UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PERFECT 10, INC.,

Plaintiff-Appellant,

v.

GIGANEWS, INC. AND LIVEWIRE SERVICES, INC.,

Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
Dist. Ct. No. 2:11-cv-07098-AB-SH

BRIEF FOR THE ELECTRONIC FRONTIER FOUNDATION, PUBLIC KNOWLEDGE, THE AMERICAN LIBRARY ASSOCIATION, THE ASSOCIATION OF COLLEGE AND RESEARCH LIBRARIES, AND THE ASSOCIATION OF RESEARCH LIBRARIES AS *AMICI CURIAE* SUPPORTING APPELLEES

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CORPORATE DISCLOSURE STATEMENTS

Pursuant to Rules 26.1 and 29(c)(1) of the Federal Rules of Appellate Procedure, *amici curiae* the Electronic Frontier Foundation, Public Knowledge, the American Library Association, the Association of College and Research Libraries, and the Association of Research Libraries certify that none of these entities has a parent or subsidiary corporations, and that no publicly held company owns 10% or more of their stock.

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STATEMENT OF INTEREST

This brief is filed pursuant to Federal Rule of Appellate Procedure 29(a) with the consent of all parties.

The *amici curiae* on this brief are a diverse group of organizations spanning multiple perspectives and viewpoints. All of the groups share a common interest in a balanced copyright system, calibrated to "promote the Progress of Science and the useful Arts," as the United States Constitution directs.

The Electronic Frontier Foundation ("EFF") is a member-supported, nonprofit, public interest organization dedicated to ensuring that copyright law advances the progress of science and the arts and enhances freedom of expression. Founded in 1990, EFF represents tens of thousands of dues-paying members, including consumers, hobbyists, computer programmers, entrepreneurs, students, teachers, and researchers, who are united in their desire for a balanced copyright system that provides adequate incentives for creators, facilitates innovation, and ensures broad access to information in the digital age.

Public Knowledge is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced copyright system, particularly with respect to new and emerging technologies.

The American Library Association ("ALA") is a nonprofit professional organization of more than 58,000 librarians dedicated to providing and improving library services and promoting the public interest in a free and open information society. The Association of College and Research Libraries, the largest division of the ALA, is a professional association of academic and research librarians. The Association of Research Libraries ("ARL") is a nonprofit organization of 125 research libraries in North America, including university, public, government and national libraries. Collectively, these three associations represent over 100,000 libraries in the United States employing over 350,000 librarians and other personnel. In recent years, academic libraries and archives have rapidly been developing platforms that provide digital access to scholarship, through digitizing special collections and creating online scholarly repositories and sharing sites where academic authors can post papers. "This evolution of the dissemination of academic works from collections held solely within library and archive premises to open digital forms is widely heralded as increasing access to academic knowledge and fueling research." Schofield, Brianna L. and Urban, Jennifer M., *Takedown and Today's Academic Digital Library*, at 2 (November 2015). UC Berkeley Public Law Research Paper No. 2694731, available at SSRN:

http://ssrn.com/abstract=2694731 or http://dx.doi.org/10.2139/ssrn.2694731. But in creating online scholarly repositories and sharing sites, libraries are operating as "online service providers" subject to the same rules and regulations as other OSPs.

Pursuant to Federal Rule of Appellate Procedure 29(c)(5), *amici curiae* state that no counsel for a party authored this brief in whole or in part, and no person or entity other than *amici* and their counsel made a monetary contribution to the preparation or submission of this brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

Over the last decade, the Internet has grown into an extraordinary platform for free speech and creative expression. Never before have so many citizens been able to reach an audience across so many mediums at such low cost. All of this activity depends upon a thriving marketplace of innovative online service providers—including both nonprofits like Wikipedia, the Internet Archive and the numerous libraries that have created online scholarly repositories and sharing sites, and commercial ventures like Giganews, YouTube, Facebook, and Twitter—providing inexpensive (or free) public platforms for expression. Because changes to the legal climate for these service providers can have profound consequences for free expression online, proper interpretation of copyright laws as applied to online service providers is a matter of crucial public interest.

