

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
ABILENE DIVISION**

FONOVISA, INC., et al.,)	
)	
	Plaintiffs,)
)	Civil Action No. 1-06CV-011-C
-against-)	
)	ECF
)	
)	JUDGE CUMMINGS
LARRY ALVAREZ,)	
)	
	Defendant.)

**AMICUS CURIAE BRIEF OF THE ELECTRONIC FRONTIER FOUNDATION IN
SUPPORT OF DEFENDANT'S MOTION TO DISMISS THE COMPLAINT**

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STATEMENT OF INTEREST

The Electronic Frontier Foundation (EFF) is a member-supported, nonprofit public interest organization devoted to maintaining the traditional balance that copyright law strikes between the interests of copyright owners and the interests of the public. Founded in 1990, EFF represents more than 11,000 contributing members including consumers, hobbyists, computer programmers, entrepreneurs, students, teachers, and researchers united in their reliance on a balanced copyright system that ensures adequate protection for copyright owners while ensuring broad access to information in the digital age.

Plaintiffs here urge this Court to accept a view of a copyright owner's "distribution right," set out in 17 U.S.C. § 106(3), that ignores the plain language of the statute and jeopardizes the delicate balance struck by Congress in the statutory scheme. Not only does Plaintiffs' misguided interpretation of § 106(3) improperly tilt the scales against individual defendants such as Mr. Alvarez, but it also has already been invoked by several of the Plaintiffs in this case in other litigation against technology innovators. *See Atlantic Recording Corp. v. XM Satellite Radio*, No. 1:06-cv-03733-DAB (S.D.N.Y. filed May 16, 2006) (complaint attached hereto as Exhibit A). Accordingly, the ruling on this motion will likely have implications for a wide array of new digital technologies. As advocates for digital media consumers and innovators, EFF has a strong interest in ensuring that the statutorily limited § 106(3) right is correctly applied in this and other cases.¹

BACKGROUND AND SUMMARY OF ARGUMENT

Defendant Larry Alvarez, like more than 20,000 other individuals, has been sued by

¹ EFF has appeared as *amicus curiae* in another district court case essentially on all fours with this one, *Elektra Enter. Group v. Barker*, No. 05-CV-7340 KMK (S.D.N.Y. brief filed Feb. 23, 2006). As in the instant case, that case also involves an individual accused by record labels of downloading and uploading music over the Internet. A motion to dismiss focusing on the proper scope of § 106(3) is currently pending in *Barker*, having drawn extensive *amicus* filings from the Motion Picture Association of America (MPAA), the Computer & Communications Industry Association (CCIA), the U.S. Internet Industry Association (USIIA), EFF, and the United States.

several major record companies for allegedly using peer-to-peer (P2P) file sharing software to download and upload music.² When individuals use P2P file sharing software to make unauthorized copies of sound recordings,³ record companies are within their rights to sue them for making unauthorized reproductions. *See* 17 U.S.C. § 106(1) (exclusive right of reproduction). In the thousands of suits filed thus far, however, the record companies have also alleged infringement of their distribution rights under 17 U.S.C. § 106(3) in a strategic effort to accomplish a judicial transformation of this limited statutory right into a weapon in the war against new digital media technologies. *See, e.g.*, Exh. A, ¶¶ 41-48 (complaint in *Atlantic v. XM Satellite Radio*, alleging that satellite broadcaster XM Radio infringes the distribution right by transmitting to subscribers who record broadcasters using XM's new Inno receivers).

Plaintiffs' effort, however, is barred by the express language of § 106(3), the legislative history of the Copyright Act, and historical copyright practice. Section 106(3) grants to copyright owners the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3). Because the terms "copy" and "phonorecord" are defined to be limited to tangible material objects, the statute thus requires that a physical, tangible, material object change hands before the distribution right can be infringed. By its terms, then, § 106(3) does not encompass transmissions over computer networks. This is not to say that a copyright owner is without recourse with respect to such transmissions (as well as any copies that result from them). Rather, electronic transmissions are properly analyzed within the framework of the reproduction right, § 106(1), the public performance right, § 106(6), or as a matter of secondary liability (e.g., contributory

² For an overview of the history of the recording industry's litigation campaign, *see* EFF White Paper, *RIAA v. the People: Two Years Later* (Nov. 2005) (available at <http://www.eff.org/IP/P2P/RIAAatTWO_FINAL.pdf>).

³ Strictly speaking, material objects embodying sound recordings are referred to as "phonorecords" under the Copyright Act, with "copies" reserved for material objects embodying all other forms of copyrightable expression. *See* 17 U.S.C. § 101. For convenience, we will refer to phonorecords herein by the more familiar lay term.

infringement of these rights).

