

Docket Nos. 08-55940 (L), 08-56299, 08-56300, 08-56248

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*In the*  
**United States Court of Appeals**  
*For the*  
**Ninth Circuit**

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COLUMBIA PICTURES INDUSTRIES, INC., DISNEY ENTERPRISES, INC.,  
PARAMOUNT PICTURES CORPORATION, TRISTAR PICTURES, INC.,  
TWENTIETH CENTURY FOX FILM CORPORATION,  
WARNER BROS. ENTERTAINMENT, INC., a Delaware Corporation,  
UNIVERSAL CITY STUDIOS, LLP  
and UNIVERSAL CITY STUDIOS PRODUCTIONS, LLP,  
Delaware Limited Liability Partnerships,

*Plaintiffs-Appellees,*

v.

JUSTIN BUNNELL, FORREST PARKER, WES PARKER, Individuals,  
and VALENCE MEDIA, LLC, a Limited Liability Company,

*Defendants-Appellants.*

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*Appeal from a decision of the United States District Court for the Central District of California,  
No. 06-CV-01093 · Honorable Florence-Marie Cooper*

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**BRIEF OF APPELLANTS**

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## **CORPORATE DISCLOSURE STATEMENT OF VALENCE MEDIA, LTD.**

Pursuant to Federal Rule of Appellate Procedure 26.1 and Circuit Rule 26-1, appellant Valence Media, Ltd., erroneously sued as Valence Media, LLC (ER427)<sup>1</sup>, states that it has no parent corporation and that there is no publicly held corporation that owns 10% or more of its stock.

### **APPELLANTS' REQUEST FOR ORAL ARGUMENT**

The case presents important issues concerning copyright law, Internet development, free speech, privacy, and electronic discovery jurisprudence. Appellants request oral argument.

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<sup>1</sup> Referring to “Excerpts of Record” at 427.

**TABLE OF CONTENTS**

	<u>Page</u>
Corporate Disclosure Statement of Valence Media, Ltd.	
Appellants’ Request for Oral Argument	
Table of Authorities .....	vii
<b>JURISDICTION</b> .....	1
<b>SUMMARY OF THE ARGUMENT</b> .....	2
Issues Presented For Review .....	10
Statement of the Case .....	12
<b>FACTS AND PROCEEDINGS BELOW</b> .....	14
A.    Plaintiffs’ Complaint and Defendants’ Motion to Dismiss .....	14
B.    The Order Compelling Defendants to Collect, Record, Mask and Produce “Server Log Data” .....	18
1.    The conflict between the Server Log Data Order and defendants’ operating policies and practices that upheld online privacy .....	18
2.    Disregard of international privacy concerns .....	22
3.    The imaginary nature of “Server Log Data” .....	24
4.    The absence of plaintiffs’ actual need for Server Log Data and the consequent failure to explore alternative means of satisfying any actual need .....	28

5.	The ruinous demands imposed on defendants by the Server Log Data Order’s commands to “devise a method” to comply and to bear the burdens of compliance no matter how onerous .....	32
C.	Improper Constrictions on Defendants’ Attempts to Obtain Discovery. ....	34
1.	Constrictions on discovery of authorized online promulgations of plaintiffs’ copyrighted works, including “spoofs” and “trailers.” .....	35
2.	Constrictions on discovery of plaintiffs’ dealings with Google and BitTorrent, Inc. as to matters in issue. ....	38
3.	Constrictions on the time range of discovery. ....	40
D.	Terminating Sanctions for Willful Spoliation of Evidence. ....	42
1.	Evidence of forum posts. ....	42
2.	Evidence of directory headings. ....	44
3.	Evidence of IP addresses. ....	45
4.	Evidence of moderators’ identities. ....	46
5.	The Server Log Data Order and the issue of prejudice. ....	47
E.	Entry of Judgments and Permanent Injunctions. ....	49

## LEGAL ARGUMENT

I.	THE DISTRICT COURT DID NOT SOUNDLY BALANCE COPYRIGHT PROTECTION AGAINST PROMOTION OF INNOVATION IN NEW COMMUNICATION TECHNOLOGIES. ....	52
II.	THE JUDGMENTS AND INJUNCTIONS SHOULD BE REVERSED BECAUSE EVIDENTIARY FACTS ALLEGED IN THE COMPLAINT ARE INSUFFICIENT TO SUPPORT A CLAIM OF SECONDARY COPYRIGHT INFRINGEMENT. ....	56
A.	Standard of Review: Lawful Conduct Cannot Be Enjoined and a Default Judgment Should Be Reversed if Factual Allegations in the Complaint Are Insufficient to Support It. ....	56
B.	Unlike Previous Cases Involving Secondary Copyright Liability, Specific Facts Are Absent Here That Are Needed to Establish a Valid Grounds for Decision. ....	57
C.	The Judgments in this Case Threaten Conduct That is Protected Under <i>Amazon.com</i> and <i>Napster</i> . ....	60
D.	The Judgments in this Case Threaten Enormous Liabilities Against an Entire Sector of Technological Development. ....	64
1.	Lacking foundation in specific details, the Judgments threaten entire classes of participants involved in BitTorrent technology. ....	64
2.	The Judgments threaten good-faith BitTorrent developers. ....	67
E.	The Judgments, Injunctions and Other Orders in this Case Threaten Online Free Speech. ....	70
F.	The Judgments and Injunctions Should Be Reversed and the Case Remanded to the District Court for Further Proceedings. ...	73

III. IN A CASE OF FIRST IMPRESSION, THE DISTRICT COURT ERRONEOUSLY CONSTRUED THE PHRASE “ELECTRONICALLY STORED INFORMATION” IN FED. R. CIV. P. 34 AS TO AUTHORIZE A “SERVER LOG DATA ORDER” COMMANDING DEFENDANTS TO SELECT DATA, AS SPECIFIED BY PLAINTIFFS, OUT OF LARGER STREAMS OF DATA PROCESSED BY DEFENDANTS’ SYSTEM; TO ASSEMBLE RECORDS FROM SUCH DATA; TO MASK SUCH RECORDS; AND TO PRODUCE MASKED RECORDS TO PLAINTIFFS. .... 75

IV. THE “SERVER LOG DATA ORDER” INCORPORATED FATAL ERRORS ..... 89

A. In Commanding Defendants to Devise a Method To Preserve the Server Log Data And to Bear the Adverse Consequences of Whatever Method Was Devised, the Server Log Data Order Amounted to a Mandatory Injunction and/or Final Disposition of the Action, Rulings That Are Beyond the Jurisdiction of a Magistrate Judge. .... 89

B. The Server Log Data Order Was an Improperly Ordered Wiretap and Was Prohibited Under the Electronic Communications Privacy Act. .... 93

C. The Server Log Data Order Dealt Dupliciously with Online Free Speech and Privacy Rights by Ordering the Masking of IP Addresses Only “At This Juncture,” Signaling the Likelihood of Future Unmasking. .... 97

V. THE DISTRICT ERRED IN CONSTRICTING DEFENDANTS’ DISCOVERY RIGHTS AND, UPON REMAND, THIS COURT SHOULD PROVIDE GUIDANCE SO THAT DEFENDANTS CAN PRESENT A FULL VIEW OF THE ISSUES AND CONTEXT DURING SUBSEQUENT PROCEEDINGS. .... 104

A. Standard of Review: Abuse of Discretion. .... 104

B. The Trial Court Abused Its Discretion When It Refused to Order the Production of Evidence of Major Importance in Litigation That Affects National Policy. .... 104

VI.	THE ORDER GRANTING PLAINTIFFS’ MOTION FOR TERMINATING SANCTIONS SHOULD BE REVERSED BECAUSE OF INSUFFICIENT SHOWINGS OF WILLFULNESS AND/OR PREJUDICE TO PLAINTIFFS THAT COULD NOT BE REDRESSED BY LESS EXTREME SANCTIONS. ....	107
A.	Standard of Review and Trial Court Standard. ....	107
B.	Defendants Were Under a Duty to Remove Public Access to Materials Allegedly Contributing to Copyright Infringement and the District Court’s Findings of Willful Spoliation on the Basis of Such Removals Without Consideration of Such Duty Were Contrary to Public Policy and a Clear Error of Judgment. ....	110
C.	There Was No Showing of Substantial Prejudice Resulting From Any Spoliation; Any Spoliated Evidence Was Peripheral to the Chief Matters in Controversy; and the Order Granting Plaintiffs’ Motion Was a Clear Error of Judgment. ....	114
D.	The District Court Abused Its Discretion In Turning Away the Parties’ Attempts to Discuss Less Drastic Sanctions, Blaming Defendants For Having Failed to Present Them and Giving Scant Consideration to Less Drastic Sanctions That Could Have Redressed Any Prejudice to Plaintiffs and Still Maintained Essential Issues for Trial. ....	118

VII. THE DEFAULT JUDGMENTS SHOULD BE REVERSED. .... 125

    A. The Enlargement of Claims After Entry of Default, Increasing the Number of “Infringed-Upon” Titles from 18 to 3699, Was Contrary to Controlling Authority of This Circuit and Contrary to Principles of Due Process. .... 125

    B. Findings of “Willful” Infringement Should Be Reversed Because of Lack of Actual Notice, the Context of Internet Innovation, the Generic Nature of BitTorrent Technology and the Legal History of Secondary Infringement Cases, Which Supported a Belief in the Lawfulness of Defendants’ Conduct. .... 132

    C. The Huge Award of Statutory Damages of \$110,970,000.00 Was Offensive to Fifth Amendment Due Process Because of the Peremptory Hearing and Absence of Any Showing of Actual Damage or Other Essential Facts. .... 139

        1. Due process constraints on “excessive punitive damages” should be applied to “excessive statutory damages.” .... 141

        2. The huge statutory damages Judgments should be reversed. .... 144

**CONCLUSION** ..... 146

Certificate of Compliance ..... 146

Statement of Related Cases ..... 147

Declaration of Service ..... 148



## TABLE OF AUTHORITIES

	<u>Page(s)</u>
<b>Constitution of the United States</b>	
Art. 1, § 8, cl. 8.....	52
First Amendment .....	21, 70, 71, 72, 73, 97, 100, 102
Fourth Amendment.....	99
Fifth Amendment.....	126, 139, 140
Fourteenth Amendment .....	141, 143
 <b>Decisions of the United States Supreme Court</b>	
<i>Ashcroft v. ACLU</i> , 542 U.S. 656, 124 S. Ct. 2783, 159 L. Ed. 2d 690 (2004).....	71
<i>Ashcroft v. Free Speech Coalition</i> , 535 U.S. 234, 122 S. Ct. 1389, 152 L. Ed. 2d 403 (2002).....	71
<i>Bankers Trust Co. v. Mallis</i> , 435 U.S. 381, 98 S. Ct. 1117, 55 L. Ed. 2d 357 (1977).....	75
<i>Bell Atlantic Corp. v. Twombly</i> , 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007).....	73
<i>BMW of North America, Inc. v. Gore</i> , 517 U.S. 559, 116 S. Ct. 1589, 134 L. Ed. 2d 809 (1996).....	141, 142, 144, 145
<i>Bonito Boats, Inc. v. Thunder Craft Boats, Inc.</i> , 489 U.S. 141, 109 S. Ct. 971, 103 L. Ed. 2d 118 (1989).....	52

*Cooper Indus. v. Leatherman Tool Group*, 532 U.S. 424,  
 121 S. Ct. 1678; 149 L. Ed. 2d 674 (2001).....141

*Eldred v. Ashcroft*, 537 U.S. 186, 123 S. Ct. 769, 154 L. Ed. 2d 683 (2003)...70, 71

*Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390,  
 88 S. Ct. 2084 20 L. Ed. 2d 1176 (1968).....64, 65

*Gelbard v. United States*, 408 U.S. 41;  
 92 S. Ct. 2357; 33 L. Ed. 2d 179 (1972).....95

*Gomez v. United States*, 490 U.S. 858,  
 109 S. Ct. 2237, 104 L. Ed. 2d 923 (1989).....89

*Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489,  
 102 S. Ct. 1186, 71 L. Ed. 2d 362 (1982).....72

*Insurance Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guinee*,  
 456 U.S. 694, 72 L. Ed. 2d 492, 102 S. Ct. 2099 (1982) .....114

*Katz v. United States*,  
 389 U.S. 347, 88 S. Ct. 507, 19 L. Ed. 2d 576 (1967) .....99, 100

*Madsen v. Womens' Health Center, Inc.*, 512 U.S. 753,  
 114 S. Ct. 2516; 129 L. Ed. 2d 593 (1994).....73

*Mathews v. Eldridge*, 424 U.S. 319, 47 L. Ed. 2d 18,  
 96 S. Ct. 893 (1976)..... 126, 127, 130

*McIntyre v. Ohio Elections Commission*, 514 U.S. 334,  
 115 S. Ct. 1511, 131 L. Ed. 2d 426 (1995).....100

*Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913,  
 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005).....*passim*

*Reno v. ACLU*, 521 U.S. 844, 138 L. Ed. 2d 874, 117 S. Ct. 2329 (1997).....71

*Smith v. Maryland*, 442 U.S. 735, 99 S. Ct. 2577, 61 L. Ed. 2d 220 (1979)...99, 100

*Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417,  
 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984).....*passim*

*St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63,  
 40 S. Ct. 71, 64 L. Ed. 139 (1919).....142

*State Farm Mutual Auto. Ins. Co. v. Campbell*, 538 U.S. 408,  
 123 S. Ct. 1513, 155 L. Ed. 2d 585 (2003).....141

*United States v. Williams*, \_\_\_ U.S. \_\_\_,  
 128 S. Ct. 1830, 170 L. Ed. 2d 650 (2008).....72

**Decisions of the Lower Federal Courts**

*A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).....*passim*

*Acco Brands, Inc. v. ABA Locks Mfr. Co., Ltd.*, 501 F.3d 1307 (Fed. Cir. 2007)...68

*Acco Brands, Inc. v. PC Guardian Anti-Theft Products, Inc.*,  
 2008 U.S. Dist. LEXIS 21725 (N.D. Cal. 2008).....68

*ACLU of Nev. v. Heller*, 378 F.3d 979 (9<sup>th</sup> Cir. 2004) .....100, 102

*ACLU v. Reno*, 929 F. Supp. 824 (E.D. Pa. 1996) (aff'd in *Reno v. ACLU*,  
 521 U.S. 844, 138 L. Ed. 2d 874, 117 S. Ct. 2329 (1997)).....71

*Adams v. Vance*, 570 F.2d 950 (D.C.Cir. 1978) .....90

*Alan Neuman Productions, Inc. v. Albright*, 862 F.2d 1388, 1392 (9<sup>th</sup> Cir. 1988),  
*cert. den.* 493 U.S. 858, 110 S. Ct. 168, 107 L. Ed. 2d 124 (1989).....56, 73

*Alcatel USA, Inc. v. DGI Technologies, Inc.*,  
 166 F.3d 772 (5th Cir. 1999)..... 105

*Alexander v. FBI*, 194 F.R.D. 305 (D.D.C. 2000) .....79

*ALS Scan, Inc. v. Remarq Communities, Inc.*, 239 F.3d 619 (4<sup>th</sup> Cir. 2001).....59

*American Medical Ass'n*, 121 F.3d 516 (9<sup>th</sup> Cir. 1997),  
 amended, 133 F.3d 1140 (9th Cir. 1998)..... 105

*Anderson v. Air West, Inc.*, 542 F.2d 522 (9th Cir. 1976)..... 122

*Anheuser-Busch, Inc. v. Natural Beverage Distributors*,  
 69 F.3d 337 (9<sup>th</sup> Cir. 1995)..... 107, 108, 110, 1114, 120, 121

*Atlantic Recording Corp. v. Brennan*, 534 F. Supp. 2d 278 (D. Conn. 2008) ..... 143

*Brady v. Gebbie*, 859 F.2d 1543 (9<sup>th</sup> Cir. 1988), *cert. den.*  
 489 U.S. 1100, 109 S. Ct. 1577, 103 L. Ed. 2d 943 (1989)..... 127

*Chandler v. United States Army*, 125 F.3d 1296, 1298 (9<sup>th</sup> Cir. 1997).....95

*CNET Networks, Inc. v. Etilize, Inc.*, 547 F. Supp. 2d 1055 (N. D. Cal. 2008) ..... 3

*Columbia Pictures Industries, Inc. v. Fung*,  
 2007 U.S. Dist. LEXIS 97576 (2007).....132

*Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc.*,  
 106 F.3d 284 (9th Cir. 1997), *rev'd on other grounds by Feltner v. Columbia  
 Pictures Television, Inc.*, 523 U.S. 340 (1998) .....132

*Corning Inc. v. PicVue Elecs., Ltd.*, 365 F.3d 156 (2d Cir. 2004).....74

*Danning v. Lavine*, 572 F.2d 1386 (9<sup>th</sup> Cir. 1978) .....57

*Davis v Gap, Inc.*, 246 F3d 152 (2d Cir. 2001) .....142

*DirecTV v. Huynh*, 503 F.3d 847 (9<sup>th</sup> Cir. 2007),  
*cert. den.* 129 S. Ct. 40 (2008) .....56

*Doe v. 2theMart.com*, 140 F. Supp. 2d 1088 (W.D. Wash. 2001).....100

*Dolman v. Agee*, 157 F.3d 708 (9<sup>th</sup> Cir. 1998).....132

*DSC Communications Corp. v. DGI Technologies, Inc.*,  
 81 F.3d 597 (5th Cir. 1996).....105

*Dukes v. Wal-Mart, Inc.*, 509 F.3d 1168 (9<sup>th</sup> Cir. 2007) .....127

*E. W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108 (8th Cir. 1969).....74

*Ellison v. Robertson*, 357 F.3d 1072 (9<sup>th</sup> Cir. 2004) .....58, 59, 112

*Fong v. United States*, 300 F.2d 400 (9th Cir. 1962) ..... 50, 51, 125, 126

*Fonovisa v. Napster, Inc.*, 2002 U.S. Dist. LEXIS 4270 (N.D. Cal. 2002) .....57

*Gonzales v. Google, Inc.*, 234 F.R.D. 674 (N.D. Cal. 2006).....72

*Halaco Engineering Co. v. Costle*, 843 F.2d 376 (9<sup>th</sup> Cir. 1988) .....*passim*

*Henry v. Gill Industries, Inc.*, 983 F.2d 943 (9<sup>th</sup> Cir. 1993)..... 108, 109

*In Re Application of the United States of America for an Order Authorizing The Use of a Pen Register And Trap On [xxx] Internet Service Account/User Name [xxxxxxxxx@xxx.com]*, 396 F. Supp. 2d 45 (D. Mass. 2005).....96

*In re Doubleclick Privacy Litigation*, 154 F. Supp. 2d 497 (S.D.N.Y. 2001).....31

*In Re Pharmatrak, Inc. Privacy Litigation*, 329 F.3d 9 (1st Cir. 2003).....31

*Interscope Records v. Rodriguez*, 06cv2485-B (NLS),  
2007 U.S. Dist. LEXIS 60903 (S. D. Cal. 2007) .....73

*Konop v. Hawaiian Airlines*, 302 F.3d 868 (9th Cir. 2002)  
*cert. denied*, 537 U.S. 1193 (2003)..... 93, 94

*Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990)..... 105

*Leon v. IDX Systems Corp.*, 464 F.3d 951 (9th Cir. 2006)..... 115, 121, 122

*MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993)..... 76, 80

*Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*,  
518 F.Supp.2d 1197 (C.D. Cal. 2007) .....57, 62, 74

*Motorola, Inc. v. Fairchild Camera & Instrument Corp.*,  
366 F.Supp. 1173 (D.Ariz. 1973) .....74

*Mulcahy v. Cheetah Learning LLC*, 386 F.3d 849 (8th Cir. 2004) .....57

*Nishimatsu Construction Co. v. Houston National Bank*,  
 515 F.2d 1200 (5th Cir. 1975).....57

*Pan American World Airways, Inc. v. United States District Court*,  
 523 F.2d 1073 (9<sup>th</sup> Cir. 1975) .....75

*Paramount Pictures Corp. v. ReplayTV*, CV 01-9358 FMC (Ex),  
 2002 WL 32151632 (C. D. Cal. 2002) .....79

*Perfect 10 v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) .....*passim*

*Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102 (9<sup>th</sup> Cir. 2007),  
*cert. den.* 128 S. Ct. 709 (2007) .....59

*Perfect10 v. Visa*, 494 F.3d 788, 801 (9<sup>th</sup> Cir. 2007),  
*cert. den.* 128 S. Ct. 2871 (2008) ..... 53, 58, 65, 66

*Planned Parenthood of the Columbia/Willamette, Inc. v. Am. Coalition of Life  
 Activists*, 422 F.3d 949 (9th Cir. 2006), *cert. den.* 547 U.S. 1111,  
 126 S. Ct. 1912(2006) ..... 139, 140, 141, 143

*Practice Management Information Corp. v. American Medical Ass'n*,  
 121 F.3d 516 (9<sup>th</sup> Cir. 1997),  
*amended*, 133 F.3d 1140 (9th Cir. 1998).....105

*Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381  
 (6<sup>th</sup> Cir. 1996) *cert. denied*, 520 U.S. 1156, 117 S. Ct. 1336 (1997) ..... 137, 138

*Religious Technology Center v. Netcom On-Line Communication*

*Services, Inc.*, 907 F.Supp. 1361 (N. D. Cal. 1995) .....*passim*

*Reynaga v. Cammisa*, 971 F.2d 414 (9th Cir. 1992).....89

*Rockwell Int'l Corp. v. H. Wolfe Iron and Metal Co.*,

576 F. Supp. 511 (W.D.Pa. 1983) .....79

*Sell v. United States*, 539 U.S. 166, 156 L. Ed. 2d 197,

123 S. Ct. 2174 (2003) .....92

*Smith v. United States*, 155 F.3d 1051 (9th Cir. 1998) .....93, 94

*Sony Music Entm't Inc. v. Does I-40*, 326 F. Supp. 2d 556 (S.D.N.Y. 2004).....100

*Survivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625 (9<sup>th</sup> Cir. 2005) .....104

*Thomas v. County of Los Angeles*, 978 F.2d 504 (9<sup>th</sup> Cir. 1992).....73

*UMG Recordings, Inc. v. MP3.com*, 2000 U.S. Dist. LEXIS 13293,

Copy. L. Rep. (CCH) P28,141 (S.D.N.Y. 2006).....131

*United States use of Wiltec Guam, Inc. v. Kahaluu Constr. Co.*,

857 F.2d 600 (9<sup>th</sup> Cir. 1988) .....115

*United States v. Holtzman*, 762 F.2d 720 (9th Cir. 1985) .....57

*United States v. Perez*, 247 F.Supp.2d 459 (S.D.N.Y. 2003).....100

*United States v. Rivera-Guerrero*, 377 F.3d 1064 (9<sup>th</sup> Cir. 2004) .....92

*United States v. Taketa*, 923 F.2d 665 (9<sup>th</sup> Cir. 1991).....99, 102

*Universal City Studios v. Corley*, 273 F.3d 429 (2d Cir. 2002) .....70



*Vanelli v. Reynolds School Dist. No. 7*, 667 F.2d 773 (9th Cir. 1982) .....127

*Vogel v. United States Office Prods. Co.*, 258 F.3d 509 (6th Cir. 2001) .....91

*Waldman Pub. Corp. v. Landoll, Inc.*, 43 F.3d 775 (2d Cir. 1994) .....73, 74

*Wanderer v. Johnston*, 910 F.2d 652 (9th Cir. 1990).....108

*Williams v. Sprint/United Mgmt. Co.*, 230 F.R.D. 640 (D. Kans. 2005) .....85

*Zomba Enters. v. Panorama Records, Inc.*, 491 F.3d 574 (6<sup>th</sup> Cir. 2007),  
*cert. den.* 128 S. Ct. 2429 (2008) .....142

**Federal Statutes**

17 U.S.C. § 101 .....80

17 U.S.C. § 504 (c)(2).....142

17 U.S.C. § 512 .....58

17 U.S.C. § 512(i)(2) .....39, 106

18 U.S.C. §§ 2501 *et. seq.* (“ECPA”).....21, 93

18 U.S.C. §§ 2510 *et. seq.* (“Wiretap Act”)..... 21, 81, 93, 94, 95. 96

18 U.S.C. §§ 2510(4), (5), (8), (12) and (13).....93

18 U.S.C. § 2511.....93

18 U.S.C. §§ 2511-2519.....94

18 U.S.C. §§ 2701 *et. seq.* (“SCA”) .....22, 93, 95

18 U.S.C. §§ 3121-27 *et. seq.* (“Pen Register Act”) .....95

28 U.S.C. § 1291..... 1

28 U.S.C. § 1338(a) ..... 1

28 U.S.C. § 2106.....73

28 U.S.C. § 636(b)(1)(A).....89

47 U.S.C. § 230(b).....53

**Federal Rules**

Fed. R. Civ. P. 1.....75

Fed. R. Civ. P. 26..... 6

Fed. R. Civ. P. 34..... 76, 77, 83, 88

Fed. R. Civ. P. 34(a)(1).....78

Fed. R. Civ. P. 34(a)(1)(A) .....75

Fed. R. Civ. P. 37(A)(i)..... 122, 123

Fed. R. Civ. P. 37(A)(ii)..... 123

Fed. R. Civ. P. 54(c) ..... 50, 125

Fed. R. Civ. P. 65(d) .....57, 73

Fed. R. Civ. P. 65(d)(1)(B) .....93

Fed. R. Civ. P. 72(a) .....91

**State Court Case**

*Sindell v. Abbott Labs.*, 26 Cal. 3d 588, 163 Cal. Rptr. 132, 138-39,  
*cert. denied*, 449 U.S. 912 (1980).....66

**Other Authorities and References**

Evanson, *Due Process in Statutory Damages*,  
 3 Geo. J. L. & Pub. Pol'y 601 (2005).....143

Grossly Excessive Penalties in the Battle Against Illegal File-Sharing:  
 The Troubling Effects of Aggregating Minimum Statutory Damages for  
 Copyright Infringement, 83 Tex.L.Rev. 525 (2004) .....143

Holbrook, *Symposium Review: The Intent Element of Induced Infringement,*”  
 22 Santa Clara Computer & High Tech L.J. 399 (2006).....68

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 Up to the Task?*,” 41 B.C. L. Rev. 327 (2000).....83, 85

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 Principles for Addressing Electronic Document Production* (2007).....84, 85

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## JURISDICTION

Plaintiffs, “among the leading motion picture studios in the world,”<sup>2</sup> alleged that defendants were secondarily liable for copyright infringement committed by visitors to defendants’ TorrentSpy website, establishing jurisdiction under, *inter alia*, 28 U.S.C. § 1338(a).