Courts have time and again denied requests to expand copyright liability to intermediaries whose equipment or systems are used by third-parties to infringe. To avoid discouraging creation and use of new technologies, courts have clarified that *direct* liability can only attach to the party who controls the decision to copy. A party whose role is limited to providing the means by which copies are made, without itself engaging in any volitional conduct, cannot be liable for direct infringement. *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs.*, Inc., 907 F. Supp. 1361 (N.D. Cal. 1995) ("*Netcom*").

At the same time, courts recognize only a few narrow circumstances in which the provider of a copying technology can be held *secondarily* liable because its technology is used to infringe. These circumstances are when: the technology is not "capable of substantial noninfringing uses" (*Sony Corp. of Am., Inc. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984)); the provider distributes the technology with the specific objective of promoting infringing uses (*Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936-37 (2005)); or the provider supervises the infringing activity and has a direct financial interest in it (*A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001) ("*Napster II*")).

Perfect 10 and it supporting amicus, the Recording Industry Association of America ("RIAA"), seek to upend this fundamental balance and, instead, to impose a boundless form of infringement liability that does not look at the service provider's actual conduct at all. Under Perfect 10/RIAA's approach, any service provider whose customers engaged in some infringement—no matter if the work even belonged to the plaintiff—would be subject to liability.

Endorsement of Perfect 10/RIAA's views by any court would gravely threaten the profusion of online services that have benefited the public. In the interests of protecting the free expression of the millions of Internet users who are *not* committing copyright infringement, *amici* urge the Court to affirm the district court ruling and reject Appellant's effort to undermine the copyright balance.

First, if an intermediary faces the possibility of potentially unlimited legal liability for content hosted, transmitted, or disseminated through its services by a small minority of users, it will feel compelled to scrutinize and limit all user activities.[1] This is likely to lead to over-blocking, sacrificing lawful content in an effort to limit potential litigation.

[1] The risk to service providers is magnified by the availability of statutory damages of up to $30,000 per work infringed, rising to $150,000 per work infringed in cases of willful infringement. 17 USC § 504(c)(2). In its recently issued *White Paper on Remixes, First Sale, and Statutory Damages*, the Department of Commerce observed that "[t]here is no question that the use of the 'per-work multiplier' in the context of online services making entire libraries of works available to the public can result in statutory damages that are extraordinarily large. These levels of awards could potentially have a chilling effect on investment and innovation." Department of Commerce, *White Paper on Remixes, First Sale, and Statutory Damages*, at 97-98 (2016) (footnote omitted), available at http://www.uspto.gov/sites/default/files/documents/copyrightwhitepaper.pdf, The White Paper added "[w]here an online service provider enables thousands or even millions of users to infringe by offering many copyrighted works to the world at large, there is a more attenuated connection between the service provider's actions and the number of works that are infringed; typically, the service provider will have no control over or knowledge of the number of works that are infringed." *Id*. at 98. Accordingly, the Commerce Department recommended "that section 504 be amended to provide that, in cases of nonwillful secondary liability by online services involving large numbers of infringed works, courts shall have the discretion to depart from the strict 'per work' calculus." *Id*.

The strong incentive to over-block can cause particular harm to free speech where, as here, intermediaries often are not able to easily determine if the content is unlawful on its face. *See generally* 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, at § 12B.04[A][1] (2015). Because the cost to intermediaries to investigate each allegation of infringement will almost always be greater than the cost of simply removing the content, intermediaries have little financial incentive to challenge removal demands. This, in turn, will encourage abuse on the part of the governments or private litigants seeking to take down materials for censorial, rather than infringement, reasons. *See, e.g.*, *Online Policy Grp. v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1204 (N.D. Cal. 2004) ("[n]o reasonable copyright holder could have believed that the portions of the email archive discussing possible technical problems with Diebold's voting machines were protected by copyright . . . Diebold knew—and indeed that it specifically intended—that its letters . . . would result in prevention of publication of that content.").

