

DERECHOS DE AUTOR, Y DESARROLLOS RECIENTES

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(P. del S. 2263)

LEY NUM. 55
9 DE MARZO DE 2012

Para adoptar un nuevo estatuto que se conocerá como “Ley de Derechos Morales de Autor de Puerto Rico”; y derogar la Ley Núm. 96 de 15 de julio de 1988, según enmendada.

EXPOSICION DE MOTIVOS

La propiedad intelectual ha sido definida como “...el conjunto de derechos que la ley reconoce al autor sobre obras que ha producido con su inteligencia, en especial los que de su paternidad le sea reconocida y respetada, así como que se le permita difundir la obra, autorizando o negando en su caso, la reproducción”, Puig Brutau, Fundamentos del Derecho Civil, Tomo III, Barcelona, Bosch, 1973, págs. 200-201.

En Puerto Rico, la propiedad intelectual, incluye el derecho de autor, el cual a su vez se compone de la interacción de dos derechos: el patrimonial, que consiste en el monopolio de la explotación de la obra; y el moral, que protege el vínculo entre el autor y su obra. El derecho moral y el derecho patrimonial o de copia (copyright) constituyen dos concepciones sobre la propiedad literaria y artística. El primero proviene de la familia del derecho continental, particularmente del francés, mientras que el segundo procede del derecho anglosajón (common law). El derecho moral está constituido como emanación de la persona del autor: reconoce que la obra es expresión de la persona del autor y así se le protege. Por otro lado, la protección del derecho patrimonial se limita estrictamente a la obra, sin considerar atributos morales del autor en relación con su obra. El derecho patrimonial se enfoca más bien en proteger las inversiones de tiempo, esfuerzo, y capital en la producción de obras de autoría, sea que las inversiones sean de autores individuales o de entidades corporativas.

El término “derecho moral” proviene del francés “droit moral” y se refiere a la habilidad de un autor para poder controlar el destino o utilización que se le dé a su trabajo artístico. Se deriva del nexo existente entre el autor y su creación, independiente del valor puramente monetario que ésta pueda tener. Se trata a la obra como una extensión de la personalidad del autor, de manera que no puede disociarse enteramente de aquél, por lo que incluso cuando ha cedido sus derechos patrimoniales sobre la obra, ésta continúa, en cierta medida, bajo su dependencia. Las creaciones intelectuales están vinculadas a los derechos de la personalidad y a los derechos laborales, ambos tocan directamente la dignidad de la persona. El trabajo intelectual puede y debe ser reconocido social y económicamente.

Dependiendo de la concepción cultural de lo que es autoría, puede incluir el derecho a recibir o declinar el crédito por su obra, prevenir que la misma sea alterada sin su permiso, decidir cómo se expondrá la obra y recibir regalías por reventa. En el derecho civil tradicionalmente se ha clasificado el derecho moral de autor como un derecho personalísimo, junto a otros derechos, tales como el derecho a la vida, a la libertad e integridad física, derecho al honor, derecho a la imagen y otros. Otros países, como los Estados Unidos, Canadá e Inglaterra,

han ido adoptando legislación sobre derechos morales que permiten al autor prevenir la distorsión o alteración de su obra, independientemente de quién sea el dueño actual, tanto del objeto tangible, como del derecho patrimonial o de copia. La tendencia moderna en varios países ha sido que, aunque son exclusivos del autor y no son transferibles, los autores son quienes tienen la última palabra sobre cualquier acuerdo relacionado con reclamaciones futuras de derechos morales en ciertas circunstancias, especialmente con aquéllos con quienes llevan a cabo negocios relacionados a los derechos patrimoniales. Esto brinda la oportunidad de negociar con la seguridad de que se respetará la voluntad de las partes.

En Puerto Rico aplica el “Copyright Act” de 1976, el cual cubre los derechos a reproducción de una obra, a realizar obras derivadas, distribución, representación, exposición y presentación en público. Por otro lado, los derechos morales que no contemplaba la Ley Federal eran reconocidos por la Ley de Propiedad Intelectual española de 1879, que nunca fue revocada expresamente. Con la aprobación de la Ley Núm. 96 de 15 de julio de 1988, según enmendada, conocida como “Ley de Propiedad Intelectual”, Puerto Rico adoptó su propio estatuto para regular los llamados derechos morales. Dicha Ley se basó en la legislación española. A pesar del esfuerzo loable por atender estos derechos, son muchos los asuntos que han quedado pendientes de atender.

A nivel internacional, existe el Convenio de Berna para la Protección de las Obras Literarias y Artísticas, que es un tratado internacional sobre la protección de los derechos de autor sobre obras literarias y artísticas. El Convenio, aprobado en 1886, establece el derecho moral de atribución e integridad, y ciertos derechos económicos exclusivos a la traducción, reproducción, ejecución y adaptación de una obra. Estados Unidos se adhirió como país signatario del Convenio de Berna en 1989.

Luego de que los Estados Unidos se acogieran al Convenio de Berna, el Congreso aprobó el "Visual Artists Rights Act" el 1 de diciembre de 1990. En dicho estatuto se acoge el principio básico civilista de que se debe proteger el derecho moral del autor. Dicha legislación federal es de aplicación solamente a obras de doscientos (200) ejemplares o menos. Debemos aclarar que esta legislación federal no ocupa el campo permitiendo, que los estados, o como en este caso Puerto Rico, puedan legislar a favor de los derechos morales de sus autores, cuando la legislación federal no protege estos derechos. De hecho, en estados como Nueva York y California existe legislación relacionada a los derechos morales de los artistas.

Los objetivos principales de esta medida son: 1) lograr una mayor certeza y aclarar algunos aspectos de cómo aplican los derechos morales; 2) minimizar posibles choques con el esquema estatutario del “Copyright Act”; y 3) atemperar nuestras protecciones a las realidades de la era digital, de modo que no obstaculicen el desarrollo económico, educativo, cultural y creativo de la Isla.

Nuestros artistas juegan un importante papel en capturar la esencia de nuestra cultura y dejarla plasmada para futuras generaciones. Existe un interés en definir claramente los derechos de los artistas, tanto para beneficio de éstos como para el del público en general. El acceso a las obras artísticas debe ser una prioridad para una sociedad. Además, debemos enfatizar que estos derechos pertenecen al autor y el Estado debe facilitar lo que éste desee hacer con su creación y no limitar sus capacidades. El Estado debe reenfocar sus esfuerzos en aquello que redunde en

una mayor promoción de las artes, flexibilizando el flujo de obras, cuidando el balance entre el acceso de la sociedad a una obra y el control de quien la genera.

La medida incluye varios aspectos importantes, como lo son una definición detallada de los derechos morales, el carácter de publicidad del Registro y la alternativa de optar por daños estatutarios. Por último, queda clara la no transferibilidad de estos derechos y se establece que, aunque en esencia no son renunciables, existen circunstancias en las cuales, el autor en última instancia debe ser quien pueda tomar la decisión sobre cuándo y hasta qué punto hacerlos valer en los acuerdos que así convenga establecer.

Esta Asamblea Legislativa entiende meritorio que Puerto Rico cuente con una ley especial más completa y a tono con nuestros tiempos sobre los derechos morales que a la vez complemente los derechos concedidos por las leyes federales de derechos de autor.

DECRETASE POR LA ASAMBLEA LEGISLATIVA DE PUERTO RICO:

Artículo 1. - Esta Ley se conocerá como “Ley de Derechos Morales de Autor de Puerto Rico”.

Artículo 2. – Definiciones

- a) Autor – Persona natural que genera una obra.
- b) Derechos morales – Son derechos exclusivos de un autor sobre su obra que existen por virtud de la relación personalísima entre el autor y su obra. Surgen al momento en que el autor fija la obra original en un medio tangible de expresión. Incluyen los siguientes derechos:
 - i. de atribución - al reconocimiento de su condición de autor, cuando lo sea, así como evitar que se le atribuyan obras de las que no sea autor. Incluye el derecho a determinar si la divulgación ha de hacerse con su nombre, bajo seudónimo o signo, o anónimamente.
 - ii. de retracto - renunciar a la autoría cuando ya la obra no coincida con sus convicciones intelectuales o morales.
 - iii. de integridad –
 - 1. impedir la mutilación, deformación, o alteración de la misma, de modo que resulte en menoscabo de sus legítimos intereses o su reputación;
 - 2. impedir la presentación pública o distribución de una obra mutilada, deformada, o alterada, de modo que resulte en menoscabo de sus legítimos intereses o su reputación; e

3. impedir la destrucción culposa o negligente de un original o de un ejemplar único de la obra.
- iv. de acceso - exigir el acceso razonable a la obra original o al ejemplar único, cuando se halle en poder de otro, a fin de poder ejercer cualquiera de sus derechos de autor. Este derecho no conlleva el desplazamiento de la obra y el acceso será de la manera tal que cause menos incomodidad al poseedor, al que se le indemnizará en su caso por los gastos ocasionados en el ejercicio de este derecho.
- c) Firma electrónica - es la totalidad de datos en forma electrónica consignados en un mensaje, documento o transacción electrónica, o adjuntados o lógicamente asociados a dicho mensaje, documento o transacción, que puedan ser utilizados para identificar al signatario e indicar que éste aprueba la información recogida en el mensaje, documento o transacción.
- d) Obra – creación original literaria, musical, visual (plástica o gráfica), dramática o de las artes interpretativas, artística, o de cualquier otro tipo de las que se producen con la inteligencia y que sea creativa, expresada en un medio, tangible actualmente conocido o que se invente en el futuro.
- e) Obra en conjunto - aquella obra preparada por dos o más autores con la intención de que sus aportaciones se fusionen en partes inseparables o interdependientes de una obra.
- f) Obra hecha por encargo que incluye:
- i. Una obra preparada por un empleado como parte de lo que abarcan sus funciones de trabajo; o
 - ii. Una obra encargada o asignada en especial para usarse como:
 - i. una contribución a una obra colectiva
 - ii. parte de una película cinematográfica o de otra obra audiovisual
 - iii. una traducción
 - iv. una obra suplementaria
 - v. una compilación
 - vi. un texto educativo
 - vii. un examen
 - viii. material de respuesta para un examen
 - ix. un atlas

si las partes acuerdan expresamente en documento escrito firmado por ellos que la obra se considerará como una obra hecha por encargo.

g) Persona - cualquier persona natural

Artículo 3. - Presunción de autoría

Se presumirá autor, salvo prueba en contrario, a quien aparezca como tal en la obra, mediante su nombre, firma o signo que lo identifique. Cuando la obra se divulgue en forma anónima o bajo seudónimo, el ejercicio de los derechos aquí concedidos corresponderá a la persona que la saque a la luz pública, mientras el autor no revele su identidad, siempre y cuando la persona haya tenido el consentimiento del autor.

Artículo 4. - Coautoría

En casos en que una obra en conjunto tenga dos o más autores, los derechos sobre una obra corresponden a todos ellos. Esto no se refiere a aquella contribución individual hecha a una publicación periódica u obra colectiva.

Artículo 5. – Duración

Los derechos morales durarán la vida del autor y setenta (70) años después de su muerte o hasta que la obra entre en el dominio público, lo que ocurra primero.

Artículo 6. – Legitimación por causa de muerte

Al fallecimiento del autor, el ejercicio de los derechos morales corresponderá a la persona que el autor haya señalado expresamente por escrito. En su defecto, el ejercicio de estos derechos corresponderá a los herederos del autor.

El derecho de retracto sólo podrá ejercerse después de su muerte si el propio autor ha manifestado expresamente por escrito que así se haga.

Los derechos morales no podrán ejercerse en relación a obras que hayan entrado al dominio público.

Artículo 7. – Creación de un empleado o contratista independiente

La obra creada como un “trabajo hecho por encargo” no genera derechos morales, excepto que así se disponga mediante acuerdo escrito y firmado. Esto incluye aquella obra creada por el empleado en el curso regular de sus deberes, así como aquella creada por un contratista independiente bajo la figura de “trabajo hecho por encargo”, según definida en esta Ley.

Artículo 8. – Transferibilidad

Los derechos morales no son transferibles, excepto por lo dispuesto en esta Ley.

Artículo 9. – Renunciabilidad

En general, los derechos morales no son renunciables. Sin embargo, el autor o su derechohabiente pueden, mediante documento escrito y firmado, renunciar en todo o en parte al derecho de integridad. La renuncia podrá hacerse utilizando una firma electrónica.

La renuncia descrita en este Artículo podrá otorgarse en cualquier momento y será válida en una obra, aun si la misma fue creada antes de la vigencia de esta Ley. En el caso de una obra en conjunto que tenga dos o más autores, la renuncia de uno de ellos será suficiente, salvo pacto en contrario.

Artículo 10. – Excepción a la protección

El autor o el derechohabiente no podrá invocar derechos morales cuando la obra sea utilizada legítimamente para propósitos de crítica, parodia o comentario, noticiosos, educativos o investigativos. Para determinar si el uso está cobijado por esta excepción se tomarán en cuenta la totalidad de las circunstancias, incluyendo, pero sin limitarse a:

- a) el propósito del uso;
- b) la naturaleza de la obra; y
- c) el tamaño y la sustancia de la porción utilizada en relación a la obra como un todo.

Artículo 11. – Remedios

La violación de los derechos morales faculta al autor o a sus derechohabientes a solicitar interdictos temporales o permanentes para vindicar sus derechos, al resarcimiento de los daños y a obtener una indemnización económica.

En el caso de una obra registrada, y que la violación al derecho moral esté dirigida principalmente a generar un beneficio mercantil o económico, el autor o su derechohabiente podrán optar por solicitarle al tribunal una compensación de daños estatutarios, en lugar de la compensación de los daños reales. Los daños estatutarios podrán fijarse en una cuantía no menor de \$750 ni mayor de \$20,000 por violación por obra registrada, a discreción del tribunal. La compensación será a base del número de obras registradas, independiente del número de copias que se hagan de la obra en cuestión en un momento dado.

Si el caso se resuelve a favor del autor de una obra registrada o su derechohabiente, el tribunal siempre fijará la cuantía de las costas, honorarios y gastos del pleito a favor de éste.

Artículo 12. – Prescripción

Toda acción o procedimiento que se lleve a cabo para hacer cumplir cualquier disposición de esta Ley, deberá iniciarse no más tarde de tres (3) años a partir de la fecha en que la persona afectada sabía o debió haber sabido del surgimiento de los hechos que dan base a la causa de acción.

Artículo 13. – Publicidad

Los derechos morales existen independientemente de su registro. El autor de una obra podrá inscribir voluntariamente la misma en el Registro de Propiedad Intelectual. La publicidad será exclusivamente con fines declarativos y no será requisito el registro de una obra para poder ejercer y hacer valer los derechos morales. El registro de la obra constituirá evidencia “prima facie” de la validez de los derechos morales del autor y de las circunstancias descritas en el certificado del registro en cualquier litigio en el que los referidos derechos sean objeto de controversia. El registro de la obra permitirá la opción de reclamar los daños estatutarios en caso de una violación a los derechos morales.

Artículo 14. - Registro de la Propiedad Intelectual

Se mantiene el Registro de la Propiedad Intelectual adscrito al Departamento de Estado, conforme fuese creado en virtud de la Ley Núm. 96 de 15 de julio de 1988, según enmendada.

Artículo 15. – Registrador

El Registro de la Propiedad Intelectual será dirigido por un Registrador de la Propiedad Intelectual, quien será nombrado por el Gobernador de Puerto Rico, con el consejo y consentimiento del Senado; deberá ser mayor de edad, abogado con un mínimo de siete (7) años de haber sido admitido a la práctica de la profesión, y con conocimientos en el campo de la propiedad intelectual y de la actividad intelectual puertorriqueña; tendrá la misma jerarquía, sueldo y término de duración que un Juez Superior del Tribunal de Primera Instancia y tendrá la condición de funcionario público, conforme la Ley Núm. 447 de 15 de mayo de 1951, según enmendada, conocida como “Ley de Retiro de los Empleados del Gobierno”.

Artículo 16. - Adquisición de equipo; reglamentos; cobro de derechos

El Registrador de la Propiedad Intelectual podrá adquirir equipo y servicios, conforme a la realidad fiscal del Registro. Además, podrá adoptar los reglamentos relativos a la inscripción, el depósito, la reproducción y los derechos a cobrarse por los actos que se requieran. Disponiéndose, que se cobre un arancel por la presentación de la obra intelectual que se someta para su inscripción y un arancel adicional por la inscripción de la misma, los cuales se establecerán mediante reglamentación establecida por el Registro de la Propiedad Intelectual.

Adoptará, además, la reglamentación relativa a la adquisición y control del equipo y otra propiedad que adquiera y sobre la contabilidad de los fondos, con sujeción a lo dispuesto en la Ley Núm. 230 de 23 de julio de 1974, según enmendada, conocida como “Ley de Contabilidad del Gobierno de Puerto Rico”, y de la Ley Núm. 147 de 18 de junio de 1980, según enmendada, conocida como “Ley Orgánica de la Oficina de Gerencia y Presupuesto”.