Because of defendants’ different bankruptcy situations, the District Court entered Final Judgment and defendants filed Notice of Appeals as follows:

<u>Defendant</u>	<u>Judgment Entered</u>	<u>Appeal Filed</u>
Valence Media, Ltd.	May 7, 2008 (ER13-16)	June 3, 2008 (ER228-234)
Justin Bunnell	July 10, 2008 (ER6-10)	August 7, 2008 (ER189-195)
Wes Parker	July 10, 2008 (ER6-10)	August 7, 2008 (ER182-188)
Forrest Parker	August 14, 2008 (ER1-5)	August 28, 2008 (ER175-181)

Appeal is taken from said Final Judgments pursuant to 28 U.S.C. § 1291.

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<sup>2</sup> Plaintiffs’ Complaint at ER722:6-7.

## SUMMARY OF THE ARGUMENT

This case may have grave consequences for Internet developers who want to work independently of the corporate environment represented by plaintiffs and the Entertainment Industry they exemplify. In a default proceeding following imposition of terminating sanctions for spoliation of evidence, the District Court uncritically adopted broad, far-reaching, conclusory allegations in plaintiffs' Complaint and enlarged plaintiffs' specific claims by over 200-fold from those originally stated, resulting in Judgments for secondary copyright infringement against three Internet developers and their small technology business, statutory damages of \$110,970,000.00, and Permanent Injunctions that lock defendants out of meaningful employment in their business niche of online advertising and popular communications technology. The Judgments, unprecedented in a secondary infringement case, are based entirely on sweeping, hyperbolic allegations in plaintiffs' Complaint, which generically allege defendants' participation in a new form of person-to-person (P2P) file-sharing, namely, BitTorrent technology.

The Judgments, Injunctions and other Orders in this case thus cloud the legal status of BitTorrent technology, which is especially well-suited to delivering very large-sized files to a very large number of recipients, giving enormous savings to a mass-market distributor of digital materials. BitTorrent technology recruits

recipients of downloaded materials into serving as providers of the same materials to further recipients, creating “swarms” of recipients trading pieces of the downloaded materials among themselves. Instead of millions of downloads from a central server, there are millions of file exchanges among recipients. E.g., a multiple-player videogame developer can install updates in all players’ machines quickly and cheaply, starting from a few “seeds,” the BitTorrent term for an original online promulgator who supports a swarm.

As plaintiffs alleged, defendants participated in what plaintiffs call “the BitTorrent network,” actually a network of Internet communities, or even an Internet community in itself. More specifically, defendants operated a “torrent site,” namely, their former TorrentSpy.com website. A (generic) torrent site provides a visitor with a search engine that accesses a database of non-copyrighted “torrents” and/or links to torrents that are maintained elsewhere on the Internet. Torrents – also known as “dot-torrent files” (with a “.torrent” file extension similar to “.pdf.”) or “torrent files” – are data files that contain text information. A torrent site collects torrents and/or links to torrents by, e.g., “crawling the Internet,<sup>3</sup>” searching for, linking to and copying torrents located in other databases, e.g.,

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<sup>3</sup> “Crawling the Internet” is the standard method that defendants used to collect torrents and links. (ER538:22-25; ER845:1-7); *CNET Networks, Inc. v. Etilize, Inc.*, 547 F. Supp. 2d 1055, 1063-1065 (N. D. Cal. 2008).

Google's. Torrents and/or links to torrents are downloaded or provided to visitors to the torrent site, including visiting crawlers from Google and other torrent sites.

Anyone wanting to promulgate files using BitTorrent can upload torrents to any torrent site and thus make them appear in all Internet search engines that index torrents, including Google's.

Many torrents are put into circulation by authors of open source software, shareware and freeware, e.g., linux variations, and of authorized, free, demo and/or promotional music, videos and games. (ER844:23-27) Many torrents are put into circulation by individuals engaging in copyright infringement.

Torrents are one component of BitTorrent technology; another component is "trackers" that connect file exchangers with one another; and the actual file exchangers, the "users," are a third component.

Defendants never directly infringed a copyright and no copyrighted materials passed through their system. Rather, defendants are being held liable for running a generic torrent site, for using category labels based on names of television programs and movies (copied from other torrent sites) and for maintaining free speech forums where anonymous visitors posted unspecified "talk about copyright infringement." Defendants submit that the generic, conclusory allegations of plaintiffs' Complaint, with incidental details directed at public speech, are insufficient to support the Judgments and/or Injunctions. The District

Court's rulings are contrary to national policies in favor of Internet innovation and promotion, online free speech, privacy, and vigorous competition. The Judgments threaten good faith developers of BitTorrent technology with potential claims arising out of conduct that has been declared lawful by this Court. The District Court's Judgment of liability applies indistinguishably to a "good faith developer" and to a "pirate."

Defendants contend that the Entertainment Industry is opportunistically using online copyright infringement to threaten independent BitTorrent operators who, like defendants, are in competition with plaintiffs' favored corporate affiliates, e.g., BitTorrent, Inc. Independent torrent site operators value open accessibility, free speech and diverse profusions of content over the formal registration system, programmatic messaging and limited menu of Entertainment Industry products. If the Judgments are affirmed on the basis of the broad-brush conclusory allegations in plaintiffs' Complaint, the Entertainment Industry will be able to exercise control over future BitTorrent operations. The Entertainment Industry will "own" BitTorrent technology.

As a practical matter, this case was decided in the Discovery Department. Defendants submit that plaintiffs used discovery procedures, not for their proper purpose to obtain evidentiary facts, but to obtain unfair advantages in the litigation – to dwell on anything that could be used to smear defendants and to obtain the



terminating sanctions, default judgment and court orders at issue here that treat Internet innovation and promotion, online free speech and privacy rights as having negligible weight against some discovery “need” that is never shown but that is simply asserted by plaintiffs, acting as surrogates for the Motion Picture Association of America, hereinafter “MPAA,” one of the world’s most powerful data aggregation organizations.

In the most serious invasion of defendants’ right to run their own business and of online privacy and free speech, the Magistrate Judge ordered defendants to produce “Server Log Data.” Defendants were ordered to pick items of data out of high-traffic data streams passing through their system according to plaintiffs’ order and specifications – including the “IP addresses” of visitors that MPAA could use to locate and interrogate the visitors – and then to record data and construct data structures with a court-ordered “mask” over IP addresses and deliver masked data to plaintiffs, but implicitly to be ready for later unmasking. The Magistrate Judge ruled that, collectively, such data constituted “electronically stored information” under a 2006 Amendment to Fed. R. Civ. P. 26 by reason of “transmission through and temporary storage in” the Random Access Memory (RAM) of a TorrentSpy web server. The District Court agreed with the Magistrate Judge and rejected defendants’ protests that the Order compelled them to violate their promises to website visitors about visitors’ privacy; that the Order radically expanded

discovery by turning a party to a lawsuit into an information collector and document creator for the adverse party; and that the Order improperly directed defendants to “devise a method” to comply with its novel, onerous requirements.

At the same time, with trial court approval, plaintiffs and MPAA improperly constricted defendants’ discovery of evidence, e.g., improperly asserted blanket claims of “privilege” and “work product” where any evidence they did produce was by a “waiver” that they fully controlled; improperly limited discovery to events occurring prior to the filing of the Complaint on February 23, 2006 while developing their case around events occurring subsequent to that date; and improperly refused even to acknowledge the existence of evidence about actual use of the TorrentSpy website and BitTorrent technology they undoubtedly hold.

Defendants’ former TorrentSpy website ceased to operate on its own without producing Server Log Data. Thereafter, the District Court determined that defendants had willfully spoliated evidence, concluded that terminating sanctions were appropriate, struck defendants’ Answer and entered defendants’ default.

Then, plaintiffs changed and enlarged their claims from 18 titles allegedly infringed prior to February 23, 2006 to 3699 titles, most apparently appearing only after that date; and the District Court awarded statutory damages of \$30,000.00 per title for willful infringement, along with broad Permanent Injunctions. Plaintiffs did not amend the Complaint; and statutory damages awards of \$110,970,000.00

are set forth in Judgments that have no basis in the Complaint or in any proper procedure. (ER1-5, ER6-10, ER13-16.) Incomprehensibly, the Judgments appear to hold each defendant separately liable for the entire amount to all the plaintiffs as a collective, regardless of payments or settlements by other defendants. Such Judgments make no sense other than as a huge club for MPAA to threaten independent BitTorrent operators, as their counsel declared was their intention.

Defendants submit that there was an insufficient showing of willfulness in either the statutory damages or the sanctions context, along with insufficient showings of spoliation of relevant evidence and/or prejudice and/or no less drastic sanctions in connection with the terminating sanctions; and that a constellation of improprieties infected the expansion of claims, the default judgment awards and the injunctions. The only grounds for the result are conclusory words in plaintiffs' Complaint and the District Court's apparent determination to inflict massive punishment on defendants. The trial court disregarded the unsettled legal status of BitTorrent technology and held, in effect, that defendants as secondary infringers had "willfully" violated plaintiffs' copyrights simply by running a generic torrent site. The District Court ignored due process standards and elementary evidentiary requirements. Held against developing standards of the jurisprudence of punitive damages awards and due process, the huge statutory damages awards offend the Constitution of the United States by reason of their size, the absence of fact

supporting them, a peremptory hearing that denied to defendants a meaningful opportunity to be heard or to present legal argument (ER23), and the imposition of ruinous punishment for promotion of Internet technology that had never previously been declared illegal.

The result is that defendants have been given a sentence of civil death without any genuine legal justification and solely on the basis of general accusations of "secondary copyright infringement."

Defendants submit that the District Court departed from established principles that would have led to more balanced decisions. When addressing novel and difficult issues, the trial court consistently treated defendants' positions as unworthy of serious consideration and consistently adopted the maximal requests of plaintiffs, even when its rulings were expressly contrary to legal principles declared by this Court. The District Court's rulings are not only cruelly unfair to the individual defendants but they also seriously threaten BitTorrent technology, Internet innovation and online free speech and privacy.

For the foregoing reasons, defendants respectfully request that this Court vacate or reverse the Judgments, Injunctions and other Orders of the District Court and remand the case to the District Court for further proceedings to be conducted according to guidance from this Court.

## ISSUES PRESENTED FOR REVIEW

1. Whether a valid injunction and default judgment could be based on generic and conclusory allegations of plaintiffs' complaint when alleged wrongful conduct was protected under national policies favoring Internet development and online free speech and when the allegations of the complaint were vacuous about essential matters, e.g., no notice to defendants of specific infringements and non-existence of simple measures defendants could take to avoid infringement.
2. Whether the Magistrate Judge and District Court properly ordered the production of "Server Log Data" in discovery, ordering defendants to change their operating practices and to modify their computer system to select items of data – that had been specified by plaintiffs – from streams of data being processed by defendants' server; and then to record and store millions of such items of data and to apply a "mask" to personal identifying information ("IP addresses") that could later be "unmasked."
3. Whether the Magistrate Judge and District Court properly ordered defendants to produce "Server Log Data" in discovery without regard for defendants' privacy policy and the privacy rights of online visitors but with a requirement calling for masking of IP addresses "at least at this juncture," implying possible later unmasking, when such Order directed that defendants must devise a method to comply and must, under threat of a contempt citation, overcome

difficulties that would arise and bear all costs and burdens of compliance and when plaintiffs' legitimate needs for such discovery, if any, were not shown.

4. Whether the Magistrate Judge and District Court properly constricted defendants' discovery of investigative evidence held by plaintiffs/MPAA about their website to particular times and subject matters said by plaintiffs to be the basis for claims of liability; and whether the Magistrate Judge and District Court properly denied defendants' requests to obtain discovery of evidence that has undoubtedly been obtained by plaintiffs and MPAA investigators about actual use of defendants' website, Internet resources and BitTorrent technology, evidence that potentially leads to proof about matters essential to a valid judgment and where, in default proceedings before the District Court, as to such matters, the allegations of the Complaint are vacuous – e.g., lack of simple measures to avoid infringement, referenced in Issue 1, *supra*.

5. Whether prejudice sufficient to justify terminating sanctions was shown by “destruction” of evidence outside the constricted time and subject matters said by plaintiffs to be the basis for claims of liability and that was actually in the possession of plaintiffs and/or without substantial evidentiary use; and where defendants were under a positive duty to remove such evidence from public view because it was allegedly contributing to copyright infringement, weighing against a finding of willfulness in its removal as a matter of public policy.

6. Whether, after default was entered, the District Court properly allowed plaintiffs, without amending their complaint, to change and expand their claims for damages from 18 titles to 3699 titles (nearly all outside the constricted time and subject matters said by plaintiffs to be the basis for claims of liability) and whether liabilities and damages as stated in the Judgments were properly supported by required evidence, findings, and procedures.

7. Whether permanent injunctions properly prohibited Internet advertisers and developers from “directly [or] indirectly ...infringing ...by ... encouraging, promoting, soliciting, or inducing ... any person” to infringe, in a general, non-specific way, without a scienter or materiality requirement.

### **STATEMENT OF THE CASE**

Plaintiffs filed their Complaint for Copyright Infringement against defendants on February 23, 2006. (ER717-730.) While discovery proceedings were in progress, on or about August 30, 2007, plaintiffs filed their Motion for Terminating Sanctions Based on Defendants’ Willful Spoliation of Key Evidence. (ER811-813.) After a hearing on plaintiffs’ Motion on December 10, 2007, the District Court entered its Order Granting Plaintiffs’ Motion for Terminating Sanctions on December 13, 2007. (ER27-42.) Pursuant to said Order, the Clerk entered Default as to Defendants and each of them on December 17, 2007.

(ER383.)

During default judgment proceedings, defendants separately filed Bankruptcy Petitions and individual defendants obtained Bankruptcy Stays. (ER377-382, ER247-248, ER242-246, ER240-241.) Thereafter, such Stays were lifted (ER206-227) and Final Judgments and Permanent Injunctions against defendants were filed that were identical as to their essentials except for the identity of the defendant and the dates of entry (ER13-16, ER6-10, ER1-5). This appeal followed.



## FACTS AND PROCEEDINGS BELOW

### A. Plaintiffs' Complaint and Defendants' Motion to Dismiss.

On February 23, 2006, MPAA announced that its members had filed seven Complaints nationwide against operators of “Bittorrent sites” – including defendants herein who operated the former TorrentSpy website – and operators of other online resources allegedly used by third-party individuals exchanging digital files that infringe plaintiffs' copyrights.<sup>4</sup>

After defendants' default was entered, plaintiffs' Complaint (ER717-730) became the factual basis for the Judgments. Plaintiffs acknowledged that “BitTorrent is used for legitimate purposes” but alleged that defendants' former TorrentSpy website “fosters widespread copyright infringement.” (ER720:2-8.)

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<sup>4</sup> Please see MPAA Press Release at ER506-509. One such case is *Columbia Pictures Industries, Inc. v. Fung*, Case, No. CV 06-5578 SVW(JCx), in the Central District of California, Hon. Steven V. Wilson presiding. This case and *Fung* involve substantially identical counsel; and there are both parallels and divergences between the two cases. They shared a Magistrate Judge for discovery, Hon. Jacqueline Chooljian. See *Columbia Pictures Industries, Inc. v. Fung*, 2007 U.S. Dist. LEXIS 97576 (2007), fn. 5. Fung operates four websites and two trackers using BitTorrent and eDonkey protocols. Plaintiffs' Motion for Summary Judgment is presently pending before Judge Wilson. Issues shared in the two cases include substantially identical generic allegations, the BitTorrent community and free speech.

The substantive allegations of wrongdoing in plaintiffs' Complaint fall into "generic allegations" (¶¶ 4-14) and "specific allegations" (¶¶ 26-36). We call allegations "generic" when they allege nothing more than participation in a collective activity as a member of a subgroup – namely, as a "torrent site."

According to generic allegations, defendants participated in "the BitTorrent network," which is made up of "components" – classes of software systems, with members of each class running certain online interactive software programs. One component is "indexing sites known as 'torrent sites'" and defendants' former TorrentSpy website was a torrent site. The other two components are "client application[s]" and "tracker sites." If anyone is directly infringing a copyright while receiving files through BitTorrent, it is the "client," also known as the "user," not the torrent site and not the tracker. (ER717-730, 719:9-10, 720:22-5:5.)

"The torrent site hosts and distributes small files known as 'torrents.' Although torrents do not contain actual copies of the movie or television programs, they automatically and invisibly instruct a user's computer where to go and how to get the desired file. Torrents interact with specific trackers, allowing the user to download the file." (ER717-730, 720:6-12.)

"Torrent sites play an integral role in the process of using BitTorrent to download files. Without them, users could not identify, locate or download infringing files." (ER721:22-24.)

There is nothing in the generic allegations to distinguish defendants from any other torrent site or to distinguish “legitimate” torrent sites from “pirate sites.”

As to specific allegations, plaintiffs alleged that: “Defendants operate one of the largest and most active torrent sites on the Internet.” (ER723:12-13.)

Other than the size of the database and volume of traffic, plaintiffs specifically alleged “the catalog of infringing files being indexed” at TorrentSpy. (*Id.* at ER723:25-26.) Plaintiffs alleged that defendants “index torrent files by *the titles of individual copyrighted television series*, such ‘Alias’ (sic) and ‘The Simpsons.’” (ER 724:3-5, emphasis in original.)

Plaintiffs alleged that defendants provided “forums called ‘Movie Theater’ and ‘Tee Vee’ that contain discussions regarding the posting and downloading of infringing movies and television shows,” and a “category of movies torrents ... called “New - CAM” which refers to in-theater movies recorded by a camcorder, a category that, by definition, contains illegal content.” It was alleged that defendants “favorably compare their website to other peer-to-peer services widely used for infringing purposes, such as Kazaa and WinMX.” (ER724:6-15.)

Plaintiffs alleged: “Defendants exercise control over the infringing activity on their torrent site.” Further: “Defendants decide exactly what torrents are indexed on their site” and “Defendants easily could prevent infringement by not indexing torrent files corresponding to Plaintiffs’ copyrighted works.” (ER724:16-

25.) Plaintiffs' Complaint has a formal statement of claims for secondary copyright infringement that does little more than recite conclusory statements of ultimate fact. (ER725:19-11:2)

Plaintiffs' Complaint is entirely silent about any notice given to defendants as to any actual or specific "infringing torrent" or "infringing user."

As their first responsive pleading, defendants' moved to dismiss plaintiffs' Complaint. The District Court denied the motion. (ER165-174.) The District Court refused to take judicial notice of facts suggested by defendants, e.g., about Google's equivalence to TorrentSpy under plaintiffs' definitions. (ER166.) The District Court recited the general accusatory and conclusory allegations of plaintiffs' Complaint and held that these were sufficient under a standard where defendants must "demonstrate that Plaintiffs can prove no set of facts in support of the claims that would entitle them to relief." (ER169:23-24.) The allegations sufficiently "put Defendants on notice of the claim against them." (ER172:12-13.)

Defendants thereon answered. (ER706-716, ER413-416.)

B. The Order Compelling Defendants to Collect, Record, Mask and Produce “Server Log Data.”

On May 29, 2007, the Magistrate Judge directed defendants to preserve and record “Server Log Data” and to produce masked records to plaintiffs. (ER80-114.)

On August 24, 2007, the District Court entered its “Order Denying Defendants Motion for Review” re Server Log Data. (ER45-62.)

“Server Log Data, as defined in the [Magistrate Judge’s] May 29, Order, includes (1) anonymous (masked or encrypted) Internet Protocol (IP) address of users of Defendants’ website who request dot-torrent files, (2) the identity of dot-torrent files requested, and (3) the dates and times of such requests.” (ER50:25-28.)

1. The conflict between the Server Log Data Order and defendants’ operating policies and practices that upheld online privacy.

The specification that IP addresses were to be “anonymous (masked or encrypted)” was added by the Magistrate Judge to the specifications requested by plaintiffs. (ER82:15-83:1). Plaintiffs wanted full disclosure of Internet Protocol addresses (“IP Addresses”) of visitors to TorrentSpy. Defendants were ostensibly ordered to mask the IP addresses to resolve issues of privacy and online free speech but the Magistrate Judge also implied that the mask could be stripped away:

“defendants are not, *at least at this juncture*, ordered to produce such IP addresses in an unmasked/unencrypted form. Instead, defendants shall mask, encrypt, or redact IP addresses through a hashing program or other means...” (ER113:2-4, emphasis added.)

The importance of the IP addresses was stated by plaintiffs’ counsel in the Joint Discovery Stipulation submitted to the Magistrate Judge:

“From the user IP address contained in that server data, plaintiffs could identify the real-world name and address of the infringing TorrentSpy user...” (ER627:24-27; see also ER473:1-18.)

In denying defendants’ Motion for Review, the District Court ruled:

“Plaintiffs are not requesting the names or other identifying information ... and the May 29 Order ensures that such identifying information will not be disclosed.” (ER58:21-23.)

Opposing the Server Log Data Order, defendant Wes Parker declared:

“Torrentspy does not record the IP addresses of visitors to the website when they download torrent files or click on a link... Torrentspy has never recorded the IP addresses of visitors to the website during such activity. Torrentspy has never had possession, custody or control of records or documents that show the IP addresses of visitors to the website recorded on account of such activity.” (ER647:18-24.)

Parker further declared:

“Torrentspy’s policies and customs exclude recording the IP addresses of visitors to the website on the basis of downloading torrent files or clicking on a link. Torrentspy’s policies and customs exclude recording the Server Log Data sought by plaintiffs. The policies and customs excluding such recording were in effect when operations first commenced and they have never changed.” (ER648:2-11.)

TorrentSpy’s publicly posted Privacy Policy stated:

“TorrentSpy.com is committed to protecting your privacy. ...If we decide to change our privacy policy, we will post the changes on this page so that you are always aware of what information we collect, how we use it, and under what circumstances we disclose it.” (ER648:2-11, ER658 and ER662-663.)

Defendants expressed their dismay at being ordered to record Server Log Data and to produce the records to plaintiffs (ER571:5-20):

“Our expectation is that the typical visitor to the Torrentspy website would be opposed to having any record whatsoever of his or her visit, and especially so if any part of that record were to be disclosed to plaintiffs and/or the MPAA. Our expectation is that we would suffer a substantial loss of traffic and a correspondingly loss of income ... Our expectation is that an Order ... would be seen by many as a stigma ... We would be placed at a competitive disadvantage ... in a business where such a competitive disadvantage can quickly become fatal. ...an economic catastrophe cannot be excluded.”

See also hearing testimony at ER556:11-562:25.

The Magistrate Judge held that defendants' testimony and declarations "regarding such loss of good will and business is largely speculative, conclusory and without foundation." (ER105:18-27.) The Magistrate Judge held that defendants could choose whether and/or how to notify website visitors of the Order. (ER113:9-12.)

The Magistrate Judge dismissed defendants' privacy policies, "the terms of which are entirely within defendants' control." (ER100:13-20.) "[D]efendants themselves retain the ability to ensure that they do not violate their own privacy policy." (ER101:4-14.)