Second, if intermediaries face potentially huge legal liability for the unlawful activities of a tiny minority of users, they may simply decide that it is impossible to offer some online services, even where those services are used predominantly for lawful purposes. For example, users post more than 300 hours of video to YouTube *every minute*,[2] the vast majority of which are

[2] *See* DMR, *By the Numbers: 130+ Amazing YouTube Statistics* (2016), available at http://expandedramblings.com/index.php/youtube-statistics/.

noninfringing and perfectly lawful. If liability concerns arising from a minority of these videos compelled a service provider to pre-approve all user contributions, the service simply could not continue to operate as an open forum for user expression. The same is true of the countless online forums and blogs where users post hundreds or thousands of comments every hour. Fear of liability would likely lead service providers to adopt the same "clearance culture" that characterizes "traditional" television, radio, and other mass media outlets—where even entirely law-abiding creators cannot find an audience without first running a gauntlet of lawyers and insurers.

Turning back the clock and stripping service providers of the legal clarity offered by the volitional conduct doctrine and settled rules for vicarious liability would be catastrophic for free speech online. *Amici* urge the Court to maintain the important protections provided to innovators of new technologies and services that have developed over the last several decades by affirming the district court.[3]

I. THE "VOLITIONAL CONDUCT" TEST PROVIDES AN IMPORTANT SAFEGUARD FROM DIRECT LIABILITY AND COMPORTS WITH THE COPYRIGHT ACT'S PURPOSES.

Until the late 20th Century, engaging in direct copyright infringement was almost invariably a matter of physically undertaking the infringing

[3] The arguments of Perfect 10 and the RIAA are flawed in numerous ways, as addressed in Appellees' brief. This brief focuses only on the issues of greatest public importance in the views of *amici*.

activity. Today, however, copying instructions can be delivered via wired or wireless communications to a remote network server, personal computer, or other digital device located off the copier's premises, and usually maintained by a third party. In response to this physical and legal separation between the party who controls the copying decision and the party who provides the tools with which to make a copy, courts have clarified that direct liability can only attach to the party who controls the decision to copy. A party whose role is limited to providing the means by which copies are made, without itself engaging in any volitional conduct, cannot be liable for direct infringement.

This "volitional conduct" requirement carefully delineates a pragmatic liability boundary between those who exercise *direct* participation in specific acts of copyright infringement and those who can only be held accountable, if at all, *indirectly* for providing machines and services that may facilitate infringement by a user. This requirement is grounded in the Copyright Act and traditional tort principles of causation, and it is also sound public policy. Imposing direct liability on those who merely provide the tools with which an infringing copy is made would fail to "leave[] breathing room for innovation and a vigorous commerce," and could "trench[] on regular commerce or discourag[e] the development of technologies with lawful and unlawful potential." *Grokster*, 545 U.S. at 933, 937.

Perfect 10 and the RIAA, however, urge this Court to reverse the district court and in the process upend more than 20 years of copyright jurisprudence in the online world. Under the liability regime proposed by Perfect 10/RIAA, service providers and other innovators would be hard-pressed to provide and develop robust platforms, services and technologies if, as is often the case in the digital age, their use might somehow implicate copyright. Perfect 10/RIAA's approach would curb innovation and undermine the fundamental copyright balance.

A. Rejecting The "Volitional Conduct" Requirement Would Allow Strict Liability For Copyright Infringement Against Parties Who Are Liable, If At All, Only Secondarily.

The "volitional conduct" test is shorthand for the foundational idea of copyright law that only parties who "themselves engaged in the infringing activity" can be liable as direct infringers. *Sony*, 464 U.S. at 435. The decision below is an apt application of this prevailing, commonsense rule: without having *itself* committed a specific act of infringement, Giganews cannot be strictly liable as a direct infringer. The path to liability against a defendant in Giganews' position is solely through doctrines of secondary liability.

Since its explicit adoption in *Netcom*, the volitional conduct requirement for direct infringement liability has been embraced by courts across the country in recognition that content-neutral providers of Internet services should not be saddled with potentially staggering strict copyright liability due to acts of infringement by some of their users. Relying on the Supreme Court's *Sony* decision, the *Netcom* court observed that the "act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it." *Id.* at 1369. The court correctly held that, for direct liability to attach, there must be some volitional act taken by the defendant beyond merely providing the system a third party used to create an infringing copy. *Id.* at 1370. Any other result would impose strict liability "for every single Usenet server in the worldwide link of computers" merely because some infringing copy may have passed through the server. *Id.*