This distinction is not a mere formalism. Expanding § 106(3) to include transmissions upsets the delicate balance struck by Congress in the Copyright Act, disrupting settled expectations in arenas far from P2P file sharing. For example, satellite and cable broadcasters rely on statutory licenses contained in the Copyright Act that presume that transmissions are properly treated as public performances, rather than distributions. Reinterpreting the distribution right as Plaintiffs and the United States urge would imperil these broadcasters, as well as the new home recording technologies they provide to their customers. In fact, several of the Plaintiffs have recently filed suit against satellite broadcaster XM Radio, pressing the same “transmission + recording = distribution” theory that they press in this action. *See* Exh. A ¶¶ 41-48 (complaint in *Atlantic v. XM Satellite Radio*). While copyright laws must occasionally be updated to address new technologies, it is for Congress, not the courts, to rewrite the Copyright Act for this purpose. *See Sony Corp. v. Universal City Studios*, 464 U.S. 417, 431 (1984) (“Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials.”).

In the words of University of Texas (Austin) law school professor R. Anthony Reese, author of the leading scholarly treatment of the issue, “the distribution right as currently framed...does not appear to encompass transmissions of copyrighted works over computer networks.” *See* R. Anthony Reese, *The Public Display Right: The Copyright Act’s Neglected Solution to the Controversy Over RAM Copies*, 2001 U. OF ILL. L. REV. 83, 126-27 (2001) (hereafter “Reese, *The Public Display Right*”). Accordingly, because Plaintiffs did not (and cannot) allege that any tangible material objects embodying sound recordings changed hands in this case, this Court should dismiss Plaintiffs’ § 106(3) claim.⁴

⁴ EFF takes no position with respect to whether Plaintiffs adequately plead their reproduction claim here. Whether Mr. Alvarez may have any applicable defenses is, of course, not a question appropriately addressed on this motion to dismiss.

ARGUMENT

I. **The Plain Language of § 106(3) Limits the Distribution Right to the Dissemination of Tangible Material Objects.**

Copyright is, first and foremost, a creature of statute. *See Sony v. Universal City Studios*, 464 U.S. at 431 (“[T]he protection given to copyrights is wholly statutory.”). It represents a carefully crafted set of complex legislative compromises aimed at balancing the interests of both owners and users of copyrighted works. *Id.* at 429. The six limited exclusive rights granted to copyright owners, each carefully delineated by statutory definitions, form the foundation of the copyright edifice. *See* 17 U.S.C. § 106. The scope of each exclusive right is further defined by a web of statutory exceptions, many of which apply differently depending on which exclusive right is implicated. *See, e.g.*, 17 U.S.C. §§ 109 (first sale limitation on distribution right); 110 (exceptions to public performance right); 111 (statutory license for public performance by cable television); 114 (statutory license for public performance by webcasters); 118 (statutory license for public performance by nonprofit broadcasters). In addition, because each exclusive right can be separately assigned or licensed, many copyright owners and licensees control only a subset of the exclusive rights, which in turn means that many contractual licensing arrangements between private parties depend on a careful parsing of the six exclusive rights. Precisely because so much in the copyright system turns on a clear understanding of which exclusive rights are implicated by any particular activity, it is critical that courts attend closely to the statutory scheme, rather than freely embroidering on it based on the equities of any particular case.

A. **The Plain Statutory Language and Legislative History Make It Clear that Section 106(3) does not Reach Electronic Transmissions Over the Internet.**

Section 106(3) provides that the owner of a copyright has the exclusive right: “**to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.**” When defining the right, Congress expressly limited it solely to the distribution of *copies or phonorecords* of the work, rather than distribution of *the copyrighted work*. Compare 17 U.S.C. § 106(4)-(6) (granting the exclusive right to perform or display “the copyrighted work” publicly). This distinction is critical, as the

Copyright Act defines both “copies” and “phonorecords” as “material objects” in which copyrighted works are fixed. *See* 17 U.S.C. § 101; *see also* 17 U.S.C. § 202 (distinguishing ownership of work from ownership of copies); H.R. Rep. No. 94-1476, at 53 (1976)⁵ (hereafter “1976 House Report”) (emphasizing “fundamental distinction” between the intangible copyrighted work and the material objects in which it can be embodied). In short, “the copyright owner’s exclusive right of distribution is a right to distribute such tangible, physical things.” Reese, *The Public Display Right*, at 126.

The relevant legislative history buttresses the unambiguous statutory language. The 1976 House Report, in discussing § 106(3), consistently refers to the distribution right as the right to distribute “copies” and “phonorecords,” each of which denotes solely material objects. *See id.* at 127 (citing the 1976 House Report at 72). When referring to the intangible copyrighted work, separate from a tangible copy, the 1976 House Report and the Copyright Act, as well as copyright specialists generally, refer to the “work” or “sound recording” rather than “copies” or “phonorecords.”