Artículo 17. – Constancias del Registro

El Registrador de la Propiedad Intelectual mantendrá un registro de las obras intelectuales que se publiquen en Puerto Rico y que sean creación de autores puertorriqueños, o personas extranjeras domiciliadas en Puerto Rico, y de las obras puertorriqueñas que se impriman en el extranjero para ser vendidas, distribuidas o reproducidas en Puerto Rico o cualquier otro uso que

implique su publicación a solicitud de su autor o de sus derechohabientes. Una obra original no publicada podrá registrarse a solicitud del autor. El Registrador de la Propiedad Intelectual expedirá una certificación que contendrá toda la información que contiene el registro sobre la obra.

Artículo 18. – Obras inscribibles

Podrán, a solicitud de su autor o sus derechohabientes, registrarse en el Registro de la Propiedad Intelectual cualquier obra, según definida en esta Ley, en que tenga cualquier interés de autoría o propiedad una o más personas naturales o jurídicas.

A solicitud de una de las partes o sus derechohabientes serán también inscribibles en el Registro de la Propiedad Intelectual los contratos privados y públicos otorgados respecto de las obras registradas. Las inscripciones que autoriza esta Ley tendrán el efecto de reservar a favor del autor de la obra inscrita o de sus derechohabientes, el correspondiente derecho.

Artículo 19. - Marca acreditativa

El Registrador de la Propiedad Intelectual adoptará una marca que consistirá de un triángulo con la letra (R) en su centro, cuyo tamaño y color se determinará por reglamento. Dicha marca se imprimirá en toda obra que se inscriba y en las reproducciones que de la misma se hagan, acreditando que los derechos de autor están protegidos por el registro.

Artículo 20. – Depósito de obras

El Registrador de la Propiedad Intelectual dispondrá por reglamento los medios de inscripción y el depósito de las obras, que resulten más eficientes y menos onerosos, a tenor con los desarrollos tecnológicos recientes más confiables. Será requisito indispensable para la inscripción del derecho de propiedad intelectual el depósito de dos (2) ejemplares o reproducciones.

Artículo 21.- Denegación de inscripción; notificación

En caso de que el Registrador de la Propiedad Intelectual decida que determinada inscripción no puede hacerse conforme a esta Ley o al reglamento que se apruebe al amparo del mismo, denegará la inscripción solicitada y notificará dicha denegación al solicitante dentro de los quince (15) días siguientes al recibo de la misma. La parte interesada en la inscripción tendrá treinta (30) días a partir de la notificación para acudir al Tribunal de Primera Instancia de la Sala Superior del Centro Judicial en donde ubique la obra, y solicitar la revisión de la decisión del registrador. El registrador notificará las razones de la denegación y le advertirá al solicitante que tendrá treinta (30) días a partir de la notificación para acudir en alzada al Tribunal de Primera Instancia de la Sala Superior del Centro Judicial en donde ubique la obra, mediante el correspondiente procedimiento de revisión.

Artículo 22.- Certificación; expedición

A solicitud de cualquier persona, el Registrador de la Propiedad Intelectual expedirá, previo el pago de los derechos correspondientes, certificaciones de las constancias que obren en

su oficina respecto de las obras registradas, sus autores, propietarios y demás datos pertinentes, las cuales, así autenticadas, serán documentos públicos admisibles en todo proceso judicial o administrativo.

Artículo 23.- Inspecciones y copias

Los pliegos informativos y demás documentos que obren en los archivos del Registro de la Propiedad Intelectual podrán inspeccionarse y copiarse por personas interesadas, previo el pago de los derechos correspondientes, pero tales copias no constituirán prueba de las constancias registrales, a menos que el registrador las certifique.

Artículo 24.- Asesoramiento

El Registrador de la Propiedad Intelectual organizará los medios de proveer a los escritores, diseñadores, cineastas, pintores, grabadores, arquitectos y cualquier otro creador de objetos de labor artística, literaria o científica, suficiente asesoramiento y auxilio para que puedan ellos utilizar los mecanismos y demás recursos que proveen las leyes.

Artículo 25. – Disposiciones transitorias

El Registrador de la Propiedad Intelectual nombrado bajo la Ley Núm. 96 de 15 de julio de 1988, según enmendada, continuará ocupando su cargo hasta el vencimiento de los términos originales de su nombramiento.

Artículo 26. – Se deroga la Ley Núm. 96 de 15 de julio de 1988, según enmendada.

Artículo 27. – Cláusula de Separabilidad

Si cualquier cláusula, párrafo, artículo, sección, inciso o parte de esta Ley fuere declarada inconstitucional por un tribunal competente, la sentencia a tal efecto dictada no afectará, perjudicará ni invalidará el resto de la misma. El efecto de dicha sentencia quedará limitado a la cláusula, párrafo, artículo, sección, inciso o parte de la misma que así hubiere sido declarada inconstitucional.

Artículo 28. – Vigencia

Esta Ley comenzará a regir inmediatamente después de su aprobación.

Juan C. Negrón Miró y Mayra Nieves, la Sociedad Ganancial que ambos componen, Peticionarios v. Roberto Vera Monroig y Jane Doe, Sociedad Ganancial compuesta por ambos, Compañía de Impresos XYZ, Inc., Compañía de Rotulaciones XYZ, Inc. demandados desconocidos, recurridos

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Número: CC-2009-871

Resuelto: 16 de junio de 2011

1. PROPIEDAD—PROPIEDAD INTELECTUAL—EN GENERAL.

El Art. 35911 de la Ley de Propiedad Intelectual de Puerto Rico, 31 L.P.R.A. sec. 1402d, dispone que registrarse en el Registro de la Propiedad Intelectual, a solicitud de su autor o sus derechohabientes, varios tipos de obras. Las inscripciones que autoriza esta sección tendrán el efecto de reservar el correspondiente derecho de la propiedad intelectual a favor del autor de la obra inscrita o de sus derechohabientes. Para gozar de los beneficios de esta ley es necesario haber inscrito el derecho y las obras que lo sustentan en el Registro de la Propiedad Intelectual, con arreglo a lo establecido en la ley.

2. ÍD.—ÍD.—ÍD.

Los derechos de autor en la jurisdicción de Puerto Rico están cobijados por el Federal Copyright Act, 17 U.S.C.A. sec. 101 et seq., y la Ley de Propiedad Intelectual de Puerto Rico, 31 L.P.R.A. sec. 1401 et seq. De forma supletoria, las disposiciones del Código Civil pueden aplicarse a controversias sobre derechos de autor en tanto no sean incompatibles con estos estatutos. La combinación de estas leyes provee a los autores una protección abarcadora, fijando derechos patrimoniales y extrapatrimoniales; estos últimos mejor conocidos como derechos morales.

3. ÍD.—ÍD.—ÍD.

Los derechos patrimoniales delimitan la facultad del autor de explotar económicamente su obra, mientras los derechos morales protegen el vínculo personal entre el autor y su creación. Si bien los derechos patrimoniales están ampliamente regulados por la legislación federal, en ésta los derechos morales gozan de una protección muy limitada. Específicamente, desde la promulgación de la Visual Artists Rights Act, Pub. L. No. 101-650, 104 Stat. 5128 (1990), solo los autores de ciertas obras de "arte visual" pueden disfrutar del derecho moral federal de atribución e integridad. Por ello, la Ley de Propiedad Intelectual tiene un radio extenso de aplicación al establecer los derechos morales de los autores, siempre y cuando, claro está, no entre en conflicto con el estatuto federal.

4. ÍD.—ÍD.—DOCTRINA DEL DERECHO MORAL DE LOS AUTORES, CREADORES Y ARTISTAS—EN GENERAL.

En cuanto al derecho moral del autor, la Ley de Propiedad Intelectual reconoce que el creador de la obra tiene las prerrogativas exclu-

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sivas de atribuirse o retractar su autoría, disponer de su obra, autorizar su publicación y proteger su integridad. Estos derechos le asisten al autor en virtud del acto creador de la obra, sin más. La propiedad intelectual de una obra corresponde al autor por el solo hecho de su creación. Además, el derecho moral nace con la obra misma y subsiste aun después de su cesión.

5. ÍD.—ÍD.—ÍD.—ÍD.

En el derecho civil se ha clasificado el derecho moral de autor como un derecho personalísimo, junto a otros derechos tales como el derecho a la vida, a la libertad e integridad física, derecho al honor, derecho a la imagen y otros. Éste incluso formó parte de los derechos humanos reconocidos en la Declaración Universal de los Derechos del Hombre. Art. 27.2 de la Declaración Universal de los Derechos Humanos de la O.N.U. (1948). Toda persona tiene derecho a la protección de los intereses morales y materiales que le correspondan por razón de las producciones científicas, literarias o artísticas de que sea autora.

6. ÍD.—ÍD.—ÍD.—ÍD.

Previo a la aprobación de la Ley de Propiedad Intelectual, el Tribunal Supremo ya había llamado la atención a la tangencia evidente entre el derecho moral del autor y la cláusula constitucional que protege la dignidad del ser humano, declarando que ésta es inviolable. Los derechos morales son uno de esos derechos que revisten carácter universal y que implican, por lo tanto, un deber de todos los demás sujetos jurídicos con respecto a su titular. De ahí la obligación general que a todos incumbe de abstenerse y evitar cualquier trastorno o perturbación a ese derecho.

7. ÍD.—ÍD.—EN GENERAL.

Actualmente y como regla general, la inscripción de la obra y el derecho moral en el Registro de la Propiedad Intelectual, sí es requerida por el ordenamiento jurídico de Puerto Rico para poder disfrutar plenamente de los derechos morales de autor. Ello, ya que no es posible tramitar una acción judicial para sus reparos sin antes contar con la referida inscripción, según ordena el Art. 359]] de la Ley de Propiedad Intelectual de Puerto Rico, 31 L.P.R.A. sec. 1402d.

8. ÍD.—ÍD.—DOCTRINA DEL DERECHO MORAL DE LOS AUTORES, CREADORES Y ARTISTAS—EN GENERAL.

Los derechos morales del autor nacen con la mera creación de la obra. Por ello se inscribe en el Registro de la Propiedad Intelectual no sólo las obras, sino el

derecho que nace fuera del Registro. La inscripción de la obra en el Registro tendrá el efecto de reservar a favor de su autor o titular los derechos morales que su creación haya originado y dar fe pública de ese hecho para su protección contra cualquier violación.

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9. ÍD.—ÍD.—ÍD.—ÍD.

Es necesario inscribir las obras y el derecho moral de autor en el Registro de la Propiedad Intelectual para que se puedan presentar acciones judiciales ante la violación de los derechos de autor reconocidos en la legislación puertorriqueña, salvo cuando se alegue transgresión al derecho de atribución. Sin embargo, la inscripción es necesaria al momento de procurar la providencia judicial y no antes. Por lo tanto, el autor que sufre la mutilación de su obra no inscrita, tiene a su haber los derechos morales que reconoce la Ley de Propiedad Intelectual, si bien no podrá ejercerlos en los tribunales sin antes acudir al Registro de la Propiedad Intelectual.

10. ÍD.—ÍD.—EN GENERAL.

El Registro de la Propiedad Intelectual permite que los autores que inscriban sus obras: (1) puedan inscribir a su vez contratos que suscriban respecto a la obra ya inscrita; (2) plasmen en ellas la marca acreditativa de la inscripción (®); (3) obtengan certificaciones de las constancias del registro, lo cual constituye un documento oficial admisible en procedimientos judiciales y administrativos, y (4) si se trata del autor de un libro, goza de unas protecciones especiales ya que el Registro impone ciertas obligaciones al editor, importador o exportador de su libro.

11. ÍD.—ÍD.—ÍD.

Aunque se trata de un acto voluntario, la inscripción en el Registro de la Propiedad Intelectual provee varios beneficios a los autores que decidan utilizarlo. Sobre todo, aquel autor que inscriba su obra y su derecho tendrá a su favor una presunción de autoría sustentada en la fe pública que sólo puede otorgar el Registro.

Petición de Certiorari para solicitar la revocación de una Sentencia de Néstor Aponte Hernández, Sol de Borinquen Cintrón Cintrón y Carlos A. Cabán García, Js. del Tribunal de Apelaciones, que confirmó la emitida por el Tribunal de Primera Instancia, la cual desestimó con perjuicio la acción de daños y perjuicios presentada por los peticionarios por violación a los derechos morales de autor. Se dicta sentencia mediante la cual se desestima la presente causa de acción sin perjuicio. Así modificada, se confirma la sentencia emitida por el Tribunal de Apelaciones.

Carlos Fernández Nadal, abogado de la parte peticionaria; Daniel A. Rivera Hernández y Miguel J. Negrón Vives, abogados de la parte recurrida.

**OPINIÓN DEL TRIBUNAL EMITIDA POR LA JUEZ ASOCIADA SEÑORA
RODRÍGUEZ RODRÍGUEZ.**

Esta vez debemos aclarar si un autor tiene que inscribir su obra y sus derechos morales de autor en el Registro de

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la Propiedad Intelectual de Puerto Rico para que dichos derechos sean efectivos y el autor tenga a su haber los remedios provistos en la referida legislación. Tras examinar la naturaleza de los derechos morales de autor, así como el historial y propósitos de la Ley de Propiedad Intelectual, concluimos que actualmente la inscripción en el Registro de la Propiedad Intelectual es un acto voluntario, pero necesario para poder instar una acción judicial procurando remediar la transgresión de los derechos morales.

I.

El 23 de enero de 2006, el señor Juan C. Negrón Miró, la señora Mayra Nieves y la sociedad legal de gananciales compuesta por ambos, presentaron una demanda de daños y perjuicios contra el señor Roberto Vera Monroig, entre otros. En esencia, alegaban que el Sr. Negrón Miró es fotógrafo profesional y creador de una foto aérea del Municipio de Adjuntas, la cual había sido utilizada por el demandado –entonces Alcalde del referido Municipio– en el año 2004 como parte de su campaña política a la reelección. Se alegó que el demandado utilizó y mutiló la obra del fotógrafo sin obtener su autorización, violando así sus derechos morales de autor.

Tras comenzar el descubrimiento de prueba, los demandados presentaron una moción de desestimación en la cual sostuvieron que el autor de la foto no tenía su obra y derechos morales inscritos en el Registro de la Propiedad Intelectual de Puerto Rico, lo cual impedía que instara la presente reclamación. Oportunamente la parte demandante presentó su réplica oponiéndose a la desestimación. Así las cosas, luego de evaluar los argumentos de las partes, el Tribunal de Primera Instancia desestimó con perjuicio la acción mediante sentencia dictada el 8 de mayo de 2009, notificada el 14 de mayo de 2009.

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El 12 de junio del mismo año, los demandantes presentaron un recurso de apelación ante el Tribunal de Apelaciones. Allí expresaron que el foro primario había errado al condicionar sus derechos y reclamaciones sobre derechos morales de autor a la previa inscripción de la obra en el Registro de la Propiedad Intelectual. No obstante, el foro apelativo intermedio confirmó la sentencia recurrida. El tribunal razonó que la Ley de Propiedad Intelectual de Puerto Rico, *infra*, requiere que la inscripción de la obra se

realice “con anterioridad a los hechos” que alegadamente infringen los derechos morales del autor. Su determinación se notificó el 14 de septiembre del 2009. Inconformes aún, el 14 de octubre de 2009, los demandantes presentaron un recurso de *certiorari* ante este Foro solicitando la revocación de la sentencia emitida por el Tribunal de Apelaciones. El 26 de marzo de 2010, expedimos el recurso solicitado, tras lo cual ambas partes presentaron sus respectivos alegatos.

Los peticionarios sostienen que nuestro ordenamiento no exige la inscripción de la obra y el derecho moral del autor para que éste tenga a su haber las prerrogativas reconocidas en la Ley de Propiedad Intelectual, pues éstas le asisten al autor desde el instante en que su obra es creada. Por su parte, los recurridos replican que la Ley de Propiedad Intelectual expresamente condiciona el disfrute del derecho moral del autor, a la inscripción de la obra y el derecho moral en el Registro de la Propiedad Intelectual. Visto el trasfondo fáctico, así como la dialéctica de las partes, pasamos a resolver.

II.

[1] La controversia ante nosotros requiere interpretar el texto del artículo 359// de la Ley de Propiedad Intelectual de Puerto Rico. 31 L.P.R.A. sec. 1402d. Específicamente, la interrogante que atendemos surge por la oración

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final de dicho artículo, la cual fue incluida como una enmienda, junto a otras, mediante la Ley Núm. 56 de 24 de junio de 1996. Tras la aprobación de esta ley, el referido artículo dispone:

Podrán, a solicitud de su autor o sus derechohabientes, registrarse en el Registro de la Propiedad Intelectual [varios tipos de obras].