In the more than 20 years since *Netcom*, courts, including the district court in this case, consistently recognize that holding a service provider strictly liable for the independent acts of third-party copyright infringers simply because the infringing material "was stored on or passed through the service provider's facilities would be, in effect, to hold the entire internet liable for the bad acts of a few." *Perfect 10, Inc. v. Giganews, Inc.*, No. CV 11-07098-AB SHX, 2014 WL 8628034, at *7 (C.D. Cal. Nov. 14, 2014). These courts have drawn a line between those whose own *volition* causes allegedly unauthorized copying, and those parties who only provide the *means*—or a medium—for copying. The former can be "directly" liable under the Copyright Act, while the latter may be liable only "indirectly."

Thus, in *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004), the Fourth Circuit followed *Netcom* and held that the defendant Internet service provider could not be liable for direct copyright infringement where its subscribers chose to post copyrighted photographs on its website. The court acknowledged that the Copyright Act does not require an infringer to have knowledge that its conduct amounts to willful copyright infringement, but emphasized that the Act does require "*conduct* by a person who causes in some meaningful way an infringement." *Id.* at 549 (relying on *Sony*). The court held that direct liability requires more than mere ownership of a device used by others to make illegal copies. Rather, as in *Netcom*, "a person had to engage in *volitional conduct*—specifically, the act constituting infringement—to become a direct infringer." *Id.* at 550-52 (emphasis added).

Similarly, in *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2nd Cir. 2008), the defendant cable company could not be liable for direct copyright infringement for providing subscribers a remote storage digital video recorder system because it was the customer who chose to "make" a copy, not the cable company. The court wrote, "[w]hen there is a dispute as to the author of an allegedly infringing instance of reproduction, *Netcom* and its progeny direct our attention to the *volitional conduct* that causes the copy to be made." *Id*. at 131. In determining who "makes" a copy, the court concluded that "a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make a copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct." *Id.* at 131. The service provider in the former situation may be directly liable, whereas the provider in the latter situation may not.

Following *Cartoon Network*, this Court in *Fox Broadcasting Co., Inc. v. Dish Network L.L.C.*, 747 F.3d 1060, 1067-68 (9th Cir. 2014) ruled that defendant pay television service provider could not be liable for *direct* copyright infringement where television programs were copied at the user's command. The Court held that "operating a system used to make copies at the user's command does not mean that the system operator, rather than the user, caused copies to be made." *Id.* at 1067. The RIAA dismisses *Fox Broadcasting* as not instituting a "volitional conduct" requirement in this Circuit (and suggesting the opinion was misread by Justice Scalia in his *Aereo* dissent). RIAA Br. at 5. While this Court did not use the words "volitional conduct," the import of its reasoning is clear: "Infringement of the reproduction right requires copying *by* the defendant, . . . which comprises a requirement that the defendant cause the copying." *Fox Broadcasting*, 747 F.3d at 1067 (italics in original, internal citations omitted). Thus, *Fox* unambiguously affirms that a direct infringement claim requires direct causation—what other courts have referred to as "volitional conduct"—the purpose of which is "to identify the actor (or actors) whose ‘conduct has been so significant and important a cause that [he or she] should be legally responsible.’” *Cartoon Networks*, 536 F.3d at 132 (quoting W. Page Keeton et al., *Prosser & Keeton on Torts* § 42, at 273 (5th ed. 1984)) (alteration in the original).[4]

These cases all stand for the proposition that “something more must be shown than mere ownership of a machine used by others to make illegal copies.” *CoStar*, 373 F.3d at 550; *accord Sony*, 464 U.S. at 437 (rejecting argument “that supplying the ‘means’ to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement”); *Grokster*, 545 U.S. at 960 (Breyer, J. concurring) (“the producer of a technology which *permits* unlawful copying does not himself *engage* in unlawful copying”).

