARGUMENTS

The district court erred in not analyzing the fee-shifting requirements imposed by *Fogerty, supra* and the subsequent cases from this circuit. Mr. Amurao was the prevailing party, and prevailing parties are to be treated equally whether they are plaintiffs or defendants. Under the circumstances of this case, including his complete innocence of the charges of infringement against him, the plaintiffs' frequent tactic of walking away from cases where their claims are challenged, the gross imbalance of the parties' wealth, the questionable validity of plaintiffs' legal theories, the contentiousness of the litigation (including the extensive memoranda of law, and the involvement of an *amicus curiae*, unusual at the trial level), and the importance of the issues raised, Mr. Amurao should have been awarded a reasonable fee. Furthermore, there should be a presumption in favor of a fee award to a prevailing defendant in copyright cases, as other circuit courts have held.

As for the copyright misuse claim, there are sound policy reasons for permitting such claims to be asserted. The copyright monopoly is intended to be a

limited one, and there should be a penalty for owners who abuse that monopoly. To level the playing field, it should be available as a positive claim, not merely as an affirmative defense in an infringement suit. The doctrine is well-established in the patent context, and it should be extended to the copyright context as well.

ARGUMENT

POINT I

AS THE “PREVAILING PARTY,” DEFENDANT WAS ENTITLED TO AN ATTORNEY’S FEE.

When a plaintiff withdraws claims with prejudice, the defendant automatically becomes a “prevailing party,” because he obtains a judgment in his favor. *See Buckhannon Board and Care Home, Inc. v. West Virginia Department of Health and Human Resources*, 532 U.S. 598 at 603 (2001)(“a ‘prevailing party’ is one who has been awarded some relief by the court”); *Preservation Coalition of Erie County v. Fed. Transit Admin.*, 356 F.3d 444 (2nd Cir.2004)(“prevailing party” status is broadly interpreted under *Buckhannon*).

For fee-shifting purposes, it does not matter whether plaintiffs withdrew their claims with prejudice or the defendant won on summary judgment or even after a jury trial. So it is irrelevant that Mr. Amurao won only because the plaintiffs walked away when they realized that he never downloaded any song files and that they had sued

an innocent person. He has a judgment in his favor and is the prevailing party. Once a defendant becomes a prevailing party, he is entitled to costs “as a matter of course,” F.R.Civ.P. 54(d)(1), and the only question is whether there is a statute which provides for an award of attorney’s fees to a prevailing party as part of those costs. In this copyright case, 17 U.S.C. § 505 is such a statute. It states in pertinent part, “[i]n any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party...the court may also award a reasonable attorney’s fee to the prevailing party as part of the costs.”

In this and every other Circuit, prevailing parties in a copyright case are to be treated alike with respect to fee awards, whether they are plaintiffs or defendants. *Fogerty v. Fantasy, Inc.*, 510 U.S. 577 (1994); *Knitwaves, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996, 1011 (2nd Cir.1995)(*Fogerty* “changed the standard in this circuit for determination of fee awards under the Copyright Act.”); see *Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 592 (6th Cir.2008)(*Fogerty* factors are non-exclusive; fee awards to successful parties should be “the rule rather than the exception”).

The issue is whether there is authority for the Second Circuit to reverse a district court’s denial of fees to a prevailing defendant in a case with a fee-shifting statute in general, or a copyright case in particular. In non-copyright cases, it has

done so. *See, e.g., Preservation Coalition, supra.* Copyright cases directly on point, albeit not in this circuit, are *Riviera Distributors, Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir.2008)(“Midwest obtained a favorable judgment. That this came about when Riviera threw in the towel does not make Midwest less the victor than it would have been had the judge granted summary judgment or a jury returned a verdict in its favor. Riviera sued; Midwest won; no more is required.”) and *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093 (7th Cir.2008), both of which reversed district court denials of fees following voluntary nonsuit dismissals by plaintiffs. In the latter case, the Court said that prevailing parties are presumptively entitled to fees, and that in the case of prevailing defendants, the presumption is “very strong.” 526 F.3d at 1099.

Recently, in *Eagle Servs. Corp. v. H2O Indus. Servs.*, ___ F.3d ___, 2008 U.S. App. LEXIS 14526 (7th Cir.July 9, 2008), Judge Richard Posner, writing for a unanimous Court, reversed the district court and remanded for a fee hearing, saying:

If there is an asymmetry in copyright, it is one that actually favors defendants. The successful assertion of a copyright confirms the plaintiff’s possession of an exclusive, and sometimes very valuable, right, and thus gives it an incentive to spend heavily on litigation. In contrast, a successful defense against a copyright claim, when it throws the copyrighted work into the public domain, benefits all users of the public domain, not just the defendant; he obtains no exclusive right and so his incentive to spend on defense is reduced and he may be forced into an unfavorable settlement.