. . . Las inscripciones que autoriza esta sección tendrán el efecto de reservar a favor del autor de la obra inscrita o de sus derechohabientes, el correspondiente derecho de la propiedad intelectual. *Para gozar de los beneficios de esta Ley^{j (1)} es necesario haber inscrito el derecho y las obras que lo sustentan en el Registro de la Propiedad Intelectual, con arreglo a lo establecido en las secciones anteriores.* (Énfasis suplido). 31 L.P.R.A. sec. 1402d.

En vías de disponer del presente asunto, es necesario repasar los principios que nutren la figura del derecho moral y auscultar la evolución histórica sobre los requerimientos de formalidades a los cuales se ha sujetado la efectividad de los derechos de autor. Asimismo, al ejercer nuestra función adjudicativa, hemos de seguir el mandato legislativo dispuesto en la propia Ley de Propiedad Intelectual, el cual ordena que ésta “deberá interpretarse y aplicarse por los tribunales y organismos administrativos de Puerto Rico, de forma que auxilie y haga efectivos en la práctica para los autores puertorriqueños, los derechos que reconoce la Ley de Derechos de Autor de los Estados Unidos y en lo dispuesto en ésa y en la [Ley de Propiedad Intelectual de Puerto Rico] . . .”. 31 L.P.R.A. sec. 1402m.

A.

[2] En repetidas ocasiones hemos expresado que los derechos de autor en nuestra jurisdicción están cobija-

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dos por el *Federal Copyright Act*, 17 U.S.C. sec. 101 *et seq.*, y la Ley de Propiedad Intelectual de Puerto Rico, 31 L.P.R.A. sec. 1401 *et seq.* *Harguindey Ferrer v. U.I.*, 148 D.P.R. 13, 27 (1999); *Cotto Morales v. Ríos*, 140 D.P.R. 604, 611 (1996). De forma supletoria, las disposiciones del Código Civil pueden aplicarse a controversias sobre derechos de autor en tanto no sean incompatibles con estos estatutos. *Reynal v. Tribunal Superior*, 102 D.P.R. 260 (1974). La combinación de estas leyes provee a los autores una protección abarcadora, fijando derechos patrimoniales y extra-patrimoniales; estos últimos mejor conocidos como derechos morales.

[3] Los derechos patrimoniales delimitan la facultad del autor de explotar económicamente su obra, mientras los derechos morales protegen el vínculo personal entre el autor y su creación. *Cotto Morales v. Ríos*, *supra*, pág. 612. Si bien los derechos patrimoniales están ampliamente regulados por la legislación federal, en ésta los derechos morales gozan de una protección muy limitada. Específicamente, desde la promulgación de la *Visual Artists Rights Act* (“VARA”), Pub. L. No. 101-650, 104 Stat. 5128 (1990), solo los autores de ciertas obras de “arte visual” (“*works of visual art*”) pueden disfrutar del derecho moral federal de atribución e integridad. Por ello nuestra Ley de Propiedad Intelectual tiene un radio extenso de aplicación al establecer los derechos morales de los autores, siempre y cuando, claro está, no entre en conflicto con el estatuto federal. *Cotto Morales v. Ríos*, *supra*; *Pancorbo v. Wometco de P.R., Inc.*, 115 D.P.R. 495 (1984).^{ii (2)}

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[4] En cuanto al derecho moral del autor, nuestra Ley de Propiedad Intelectual reconoce que el creador de la obra tiene “las prerrogativas exclusivas de atribuirse o retractar su autoría, disponer de su obra, autorizar su publicación y proteger su integridad”. 31 L.P.R.A. sec. 1401. Estos derechos le asisten al autor en virtud del acto creador de la obra, sin más. 31 L.P.R.A. sec. 1401a. Véase, *Harguindey Ferrer v. U.I.*, *supra*, pág. 22 (“De un examen de nuestra Ley de Propiedad Intelectual se desprende que la propiedad intelectual de una obra corresponde al autor por el solo hecho de su creación.”); *Ossorio Ruiz v. Srio. de la Vivienda*, 106 D.P.R. 49, 55 (1977) (“El derecho moral nace con la obra misma y subsiste . . . aun después de su cesión.”) (Citas omitidas).

Lo que caracteriza al derecho moral, en contraposición a los derechos patrimoniales, es la zona de intereses que pretende proteger, a saber, la relación personalísima existente entre el autor y su obra. Sus cimientos nos refieren al medio por el cual tiene origen su labor. Durante el proceso creativo, el autor puede imaginar cómo será su proyecto culminado, lo puede diseñar y, una vez iniciado, podría destruirlo por su insatisfacción para luego volver a comenzar. O bien podría cometer un error y, por

accidente, producir su pieza. De todas formas, en cada etapa del proceso, el carácter, las vivencias y la ideología del autor se van plasmando en su obra. Por ello, el producto final no es menos que el reflejo del ser humano responsable de su creación; es decir, la obra del autor “es de hecho una prolongación de su personalidad”. *Ossorio Ruiz v. Srio. de la Vivienda, supra*, pág. 55. Una mirada a la obra es una mirada al interior de su autor.^{iii (3)} Tan estrecha relación nos ha llevado a expresar

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que la afrenta sufrida por la obra, lesiona a su vez la “personalidad y dignidad de su creador”. *Id. Véase, Cotto Morales v. Ríos, supra*, pág. 623 (“Por ello, la distorsión, mutilación o falsa representación, maltrata una expresión de esa personalidad y el honor de su creador.”).

[5] No tratamos con un mero interés o privilegio, estamos frente a un derecho de suma importancia reconocido por ley. “En el derecho civil se ha clasificado el derecho moral de autor como un derecho personalísimo, junto a otros derechos tales como el derecho a la vida, a la libertad e integridad física, derecho al honor, derecho a la imagen y otros.” *Cotto Morales v. Ríos, supra*, pág. 621 (1996). Véase Gerard Gavin, *Le Droit Moral de l'Auteur dans la Jurisprudence et la Législation Francaises*, Paris, 1960, Sec. 255. Éste incluso formó parte de los derechos humanos reconocidos en la Declaración Universal de los Derechos del Hombre. Art. 27.2 de la Declaración Universal de los Derechos del Hombre (1948) (“Toda persona tiene derecho a la protección de los *intereses morales* y materiales que le correspondan por razón de las producciones científicas, literarias o artísticas de que sea autora.”) (Énfasis suplido). Véanse Robert C. Bird, *Moral Rights: Diagnosis and Rehabilitation*, 46 Am. Bus. L.J. 407, 410 (2009) (“These rights are often conceived as a fundamental human right or a personal civil right, grounded in the author's essential personhood and the projection of that personhood on an artistic or creative work.”); Benjamin Davidson, *Lost in Translation: Distinguishing Between French and Anglo-American*

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Natural Rights in Literary Property, and how Dastar Proves that the Difference Still Matters, 38 Cornell Int'l L.J. 583, 585-86 (2005); Daniel J. Gervais, *The Internationalization of Intellectual Property: New Challenges from the Very Old and the Very New*, 12 Fordham Intell. Prop. Media & Ent. L.J. 929, 934 (2002); Susan P. Liemer, *Understanding Artists' Moral Rights: A Primer*, 7 B.U. Int. L.J. 41, 42 (1998).

Esas características que definen el derecho moral del autor han llevado a algunos académicos a impulsar su reconocimiento como derecho humano. Otros han señalado su relevancia en la protección de algunos derechos constitucionales. Por ejemplo, el Dr. Ulrich Uchtenhagen, distinguido profesor y consultor de la Organización Mundial de Propiedad Intelectual, comentó que:

El derecho de autor además se encuentra en las inmediaciones de la libertad de expresión. [É]sta sería inútil si la expresión personal pudiera ser falseada o incluso torcido su sentido hasta volverlo en su contrario. La protección de la opinión expresada contra su desfiguración y su mutilación y el derecho de constar con el nombre en relación con la expresión manifestada –el “derecho moral” del autor– por lo tanto constituyen el complemento en el derecho privado de la libertad de expresión. Ulrich Uchtenhagen, *El Derecho de Autor como Derecho Humano*, Revista de Derecho Privado, Núm. 3, pág. 8 (1998).

[6] Por nuestra parte, incluso previo a la aprobación de la Ley de Propiedad Intelectual, ya habíamos llamado la atención a la tangencia evidente entre el derecho moral del autor y la cláusula constitucional que protege la dignidad del ser humano, declarando que ésta es inviolable. *Ossorio Ruiz v. Srio. de la Vivienda*, *supra*, pág. 55, n. 2; Art. II., Sec. 1, Const. E.L.A., 1 L.P.R.A. También afirmamos que los derechos morales son “uno de esos derechos que revisten carácter universal y que implican, por lo tanto, un deber de todos los demás sujetos jurídicos con respecto a su titular. De ahí la obligación general que a todos incumbe de abstenerse y evitar cualquier trastorno o

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perturbación a ese derecho.” *Cotto Morales v. Ríos*, *supra*, pág. 623.

Visto lo anterior, es evidente que el derecho moral del autor se revela trascendental en nuestro ordenamiento jurídico. Ahora bien, ¿es necesario inscribir dicho derecho, y la obra sobre la cual recae, para poder ejercerlo plenamente? Antes de formular nuestra respuesta, es meritorio explorar cuál ha sido el desarrollo de las exigencias relativas a las formalidades en los derechos de autor. Especialmente, echaremos una mirada al curso seguido en España y Estados Unidos, por ser las tradiciones jurídicas de mayor relevancia en el desarrollo de nuestro Derecho.

B.

En el ámbito internacional, mediante el Convenio de Berna para la Protección de las Obras Literarias y Artísticas (“Convención de Berna”), la mayor parte de las naciones han acordado que el “goce y el ejercicio de [los derechos de autor] no estarán subordinados a ninguna formalidad . . .”. Art. 5(2) del Convenio de Berna para la Protección de las Obras Literarias y Artísticas (1971). Desde entonces, muchos países han modificado sus legislaciones para establecer registros nacionales, de carácter voluntario, donde se pueden inscribir los derechos de autor. Éstos han seguido una tendencia moderna en la que la inscripción se percibe como un medio facilitador del ejercicio de los derechos, ya que brinda a los autores una forma simple y efectiva de probar su autoría y el derecho que les asiste. Véase Organización Mundial de Propiedad Intelectual, *Copyright Registration and Documentation*, http://www.wipo.int/copyright/en/activities/copyright_registration/ (última visita el 15 de junio de 2011).

Por otro lado, en España los antecedentes históricos de las formalidades a las que se sujetaba la propiedad intelectual se remontan al año 1847. El 10 de junio de ese año, se promulgó una ley que requería el depósito de la obra en dos instituciones del Estado para poder garantizar el derecho

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de propiedad del autor sobre su obra. Art. 13, Ley de 10 de junio de 1847 (derogada) (“Ningún autor gozará de los beneficios de esta Ley si no probase haber depositado un ejemplar de la obra que publique en la Biblioteca Nacional, y otro en el Ministerio de Instrucción Pública, antes de anunciarse su venta.”). Posteriormente, mediante la Ley Española de Propiedad Intelectual de 10 de enero de 1879 –la cual estuvo en vigor en Puerto Rico– se creó un Registro General de la Propiedad Intelectual. El artículo 36 de este estatuto contenía un lenguaje casi idéntico al dispuesto en el artículo 359// de nuestra Ley de Propiedad Intelectual que provoca la controversia que atendemos. Aquél disponía: “Para gozar de los beneficios de esta Ley es necesario haber inscrito el derecho en el Registro de la Propiedad Intelectual con arreglo a lo establecido en los artículos anteriores.” Art. 36, Ley de 10 de enero de 1879 (derogada). Dicha inscripción tenía que realizarse dentro de un año, a partir de su publicación, y a falta de tal inscripción, estaría en el dominio público^{iv (4)} por diez años, tras lo cual el autor tendría nuevamente un año con la posibilidad de inscribir su obra. De no hacerlo, la obra pasaría al dominio público permanentemente. *Id.*

Los tratadistas de la época expresaban que “[p]ara la legislación española, es condición *sine qua non* la inscripción en el Registro del derecho de propiedad intelectual si se quiere disfrutar de la protección legal”. Juan Giménez Bayo & Lino Rodríguez-Arias Bustamante, *La Propiedad Intelectual: Compilación y Comentarios de las Disposiciones Legales Vigentes en España con su Jurisprudencia*, Ed. Reus, Madrid, 1949, pág. 238. Véase además José María Manresa y Navarro, *Comentarios al Código Civil Español*, Ed. Reus, Madrid, Tomo III, 8^{va} ed., 1976, pág. 866. Inclusive, el principal autor de la Ley Española de 1879, el jurisconsulto

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Danvila y Collado, comentaba que “[l]a declaración que hace la Ley es terminante. Sus beneficios no puede gozarlos sino aquel que ha inscrito su derecho en el Registro . . . y de tal manera lo hace obligatorio, que dice es necesario o, mejor dicho, indispensable. No basta ser autor de una obra para tener derecho a explotarla exclusivamente. Para adquirirla es necesario inscribir, y el que no inscribe podrá tener la gloria de la obra, pero no adquirirá sobre ella la propiedad legal.” Giménez Bayo & Rodríguez-Arias Bustamante, *op. cit.*, pág. 239, citando a Danvila y Collado.^{v (5)}

No obstante, con el pasar de los años –y una fuerte crítica al requerimiento de formalidades para garantizar la protección de la propiedad intelectual– se fue desarrollando un mejor entendimiento del derecho de autor y del vínculo entre la obra y su creador. Así, bajo la vigente Ley Española de Propiedad Intelectual, quedó eliminada

la exigencia de inscribir el derecho sobre la obra en el Registro. Véase José Castán Tobeñas, *Derecho Civil Español: Común y Foral*, Ed. Reus, Madrid, Tomo II, Vol. I, 14^{ta} ed., 1992, pág. 613 (“la inscripción ya no es un requisito para el reconocimiento por el Estado del derecho de propiedad intelectual, ni una *conditio iuris* para su protección jurídica”). El rechazo a las formalidades de la legislación anterior fue tan rotundo que se ordenó la aplicación retroactiva de la nueva ley, de manera que los autores cuyas obras habían pasado al dominio público por no haber sido inscritas en el Registro bajo la ley derogada, volverían a estar protegidos por la ley vigente. Disposiciones Transitorias, Segunda, Ley 22 de 11 de noviembre de 1987. Hoy los

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tratadistas españoles siguen mirando con recelo la obligación de inscripción que establecía el anterior estatuto.

Y destacaríamos sobre todos uno de sus desaciertos más graves: la imposición del depósito de la obra –y más aún, de la inscripción del derecho– en el Registro de la Propiedad Intelectual, como un requisito formal que condicionaba la protección jurídica, hasta el punto de que la obra publicada y no inscrita por su autor en el plazo de un año, podía ser publicada y reproducida por cualquiera durante un plazo de 10 años, después del cual podía ser registrada por el autor dentro de otro plazo de un año, cayendo definitivamente en el dominio público si no lo hiciera. Contra esta medida hay que tener en cuenta que en la propiedad intelectual no puede estimarse de ningún modo el registro de la obra como una condición de la tutela jurídica, sino que aquél debe quedar reducido a un medio de prueba de la paternidad del autor y de la identidad de la obra, que cabe sean suplidos por otros medios diferentes. Hermenegildo Baylos Corroza, *Tratado de Derecho Industrial*, Civitas, España, 3^{ra} ed., 2009, pág. 719 (Citas omitidas).

Veamos ahora la experiencia en los Estados Unidos, donde aun cuando las formalidades siempre han estado presentes en la regulación sobre los derechos de autor, sin duda también se puede apreciar una tendencia hacia su reducción. Véanse Roger E. Schechter & John R. Thomas, *Intellectual Property: The Law of Copyrights, Patents and Trademarks*, Thomson West, 2003, págs. 75-93; Jane C. Ginsburg, *The United States Experience with Mandatory Copyright Formalities: A Love/Hate Relationship*, 33 Colum. J.L. & Arts 311 (2010); Shira Perlmutter, *Freeing Copyright from Formality*, 13 Cardozo Arts & Ent. L.J. 565 (1993); Arthur Levine, *The End of Formalities: No More Second-class Copyright Owners*, 13 Cardozo Arts & Ent. L.J. 553 (1993).

En los Estados Unidos, desde el año 1790, un requisito indispensable para gozar de la protección de los derechos de autor bajo la legislación federal, era presentar la portada de la obra en la Corte de Distrito donde residiera el autor. Ley de 31 de mayo de 1790, 1 Stat. 124 (1790) (derogada). Con la aprobación del *Copyright Act* de 1909, dicha presentación o inscripción –la cual se podía realizar

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en la Oficina de Derechos del Autor (*Copyright Office*)– ya no era necesaria para tener la protección de la ley durante un primer período de veintiocho (28) años desde que la obra fuera publicada. Ley de 4 de marzo de 1909, 35 Stat. 1075 (1909) (derogada). Sin embargo, era necesario depositar e inscribir la obra para gozar de un subsiguiente período de protección de igual duración, así como para poder presentar acciones por violación a los derechos de autor. *Id.* Otra formalidad que estableció este estatuto fue el requerimiento de plasmar el aviso del derecho de autor (“*Copyright, Copr., ©*”). Los autores debían incluir en sus obras publicadas dicho aviso, en una forma y lugar específico según la obra de la cual se tratara, y si no lo hacían, su obra pasaba al dominio público.