The Magistrate Judge held that defendants consented to the collection of Server Log Data and that they and their visitors therefore lost statutory privacy protections, e.g., those set forth in the Wiretap Act, 18 U.S.C. §§ 2501 *et. seq.* (ER102:18-21, ER104:6-10 and ER105:8-11).

On appeal, the District Court held that copyright infringers and file exchangers had no substantial privacy or free speech rights.<sup>5</sup> The District Court held that there were no statutory privacy protections because the collection of

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<sup>5</sup> "[P]rivacy interests of Defendants' users are, at best, limited. To the extent the users are engaged in copyright infringement, the First Amendment affords them no protection whatsoever." (ER45-62, 57:21-59:23, esp. ER58:19-23).



Server Log Data was authorized under the Stored Communications Act, 18 U.S.C. §§ 2701 *et. seq.*, and other statutes did not apply. (ER53:24-56:4.)

2. Disregard of International Privacy Concerns

The TorrentSpy web server was located in the Netherlands, hosted by Leaseweb, a Dutch company. (ER541:2-11; ER86:5.) Over 70% of TorrentSpy visitors came from outside the United States. (ER541:5-8, ER542:1-11.) In deciding to disregard these considerations, the Magistrate Judge relied on:

“the fact that defendants are United States individuals and entities who affirmatively chose to locate their server in the Netherlands at least in part to take advantage of the perceived protections afforded by that country’s information security law.” (ER109:7-12.)

“A factor in the decision to use the server in the Netherlands was to attract business from those individuals who did not wish their identities to be known, as defendants believe the Netherlands to have stricter privacy laws governing such information. (RT 122-23.)” (ER86:6-7.)

The critical “fact” was elicited in response to leading examination of defendant Wes Parker by the Magistrate Judge:

THE COURT: Let met ask a couple. If you object to this, Mr. Rothken, you tell me.

I just wanted to get a sense of if a reason, not necessarily the

only reason, if a reason the decision was made not to enable to the logs was made in part that you think would make the site more attractive to users who did not want their identity known for whatever reason.

THE WITNESS: Since it's a search engine, users don't want to find -- to have other people knowing about what they're searching for about. That's very confidential.

THE COURT: I understand that point. My question is to you, was that at least a factor in the decision from the beginning not to enable the logs?

THE WITNESS: Yes. Privacy concerns.

THE COURT: Was it also a concern in the decision to locate the server in the Netherlands?

THE WITNESS: I believe the Netherlands location was -- the fact was that most of the users were overseas.

THE COURT: It was not a factor in the decision to locate the server in the Netherlands?

THE WITNESS: Which factor?

THE COURT: The belief that it might in part make the site more attractive to users with a non-logging. Was that a factor in the decision to locate the server in the Netherlands?

THE WITNESS: I believe the Netherlands has stricter privacy governing these kinds of things; so, yes, I believe it was.

THE COURT: It was a factor?

THE WITNESS: Yes.

(ER543:22-545:1.)

On appeal to the District Court, defendants protested a deprivation of privacy being based on a desire for privacy and urged the Court to correct such reasoning. (ER491:13-492:2.) The District Court did not address the matter.

3. The imaginary nature of “Server Log Data”

Novel and important issues of electronic jurisprudence were involved in the Server Log Data Order. The Electronic Frontier Foundation and Center for Democracy and Technology each filed an *amicus curiae* brief supporting defendants’ positions. (ER494; see ER47:16-51:20.) Their concern grew out of the imaginary nature of Server Log Data. Although the Magistrate Judge concluded that Server Log Data “exists,” (ER95:1), any such existence would be no more than “virtual” until defendants complied with the Order.

As quoted *supra*, defendants showed that they had a policy against recording such data and that there were no records of Server Log Data. (ER647:18-648:11.)

Rather, what plaintiffs requested and what the District Court ordered was that defendants must **construct** Server Log Data: the raw materials were to be items of data picked out of streams of data passing through defendants’ web servers. (ER92:1-8; ER94:24-95:2; ER49:9-51:10; ER54:12-19.) As a practical matter, plaintiffs specified what data they wanted and defendants were ordered to produce data according to plaintiffs’ specifications. (See ER526:5-16 for plaintiffs’ specifications.)

The testimony and declarations fail to provide a coherent picture of what was occurring inside defendants' computers with respect to plaintiffs' desired Server Log Data. The Magistrate Judge found:

“Although defendants did not affirmatively retain the Server Log Data through logging or other means, the data went through and was temporarily stored in the RAM of defendants' website server for approximately six hours. (RT 47-48, 49-50, 54-55, 76; Jt. Bunnell/Parker Decl ¶5.)” (ER87:2-5.)

The record references are to ER526-527, ER528-529, ER533-534, ER535 and ER565:20-566:12. See also ER466:17-467:15; ER496:9-14; ER642:14-23; ER647:13-24.

The Magistrate Judge also found:

“Based on the evidence in the record, the court finds that the Server Log Data in this case is transmitted through and temporarily stored in RAM while the requests of defendants' website users for dot-torrent files are processed. Consequently, such data is electronically stored information under Rule 34.” (ER93:13-16.)

The phrases “data went through ... RAM” and “transmitted through ... RAM” used by the Magistrate Judge appear to be based on discussions that took place during the hearing. However, the word “through was introduced by the Magistrate Judge and was never adopted by the witness.

“BY MR. FABRIZIO:

Q. The data at issue is the user request to download the dot-torrent file, the I. P. of that user, and the date and time of the question.

...was that data received by a TorrentSpy server?

MR. ROTHKEN: Same objection [vague and ambiguous]. Also incomplete hypothetical.

THE COURT: Can you ask whether it went through RAM at this point since the receipt there maybe an issue?

BY MR. FABRIZIO:

Q. Was that data ever in RAM memory in any TorrentSpy computer?

...

THE WITNESS: Yes.

Q. Was all of that data in RAM?

A. Yes.

Q. For what period of time was that data in RAM?

A. Six hours.

(ER535:3-24.)

The situation can be clarified by testimony that defendants originally “estimated the volume of all requests for data” (ER98:4-5, emphasis in original) as accumulating more than 30 gigabytes a day. (ER97:11-12; ER98:15-27.) After being examined on the witness stand about certain functions of the server software suite running on TorrentSpy, which he had not previously used or studied (ER536:1-537:11), “defendant Parker ultimately conceded ... that the software used

by defendants' website could create server logs for limited amounts of data and could save it in a particular folder." (ER98:19-22.) If defendants selected the specific data plaintiffs desired and used features of the server software suite according to plaintiffs' instructions, "the Server Log Data would likely have a volume of one-hundredth of what Parker had originally suggested (i.e., 300 to 400 megabytes.)" (ER99:3-5.) It was this figure that was the basis for the Magistrate Judge's finding about the "estimated volume of data resulting from the logging of solely the Server Log Data in issue (as opposed to all data)." (ER99:12-13.)

Defendants protested against the Order:

"Throughout the Order, the Magistrate Judge makes the error of confusing bits of data in RAM with an organized file. For example, the Magistrate Judge's Order states that 'Panther now receives the Server Log Data in issue in its RAM.' [ER88:16-17.] Panther does not 'receive Server Log Data' and there is no evidence to suggest that it does. As we testified at the hearing, Panther refuses to log server data."<sup>6</sup>

(ER467:9-15.)

"We will need to ... take the data fresh as it comes from data streams and not out of historical data kept in RAM. ... Nearly all data in any

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<sup>6</sup> "Panther" is a world-wide network of secondary web servers that defendants used to process visitor requests for very fast delivery. (ER80-114, 87:6-89:5.)

computer system ‘passes through RAM.’ The command to collect and store Server Log Data could be extended to almost any conceivable data structure.” (ER466:17-467:15)

4. The absence of plaintiffs’ actual discovery need for the Server Log Data and the consequent failure to explore alternative means of satisfying any actual discovery need.

Plaintiffs never showed that they actually “needed” Server Log Data. To say that they actually “needed” Server Log Data would have required a foundational declaration saying what that need was – what the evidence was going to be used for – and that plaintiffs had no other way, no “alternative means” to satisfy it. Plaintiffs would not make such a declaration because (1) it would not likely have been true; and (2) even if true, it would have disclosed aspects of MPAA investigations that are being kept secret. Plaintiffs relied on a finding that the Server Log Data was “relevant.” Defendants submit that trial court found relevance sufficient but that need should have been required.

Because plaintiffs never disclosed a true need, there could be and was no substantial exploration of alternative means of satisfying such need. Plaintiffs did not want data obtainable without recording IP addresses, even data that would

have shown which torrents were in heavy demand.<sup>7</sup> Nor was there serious exploration of alternatives to continuous delivery of world-wide data to plaintiffs.<sup>8</sup>

In their Notice re Motion for Review, defendants argued that plaintiffs and MPAA were withholding evidence that would show there was *no need*, evidence that should be weighed before overriding free speech rights:

“Plaintiffs refuse to produce such evidence, raising claims of ‘privilege’ that are so vague and general that they cannot be investigated. ... Plaintiffs are concealing important evidence in a fortress of privilege so that they can get a discovery order compelling Defendants to invade their visitors’ privacy. ... Plaintiffs and their organization, the MPAA, are acting as a private enforcement agency with powers approaching those of a public prosecutor; and they should not be permitted, as a matter of fundamental fairness that is of universal importance, to obtain substantive advantages through an

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<sup>7</sup> “MR. ROTHKEN: We went over this with the client ... there is some data on the site which refers to downloads ... and how many downloads occur for each file.” (ER630:22-24 and ER635:9-12)

<sup>8</sup> But see footnotes 14 and 32 of the Magistrate Judge’s Order suggesting that “the court would entertain a request to limit the required preservation and production” to U.S. visitors if defendants made suitable arrangements with third-party provider Panther (which had already refused to engage in logging, as quoted *supra*) and that plaintiffs might stipulate to “sampling” rather than continuous logging being ordered. ER90-91 and ER112-113.



institutional structure, the MPAA, that has been designed to conceal evidence so as to give Plaintiffs additional advantages over persons sued for copyright infringement.” (ER489:12-490:4.)

Plaintiffs and MPAA forthrightly declare that any and all evidence they hold is “privileged” and that any evidence they produce in discovery is by grace of their waiver.

“Lawyers at the MPAA serve as outside legal counsel for the studio plaintiffs in this case, and are counsel of record. ... As part of their document production, plaintiffs and the MPAA made a limited waiver of their work product protections and produced the underlying screenshots and technical data that formed the basis for the specific allegations in the Complaint.” (ER512:20-513:2.)

Plaintiffs and MPAA undoubtedly had evidence of direct infringement they said they wanted to obtain from the Server Log Data. As part of its nationwide anti-piracy enforcement campaign, MPAA must have identified many thousands of direct copyright infringers of exactly the kind described in plaintiffs’ Complaint. Many must have decided to cooperate with MPAA and to give confessions. Surely, some confessions named TorrentSpy (and other search engines) as a source of torrents downloaded and used to participate in infringements. Some miscreants probably confessed to uploading torrents to TorrentSpy, that led to DVD rips or other infringements.

Individuals engaged in P2P file-sharing using BitTorrent expose their IP addresses to “everyone in the BitTorrent ‘swarm’ as they download the file.” (ER59:10-12.) Undoubtedly, MPAA investigators downloaded torrents from TorrentSpy, participated in swarms of file infringers who had done likewise, collected IP addresses and aggregated those IP addresses in a database. Surely, MPAA identified a substantial number of those individuals as repetitive infringers, tracked them down and got some to sign declarations naming TorrentSpy as a site they used to find torrents leading to pirated copies of plaintiffs’ copyrighted works.

Moreover, MPAA is known and/or believed to operate “honeypots,” websites that appear to offer access to infringing works, but whose real purpose is to collect IP addresses and personal identifying information about the visitors. (See ER488:22-489:11.) There is nothing to prevent MPAA from planting cookies in users’ computers in the style of online advertisers who track consumers’ surfing habits or from using web bugs to collect further information.<sup>9</sup> Methods of data collection can be combined and databases can be aggregated. It is impossible to ascertain the borderline or even offensive methods of privacy invasion that MPAA planted into counterfeit infringing files and the computers of “pirates.”

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<sup>9</sup> See *In Re Pharmatruk, Inc. Privacy Litigation*, 329 F.3d 9 (1st Cir. 2003); *In re Doubleclick Privacy Litigation*, 154 F. Supp. 2d 497 (S.D.N.Y. 2001).

The inescapable conclusion is that plaintiffs have voluminous evidence of direct downstream infringement where torrent files obtained from TorrentSpy were involved, with many particular details and perhaps even accompanied by a statistical analysis that would show that 80% of torrents that lead to infringing materials are downloaded from Google.

Plaintiffs never disclosed their intended use of “masked” Server Log Data and never set forth any indication of existing evidence with which Server Log Data, masked or unmasked, would be combined. As a consequence, there could not be and there was no serious exploration of alternative means to accomplish legitimate discovery purposes.

5. The ruinous demands imposed on defendants by the Server Log Data Order’s commands to “devise a method” to comply and to bear the burdens of compliance no matter how onerous.

The Magistrate Judge ordered defendants to “preserve the Server Log Data for the duration of this litigation.” (ER112:16-17.) The Magistrate Judge ruled that “defendants have the ability to manipulate at will how the Server Log Data is routed,” (ER94:11-13)

The Magistrate Judge ruled:

“As the record reflects that there are multiple methods by which defendants can preserve such data, the court does not by this order

mandate the particular method by which the defendants are to preserve the Server Log Data.” (ER112:18-20.)

In fact, each of the “multiple methods” imposed novel and demanding burdens on defendant; yet the Order commanded defendants to “devise a method” to produce Server Log Data regardless of the practicalities. (See, e.g., ER851-857.) In giving notice to the District Court that the Magistrate Judge’s Order amounted to an injunction (ER485:19-486:12), defendants protested that they were being ordered to:

“change their business practices, terminate an existing contract and either hire a new third-party provider who will perform the obligations of the Magistrate Judge's Order or undertake negotiations with an important overseas provider of Defendants’ essential services about enforcing a Court order that the provider may find illegal or obnoxious.” (ER487:8-12.)

The District Court ruled that the Server Log Data Order was “a quotidian discovery order” and rejected defendants’ protests. (ER52:10-13.)

C. Improper Constrictions on Defendants' Attempts to Obtain Discovery.

Defendants were denied important discovery. Plaintiffs took a constricted view of defendants' discovery rights that adopted in Orders issued by the Magistrate Judge and affirmed by the District Court. The Magistrate Judge justified the constrictions by accepting oral representations from plaintiffs' counsel about the scope of plaintiffs' case. The constrictions were erroneously imposed because the requested evidence was relevant, without constrictions, to claims and defenses; and plaintiffs disregarded the oral representations when they enlarged their damages claims from 18 titles in the Complaint to 3699 titles after defendants' default was entered.

The following proceedings and orders involved a common set of issues:

- a. Defendants' Request for Production of Documents, Set 2 [ER148-152 (Magistrate Judge's Order); ER141-147 (District Court denies defendants' Motion for Review)]
- b. Defendants' Subpoena to the MPAA. [ER115-122 (Magistrate Judge's Order), ER73-79, ER72 (District Court denies defendants' Motion for Review)]
- c. Defendants' Depositions of Plaintiffs. [ER430-459 (plaintiffs' Notice of Motion), ER68-70 (Magistrate Judge's Order)]

1. Constrictions on discovery of authorized online promulgations of plaintiffs' copyrighted works, including "spoofs" and "trailers."

Defendants sought discovery about authorized promulgations of plaintiffs' copyrighted works through BitTorrent technology. Because of authorized promulgations, it was impossible for a person in the position of defendants to use filenames to distinguish between unauthorized and authorized promulgations of plaintiffs' copyrighted works. The volume of authorized promulgations is relevant to issues of materiality and causation and to numerous specific issues including direct infringement, the *Sony*<sup>10</sup> doctrine protecting non-infringing uses and alleged filtering responsibilities.

Defendants' initial attempt to discover evidence of authorized promulgations was by means of requests for production directed to plaintiffs. The Magistrate Judge limited discovery:

"to non-privileged documents reflecting whether plaintiffs have authorized general or unrestricted distribution or availability over the internet of all or part of plaintiffs' copyrighted works alleged in the Complaint or listed in the attachment to the Complaint (and any others for which plaintiffs are claiming defendants infringed) ..."

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<sup>10</sup> *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 78 L. Ed. 2d 574, 104 S. Ct. 774 (1984) (hereinafter "*Sony*").

(ER150; see also ER121, n. 11 and referencing text.)

Defendants opposed this approach because it was reasonable to expect plaintiffs to have selected the 18 works listed in the attachment to the Complaint (and any others that were made the basis of claims that could be investigated) so as to avoid authorized promulgations.

In particular, defendants sought discovery about authorized promulgations of “trailers” (promotional advertisements) and “spoofs” (counterfeit BitTorrent promulgations put out by MPAA to frustrate those seeking infringing materials). (ER669:6-670:2; see also ER671:4-672:6, ER678:13-22.)

As to spoofs, plaintiffs’ counsel, Mr. Fabrizio, assured the Magistrate Judge: “Copyright owners don’t allege infringement for what is sometimes colloquially referred to as spoofs. That’s an anti-piracy measure, your Honor.” (ER679:17-21.) Despite defendants’ protests (ER680:18-682:11), the Magistrate Judge accepted such assurances.

Mr. Fabrizio: “And your Order leaves it to us to decide we’re either claiming infringement and we have to produce the documents or we’re not and we don’t.” (ER685:6-8; see generally ER683:20-686:21)

On review, the District Court found the Magistrate Judge’s approach to be correct:

“The record demonstrates that the Magistrate Judge considered Defendants’ contentions. She confirmed with Plaintiffs at various points throughout the hearing that their infringement claims did not include ‘spoof’ files and on that basis excluded ‘spoof’ files from discovery.” (ER144:22-26.)

Defendants sought similar discovery from MPAA through a subpoena. MPAA refused to produce; defendants moved to compel; the Magistrate Judge imposed the same limits as before; and the District Court denied defendants’ Motion for Review. (ER77:11-78:12.)

Defendants attempted to take depositions of plaintiffs on similar subjects. On application of plaintiffs, the Magistrate Judge altered the constraints on discovery, e.g., as to evidence “regarding works in which Plaintiffs claim a copyright that was allegedly infringed by TorrentSpy” (topic 89):

“As to topics ... 89: Absent an affirmative representation on the record at the deposition by plaintiffs/plaintiffs’ counsel that plaintiffs do not intend in a summary judgment motion to offer evidence of infringement of works other than those listed on Exhibit A to the Complaint to demonstrate **liability**, defendants are permitted to inquire about the works listed on Exhibit A to the Complaint and to works currently alleged to have been infringed by defendants which plaintiffs currently plan to include in a summary judgment motion (‘Additional Works’), and no other works. If plaintiffs/plaintiffs’ counsel affirmatively make such representation, defendants may



inquire only about works listed on Exhibit A to the Complaint.”

[ER69 (item 3, emphasis in original); ER454 (item 89).]<sup>11</sup>

2. Constrictions on discovery of plaintiffs’ dealings with Google and BitTorrent, Inc. as to matters in issue.

The Magistrate Judge sustained relevance and overbreadth objections to defendants’ requests for “documents relating to Google and hyperlinks to unauthorized files containing Plaintiffs’ copyrighted works.” (ER145:4-7.)

As noted by the District Court is affirming the Magistrate Judge’s ruling:

“Defendants argue that such documents are relevant because ‘the services [Defendants] provide and for which liability is alleged are duplicated by other Internet service providers, e.g., Google.’” (ER145:18-21.)

Plaintiff Warner Bros. owns AOL and runs a Google search engine on the AOL website that enables AOL members to get the same information that they got by visiting defendants’ former TorrentSpy website. (ER705:19-22.)

Defendants also sought documents pertaining to agreements involving BitTorrent, Inc. The Magistrate Judge imposed the same scope limitations as had

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<sup>11</sup> Although not reflected in the record, plaintiffs’ counsel made the representation set forth by the Magistrate Judge. Plaintiffs’ representatives refused to answer questions about titles other than those listed in Exhibit A to the Complaint.

been imposed on document requests pertaining to authorization (sub-section 1, supra), limiting discovery to documents reflecting whether plaintiffs have authorized BitTorrent, Inc. to distribute or to make available on a “general or unrestricted basis” works listed in the Complaint “and any other works or parts of works for which plaintiffs are claiming defendants are infringing,” as were set forth in point 1, supra. (ER151.)

Defendants contend that plaintiffs in this case are attempting to use their copyrights to acquire control over BitTorrent technology— to be exercised, in part, through a favored partner, BitTorrent, Inc. – and that evidence of such attempts is relevant to defenses based on copyright misuse (attempting to leverage copyright into control of BitTorrent technology) as well as to other issues, e.g., non-infringing uses under the *Sony* doctrine, supra. (ER706-716, ER702-705, ER691:24-692:8.)

Defendants further contend that such evidence was relevant because, under the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. § 512(i)(2) “standard technical measures” that are used by BitTorrent, Inc. (or Google) to reduce copyright infringement of plaintiffs’ copyrighted works must be made “available to any person on reasonable and nondiscriminatory terms.” (ER665:20-28)

In connection with the subpoena to MPAA, the District Court ruled:

“Because the section of the DMCA that Defendants cite is a definition

section meant to explain the conditions a service provider must meet in order to be eligible for the limitations on liability established by the DMCA, and is not meant as a justification for discovery, the Court finds that the Magistrate Judge's ruling on this request is neither clearly erroneous nor contrary to law.”

(ER78:22-79:3.)

3. Constrictions on the time range of discovery

The Magistrate Judge imposed a time limitation on defendants' right to obtain discovery of documents related to authorized promulgations of plaintiffs' copyrighted works and other matters, namely, the limitation that plaintiffs need only produce documents reflecting such subject matters from October 1, 2002 through the commencement of litigation, on February 23, 2006, but not thereafter.

(ER150 (B.2) and ER151 (C.4).)

Defendants contended:

“Plaintiffs continue to interpose Objections such that they will not produce documents generated after February 24, 2006 notwithstanding the continuing wrongs alleged in their Complaint and their attempt to obtain injunctive relief that will extend indefinitely into the future.”

(ER693:4-8)

During the hearing on defendants' motion, the Magistrate Judge accepted representations of plaintiffs' counsel representation that:

“discovery in this case has already established that the Plaintiffs have not authorized any of their movies or television shows for distribution to the BitTorrent network. I know the reports Mr. Rothken is referring to. I’ve read the same reports. None of that has happened. All of the -- this case involves conduct that occurred through the Complaint filing, through today, basically what’s he arguing is that at some point in the future when we come to an injunctive phase these issues may be relevant.” (ER677:14-22.)

The trial court accepted such representations. See acceptance of further representations by plaintiffs’ counsel. (ER675:22-677:14; ER687:1-688:20.)

On appeal, the District Court declared itself satisfied with the Magistrate Judge’s determination. (ER146:6-22.)

When defendants took the depositions of plaintiffs’ representatives, the Magistrate Judge revised some categories,<sup>12</sup> giving to plaintiffs the right to limit responses “beyond February 23, 2006” to suit the evidence plaintiffs planned to submit in support of a summary judgment motion. (ER69, item 4.)

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<sup>12</sup> E.g., categories involving non-copyright infringing uses of BitTorrent technology, authorized torrent files, BitTorrent utilization with respect to plaintiffs’ copyrighted works, and authorized dissemination of plaintiffs’ copyrighted works on the Internet in digital format.

D. Motion for Terminating Sanctions for Willful Spoliation of Evidence.

The District Court's Order Granting Plaintiffs' Motion for Terminating Sanctions (ER27-42) was entered as a result of findings that defendants willfully spoliated evidence; that as a result of the loss of such evidence, plaintiffs suffered prejudice and a rightful decision by trial was not possible; and that no lesser sanctions would be appropriate or effective in redressing the wrong.

Willfully spoliated evidence fell into four categories defined by plaintiffs. (ER28:16).

1. Evidence of forum posts.

Plaintiffs claimed that, on being sued in about March of 2006, defendants ordered deletion and/or modification of hundreds or thousands of posts in "open forums" that talked about copyright infringement.

After receiving plaintiffs' Complaint, defendant Wes Parker instructed volunteer moderators to "stay clear of anything related to piracy." The chief volunteer moderator, Ayn Shipley, also known as Maggie Pixel, proposed to review, edit and close forum threads (postings on a topic) and her proposal was approved by Wes Parker. Shipley deleted two identified threads entirely.

(ER28:18-30:1.) "Most piracy-related threads were closed and removed from public view, leaving their content intact, rather than modified." (ER30:9-12.)

Some materials were lost because the commodity software used to run the forums,

vBulletin, did not save edited materials. (ER30:13-14.)

Defendants' position was that the forums had been an entirely separate operation from the main TorrentSpy website, with separate location, Internet connection, etc.; that the forums addressed many topics, including exchanges on user-generated content, popular culture and trouble-shooting; that defendants had left the content unmonitored; and that, when they were sued, defendants ended such benign neglect. (ER30:4-6.)