This case is atypical, because the defendants did not succeed in forcing the plaintiff's manuals into the public domain. But there is nothing in the cases to suggest that the thumb is to be taken off the scales only when a defendant by his successful defense enlarges the public domain. That would be cutting things too fine. *The presumption in a copyright case is that the prevailing party...receives an award of fees.* The presumption has not been rebutted.
Id. at *11-12 (citations omitted; emphasis added).

Judge Posner also addressed the issue in *Assessment Technologies of Wi, LLC*

v. Wire Data, Inc., 361 F.3d 434 (7th Cir.2004):

But if at the other extreme the claim or defense was frivolous and the prevailing party obtained no relief at all, the case for awarding him attorneys' fees is compelling...When the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong. For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from enforcing his rights...[W]hen a meritorious claim or defense is not lucrative, an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party. The best illustration is in fact a case like this, where the party awarded the fees, being the defendant, could not obtain an award of damages from which to pay his lawyer--no matter how costly it was for him to defend against the suit.

361 F.3d at 436-37 (citations omitted).

See also InvesSys, Inc. v. McGraw-Hill Cos., Ltd., 369 F.3d 16, 20 (1st Cir.2004)(“in section 505 Congress aimed to provide a potential incentive to the winner who asserts a successful copyright claim *or defends against an unworthy one.*”)(emphasis added)

There is also authority for reversal in this circuit. The standard of review of a determination to award or not to award fees is whether the district court abused its discretion. *Matthew Bender & Co., Inc. v. West Publishing Co.*, 240 F.3d 116, 121 (2nd Cir.2001); *Marks v. Leo Feist, Inc.*, 8 F.2d 460, 461 (2nd Cir.1925)(plaintiff moved to dismiss its own case; “The discretion which a court exercises in fixing the allowance of fees is not an absolute one and may be reviewed in the appellate court when an abuse of discretion is shown”).

However, it would appear difficult to reconcile the abuse-of-discretion standard in this Circuit with the presumption of a fee award to prevailing parties in general, as held by the First Circuit, and prevailing defendants in particular, as held by the Sixth and Seventh Circuits. Furthermore, district courts in this Circuit and elsewhere have been characterized as unnecessarily reluctant to award fees to prevailing defendants generally. See <http://williampatry.blogspot.com/2008/07/richie-ramone-and-attorneys-fees.html> (accessed July 30, 2008):

[I]t seems clear to me as a reader of lots of opinions, that trial courts continue a strong bias of not awarding fees to prevailing defendants, especially where the plaintiff is an individual copyright owner. There may be good reasons in particular cases not to award fees, but taken as a whole, not much has changes [sic] since Fogerty at the trial court level. The court of appeals seem to be doing a much better job.

The Second Circuit has reversed fee awards where it disagreed with the district court's conclusion that the case was objectively unreasonable, *Chandler v. Stoute*, 228 Fed.Appx. 27 (2nd Cir.2007), or reduced an award deemed excessive, *Marks, supra*. This Court also reversed an award granted *sua sponte* in another, remanding for an evidentiary hearing as to both the propriety of the award and the amount. *Crescent Publishing Group, Inc. v. Playboy Enterprises, Inc.*, 246 F.3d 142 (2nd Cir.2001).⁸

Generally, the discretion to award fees when there is a fee-shifting statute is limited by “the large objectives of the relevant Act, which embrace certain equitable considerations.” *Independent Federation of Flight Attendants v. Zipes*, 491 U.S. 754, 759 (1989)(citation and quotation marks omitted). In *Fogerty, supra*, 510 U.S. at 527, the Supreme Court said this about the objective of 17 U.S.C. § 505:

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible. To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement...Thus a successful defense of a copyright infringement action may further the policies of the Copyright Act every

⁸ There are other Second Circuit cases reviewing district court fee determinations, but they are summary orders issued prior to 2007 and may not be cited, pursuant to Local Rule § 0.23(c)(2).

bit as much as a successful prosecution of an infringement claim by the holder of a copyright.

These RIAA cases are in many ways unprecedented, and they represent a large-scale attempt to extend significantly the boundaries of copyright law in the internet age, and to expand the rights of copyright proprietors significantly, far beyond Congressional intent, and to the detriment of the public's rights and interests. In particular, plaintiffs argue that a person who downloads song files and merely makes them available to others is an infringer, whether they are actually copied by others or not. As noted above, this proposition is the subject of considerable disagreement among the courts and the commentators, and copyright defendants and their attorneys should be encouraged to litigate who is right. One of the principal purposes of fee-shifting is to do so.