Tras varios años de estudios y discusiones sobre una posible reforma del derecho de autor, se promulgó el *Federal Copyright Act* de 1976, *supra*. Aunque esta ley mantuvo las formalidades ya descritas, minimizó las consecuencias de su incumplimiento proveyendo, entre otros mecanismos, un período de gracia de cinco (5) años a partir de la publicación para inscribir la obra y realizar esfuerzos razonables para subsanar la omisión del aviso de los derechos de autor. 17 U.S.C.A. sec. 405(a)(2). Ahora bien, en 1988, el Congreso de los Estados Unidos aprobó la ley para implementar en su territorio la Convención de Berna y así adherirse a los demás países miembros de la Unión que allí se estableció con la intención de proteger los derechos de autor bajo un marco internacional homogéneo. *Berne Convention Implementation Act of 1988*, Pub. L. No. 100-586, 102 Stat. 2853 (1988). Esta legislación significó un gran paso hacia la flexibilización de requisitos formales para la protección de los derechos de autor.

En primer lugar, se suprimió la exigencia de incluir en la obra publicada el aviso de derecho de autor como condición para ostentar la protección legal. Desde entonces el referido aviso es meramente voluntario, aunque se esti-

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mula su inclusión permitiendo que el autor que lo incluya, y posteriormente inicie un pleito por violación a sus derechos de autor, se oponga a que el demandado alegue desconocer que la obra estaba protegida para no sufragar daños estatutarios. 17 U.S.C.A. secs. 401(d), 402(d). En segundo lugar, en lo que respecta a obras originadas en otros países de la Unión de Berna, quedó eliminado el requerimiento de inscribir el derecho de autor antes de poder instar una acción ante los tribunales por violación a dicho derecho. 17 U.S.C.A. sec. 411(a). No obstante, tal obligación sigue vigente para obras originadas en los Estados Unidos, ello a pesar de que la inscripción no es una condición para la protección de los derechos de autor. 17 U.S.C.A. sec. 408(a). Cabe aclarar que lo que se requiere es llevar a cabo el trámite administrativo para lograr la inscripción, no la efectiva inscripción del derecho, pues aun si ésta es denegada tras la evaluación de la solicitud de inscripción, el autor está autorizado a presentar su acción por violación a sus derechos de autor. 17 U.S.C.A. sec. 411(a).

Finalmente, en 1990 el Congreso aprobó la *Visual Artists Rights Act* (“VARA”) para incorporar –aunque de una forma muy limitada– entre los derechos de autor

reconocidos en la jurisdicción federal, los derechos morales de atribución e integridad sobre ciertas obras de artes visuales. Pub. L. No. 101-650, 104 Stat. 5128 (1990); 17 U.S.C.A. sec. 106A. Empero, es meritorio señalar que todos los autores que presentan reclamaciones ante los foros judiciales federales para hacer efectivos estos derechos morales, están exentos de tener que inscribir previamente su derecho de autor en la Oficina de Derechos del Autor. 17 U.S.C.A. sec. 411(a).

Este breve recuento nos permite apreciar que los sistemas de protección de derechos de autor en todo el mundo, y en España y Estados Unidos en particular, se han modificado para proveer garantías y salvaguardas efectivas, libres de formalidades, para los autores. Todos tratan de alcanzar un sistema justo, en el que la labor intelectual

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pueda ser cosechada y promovida sin trabas técnicas ajenas al quehacer creativo. Contando ahora con este bagaje, examinemos la controversia de autos.

III.

La parte recurrida sostiene que el artículo 359// de la Ley de Propiedad Intelectual, 31 L.P.R.A. sec. 1402d, no permite que se protejan judicialmente los derechos morales de la parte peticionaria ya que dispone que para “gozar de los beneficios de esta Ley es necesario haber inscrito el derecho y las obras que lo sustentan en el Registro”, y el peticionario no tenía inscrita su obra cuando presentó esta acción. Le asiste la razón a los recurridos.

Es indispensable recordar que cuando se aprobó la Ley de Propiedad Intelectual en el 1988, mediante la cual se creó el Registro de la Propiedad Intelectual, la Asamblea Legislativa consideraba que el registro que existía en España era simplemente un mecanismo “que facilit[a] la labor de determinar si en circunstancias determinadas se ha cometido una violación”. Exposición de Motivos, Ley Núm. 96 de 15 de julio de 1988. Con ello en mente, se aprobó la legislación para lograr que la comunidad intelectual de nuestro país gozara de la “mayor protección de sus derechos”. *Id.* Por eso se creó el Registro, para que “permita la más adecuada defensa de los derechos de esta clase *facilitando* la inscripción y protección de todos los *derechos inherentes* a los integrantes de esta clase”. *Id.* (Énfasis suplidos). Asimismo, las enmiendas hechas a la ley en el 1996 tuvieron el propósito de facilitar su implantación “en protección de los derechos de la comunidad intelectual del país”. Exposición de Motivos, Ley Núm. 56 de 24 de junio de 1996.

Sin embargo, a través del artículo 359//, dichas enmiendas también introdujeron a nuestra Ley de Propiedad In-

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telectual la inscripción en el Registro –de la obra y el derecho moral– como requisito para el goce y disfrute de las protecciones que brinda la ley. Véase Pedro G. Salazar, *La*

protección legal del autor puertorriqueño, Ed. UPR, San Juan, 2000, pág. 295. Cónsono con lo anterior, sólo hemos resuelto que no es necesaria la inscripción de la obra en el Registro en aquellas situaciones peculiares en las cuales se alega que otra persona se atribuyó la autoría de la obra; es decir, cuando se invoca el derecho moral de atribución. *Harguindey Ferrer v. U.I., supra*.

[7] De manera que, actualmente y como regla general, la inscripción de la obra y el derecho moral en el Registro de la Propiedad Intelectual, sí es requerida por nuestro ordenamiento jurídico para poder disfrutar plenamente de los derechos morales de autor. Ello, ya que no es posible tramitar una acción judicial para sus reparos sin antes contar con la referida inscripción, según ordena el artículo 359//. Aunque el reclamo del peticionario de que reconozcamos el ejercicio y la protección de los derechos morales de autor –sin necesidad de inscribir la obra en el Registro– tiene eco en la tendencia libre de formalidades que ha seguido la comunidad internacional, nuestra Asamblea Legislativa ha optado por un esquema distinto. Es a dicha Rama de Gobierno a quien corresponde seleccionar el modelo a seguir y a quien deben dirigirse los reclamos de reforma.^{vi (6)}

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No obstante lo anterior, debemos señalar que el razonamiento enunciado por el Tribunal de Apelaciones, respecto a la necesidad de que el autor cuente con la inscripción al momento en que sufre la alegada violación de sus derechos morales, no es acertado. Todo lo que exige la ley es la inscripción de la obra y el derecho, no dispone que ésta deba llevarse a cabo con anterioridad a la transgresión. 31 L.P.R.A. sec. 1402d.

La interpretación que propone el foro recurrido es una similar a aquella que se le daba al artículo 36 de la antigua Ley Española de 1879. Bajo dicha postura el Registro sería un mecanismo constitutivo de derechos, pues al exigir la inscripción antes de una posible violación en efecto se estaría condicionando la existencia de los derechos morales al acto previo de la inscripción. Ése no es el propósito de nuestro Registro. Un derecho tan cercano a la personalidad del sujeto, como el derecho moral, no puede quedar tronchado por la omisión de una formalidad meramente optativa. Mucho menos cuando ésta ha sido pensada y diseñada precisamente para facilitar y promover la protección de ese derecho. Exposición de Motivos, Ley Núm. 56 de 24 de junio de 1996.

[8] Como señaláramos, los derechos morales del autor nacen con la mera creación de la obra. 31 L.P.R.A. sec.

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1401a; *Harguindey Ferrer v. U.I., supra*, pág. 22; *Ossorio Ruiz v. Srio. de la Vivienda, supra*, pág. 55. Por ello se inscribe en el Registro no sólo las obras, sino *el derecho* que nace fuera del Registro. 31 L.P.R.A. secs. 1402d, 1402f. Véase Art. 5, Reglamento para la Presentación, Inscripción y Depósito de Obras en el Registro de la Propiedad Intelectual, Reglamento Núm. 6157 del Departamento de Estado, 31 de mayo de 2000 (“La inscripción de la obra en el Registro tendrá el efecto de reservar a favor de su autor

o titular los derechos morales que su creación haya originado y dar fe pública de ese hecho para su protección contra cualquier violación.”).

[9] Resolvemos pues que es necesario inscribir las obras y el derecho moral de autor en el Registro de la Propiedad Intelectual para que se puedan presentar acciones judiciales ante la violación de los derechos de autor reconocidos en nuestra legislación; salvo cuando se alegue transgresión al derecho de atribución. Aclaramos, sin embargo, que la inscripción es necesaria al momento de procurar la providencia judicial y no antes. Por lo tanto, el autor que sufre la mutilación de su obra no inscrita, tiene a su haber los derechos morales que reconoce la Ley de Propiedad Intelectual, si bien no podrá ejercerlos en los tribunales sin antes acudir al registro de la Propiedad Intelectual. Otra interpretación de la ley daría al traste con el llamado contenido en el propio estatuto, a los efectos de que sea interpretado y aplicado “de forma que auxilie y haga efectivos en la práctica para los autores puertorriqueños” sus derechos de autor. 31 L.P.R.A. sec. 1402m.

[10-11] Finalmente, debemos subrayar otros aspectos importantes del Registro de la Propiedad Intelectual. Por un lado, el Registro permite que los autores que inscriban sus obras: 1) puedan inscribir a su vez contratos que suscriban respecto a la obra ya inscrita; 2) plasmen en ellas la marca acreditativa de la inscripción (®); 3) obtengan certificaciones de las constancias del registro, lo cual

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constituye un documento oficial admisible en procedimientos judiciales y administrativos; y 4) si se trata del autor de un libro, goza de unas protecciones especiales ya que el Registro impone ciertas obligaciones al editor, importador o exportador de su libro. 31 L.P.R.A. secs. 1402d-02e, 1402h-02j. De manera que aunque se trata de un acto voluntario, la inscripción en el Registro de la Propiedad Intelectual provee varios beneficios a los autores que decidan utilizarlo. Sobre todo, aquel autor que inscriba su obra y su derecho tendrá a su favor una presunción de autoría sustentada en la fe pública que sólo puede otorgar el Registro. Ello representa un medio probatorio valioso que estaría disponible para promover una reclamación o establecer una defensa.

De otra parte, la sociedad también encuentra beneficios en el Registro ya que le sirve como banco de información cultural, en el cual se pueden perpetuar las maravillas del ingenio puertorriqueño. Igualmente, sus constancias pueden ayudar a contactar el autor de cierta obra o a determinar la duración de la protección que le brinda la ley. En fin, dicha inscripción concede beneficios importantes que no pueden obtenerse de otra forma.

IV.

En el presente caso, los foros recurridos desestimaron la acción de violación a derechos morales de autor en la cual se alega el uso y mutilación de la obra del demandante de forma no autorizada. La razón para ello fue que el Sr. Negrón Miró no tenía su obra y derechos inscritos en el Registro de la Propiedad Intelectual. No erraron

al así actuar. Los derechos morales del autor nacen con la misma creación de la obra pero, según hoy resolvemos, su ejercicio en los tribunales depende de que sean inscritos en el Registro de la Propiedad Intelectual. No empecé a ello, ya que hoy nos expresamos por primera vez respecto al momento

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en el cual se hace necesaria la inscripción, ordenamos la desestimación de la presente causa de acción sin perjuicio. Así modificada, confirmamos la sentencia emitida por el Tribunal de Apelaciones.

Se dictará sentencia de conformidad.

La Jueza Asociada señora Pabón Charneco y el Juez Asociado señor Rivera García concurren con el resultado sin opinión escrita.

Notas al calce:

^{i (1)} Existe una discrepancia entre el texto publicado en las Leyes de Puerto Rico, donde lee “beneficios de esta *Ley*”, 1996 Leyes de Puerto Rico 236, y las Leyes de Puerto Rico Anotadas, en la cual se expresa “beneficios de este *capítulo*”, 31 L.P.R.A. sec. 1402d (Supl. 2010) (Énfasis suplidos). Acogemos el texto aprobado por la Asamblea Legislativa en el P. del S. 1313 del 30 de enero de 1996, según publicado en las Leyes de Puerto Rico.

^{ii (2)} Advertimos que el caso ante nosotros trata sobre un alegado uso y mutilación de una fotografía. Aunque la *Visual Artists Rights Act* brinda a los autores el derecho moral de atribución e integridad sobre ciertas fotos, para que éstas estén cobijadas por el estatuto tienen que cumplir con varios requisitos que comprenden, tanto sus características físicas, como el propósito para el cual fueron creadas. 17 U.S.C.A. secs. 101, 106A. Si la fotografía en controversia satisficiera dichos requisitos, podría estar dentro del campo ocupado por la legislación federal, quedando los tribunales estatales privados de jurisdicción. Véanse, *Cotto Morales v. Ríos*, 140 D.P.R. 604 (1996); Melville B. Nimmer & Davis Nimmer, *Nimmer on Copyright*, Matthew Bender, Ed. Rev., Vol. 3, Sec. 8D.06; Robert J. Sherman, *The Visual Artists Rights Act of 1990: American Artists Burned Again*, 17 Cardozo L. Rev. 373, 410-12 (1995). No obstante, debido a que el expediente ante este Foro no provee información suficiente para evaluar este asunto, no nos es posible disponer del mismo.

^{iii (3)} Véase Susan P. Liemer, *Understanding Artists' Moral Rights: A Primer*, 7 B.U. Int. L.J. 41, 43 (1998) (“The unique relationship between an artist, the creative process, and the resultant art makes an artist unusually vulnerable to certain personal harms. The art an artist produces is, in a sense, an extension of herself. The artists' connection to her art is much more personal and simply qualitatively different from the relationship of most other people to other objects and activities. . . . The artist stands uniquely open to attack upon her psyche because she is so closely connected to the creative process and the

creative product. A blow to either the process or product may be a blow to her personally. Because the artist infuses her work with her own personality, a harm to the work or her relationship to the work may well harm the artist herself. The artists' reaction may even resemble her reaction to a physical injury to herself or someone very close to her.”) (Citas omitidas).

^{iv} (4) El término “dominio público” se refiere a la extinción de los derechos exclusivos que provee a los autores la legislación sobre propiedad intelectual. En términos generales, una vez la obra pasa al “dominio público”, toda la sociedad puede hacer uso de aquellas facultadas que hasta entonces habían sido reservadas para el autor.

^v (5) Esta lectura de la Ley Española de Propiedad Intelectual de 1879, no es compartida por todos los académicos españoles. Véase José María Chico y Ortiz, *La Seguridad Jurídica y el Registro de la Propiedad Intelectual*, 96 Revista General de Legislación y Jurisprudencia 595, 605, Núm. 4 (1988) (“La Ley de 1879 nunca dijo que la inscripción de la propiedad intelectual fuese ‘constitutiva’. La Ley partía de una inscripción ‘estimulada’ y reconociendo que la ‘creación’ daba vida a la propiedad intelectual y que desde la misma existía dicho derecho, señalaba un plazo para que el autor pudiese inscribir su obra, y si no lo hacía su obra podía pasar provisionalmente al dominio público, y si transcurrían diez años sin inscribirla, la obra pasaba definitivamente al dominio público.”).

^{vi} (6) En caso que la Rama Legislativa tenga a bien reevaluar el desarrollo internacional de la protección de los derechos morales de autor, un asunto a considerar es si exigir a nuestros autores que inscriban sus obras para poder defender su personalidad y dignidad, según fue plasmada en el trabajo de su autoría, en efecto podría dejar sin derechos a la mayor parte de nuestra comunidad intelectual, que por razones diversas, no puedan acceder al Registro. Piénsese, por ejemplo, en nuestros artesanos; afanosos artistas que perpetúan nuestra cultura y tradiciones. Ellos componen un numeroso grupo que constantemente está creando nuevas obras. ¿Tendrían ellos que acudir al Registro cada vez que produzcan una nueva pieza? Podrían ser varias las limitaciones a las que se tengan que enfrentar para poder tan siquiera personarse al Registro, sin mencionar las dificultades económicas que tendrían que sobrevenir para satisfacer los costos de cada inscripción. Véase Roger E. Schechter & John R. Thomas, *Intellectual Property: The Law of Copyrights, Patents and Trademarks*, Thomson West, 2003, pág. 89 (Traducción nuestra):

“Las virtudes de un sistema de inscripción de derechos de autor son similares a las de cualquier otra forma de registro organizado. Establece un sistema de documentos públicos que ayuda a los potenciales usuarios del material protegido por los derechos de autor a localizar los propietarios del material, de manera que puedan obtener las autorizaciones necesarias. Una visión económica podría decir que el sistema reduce los costos de transacción.