Sound recordings fixed on computer hard drives certainly qualify as “phonorecords.” But this truism does not establish that “disseminating such a file over a peer-to-peer (P2P) network so that it appears as an electronic file on another computer constitutes a distribution.” USA Stmt. at 9. As an initial matter, files are not magically “disseminated” from one computer to another. Rather, one computer *transmits* the information to another computer, at which point the recipient *records* the information, creating a copy of the original file. The legislative history makes it clear that electronic transmissions fall outside the scope of § 106(3). This is made plain in the legislative history’s discussion of the concept of “publication,” which Plaintiffs and the United

⁵ The 1976 House Report, which is the principal legislative history for the 1976 Copyright Act that forms the basis of Title 17, is reprinted at 1976 U.S.C.A.A.N. 5659 and is included as an appendix to both of the leading copyright law treatises, PAUL GOLDSTEIN, *GOLDSTEIN ON COPYRIGHT* (3d ed. 2005) and MELVILLE NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* (2005).

States contend should be read as synonymous with “distribution,” *see* Pls. Resp. at 11; USA Stmt. at 3 n.2:

The definition...makes it plain that *any form of dissemination in which a material object does not change hands*—performances or displays on television, for example—*is not publication* no matter how many people are exposed to the works.

1976 House Report at 138 (emphasis added).⁶ *See also* Reese, *The Public Display Right*, at 131-32 (discussing relation of “publication” and other copyright provisions to “distribution”). This legislative history, together with the plain language of the statute, makes it clear that Congress intended that § 106(3) be limited to transactions where physical, tangible copies change hands, leaving transmissions and resulting new copies to other exclusive rights (i.e., public performance and reproduction) and secondary liability doctrines.

Legislative activity since the passage of the 1976 Copyright Act also supports the view that § 106(3) is properly limited to situations where a material object changes hands. In 1995, Congress addressed the nascent market for “digital downloads” of music by creating a statutory license that permits licensees to “distribute...a phonorecord...by means of a digital transmission which constitutes a digital phonorecord delivery.” 17 U.S.C. § 115(c)(3)(A). The United States argues that this implicitly expanded the § 106(3) right to include transmissions over computer networks. USA Stmt. at 14. To the contrary, Congress specifically chose *not* to amend § 106(3). The relevant legislative history shows that this was deliberate; Congress acknowledged that reading § 106(3) to include digital transmissions was controversial and “expresse[d] no view on current law in this regard.” S. Rep. No. 104-128, at 17 (1995), *reprinted in* 1995 U.S.C.A.A.N. 357, 364; *see also* Reese, *The Public Display Right*, at 133.⁷

⁶ Plaintiffs and the United States conspicuously fail to mention this legislative history in their discussion of the kinship between the definitions of “distribution” and “publication.”

⁷ The statutory structure of § 115 made it unnecessary for Congress to take a position, as the statute makes rights under both § 106(1) and (3) subject to the compulsory license. *See* 17 U.S.C. § 115. As a result, the provision leaves (deliberately) unresolved the question of whether the delivery of DPDs over the Internet implicates the reproduction or distribution right. This deliberate ambiguity is unsurprising, as the question also proved controversial when copyright

Similarly, although Congress has acted on several occasions to enhance the criminal penalties applicable to those who infringe copyrights by means of computer networks, it has consistently refused to alter the underlying language of § 106(3). *See In re Napster*, 377 F.Supp.2d 796, 804 (N.D. Cal. 2005) (concluding that the Artists' Rights and Theft Prevention (ART) Act of 2005 does not expand the scope of § 106(3)); Reese, *The Public Display Right*, at 133 (explaining that the No Electronic Theft (NET) Act should not be read to expand § 106(3)).

Congressional unwillingness to amend § 106(3) to encompass digital transmission has not been the result of inattention. During the early 1990s, the Clinton Administration undertook a comprehensive inter-agency review of copyright in an effort to update the law in light of digital technologies. The resulting 1995 report, known as "The NII White Paper," specifically proposed an amendment to § 106(3), noting that "it is unclear under the current law that a transmission can constitute a distribution of copies or phonorecords of a work." INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS at 213 (1995).⁸ Although bills were subsequently introduced that would have amended § 106(3) to include transmissions, they did not pass. *See* H.R. 2441, 104th Cong. § 2 (1995); S. 1284, 104th Cong. § 2 (1995); Reese, *The Public Display Right*, at 135.