The logic of *Netcom* applies with equal force today, not just to Usenet, but to the thousands of servers, computers, devices, routers, switches, etc., that combine to form the Internet, and which in their ordinary operation must store and transmit data. Its reasoning also extends to libraries’ online

[4] The district courts have equally adopted this thinking. *See, e.g., Marobie-FL, Inc. v. Nat’l Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167, 1178 (N.D. Ill. 1997) (“Northwest only provided the means to copy, distribute or display plaintiff's works . . . [and] did not actually engage in any of these activities itself. Accordingly, Northwest may not be held liable for direct infringement.”); *Parker v. Google, Inc.*, 422 F. Supp. 2d 492, 497 (E.D. Pa. 2006) (“It is clear that Google's automatic archiving of USENET postings and excerpting of websites in its results to users' search queries do not include the necessary volitional element to constitute direct copyright infringement.”).

scholarship repositories, contemporary blogging services, social media sites, mobile app providers and cloud computing services that are the present day descendants of the Usenet systems that were the subject of *Netcom*.

Perfect 10 and the RIAA would have each act of storage by these systems be considered a directly infringing "reproduction," and each transmission a "distribution," "performance," or "display" under 17 U.S.C. § 106. Such a domino effect of liability simply due to intermediate storage and transmission of data would in effect collapse the basic two-part framework of direct and indirect infringement and leave in its place monolithic strict liability, to the detriment of Internet innovation and the users that rely on that innovation. This Court should reject that effort. The avenue to liability against providers of the *means* for information reproduction and dissemination is through the doctrine of *secondary* copyright infringement. For that a greater showing than strict liability is required.

B. *Aereo* Does Not Disturb The Volitional Conduct Requirement.

American Broadcasting Companies, Inc. v. Aereo, Inc., 134 S. Ct. 2498 (2014), did not effect a sea change in the law of "volitional conduct," as the RIAA suggests. To the contrary, the Supreme Court did not expressly address the general volitional conduct requirement for direct liability under the Copyright Act at all. Rather, the *Aereo* Court addressed the question of whether a service provider that used its technology to receive television programs that had been broadcast over the air to the public and then transmit those programs to its own paid subscribers by streaming them through the Internet could be directly liable for copyright infringement. *Id.* at 2506. The Court held that, under those circumstances, the defendant was not merely an equipment supplier and that it actually "publicly performed" the programming as defined by the Transmit Clause. *Id*. at 2503.

Not only does the *Aereo* majority not deny the existence of a "volitional conduct" requirement or try to abrogate its scope, but the Court's analysis can easily be reconciled with that requirement. The *Aereo* Court distinguishes between an entity that "engages in activities like Aereo's" and one that "merely supplies equipment that allows others to do so." *Id.* at 2504. Specifically, it held that "the history of cable broadcast transmissions that led to the enactment of the Transmit Clause informs our conclusion that Aereo 'perform[s],' *but it does not determine whether different kinds of providers in different contexts also 'perform.'*" *Id.* at 2510 (emphasis added). Although the Court held on the facts of the case that Aereo had a sufficient likeness to a cable company to lead to a presumption of direct performance, the Court recognized that the distinction between active and passive participation remains a central part of the analysis of direct infringement. *Id.* And, as at least one court in this Circuit has noted since the *Aereo* decision was issued, "[t]he volitional conduct doctrine is a significant and long-standing rule, adopted by all Courts of Appeal to have considered it, and it would be folly to presume that *Aereo* categorically jettisoned it by implication." *Fox Broad. Co. v. Dish Network LLC*, No. CV 12-4529 DMG SHX, 2015 WL 1137593, at *11 (C.D. Cal. Jan. 20, 2015); *accord Smith v. BarnesandNoble.com, LLC*, No. 1:12-cv-04374 (ALG) (GWG), 2015 WL 6681145, at *4 & n.3 (S.D.N.Y. Nov. 2, 2015) (*Aereo* did not address the volitional conduct requirement, "and *Cartoon Network* remains controlling in this Circuit").

Moreover, although the *Aereo* majority was silent on the doctrine of "volitional conduct" *per se*, Justice Scalia provided a thorough exposition of the "volitional conduct" requirement in his dissenting opinion, traversing the leading appellate cases collected above, *Fox Broadcasting*, 747 F.3d at 1066-1068; *Cartoon Network, supra*, 536 F.3d at 130-131; and *CoStar, supra*, 373 F.3d at 549-550. He explained that the volitional conduct requirement is a "profoundly important rule," and that "our cases are fully consistent with a volitional-conduct requirement." *Aereo*, 134 S. Ct. at 2512-13 (Scalia, J. dissenting). Relying on the *Netcom* "copy shop" analogy, Justice Scalia explained that "[b]ecause the shop plays no role in selecting the content, it cannot be held directly liable when a customer makes an infringing copy." *Id.* at 2513. Notably, the majority did not dispute (or even comment on) Justice Scalia's exposition of this doctrine in its opinion.