The district court's terse explanation for denying fees quoted above does not provide a sound basis for a reviewing court to know whether any of the *Fogerty* dicta factors ("frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence," *see Fogerty, supra* at 534 n. 19) were properly applied, and to determine whether the district court abused or did not abuse its discretion. There appears to be no Second Circuit case affirming a

denial of fees where, as here, the district court failed to address the *Fogerty* factors at all. Under all of the facts and circumstances, this Court should hold that Mr. Amurao is entitled to recover a fee, both for the district court litigation and this appeal, and should remand the case to the district court for a determination of the amount, as it did in *Crescent Publishing Group, Inc., supra*.

Other district courts have awarded substantial fees against record company plaintiffs for walking away from cases they have dismissed voluntarily after realizing that they have sued the wrong person. *See, e.g., Atlantic Recording Corp. v. Andersen*, Civ. No. 05-933-AC (D.Ore. May 14, 2008)(\$107,834); *Capitol Records, Inc. v. Foster*, 04-1569-cv (W.D.Okla. July 16, 2007)(\$68,685.23)(copies annexed). The result should have been the same here.

As for compensation and deterrence, when billion-dollar corporations sue mostly working-class individuals, students, children, the disabled, the homeless and even the dead⁹, for non-existent claims of infringement on erroneous legal theories, disrupt their lives (plaintiffs here conducted lengthy depositions of Mr. Amurao, his wife and their two children, and have now sued his daughter following the dismissal),

⁹ The technology is so flawed that a *laser printer* was literally accused of downloading the Indiana Jones movie, *see* <http://www.boingboing.net/2008/06/05/entertainment-indust-1.html>; Stone, The Inexact Science Behind D.M.C.A. Takedown Notices, <http://bits.blogs.nytimes.com/2008/06/05/the-inexact-science-behind-dmca-takedown-notice/index.html> (accessed July 31, 2008).

and then walk away leaving innocent defendants with nothing but a bill for legal services¹⁰, something is seriously wrong. Such frivolous cases are an unnecessary imposition upon the federal judiciary and potentially devastating to innocent individuals. They should be deterred, not encouraged, and awarding a fee to a prevailing defendant is the best way to do so.

POINT II

COPYRIGHT MISUSE MAY BE ASSERTED AS A CLAIM FOR RELIEF, NOT MERELY AS AN AFFIRMATIVE DEFENSE.

Patents and copyrights exist to provide economic incentives for creativity for the benefit of society at large, by giving inventors and authors monopoly rights for limited times. The public policy is of constitutional dimension, “[t]o promote the Progress of Science and useful Arts.” Const., Art. 1 § 8, cl. 8. As with any monopoly rights, they can be forfeited or restricted if they are abused. For example, the U.S. Supreme Court upheld the defense of patent misuse where the holder of a patent on a machine to make salt tablets tried to compel customers to purchase unpatentable salt from them. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942). In *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), the Supreme Court held that a patent holder’s

¹⁰ Which they have done at least 18 times, see <http://recordingindustryvspeople.blogspot.com/2008/05/voluntary-dismissals-because-suit-was.html> (accessed May 30, 2008).

attempt to collect royalties beyond the term of the patent was misuse, just as in *Veltman v. Norton Simon, Inc.*, 425 F.Supp. 774 (S.D.N.Y.1977).

More recently, the doctrine of misuse has been extended from patent law to copyright law. “Copyright misuse is a judicially created doctrine that is used to prevent copyright holders from leveraging their limited monopoly to allow them control of areas outside [that] monopoly.” *Webcaster Alliance, Inc. v. Recording Indus. Ass’n of America, Inc.*, 2004 U.S. Dist. LEXIS 11993 at *20 (N.D.Cal. April 1, 2004), citing *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1026 (9th Cir. 2001). The leading Circuit Court cases which recognize the doctrine are *Lasercomb America v. Reynolds*, 911 F.2d 970 (4th Cir. 1990)(anti-competitive language in software licensing agreement); *Practice Management Information Corp. v. American Medical Ass’n*, 121 F.3d 516 at 520 (9th Cir.1997)(“We have implied in prior decisions that misuse is a defense to copyright infringement. We now adopt that rule”), amended 133 F.3d 1140 (9th Cir.1998); *Alcatel U.S.A., Inc. v. DGI Technologies, Inc.*, 166 F.3d 772 at 794 (5th Cir. 1999)(“By misusing its software copyright, DSC sullied its hands, barring itself from obtaining the equitable reward of injunction on grounds of copyright infringement.”)(footnote omitted); and *DSC Communications Corp. v. DGI Technologies*, 81 F.3d 597 at 601 (5th Cir.1996)(“We concur with the Fourth Circuit’s characterization of the copyright misuse defense [in

Lasercomb]).” There appears to be, however, no case in this circuit, and so the issue is one of apparent first impression.