B. The Limitation of § 106(3) to Material Objects is Entirely Consistent with the Statutory Scheme.

In its brief, the United States attempts to downplay the express limitation of the § 106(3) right to "material objects" as a mere "quirk," a vestigial concept only made necessary by § 202 of the Act. USA Stmt. at 12. The express language and structure of the statute, however, are not so easily swept under the rug. As the government's brief correctly notes, § 202 was enacted to

stakeholders tackled it during the preparation of the so-called "NII White Paper." *See* n.8, *infra*, and accompanying text.

⁸ Available at <<http://www.uspto.gov/web/offices/com/doc/ipnii/>>.

overturn a common law presumption that had treated the sale of a copy as conveying the copyrights in the work. *See* 1976 House Report at 124 (citing *Pushman v. New York Graphic Soc’y*, 287 N.Y. 302, 39 N.E.2d 249 (1942)). Section 202 thus makes it clear that “[o]wnership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.” 17 U.S.C. § 202. But the distinction between a copyrighted work and its material embodiments (“copies” or “phonorecords,” both of which are defined as “material objects”) is hardly a vestigial concept created solely for § 202. The distinction, in fact, is fundamental throughout the entire Act; section 202 is only one particular instance in which the distinction matters. The 1976 House Report makes this clear:

Under this definition [of “fixed”], “copies” and “phonorecords” together will comprise all of the material objects in which copyrightable works are capable of being fixed. The definitions of these terms in section 101, together with their usage in section 102 and throughout the bill, reflect a fundamental distinction between the “original work” which is the product of “authorship” and the multitude of material objects in which it can be embodied.

1976 House Report at 53. Accordingly, when Congress expressly provides to the copyright owner the limited right “to distribute *copies or phonorecords* of the copyrighted work,” rather than granting a general right “to distribute *the copyrighted work*,” this can hardly be viewed as a mere “quirk.”⁹

Plaintiffs are also mistaken when they suggest that giving effect to the plain language of § 106(3) would somehow conflict with other provisions of the Copyright Act.¹⁰ Plaintiffs make only a half-hearted effort in this regard, mustering non sequitur citations to § 512(a) and §

⁹ As noted above, Congress expressly limited the reproduction and distribution rights to “copies or phonorecords” (i.e., material objects), but granted a broader right with respect to public performance, public display, and the creation of derivative works. *See* 17 U.S.C. § 106.

¹⁰ Tellingly, the United States does not endorse Plaintiffs’ non sequitur citations to § 114 or § 512(a). Yet it also claims that the express language of § 106(3) would somehow “render superfluous, indeed nonsensical, numerous provisions of the Copyright Act.” USA Stmt. at 13. Of these “numerous” provisions, only two are cited in the government’s brief, and, for the reasons discussed above, neither § 115 nor § 506 are jeopardized by the limitation of § 106(3) to material objects.

114(d). Section 512(a) establishes a “safe harbor” from monetary damages for Internet service providers (“ISPs”) who carry Internet traffic on behalf of subscribers. *See Recording Industry Ass’n of Amer. v. Verizon Internet Svcs.*, 351 F.3d 1229, 1234 (D.C. Cir. 2003). The 512(a) safe harbor “protect[s] qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement.” S. Rep. No. 105-190, at 20 (1998). In short, there is nothing about § 512(a) that “assumes that distribution of electronic files over a network implicates the exclusive right of distribution,” Plfs. Resp. at 19. The safe harbor applies to all forms of infringement, and nothing therein suggests that Congress meant to express a view on the question of whether Internet communications implicated § 106(3).

Plaintiffs’ citation to § 114(b) fares no better. That section provides, in relevant part:

The exclusive rights of the owner of copyright in a sound recording under clauses (1), (2), and (3) of section 106 do not apply to sound recordings included in educational television and radio programs ... distributed or transmitted by or through public broadcasting entities...: *Provided*, [t]hat copies or phonorecords of said programs are not commercially distributed by or through public broadcasting entities to the general public.

17 U.S.C. § 114(b). Nothing about this provision implies that the § 106(3) right extends to electronic transmissions.¹¹ Instead, § 114(b) permits public broadcasting entities to use (i.e., reproduce, create derivatives of, and distribute) sound recordings within their programs, whether those programs are transmitted electronically or distributed in physical form, provided that the public broadcaster does not commercially distribute physical copies.

II. Contrary Precedents Cited by Plaintiffs and the United States are Inapposite and Unpersuasive, and are not Binding on this Court.