“TorrentSpy claims that it assumed plaintiffs would have already seen the existing forum postings. Thus, its intention was not to destroy evidence but ‘to steer clear of anything related to piracy.’ This contention is simply not believable. The destruction of evidence clearly relevant on the issue of copyright infringement cannot be justified by the assumption that it’s already been viewed by the plaintiffs.”

(ER30:6-8, record references omitted.)

Defendants specifically declared that they had provided plaintiffs with all the forum evidence available. No “key evidence” had been destroyed. (ER401:11-15 and ER405:19-21.) As the District Court noted, “Most piracy-related threads were closed and removed from public view, leaving their content intact, rather than modified.” (ER30:9-10; see also ER37:25-28.)

Plaintiffs did not state what forum postings they had or had not viewed and plaintiffs did not identify any discrepancies between evidence they had on hand

and what they believed to have existed at previous times.

When the District Court blamed defendants for doubt about the extent of loss of evidence arising from modified forum posts,<sup>13</sup> there was no recognition that plaintiffs had the capacity to remove at least some of the doubt, given the allegations about forums in plaintiffs' Complaint (ER724:6-8) and the indubitable wealth of evidence about TorrentSpy in the hands of plaintiffs and MPAA.

2. Evidence of directory headings.

Plaintiffs claimed that defendants deleted Directory Headings and “categories for CAM, Telecine, Telesync, and DVD screeners.” (ER31:4-15.) Like the forum postings, these matters are alleged in plaintiffs' Complaint. (“Anyone who visits Defendants' torrent site ... can immediately observe the catalog of infringing files being indexed” – ER723:24-26; see also ER724:3-11.)

As noted by the District Court, defendants represented that they had produced historical versions of Directories in discovery materials, but plaintiffs denied that such versions had been produced. (ER32:1-3; ER406:1.)

Defendants testified that they copied the Directory categories from other

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<sup>13</sup> “...now that Defendants have altered some posts, it is difficult to determine how many posts have been edited, or, perhaps, have disappeared altogether.” (ER37:26-28.)

torrent websites. (ER406:8-9.) Google continually caches web pages and public archives maintain permanent records of web pages; and thus plaintiffs should have historical versions of Directory Headings. (ER406:3-4; ER32:3-5.)

Plaintiffs did not state what directory or category evidence they had or what directory or category evidence they thought might be missing.

### 3. Evidence of IP addresses.

Plaintiffs claimed that defendants despoiled IP addresses of torrent file uploaders<sup>14</sup> by “truncating” the information, namely, removing “the fourth octet” from the IP address before storing and/or recording it. (ER32:7-12.) Defendants’ position was that they provided discovery that included disclosures of all IP addresses defendants ever had on file, including a full database backup as of 1/31/2007, that included IP addresses for registered users and torrent uploads. (ER406:12-14.) “Full” IP addresses and “truncated” IP addresses corresponded to different strategies targeted at blocking static IP addresses and dynamic IP addresses respectively; and TorrentSpy had used the different strategies at different

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<sup>14</sup> The Server Log Data Order involved those who only downloaded torrent files. As stated in TorrentSpy’s privacy policies, visitors could register for additional privileges and TorrentSpy recorded IP addresses of torrent file uploaders for its own security purposes. (See ER33:18-26; ER407:18-26.)



times. (ER407:3-17.) As of April, 2007, when Parker testified at the Server Log Data motion, blocking was being carried out by dynamic IP addresses. (ER408:5-11.) “Torrentspy moderators recall that TorrentSpy recorded full IP addresses (all four octets) until about April 2007.” (ER33:4-5.)

Plaintiffs did not state what uses they intended to make of uploaders’ IP addresses.

4. Evidence of moderators’ identities.

The District Court concluded that defendants falsely testified that they did not know identities and addresses of forum monitors and that defendants tried to influence monitors’ testimony after plaintiffs located and subpoenaed them for depositions. (ER33:11-34:24.)

The District Court held:

“The likelihood that forum moderators would have provided testimony helpful to the plaintiff and damaging to defendant is demonstrated by the evidence gleaned from the two moderators plaintiffs were successful in locating.”  
(ER39:22-25.)

In fact, plaintiffs succeeded in locating at least four volunteer moderators, who were the chief such persons, namely Ayn Shipley, Robert Clymer, Jason Stevens and Carl Dennis, as well as Blake Atkinson, who worked in defendants’

office. (Declaration of Steven B. Fabrizio in support of plaintiffs' Motion at ER804:10-24 and 805:9-11; and see also ER408:24-26.) As is evident from the citations in the District Court's decision, plaintiffs gleaned from them a cornucopia of evidence that was helpful to plaintiffs and damaging to defendants.

5. The Server Log Data Order and the issue of prejudice

The Server Log Data Order proceedings overlapped the filing of plaintiffs' Motion for Terminating Sanctions. Neither plaintiffs' moving papers nor the District Court's Order Granting Plaintiffs' Motion for Terminating Sanctions mentioned the Server Log Data Order. However, plaintiffs' Reply in Support of the Motion for Terminating Sanctions declared that "The Court is also familiar with the defendants' repeated unsuccessful efforts to evade the Magistrate Judge's May 29, 2007 Server Log Order" and argued that defendants, having shut off access to the TorrentSpy website to visitors from the United States, were "claiming incredibly (after more than six months of intense motion practice) that they do not have any responsive data to produce." (ER802:6-18; see also ER21-22, where the Magistrate Judge denied plaintiffs' request for further sanctions relating to the Server Log Data because the Motion for Terminating Sanctions had been granted.)

Defendants dispute that plaintiffs have established *prejudice* from any spoliations sufficient to justify the extremity of a terminating sanction. The

evidence that was found to be spoliated was almost entirely public and was known to plaintiffs, except for Server Log Data and IP addresses that plaintiffs have refused to connect to any real need but as to which they showed only a general floating relevance as discussed supra, in Facts, B.4.

The District Court found prejudice to plaintiffs in:

“...the alteration or deletion of forum posts specifically referencing copyrighted works, or providing guides on how to download ‘CAM/TS/TC/DVDSR’s ... The deletion of the directory headings is similarly prejudicial, and only slightly mitigated to the extent that archived versions of the directory heading may be available elsewhere. Defendants’ failure to produce the full contact information of its forum moderators is prejudicial given that the moderators are well-placed to discuss the extent of Torrentspy’s ability to supervise its users’ infringing activities. The likelihood that forum moderators would have provided testimony helpful to the plaintiff and damaging to defendant is demonstrated by the evidence gleaned from the two moderators plaintiffs were successful in locating.” (ER39:10-25.)

E. Entry of Judgments and Permanent Injunctions.

On April 14, 2008, plaintiffs filed their Motion for Permanent Injunctions. (ER374-376.) On April 28, 2008, plaintiffs filed their Motion for Entry of Default Judgment, supported by a Declaration of plaintiffs' counsel, Duane C. Pozza, and by declarations from representatives of plaintiffs that identified copyrighted works claimed to be infringing. (ER353-373, ER793-799; see also ER249-250.) Defendants filed Objections to the Motion for Permanent Injunction and, in opposition to the Motion for Entry of Default, defendants filed Objections to the Pozza declaration (that included challenges to the declaration of plaintiffs' representatives), a Declaration of defendants' counsel, Jared R. Smith, and declarations of defendants Wes Parker and Justin Bunnell. (ER309-352, ER272-308, ER260-265, ER266-271 and ER251-259.)

The District Court denied defendants' request for leave to file a Memorandum of Points and Authorities in Opposition to the Motion for Default Judgment. (ER23.)

In their Motion for Default, plaintiffs requested that the Court enter Judgment for each of 3699 copyrighted works and award the maximum statutory damages of \$150,000 per work, with the huge amount said to be warranted by, *inter alia*, defendants' operation of TorrentSpy and defendants' allegedly egregious conduct during the litigation, e.g., shutting down TorrentSpy rather than

producing Server Log Data. Plaintiffs argued:

“such an award is absolutely necessary both to punish these defendants ... and to deter others who would seek to pick up where defendants left off.” (ER373:12-20.)

Defendants objected to expansion of titles from 18 to 3699. The claims with respect to the 3699 titles were not proved by admissible evidence. The Pozza declaration contained only hearsay summaries of facts about the basis for the 3699 titles. Portions of the Exhibits appeared to have prepared by automated means but without distinction from portions made on personal knowledge. Plaintiffs relied on technical terms with explanations and application provided by plaintiffs’ counsel. There was no connection between the claims and any actual infringement or between the claims and the allegations of the Complaint. Most seriously, the claims appeared to be based solely on filenames of torrent files in torrent file databases without any investigation into where the torrent file led, e.g., to a spoof or a trailer. Defendants cited Fed. R. Civ. P. 54(c) and *Fong v. United States*, 300 F.2d 400 (9th Cir. 1962) (hereinafter “*Fong*”). (ER272-308, esp. ER294:12-20.)

The expanded claims were indiscriminately based on torrent databases current as of April, 2006; January 2007; May, 2007; and August, 2007, (ER794:17-795:3) while defendants’ previous discovery had been limited to the time period before February, 2006, as set forth in Facts, C.3, *supra*.

Declarations filed by plaintiffs' representatives in support of the Default Judgment each denied having authorized "free and unrestricted distribution or downloading of any of its motion pictures, including those listed in Exhibit 1, through the BitTorrent network or the Internet in general." (ER370:18-24; others are substantially identical.) In contrast, the rulings of the Magistrate Judge had limited defendants' discovery about plaintiffs' copyrighted works to "documents reflecting whether plaintiffs have authorized general or unrestricted distribution or availability over the internet of all *or part* of plaintiffs' copyrighted works alleged in the Complaint." (ER150, emphasis added.) A "spoof" or a "trailer" would have only part of a work and its accessibility would not amount to distribution or downloading of a motion picture. Such a file could be a basis for an award of statutory damages under plaintiffs' method of authenticating claims.

At the hearing on the damages motion, the District Court noted *Fong*, supra, and that such authority prevented plaintiffs' expansion of claims. (ER237:10-238:11.) However, disregarding *Fong*, the Judgments awarded plaintiffs damages collectively for all 3699 titles they requested, but with damages for willful infringement at \$30,000.00 per title, for a total of \$110,970,000.00. Permanent Injunctions were issued according to plaintiffs' requests. (ER1-10, ER13-16.)

## LEGAL ARGUMENT

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### I. THE DISTRICT COURT DID NOT SOUNDLY BALANCE COPYRIGHT PROTECTION AGAINST PROMOTION OF INNOVATION IN NEW COMMUNICATION TECHNOLOGIES.

The Constitution of the United States, art. 1, § 8, cl. 8, authorizes Congress “to promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146, 103 L. Ed. 2d 118, 109 S. Ct. 971 (1989), the Supreme Court stated: "The Patent Clause itself reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the 'Progress of Science and useful Arts.'"

In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005) (hereinafter “*Grokster*”), the Supreme Court identified the importance of maintaining:

“a sound balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies ... The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the tradeoff.”

The *Grokster* Court further stated that “improved technologies may enable the synthesis of new works or generate audiences for emerging artists.” *Grokster*, 545 U.S. at 929, n. 8.

Key balancing language used in *Grokster*, 545 U.S. at 932-33, was quoted by this Court in *Perfect10 v. Visa*, 494 F.3d 788, 801 (9<sup>th</sup> Cir. 2007), *cert. den.* 128 S. Ct. 2871 (2008). (hereinafter “*Visa*”), which then reiterated:

“doctrine [that] absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than mere understanding that some of one’s products will be misused. It leaves breathing room for innovation and a vigorous commerce.”

In enacting the Communications Decency Act, Congress stated national policy to: “promote the continued development of the Internet,” “preserve [its] vibrant and competitive free market” and “encourage the development of technologies which maximize user control.” 47 U.S.C. § 230(b), some elements of which were cited and quoted in *Visa*, 494 F.3d at 794.

Defendants submit themselves to this Court as champions of the foregoing national policy and values that favor Internet development. As operators of the former TorrentSpy website, defendants were “promoting innovation in new communications technology,” as that phrase is used in *Grokster*, *supra*. In such capacity, defendants supported independent creators, who, using BitTorrent



technology, may enable the synthesis of new works or generate audiences for emerging artists. Appealing to this Court, defendants contend that the Judgments, Injunctions and Orders obtained by plaintiffs and MPAA in this case – and the means by which they were obtained – threaten the Internet’s vibrant and competitive free market and discourage technologies that maximize user control. Defendants, who promoted the continuing development of the Internet, have been punished by Judgments of over \$110,000,000.00 and have been enjoined from meaningful work.

Viewing this case from an overall perspective, defendants submit that, throughout the proceedings below, the District Court failed to reach toward a sound balance between the rights of owners of copyrights and the rights of Internet developers like defendants. Rather, at each and every stage of the proceedings, the District Court adopted and put into execution the maximal requests of plaintiffs, with a few significant modifications but with no diminution as to the overall effect. Copyrights were accorded a status worthy of the strongest protection. Internet innovation, free online speech and online privacy were all viewed as tainted with “piracy.” There was scant consideration given to alternatives to plaintiffs’ maximal requests, such as alternatives that would have maintained national policy and values affirmed by Congress, the Supreme Court and this Court.

One fact is clear: defendants are not “copyright pirates.” Defendants copied

nothing that was copyrighted; no copyrighted materials appeared on or passed through the former TorrentSpy website. There was not even a method for obtaining links to copyrighted and/or infringing materials like Google provides. Defendants hosted and linked to non-copyrighted torrent files. A visitor downloaded a torrent file through resources defendants provided; the torrent file contained directions for the visitor's computer to connect with other persons' computers. Any alleged connection between defendants and piracy was indirect and secondary, allegedly by means of "inducement" or "contribution."

Accusations that defendants were "pirates" were nothing but smears. Defendants were technology promoters and advertisers competing in a market. There was nothing facially illegal about BitTorrent and there was nothing facially illegal in operating a torrent site and allowing free speech thereon. BitTorrent is a thoroughly dispersed and collective form of technology maintained by an open community and is thus distinctly different from centrally organized forms represented by Napster, Grokster and Aimster. Even Grokster was adjudged legal during the time TorrentSpy achieved its leadership position among torrent sites. This Court may decide to shut down the competitive market and the open community because of pirates' participation; but that does not make pirates of all other participants. Plaintiffs' smears of piracy directed at defendants were constructed for the purpose and with the effect of distracting the District Court

from the need to maintain a sound balance between competing rights and interests in accord with national policy and values.

For the foregoing reasons, the Judgments and Orders of the District Court on appeal herein, and each such Judgment or Order, should be reversed and the case remanded for further proceedings according to guidance from this Court.

II. THE JUDGMENTS AND INJUNCTIONS SHOULD BE REVERSED BECAUSE EVIDENTIARY FACTS ALLEGED IN THE COMPLAINT ARE INSUFFICIENT TO SUPPORT A CLAIM OF SECONDARY COPYRIGHT INFRINGEMENT.

A. Standard of Review: Lawful Conduct Cannot Be Enjoined and a Default Judgment Should Be Reversed if Factual Allegations in the Complaint Are Insufficient to Support It.

In a default proceeding, this Court, like the District Court, takes as true the well-pleaded factual allegations in plaintiffs' Complaint; but a defendant is not held to admit facts that are not well-pleaded or to admit conclusions of law; and conclusions of ultimate fact simply parroting legal principles are not admitted through default. Facts which are not established by the pleadings of the prevailing party, or claims which are not well-pleaded, are not binding and cannot support the judgment. *DirecTV v. Huynh*, 503 F.3d 847, 864 (9<sup>th</sup> Cir. 2007), *cert. den.* 129 S. Ct. 40 (2008); *Alan Neuman Productions, Inc. v. Albright*, 862 F.2d 1388, 1392 (9<sup>th</sup> Cir. 1988), *cert. den.* 493 U.S. 858, 110 S. Ct. 168, 107 L. Ed. 2d 124 (1989);

*Danning v. Lavine*, 572 F.2d 1386, 1388 (9<sup>th</sup> Cir. 1978); and *Nishimatsu Construction Co. v. Houston National Bank*, 515 F.2d 1200, 1206 (5th Cir. 1975), cited and quoted in the foregoing cases.

As discussed in the post-remand “*Grokster Injunction*” case, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F.Supp.2d 1197, 1226-1231 (C.D. Cal. 2007), a court should only enjoin or restrain actions that violate the law; an injunction based on copyright infringement should be coterminous with the infringement; and every injunction must be specific in terms and reasonable in detail as to the acts restrained. Fed. R. Civ. P. 65(d); *United States v. Holtzman*, 762 F.2d 720, 726 (9th Cir. 1985); *Mulcahy v. Cheetah Learning LLC*, 386 F.3d 849, 852 n.1 (8th Cir. 2004); see also *Fonovisa v. Napster, Inc.*, 2002 U.S. Dist. LEXIS 4270, 2002 WL 398676 (N.D. Cal. Jan 28, 2002).

B. Unlike Previous Cases Involving Secondary Copyright Liability, Specific Facts Are Absent Here That Are Needed to Establish a Valid Grounds for Decision.

Plaintiffs’ “Claim for Relief” (ER725:15-727:2) alleges secondary online copyright infringement by way of inducement, contribution and vicarious liability. Such claims have their origins in multiple sources, including common law principles, venerable copyright cases with diverse situational scenarios, borrowings

from patent law and modern tort-law concepts such as enterprise liability and imputed intent. *Sony*, 464 U.S. at 437 and n. 18, 439 and n. 19; *Grokster*, 545 U.S. at 934 *et. seq.*; *Visa*, 494 F.3d at 794-95. Copyright law has always had to respond to technical innovations. *Sony*, 464 U.S. at 430-431, n.'s 11 and 12.

The foregoing decisions, along with *Perfect 10 v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) (hereinafter "*Amazon.com*"), *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) ("*Napster*"), *Ellison v. Robertson*, 357 F.3d 1072 (9<sup>th</sup> Cir. 2004) ("*Ellison*") and *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F.Supp. 1361 (N. D. Cal. 1995) ("*Netcom*"), constitute the core authorities in this area of law. Each decision establishing liability was solidly grounded in the particular facts of the case. All except *Visa* were based on actual evidence.

Congress addressed aspects of secondary copyright infringement in the Digital Millennium Copyright Act ("*DMCA*"), specifically, 17 U.S.C. § 512.<sup>15</sup> Plaintiffs' claim of liability does not rest on any Congressional authority, only on

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<sup>15</sup> Defendants' Affirmative Defenses 2, 3 and 4 (ER711:7-20) based on the DMCA were stricken with Defendants' Answer. Defendants had a robust DMCA policy and had successfully established alternative means of satisfying multiple "takedown" requests on a cooperative basis with, among others, RIAA, Microsoft and the Business Software Alliance. (ER834-836.)

judicial opinions grounded in common law principles. See *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1109 (9<sup>th</sup> Cir. 2007), *cert. den.* 128 S. Ct. 709 (2007). (liabilities under various doctrines of copyright liability are independent of DMCA provisions).

At 464 U.S. 431-432, the *Sony* Court reviewed “[t]he judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance” and declared that “we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests.”

Defendants submit that a solid grounding in particular facts of a case is one way that the courts have incorporated “circumspection” into determinations of copyright protections. Particular facts serve as focal points for tethering of arguments. See, e.g., *Amazon.com*, 508 F.3d at 1177 (“fact-intensive inquiries”). A grouping of particular factual points in a leading case identifies a “territory” in a region of activity and organizes the landmarks by means of which that territory is to be navigated. Particular fact-based results in leading cases become generalized into rules as jurisprudence matures. The USENET cases – *Netcom*, *Ellison* and *ALS Scan, Inc. v. Remarq Communities, Inc.*, 239 F.3d 619, 622 (4<sup>th</sup> Cir. 2001) (“Congress’ codification of the *Netcom* principles in Title II of the DMCA”) – show this process of maturation. *Netcom* also led to *Napster* and to *Amazon.com*,

the chief authority here, discussed immediately infra.

Defendants submit that, in the course of decision that led to the Judgments herein, the District Court failed to maintain an appropriate circumspection in expanding relief and remedies for copyright owners. Expansion was based on conclusory allegations and broadly-stated categories rather than on particular facts. The expansive decisions of the District Court will, unless corrected by this Court, permanently and adversely affect Internet development. Therefore, the Judgments, Injunctions and other Orders of the District court should be reversed and the case remanded for further proceedings according to guidance from this Court.

C. The Judgments in this Case Threaten Conduct That is Protected Under *Amazon.com* and *Napster*.

In *Amazon.com*, this Court summarized theories of liability for secondary copyright infringement in online situations.

First, liability may be predicated on a resource operator's "actively encouraging (or inducing) infringement through *specific acts*." (*Amazon.com*, 508 at F.3d 1170, quoting Justice Ginsburg's concurring opinion in *Grokster*, emphasis added).

Second, "a computer system operator can be held contributorily liable if it 'has *actual knowledge that specific infringing material* is available using its system,' *Napster*, 239 F.3d at 1022, and can 'take *simple measures* to prevent

further damage’ to copyrighted works, *Netcom*, 907 F. Supp. at 1375, yet continues to provide access to infringing works.” 508 F.3d at 1172 (emphases added).

Third, “to succeed in imposing vicarious liability, a plaintiff must establish that the defendant exercises the requisite control over the direct infringer and that the defendant derives a direct financial benefit from the direct infringement.” 508 F.3d at 1173.

Plaintiffs’ Complaint fails to allege any “specific acts” of encouraging (or inducing) infringement and fails to allege that defendants had “actual knowledge that specific infringing materials” were available using their system, as to which they could take “simple measures” to prevent further damage. Hence, no claim for contributory copyright infringement has been alleged. Defendants here have even less capacity to control third-party infringers than did Google in *Amazon.com* and plaintiffs’ claim here for vicarious liability fails for the same reasons as did Perfect 10’s there. *Amazon.com*, 508 F.3d at 1173-1174.

As analyzed supra, Facts, A.1., generic allegations in plaintiffs’ Complaint allege defendants’ participation in the BitTorrent network along with other torrent sites. Torrent sites aggregate torrents and links to torrents, index torrents and provide torrents to visitors using the site’s search engine.

Defendants submit that such generic participation is conduct that is protected under *Amazon.com*.



“Assuming the principle enunciated in *Sony* is applicable to the operation of Google's search engine, then Google cannot be held liable for contributory infringement solely because the design of its search engine facilitates such infringement.” 508 F.3d 1170.

Similarly, this Court held in *Napster*, 239 F.3d 1021:

“absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material. See *Sony*, 464 U.S. at 436, 442-43. To enjoin simply because a computer network allows for infringing use would, in our opinion, violate *Sony* and potentially restrict activity unrelated to infringing use.”

As to specific allegations (ER723:12-725:14), the chief one is that

“Defendants could easily prevent infringement of Plaintiffs’ copyrighted works by not indexing torrent files corresponding to Plaintiffs’ copyrighted works.” (*Id.*, ER724:20-22.) Plaintiffs allege in a conclusory fashion the existence of a successful method of filtering a database of filenames to exclude links that lead to copyrighted materials. The truth is that “Keyword Filtering” is known to be ineffective. *Grokster Injunction*, 518 F.Supp.2d at 1206. At the minimum, copyright owners should supply the lists of keywords. *Id.*, at 1237 *et. seq.* (“StreamCast also argues, as part of a permanent injunction, that it should have no

duty to filter Plaintiffs' copyrighted works until it has been provided sufficient notice. The Court agrees.”)

Notably absent from plaintiffs' Complaint is any allegation of notice or any actual knowledge on the part of defendants of specific infringing materials, a pivotal element according to both *Napster* and *Amazon.com*, quoted supra. Rather, it appears that plaintiffs would declare defendants duty-bound to devise means of preventing infringement without getting notice from a copyright owner.

This Court held in *Amazon.com*, 508 F.3d at 1170: “Nor can Google be held liable solely because it did not develop technology that would enable its search engine to automatically avoid infringing images.” The present Judgments hold defendants liable for conduct that this Court has held to be protected.

Other specific allegations allege that defendants index torrent files by the “titles of individual copyrighted television series, such (sic) *Alias* and *The Simpsons*.” (ER724:3-5.) The allegation is misleading because, obviously, torrent files are indexed according to their filenames, the same as any other index of files. The filenames were written by the person who prepare the torrent files, not by TorrentSpy. Plaintiffs' “titles” are not copyrighted and this is not a trademark case. Held to a trademark standard, titles in plaintiffs' Complaint such as “alias,” “heat” and “stealth” (ER729-730) are no more than “generic” and not entitled to protection.