Por otro lado, para ciertos autores, el procedimiento de inscripción podría ser demasiado oneroso o costoso. A diferencia de las grandes casas publicadoras o disqueras que pueden emplear personal dedicado

exclusivamente a cumplimentar solicitudes para la inscripción de los derechos de autor, la banda local, el fotógrafo comercial independiente y el cineasta novato podrían no tener los recursos para dedicarlos a cumplir con el sistema de inscripción, pero aun así parece extremadamente injusto declarar perdidos los derechos de autor sobre estas obras meramente porque los autores encuentran difícil cumplir con el sistema de inscripción. Por lo tanto, la legislación puede ser vista como un acuerdo en punto medio –alentando la inscripción al máximo posible, para así obtener sus beneficios, sin imponer consecuencias draconianas sobre aquéllos que no inscriban.”



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Moral Rights 2.0

Peter K. Yu

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Chapter 2

Moral Rights 2.0

*Peter K. Yu**

1. INTRODUCTION

In his Chapter, André Bertrand provides an excellent discussion of *Soc. Le Chant de Monde v. Soc. Fox Europe*¹ (*Shostakovich*) and *Turner Entertainment Co. v. Huston*² (*Huston*) – two cases that US courses on international and comparative intellectual property law have frequently covered. These two cases provide excellent illustrations of the differences between continental Europe and the United States concerning the protection of moral rights.³ While the Anglo-American copyright regime and the French author's right (*droit d'auteur*) regime were quite

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1. Cour d'appel [CA] [regional Court of Appeal] Paris, 13 Jan. 1953, D.A. Jur. 16 (Fr.). The US companion case is *Shostakovich v. Twentieth Century-Fox Film Corp.*, 80 N.Y.S.2d 575 (Sup. Ct. 1948), *aff'd*, 87 N.Y.S.2d 430 (1st Dep't 1949).
2. Cour d'appel [CA] [regional Court of Appeal] Versailles, civ. ch., 19 Dec. 1994, translated in *Entertainment Law Report*, March 1995 (Fr.).
3. Cyrill P. Rigamonti, 'Deconstructing Moral Rights', *Harvard International Law Journal* 47 (2006): 354.

similar in the eighteenth century,⁴ the protection of moral rights did not attain formal international recognition until 1928.⁵ The gap between the US and French systems has also grown considerably since the enactment of the 1909 US Copyright Act.

In 1988, the United States finally joined the Berne Convention for the Protection of Literary and Artistic Works⁶ (Berne Convention), the leading multilateral copyright treaty, after holding out for more than a century.⁷ Notwithstanding this new international obligation and the United States' emerging role as a vocal global champion of intellectual property rights, the country has yet to protect moral rights to the same extent as its counterparts in continental Europe. The Visual Artists Rights Act of 1990 (VARA), which the US Congress enacted to ensure compliance with the Berne Convention, affords only limited protection to the rights of attribution and integrity in a small category of visual art.⁸ That statute, sadly, might not even have entered into force had the US Senate not needed a political compromise between the Democrats and the Republicans over the passage of a federal judgeships bill.⁹

During the negotiation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) at the World Trade Organization (WTO), the United States also worked hard to ensure that WTO members could not use the mandatory dispute settlement process to address inadequate protection of moral rights. Article 9.1 of the TRIPS Agreement explicitly states that 'Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of [the Berne] Convention or of the rights derived therefrom.'¹⁰ Many of the TRIPS-plus bilateral and plurilateral agreements that the

4. Jane C. Ginsburg, 'A Tale of Two Copyrights: Literary Property in Revolutionary France and America', *Tulane Law Review* 64 (1990): 1023.

5. During the Rome Revision Conference in 1928, the Berne Convention was revised to provide international recognition to the rights of attribution and integrity. Sam Ricketson & Jane C. Ginsburg, *International Copyright and Neighboring Rights: The Berne Convention and Beyond*, 2nd edn (Oxford: OUP, 2005), 108.

6. Berne Convention for the Protection of Literary and Artistic Works, 9 Sep. 1886, as last revised in Paris, 24 Jul. 1971, 828 U.N.T.S. 221 (Berne Convention).

7. Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853. The Berne Convention was adopted in 1886.

8. 17 U.S.C. § 106A (2006).

9. As Professor Kwall recounted:

[O]n the last day of the 101st Congress, a major bill was passed that authorized eighty-five new federal judgeships. Sponsors of this bill had to include several unrelated measures in order to appease senators who would otherwise oppose the federal judgeships bill. One such measure was VARA, which had already been passed by the House of Representatives but had been blocked in the Senate Judiciary Committee by some Republican senators. Thus, VARA was passed by the full Senate only because those Republican senators acquiesced in light of their desire to pass the federal judgeships bill.

Roberta Kwall, *The Soul of Creativity: Forging a Moral Rights Law for the United States* (Stanford: Stanford University Press, 2009), 28.

10. Agreement on Trade-Related Aspects of Intellectual Property Rights Art. 9.1, 15 Apr. 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C (1994) 33 ILM 1197.

United States negotiated in the 2000s did not even mention moral rights at all. Thus, the differences between the United States and continental Europe over the protection of moral rights – as *Shostakovich* and *Huston* have illustrated – are likely to persist into the future.

Interestingly, as wide as they are, these differences are unlikely to present significant challenges to the future development of moral rights. Some commentators, in fact, have cautioned us not to overstate the differences between the two regimes. As Justin Hughes reminds us, although philosophical differences exist between Anglo-American and continental European copyright laws, neither their differences nor the role moral rights play in them ‘should be sketched in caricature’.¹¹ Likewise, Cyrill Rigamonti observes that differences continue to exist among the different author’s rights regimes in Europe – *droit d’auteur* in France, *Urheberrecht* in Germany, *diritto d’autore* in Italy, and *derecho de autor* in Spain. As he declares:

Despite the fact that it has harmonized virtually every aspect of copyright protection over the past fifteen years, the European Union has excluded moral rights from its harmonization efforts on various occasions. Moreover, the European Commission currently does not see any need for harmonization in this field and resists the demands of some European academics for community-wide regulation of moral rights.¹²

In the digital age, the protection of moral rights has raised four new sets of questions: (1) Are moral rights becoming obsolete? (2) Can the protection of these rights meet the demands of a growing semiotic democracy? (3) Would such protection threaten the development of a participatory democratic culture in countries with heavy information control? (4) Should moral rights be extended to cover a new ‘right to delete’ in the digital environment? This chapter picks up from where the previous chapter left off and examines each of these questions in turn. It examines the legal and policy challenges digital technologies have posed to the moral rights regime. It also raises questions about whether moral rights need to be modernized to reflect ongoing changes in our socio-technological environment.

2. OBSOLESCENCE

In a recent article, Amy Adler laments how moral rights have become badly outdated. As she observes:

[M]oral rights are premised on the precise conception of ‘art’ that artists have been rebelling against for the last forty years. Moral rights law . . . purports to protect art, but does so by enshrining a vision of art that is directly at odds with contemporary artistic practice. It protects and reifies a notion of art that is dead.¹³

11. Justin Hughes, ‘Fixing Copyright: American Moral Rights and Fixing the Dastar “Gap”’, *Utah Law Review* (2007): 662.

12. Rigamonti, *supra* n. 3, 357–358.

13. Amy M. Adler, ‘Against Moral Rights’, *California Law Review* 97 (2009): 265.

As a result, moral rights are now obsolete; they ‘endanger art in the name of protecting it’.¹⁴ The right of integrity, in particular, ‘fails to recognize the profound artistic importance of modifying, even destroying, works of art, and of freeing art from the control of the artist’.¹⁵

Among the many examples cited for support, the most memorable one concerns Robert Rauschenberg’s artwork, ‘Erased de Kooning Drawing’. As the article describes:

In 1953, Rauschenberg took a drawing by Willem de Kooning and spent a month erasing it. The resulting work is a ‘sheet of paper bearing the faint, ghostly shadow of its former markings.’ Entitling the work ‘Erased de Kooning Drawing/Robert Rauschenberg/1953’, Rauschenberg exhibited the erasure as his own art. Rauschenberg wrote: ‘I wanted to create a work of art by [erasing]... Using my own work wasn’t satisfactory... I realized that it had to be something by someone who everybody agreed was great, and the most logical person for that was de Kooning’.¹⁶

Rauschenberg’s artwork is important not because of the erasing act itself, but because of the context surrounding the act: Willem de Kooning held an important place in the US art scene in the 1950s, and destruction art had yet to become as pervasive in contemporary art as it is today.¹⁷ As Professor Adler elaborates:

At that time, abstract expressionism so dominated American art (and our artistic place in the world) that de Kooning and his compatriots had come to be viewed as heroic and almost godlike. In that climate, erasing a drawing by de Kooning was a shocking, sacrilegious act. It captured, perhaps better than anything else Rauschenberg did, his scandalous assault on a particular conception of ‘art’. For the generation of artists after de Kooning the question was: how would it be possible to make art in the wake of the godlike artists who came before them? Rauschenberg’s answer was that new art might be about its own failure to achieve greatness, its impotent rebellion against the heroic past. Rauschenberg began to make art that... was about ‘its own destruction’.¹⁸

Rauschenberg’s ‘creative’ assault on de Kooning’s drawing, therefore, provides an excellent illustration of ‘how art can emerge from the near destruction of a previous piece’¹⁹ – a fact that moral rights seem unable, or at least reluctant, to recognize. In fact, the successful completion of Rauschenberg’s artwork largely ‘depends on the fact that he violated not a reproduction of a work but an original, and not just any original, but an original by Willem de Kooning’.²⁰

14. *Ibid.*

15. *Ibid.*

16. *Ibid.*, 283. It is worth noting that de Kooning gave the drawing to Rauschenberg. *Ibid.*, 283, fn. 111.

17. Roberta Rosenthal Kwall, ‘Hoisting Originality: A Response’, *DePaul Journal of Art, Technology and Intellectual Property Law* 20 (2009): 7.

18. Adler, *supra* n. 13, 283.

19. *Ibid.*

20. *Ibid.*

Although Professor Adler's insights are important for both the online and offline worlds, they become particularly important to the online world, for three reasons. First, moral rights were created with traditional works of art – such as writings, paintings, drawings, and sculptures – in mind. As new works are being created using digital technologies or disseminated through new technological means, it is fair to question whether the protection of moral rights has, in fact, become outdated. Obsolescence is an issue Professor Adler tackles head-on in her article, but this debate has only just begun.

Second, while moral rights *as an institution* deserve our urgent attention, moral rights *as protected under statutes or through case law* are equally important. Indeed, digital technologies have threatened to make existing moral rights statutes obsolete. VARA, for example, was drafted with a specific limitation on the maximum number of autographed and consecutively-numbered copies visual artists can have before losing protection. Section 101 of the US Copyright Act provides:

A 'work of visual art' is –

- (1) —a painting, drawing, print or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or
- (2) —a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.²¹

While this limitation makes sense in the physical world, and it most certainly did in the late 1980s when VARA was drafted, the application of the statute to digital visual art warrants close scrutiny. Consider photographs for example. As Llewellyn Gibbons recently pointed out, VARA does not sit well with digital photographic works.²² What does the language 'a still photographic image' or 'produced for exhibition purposes' mean? Would ephemeral copies count toward the 200 maximum copies? How should the artist sign and number photos to comply with the statutory formalities? On a theoretical level, should copy still be used as a foundational concept in moral rights law in the digital age?²³

21. 17 U.S.C. § 101 (2006).

22. Llewellyn Joseph Gibbons, 'Visual Artists Rights Act ("VARA") and the Protection of Digital Works of "Photographic" Art', *North Carolina Journal of Law and Technology* 11 (2010): 531–552.

23. Committee on Intellectual Property Rights and the Emerging Information Infrastructure, National Research Council, *The Digital Dilemma: Intellectual Property in the Information Age* (Washington, DC: National Academy Press, 2000), 230–232 (*Digital Dilemma*).

Finally, and most importantly, the digital environment has provided a new opportunity for users, appropriate artists, and other creative appropriators (hereafter known collectively as ‘users’) to reconcile their re-creations with the originals. For example, Jessica Litman points out that digital technologies have made it easier to protect the integrity of a creative work. Under her proposal, ‘any adaptation, licensed or not, commercial or not, should be accompanied by a truthful disclaimer and a citation (or hypertext link) to an unaltered and readily accessible copy of the original’.²⁴ This proposal would allow users to access the original work to judge for themselves how the two works compare to each other. It would help ‘safeguard the work’s integrity . . . and protect[] our cultural heritage’ while at the same time providing users with an unencumbered ability to make the needed modifications.²⁵

Likewise, Roberta Kwall, a staunch and passionate defender of moral rights in the United States, proposed to use attribution and disclosure to reconcile the protection of moral rights with the competing demands of American constitutional values and our strong need to maintain a well-endowed public domain. In her new book on moral rights, she ‘recommend[s] a narrowly tailored right of integrity designed to vindicate the author’s right to inform the public about the original nature of her artistic message and the meaning of her work’.²⁶ Similar to Professor Litman’s proposal, where the right of attribution was prioritized and the right of integrity somewhat replaced by a right of full disclosure,²⁷ Professor Kwall calls for reforms that require ‘a disclaimer adequate to inform the public of the author’s objection to the modification or contextual usage’.²⁸

3. CREATIVE REUSE AND SEMIOTIC DEMOCRACY

Thanks to the high speeds and low costs of reproduction and distribution, the anonymous architecture, and the many-to-many communication capabilities, the Internet has become a particularly effective means of communication. As Judge Stewart Dalzell recognized in *Reno v. ACLU* in the early days of this communication medium: ‘[T]he Internet is the most participatory form of mass speech yet developed . . . It is no exaggeration to conclude that the content on the Internet is as diverse as human thought’.²⁹

In light of the Internet’s immense potential for political, social, economic, and cultural developments, commentators – most notably William Fisher – argue for

24. Jessica Litman, *Digital Copyright* (Amherst, NY: Prometheus Books, 2001), 185.

25. *Ibid.*

26. Kwall, *supra* n. 9, 151.

27. Jane C. Ginsburg, ‘Have Moral Rights Come of (Digital) Age in the United States?’, *Cardozo Arts and Entertainment Law Journal* 19 (2001): 17; Jacqueline D. Lipton, ‘Moral Rights and Supernatural Fiction: Authorial Dignity and the New Moral Rights Agendas’, *Fordham Intellectual Property, Media and Entertainment Law Journal* 21 (2010): forthcoming.

28. Kwall, *supra* n. 9, 151.

29. 929 F. Supp. 824, 883, 842 (E.D. Pa. 1996), *aff’d*, 521 U.S. 844 (1997).

the allowance of greater reuse and modification of digital works to promote semiotic democracy.³⁰ Coined by John Fiske in *Television Culture*,³¹ the term ‘semiotic democracy’ was used by Professor Fisher to denote ‘the ability of “consumers” to reshape cultural artifacts and thus to participate more actively in the creation of the cloud of cultural meanings through which they move’.³² As he explains, there are many benefits when individuals can freely recode pre-existing works:

People would be more engaged, less alienated, if they had more voice in the construction of their cultural environment. And the environment itself . . . would be more variegated and stimulating . . . In the future, sharing could encompass more creativity. The circulation of artifacts would include their modification, improvement, or adaptation. To some degree, at least, such habits could help ameliorate the oft-lamented disease of modern culture: anomie, isolation, hyper-individualism. Collective creativity could help us become more collective beings.³³

The need to develop a semiotic democracy is particularly important today, when media ownership has become highly concentrated in a few corporate oligopolies and users actively and frequently question the appropriateness of the existing copyright regime. Although the treatment of user-generated content remains a new issue and policymakers and commentators have yet to reach a consensus on the appropriate standards, there is no doubt that the creation of this new type of content has inspired innovative thinking about the development, dissemination, and exploitation of creative works.³⁴ The need for user-generated content to coexist with those the traditional entertainment industries develop has also raised important questions about the future development of the copyright and moral rights systems.³⁵

In his latest book, *Remix*, Lawrence Lessig argues passionately for the need to enable Internet users to remix pre-existing works.³⁶ As he, Henry Jenkins, and others aptly point out, digital literacy in the future will go beyond texts to include

30. William W. Fisher III, *Promises to Keep: Technology, Law, and the Future of Entertainment* (Stanford: Stanford University Press, 2004), 28–31.

31. John Fiske, *Television Culture* (London: Routledge, 1987), 76.

32. Fisher, *supra* n. 30, 184.

33. *Ibid.*, 31.