Plaintiffs and the United States cite several cases that assume, without analysis, that transmissions over computer networks can violate § 106(3). They admit, as they must, that every case they cite addresses the issue only “summarily or in *dicta*.” USA Stmt. at 9. None are binding on this Court. In contrast, the only published opinion to address squarely the question of

¹¹ In fact, the statute expressly distinguishes programs that are “distributed” from those that are “transmitted,” suggesting again that the Act treats transmission as distinct from distribution.

whether § 106(3) reaches electronic transmissions rejected the distribution claim. *See Agee v. Paramount Communications*, 59 F.3d 317 (2d Cir. 1995).

The Plaintiffs and United States begin by resorting to two Supreme Court rulings, neither of which addressed the statutory language of § 106(3). Plfs. Resp. at 20; USA Stmt. at 9. In neither case was §106(3) even before the Court. *See MGM v. Grokster*, 125 S. Ct. 2764, 2782 (2005) (opining that P2P users may infringe copyrights, without expressing any view on which exclusive right might be infringed); *New York Times v. Tasini*, 533 U.S. 483, 498 (2001) (suggesting in dicta that LEXIS/NEXIS might be engaged in distribution).

Plaintiffs also cite to one line in the Ninth Circuit's ruling in *A&M Records v. Napster*: "Napster users who upload file names to the search index for others to copy violate plaintiffs' distribution rights." *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001). Because direct infringement by Napster users was not disputed in that preliminary injunction appeal, the statement is dicta. *See A&M Records v. Napster*, 239 F.3d at 1013.¹² Similarly, the existence of direct infringement was conceded by the defendants in *In re Aimster Copyright Litigation*, 252 F. Supp. 2d 634, 648 (N.D. Ill. 2002), *aff'd*, 334 F.3d 643 (7th Cir. 2003), and thus the question of the scope of § 106(3) was never briefed by the parties or analyzed by the court.

Second Circuit authority on point, in contrast, strongly supports the view that the § 106(3) distribution right does not encompass electronic transmissions. In *Agee v. Paramount*, 59 F.3d 317 (2d Cir. 1995), the Second Circuit specifically examined whether the electronic transmission of a sound recording, resulting in a reproduction by a third party, could infringe § 106(3). In that case, Paramount Pictures "copied portions of [plaintiff's] sound recording to make the audio track of a segment of a television program, and transmitted the program to [affiliated] TV stations, which in turn made their own copies for transmission to the viewing

¹² For the same reason, the Ninth Circuit did not have the benefit of briefing on the § 106(3) issue. The briefs in *A&M v. Napster* are available at <<http://www.eff.org/IP/P2P/Napster/>>.

public.” *Id.* at 318. The unanimous panel explained that “distribution is generally thought to require the transmission of a ‘material object’ in which the sound recording is fixed: a work that is of ‘more than transitory duration.’” *Id.* at 325. Emphasizing the “distinction between material and non-material embodiments,” the court concluded that Paramount’s transmission did not infringe the distribution right. *Id.* at 326.

The Second Circuit specifically left for another day the question of whether “disseminations must always be in physical form to constitute ‘distributions.’” *Id.* at 325 (noting the district ruling in *Playboy Enterprises v. Frena*, 839 F.Supp. 1552 (M.D. Fla. 1993)). Plaintiffs’ § 106(3) claim in this case, however, squarely poses that question. Just as in *Agee v. Paramount*, the defendant here is accused of having made unauthorized copies of sound recordings and of electronically transmitting those sound recordings to others, who, thanks to the transmissions, made their own copies.

From a copyright standpoint, it is irrelevant that Paramount used satellite communications technology to transmit the sound recordings, whereas Mr. Alvarez is alleged to have used the Internet. *See Reese, The Public Display Right*, at 131 (“If liability for violation of the distribution right turns merely on a user’s ability to make a new copy of transmitted material, then any transmitter could be violating the distribution right merely by engaging in transmissions of displays.”). Both are electronic transmissions, and both enabled third parties to reproduce the sound recordings in question (in Paramount’s case, affiliated television stations recorded the transmissions, while in Mr. Alvarez’s case, it would be other users of P2P software). Accordingly, just as Paramount’s transmissions of sound recordings could not constitute “distributions” within the meaning of § 106(3), Mr. Alvarez’s transmissions also cannot.¹³

¹³ In *Agee v. Paramount*, the court noted that transmissions generally implicate the public performance right, but that Congress at the time had not extended the public performance right to include sound recordings. *See Agee v. Paramount*, 59 F.3d at 325. Although owners of sound recording now enjoy a limited public performance right that encompasses digital transmissions, *see* 17 U.S.C. § 106(6), Plaintiffs here have not alleged an infringement of their performance rights.