No specific infringement is alleged as to the works listed in Exhibit A to the Complaint. (ER725:21-23.) All that is alleged is an “atmosphere of infringement” in general, conclusory terms, where plaintiffs highlight and re-define words used on the website to imply an intent. Significantly, most specific allegations in plaintiffs’ Complaint point to acts of public speech or the enablement of public speech. These are entirely different claims from those based on Napster’s specific central server or specific Grokster/StreamCast devices distributed with the expressed intent and business plan to occupy Napster’s niche. The “atmosphere of infringement” is composed entirely of speech.

D. The Judgments in This Case Threaten Enormous Liabilities Against an Entire Sector of Technological Development.

1. Lacking foundation in specific details, the Judgments threaten entire classes of participants involved in BitTorrent technology

This actions involves a new form of technology that requires *interacting classes of participants* and not just individuals. Liability threatens to run against entire classes of participants or against “contributors” based on numerical measures like “traffic at a website.” Such an approach resembles that rejected in *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 397, 88 S. Ct. 2084 20 L. Ed. 2d 1176 (1968), which held that early cable television systems, namely, Community Antenna Television (CATV) systems, did not infringe on

copyright owners' performance right, a subject later regulated by Congress:

“mere quantitative contribution cannot be the proper test to determine copyright liability ... Rather, resolution of the issue before us depends upon a determination of the function that CATV plays in the total process of television broadcasting and reception.”

Defendants submit that, as in *Fortnightly* and as in *Visa*, 494 F.3d at 796, in this case there is a need to examine concepts of “Material Contribution, Inducement, or Causation” as they apply to BitTorrent technology. There is no fact or feature that excludes Google from being classed as a “torrent site” under plaintiffs’ allegations; and, in fact, Google functions equivalently as to the essential service. If 90% of torrents downloaded in total over the Internet are downloaded through Google and only 1% through defendants, such facts bear on defendants’

responsibility.<sup>16</sup> Such facts would show that disappearance of independent BitTorrent developers would not help protect plaintiffs' copyrights. Defendants attempted to discover evidence in the trial court relating to such issues but defendants' attempts were rejected. See Facts, part C and Point V below.

The importance of the issue of materiality is shown by comparison of the majority and dissenting opinions in *Visa*. In dissent, Judge Kozinski asserted that: "Materiality turns on how significantly the activity helps infringement, not on whether it's characterized as one step or two steps removed from it." 494 F.3d 812. This issue calls for a wide-ranging inquiry. As Internet development leads to more highly distributed and collective forms of activity, questions of materiality and "where and how to draw the line" will become more important. Defendants

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<sup>16</sup> Any actual infringement using BitTorrent technology requires a class or swarm of infringers who are trading pieces of files among themselves. There are also classes of torrent sites and trackers. The collective nature of participants creates problems of causation as to secondary liability. See Wright, "Causation in Tort Law," 73 Calif. L. Rev. 1735, 1791 *et. seq.* (1985) ("The Duplicative-Causation Cases"); and compare responsibility of any actor in this situation to that of pharmaceutical companies responsible for a drug – DES – that made the next generation susceptible to a specific cancer and which were held to be liable on a "market share" basis, as a way to deal with causal ignorance. (*Sindell v. Abbott Labs.*, 26 Cal. 3d 588, 603-04, 163 Cal. Rptr. 132, 138-39, *cert. denied*, 449 U.S. 912 (1980).)

contend that they are on the side of the line that best furthers national policy and values and that they need to show the whole terrain to establish that fact.

2. The Judgments threaten good-faith BitTorrent developers.

*Grokster* established a new form of liability based on inducement; and plaintiffs' Complaint recites the formula of a *Grokster* claim, e.g., "Defendants operate this website with the object of enticing others to infringe Plaintiffs' copyrights." (ER723:15-16.)

*Grokster* is the only known reported example of application of an inducement theory to a copyright case. The situation in *Grokster* was very different from that presented here. In *Grokster*, an intent to induce copyright infringement was found on the basis of specific express statements in defendants' business plans of an intention to take over the vacant niche previously occupied by Napster and on evidence of defendants' acts in furtherance of those plans.

Here, an intent to induce copyright infringement is being implied from defendants' participation in the BitTorrent network and conclusory and ultimate facts alleged in the Complaint. The result washes over questions about the nature

of intent to induce infringement in a copyright context<sup>17</sup> and attaches liability solely on the basis of system operations, e.g., search engine, category labels and forums.

The result is an enormous generalization of *Grokster*, which dealt with distribution of a “device” or “product”<sup>18</sup> that was designed by the defendant to accomplish certain business goals; here liability is based on participation in an Internet development community that grows out of an entire sector of technological innovation, namely, P2P file exchange. To impose liability on defendants requires an affirmative answer to the question of applying *Grokster* to a search engine, a question that this Court avoided in *Amazon.com*.<sup>19</sup> The Court will

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<sup>17</sup> For commentary on *Grokster*, see Holbrook, *Symposium Review: The Intent Element of Induced Infringement*, 22 Santa Clara Computer & High Tech L.J. 399, 404 (2006) (“The IntraCircuit Split on Intent and the Non-Infringing Use Phoenix”). In the patent arena, see *Acco Brands, Inc. v. ABA Locks Mfr. Co., Ltd.*, 501 F.3d 1307 (Fed. Cir. 2007) (verdict reversed, lack of evidence), discussed in *Acco Brands, Inc. v. PC Guardian Anti-Theft Products, Inc.*, 2008 U.S. Dist. LEXIS 21725 (N.D. Cal. 2008).

<sup>18</sup> The opening paragraph of *Grokster* focused attention on “the distributor of a product” and “one who distributes a device.” 545 U.S. at 918-919. See also 545 U.S. at 936-937.

<sup>19</sup> “Assuming the principle enunciated in *Sony* is applicable to the operation of Google’s search engine...” 508 F.3d at 1170.

also need to address questions that are obviated by an inquiry narrowed to a device or product, questions such as free speech, materiality, causal nexus and the need to establish limits to application of the principle so as not to outlaw an entire sector of development.

The *Grokster* Court referred to “fault-based liability derived from the common law.” 545 U. S. at 934-935. Oliver Wendell Holmes, Jr. spoke in *The Common Law* (1881), in Lecture IV at 144, of “the general purpose of tort law” and of “reference of liability to a moral standard.” The reason for such a standard “is not that it is for the purpose of improving men’s hearts, but that it is to give a man a fair chance to avoid the harm before he is held responsible for it.”

Under the present rulings, there appears to be no way for a reasonable person to evaluate or avoid the risk of liability for secondary copyright infringement on the basis of a moral standard, other than by avoiding open and independent BitTorrent operations altogether, i.e., by shutting down open public access, shutting down forums for free speech and shutting down open Internet crawlers. Under the present rulings, there is no discernible place for a BitTorrent promoter who has a good faith indifference to Entertainment Company concerns except as required by law and who wants to participate in the open, rude, spamming, scamming, pornographic and, yes, copyright infringing Internet environment – because that is where the action is. Rather, under the present



rulings, independent BitTorrent operations – moral or immoral, good faith or otherwise – appear to be possible only at the sufferance of or through agreement with the Entertainment Industry. The present rulings threaten expansive and unconstrained liability for secondary copyright infringement against persons who want to conform to the law and whose work is supported by national policy and values. For the foregoing reasons, the Judgments and other Orders at issue herein should be reversed and the case remanded for further proceedings according to guidance from this Court.

E. The Judgments, Injunctions and Other Orders in this Case Threaten Online Free Speech.

This case presents a new and serious threat to online rights protected by the First Amendment to the Constitution of the United States. Defendants submit that they do nothing other than engage in speech acts and that none of their speech is copyrighted. Defendants have been punished for nothing other than speaking on the Internet and enabling online speech. Software code in the form of torrent files is entitled to protection as speech. *Universal City Studios v. Corley*, 273 F.3d 429, 446-449 (2d Cir. 2002).

It is submitted that the principles set forth in *Eldred v. Ashcroft*, 537 U.S. 186, 221, 123 S. Ct. 769, 154 L. Ed. 2d 683 (2003) call for a wider rather than a narrower approach to First Amendment issues presented in this case:

“We recognize that the D. C. Circuit spoke too broadly when it declared copyrights ‘categorically immune from challenges under the First Amendment.’ [Citation.] But when, as in this case, Congress has not altered the traditional contours of copyright protection, further First Amendment scrutiny is unnecessary.”

In the present case, in contrast to that of *Eldred*, alterations in contours of copyright protection are occurring without the involvement of Congress. The Entertainment Industry is seeking such alterations and requesting that the courts declare and enforce them. Under these circumstances, further First Amendment scrutiny should not be foreclosed.

Leading Internet decisions stand squarely behind online free speech. The Internet is "the most participatory form of mass speech yet developed," *ACLU v. Reno*, 929 F. Supp. 824 (E.D. Pa. 1996) at 883, upheld in *Reno v. ACLU*, 521 U.S. 844, 870, 138 L. Ed. 2d 874, 117 S. Ct. 2329 (1997); *Ashcroft v. Free Speech Coalition*, 535 U.S. 234, 122 S. Ct. 1389, 152 L. Ed. 2d 403 (2002); *Ashcroft v. ACLU*, 542 U.S. 656, 124 S. Ct. 2783, 159 L. Ed. 2d 690 (2004).

In *Ashcroft v. ACLU*, 542 U.S. at 671-673, the Court upheld free online speech against the Childhood Online Protection Act (“COPA”), ruling that “there is a serious gap in the evidence as to the effectiveness of filtering software” and ordering further proceedings to ascertain whether Internet content filters were effective and whether other possible alternatives would be less restrictive and more

effective than COPA. See also *Gonzales v. Google, Inc.*, 234 F.R.D. 674 (N.D. Cal. 2006) as to further discovery conducted by the Attorney General pursuant to the Supreme Court ruling.

Likewise in this case, defendants submit that there are serious gaps in the evidence here – e.g., as to successful filtering of a database of torrent files – that should be investigated before the Court affirms rulings that threaten online free speech.

Here, the District Court imposed liability for secondary copyright infringement without considering First Amendment questions. Previous decisions have established that those accused of secondary responsibility for even the most serious antisocial behavior may have First Amendment claims that should be evaluated according to established principles – e.g., according to principles of overbreadth, vagueness, scienter and the distinction between a proposal to engage in illegal activity and the abstract advocacy of illegality. *United States v. Williams*, \_\_\_ U.S. \_\_\_, 128 S. Ct. 1830, 1838-39, 170 L. Ed. 2d 650 (2008) (“this statute bans the collateral speech that introduces such material into the child-pornography distribution network”); *Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 492, 494-495, and nn. 6 and 7, 102 S. Ct. 1186, 71 L. Ed. 2d 362 (1982) (seller of cannabis paraphernalia must obtain special license and record name and address of each purchaser of classes of items). No such evaluation occurred here.

On remand, the District Court should be given guidance to ensure that First Amendment issues are fully explored.

F. The Judgments and Injunctions Should Be Reversed and the Case Remanded to the District Court for Further Proceedings.

The present Judgments are not supported by the Complaint and should be reversed. On remand, plaintiffs will be given an opportunity to amend their Complaint under the standard of *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007). *Alan Neuman Productions, Inc. v. Albright*, supra, 862 F.2d at 1393; see also, e.g., *Interscope Records v. Rodriguez*, 06cv2485-B (NLS), 2007 U.S. Dist. LEXIS 60903 (S. D. Cal. 2007).

The Injunctions prohibit defendants from “encouraging, promoting, soliciting, or inducing” copyright infringement, even of works that are created in the future, in a general, non-specific way, without even a scienter or materiality requirement. (E.g., ER3:5-16.) The Injunctions should be vacated because they prohibit lawful conduct, including protected speech and conduct protected by this Court in *Amazon.com*; they are not specific in their terms; and they do not describe prohibited behavior in reasonable detail. 28 U.S.C. § 2106; Fed. R. Civ. P. 65(d); *Madsen v. Womens' Health Center, Inc.*, 512 U.S. 753, 765-766, 114 S. Ct. 2516; 129 L. Ed. 2d 593 (1994) (“precision of regulation is demanded”); *Thomas v. County of Los Angeles*, 978 F.2d 504, 509 (9<sup>th</sup> Cir. 1992); *Waldman Pub. Corp. v.*

*Landoll, Inc.*, 43 F.3d 775, 785 (2d Cir. 1994), quoted in *Grokster Injunction*, 518 F.Supp.2d 1226; *E. W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1114 (8th Cir. 1969), quoted in *Motorola, Inc. v. Fairchild Camera & Instrument Corp.*, 366 F.Supp. 1173, 1185 (D.Ariz. 1973) (improper to prohibit person from entire line of work); *Corning Inc. v. PicVue Elecs., Ltd.*, 365 F.3d 156, 158 (2d Cir. 2004) (“PicVue would have to resort to extrinsic documents to comply with the order's commands”).

III. IN A CASE OF FIRST IMPRESSION, THE DISTRICT COURT ERRONEOUSLY CONSTRUED THE PHRASE “ELECTRONICALLY STORED INFORMATION” IN FED. R. CIV. P. 34 AS TO AUTHORIZE A “SERVER LOG DATA ORDER” COMMANDING DEFENDANTS TO SELECT DATA, AS SPECIFIED BY PLAINTIFFS, OUT OF LARGER STREAMS OF DATA PROCESSED BY DEFENDANTS’ SYSTEM; TO ASSEMBLE RECORDS FROM SUCH DATA; TO MASK SUCH RECORDS; AND TO PRODUCE MASKED RECORDS TO PLAINTIFFS.

A chief question is whether “Server Log Data” discussed supra in the Facts, part B, qualifies as “electronically stored information,” a category now subject to a request for production under Fed. R. Civ. P. 34(a)(1)(A)<sup>20</sup> pursuant to a 2006 Amendment.

This Court construes Rules of Civil Procedure to “to secure the just, speedy, and inexpensive determination of every action and proceeding.” Fed. R. Civ. P. 1; *Bankers Trust Co. v. Mallis*, 435 U.S. 381, 386-387, 98 S. Ct. 1117, 55 L. Ed. 2d 357 (1977); *Pan American World Airways, Inc. v. United States District Court*, 523 F.2d 1073 (9<sup>th</sup> Cir. 1975).

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<sup>20</sup> Authorizing a party to seek production of “ any designated documents or ***electronically stored information***--including writings, drawings, graphs, charts, photographs, sound recordings, images, and other data or data compilations--stored in any medium from which information can be obtained either directly or, if necessary, after translation by the responding party into a reasonably usable form.” (Emphasis added.)

The District Court ruled that “As information can be obtained from RAM, it is within the scope of Rule 34 and subject to discovery under appropriate circumstances.” Further: “data stored in RAM, however temporarily, is electronically stored information subject to discovery under the circumstances of the instant case;” “simply placing the data in the RAM module is sufficient for it to constitute electronically stored information” and “information held in RAM is ‘stored’ under the plain meaning of the unambiguous language of Rule 34.” (ER50:9-11, ER48:4-6, ER48:25-26, ER49:6-8.)<sup>21</sup>

The Magistrate Judge determined that “The Server Log Data in Issue Is Electronically Stored Information.” (the title of the Point in the Magistrate Judge's Order at ER91:1-2). Factually, the Magistrate Judge found that “the data went through and was temporarily stored in the RAM of defendants’ website server for approximately six hours.” (ER87:2-5.)

The Magistrate Judge also found:

“Based on the evidence in the record, the court finds that the Server Log Data in this case is transmitted through and temporarily stored in RAM while the requests of defendants’ website users for dot-torrent

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<sup>21</sup> RAM is “a computer component in which data and computer programs can be temporarily recorded.” *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 519 (9th Cir. 1993).

files are processed. Consequently, such data is electronically stored information under Rule 34.” (ER93:13-16.)

As the Magistrate Judge noted, after referring to Advisory Committee Notes to the 2006 Amendment to the Rule, there are “no cases in which a court assessed whether data present only in RAM constitutes electronically stored information under Rule 34.” (ER91:7-14; ER92:9-11.)

The District Court likewise identified:

“the following question of first impression: is the information held in a computer’s random access memory (RAM) ‘electronically stored information’ under the Federal Rule of Civil Procedure 34?” (ER47:17-20.)

As stated by the Advisory Committee on the 2006 Amendment to Rule 34:

“it has become increasingly difficult to say that all forms of electronically stored information, many dynamic in nature, fit within the traditional concept of a ‘document.’ Electronically stored information may exist in dynamic databases and other forms far different from fixed expression on paper. Rule 34(a) is amended to confirm that discovery of electronically stored information stands on equal footing with discovery of paper documents. The change clarifies that Rule 34 applies to information that is fixed in a tangible form and to information that is stored in a medium from which it can be retrieved and examined.”



The Advisory Committee further stated:

“The wide variety of computer systems currently in use, and the rapidity of technological change, counsel against a limiting or precise definition of electronically stored information. Rule 34(a)(1) is expansive and includes any type of information that is stored electronically. A common example often sought in discovery is electronic communications, such as e-mail. The rule covers--either as documents or as electronically stored information--information ‘stored in any medium,’ to encompass future developments in computer technology. Rule 34(a)(1) is intended to be broad enough to cover all current types of computer-based information, and flexible enough to encompass future changes and developments. References elsewhere in the rules to ‘electronically stored information’ should be understood to invoke this expansive approach.”

Defendants submit that the Server Log Data did not satisfy the definition of the Advisory Committee. Data that is “transmitted through and temporarily stored in RAM while the requests of defendants’ website users for dot-torrent files are processed,” as the Magistrate Judge found, is not “fixed.”<sup>22</sup> These are data streams, not data structures.

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<sup>22</sup> As set forth in Facts, part B.3, supra, the notion that data “went through RAM” or was “transmitted through RAM” was suggested by the Magistrate Judge during examination of defendant Wes Parker but was not stated in actual testimony.

The rulings of the District Court stated that discoverability depends on whether “information can be obtained from RAM.” (ER50:9-11.) But the question of whether the responding party *can* produce the requested information from the RAM medium is different from, and begs the question of whether the requested information has actually been “stored in a medium from which it can be retrieved and examined.” The District Court conflated a possible future event with an actual past event. Defendants contend that Server Log Data was never stored on their system and that there was nothing to retrieve and examine.

The trial court held, in effect, that defendants had recorded a document simply because defendants could record that document. As the Magistrate Judge used the word “exists,”<sup>23</sup> a gold bar “exists” in every cubic mile of ocean water, it’s just that the infinitesimal gold particles are unconnected with one another.

Defendants submit that the Server Log Data Order is contrary to the principle that a party cannot be ordered to prepare new documents solely for their production. *Alexander v. FBI*, 194 F.R.D. 305, 310 (D.D.C. 2000); *Rockwell Int'l Corp. v. H. Wolfe Iron and Metal Co.*, 576 F. Supp. 511, 513 (W.D.Pa. 1983); *Paramount Pictures Corp. v. ReplayTV*, CV 01-9358 FMC (Ex), 2002 WL 32151632 (C. D. Cal. 2002).

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<sup>23</sup> “the Server Log Data in issue exists.” (ER95:1)

The trial court's error is highlighted by its reliance on *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9<sup>th</sup> Cir. 1993). (ER50:12-51:3; ER92:9-93:16.) *MAI* establishes the principle that a previously-existing document, such as a copyrighted software program, can be copied into RAM.<sup>24</sup> The trial court jumped from this principle to the conclusion that any data ever “temporarily stored in RAM” can be defined as a document, or that any data ever “passing through RAM” can be defined as a document, or that data can be defined as a document if it is possible to obtain it from RAM. The trial court disregarded the fact that use of RAM is a universal feature of all computer processing and that – if there is no pre-

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<sup>24</sup> “[B]y showing that Peak loads the software into the RAM and is then able to view the system error log and diagnose the problem with the computer, MAI has adequately shown that the representation created in the RAM is ‘sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.’” 911 F.2d at 518, quoting 17 U.S.C. § 101 and the statutory definition of “fixed.” Given the incoherent evidence in this case *supra*, see Facts B.3, it is not possible to state that the presence of Server Log Data in RAM was stable or permanent for more than transitory duration and the language of the findings – “transmitted through and temporarily stored in RAM while the requests of defendants’ website users for dot-torrent files are processed” – shows confusion, notwithstanding the Magistrate Judge’s recitation of the principle from *MAI* in close juxtaposition to such findings. (ER92:9-93:16.)

existing document or data structure, such as existed in the copyright cases – active intervention is needed to select, extract and organize a document or data structure from data items that appear at various moments in RAM.

Research has not uncovered a useful definition of “electronically stored information.” There is presently pending before this Court another appeal involving the same District Court Judge and many of the same parties and counsel that are appearing in this case – see “connected case” *Justin Bunnell, et. al. v. MPAA*, No. 07-56640 – that examines similar language in the Electronics Communications Privacy Act, involving electronic communications (e.g., e-mails) that are “in electronic storage.” 18 U.S.C. § 2510(17).<sup>25</sup>

Defendants here submit that the District Court erred in this case for much the same reason that it erred in *Bunnell v. MPAA*. There, the District Court held that an outgoing email being processed in an email server was “in electronic storage” while a copy was being made and sent to a hacker who had earlier meddled with the server, by reason of the fact that the contents of the email were present in

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<sup>25</sup> According to the section, “electronic storage” means--

“(A) any temporary, intermediate storage of a wire or electronic communication incidental to the electronic transmission thereof; and  
(B) any storage of such communication by an electronic communication service for purposes of backup protection of such communication.”

server's RAM during the copying, without regard for other facts and circumstances of copying, including an absence of any actual storage during the email transmission process. Here the District Court ruled that "RAM is *defined* as a storage unit, and, due to its speed relative to hard disk drives, is typically used as the computer's primary storage." (ER48:27-28, emphasis in original.)

In both this case and *Bunnell v. MPAA*, the District Court took the computer hardware definition of "storage" and made it into a legal definition. Such an approach is erroneous because the functions of the definitions are entirely different. Computer hardware definitions are exact and tethered to specific devices; but legal definitions are general and need to incorporate a capacity for future adaptation and growth. New computer hardware definitions will be introduced along with new computer hardware devices but courts will decide cases for the indefinite future on the basis of legal concepts stated in the context of the present dispute. Adherence to hardware definitions by courts would mean that technological terminology shapes legal concepts into obsolescent forms.

Just because RAM is a "storage device" does not mean that every digital bit that is ever set in RAM is "in electronic storage" or is "electronically stored information." Data present in RAM is not necessarily in storage; it may be a value used in processing that changes every few clock ticks. Under the District Court's definition – "simply placing the data in the RAM module is sufficient for it

constitute electronically stored information” (ER48:25-26) – every momentary image on a computer screen is discoverable “simply” because of “data in the RAM module” that writes images to the screen.

A better approach to construction of the phrase “electronically stored information” is suggested by the Advisory Committee Note, quoted *supra*, namely that “Rule 34(a) is amended to confirm that discovery of electronically stored information stands on equal footing with discovery of paper documents.” One can put paper documents and electronically stored information side by side, so to speak, and then compare and contrast them. What is clear about paper documents may help guide analysis of electronically stored information.

As stated in Scheindlin & Rabkin, “Electronic Discovery in Federal Civil Litigation: Is Rule 34 Up to the Task?,” 41 B.C. L. Rev. 327, 372 (2000), under former Rule 34(a):

“Embedded data, Web caches, history, temporary, cookie and backup files—all of which are forms of electronically stored information automatically created by computer programs rather than by computer users—do not obviously fall within the scope of the term ‘documents’.”

It is reasonable to suppose that the addition of “electronically stored information” to Rule 34 has expanded the scope of discoverability to include categories such as those that were identified in the Scheindlin & Rabkin article.

Under the reasoning of the District Court, such categories of electronically stored information do not need to be separately examined because all are “transmitted through RAM” and/or “temporarily stored in RAM.” Defendants submit that such reasoning is contrary to an orderly approach that encourages separate examination of categories, which leads to appropriate distinctions between categories and solid foundations for general principles.

Related questions are examined in *The Sedona Principles: Second Edition: Best Practices, Recommendations & Principles for Addressing Electronic Document Production* (*The Sedona Conference*<sup>®</sup> *Working Group Series, 2007*) (hereinafter “*Sedona Principles*.”),<sup>26</sup> organized around 14 “Sedona Principles for Electronic Document Production.” Principle 9 states:

“Absent a showing of special need and relevance, a responding party should not be required to preserve, review, or produce deleted, shadowed, fragmented, or residual electronically stored information.”  
*Sedona Principles* at p. ii.

The rulings of the trial court in this case recognize no gradations in the scope of discoverability of “fragmented or residual electronically stored information” (which resemble features of the subject data “in RAM”). Nor was there a genuine

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<sup>26</sup> Defendants’ counsel, Ira P. Rothken, Rothken Law Firm, is a member of the Working Group.

showing of “special need.”