C. The RIAA's Attempt To Carve Out The Distribution Right As Being Specially Immune From The Volitional Conduct Requirement Should Be Rejected.

There is no principled reason (and Perfect 10 and the RIAA offer none) to draw an arbitrary distinction between the copyright owner's exclusive right to reproduce copyrighted material and his or her right to distribute, such that the element of volitional conduct would apply to one but not the other. Indeed, the policy behind the volitional conduct requirement applies equally to both rights.

As the *Netcom* court explained, the absence of the volitional element would lead to "unreasonable liability" of "countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet." *Netcom*, 907 F. Supp. at 1369-1370, 1372. This concern rings equally true whether the transmission of data from one server to another on the Internet is styled a "reproduction" or "distribution" under 17 U.S.C. § 106. Indeed, *Netcom* itself rejected the argument that a bulletin board operator could be directly liable for violating plaintiffs' "distribution right," holding that merely storing and passing along messages posted by subscribers does not amount to "causing" the works to be publicly distributed:

> No purpose would be served by holding liable those who have no ability to control the information to which their subscribers have access, even though they might be in some sense helping to achieve the Internet's automatic "public distribution" and the users' "public" display of files.

Netcom, 907 F. Supp. at 1372.

Moreover, the very case on which the RIAA heavily relies for its critique of the volitional conduct requirement, *Arista Records LLC v. USENET.COM, Inc.*, 633 F. Supp. 2d 124 (S.D.N.Y. 2009), expressly held that the volitional conduct requirement applies to the distribution right. The following passage could not be more clear:

> Plaintiffs urge that the court in *Cablevision* addressed only direct infringement of the exclusive rights of reproduction and public performance under sections 106(1) and 106(6) of the Copyright Act, and limited the "volitional conduct" requirement to the issues addressed in that case, and not to the exclusive right of distribution. I disagree. Although the particular circumstances before the court in *Cablevision* involved the exclusive rights not at issue here, the court made clear that "volitional conduct is an important element of direct liability." *Id.* at 131. . . . Accordingly, I hold that a finding of direct infringement of the right of distribution under § 106(3) of the Copyright Act requires a showing that Defendants engaged in some volitional conduct sufficient to show that they actively engaged in distribution of the copies of Plaintiffs' copyrighted sound recordings.

Id. at 147-148. Other district courts are in accord. *BarnesandNoble.com, supra*, 2015 WL 6681145, at *5 (cataloging cases finding the volitional conduct requirement applies to all exclusive rights including the distribution right); *Marobie-FL, supra*, 983 F. Supp. at 1178 (applying volitional element to right to distribute); *Disney Enterprises, Inc. v. Hotfile Corp.*, 798 F. Supp. 2d 1303 (S.D. Fl. 2011) (finding "unconvincing" plaintiffs' attempt to distinguish *Netcom* and *Cartoon Network* in order to avoid volitional conduct requirement on the basis that they sued for violation of the right to distribute).

Simply put, there is no authority and no well-reasoned argument for the proposition that a showing of volitional conduct is not required to establish direct infringement of the owner's distribution right.

II. EXTENDING VICARIOUS LIABILITY TO THE SERVICE PROVIDER-CUSTOMER RELATIONSHIP WOULD UNDULY EXTEND THE POTENTIAL LIABILITY OF CONTENT-NEUTRAL SERVICE PROVIDERS.

A service provider can only be vicariously liable for a third-party's direct infringement if it had the right and ability to control the infringing activity and obtained "a *direct* financial benefit" from it. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996) (emphasis added). Yet, Perfect 10 and the RIAA ask this Court to reject the direct financial benefit test in favor of a far-reaching test that would impose liability on any service provider whose product or service was used to infringe and who obtains some financial benefit from providing the product or service generally.