To support their contrary view, Plaintiffs invoke district court rulings that have included loose language, unsupported by analysis of § 106(3)'s plain statutory language, suggesting that transmissions over computer networks can infringe § 106(3). *See, e.g., Getaped.com, Inc. v. Cangemi*, 188 F. Supp. 2d 398, 402 (S.D.N.Y. 2002) (dicta, no analysis); *Marobie-FL, Inc. v. Nat'l Assoc. of Fire Equip. Distribs.*, 983 F.Supp. 1167, 1173 (N.D. Ill. 1997) (no analysis); *Playboy Enterprises v. Webbworld, Inc.*, 991 F. Supp. 543, 554 (N.D. Tex. 1997) (no analysis); *Playboy Enterprises, Inc. v. Hardenburgh*, 982 F.Supp. 503, 513 (N.D. Ohio 1997) (no analysis); *Playboy Enterps. v. Chuckleberry Publishing*, 939 F. Supp. 1032, 1039 (S.D.N.Y. 1996) (no analysis); *Playboy Enterprises, Inc. v. Frena*, 839 F.Supp. 1552, 1556 (M.D. Fla. 1993) (no analysis).¹⁴

None of these cases is binding on this Court, nor are they persuasive on the question of the proper scope of § 106(3). Not one of these rulings addresses the plain language of § 106(3) or explains the basis for extending the right beyond the distribution of material objects. *See Reese, The Public Display Right* at 128 & n.174 ("The cases that conclude that a transmission over a computer network is a distribution offer no explanation for how such activity constitutes a transfer of a material object within the scope of § 106(3).").¹⁵ In many of these cases, moreover, the invocation of the distribution right was redundant and unnecessary, as the defendants had

¹⁴ Plaintiffs also cite *Michaels v. Internet Entertainment Group*, 5 F. Supp. 2d 823, 830-31 (C.D. Cal. 1998), but that ruling actually undermines their argument, as the court found that distribution of an infringing video on the Internet would violate the public performance right, § 106(4), rather than § 106(3). *See id.* ("Distribution of the Tape on the Internet would conflict with the plaintiffs' exclusive rights to distribute copies of the Tape to the public. 17 U.S.C. § 106(4)."). The citation to *Religious Tech. Center, Inc. v. Netcom On-Line Comm. Svcs.*, 907 F. Supp. 1361 (N.D. Cal. 1995), is similarly inapposite, as the court there rejected the § 106(3) claim as applied to a network intermediary, instead analyzing the issue as a secondary liability issue.

¹⁵ Plaintiffs also cite to a superceded white paper prepared by counsel for *amicus*. Plf. Resp. at 18. After having the benefit of Prof. Reese's scholarly paper on the subject, counsel for *amicus* revised the white paper several years ago, correcting the earlier version's view of the scope of the § 106(3) right. *See Fred von Lohmann, IAAL: What P2P Developers Need to Know About Copyright Law* (Jan. 2006) (available at <http://www.eff.org/IP/P2P/p2p_copyright_wp.php>).

also infringed either the reproduction or public display right.¹⁶ Finally, these cases have as their common root a case, *Playboy v. Frena*, 839 F.Supp. at 1556, that has been criticized by commentators and includes no rationale to support its expansive view of § 106(3). See Reese, *The Public Display Right*, at n.174; David J. Loundy, *Revising the Copyright Law for Electronic Publishing*, 14 J. MARSHALL J. COMPUTER & INFO. L. 1, 21 (1995) (criticizing *Frena* for misapplying § 106(3)).

In a puzzling turn, the United States also invokes the recent district court ruling in *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006). In that case, the district court *declined* a copyright owner's invitation to extend § 106(3) to encompass Google's transmission of "thumbnail" versions of photographs over the Internet, finding the issue "moot" in light of the copyright owner's reproduction and public display claims. *Id.* at 845 n.11. The United States nevertheless argues that the court in *Perfect 10* found that "Google's online transfer of thumbnails to users' computers *does* constitute a distribution." USA Stmt. at 10 (emphasis in original). This is flatly at odds with the *Perfect 10* court's holding—the court found a likelihood that Google had infringed *the reproduction and public display rights*, not the distribution right. See *Perfect 10 v. Google*, 416 F. Supp. 2d at 851 ("Accordingly, the Court concludes that Google's *creation* of thumbnails of P10's copyrighted full-size images, and the subsequent *display* of those thumbnails as Google Image Search results, likely do not fall within the fair use exception.") (emphasis added). If anything, the *Perfect 10* ruling suggests that courts should tread carefully when asked to rewrite § 106(3) where a copyright owner has adequate recourse under its other exclusive rights.¹⁷

¹⁶ Although the United States claims that "former, current, and future copyright prosecutions could be threatened" by adherence to the plain language of § 106(3), USA Stmt. at 4, it is conspicuously silent regarding how many of its nearly 200 prosecutions for Internet distribution also contain counts for violations of other exclusive rights (e.g., reproduction, public performance, or secondary liability). Counsel is not aware of any federal criminal copyright conviction or prosecution built solely on an Internet distribution claim.