In *Williams v. Sprint/United Mgmt. Co.*, 230 F.R.D. 640 (D. Kans. 2005), decided in anticipation of the 2006 Amendment, the court applied Sedona Principle 9 in combination with another Sedona Principle in a case involving “metadata” (information describing the history, tracking, or management of an electronic document that is usually not seen by the user). The court stated:

“Metadata is specifically discussed in depth in Comment 12.a. to the Sedona Principles. The comment states that ‘although there are exceptions to every rule, especially in an evolving area of the law, there should be a modest legal presumption in most cases that the producing party need not take special efforts to preserve or produce metadata.’ The comment further notes that it is likely to remain the exceptional situation in which metadata must be produced.”

240 F.R.D. 651, footnotes omitted.

Under the reasoning of the District Court, if information can be “obtained from RAM,” it is discoverable by that fact alone; and the evaluations undertaken by the *Williams* court and suggested by the Scheindlin article and Principle 9 of the *Sedona Principles* need not be undertaken.

The addition of “electronically stored information” to the category of “documents” suggests that objective features of documents should be adapted to electronic forms. For an adaptive or developmental approach, see *Williams v. Sprint/United Mgmt. Co.*, *supra*, 240 F.R.D. 648 *et. seq.*, (“Whether emerging



standards of electronic discovery articulate a presumption against the production of metadata”).

We suggest a developmental approach that is based on objective features of *longevity*, *integrity* and *distinction*, corresponding to “the document, the whole document and nothing but the document.” “Integrity” means that there is a single coherent, comprehensive piece and “distinction” means that the single piece is separate from other pieces. “Longevity” refers to the physical lifetime of the piece (document/file, etc.).

Features of longevity, integrity and distinction are “built into” paper documents but become questionable when applied to electronic information. E.g., longevity must be adapted to temporary memory systems; integrity must be adapted to fragmentation among storage locations; and distinction must be adapted to interconnected databases.

Here “longevity” of the information is based on “passing through” RAM, “temporarily stored in RAM” and/or “in RAM” for up to six hours, or even less if clarity of evidence were to be achieved. (ER466:17-22.) In contrast, a paper document has an indefinite longevity, one likely lasting for months or years.

In complete contrast to paper documents, here there is neither integrity nor distinction. Rather data items that were to be collected and made into Server Log Data came from external sources as unconnected single items and were submerged

in a far greater volume of “all requests.” Defendants were ordered to pick out less than 1% of the data that was “temporarily stored in RAM” on defendants’ web server.

In sum, as to “Server Log Data Order,” longevity has been reduced to a relatively short time; and integrity and distinction have been reduced to bits of information dispersed in a greater body and without any relationship amongst themselves other than the relationship imposed by plaintiffs and the Court. In terms of objective factors, the trial court expanded discovery rights from long-lived, integral and distinct matters to those that are close to the utmost in brevity, fragmentation and immersion in a far greater whole.

The Magistrate Judge ruled:

“The court emphasizes that its ruling should not be read to require litigants in all cases to preserve and store electronically stored information that is temporarily stored only in RAM. The court’s decision in this case to require the retention and production of data which would otherwise be temporarily stored only in RAM, is based in significant part on the nature of this case, the key and potentially dispositive nature of the Server Log Data which would otherwise be unavailable, and defendants’ failure to provide what this court views as credible evidence of undue burden and cost.

(See ER110:23-28, emphasis in original.)

Defendants submit that the Magistrate Judge and the District Court failed to

construe the phrase “electronically stored information” on the basis of objective features of the matter being discovered, such as features of longevity, integrity and distinction. Rather, the Magistrate Judge based her findings on subjective judgments about circumstantial matters, namely, “the nature of this case, the key and potentially dispositive nature of the Server Log Data which would otherwise be unavailable, and ... [what the] court views as credible evidence of burden and cost.” “[T]he key and potentially dispositive nature of the Server Log Data” is no more than speculative in the light of concealment of the purposes of Server Log Data in MPAA’s fortress of privilege.

The trial court’s rulings about the “existence” of Server Log Data have no genuine foundation. Supposed factual findings stretch language elastically in multiple directions. To reach a desired goal, the trial court applied a principle of maximal expansion and held that all that was required for proper adjudication was a balancing of factors where subjective judgments and vague claims could overwhelm any objective consideration. Thus, the trial court justified giving to plaintiffs in the name of discovery what should be beyond the reach of any party, namely, to turn the adverse party into an involuntary generator of evidence that has no existence except by Order of the Court. Such an Order was improper prior to the 2006 Amendment to Fed. R. Civ. P. 34 and it should be improper today.

For the foregoing reasons, the Server Log Order should be reversed.

IV. THE “SERVER LOG DATA ORDER” INCORPORATED FATAL ERRORS.

- A. In Commanding Defendants to Devise a Method To Preserve the Server Log Data And to Bear the Adverse Consequences of Whatever Method Was Devised, the Server Log Data Order Amounted to a Mandatory Injunction and/or Final Disposition of the Action, Rulings That Are Beyond the Jurisdiction of a Magistrate Judge.

The Magistrate Judge’s Order stated:

“As the record reflects that there are multiple methods by which defendants can preserve such data, the court does not by this order mandate the particular method by which the defendants are to preserve the Server Log Data.” (ER112:18-20.)

The Magistrate Judge ordered defendants to “preserve the Server Log Data for the duration of this litigation.” (ER112:16-17.)

Defendants submit that the Magistrate Judge’s Order was outside the jurisdiction of the office. See 28 U.S.C. § 636(b)(1)(A) (“except a motion for injunctive relief”); *Gomez v. United States*, 490 U.S. 858, 871-872, 109 S. Ct. 2237, 104 L. Ed. 2d 923 (1989) (reviewing “assurances that magistrates’ adjudicatory jurisdiction had been circumscribed in the interests of policy as well as constitutional constraints”); *Reynaga v. Cammisa*, 971 F.2d 414, 417 (9th Cir. 1992).

Although “the court [did] not by this order mandate the particular method”

(Order, quoted supra), the Magistrate Judge told defendants, in effect, to devise a method to carry out duties specified by plaintiffs, along with additional masking requirements ordered by the Court and all backed up by the contempt power. A Magistrate Judge cannot issue an injunction and this injunction was, in addition to that impropriety, both mandatory and indefinite in its mandate. See *Adams v. Vance*, 570 F.2d 950, 956 (D.C.Cir. 1978) (trial court erroneously disregarded possible international ramifications and “the order here would not merely be preservative of the status quo.”)

The Magistrate Judge disbelieved defendants and defendants’ evidence about the costs and burdens that the Order would impose on their system and operations. (ER84:22-28, ER90:21-91:28, ER97:3-100:2, ER105:12-107:2.) There was no actual evidence about costs and burdens that the Magistrate Judge found credible.<sup>27</sup> The Magistrate Judge simply found that “defendants have failed to demonstrate that the Server Log Data is not reasonably accessible because of undue burden or cost.” (ER110:9-10.) The Magistrate Judge’s disbelief in defendants’ evidence apparently justified imposing any burden on defendants, no

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<sup>27</sup> The Magistrate Judge noted plaintiffs’ argument “that storing the data would not be costly because a DVD can be purchased for under a dollar.” (ER99:22-23.) A cheap DVD measures the costs of preserving Server Log Data about as well as cheap gas measures the costs of maintaining a car in a big city.

matter how onerous.

Defendants stated as best they could why recording, preserving and producing Server Log Data would be extremely burdensome and costly to achieve, namely, that defendants were competing in a marketplace of similar providers and operating a very high-traffic Internet site with an international clientele that demanded speedy service, then being provided, after years of practical research, by Panther's world-wide network and LeaseWeb's Netherlands location; that the system could not presently manage the production of Server Log Data while competing in the marketplace; and that any such production would be possible only with great difficulty and expense, likely requiring an entirely new system in a new location. (ER648:12-25; ER566:14-571:20; ER467:16-23.)

Defendants further submit that the Server Log Data Order amounted to awarding to plaintiffs control over TorrentSpy, exactly the relief that plaintiffs were seeking in the main action. In effect, the Server Log Data Order was an order that might be entered as final relief, namely, putting the website under strict regulation that enables policing of visitors and that is enforced by threat of a contempt citation. Pursuant to such "functional analysis," the Server Log Data Order was dispositive in terms of effect on the litigation and thus beyond the authority of the Magistrate Judge under Fed. R. Civ. P. 72(a). *Vogel v. United States Office Prods. Co.*, 258 F.3d 509, 514-515 (6th Cir. 2001) (functional

analysis); *Sell v. United States*, 539 U.S. 166, 156 L. Ed. 2d 197, 123 S. Ct. 2174 (2003); *United States v. Rivera-Guerrero*, 377 F.3d 1064, 1078-79 (9<sup>th</sup> Cir. 2004).

The District Court ruled that “The May 29 Order is a quotidian discovery order, resolving disputes over relevance, burden, and the proper scope of discovery... Magistrate judges regularly compel production of documents...” (ER52:10-12.) Defendants understand that District Courts and Magistrate Judges compel parties to perform acts that the parties find repugnant on a “quotidian” or everyday basis. Further, that, everyday, courts decide to disregard a party’s statements that a court order will have disastrous consequences. What is not “everyday” about this Order is that it compels defendants to “devise a method” to carry out an Order that is repugnant to them and that it implies that any disastrous consequences will be declared to be defendants’ own fault for failing a devise a suitable method. There seems to be a presumption that defendants created their own problems as “pirates”– reflecting the lack of sound balance that troubled all the proceedings in the trial court and discussed supra in point I – that lies under the Magistrate Judge’s disdain for defendant’s choice of the Netherlands as the site for their server and for defendants’ privacy policy and practices<sup>28</sup> and that stands out in the Magistrate Judge’s declining to “either mandate or prohibit notification to

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<sup>28</sup> “the terms of which are entirely within defendants’ control.” (ER100:13-20.)

the users of defendants' website of the fact that the Server Log Data is being preserved and has been ordered produced with masked/encrypted/redacted IP addresses." (ER113:9-12.)

The Server Log Data Order was not an everyday order for any court and much less for a Magistrate Judge. The Server Log Data Order was an injunction; and it was an invalid injunction for many reasons, including its mandatory character and its lack of specificity under Fed. R. Civ. P. 65(d)(1)(B). (See also point II.F, *supra*.) It was beyond the jurisdiction of a Magistrate Judge.

For the foregoing reasons, the Server Log Data Order should be reversed.

B. The Server Log Data Order Was an Improperly Ordered Wiretap and Was Prohibited Under the Electronic Communications Privacy Act.

The Electronic Communications Privacy Act ("ECPA") subsumes both the Wiretap Act (18 U.S.C. §§ 2510 *et. seq.*) as Title I and also the Stored Communications Act ("SCA") (18 U.S.C. §§ 2701 *et. seq.*) as Title II. *Konop v. Hawaiian Airlines*, 302 F.3d 868, 874 (9th Cir. 2002) *cert. denied*, 537 U.S. 1193 (2003) (hereinafter "*Konop*").

The Server Log Data Order ordered the acquisition of contents of electronic communications sent by users of the TorrentSpy website to the website; and such acquisitions constitute intercepts under the Wiretap Act. 18 U.S.C. §§ 2510(4), (5), (8), (12) and (13); 18 U.S.C. § 2511; *Smith v. United States*, 155 F.3d 1051,



1055 (9th Cir. 1998). To obtain such information, a special wiretap warrant must be issued by a District Court Judge. See 18 U.S.C. §§ 2516-2519. The Magistrate Judge could not and did not issue the required wiretap warrant.

In affirming the Server Log Data Order, the District Court relied on principles it had previously found in connection with the *Bunnell v. MPAA* case, discussed supra, based on *Konop, supra*, namely, that a communication “in electronic storage” cannot be subject to the Wiretap Act. The District Court held that “the Server Log Data exists in electronic storage. The Wiretap Act is therefore inapplicable and does not pose any barrier to Defendants’ compliance with the May 29 Order.” (ER54:22-14.)

However, the District Court’s rationale is inconsistent with another principle from *Konop* relied upon, namely that “the Wiretap Act applies only to ‘acquisition contemporaneous with transmissions’.” (ER55:4-5) As discussed supra, the Magistrate Judge found that “the Server Log Data in this case is transmitted through and temporarily stored in RAM while the requests of defendants’ website users for dot-torrent files are processed.” (ER93:13-16.) The Magistrate Judge found that a visitor’s request was simultaneously transmitted and stored, simultaneous activity that the District Court declared to be impossible. The inconsistency cannot stand and the Server Log Data Order should be reversed.

The Magistrate Judge also ruled that defendants and their visitors had

consented to the interceptions and that consensual acquisitions were excluded from both the Wiretap Act and the SCA. (ER102:8-21 and ER104:3-10.) The District Court ruled that SCA was not violated because the acquisitions ordered by the Court were authorized. (ER53:26-54:23.)

Defendants submit that such rulings were clearly erroneous and contrary to law. No visitor to the TorrentSpy ever “consented to” or “authorized” the interception of a torrent file request and the delivery to plaintiffs of the visitor’s IP address. Statutory interpretations holding that defendants “consented to” or “authorized” the interceptions would make a mockery of all privacy rights. There is nothing in the statutory language, structure or text that supports such interpretations and they are directly contrary to the principle that, in enacting the ECPA, “the protection of privacy was an overriding congressional concern.” *Gelbard v. United States*, 408 U.S. 41, 48; 92 S. Ct. 2357; 33 L. Ed. 2d 179 (1972), quoted in *Chandler v. United States Army*, 125 F.3d 1296, 1298 (9<sup>th</sup> Cir. 1997). The trial court’s interpretations would gut the ECPA and the heightened warrant constraints of the Wiretap Act.

References to the Pen Register Statute (18 U.S.C. §§ 3121-27) further show the errors in the trial court’s reasoning. (ER104:11-105:11; ER55:15-56:4.) The Pen Register Statute allows law enforcement officers to obtain part of the information that would be obtained from a wiretap without violating the Wiretap

Act, namely, the information that is obtained by recording the numbers of telephones communicating with a subject telephone but without “listening in” on the conversation. Adapting the principle to the Internet situation, it would be appear to be authorized by the Pen Register Statute and within the Wiretap Act to record the IP addresses of visitors to the TorrentSpy website so long as no contents of communications were recorded. However, the Server Log Data Order requires the recording of communications, namely the torrent file request. The Order is therefore not within the authorization of the Pen Register Statute, but is in violation of the Wiretap Act. *In Re Application of the United States of America for an Order Authorizing The Use of a Pen Register And Trap On [xxx] Internet Service Account/User Name [xxxxxxxx@xxx.com]*, 396 F. Supp. 2d 45 (D. Mass. 2005).

Congress passed the ECPA to protect privacy rights that were violated by the trial court’s Order. The trial court ignored the regulations of the ECPA and treated privacy rights enacted by Congress as minor obstructions to be brushed aside. The trial court’s rulings were erroneous and the Server Log Data Order should be reversed.

- C. The Server Log Data Order Dealt Dupliciously with Online Free Speech and Privacy Rights by Ordering the Masking of Personal Identifying Information Only “At This Juncture,” Leaving Open the Likelihood of Future Unmasking.

The Magistrate Judge assumed that visitors to the former TorrentSpy website had “limited First Amendment Protections” but that ordering:

“the preservation and disclosure of the Server Log Data does not encroach or substantially encroach upon such protection, particularly in light of the fact that such data does not identify the users of defendants’ website and that the IP addresses of such users have been ordered to be masked.” (ER102:1-7.)

In denying defendants’ Motion for Review, the District Court ruled:

“Plaintiffs are not requesting the names or other identifying information ... and the May 29 Order ensures that such identifying information will not be disclosed.” (ER58:21-23.)

As set forth supra, Facts § B.1, plaintiffs have declared that IP addresses will lead them to the identities and addresses of individuals. The masking is ordered only “at this juncture,” clearly implying a likelihood of later “unmasking.” (ER113:2.) The trial court’s rulings erroneously ignore these facts.

It is pointless to record IP addresses if the addresses are not going to be disclosed to MPAA. Presumably, MPAA has a database of IP addresses it has aggregated by various means; and, presumably, MPAA wanted to use IP addresses

produced by defendants in discovery to track down users of TorrentSpy who could be sued or threatened with suit and thereby induced to provide evidence against TorrentSpy. These are directly foreseeable consequences of recording IP addresses.

The District Court's statement that "the May 29 Order ensures that such identifying information will not be disclosed" is contrary to reason. *Of course*, plaintiffs were going to request the unmasking of IP addresses. And, given the history of proceedings in this case, there was every reason to expect that the trial court would order the disclosure to plaintiffs of any IP addresses that had been recorded through defendants' compliance with the Server Log Data Order. Defendants would have looked ridiculous suggesting otherwise to visitors to their website.

"Masking" with an expectation of "unmasking" coupled with assurances that "the mask will protect you" is duplicitous and contrary to authorities that require respect for privacy and for a person's fears that privacy will be invaded by powerful interests antagonistic to the person, such as MPAA. The Server Log Data Order did not alleviate such fears of privacy invasions but showed that such fears were realistic and that the MPAA had the courts on its side in carrying out such invasions. A person downloading a torrent from TorrentSpy, and informed of the Court's order, could not expect his or her privacy to be respected.

Defendants submit that, measured by likely damage to expectations of privacy and by likely chilling effects on online free speech, the mask is worse than “no mask” because the mask emphasizes the invasion of privacy and implies that MPAA can be and will be tracking everyone all the time, looking for opportunities to enforce copyrights.

The right to privacy originates with the Fourth Amendment to the United States Constitution, which protects “a subjective expectation of privacy that is objectively reasonable.” *Katz v. United States*, 389 U.S. 347, 361, 88 S. Ct. 507, 19 L. Ed. 2d 576 (1967) (Harlan, J., concurring); *Smith v. Maryland*, 442 U.S. 735, 740, 99 S. Ct. 2577, 61 L. Ed. 2d 220 (1979); *United States v. Taketa*, 923 F.2d 665, 670-671 (9<sup>th</sup> Cir. 1991) (“*Taketa*”).

“This inquiry, as Mr. Justice Harlan aptly noted in his *Katz* concurrence, normally embraces two discrete questions. The first is whether the individual, by his conduct, has ‘exhibited an actual (subjective) expectation of privacy,’ 389 U.S., at 361 -- whether, in the words of the *Katz* majority, the individual has shown that ‘he seeks to preserve [something] as private.’ *Id.*, at 351. The second question is whether the individual's subjective expectation of privacy is ‘one that society is prepared to recognize as “reasonable,” ’ *id.*, at 361 -- whether, in the words of the *Katz* majority, the individual's expectation, viewed objectively, is ‘justifiable’ under the circumstances. *Id.*, at 353.”

*Smith v. Maryland*, *supra*.

Following the *Katz/Smith* analysis, defendants submit that individuals using the Internet clearly exhibit an actual expectation of privacy. See *Doe v. 2theMart.com*, 140 F. Supp. 2d 1088, 1092, 1097 (W.D. Wash. 2001) (“Internet anonymity facilitates the rich, diverse, and far ranging exchange of ideas...; the constitutional rights of Internet users, including the right speak anonymously, must be carefully safeguarded”). This Court will determine whether such an expectation of privacy is reasonable or justifiable under the circumstances.

As both the Magistrate Judge and District Court recognized, courts have ruled that online anonymity supports free speech and is therefore protected by the First Amendment to the United States Constitution. (ER57:22-59:23; ER101:16-26.) Supporting authorities include *McIntyre v. Ohio Elections Commission*, 514 U.S. 334, 341-42, 131 L. Ed. 2d 426, 115 S. Ct. 1511 (1995) (the choice to speak anonymously may be motivated by "a desire to preserve as much of one's privacy as possible"); *ACLU of Nev. v. Heller*, 378 F.3d 979, 989 (9<sup>th</sup> Cir. 2004) (“The anonymity protected by *McIntyre* is not that of a single cloak”); *Sony Music Entm't Inc. v. Does 1-40*, 326 F. Supp. 2d 556 , 564-565 (S.D.N.Y. 2004) (holding that persons exchanging pirated music through a P2P network have First Amendment rights and requiring a factor analysis, including “specificity of the discovery request”); *United States v. Perez*, 247 F.Supp.2d 459, 461 (S.D.N.Y. 2003) (suppressing evidence seized from “computers of thousands of individuals merely

because they entered their e-mail addresses into a website where images of child pornography were available, even without any proof that the individuals uploaded, downloaded or discussed the images, or otherwise participated in the website”).

The District Court held that downloading a torrent or engaging in a BitTorrent file exchange means abandoning an expectation of privacy.<sup>29</sup>

Defendants submit that the District Court uncritically reached conclusions that properly called for further examination and analysis. Plaintiffs alleged that “once the user clicks on the torrent file, the desired movie or television program begins to download (*i.e.*, be reproduced) onto the user’s computer – automatically and without any further action by the user.” (ER723:17-20.) “Although torrents do not contain actual copies of the movie or television program, they automatically and invisibly instruct a user’s computer where to go and how to get the desired file.” (*Id.*, 5:9-11.) But, as Prof. Horowitz, plaintiffs’ own expert, testified during the Server Log Data hearing: “It depends on how the user sets up the computer. It

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<sup>29</sup> “... the privacy interests of Defendants’ users are, at best, limited. To the extent the users are engaged in copyright infringement, the First Amendment affords them no protection whatsoever. ...Even if users are engaged in *legal* file sharing, they have little to no expectation of privacy because they are broadcasting their identifying information to everyone in the BitTorrent ‘swarm’ as they download the file.” (ER57:21-59:23, esp. ER58:19-23 and ER59:9-12. emphasis in original.)



might go automatically. It might prompt you.” (ER554:10-14.) In other words, it is “automatic and invisible” if the user so desires but not otherwise.

In concluding that downloading a torrent file amounted to a waiver of anonymity and other free speech rights, the District Court jumped over intermediate steps and failed to note that the loss of First Amendment and privacy rights was being expanded into situations that clearly do *not* involve direct copyright infringement and that are distinct from file-sharing. A multitude of computer programs “automatically and invisibly instruct a user’s computer” to make Internet connections and obtain downloads.

As this Court held in *Taketa*, supra, “Privacy does not require solitude.” 923 F.3d 623. An employee occupying a private business office that is visited by coworkers, supervisors, and the public may still have a reasonable expectation of privacy. *Id.* In sum, an examination is required that considers possible gradations and a line based on the facts of the case. Defendants submit that such an examination was not undertaken in this case.

In *ACLU of Nev. v. Heller*, supra, at 378 F.3d 990, this Court held that:

“the fact that individuals in a group, or an individual cooperating with a group, have shared their political thoughts with the members of the group does not mean that they have no privacy interest in concealing from the general public their endorsement of those beliefs.”

In other words, a person is entitled to have concentric circles of privacy; and disclosure inside an inner circle is not equivalent to broadcasting to the world or to MPAA.

It is certainly true that none of the cited cases dealt with exactly the situation here. The novelty and difficulty of the situation were reasons for more careful analysis and consideration, not for the speedy conclusion that “file sharers have no rights.” The novelty and difficulty of the situation were certainly not a reason for a duplicitous “mask” that was not going to conceal anything for long but that clearly signaled a disrespect for Internet anonymity, for personal privacy and for users of the former TorrentSpy website

For the foregoing reasons, this Court should reverse the Server Log Data Order.

V. THE DISTRICT ERRED IN CONSTRICTING DEFENDANTS' DISCOVERY RIGHTS AND, UPON REMAND, THIS COURT SHOULD PROVIDE GUIDANCE SO THAT DEFENDANTS CAN PRESENT A FULL VIEW OF THE ISSUES AND CONTEXT TO THE COURT DURING SUBSEQUENT PROCEEDINGS.

A. Standard of Review: Abuse of Discretion.

“Discovery rulings are reviewed for an abuse of discretion. [Citation.] This standard also applies to rulings regarding the relevance of evidence.” *Survivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 630 (9<sup>th</sup> Cir. 2005).

B. The Trial Court Abused Its Discretion When It Refused to Order the Production of Relevant Evidence of Major Importance in Litigation That Affects National Policy.

Defendants' positions on relevancy were stated as part of the Facts, part C and are stated summarily here.

Evidence about authorized promulgations, including spoofs and trailers, is relevant to issues of materiality, direct infringement, the *Sony* doctrine protecting non-infringing uses and alleged filtering responsibilities. The possibility of filtering depends on what is being filtered. Plaintiffs alleged: “The fact is that Defendants easily could prevent infringement of Plaintiffs' copyrighted works by not indexing torrent files corresponding to Plaintiffs' copyrighted works.” (ER724:22-25.) The allegation relates to the issue of whether defendants could

‘take simple measures to prevent further damage’ to copyrighted works, *Netcom*, 907 F. Supp. at 1375.” *Amazon.com* at 508 F.3d 1172. The requested evidence is important in deciding such issue because authorized promulgations should not be filtered out.