This Court has noted that the "landmark case on the topic" of vicarious infringement liability is *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963). *See Fonovisa*, 76 F.3d at 262. *Shapiro* teaches that the vicarious liability inquiry focuses on the relationship between the defendant and the infringer, such that "courts have had to trace, case by case, a pattern of business relationships which would render one person liable for the infringing conduct of another." *Shapiro*, 316 F.2d at 307.

Against that backdrop, the *Shapiro* court formulated the two-part test that courts now universally apply to vicarious liability claims, holding that "the right and ability to [control must] coalesce with an *obvious and direct financial interest* in the exploitation of copyright materials." *Id.* (emphasis added). The financial interest in *Shapiro* itself was both "obvious" and "direct" in that the defendant, the proprietor of a chain of stores where bootleg records were sold by a third party concessionaire, had a license with the concessionaire under which it received a 10-12% share of the sales of the record sales. *Id.* 308. This "direct" and "obvious" financial interest "coalesced" with a factual scenario in which the defendant exerted a high level of control over the concessionaire, including "unreviewable discretion" to terminate the concessionaire's employees. *Id.* at 306. The *Shapiro* fact pattern thus bore a strong resemblance to the paradigmatic *respondeat-superior* relationship–that of employer and employee.

The Second Circuit's subsequent *Gershwin* decision involved a similar coalescence between an obvious and direct financial interest and a significant level of control exerted by the defendant such that the court found it appropriate to apply *respondeat superior*-type liability. *See Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159 (2d

Cir. 1971) (finding vicarious liability where defendant received a percentage of the profits and was involved in management of the artists and programming of the compositions played by the artists).

In this Circuit, the analysis has been articulated as the "draw" test: that is, whether the availability of infringing material "draws" customers to the service provider's venue. *Fonovisa*, 76 F.3d at 263 ("Our conclusion is fortified by the continuing line of cases, starting with the dance hall cases, imposing vicarious liability on the operator of a business where infringing performances enhance the attractiveness of the venue to potential customers.").

The "draw" test was first applied in the digital context in *Napster*, where this Court affirmed the district court's grant of a preliminary injunction, finding that plaintiff demonstrated it was likely to succeed on its vicarious liability claim against music-sharing website Napster. *Napster II,* 239 F.3d at 1023 ("*Napster II*"). With respect to Napster's direct financial benefit, the Court affirmed the district court's finding that Napster's service was primarily used to facilitate access to infringing material. *See A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 902-03, 922 (N.D. Cal. 2000) ("The evidence shows that virtually all Napster users download or upload copyrighted files and that the vast majority of the music available on Napster is copyrighted. . . . The ability to download myriad popular music files without payment seems to constitute the glittering object that attracts

Napster's financially-valuable user base.”). In other words, the Court found that the direct causal relationship between infringement of the plaintiffs’ copyrighted works and the defendant’s financial value was obvious and unquestionable. *Napster II*, 239 F.3d at 1023; *see also, Klein & Heuchan, Inc. v. Costar Realty Info., Inc.*, 707 F. Supp. 2d 1287, 1298 (M.D. Fla. 2010) (distinguishing *Napster* for purposes of vicarious liability analysis because “virtually all of Napster’s ‘draw’ of customers resulted from it providing access to infringing material”).

Perfect 10 and the RIAA, however, suggest a far looser standard for vicarious liability, one that would extend to situations with little resemblance to *Napster* and *Fonovisa*. Perfect 10/RIAA ask this Court to apply vicarious liability to situations where supposed infringement of some unknown copyrights occurs somewhere on a service provider’s platform, regardless of whether the business model of the platform is intertwined with infringement or not, and regardless of whether there is any causal link between infringement of the plaintiffs’ own works and any profit to the platform.

Ellison v. Robertson, 357 F.3d 1072 (9th Cir. 2004) forecloses such a rule. That case, like the instant case, involved a vicarious copyright infringement claim based on the uploading of copyrighted material to a USENET news-group. The plaintiff in *Ellison* was science fiction author Harlan Ellison, who sued America Online Inc. (“AOL”) for copyright infringement after some of his works were uploaded onto a USENET news-group without his permission. The works thereafter became accessible to AOL's subscribers through AOL's Internet platform, and Ellison sued AOL for secondary copyright infringement. *Id.* at 1075.