¹⁷ To the extent the court in *Perfect 10 v. Google* suggests that disseminating images over the Internet might implicate the distribution right, see 416 F. Supp. 2d at 844, this is dicta

III. The WIPO Treaties Provide No Support for Plaintiffs' Conception of § 106(3).

Plaintiffs' invocation of the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) provides no support for their position. As an initial matter, those treaties are not self-executing and thus lack any binding legal authority separate from their implementation through the Copyright Act. In addition, these treaties are solely concerned with ensuring minimum protections for *foreign* rightsholders. Nothing about them purports to limit U.S. sovereignty with respect to the treatment of domestic copyright owners. *See* Jane C. Ginsburg, *International Copyright: From a Bundle of National Copyright Laws to a Supranational Code?*, 47 J. COPYR. SOC'Y U.S.A. 265, 270 (2000) (“[T]he Berne minima apply to a Union member's protection of works from other Berne members; no Berne member is obliged to accord its own authors treaty-level protection.”).

Furthermore, as noted above, when considering how to implement the “making available” obligations of the WIPO treaties, Congress specifically considered and rejected proposals that would have amended § 106(3) to include transmissions. *See* H.R. 2441, 104th Cong. § 2 (1995); S. 1284, 104th Cong. § 2 (1995). Instead, Congress left § 106(3) unchanged, concluding that the combination of the existing exclusive rights of reproduction, distribution, and public performance, along with copyright's secondary liability doctrines, provide copyright owners (foreign and domestic) with protections that meet the requirements of the WIPO treaties. *See* Testimony of Marybeth Peters, Register of Copyrights, *WIPO Copyright Treaties Implementation Act and Online Copyright Liability Limitation Act*, 105th Cong. (Sept. 16, 1997) at 43 (testifying that the Copyright Office had, “after an extensive analysis,” concluded that no amendment to § 106 was necessary in order to comply with the WIPO treaties).

As illustrated by *Agee v. Paramount*, when a work is “made available” by transmission, U.S. copyright law has traditionally addressed the issue through the public performance right,

unsupported by analysis of the statutory language of § 106(3), similar to the district court rulings discussed *supra*.

rather than the distribution right.¹⁸ In addition, where those transmissions result in the creation of additional copies on the receiving end, U.S. copyright law recognizes a variety of secondary liability doctrines, including contributory infringement, inducement, and vicarious liability, all of which can be brought to bear against those who “make available” infringing materials. *See MGM v. Grokster*, 125 S.Ct. at 2776 (“One infringes contributorily by intentionally inducing or encouraging direct infringement...and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it...”) (internal citations omitted). Finally, the reproduction right itself can be invoked if the transmitter has itself made unauthorized copies in the course of transmitting materials. These doctrines together provide copyright owners with ample recourse against those who make their works available online, thereby satisfying the WIPO treaties without having to distort the plain statutory language of § 106(3).

IV. Misreading § 106(3) to Encompass Transmissions Undermines Other Provisions of the Copyright Act.

Some may question whether the careful parsing of exclusive rights is important in this case. After all, if P2P file sharers are infringing Plaintiffs’ reproduction rights when they download, what’s the harm in “piling on” with a distribution claim when they upload? Rulings that misconstrue the scope of § 106(3), however, have the potential to cause serious disruption in contexts far removed from P2P file sharing. The Copyright Act carefully distinguishes and describes each of the exclusive rights, subjecting each to a distinct and elaborate array of statutory exceptions, limitations and statutory licenses. Relying on those distinctions, private parties, in turn, have arranged their affairs with reference to these statutory categories. Judicial rulings that blur the statutory lines in one context can thus disrupt settled expectations in others.

Fundamental to the edifice of copyright law has been a distinction between the

¹⁸ Plaintiffs, as owners of sound recording copyrights, may be frustrated by the fact that Congress has given them only limited public performance rights, *see* 17 U.S.C. § 106(6). But nothing in the WIPO treaties justifies overturning that Congressional decision by treating transmissions as “distributions” under § 106(3).

reproduction and dissemination of material objects—activities regulated by the reproduction and distribution rights—and the transmission of works to the public—activity regulated by the rights of the public performance and display. *See* Reese, *The Public Display Right*, at 92-138. When one person “uploads” a file to another, the work is transmitted over the Internet such that the recipient is left with a complete copy of the transmitted work at the end of the transmission. *See id.* at 130. While it may be tempting to describe this set of events as a “distribution,” it is important to recall that § 106(3) does not encompass all acts of distribution, but is instead statutorily cabined to the exchange of material objects. Instead, from the perspective of § 106 of the Copyright Act, P2P file sharing principally implicates the right of reproduction (and potentially public performance), rather than distribution.¹⁹ *See* Reese, *The Public Display Right*, at 129-30.