Evidence of plaintiffs’ authorized BitTorrent promulgations and other involvement with BitTorrent is further important in understanding the entire context of BitTorrent technology put into issue by the generic allegations of plaintiffs’ Complaint. Plaintiffs’ Complaint provides no criterion for distinguishing between a “legitimate torrent site” and a “pirate site” but plaintiffs’ failure to address the issue does not foreclose defendants from showing how such a distinction can be made, if evidence is made available.

Additionally, the doctrine of copyright misuse "prevents copyright holders from leveraging their limited monopoly to allow them control of areas outside the monopoly." *Napster*, at 239 F.3d 1026-27; see *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772, 792-95 (5th Cir. 1999); *Practice Management Information Corp. v. American Medical Ass'n*, 121 F.3d 516, 520-21 (9<sup>th</sup> Cir. 1997), amended, 133 F.3d 1140 (9th Cir. 1998); *DSC Communications Corp. v. DGI Technologies, Inc.*, 81 F.3d 597, 601-02 (5th Cir. 1996); *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 976-79 (4th Cir. 1990). Such leveraging is occurring here, where plaintiffs and MPAA are attempting to leverage their

copyrights into control of BitTorrent technology.

All of these factors also come into play with respect to defendants' other discovery requests, including requests for evidence about plaintiffs' and MPAA's arrangements with BitTorrent, Inc. and Google about pertinent matters, e.g., those involving 17 U.S.C. § 512(i)(2) "standard technical measures" that are used by BitTorrent, Inc. (or Google) to reduce copyright infringement of plaintiffs' copyrighted works, which must be made "available to any person on reasonable and nondiscriminatory terms." (ER665:20-28).

Plaintiffs' time limitations, constricting defendants' discovery to time periods prior to February 23, 2006, had no basis other than the plans of MPAA's litigation team to control discovery. As shown by subsequent events when plaintiffs enlarged their claims from 18 titles to 3699 titles, the constriction was a matter of tactics for MPAA, to be discarded when tactics changed.

For the foregoing reasons, the discovery orders of the trial court should be reversed and this Court should provide guidance to the trial court so that, on remand, defendants are able to obtain evidence necessary to defend themselves.

VI. THE ORDER GRANTING PLAINTIFFS' MOTION FOR TERMINATING SANCTIONS SHOULD BE REVERSED BECAUSE OF INSUFFICIENT SHOWINGS OF WILLFULNESS AND/OR PREJUDICE TO PLAINTIFFS THAT COULD NOT BE REDRESSED BY LESS EXTREME SANCTIONS.

A. Standard of Review and Trial Court Standard.

The standard of review is stated in *Halaco Engineering Co. v. Costle*, 843 F.2d 376, 379 (9<sup>th</sup> Cir. 1988) (hereinafter "*Halaco*"):

"We review sanctions imposed by a district court for abuse of discretion and will not reverse absent a definite and firm conviction that the district court made a clear error of judgment."

In the trial court, the District Court relied on the standard for a terminating sanctions motion stated in *Anheuser-Busch, Inc. v. Natural Beverage Distributors*, 69 F.3d 337, 348 (9<sup>th</sup> Cir. 1995) (ER35:22-36:1) (hereinafter "*ABP*"), a case arising from a beer distributor relationship. The distributor-counterclaimant declared that business documents had been lost in a warehouse fire and that "These financial records constituted the bulk of the documentation relied upon in the preparation of the tax return entries which are the subject of these interrogatories." 69 F.3d 351. Actually, documents had survived the fire and were legible. This Court affirmed the dismissal of the counterclaim entered after disclosure of the true events occurring while the case was awaiting a new trial that the trial court had ordered because of counterclaimant's trial misconduct. The importance of the documents

in *ABI* was unquestionable.

Here, the District Court also noted *Halaco*, (ER36:2), where this Court reversed a dismissal entered as a sanction because the subject doctored report dealt with a “peripheral matter.” 843 F.2d at 381-382. The *ABI* standard differs from the *Halaco* standard.

The *ABI* standard adopted by the District Court states:

“Before imposing the harsh sanction of dismissal, the district court must weigh several factors:

(1) the public's interest in expeditious resolution of litigation; (2) the court's need to manage its dockets; (3) the risk of prejudice to the party seeking sanctions; (4) the public policy favoring disposition of cases on their merits; and (5) the availability of less drastic sanctions.

*Henry*, 983 F.2d at 948 (citations omitted).”

*ABI*, 69 F.3d at 348, citing *Henry v. Gill Industries, Inc.*, 983 F.2d 943, 948 (9<sup>th</sup> Cir. 1993), where the court stated:

“ ‘The first two of these factors favor the imposition of sanctions in most cases, while the fourth cuts against a . . . dismissal sanction. Thus the key factors are prejudice and the availability of lesser sanctions.’ *Wanderer v. Johnston*, 910 F.2d 652, 656 (9th Cir. 1990).”

The standard set forth in *Halaco* states:

“Dismissals under a court's inherent powers are subject to much the same considerations as those under the Federal Rules of Civil

Procedure. A district court must determine (1) the existence of certain extraordinary circumstances, (2) the presence of willfulness, bad faith, or fault by the offending party, (3) the efficacy of lesser sanctions, (4) the relationship or nexus between the misconduct drawing the dismissal sanction and the matters in controversy in the case, and finally, as optional considerations where appropriate, (5) the prejudice to the party victim of the misconduct, and (6) the government interests at stake.”

843 F.2d at 380.

*Halaco* would appear to define the better standard in this case because factor (6) can accommodate governmental interests that have been expressly stated by Congress and the Supreme Court, as set forth in point I, *supra*, e.g., the importance of Internet development.<sup>30</sup> In addition, the separation of “nexus” from “prejudice” in the *Halaco* standard would be analytically well-suited to this case where the failure of plaintiffs to define a viable cause of action means an absence of “nexus”

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<sup>30</sup> The District Court noted: “This case raises questions of copyright infringement and privacy that are of considerable public importance beyond the narrow interests of the parties here. The filing of an *amicus curiae* brief in connection with a previous motion is evidence of this.” (ER40:13-19.) Unfortunately, the District Court categorized these questions under the factor “Public Policy in Favor of Deciding Cases on Their Merits.” As noted in *Henry*, quoted *supra*, this factor has no real decisive influence. Thus, the District Court minimized what defendants submit are the most important features of the case.



regardless of “prejudice.” E.g., plaintiffs failed to connect facts about moderators cleaning forum posts with a theory of secondary copyright infringement that did anything more than recite ultimate facts, as discussed *infra* in point VI.C.

Despite the foregoing, for the sake of greater simplicity, and because it appears to be preferred in more recent opinions, we follow the *ABI* standard here. We address policy questions of balancing Internet development with copyright protection in connection with “willfulness.” Our discussion of “prejudice” incorporates the *Halaco* concept of matters that are “peripheral” to the main matters in controversy.

B. Defendants Were Under a Duty to Remove Public Access to Materials Allegedly Contributing to Copyright Infringement and the District Court’s Findings of Willful Spoliation on the Basis of Such Removals Without Consideration of Such Duty Were Contrary to Public Policy and a Clear Error of Judgment.

In finding that defendants acted willfully in spoliating evidence, the District Court emphasized first and foremost “directory headings naming copyrighted works and forum posts explaining how to locate and download specific copyrighted works.” (ER36:13-15.) As discussed in Facts, D.1, *supra*, the District Court rejected defendants’ position that plaintiffs had alleged such matters in the Complaint, that plaintiffs had undoubtedly viewed and documented the public

directory headings and forum posts and that defendants' intention in disabling public access was not to destroy evidence but "to steer clear of anything related to piracy." As to forum postings, the District Court held: "This contention is simply not believable. The destruction of evidence clearly relevant on the issue of copyright infringement cannot be justified by the assumption that it's already been viewed by the plaintiffs." (ER30:3-8)

It is not clear whether the District Court disbelieved that defendants actually thought plaintiffs had viewed the postings or that defendants' had the intent they stated. Defendants submit that they were not attempting to justify the destruction of evidence but trying to explain how any destruction had been without a bad faith intent because defendants did not understand that anything was being "destroyed." A common experience with Internet postings and web pages is that they are never "destroyed" but preserved forever through the infinitely-repeated mechanisms of Internet copying.

Defendants submit that as to website deletions and "destructions" thereof, they were put into a conflicted position when they were sued by reason of competing duties both to preserve evidence and also to act in a common-sense way that has been expressed as an obligation to "take simple measures to prevent further damage to copyrighted works" upon being notified of a copyright owner's complaint. *Netcom*, 907 F.Supp. 1375, quoted in *Amazon.com*, 508 F.3d 1172; see

also *Ellison*, 357 F.3d 1077-1078. In brief, defendants were charged with a duty to take down materials alleged in the Complaint to have contributed to copyright infringement.

The District Court's approach puts every Internet operator sued by an Entertainment Company or other copyright owner into a conflicted position. If the operator removes the materials and some part is deleted, as here, through the actions of subordinates or because of limitations of the software, the operator faces sanctions, even the most severe sanction of being found liable for secondary copyright infringement without a trial. On the other hand, materials left publicly posted after notice that they contribute to copyright infringement become further grounds for liability. The conflicted situation of the Internet operator creates a vulnerability that can be exploited in copyright litigation. This Court's ruling will shape the take-down and preservation demands that Entertainment Companies serve on Internet operators along with a summons and complaint.

As set forth in point I, *supra*, defendants contend that the District Court failed to maintain a sound balance between the rights of copyright owners and national policy in favor of promotion of innovative communications technologies. The District Court's ruling on willfulness in connection with terminating sanctions is a further example of that failure.

A chief means used to resolve conflicted situations is to examine specific

facts of a case, e.g., to ascertain whether there has been actual “destruction” of publicly posted materials. Plaintiffs know about any actual losses because it is their evidence that has been impacted. Surely, no “work product” privilege should shield disclosure of such knowledge where plaintiffs are seeking a judgment of secondary copyright liability without a trial. However, plaintiffs did not reveal their knowledge of actual “destructions” in proceedings below.

The District Court did not pause to explore the extent of actual losses of evidence, if any, of forum postings or to inquire about actual gaps in the history of directory headings on the former TorrentSpy website. (ER37:25-28; ER32:1-5.) The record is silent as to what evidence the plaintiffs have or what is available in public archives. But the validity of defendants’ beliefs that plaintiffs actually have possession of those materials is of central importance in evaluating willfulness.

Defendants therefore submit that, in the circumstances of this case, when defendant Internet operators have been put into a conflicted position with respect to publicly posted material alleged in a Complaint to be contributing to copyright infringement, it was an abuse of discretion for the District Court to make a finding of “willful” spoliation of such material by reason of taking it down without inquiring into the validity of defendants’ beliefs that such material was not “destroyed” through the take-down but was in the actual possession of plaintiffs while they were moving for terminating sanctions on the basis of its spoliation.

C. There Was No Showing of Substantial Prejudice Resulting From Any Spoliation; Any Spoliated Evidence Was Peripheral to the Chief Matters in Controversy; and the Order Granting Plaintiffs' Motion Was a Clear Error of Judgment.

As noted supra, *Halaco* stands for the principle that a dismissal or default cannot be imposed for spoliated evidence that is of only peripheral importance to the litigation. 843 F.d at 381. The *Halaco* court further held:

The most critical criterion for the imposition of a dismissal sanction is that the misconduct penalized must relate to matters in controversy in such a way as to interfere with the rightful decision of the case. This rule is rooted in general due process concerns. *Insurance Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 705-07, 72 L. Ed. 2d 492, 102 S. Ct. 2099 (1982). There must be a nexus between the party's actionable conduct and the merits of his case.” 843 F.2d at 382.

As for the standard that was re-stated in *ABI*:

“The third factor, prejudice, looks to whether the appellants' actions impaired Wiltec's ability to go to trial or threatened to interfere with the rightful decision of the case. [Citation.] There is no indication that the defendants' violations in any way threatened to distort the resolution of Wiltec's claim. ... Thus the defendants' violations, while they certainly caused serious inconvenience for Wiltec, did not prejudice the outcome of Wiltec's action. [Citation.] Because there is no evidence of actual prejudice, the third factor does not support the

sanction.”

*United States use of Wiltec Guam, Inc. v. Kahaluu Constr. Co.*, 857 F.2d 600, 604 (9<sup>th</sup> Cir. 1988), quoted in *Leon v. IDX Systems Corp.*, 464 F.3d 951, 959 (9th Cir. 2006) (hereinafter “*Leon*.”)

There is difficulty in approaching questions of “nexus” or “prejudice” here in that plaintiffs have never set forth a theory of the case, other than repeating the formulations of ultimate facts recited in their Complaint. As set forth in point II of the Legal Argument, *supra*, no valid theory of the case is alleged in the Complaint.

In lieu of an actual, valid theory of plaintiffs’ case, examination of the Complaint, set forth in the Facts, part A, shows generic allegations about the “BitTorrent network” and about defendants’ participation in that “network” as a generic torrent site, along with specific allegations about the size of the TorrentSpy database and the volume of its traffic. None of these allegations is affected in the slightest by any spoliation found in the Order of the District Court. There is no impairment of plaintiffs’ ability to go to trial on these matters.

Certainly some evidence mentioned in the Complaint was found to have been spoliated, e.g., as to forum postings and directory headings discussed *supra* in point VI.B. What is not clear is how such evidence fits into a theory of secondary copyright infringement. In *Grokster*, an inducement theory was based on business plans and organizational communications about acquiring the former clientele of Napster, but there is no claim that any such evidence was spoliated in this case.

Here, apparently, plaintiffs' inducement theory is based on the existence of a torrent site, on directory headings and on public postings by anonymous persons interested in using BitTorrent in general and TorrentSpy in particular to get copies of movies and television programs. "Inducement of infringement" on the basis of such directory headings and postings is speculative; similar headings and postings can be found in many places; and there is nothing to distinguish those found on defendants' website from those found on many others. There is no mark of distinction between defendants' alleged acts and an underlying Internet culture that hypes new technologies, popular entertainments and delinquent behaviors.

In sum, what is alleged is nothing more than an "atmosphere of infringement" without specifics. But, as emphasized in point II.C of the Legal Argument and as defined by this Court, specificity is central to the main issues in such online secondary infringement cases. An "atmosphere of infringement" is no more than peripheral to the main issues and no substantial prejudice could arise with respect to spoliated evidence relating thereto, at least until plaintiffs state a theory of the case, which they failed to do in the trial court.

Other categories of spoliated evidence are equally lacking in nexus or prejudice. Conceivably, spoliated IP addresses of uploaders could have such a nexus – namely tracking down uploaders of pirated materials and getting them to testify against TorrentSpy – but plaintiffs declined to state that nexus. As for the

volunteer moderators, it is difficult to imagine what further disclosures could have been expected, after plaintiffs took depositions of three volunteer moderators and got a declaration from a fourth, as well as the deposition of an office volunteer. The volunteers had their own culture which has been fully explored.

No substantial prejudice or nexus has been shown. Given the wealth of publicly-posted evidence and other evidence acquired by plaintiffs and MPAA both through discovery and elsewhere, genuine prejudice seems unlikely. What is more likely is a masquerade on the part of plaintiffs that pretends prejudice where there is none. The District Court did not inquire into the likely masquerade; but the severity of the sanction and the circumstances of the case required such an inquiry. “[T]he misconduct penalized must relate to matters in controversy in such a way as to interfere with the rightful decision of the case. This rule is rooted in general due process concerns.” *Halaco*, supra, 843 F.2d at 382. The Order Granting Plaintiffs’ Motion for Terminating Sanctions was a clear error of judgment and should be reversed.



- D. The District Court Abused Its Discretion In Turning Away the Parties' Attempts to Discuss Less Drastic Sanctions, Blaming Defendants For Having Failed to Present Them and Giving Scant Consideration to Less Drastic Sanctions That Could Have Redressed Any Prejudice to Plaintiffs and Still Maintained Essential Issues for Trial.

In the Order Granting Plaintiffs' Motion for Terminating Sanctions, the District Court stated:

“Recognizing that terminating sanctions are an extreme measure, only to be imposed if no lesser sanctions would serve, the Court issued a tentative decision to deny terminating sanctions and invited counsel to address the question of what lesser sanctions should be appropriate. At oral argument, Plaintiffs maintained their position that no alternative sanction could possibly alleviate the harm to Plaintiffs in this case. Defendants offered no alternative sanctions in response.”

(ER40:22-27.)

Examination of the transcript of oral argument before the District Court shows a course of events somewhat different than that recalled by the District Court. Because the tentative was to deny, plaintiffs' counsel, Steven B. Fabrizio argued first.

MR. FABRIZIO: Your Honor's tentative set two issues for discussion at this hearing. One of them was whether lesser sanctions than terminating would be appropriate under the circumstances, and

the second was if that was the case, what would those sanctions be.”  
(ER384-393 at 3:22-4:2.)

Mr. Fabrizio argued the first issue at length, contending that lesser sanctions would not be appropriate. Then he stated:

“Now, Your Honor also asked that we be prepared to talk about lesser sanctions. It’s probably pretty clear at this point that I don’t believe lesser sanctions are an accurate remedy.

I don’t know how Your Honor would like to proceed. Would you like me to talk about some of the sanctions.

THE COURT: No. There’s no need.

MR. FABRIZIO: Okay. Thank you, Your Honor.

THE COURT: Let me take ten minutes and then I will hear from the defense.

(*Id.*, at 29:23-30:7.)

After a recess, defendants’ counsel, Jared R. Smith, spoke in response to assertions made in plaintiffs’ presentation: “I wanted to address some of the issues that Mr. Fabrizio addressed this morning.” (*Id.*, at 30:11-12.) Thereafter, Mr. Fabrizio responded on the same issues. While Mr. Fabrizio was speaking, the following exchange occurred:

THE COURT: I really need to cut you off.

MR. FABRIZIO: Okay. Your Honor had asked us to address the issue of lesser sanctions. Obviously, in discussing the prejudice we did to some degree. Would it be useful for Your Honor for us to

submit a proposed order?

THE COURT: I don't think so. I will just take another look at this based on the argument I've heard here today and will issue an order as soon as I can.

MR. FABRIZIO: Thank you, Your Honor.

MR. SMITH: Your Honor, as far as further briefing or declarations.[...]

THE COURT: I don't need anything further. Thank you.  
(*Id.*, at 40:12-24.)

Defendants cannot understand what more they should have done to offer alternative sanctions. Yet, the District Court ruled “Defendants offered no alternative sanctions in response” (ER40:22-27) and held that this failure on defendants’ part was grounds – indeed, the pivotal grounds in light of “the tentative” – for ruling that defendants were liable for secondary copyright infringement without a trial and entering Judgments for over \$110,000,000.00. Defendants submit that the District Court abused its discretion in so ruling.

Regardless of any failure on the part of defendants to offer alternative sanctions, the District Court was required to consider lesser sanctions under both the *ABI* standard (“(5) the availability of less drastic sanctions”) and the *Halaco* standard (“(3) the efficacy of lesser sanctions”).

The District Court concluded:

“that no lesser sanctions would be appropriate or effective.

A rule excluding evidence would be futile, since the issue is not the efforts by Defendants to introduce evidence which could be excluded, but rather Defendants’ destruction or concealment of evidence, forcing Plaintiffs to go to trial with “incomplete or spotty evidence” at trial. *Anheuser-Busch, Inc. v. Natural Beverage Distribs.*, 69 F.3d 337, 348 (9<sup>th</sup> Cir. 1995) As the Court found in *Leon*, fashioning a jury instruction which creates a presumption in favor of Plaintiffs would leave Plaintiffs equally helpless to rebut any material that Defendants might use to overcome the presumption. *Leon*, 464 F.3d at 960.” (ER41:9-17.)

In *Leon, supra*, 464 F.3d at 956, the terminated employee-plaintiff erased most of the files on the laptop issued by the employer, before returning it, including the erasure of:

“ ‘a wealth of “personal” material [that] could be relevant to Dr. Leon's ADA and employment-related claims,’ such as communications with health care providers or with realtors regarding his relocation from Seattle. ‘[B]ecause of Dr. Leon's actions there is no way of knowing what might have been stored on the laptop's hard-drive and no reliable way of recreating what might have been there.’ Accordingly, the court concluded that the deletion and wiping of the files ‘severely prejudice[s]’ IDX.” (*Id.*, quoting from the district court opinion.)

In this case, unlike *Leon*, there were alternative ways to obtain publicly-posted evidence, ways that plaintiffs had undoubtedly used, such as monitoring the site and recording what appeared thereon or investigating public archives. Indeed, had the District Court inquired or had plaintiffs disclosed their evidence, it might have been learned that there was not any loss of publicly-posted evidence.

Here, again unlike *Leon*, there is very little doubt about the nature and extent of evidence that was spoliated: here such evidence falls into the 4 fairly narrow categories defined by plaintiffs and the District Court, in contrast to *Leon*, where lost files included a “wealth” of unknown personal material.

In *Halaco*, supra, at 843 F.2d 381, the Court reversed because the:

“statement by the district court is an insufficient consideration of lesser sanctions. This court has said that the consideration of less severe penalties must be a reasonable explanation of possible and meaningful alternatives. *Anderson v. Air West, Inc.*, 542 F.2d 522, 525 (9th Cir. 1976). The district court did not make such an explanation.”

Defendants submit that a similar conclusion is appropriate here. The District Court did not articulate any issues in this case where “incomplete or spotty evidence” would be prejudicial to plaintiffs. No issue was articulated where the less drastic sanction of an evidentiary presumption would leave plaintiffs helpless against defendants’ wiles. No issue in the case has ever been articulated.

The District Court did not consider, as authorized under Fed. R. Civ. P.

37(A)(i) and 37(A)(ii), “directing that ... designated facts be taken as established for purposes of the action, as the prevailing party claims” or “prohibiting the disobedient party from supporting or opposing designated claims or defenses, or from introducing designated matters in evidence.” Such a direction would have preserved central issues of the litigation, discussed in point II supra, such as materiality of defendants’ involvement in the BitTorrent network, notice of copyright infringement sent by plaintiffs to defendants and availability of simple means to avoid infringement. These issues are not implicated by any spoliated evidence.<sup>31</sup>

Defendants submit that the District Court did not seriously consider less drastic sanctions. At the hearing on the motion, the District Court turned away attempts to discuss lesser sanctions. Less drastic sanctions would have preserved the most important issues in the case. Serious consideration of less drastic sanctions, however, would have required plaintiffs to present an actual theory of

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<sup>31</sup> In a concurrent “Ex Parte Application for a Report and Recommendation for Evidentiary Sanctions for Violation of Court's 5/29/07 [Server Log Data] Order,” one of plaintiffs’ requested evidentiary sanctions was an order deeming it conclusively established that each torrent file available on the TorrentSpy website naming one of plaintiffs’ copyrighted works was directly infringed by users of the former TorrentSpy website. (ER393-395, ER21-22.)

the case and would have required the District Court to analyze evidence with respect to an actual theory. Plaintiffs refused to present an actual theory and the District Court failed to make the focused inquiry into less drastic sanctions that was required. The failure of the District Court to seriously consider the issue of less drastic sanctions was an abuse of discretion and the Order Granting Plaintiffs' Motion for Terminating Sanctions should be reversed.

VII. THE DEFAULT JUDGMENTS SHOULD BE REVERSED.

- A. The Enlargement of Claims After Entry of Default, Increasing the Number of “Infringed-Upon” Titles from 18 to 3699, Was Contrary to Controlling Authority of This Circuit and Contrary to Principles of Due Process.

At the hearing on plaintiffs’ Motion for Entry of Default Judgment and Motion for Permanent Injunction, while considering plaintiffs’ enlargement of claims from 18 titles to 3699 titles, the District Court noted “the only Ninth Circuit case that seems to be discussing this, which is the *Fong* case” referring to *Fong v. United States*, 300 F.2d 400 (9<sup>th</sup> Cir. 1962). The *Fong* court stated that “Rule 54(c), F.R.Civ.P., does specifically provide: ‘A judgment by default shall not be different in kind from or exceed in amount that prayed for in the demand for judgment. \* \* \*’” (300 F.2d at 412) and held that “the mandate of the Rule is very simple, clear and decisive.”

Without any explanation, the District Court ignored *Fong* when it entered Judgment. Although the original Complaint had identified only 18 titles, Judgment was entered on the basis of 3699 titles. The huge amount of the Judgments, over \$110,000,000.00, is unprecedented in a secondary copyright infringement case. Neither names of the titles nor the number was suggested before default was entered. The enlargement occurred after defendants’ default had been entered and defendants had been foreclosed from participating in further proceedings other



than in limited ways that were subject to control of the District Court. The District Court rejected defendants' attempts to present legal argument. (ER23.)

Defendants submit that *Fong* should apply here. The facts of this case show why *Fong* is good law. *Fong* protects rights of due process that were violated by the District Court in this case. Procedures employed in this case were arbitrary and unattached to authorized legal forms or requirements. Procedures were made up as they went along (see ER249) to produce gigantic Judgments in favor of MPAA that threaten independent BitTorrent operators. There was not even a formal amendment of the Complaint.