34. Chris Anderson, *Free: The Future of a Radical Price* (New York: Hyperion, 2009); Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom* (New Haven, CT: Yale University Press, 2006); Clay Shirky, *Cognitive Surplus: Creativity and Generosity in a Connected Age* (New York: Penguin Press, 2010); Clay Shirky, *Here Comes Everybody: The Power of Organizing without Organizations* (New York: Penguin Press, 2008); Don Tapscott & Anthony D. Williams, *Wikinomics: How Mass Collaboration Changes Everything*, expanded edn (New York: Portfolio, 2008).

35. Peter K. Yu, ‘Digital Copyright Reform and Legal Transplants in Hong Kong’, *University of Louisville Law Review* 48 (2010): forthcoming.

36. Lawrence Lessig, *Remix: Making Art and Commerce Thrive in the Hybrid Economy* (New York: Penguin Press, 2008), 76–82.

other forms of creative media.³⁷ Remixes, therefore, need to include not only texts, but also images, audio, and video clips. As Professor Lessig eloquently writes:

Text is today's Latin. It is through text that we elites communicate . . . For the masses, however, most information is gathered through other forms of media: TV, film, music, and music video. These forms of 'writing' are the vernacular of today. They are the kinds of 'writing' that matters most to most.³⁸

Thus, if society is to ensure that users in future generations can fully develop their creative, communicative, and intellectual capabilities, reforms to the copyright and moral rights systems are badly needed to provide greater flexibility for individuals to creatively reuse or modify pre-existing works. Such reforms will also open up the possibilities for developing a different form of creativity that is 'more collaborative and playful, less individualistic or hierarchical'.³⁹

Unfortunately, moral rights may stand in the way of efforts to promote greater semiotic democracy and digital literacy. By conferring on authors an 'aesthetic veto',⁴⁰ moral rights have made it difficult and costly for users to obtain the needed permission to reuse or modify pre-existing works. To begin with, determining whether and how authors should be compensated is challenging, especially when only a small, yet non-*de minimis* portion of the work has been used⁴¹ or when the new work has become far more successful than the original one – economically or otherwise. Even Professor Fisher's attractive alternative compensation proposal does not completely address this problem. As he concedes: '[S]emiotic democracy, like all forms of democracy, carries with it risks and costs . . . There are ways . . . that these risks and costs could be substantially mitigated. But it is impossible to eliminate them altogether'.⁴²

More importantly, the protection of moral rights is not about pecuniary compensation. Rather, it speaks to creative control and artistic integrity. In her book, Professor Kwall underscores an important spiritual linkage between the author and her work. By protecting the author's meaning and message that the work embodies,⁴³ moral rights recognize the author's dignity

37. Henry Jenkins, *Convergence Culture: Where Old and New Media Collide* (New York: New York University Press, 2006), 186; Lessig, *supra* n. 36, 68–76.

38. Lessig, *supra* n. 36, 68.

39. Fisher, *supra* n. 30, 31.

40. Robert A. Gorman, 'Federal Moral Rights Legislation: The Need for Caution', *Nova Law Review* 14 (1990): 424.

41. 'Virtual Reality, Appropriation, and Property Rights in Art: A Roundtable Discussion', *Cardozo Arts and Entertainment Law Journal* 13 (1994): 94–97.

42. Fisher, *supra* n. 30, 37.

43. As Professor Kwall explains:

The concepts of a work's 'meaning' and 'message' . . . are related in that they are dependent upon the creator's subjective vision rather than the vision of the creator's audience, but these terms nonetheless embrace somewhat distinct ideas. The creator's meaning personifies what the work stands for on a level personal to the author, whereas the creator's message represents what the author is intending to communicate externally on a more universal level. A work's 'meaning' therefore exemplifies the idea of 'why I as the

interests⁴⁴ and the inherent drive that led her to create the work in the first place.⁴⁵ To a great extent, moral rights highlight an important ‘intrinsic dimension’ of creativity that economic rights fail to recognize.⁴⁶

Some authors and commentators have gone even further to analogize the relationship between the author and her work to that between a parent and her child,⁴⁷ an analogy Professor Kwall endorses.⁴⁸ As Gary Larson, the creator of *The Far Side Cartoons*, wrote in a cease-and-desist letter concerning the online reposting of his cartoons:

These cartoons are my ‘children,’ of sorts, and like a parent, I’m concerned about where they go at night without telling me. And, seeing them at someone’s web site is like getting the call at 2:00 a.m. that goes, ‘Uh, Dad, you’re not going to like this much, but guess where I am.’

I hope my explanation helps you to understand the importance this has for me, personally, and why I’m making this request.

Please send my ‘kids’ home. I’ll be eternally grateful.⁴⁹

Thus far, commentators have questioned the appositeness of the work-child analogy,⁵⁰ especially in situations where waivers or assignments are involved – such as in the United Kingdom⁵¹ or in the case of cinematographic works.⁵² After all, parents are not supposed to sell or license their children. Notwithstanding these criticisms, many authors, undeniably, are personally attached to their creations.⁵³

creator got involved in doing this work and what I see in it.’ In contrast, a work’s ‘message’ embodies the notion of ‘what I as creator expect others to see in it, and what I hope they’ll take from it’.

Kwall, *supra* n. 9, 2–3.

44. *Ibid.*, 4.

45. *Ibid.*, 19.

46. *Ibid.*, 11–22.

47. ‘[A]n artist may identify with his works as with his children: prize them for their present character and not want that character changed’. Henry Hansmann & Marina Santilli, ‘Authors’ and Artists’ Moral Rights: A Comparative Legal and Economic Analysis’, *Journal of Legal Studies* 26 (1997): 102.

48. Kwall, *supra* n. 9, xiv.

49. One of the cease-and-desist letters is available at <www.portmann.com/farside>, 12 Oct. 2010.

50. William Patry, *Moral Panics and the Copyright Wars* (Oxford: OUP, 2009), 75; Cory Doctorow, ‘In Praise of Fanfic’, *Locus Magazine*, 22 May 2007 <www.locusmag.com/Features/2007/05/cory-doctorow-in-praise-of-fanfic.html>, 12 Oct. 2010.

51. Copyright, Designs and Patents Act, 1988, § 87, c. 48 (Eng.).

52. John Cross et al., *Global Issues in Intellectual Property Law* (St Paul, MN: Thomson West, 2010), 132; Michael Spence, *Intellectual Property* (Oxford: OUP, 2007), 99–101; Neil Netanel, ‘Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law’, *Cardozo Arts and Entertainment Law Journal* 12 (1994): 27; Rigamonti, *supra* n. 3, 365 and fn. 74.

53. Christopher J. Buccafusco & Christopher Jon Sprigman, ‘The Creativity Effect’, *University of Chicago Law Review* 78 (2011): forthcoming; Christopher J. Buccafusco & Christopher Jon Sprigman, ‘Valuing Intellectual Property: An Experiment’, *Cornell Law Review* 91 (2010): forthcoming.

In fact, many authors find moral rights an important means to ensure the healthy growth of their ‘children’.

Historically, moral rights served as a powerful legal device for authors to protect their ‘children’ against what Anthony Trollope called ‘the book-selling leviathans’.⁵⁴ As George Wither, an English author, wrote emphatically in 1625:

For many of our moderne booksellers are but needlesse excrements, or rather vermine, . . . yea, since they take upon them to publish bookes contrived, altered and mangled at their own pleasures, without consent of the writers; and to change the name sometymes, both of booke and author (after they have been imprinted).⁵⁵

Even today, *Author v. Copyright Holder* – or its licensees or assignees, as in *Shostakovich and Huston* – remains ‘a common fact pattern in attribution disputes’.⁵⁶

As the public becomes more active in digital publishing and dissemination, however, moral rights will precipitate more disputes between authors and users. Consider, for example, the recent incident surrounding the unauthorized release of an incomplete draft of Stephanie Meyer’s *Midnight Sun*.⁵⁷ Written by the best-selling author of the *Twilight* Saga, the book seeks to retell the story in the series’ first book from the perspective of Edward Cullen, the vampire love interest of Bella Swan, the series’ heroine.

When Meyer was halfway through the writing project, she circulated drafts to a number of people for various reasons, not the least of which was her eagerness to help those working on the film production of *Twilight* to better understand her characters. One of these drafts, unfortunately, was leaked onto the Internet. As a result, the author received – both directly and via the Internet – a large number of comments from readers about what they liked or disliked about the draft. Frustrated by the experience, Meyer eventually posted the incomplete draft onto her official website and suspended the project indefinitely.

As she implied in her posted explanation, her concern was not so much about free riding or the lack of monetary compensation. After all, readers are likely to buy the finished product even if an incomplete unauthorized draft has been posted onto the Internet. Novels are experience goods; readers want more than mere information about the plots, characters, and most certainly the ending. Rather, Meyer was frustrated by the lack of artistic control over her work and the manuscript’s ill-timed disclosure. More importantly, she was disappointed by her inability to continue with the project and complete it to her satisfaction. As she wrote:

I did not want my readers to experience *Midnight Sun* before it was completed, edited and published. I think it is important for everybody to understand that what happened was a huge violation of my rights as an author, not to mention

54. Anthony Trollope, *An Autobiography*, ed. M. Sadleir & F. Page (Oxford: OUP, 1980), 308.

55. Gillian Davies, *Copyright and the Public Interest* (London: Sweet & Maxwell, 2002), 22–23.

56. Hughes, *supra* n. 11, 674.

57. Lipton, *supra* n. 27.

me as a human being. As the author of the *Twilight Saga*, I control the copyright and it is up to the owner of the copyright to decide when the books should be made public; this is the same for musicians and filmmakers . . .

. . . My first feeling was that there was no way to continue. Writing isn't like math; in math, two plus two always equals four no matter what your mood is like. With writing, the way you feel changes everything. If I tried to write *Midnight Sun* now, in my current frame of mind, James [Bella's other love interest] would probably win and all the Cullens would die, which wouldn't dovetail too well with the original story. In any case, I feel too sad about what has happened to continue working on *Midnight Sun*, and so it is on hold indefinitely.⁵⁸

While receiving comments from readers might be helpful to authors after they have completed their work, the untimely release and the resulting comments disrupted Meyer's creative process. The comments she read or heard about inevitably will colour the work she eventually creates (if she continues at all). Indeed, there is a very strong likelihood that the finished product will be quite different from what she originally intended.

Finally, violations of moral rights affect more than authors. Third parties can have strong interests in preserving the work and stabilizing its social and cultural meanings. In their economic analysis of moral rights, Henry Hansmann and Marina Santilli explain how damage to the integrity of one work could generate negative externalities on owners of the author's other works as well as the public at large.⁵⁹ Justin Hughes also explores in great depth the oft-overlooked audience interests in creative works. As he points out, in some situations, 'the utility derived by passive non-owners from the stability of propertized cultural objects [may be] greater than the utility that would accrue to non-owners who want to recode cultural objects so much that those non-owners need to be freed from existing legal constraints'.⁶⁰ In those situations, recoding seems inappropriate, and moral rights will be needed to prevent unwanted recoding.

4. LIBERATIVE REUSE AND DEMOCRACY

While the Internet and the development of user-generated content are important to societies in general, they become critically important to countries with heavy information control. In China, for example, '[t]he growth of the Internet, in tandem with other technologies such as short messaging services, has . . . engendered a phenomenon of increasingly relevant "public opinion" . . . , where incidents not necessarily prioritized by traditional media receive national attention and

58. 'Midnight Sun: Edward's Version of Twilight', 28 Aug. 2008 <www.stepheniemeyer.com/midnightsun.html>, 12 Oct. 2010.

59. Hansmann & Santilli, *supra* n. 47, 105–107.

60. Justin Hughes, '“Recoding” Intellectual Property and Overlooked Audience Interests', *Texas Law Review* 77 (1999): 928.

frequently lead to calls for government action and response'.⁶¹ The Internet has also provided users with information about the way of life in other countries, thereby enabling them to make informed judgment about possibilities of life.⁶²

More importantly, Internet communication carries with it texts, images, audio, and video clips that enable users to explore new perspectives and worldviews. As Marci Hamilton points out in an important article about art speech, art is subversive by nature and has transformative potential. It enables us to experience unfamiliar worlds and thereby gain new insights into the prevailing status quo.⁶³ Art is also safe; it helps us experience new worldviews without the attendant risks of living in an alternative universe or the need to push for political or social change.⁶⁴ As Professor Hamilton explains:

Through the imagination, art evinces what purely didactic speech cannot – the ‘sensation’ of an experience never had, a world never seen. Conjuring up that which has not been experienced, it poses a challenge to the participant’s preconceived and preordained world view. At a level similar to empathy . . . the imagination takes one beyond one’s preexisting conceptions and intuitions about life, power, and reality. The aesthetic experience does not occur at the level of the semantic but rather the imaginary; thus, to be conceptually available, it must always be translated into the semantic. Art does not challenge existing reality by posing counterfactuals. Nor is the work of art a representation of ‘concepts of reality’ or a copy of reality. Instead, it creates the condition for imaginatively living through a different world altogether. Two phenomena occur simultaneously within the participant’s experience of art: (1) the recognition of preexisting world views, and (2) the act of defamiliarization, the distancing of oneself from one’s assumptive world view. They operate together to create a reorientation experiment, the commitment-free experiencing of a perspective different from one’s own.⁶⁵

Given art’s ability to challenge the status quo, Taliban Afghanistan imposed a complete ban on the Internet.⁶⁶ Meanwhile, other countries – including both democracies and authoritarian regimes – have introduced content regulations to control or temper with the digital environment.⁶⁷

Although government censorship, thus far, has been widely covered both by the Western press and in academic literature, the potential barrier copyright and moral rights pose to Internet freedom is sparsely addressed. In fact, despite evidence to the

61. ‘China (Including Hong Kong)’ in *Access Denied: The Practice and Policy of Global Internet Filtering*, ed. R. Deibert et al. (Cambridge, MA: MIT Press, 2008), 265.

62. Peter K. Yu, ‘Bridging the Digital Divide: Equality in the Information Age’, *Cardozo Arts and Entertainment Law Journal* 20 (2002): 23.

63. Marci A. Hamilton, ‘Art Speech’, *Vanderbilt Law Review* 49 (1996): 73–122.

64. *Ibid.*, 76.

65. *Ibid.*, 87–88.

66. Yu, *supra* n. 62, 37–38.

67. Peter K. Yu, ‘Six Secret (and Now Open) Fears of ACTA’, *SMU Law Review* 64 (2011): forthcoming.

contrary,⁶⁸ the public at large in the West seemed greatly surprised when intellectual property rights were used as a pretext for human rights abuse and civil liberties violations. In September 2010, *The New York Times* provided a detailed report on the complaints by an outspoken Siberian environmental activist group about how Russian authorities had confiscated their computers (as well as those of other advocacy groups and opposition newspapers) in the name of protecting Microsoft's copyrighted software.⁶⁹ That report generated a spirited – and for rights holders, highly unwanted – public debate about the need to re-examine intellectual property protection and enforcement through the lens of corporate social responsibility. *The New York Times* report and the ensuing debate eventually led Microsoft to publicly announce a new plan to provide blanket licenses to advocacy groups and media outlets, thereby distancing itself from repressive authorities that have misused intellectual property rights to suppress or silence dissent.⁷⁰

In a recent article, I discuss how the balance of the copyright system needs to be adjusted to reflect the different social conditions in countries where information flows are heavily regulated⁷¹ – a point Neil Netanel has also observed.⁷² In countries with heavy censorship, for example, Internet users often will need to reuse, without permission, materials previously approved by censors or that are only available abroad. To provide an alternative source of information, they may need to repost copyrighted stories, videos, or photos that otherwise would not have been available. They may also need to repurpose pre-existing materials to address issues that they otherwise cannot discuss because of government censorship.

In repressive societies, parodies, satires, coded words, euphemisms, and allusions to popular culture remain dominant vehicles of communication.⁷³ Materials that are seemingly unrelated to the intended original message are often used to create associations, build in tacit meanings, provide emotional effects, and ultimately avoid censorship. Whether it is a remix of video clips from Western movies, the synchronization of contents to rock'n roll songs, or the modification of news reports from foreign media, repurposed contents carry within them rich 'hidden transcripts' that provide important social commentary.⁷⁴

68. William P. Alford, 'Making the World Safe for What? Intellectual Property Rights, Human Rights and Foreign Economic Policy in the Post-European Cold War World', *New York University Journal of International Law and Politics* 29 (1997): 144–145; Peter K. Yu, 'Three Questions that Will Make You Rethink the U.S.-China Intellectual Property Debate', *John Marshall Review of Intellectual Property Law* 7 (2008): 424–432.

69. Clifford J. Levy, 'Using Microsoft, Russia Suppresses Dissent', *New York Times*, 12 Sep. 2010, A1.

70. Clifford J. Levy, 'Microsoft Changes Policy Amid Criticism It Backed Suppression of Dissent in Russia', *New York Times*, 14 Sep. 2010, A4.