The distinction is not a mere exercise in formalism, as an increasing number of activities in the digital age involve “transmit and reproduce” functions. This is vividly illustrated by the recent lawsuit filed by several of the Plaintiffs against satellite broadcaster XM Radio. *See* Exh. A (complaint in *Atlantic v. XM Satellite Radio*). As a broadcaster, XM transmits music to millions of subscribers. When satellite radio broadcasters (like XM and Sirius) transmit music to subscribers, they rely on a statutory license that applies only to the public performance right in sound recordings. *See* 17 U.S.C. § 114(d)(2). Those same satellite radio broadcasters, however, also sell devices that enable their subscribers to record transmitted music for later playback. *See* Walter S. Mossberg & Katherine Boehret, *A Portable Player For Both Satellite Radio, MP3s*, WALL ST. J. (May 17, 2006).²⁰ In the lawsuit against XM, the plaintiffs contend that because

¹⁹ To the extent copyright owners contend that file sharers “authorize” reproduction or distribution, that issue is properly analyzed as a question of secondary liability. *See Venegas-Hernandez v. ACEMLA*, 424 F.3d 50, 57 (1st Cir. 2005) (“[M]ost (perhaps all) courts that have considered the question have taken the view that a listed infringing act (beyond authorization) is required for a claim.”).

²⁰ Available at <<http://ptech.wsj.com/archive/solution-20060517.html>>.

XM's broadcasts can be recorded, they constitute "distributions" under § 106(3). *See* Exh. A, ¶¶ 41-48 (complaint in *Atlantic v. XM Satellite Radio*). This expansive interpretation of the distribution right (the same one urged in the instant case) would effectively render the statutory license a dead letter, as satellite radio broadcasters would be forced to negotiate with copyright owners for distribution rights.²¹

Similarly, cable and satellite television broadcasters rely on a statutory license that permits them to transmit copyrighted programming to their subscribers. *See* 17 U.S.C. §§ 111, 122. Like the statutory licenses relied on by satellite radio broadcasters, however, the statutory license is limited to the public performance right and does not encompass § 106(3). Yet millions of American cable subscribers routinely use VCRs and digital video recorders (DVRs)—often supplied by their cable or satellite TV provider—to turn those transmissions into "downloads." By injecting uncertainty about the applicability of the distribution right to these activities, Plaintiffs' reading of § 106(3) could undermine the settled expectations of this industry.

Several other copyright exceptions and statutory licenses that treat transmissions as public performances would be jeopardized if this Court adopts Plaintiffs' reading of 106(3), including those affecting libraries and nonprofit broadcasters. *See* 17 U.S.C. §§ 110, 118. Finally, expanding the scope of § 106(3) would also threaten to upset existing private contractual arrangements that are premised on the traditional division of distribution, reproduction, and performance rights.

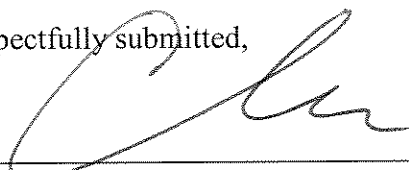
CONCLUSION

For the reasons discussed above, Plaintiffs' § 106(3) claim should be dismissed for failure to state a claim on which relief may be granted.

²¹ Although the XM subscribers are making reproductions with these satellite radio recorders, those "time-shifted" copies are themselves subject to a statutory licensing regime, *see* 17 U.S.C. § 1008, and may also qualify as a fair use, *see Sony v. Universal City Studios*, 464 U.S. at 447-55.

Dated: June 1, 2006

Respectfully submitted,



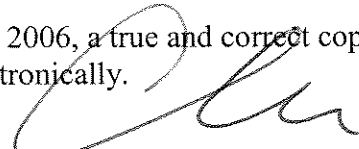
Charles S. Baker
State Bar No. 1566200
Porter & Hedges, LLP
1000 Main Street, 36th Floor
Houston, Texas 77022
Phone: (713) 226-6676
Fax: (713) 226-6276
Email: cbaker@porterhedges.com

Fred von Lohmann
Electronic Frontier Foundation
454 Shotwell Street
San Francisco, CA 94110
Phone: (415) 436-9333 x123
Fax: (415) 436-9993
Email: fred@eff.org

*Attorneys for Amicus Curiae
Electronic Frontier Foundation*

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of June, 2006, a true and correct copy of the foregoing document was served on all counsel of record electronically.



Charles S. Baker