The Judgments have no genuine foundation established through an authorized procedure; and they are incoherent. For example, Forrest Parker cannot ascertain the effect on his Judgment of payment to plaintiffs by Justin Bunnell or of settlement between plaintiffs and Justin Bunnell. (ER1-5, ER6-10.) There is no support in the Complaint for the size of the Judgments other than "sky's the limit" hyperbole. With made-up procedures, hyperbole turned into Judgments.

Defendants submit that their essential Fifth Amendment due process rights were violated during the made-up procedures that occurred in this case.

"[T]he fundamental requirement of due process is an opportunity to be heard at a meaningful time and in a meaningful manner. *Mathews v. Eldridge*, 424 U.S. 319, 333, 47 L. Ed. 2d 18, 96 S. Ct. 893 (1976). At

a minimum, due process requires notice and a hearing where the individual has a meaningful opportunity to confront the evidence against him. *Vanelli [v. Reynolds School Dist. No. 7]*, 667 F.2d 773 (9th Cir. 1982)] at 780. To determine what process is due in an individual case -- and if it is due before or after the deprivation of a constitutionally protected interest -- a court must apply the three-part test set out in *Mathews v. Eldridge*, 424 U.S. at 334-35. That test balances 1) the private interest that will be affected, 2) the risk of an erroneous deprivation of that interest through the procedures used, and 3) the additional cost and administrative burdens that additional procedures would entail. *Id.* Thus, although a hearing where the individual has an opportunity to rebut the charges against him is always required in due process cases, when the hearing must be held and what procedural protections must be given at the hearing are determined on a case-by-case basis.”

*Brady v. Gebbie*, 859 F.2d 1543, 1554 (9<sup>th</sup> Cir. 1988), *cert. den.* 489 U.S. 1100, 109 S. Ct. 1577, 103 L. Ed. 2d 943 (1989); see also *Dukes v. Wal-Mart, Inc.*, 509 F.3d 1168, 1192 (9<sup>th</sup> Cir. 2007).

Applying the foregoing standard to the peremptory hearing that occurred before the District Court, the most glaring shortcoming is that defendants had no “meaningful opportunity to confront the evidence” against them. Declarations of company representatives and of attorney Duane C. Pozza (ER353-373, ER793-799) have the facial form of declarations but they are devoid of admissible substance. Defendants objected to the declaration in detail (ER272-308) but the

essence of the objections is very simple: there is no actual support for the 3699 titles in statements made on personal knowledge or in testimony that can be critically examined. There is only a shuffling of responsibility by attorney Pozza onto unnamed “Persons acting at my direction” and “Persons acting at my direction and under my immediate supervision.” (ER794:17 and 795:8-9.) No reason is given for the number of titles claimed. Without an attempt to establish his competence, attorney Pozza testifies about technical details involving “seeders” and “leechers” and their appearances on defendants’ former TorrentSpy website and attorney Pozza interprets the technical details for the court. (*Id.*, at 4:10-5:22.) The company representatives say next to nothing in their declarations and their depositions show that they know next to nothing except what they are told by “Anti-piracy group” (ER279:16, 27-28), the “Motion Picture Association,” (ER281:26-27), “Jenner and Block,” MPAA consultant “Bruce Ward,” (ER282:9-16) and “those under the direction of counsel” (ER289:9-11).

Defendants’ failed attempts to obtain evidence, set forth supra in Facts, part C, illustrate defects in the evidence used against defendants during the default procedures. As acknowledged by their counsel, MPAA and plaintiffs promulgate “spoofs,” counterfeit BitTorrent promulgations designed to frustrate those seeking infringing materials. The extent of such promulgations is unknown. The extent, if any, which MPAA and plaintiffs use BitTorrent to promulgate trailers and other

materials is unknown. What plaintiffs' counsel declared during the hearing (see Facts C.1, supra) was that none of these materials was promulgated as to the 18 titles identified in the Complaint. There is nothing in the record to exclude spoofs, trailers, etc. from being part of plaintiffs' claims as to the 3699 titles. Plaintiffs picked their 18 titles to control discovery.<sup>32</sup> MPAA and plaintiffs waived their privileges and produced limited amounts of evidence as to 18 titles and limited to times before February 23, 2006 but nothing after that date. Plaintiffs cherry-picked evidence to present 18 selected titles in the Complaint and then got 3699 unknown titles accepted without examination on the strength of the 18 selections that they had declared were exceptional. Due process was denied in this case.

MPAA seeks to overwhelm the senses through sheer volume of documentation and number of titles said to have been infringed. Unfortunately, reliance on sheer volume of documentation and number of items is often fatally misguided, as shown by the recent financial crisis created by "Mortgage Backed Securities." The improprieties and defects that led to that crisis were incorporated in the originating process and infected everything that came out of the originating process. Here, too, defects and improprieties are built into the originating process.

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<sup>32</sup> "Mr. Fabrizio: And your Order leaves it to us to decide we're either claiming infringement and we have to produce the documents or we're not and we don't." (ER685:6-8.)

What the volume and numbers do in this case, as in the Mortgage Backed Securities crisis, is to prevent critical examination. An opportunity to engage in critical examination, to “confront the evidence,” is essential to due process. Due process was denied in this case.

Application of the three-part test from *Mathews v. Eldridge*, supra, calls for balancing: 1) the private interest that will be affected, 2) the risk of an erroneous deprivation of that interest through the procedures used, and 3) the additional cost and administrative burdens that additional procedures would entail.

Here, the foremost private interests are defendants’ lives that have been crippled by Judgments in excess of \$110,000,000.00 and Permanent Injunctions that prohibit meaningful work. But additional private interests are also involved, as plaintiffs stated in their Motion: “such an award is absolutely necessary both to punish these defendants ... and to deter others who would seek to pick up where defendants left off.” (ER373:12-20.)

The risk of erroneous deprivation is unknown because all the facts needed to evaluate the risk are held within the fortress of privilege constructed by MPAA and nothing substantial has been disclosed. (See Facts, B.4, supra.) Undoubtedly, MPAA knows the entire volume of BitTorrent traffic on the Internet and knows what percentages of BitTorrent traffic correspond to various contents, e.g., linux programs, authorized videogame promulgations and pirated copies of its members

copyrighted works. Undoubtedly MPAA has expertly-compiled statistics on BitTorrent traffic based on torrents downloaded from defendants' former TorrentSpy website and from all the other torrent sites, including Google. MPAA conceals and manipulates such evidence to aggrandize its power. The made-up procedures employed here increase the risk of erroneous rulings that would be avoided if the concealed evidence were to be disclosed to the court.

As to the third factor, proper procedures would have called for live evidence, expert testimony and critical examination of evidence and testimony. The additional cost and burden on the court would have been considerable, essentially equal to that of a trial.

Defendants submit that the Judgments in this case required a trial. Because of the size of the damages and the novelty and importance of the issues and because plaintiffs wanted to use the case as an exemplar, it was incumbent on both plaintiffs and the District Court to establish a solid basis for any Judgment. See, in contrast, *UMG Recordings, Inc. v. MP3.com*, 2000 U.S. Dist. LEXIS 13293, Copy. L. Rep. (CCH) P28,141 (S.D.N.Y. 2006) (direct infringement of 4700 CD's, copies reproduced by defendant's websites despite demands for cessation from owners, three-day trial on damages issue, \$118,000,000.00 statutory damages.)

There was no solid basis to the Judgments in this case. The evidence was flimsy and gestural and procedures and amount were made up to arrive at a huge

number calculated to threaten an outside audience. Defendants were silenced except for a meek plea that the District Court seemed not to hear. (ER260-271.)

Defendants submit that they were deprived of due process during the default hearing and that the Judgments should, therefore, be reversed.

B. Findings of “Willful” Infringement Should Be Reversed Because of Lack of Actual Notice, the Context of Internet Innovation, the Generic Nature of BitTorrent Technology and the Legal History of Secondary Infringement Cases, Which Supported a Belief in the Lawfulness of Defendants’ Conduct.

The District Court ordered that “Judgment shall be entered against Forrest Parker (Defendant) for willful inducement of copyright infringement, contributory copyright infringement, and vicarious copyright infringement.” (ER2:6-9.)

Defendant Forrest Parker appeals the finding that his conduct was “willful” under the copyright law. Other defendants likewise appeal.

“In the copyright infringement context, ‘willful’ means acting ‘with knowledge that [one's] conduct constitutes copyright infringement.’ See *Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc.*, 106 F.3d 284, 293 (9th Cir. 1997), *rev'd on other grounds by Feltner v. Columbia Pictures Television, Inc.*, [523 U.S. 340], 140 L. Ed. 2d 438, 118 S. Ct. 1279 (1998). The district court's finding of willful infringement is reviewed for clear error. *Id.*”  
*Dolman v. Agee*, 157 F.3d 708, 715 (9<sup>th</sup> Cir. 1998).

Each defendant asks to be evaluated as a separate person. As stated in 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.04[B][3][a] (2000):

“Who must be the precise individual to bear the requisite mental intent? Language in some of the legislative history supports the interpretation that the knowledge must in fact be possessed by the person responsible for the infringing conduct.<sup>81.11</sup> Under that interpretation, it would not suffice to impute knowledge by an agency relationship with another employee, who in fact was notified of, or was otherwise aware of, the possible infringement.

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<sup>81.11</sup> See Reg. Supp. Rep., p. 138.

The District Court made no findings as to any individual defendant in the Judgments. Defendants were treated without individual consideration. The Judgments appear to hold each individual separately liable for the entire amount. (ER1-10, ER13-16.) Defendants submit due process required individual findings with particularity and that the failure to make such findings was reversible error.

Viewed in larger perspective, defendants submit that both reason and public policy prohibit a finding of “willful secondary copyright infringement” under the facts and circumstances of this case. The District Court’s determination was clearly erroneous. There was no allegation of actual notice from plaintiffs to



defendants and, other than conclusory assertions in the Complaint, defendants' alleged knowledge is constructive, imputed from the nature of defendants' operations as a successful BitTorrent torrent site and on forum postings, directory headings and other information on the website.

In opposition to plaintiffs' motion to enter default judgments, defendants submitted detailed evidence that showed how and why willfulness could not be imputed in this case. An analytic presentation – based on deposition testimony of plaintiffs' chief expert, Prof. Ellis Horowitz – refuted essential elements in a proper cause of action, especially testimony showing the factual separation of a torrent site from copyright infringement, contrary to the “invisible and automatic” imagery in the Complaint, and testimony about insurmountable hurdles to simple steps defendants could take to protect plaintiffs' copyrights, e.g., by “keyword filtering.” (ER252:16-253:1, 256:18-258:24.) In their personal declarations, defendants attempted to show lack of willfulness by testifying about the nature of their business as advertisers working in a “thriving Internet community,” their lack of knowledge of any specific infringements, their robust DMCA policy and practice to protect copyright owners, their cooperation with other copyright owners (e.g., RIAA, Microsoft,) in protecting copyrights and the lack of notice from MPAA other than a single takedown notice under the DMCA. (ER263:2-16, ER263:22-6:3; ER269:2-16, ER269:22-271:2; ER197:7-14, ER198:28-199:14,

ER199:20-200:28.)

Each defendant declares:

“It was and is my understanding that, given the nature of the technology, an operator of a BitTorrent site like TorrentSpy that has a robust DMCA Notice and no specific knowledge of copyright infringement and that offered information location tools accessible to the public would not be held liable for secondary copyright infringement. ¶ Accordingly, I have never known that operating TorrentSpy constitutes copyright infringement.”

(ER201:1-7; ER271:3-9; ER265:4-10.)

Prof. Horowitz confirmed in deposition that TorrentSpy had indeed carried its declared copyright protection policies and practices under the DMCA.

(ER253:6-256:18.).

Notwithstanding defendants’ evidence, the District Court found defendants’ conduct “willful,” apparently on a theory of constructive knowledge.

Constructive knowledge so based should be held insufficient as a matter of law for the reasons set forth in points I and II of the Legal Argument, supra. Before this case, no authority had ruled that operating a torrent site or other BitTorrent resource constituted secondary copyright infringement. “Knowledge” of such a determination would require skills of judicial prognostication.

Such constructive knowledge would deter Internet development, contrary to national policy. Such deterrence is especially serious because plaintiffs’

underlying claims of secondary copyright infringement have no solid grounding. Internet promoters and developers would have to assume enormous personal risk to go forward in new areas where later events might create copyright questions and later court judgments might determine that promoters and developers contributed to or were otherwise responsible for copyright infringement by third parties.

The foregoing reasons have increased force of application here because of the legal history of secondary copyright infringement cases. A key date is June 27, 2005, the date of the United States Supreme Court decision in *Grokster*. Prior to that date, there was no substantial reason to believe that operating a torrent site could constitute secondary copyright infringement. Of course, individual file sharers have always been subject to liability as direct infringers, but there appeared to be no basis for secondary liability by reason of providing BitTorrent resources to such infringers because the *Grokster* defendants had previously won a summary judgment motion on a similar question in connection with their system, a system that was much more the product of the operators' intentional design and much more under than their control than were operations at defendants' former TorrentSpy website, which had to conform to BitTorrent protocols and to compete in a marketplace of similar providers.

The *Grokster* date, June 27, 2005 was close to the climactic date in the connected *Bunnell v. MPAA* case, where, on June 30, 2005, Rob Anderson

delivered “the Anderson documents” to MPAA and Dean C. Garfield, who were eager to obtain information about TorrentSpy because of TorrentSpy’s leadership position as a torrent site. That leadership position was established while, under the law as it then stood, defendants had every reason to believe that their site was operating within the copyright laws.

Nor did the 2005 *Grokster* decision provide compelling reasons to change that belief. The *Grokster* defendants’ liability was based on their express intention to occupy the place of *Napster*, where operations had been enjoined because of secondary copyright infringement determined after careful hearings. Defendants here were participating in a different, collective form of Internet activity that had not then been challenged.

The Sixth Circuit has ruled that constructive knowledge should not be imputed in the face of legal indeterminacy. *Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381 (6<sup>th</sup> Cir. 1996) *cert. denied*, 520 U.S. 1156, 137 L. Ed. 2d 495, 117 S. Ct. 1336 (1997). Defendant there produced university “coursepacks” – professors’ assigned collections of excerpts from published works. Unlike other similar producers, defendant refused to pay license or “permission fees” because of his belief that “coursepacks” constituted fair use. The court rejected defendant’s fair use defense but also reversed the trial court finding of “willful infringement.”

The plaintiffs do not contest the good faith of Mr. Smith's belief that his conduct constituted fair use; only the reasonableness of that belief is challenged. 'Reasonableness,' in the present context, is essentially a question of law. The facts of the instant case are not in dispute, and the issue is whether the copyright law supported the plaintiffs' position so clearly that the defendants must be deemed as a matter of law to have exhibited a reckless disregard of the plaintiffs' property rights. We review this issue de novo.

Fair use is one of the most unsettled areas of the law. ... In the circumstances of this case, we cannot say that the defendants' belief that their copying constituted fair use was so unreasonable as to bespeak willfulness. Accordingly, we shall remand the case for reconsideration of the statutory damages to be awarded.”  
99 F.3d at 1392.

Such reasoning applies here. While TorrentSpy was in development, the legal status of P2P appeared to be strong. Then, when the Supreme Court decided *Grokster*, the MPAA gained new legal authority to proceed against independent P2P operators. However, the issues were clearly unsettled.

Defendants submit that they were not “unreasonable” in continuing to believe in their right to operate a torrent site. Defendants submit that, as a matter of law, defendants’ belief that they would ultimately prevail in their dispute with the Entertainment Industry could not be “so unreasonable as to bespeak willfulness” in infringing copyrights. Defendants had a right to rely on national

policy declared by Congress – repeatedly affirmed by the United States Supreme Court and this Court – that encouraged defendants’ promotion of innovative communications technologies, at least until a judicial ruling outlawing independent BitTorrent operators had been rendered, at least until plaintiffs gave actual notice.

For the foregoing reasons, the District Court’s findings of willful secondary copyright infringement should be reversed as a matter of law as to defendants, and each of them. In the alternative, such findings should be reversed and remanded for a trial as to each such defendant.

C. The Huge Award of Statutory Damages of \$110,970,000.00 Was Offensive to Fifth Amendment Due Process Because of the Peremptory Hearing and Absence of Any Showing of Actual Damage or Other Essential Facts.

Statutory damages awards of \$110,970,000.00 are huge. Even disregarding the procedural and substantive errors committed by the District Court in reaching the Judgments, discussed supra, the simple size of the Judgments offends the Constitution and balanced judgment. We compare them to punitive damage Judgments totaling \$108.5 million in *Planned Parenthood of the Columbia/Willamette, Inc. v. Am. Coalition of Life Activists*, 422 F.3d 949, 952-953 (9th Cir. 2006), *cert. den.* 547 U.S. 1111, 126 S. Ct. 1912 (2006) (hereinafter “*PPCW*”), where plaintiffs were reproductive health doctors and defendants made

“threats of violence [that] were at the top of the hierarchy of reprehensibility,” where there were over \$500,000 in actual damages and where this Court reduced the punitive damages total to about \$4.6 million. *PPCW* has a thorough review of relevant punitive damages cases.

The situation is complicated here because the awards here were for statutory damages in amounts facially authorized by Congress rather than punitive damage awards. Here, however, the statute is applied to defendants who never infringed any copyright directly but who are being held secondarily liable for thousands of third party infringements.

Defendants submit that the ultimate authority that limits punitive damage awards – the Fifth Amendment to the United States Constitution – is equally applicable to statutory damage awards. To support an award of this size, the Fifth Amendment requires a trial of the dignity discussed supra in point VII.A. The Fifth Amendment also requires appellate review of such an award; and appellate review requires an adequate record. Here, there was no substantial hearing and no adequate record. Therefore, the awards should be reversed.

1. Due process constraints on “excessive punitive damages” should be applied to “excessive statutory damages.”

As stated in *PPCW*, 422 F.3d at 953, when dealing with a punitive damages award, this Court is “obliged to review *de novo* the district court's application of the *BMW* guideposts to a jury's punitive damages awards.” After review, this Court may order either a remission or a remand. *Id.* Carrying out such a *de novo* review, the *PPCW* court derived a “figure [that] is the actual compensatory award times nine (rounded out), i.e., the constitutional limit of punitive damages.” 422 F.3d at 963, n.8

The *PPCW* reductions were mandated because "The Due Process Clause of the Fourteenth Amendment prohibits the imposition of grossly excessive or arbitrary punishments on a tortfeasor." *State Farm Mutual Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 155 L. Ed. 2d 585, 123 S. Ct. 1513 (2003).

See also *Cooper Indus. v. Leatherman Tool Group*, 532 U.S. 424, 433-434, 121 S. Ct. 1678; 149 L. Ed. 2d 674 (2001), an unfair competition case more closely resembling that presented here and arising from this Circuit. *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 580, 134 L. Ed. 2d 809, 116 S. Ct. 1589 (1996) (“*BMW*” or “*Gore*”) is the chief leading authority.

Defendants submit that the issue of excessive statutory damages should be treated like of that excessive punitive damages because:



“The purpose of punitive damages -- to punish and prevent malicious conduct -- is generally achieved under the Copyright Act through the provisions of 17 U.S.C. § 504 (c)(2), which allow increases to an award of statutory damages in cases of willful infringement.”

*Davis v Gap, Inc.*, 246 F3d 152 (2d Cir. 2001).

In *Zomba Enters. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6<sup>th</sup> Cir. 2007), *cert. den.* 128 S. Ct. 2429 (2008), the court declared (emphasis in original):

The Supreme Court has not indicated whether *Gore* and *Campbell* apply to awards of *statutory* damages. We know of no case invalidating such an award of statutory damages under *Gore* or *Campbell*, although we note that some courts have suggested in dicta that these precedents may apply to statutory-damage awards.”

The *Zomba* Court further held:

“Regardless of the uncertainty regarding the application of *Gore* and *Campbell* to statutory-damage awards, we may review such awards under *St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63, 66-67, 40 S. Ct. 71, 64 L. Ed. 139 (1919), to ensure they comport with due process. In such cases, we inquire whether the awards are ‘so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.’ *Id.* at 67. This review, however, is extraordinarily deferential -- even more so than in cases applying abuse-of-discretion review.”

Scholarly commentators have urged application to statutory copyright damage awards of the due process constraints developed for punitive damage awards. Blaine Evanson, *Due Process in Statutory Damages*, 3 Geo. J. L. & Pub. Pol'y 601 (2005), cited in *Atlantic Recording Corp. v. Brennan*, 534 F. Supp. 2d 278, 282 (D. Conn. 2008) (refusal to enter default). Note: Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement, 83 Tex.L.Rev. 525 (2004).

In *PPCW*, this Court held:

“Compensatory damages and punitive damages serve different purposes; compensatory damages redress concrete loss caused by the defendant's wrongful conduct, while punitive damages are aimed at deterrence and retribution. Elementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that may be imposed. Accordingly, the Due Process Clause of the Fourteenth Amendment prohibits the imposition of grossly excessive or arbitrary punishments on a tortfeasor.

Whether an award comports with due process is measured by three guideposts:

(1) the degree of reprehensibility of the defendant's misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed

in comparable cases.”

“We are obliged to review de novo the district court's application of the BMW guideposts to a jury's punitive damages awards. *Exactng appellate review ensures that an award of punitive damages is based upon an application of law, rather than a decisionmaker's caprice.* Of course, we defer to the district court's findings of fact unless they are clearly erroneous.” (Emphasis added, citations and inner quotation marks omitted.)

Here, review is necessary to ensure that awards of \$110,970,000.00 have been based “upon an application of law, rather than a decisonmaker’s caprice.” Because there is no record for such review, the awards should be reversed.

2. The huge statutory judgment awards should be reversed.

Defendants submit that the *BMW* guidelines should guide the decision here.

The first two branches of the *BMW* guideposts are applicable while the third, comparing punitive damages to civil penalties is clearly not applicable because it is “civil penalties” that are in question. Even limited to two branches of the *BMW* guidelines, the conclusion is simple and clear. There is no basis for review of “reprehensibility of the defendant's misconduct” or “the actual or potential harm suffered by the plaintiff.”

The "most commonly cited *indicium* of an unreasonable or excessive punitive damages award is its ratio to the actual harm inflicted on the plaintiff."

*BMW*, 517 U.S. at 580. All authorities concur that an evaluation of “actual harm” is the first step in proceeding towards a punitive damages award.

Here, there was no showing of actual harm or even of potential harm. Likewise, there was no showing of “reprehensibility of the defendant's misconduct” because of an absence of context needed to weigh “reprehensibility.” In their Complaint, plaintiffs constructed a false and distorted image where defendants and their former TorrentSpy website were uniquely and totally responsible for all copyright piracy being committed by BitTorrent users and where piracy was defendants’ purpose. Plaintiffs’ imagery was never subjected to critical examination. There was no genuine showing and there was no genuine basis for any item of statutory damages. The huge piling up of unexamined items does not supply a genuine basis.

For the foregoing reasons, the statutory damages awards should be reversed.

## CONCLUSION

For the foregoing reasons, the Judgments, Permanent Injunctions and other Orders on appeal should be reversed and the case should be remanded for further proceedings according to guidance from this Court.

Dated: February 3, 2009

Respectfully submitted,

ROTHKEN LAW FIRM

s/ Ira P. Rothken, Esq.  
Ira P. Rothken, Esq.

s/ Robert L. Kovsky, Esq.  
Robert L. Kovsky, Esq.

*Attorneys for Appellants*

## CERTIFICATE OF COMPLIANCE

Pursuant to the requirements of Fed.R.App.Proc. 32(a)(7)(C) and Local Rules 32-1 and 32-2, the undersigned certifies that the foregoing Appellants' Opening Brief (excluding only the Table of Contents and Index of Authorities and including footnotes) contains 30,630 words. This certificate is intended to comply with the form of the foregoing requirements as to type-volume limitations, while the number of words is facially excessive under such limitations. Defendants are moving for leave to exceed such limitations. In preparing this certificate, the undersigned relied on the word count generated by Microsoft Word.

## **STATEMENT OF RELATED CASES**

The following appeal involves the same appellants as this case, with some common facts and issues:

Justin Bunnell, Forrest Parker, Wes Parker and Valence Media, Ltd., Plaintiffs-Appellants, v. Motion Picture Association of America, Defendant-Appellee, No. 07-56640.

CERTIFICATE OF SERVICE

I hereby certify that on February 3, 2009, 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.

Participants in the case who are registered CM/ECF users will be served by the appellate CM/ECF system.

I further certify that some of the participants in the case are not registered CM/ECF users. I have mailed the foregoing document by First-Class Mail, postage prepaid, or have dispatched it to a third party commercial carrier for delivery within 3 calendar days, to the following non-CM/ECF participants:

Gregory' P. Goeckner  
Motion Picture Association of America  
15503 Ventura Blvd.  
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s/ Stephen Moore  
Stephen Moore