71. Peter K. Yu, 'Promoting Internet Freedom Through the Copyright System', *eJournal USA*, (June 2010): 7.

72. Neil Weinstock Netanel, 'Asserting Copyright's Democratic Principles in the Global Arena', *Vanderbilt Law Review* 51 (1998): 277–278.

73. Ashley Esarey & Qiang Xiao, 'Below the Radar: Political Expression in the Chinese Blogosphere', *Asian Survey* 48 (2008): 752–772.

74. James C. Scott, *Domination and the Arts of Resistance: Hidden Transcripts* (New Haven: Yale University Press, 1992).

Although we sometimes distinguish works that are of public interest – such as news stories – from those that are created for commercial or entertainment purposes, this type of distinction is usually unhelpful in countries where circulation of information is limited. Entertainment products that are uncontroversial, highly commercial, and seemingly frivolous could easily contain useful political information. It is, indeed, not uncommon to find Hollywood movies or American television programmes portraying different forms of government, the need for checks and balances or separation of powers, and the protection of constitutional rights and civil liberties.⁷⁵ While these commercial products may have been created to provide entertainment, in some countries they also supply an important window to the outside world.

Furthermore, the creative reuse and modification of pre-existing materials can help promote the development of a vibrant democratic culture, which in turn can affect a country's political future. As Jack Balkin observes with respect to digital speech:

A democratic culture is the culture of widespread 'ripping, mixing, and burning', of nonexclusive appropriation, innovation, and combination. It is the culture of routing around and glomming on, the culture of annotation, innovation, and bricolage. Democratic culture . . . makes use of the instrumentalities of mass culture, but transforms them, individualizes them, and sends what it produces back into the cultural stream. In democratic culture, individuals are not mere consumers and recipients of mass culture but active appropriators.⁷⁶

Creative reuse and modification of pre-existing materials, therefore, are highly valuable to society. They ensure that '[e]veryone – not just political, economic, or cultural elites – ha[ve] a fair chance to participate in the production of culture, and in the development of the ideas and meanings that constitute them and the communities and subcommunities to which they belong'.⁷⁷

While the need to realize this democratic culture is not new, and such realization draws on the socio-political foundations free speech has helped build,⁷⁸ digital technologies 'change the social conditions in which people speak . . . [and therefore] bring to light features of freedom of speech that have always existed in the background but now become foregrounded'.⁷⁹ As Professor Balkin forcefully argues, democratic cultural participation is important for two reasons:

First, culture is a source of the self. Human beings are made out of culture. A democratic culture is valuable because it gives ordinary people a fair opportunity to participate in the creation and evolution of the processes of

75. The three prequels to *Star Wars*, for example, are filled with issues concerning corruption, slavery, federalism, democracy, racial tension, and the American government.

76. Jack M. Balkin, 'Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society', *New York University Law Review* 79 (2004): 45.

77. *Ibid.*, 4.

78. *Ibid.*, 34.

79. *Ibid.*, 2.

meaning-making that shape them and become part of them; a democratic culture is valuable because it gives ordinary people a say in the progress and development of the cultural forces that in turn produce them.

Second, participation in culture has a constitutive or performative value: When people are creative, when they make new things out of old things, when they become producers of their culture, they exercise and perform their freedom and become the sort of people who are free. That freedom is something more than just choosing which cultural products to purchase and consume; the freedom to create is an active engagement with the world.⁸⁰

Thus, in countries where information flows are heavily controlled, *creative* reuse can actually become *liberative* reuse. Such reuse enables the development of not only semiotic democracy, but democracy in general.

Unfortunately, moral rights may stand in the way of a democratic culture the same way it does in the way of semiotic democracy. One of the widely reported examples in China concerns a viral video about a bloody murder caused by a *mantou* (steamed bun). Developed in the emerging tradition of *egao* – a form of online parody or satire that relies on the author’s ‘messaging’ with or making fun of pre-existing media content⁸¹ – the video was created by mashing up the footage of acclaimed Chinese film director Chen Kaige’s extravagant, yet disappointing movie, *Wuji* (*The Promise*), and a legal affairs programme from CCTV, China’s state broadcaster, as well as a small amount of other copyrighted contents.

Instead of a historic epic fantasy Chen intended, the video took the form of ‘a mock legal-investigative TV program’, reporting about a murder that a steamed bun had caused.⁸² This frivolous-sounding video touched on many contemporary socio-economic problems in China. It was timely and entertaining and arguably contained some socio-political value. Upset by the misuse of his work, the famous film director threatened to sue the video’s author for copyright infringement and defamation. As Chen told reporters from Sina.com, a Chinese Internet portal: ‘I think this [parody] has exceeded the normal bounds of issuing commentary and opinion. It’s an arbitrary alteration of someone else’s intellectual property’.⁸³ Although news about the lawsuit slowly disappeared, the film director’s reactions to the parody clip have sparked an important debate about the need for greater protection of parodies and satires in China.

To alleviate the tension between free speech and moral rights, commentators have called for greater recognition of parodies in the moral rights regime.⁸⁴

80. *Ibid.*, 35.

81. Esarey & Xiao, *supra* n. 73, 764; Wu Jiao, ‘E’gao: Art Criticism or Evil?’, *China Daily*, 22 Jan. 2007 <www.chinadaily.com.cn/china/2007-01/22/content_788600.htm>, 12 Oct. 2010. A sociology professor at Peking University defines *egao* as ‘a subculture characterized by satirical humour, revelry, grassroots spontaneity, a defiance of authority and mass participation’.*Ibid.*

82. Dexter Roberts, ‘A Chinese Blogger’s Tale’, *Business Week*, 2 Mar. 2006 <www.businessweek.com/globalbiz/content/mar2006/gb20060302_026709.htm>, 12 Oct. 2010.

83. *Ibid.*

84. Robert S. Rogoyski & Kenneth Basin, ‘The Bloody Case that Started from a Parody: American Intellectual Property Policy and the Pursuit of Democratic Ideals in Modern China’,

The introduction of a parody exception, however, does not always resolve this tension. In fact, many strong moral rights regimes already include a parody exception. Article L. 122-5(4) of the Code de la Propriété Intellectuelle, for example, provides: ‘Once a work has been disclosed, the author may not prohibit . . . parody, pastiche and caricature, observing the rules of the genre’.⁸⁵ Despite this exception, which courts have narrowly construed, the ability of individuals to make unauthorized reuse or modification of a creative work remains severely curtailed in France.⁸⁶

5. RIGHT TO DELETE

The above sections discuss areas where moral rights may be too strong. This section, by contrast, focuses on an area where these rights may not have gone far enough. Commentators, policymakers, and the public at large have become increasingly concerned about the permanent existence of personal information and other materials on the Internet.⁸⁷ As a result, they began to explore whether a new ‘right to delete’ needs to be introduced to the online environment.⁸⁸

The debate on this new right ties well into our present discussion of moral rights; it touches on both the right of withdrawal and the right to destroy. As Jeremy Phillips observes, even though the right of withdrawal is rather insignificant within the moral rights regime, that right paradoxically has become ‘the most significant moral right in the context of the wiki [or other digital platforms], where a work may be of only temporary or ephemeral interest and the author may have a pressing and continuing need to change his posted text or withdraw it completely from its . . . host’.⁸⁹

In their recent works on the right to destroy, Joseph Sax and Lior Strahilevitz describe the many actions artists have taken to destroy their creative works.⁹⁰

UCLA Entertainment Law Review 16 (2009): 262–263; Geri J. Yonover, ‘The Precarious Balance: Moral Rights, Parody, and Fair Use’, *Cardozo Arts and Entertainment Law Journal* 14 (1996): 109–121.

85. Code de la Propriété Intellectuelle Art. L. 122–5(4) (1992) (Fr.).

86. Mary LaFrance, *Global Issues in Copyright Law* 228 (St Paul, MN: Thomson West, 2009).

87. J.D. Lasica, ‘The Net Never Forgets’, *Salon*, 25 Nov. 1998 <www.salon.com/21st/feature/1998/11/25feature.html>, 12 Oct. 2010; J.D. Lasica, ‘The World Wide Web Never Forgets’, *American Journalism Review*, June 1998 <www.ajr.org/article.asp?id=1793> 12 Oct. 2010.

88. Viktor Mayer-Schönberger, *Delete: The Virtue of Forgetting in the Digital Age* (Princeton: Princeton University Press, 2009).

89. Jeremy Phillips, ‘Authorship, Ownership, Wikiship: Copyright in the Twenty-First Century’, in *Research Handbook on the Future of EU Copyright*, ed. E. Derclaye (Cheltenham: Edward Elgar Publishing, 2008), 208.

90. Joseph L. Sax, *Playing Darts with a Rembrandt: Public and Private Rights in Cultural Treasures* (Ann Arbor: University of Michigan Press, 2001); Lior Jacob Strahilevitz, ‘The Right to Destroy’, *Yale Law Journal* 114 (2005): 830–835.

As Professor Strahilevitz reminds us, a strong justification exists for the right to destroy in creative works:

A society that does not allow authors to have their draft works destroyed posthumously could have less literary product than a society that requires the preservation of all literary works not destroyed during the author's life. Protecting authors' rights to destroy should encourage high-risk, high-reward projects, and might prevent writers from worrying that they should not commit words to paper unless they have complete visions of the narrative structures for their work.⁹¹

Likewise, Professor Sax believes that 'an artist should be entitled to decide how the world will remember him or her'.⁹² A right to destroy, therefore, serves important functions for not only the authors, but also society at large.

In the digital context, Viktor Mayer-Schönberger underscores the need for individuals to delete works they have created on the Internet. As he observes, 'tensions will remain between an individual's desire to forget and a society's desire to remember (and vice versa)'.⁹³ To help resolve these tensions, Professor Mayer-Schönberger proposes to 'mimic human forgetting in the digital realm . . . by associating information we store in digital memory with expiration dates that users set'.⁹⁴ This proposal dovetails with Professor Balkin's recent proposal for greater regulation of the collection, use, or purchase of personal data by government.⁹⁵ Professor Balkin argues further that Congress should 'institutionalize government "amnesia" by requiring that some kinds of data be regularly destroyed after a certain amount of time unless there were good reasons for retaining the data'.⁹⁶

As far as moral rights are concerned, the right to delete raises important questions that require us to revisit the debate on the right of withdrawal. Although many countries, including France⁹⁷ and Germany,⁹⁸ have recognized a right of withdrawal, retraction, or revocation as part of their moral rights regimes, this specific right usually comes with significant qualifications. As Cyrill Rigamonti describes:

[I]n France and Germany, if authors reconsider their decision and further divulge their work after retracting it, the assignees enjoy a right of first refusal and have the option of exploiting the work under the terms and conditions of

91. Strahilevitz, *supra* n. 90, 832.

92. Sax, *supra* n. 90, 200.

93. Mayer-Schönberger, *supra* n. 88, 190.

94. *Ibid.*, 171.

95. Jack M. Balkin, 'The Constitution in the National Surveillance State', *Minnesota Law Review* 93 (2008): 21.

96. *Ibid.*

97. Code de la Propriété Intellectuelle Art. L. 121–4 (1992) (Fr.). In France, this right is known as *droit de retrait et de repentir* (right of withdrawal and repentance).

98. Urheberrechtsgesetz [Copyright Law], 9 Sep. 1965, Art. 42 (F.R.G.). In Germany, this right is known as *Rückrufsrecht wegen gewandelter Überzeugung* (right of revocation for changed conviction).

the initial contract. Moreover, the right of withdrawal may not be exercised for just any reason. The German copyright statute specifically states that the right of withdrawal can be exercised only if authors can no longer reconcile the contents of their works with their personal convictions, and the Italian copyright statute explicitly requires ‘serious moral reasons.’ The same is true in France on the grounds that the right of withdrawal is subject to the general civil law rule that the abuse of rights is not protected, whereas such abuse is assumed whenever the author’s exercise of the right of withdrawal is not motivated by his or her personal internal debate about whether to further divulge the work. In other words, monetary concerns alone will not suffice.⁹⁹

Given these substantial qualifications and the fact that the right of withdrawal is rarely litigated, Professor Rigamonti considers this right ‘largely an example of symbolic legislation’.¹⁰⁰

At the international level, the Berne Convention does not include this rarely litigated right either. Article 6*bis* of the Convention protects only the rights of attribution and integrity.¹⁰¹ Similarly, and in a large part due to omission in the Berne Convention, weak moral rights regimes do not offer protection to the right of withdrawal. Consider, for example, VARA in the United States. Although the statute includes a right to prevent destruction of ‘work[s] of recognized stature’, that right is closer to a right of preservation than a right of withdrawal or a right to destroy.¹⁰²

Finally, given the complexity of the digital environment, it remains unclear how broad a right to delete should or could be, how practical and effective it would be if such a right comes into existence, and whether users in collaborative settings (such as contributors to fan sites, web logs, wikis, or virtual worlds)¹⁰³ can ensure the modification or removal of unwanted postings or creations.

Today, the Internet has made it awfully difficult, if not virtually impossible, for individuals to withdraw creative works once they become available – be they photographic images, audio, or video clips. Sometimes, these works will appear in their original format. At other times, however, they will appear in the form of collages, remixes, or mashups – as in the oft-cited, yet unfortunate case of the *Star Wars* Kid, many of whose videos still remain widely available on YouTube. Even when the electronic files are deleted, there is no guarantee that it does not retain an ‘electronic footprint’ in the form of edit history, archives, or privately-controlled digital memory.¹⁰⁴

If these questions are not challenging enough, the right to delete recalls the oft-discussed dilemma copyright and moral rights scholars face: who should decide

99. Rigamonti, *supra* n. 3, 363.

100. *Ibid.*

101. Berne Convention, *supra* n. 6, Art. 6*bis*.

102. Justin Hughes, ‘The Line Between Work and Framework, Text and Context’, *Cardozo Arts and Entertainment Law Journal* 19 (2001): 22.

103. Phillips, *supra* n. 89, 207–208.

104. *Ibid.*, 208, fn. 33.

whether a work can be destroyed? The textbook illustration of this dilemma involves Franz Kafka's instructions to his executor and friend, Max Brod, to destroy all unpublished manuscripts upon his death. Had Brod followed his instructions, two of Kafka's then-unpublished masterpieces, *The Castle* and *The Trial*, would not have seen the light of day. Because these two works are now 'widely acknowledged as being highly influential in modern Western literature',¹⁰⁵ readers and scholars are, most certainly, thankful that the executor defied the author's ill-advised dying wish.

The Kafka example raises difficult questions about not only the author's right to control, but also who is in a better position to make decisions about such control, especially after the author's death.¹⁰⁶ As Linda Lacey asked two decades ago in a hypothetical drawn from Kafka's will, 'Who should prevail . . . when an artist's will orders the destruction of her paintings and an art expert challenges the will, declaring that the paintings are masterpieces that would become an integral part of the culture of the artist's homeland?'¹⁰⁷ To some extent, the right to delete brings back the debate on this very difficult question. After all, the Internet is as much about individual users as it is about the collaborative exchange among these individuals.

6. CONCLUSION

This chapter outlines four new sets of questions posed by the arrival of the Internet and new media technologies. Digital technologies, however, do not pose a unidirectional challenge to the moral rights regime. Rather, in a creative destructive way, these technologies help reinforce moral rights protection at the same time as they are posing new challenges. For example, digital rights management tools 'serve purposes akin to moral rights, first by assuring *attribution* to the author, artist, or composer, and second by ensuring the *integrity* of documents, images, and music'.¹⁰⁸ By preventing false attribution of authorship and the intentional removal or alteration of copyright management information, the WIPO Internet Treaties,¹⁰⁹ the Digital Millennium Copyright Act,¹¹⁰ and the EU Information Society Directive¹¹¹ have greatly strengthened the existing moral rights regime.¹¹²

105. Linda J. Lacey, 'Of Bread and Roses and Copyrights', *Duke Law Journal* (1989): 1594, fn. 263.

106. Peter K. Yu, 'Cultural Relics, Intellectual Property, and Intangible Heritage', *Temple Law Review* 81 (2008): 474–481.

107. Lacey, *supra* n. 105, 1593–1594.

108. Kenneth W. Dam, 'Self-help in the Digital Jungle', *Journal of Legal Studies* 28 (1999): 405.

109. WIPO Copyright Treaty Art. 12, 20 Dec. 1996 (1996) 36 ILM 65; WIPO Performances and Phonograms Treaty Art. 19, 20 Dec. 1996 (1996) 36 ILM 76.

110. 17 U.S.C. § 1202 (2006).

111. Directive 2001/29/EC, On the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society Art. 7, 2001 O.J. (L 167) 10.