The Ninth Circuit affirmed the district court's grant of summary judgment in favor of AOL on the plaintiff's claims and, in doing so, clarified its application of the "draw" analysis. The court affirmed that there must be "a causal relationship between the infringing activity" and the defendant's financial benefit. *Id.* at 1079. In other words, the financial benefit defendant receives must be "directly attributable to the infringing activity." *Id.* (quoting S. Rep.105-190, at 44 (1998)). Because there was no evidence showing a causal relationship *between the infringement of plaintiff's works* and the financial benefit that AOL obtained, this Court affirmed summary judgment for AOL. *Id.*

Contrary to the arguments made by Perfect 10/RIAA, "the infringing activity" referred to in *Ellison* was the specific infringement of the plaintiff's copyrighted material. This is indicated not only from the court's language and repeated use of the definite article ("*the* infringing activity") but also from the court's analysis. In particular, AOL had blocked its subscribers' access to the news-group that contained the uploaded Harlan Ellison works upon receipt of the plaintiff's complaint. *Id.* at 1075. In its "draw" analysis, the court reasoned, "The record lacks evidence that AOL attracted or retained subscriptions because of the infringement or lost subscriptions because of *AOL's eventual obstruction of the infringement*." *Id.* at 1079 (emphasis added). The court's analysis could hardly be more clear—"AOL's eventual obstruction of the infringement" refers to the infringement *of plaintiff's writings*, which AOL blocked upon receipt of plaintiff's complaint.

There are sound reasons for the "draw" analysis to be interpreted in this manner. First, doctrinally, while the "draw" analysis derives from an old line of cases concerning "dance halls," which held that dance hall proprietors could be held liable when the dance bands they hired played music that infringed copyrights, these "dance hall" cases are not easy analogues in the USENET context. The relationship between a dance hall proprietor and a dance band hired by the proprietor is analogous to an employer-employee relationship—the origin of the *respondeat superior* doctrine—as noted in the seminal *Shapiro* case. *See Shapiro*, 316 F.2d at 308 ("We believe that the principle which can be extracted from the dance hall cases is a sound one and, under the facts of the cases before us, is here applicable. Those cases and this one lie closer on the spectrum to the employer-employee model than to the landlord-tenant model.") In contrast, the relationship between Giganews and the infringers of Perfect 10's copyrights is that of service provider and customer. Extending vicarious liability to the service provider-customer relationship goes far beyond what the courts envisioned in *Shapiro* and its progeny, and it goes far beyond the employer-employee relationship that is the origin of the *respondeat superior* doctrine. Such an extension of the doctrine would take an arm's length relationship that enables freedom of expression for customers and turn it on its head, by imputing the content of that expression to the technology provider.

Moreover, Appellant's view of the vicarious liability doctrine is difficult to reconcile with basic principles of Article III standing. Article III standing requires that a plaintiff itself suffer an injury-in-fact before it may seek redress in the federal courts. *See Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). Yet, under Perfect 10's view, it can sue Giganews under a theory of vicarious liability if Giganews earns money from the infringement of copyrights owned by third parties, regardless of whether Giganews received any financial benefit from its customers' infringing Perfect 10's copyrights. This would be a case built on pure speculation about rights of owners and actions of users who are not before the court, and it would effectively allow copyright vigilantism. At the very least, there is a significant tension between Appellant's view of vicarious liability and Article III's standing requirement.

CONCLUSION

Copyright law does not grant copyright holders like Perfect 10 absolute control over their works. Here, the district court found a sound balance between supporting Perfect 10's creative pursuits and "promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement." *Grokster*, 545 U.S. at 928. For the foregoing reasons, *amici* respectfully urge the Court to affirm the decision of the district court and preserve the legal protections that have facilitated the emergence of new platforms for expression and innovation.

Dated: March 2, 2016 Respectfully Submitted,

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CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32 of the Federal Rules of Appellate Procedure, I certify that:

1. This brief complies with the type-volume limitation of Rule 32(a)(7)(B) of the Federal Rules of Appellate Procedure because this brief contains 6,150 words, excluding the parts of the brief exempted by Rule 32(a)(7)(B)(iii); and

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Dated: March 2, 2016

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on March 2, 2016.

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