In *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 342 F.3d 191 (3rd Cir.2003), *cert.den.* 540 U.S. 1178, the Third Circuit not only recognized copyright misuse for the first time, but extended it considerably beyond the essentially anti-competitive and monopoly framework of the earlier cases. The Court recognized the doctrine in the context of Buena Vista’s attempt to suppress any criticism of film clips by its licensing agreements, which permitted the use of clips and trailers on internet websites only if the websites did not criticize Disney (the parent of Buena Vista) or the entertainment industry. The defense did not succeed under the facts, but the Court used broad language, stating that copyrights should not be enforced if doing so undermines the Constitutional purpose “to promote the Progress of Science and useful Arts”:

Misuse often exists where the patent or copyright holder has engaged in some form of anti-competitive behavior. More on point, however, is the underlying policy rationale for the misuse doctrine set out in the Constitution’s Copyright and Patent Clause... The ultimate aim of copyright law is to stimulate artistic creativity for the general public good. Put simply, our Constitution emphasizes the purpose and value of copyrights and patents. Harm caused by their misuse undermines their usefulness.

342 F.3d at 204 (citations and quotation marks omitted).

The misuse defense does not require that the inequitable conduct be directed toward or even directly affect the defendant. *Microsoft Corp. v. Fredenburg*, 2006 WL 752985 (W.D.Pa. March 22, 2006); *Video Pipeline, Inc., supra*, 342 F.3d at 204 (“[t]o defend on misuse grounds, the alleged infringer need not be subject to the purported misuse.”).

Misuse of copyright is not only an affirmative defense to an infringement claim, but can be asserted as a positive claim for relief in an appropriate case. *See Electronic Data Systems Corp. v. Computer Associates Intern., Inc.*, 802 F.Supp. 1463, 1466 (N.D.Tex.1992)(“ To the extent that EDS seeks a declaration that it has not infringed CA’s copyrights because of CA’s alleged misuse of such copyrights, the court will permit the claim to be asserted.”).

In *Shloss v. Sweeney*, 515 F. Supp.2d 1068 (N.D.Cal.2007), a James Joyce scholar sued the executor of the Joyce estate and others, claiming that their actions in preventing quotations from unpublished letters and other materials, and in general interfering with plaintiff’s work, constituted copyright misuse. She sought a declaratory judgment that the actions she intended to take would not constitute copyright infringement, and asserted four claims, one of which was for a declaratory judgment that the defendants had misused their copyrights. The defendants moved

to dismiss but the Court upheld the complaint almost entirely, striking only one paragraph as irrelevant:

The defense of copyright misuse prevents a copyright holder that has misused its copyright from enforcing the copyright in a court of equity....The Ninth Circuit has not defined the contours of the copyright misuse defense, except to require the party asserting the defense to establish that the copyright is being used in a manner violative of the public policy embodied in the grant of copyright....Two district courts in this circuit, however, have held that the defense applies broadly if a copyright is leveraged to undermine the Constitution's goal of promoting invention and creative expression...The Court finds that Plaintiff has sufficiently alleged a nexus between Defendants' actions and the Copyright Act's public policy of promoting creative expression to support a cause of action for copyright misuse.

515 F.Supp. at 1079-81 (citations and quotation marks omitted).

See Ticketmaster L.L.C. v. RMG Technologies, Inc., 2008 U.S. Dist. LEXIS 33678 (C.D.Calif.March 10, 2008)(no claim for copyright misuse generally, but it could be available in the absence of an infringement claim).

The counterclaim for copyright misuse in the present case alleges essentially that the plaintiffs, “competitors in the business of recorded music...are a cartel acting collusively in violation of the antitrust laws and public policy” (A-56) and further alleges a series of specific actions taken to advance this purpose, including bringing actions like the present one without an adequate pre-filing investigation, based upon the technologically erroneous assumption that any person who subscribes to an

internet service provider whereby music files are downloaded is *ipso facto* a copyright infringer, by using an agent to seek extortionate settlements from individuals, by issuing fraudulent releases to persons who pay such settlements, by manipulating the federal courts in violation of attorneys' ethical obligations, and by other unconscionable and inequitable conduct.

Nothing in such conduct furthers the goal of copyright law "to increase the store of creative expression for the public good." These are not simply infringement suits by creators or licensees of original works of expression. Rather, they represent an abuse of the copyright monopoly, and that abuse should have an appropriate remedy available against it. *See generally International Motor Contest Ass'n, Inc. v. Staley*, 434 F.Supp.2d 650 (N.D.Iowa 2006)(collecting cases on copyright misuse).

Accordingly, this Court should hold that copyright misuse may be stated as both an affirmative defense and a positive claim for relief in an appropriate case.

CONCLUSION

Based upon the foregoing, this Court should reverse the district court's denial of attorney's fees and remand the action for a determination of the amount of a reasonable fee, in both the district court and on this appeal. It should also reverse so much of the district court's holding that copyright misuse does not state a claim upon which relief can be granted, and uphold the validity of such a claim.

Dated: New York, New York
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