112. Kwall, *supra* n. 9, 26; Ginsburg, *supra* n. 27, 11.

The wide availability of digital technologies for tracking down the originals and to fashion a disclosure remedy have also provided authors with additional protection. To some extent, digital technologies may have ensured that moral rights ‘come of age’ in the United States, as Jane Ginsburg surmises.¹¹³

In short, the arrival of the Internet and new media technologies has presented a similar ‘digital dilemma’ as the one widely discussed in the copyright context.¹¹⁴ Although the challenges – and perhaps the stakes, especially in the United States – are somewhat different, resolving these challenges is unlikely to be easy. In fact, if the difficulty in providing satisfactory responses to the challenges in the copyright arena provides any guidance, the prospects for resolving challenges in the moral rights context can be equally dim. It is, therefore, high time that we start paying attention to questions in this area.

In his seminal article, *The Refrigerator of Bernard Buffet*, Henry Merryman reminds us that ‘the moral right of the artist, still comparatively young even in the nation of its origin, has not reached anything like its full development’.¹¹⁵ Although Professor Merryman wrote the article more than three decades ago, his important insight is still alive today. Digital technologies have provided moral rights with both reinforcements and challenges. As moral rights continue to grow and mutate, their development, undoubtedly, will be shaped by the needs and demands of a rapidly-changing socio-technological environment. Whether moral rights will become stronger or weaker, broader or narrower, relevant or obsolete will remain highly contingent on the development of this environment.

113. Ginsburg, *supra* n. 27, 9.

114. *Digital Dilemma*, *supra* n. 23.

115. John Henry Merryman, ‘The Refrigerator of Bernard Buffet’, *Hastings Law Journal* 27 (1976): 1026.

902 F.Supp.2d 445
United States District Court,
S.D. New York.
The AUTHORS GUILD, INC., et al., Plaintiffs,
v.
HATHITRUST, et al., Defendants.
No. 11 CV 6351(HB).
Oct. 10, 2012.

Synopsis

Background: Individuals and associational organizations brought action against universities and university officials alleging that systematic digitization of copyrighted books owned by universities without authorization violated Copyright Act. Individuals with certified print disabilities intervened. Defendants moved for judgment on pleadings, and plaintiffs and intervenors moved for summary judgment.

Holdings: The District Court, Harold Baer, Jr., J., held that:

- [1](#) associations lacked statutory standing to bring action;
- [2](#) claim that universities' project to digitalize works that were protected by copyright but whose rights holders theoretically could not be located would infringe their copyrights was not ripe for adjudication;
- [3](#) fair use defense was available to universities;
- [4](#) project to systematically digitize copyrighted books was protected by fair use doctrine; and
- [5](#) university was permitted to digitize copyrighted books for purpose of providing access for print-disabled individuals.

Motions granted in part and denied in part.

Opinion

OPINION & ORDER

HAROLD BAER, JR., District Judge.

Before the Court are two motions for judgment on the pleadings and three motions for summary judgment. Defendants include HathiTrust;[1](#) Mary Sue Coleman, President of the University of Michigan ("UM"); Mark G. Yudof, President of the University of California; Kevin Reilly, President of the University of Wisconsin System; Michael McRobbie, President of Indiana University; and Cornell University (collectively, the "Universities"). Plaintiffs, consisting of individuals and associational organizations, assert claims for copyright infringement for the alleged unauthorized reproduction and distribution of books owned by the Universities. The individual plaintiffs are Trond Andreassen, Pat Cummings, Erik Grundström, Angelo Loukakis, Helge Ronning, Roxana Robinson, André Roy,

FOR PUBLICATION

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

FOX BROADCASTING COMPANY,
INC.; TWENTIETH CENTURY FOX
FILM CORPORATION; FOX
TELEVISION HOLDINGS, INC.,
Plaintiffs-Appellants,

v.

DISH NETWORK L.L.C.; DISH
NETWORK CORPORATION,
Defendants-Appellees.

No. 12-57048

D.C. No.
2:12-cv-04529-
DMG-SH

OPINION

Appeal from the United States District Court
for the Central District of California
Dolly M. Gee, District Judge, Presiding

Argued and Submitted
June 4, 2013—Pasadena, California

Filed July 24, 2013

Before: Sidney R. Thomas, Barry G. Silverman,
and Raymond C. Fisher, Circuit Judges.

Opinion by Judge Thomas

SUMMARY*

Copyright / Preliminary Injunction

The panel affirmed the district court's denial of a broadcaster's request for a preliminary injunction against a pay television provider's products that skipped over commercials.

The panel held that the district court did not abuse its discretion in holding that the broadcaster failed to demonstrate a likelihood of success on its copyright infringement and breach of contract claims regarding the television provider's implementation of the commercial-skipping products. As to a direct copyright infringement claim, the record did not establish that the provider, rather than its customers, made copies of television programs for viewing. The broadcaster did not establish a likelihood of success on its claim of secondary infringement because, although it established a *prima facie* case of direct infringement by customers, the television provider showed that it was likely to succeed on its affirmative defense that the customers' copying was a "fair use." Applying a "very deferential" standard of review, the panel concluded that the district court did not abuse its discretion in denying a preliminary injunction based on the alleged contract breaches.

The panel also held that the broadcaster failed to demonstrate a likelihood of irreparable harm from the

* This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

provider's creation of television-show copies used to perfect the functioning of one of its commercial-skipping products.

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OPINION

THOMAS, Circuit Judge:

Dish Network offers two marsupial-inspired products: the “Hopper,” which “hops” over commercials, and a companion box known as a “Joey.” Fox Broadcasting Company claims these products are contractually out of bounds and constitute copyright infringement. The district court denied the broadcaster’s request for a preliminary injunction. We have jurisdiction under 28 U.S.C. § 1292, and we affirm.

I

Plaintiffs Fox Broadcasting Company, Twentieth Century Fox Film Corp., and Fox Television Holdings, Inc. (collectively, “Fox”) own the copyrights to television shows that air on the Fox television network. Its primetime lineup includes shows such as *Glee*, *Bones*, *The Simpsons*, and *Family Guy*. Fox contracts with cable and satellite television service providers to retransmit Fox’s broadcast signal for the customers of these providers, known as multichannel video programming distributors. Some such distributors also offer Fox programming via video on demand. Fox separately licenses its shows to companies such as Hulu, Apple, Netflix, and Amazon, which sell Fox programs online or stream them over the Internet.

One distributor that Fox contracts with is Dish Network, the third-largest pay television service provider in the United States. Dish retransmits Fox’s broadcast signal under a 2002 contract with Dish’s former parent company and current technology vendor, EchoStar Technologies. Among other things, the contract provides that Dish shall not “distribute” Fox programs on an “interactive, time-delayed, video-on-demand or similar basis,” though Dish may “connect[] its Subscribers’ video replay equipment.” Dish also cannot “record, copy, duplicate and/or authorize the recording, copying, duplication (other than by consumers for private home use) or retransmission” of any part of Fox’s signal.

Fox and Dish have amended this contract several times, most recently in a 2010 letter agreement. Under that agreement, Dish could provide Fox Video On Demand to its subscribers, but Dish had to “disable fast forward functionality during all advertisements”; the contract stated

“such fast-forward disabling is a necessary condition to distribution of the Fox broadcast content via [video on demand].” The 2010 agreement also forbids Fox and Dish from attempting to “frustrate or circumvent” the contractual rights.

In March 2012, Dish released to its customers the Hopper, a set-top box with digital video recorder (DVR) and video on demand capabilities. The Hopper provides service to up to four televisions in a home using companion boxes (known as Joeys) wired to each television. Dish customers can also watch Hopper content on their computers and mobile devices using a product called the Sling Adapter.

At the same time it released the Hopper, Dish introduced a feature called PrimeTime Anytime that works only on the Hopper. PrimeTime Anytime allows a subscriber to set a single timer to record any and all primetime programming on the four major broadcast networks (including Fox) every night of the week. To enable PrimeTime Anytime, a Hopper user presses the “*” button on the remote control to reach the PrimeTime Anytime setup screen. The user selects “Enable,” and a new menu appears where the viewer can disable recordings of certain networks on certain days of the week and change the length of time that the shows are saved (between two and eight days). By default, PrimeTime Anytime records primetime shows on all four networks each night of the week and saves all recordings for eight days.¹

¹ Prior to July 2012, a viewer who enabled PrimeTime Anytime could not deselect any networks or days of the week, and could not save recordings for fewer than eight days. The district court “examine[d] the propriety of the Hopper features in their current form, as Dish has stated that it has no plans to return to its pre-July 20, 2012 practices.” *Fox*

Dish determines the start and end time of the PrimeTime Anytime recordings each night and sometimes alters these times to record programming outside the traditional primetime window of 8 p.m. to 11 p.m. Eastern and Pacific time Monday through Saturday and 7 p.m. to 11 p.m. on Sunday (Primetime starts and ends one hour earlier in the Mountain and Central time zones.). For instance, Dish altered the times to accommodate Olympic programming on NBC in summer 2012. If at least half of a program falls within the primetime window, Dish includes the entire show in the PrimeTime Anytime recording.

A user may start watching recorded programs immediately after PrimeTime Anytime starts recording. The user must enable PrimeTime Anytime at least 15 minutes before the primetime recording begins and can cancel a PrimeTime Anytime recording up to 15 minutes before the recording begins; after that, a user can no longer cancel that day's PrimeTime Anytime recording.

All PrimeTime Anytime recordings are stored locally on a customer's Hopper for the preselected number of days (typically eight), at which time they are automatically deleted. Before that time, a customer cannot actually delete or save a PrimeTime Anytime recording. Rather, if the customer selects "Save" or "Save Series" from the PrimeTime Anytime menu, an icon is created in the customer's "My Recordings" folder, but the icon is simply linked to the PrimeTime Anytime recording until the time of automatic deletion, at which time a duplicate copy is created. Similarly, if a customer "deletes" a show recorded through

PrimeTime Anytime, the icon for that show disappears from the user's graphical user interface, but the recording remains on the customer's hard drive until it is automatically deleted.

Dish customers can also use the Hopper to access pay-per-view movies via video on demand, but Dish does not offer video on demand from any of the four broadcast networks, including Fox. Video on demand recordings are stored on the user's hard drive in a file directory separate from the PrimeTime Anytime and DVR recordings.

In May 2012, Dish started offering a new feature, AutoHop, that allows users to automatically skip commercials. AutoHop is only available on shows recorded using PrimeTime Anytime, typically on the morning after the live broadcast. It is not available for all primetime programs. When a user plays back a PrimeTime Anytime recording, if AutoHop is available, a pop-up screen appears that allows the user to select the option to "automatically skip over" commercial breaks. By default, AutoHop is not selected.

If a customer enables AutoHop, the viewer sees only the first and last few seconds of each commercial break. A red kangaroo icon appears in the corner of the screen to demonstrate that AutoHop is skipping commercials. Unlike the 30-second skip feature available on many DVRs, once a user has enabled AutoHop, the user does not press anything to skip through commercials. AutoHop does not delete commercials from the recording. Customers can see the commercials if they manually rewind or fast-forward into a commercial break.

To create the AutoHop functionality, Dish technicians in Cheyenne, Wyoming manually view Fox's primetime

programming each night and technologically mark the beginning and end of each commercial. The program content is not altered in any way. The electronically marked files are then uplinked in Wyoming and eventually transmitted to subscribers in an “announcement” file that Dish makes available to subscribers after the show has aired. Simultaneously with the uplink, three “beta Hoppers” record the Fox primetime block for transmissions in Kentucky, Pennsylvania, and Florida to test the marking announcement. These copies remain at the uplink facility and are used to make sure the commercials have been accurately marked and that no portion of the program has been cut off.

Fox sued Dish for copyright infringement and breach of contract and sought a preliminary injunction. The district court denied the motion. *Fox Broad. Co. v. Dish Network, LLC*, 905 F. Supp. 2d 1088 (C.D. Cal. 2012). It held that Fox did not demonstrate a likelihood of success on most of its copyright infringement and contract claims. The exceptions were Fox’s claims regarding the quality assurance copies. In making these copies, the court held, Dish likely breached its contract with Fox and directly infringed Fox’s reproduction rights. *Id.* at 1102–06, 1108. Nonetheless, the court held that Fox was not entitled to an injunction because it failed to establish that it would likely suffer “irreparable harm” as a result of those copies. *Id.* at 1109–11.

To obtain a preliminary injunction, Fox must demonstrate that (1) it is likely to succeed on the merits, (2) it is likely to suffer irreparable harm in the absence of preliminary relief, (3) the balance of equities tips in its favor, and (4) an

injunction is in the public interest. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008).²

We review the denial of a preliminary injunction for an abuse of discretion. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1157 (9th Cir. 2007). Factual findings are reviewed for clear error, and legal conclusions are reviewed de novo. *Id.* We do not reverse “simply because the appellate court would have arrived at a different result if it had applied the law to the facts of the case.” *Sports Form, Inc. v. United Press Int’l, Inc.*, 686 F.2d 750, 752 (9th Cir. 1982); *see also United States v. Hinkson*, 585 F.3d 1247, 1261–62 (9th Cir. 2009) (en banc).

Applying this deferential standard of review, we hold that the district court did not abuse its discretion in holding that Fox did not demonstrate a likelihood of success on its copyright infringement and breach of contract claims regarding Dish’s implementation of PrimeTime Anytime and AutoHop. Furthermore, the district court did not err in holding that Fox did not demonstrate a likelihood of irreparable harm from Dish’s creation of the “quality assurance” copies used to perfect the functioning of AutoHop.

² Alternatively, a plaintiff may obtain an injunction if it demonstrates (1) serious questions going to the merits, (2) a balance of hardships that tips sharply towards the plaintiff, (3) a likelihood of irreparable injury, and (4) the injunction is in the public interest. *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1135 (9th Cir. 2011). Because Fox does not argue that the balance of hardships tips sharply in its favor, we do not consider its claims under this standard.

II

A

The district court did not abuse its discretion in holding that Fox was unlikely to succeed on its claim of direct copyright infringement regarding PrimeTime Anytime. “To establish a claim of copyright infringement by reproduction, the plaintiff must show ownership of the copyright and copying by the defendant.” *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 817 (9th Cir. 2003); *see also* 17 U.S.C. §§ 106(1), 501(a).

In this case, the district court determined that Fox had demonstrated ownership of the copyrights of some of the shows. The court then focused on who made the copies of Fox programs using PrimeTime Anytime: Dish or its customers. The district court noted that the Second Circuit had considered a similar question in *Cartoon Network LP v. CSC Holdings, Inc. (“Cablevision”)*, 536 F.3d 121 (2d Cir. 2008). The Second Circuit concluded that Cablevision’s remote-storage DVR system did not directly infringe the plaintiffs’ copyrights. Unlike a typical DVR system, in which a customer’s remote sends signals to the set-top box in her home, users of Cablevision’s remote-storage DVR system sent signals to Cablevision’s central facility, where a copy of the program the viewer selected was created and stored on Cablevision’s central servers. *Id.* at 125, 130. The question was “*who* made this copy” – the viewer or Cablevision? *Id.* at 130. The Second Circuit held that much like a VCR user makes the copy, so did the Cablevision customer. *Id.* at 131.

In this case, the district court found that “Dish exercises a degree of discretion over the copying process beyond that

which was present in *Cablevision*.” *Fox Broad.*, 905 F. Supp. 2d at 1102. It pointed to the facts that Dish decides how long copies are available for viewing, Dish maintains the authority to modify the start and end times of the primetime block, and a user cannot stop a copy from being made once the recording has started. *Id.* at 1101–02. Yet the court held that “at this stage of the proceedings,” it was “not satisfied” that PrimeTime Anytime had “crossed over the line that leads to direct liability.” *Id.* at 1102. The court held that the “user, not Dish, must take the initial step of enabling” PrimeTime Anytime. *Id.* “The user, then, and not Dish, is ‘the most significant and important cause’ of the copy.” *Id.* (quoting Prosser & Keeton on Torts § 42).

The district court did not abuse its discretion in concluding that Fox had not established a likelihood of success on this claim. Infringement of the reproduction right requires “copying *by* the defendant,” *Kelly*, 336 F.3d at 817 (emphasis added), which comprises a requirement that the defendant cause the copying. *See Cablevision*, 536 F.3d at 130 (explaining that direct infringement claim turned on “*who* made” the copies). Fox argues that because Dish participates in the operation of PrimeTime Anytime on a daily basis, Dish made the copies, either alone or concurrently with its users. However, operating a system used to make copies at the user’s command does not mean that the system operator, rather than the user, caused copies to be made. Here, Dish’s program creates the copy only in response to the user’s command. Therefore, the district court did not err in concluding that the user, not Dish, makes the copy.

That Dish decides how long copies are available for viewing, modifies the start and end times of the primetime block, and prevents a user from stopping a recording might be

relevant to a secondary or perhaps even a direct infringement claim. *Cf. Cablevision*, 536 F.3d at 132–33 (finding that factors evidencing Cablevision’s control over copying process seemed “more relevant to the question of contributory liability” but reserving the question “whether one’s contribution to the creation of an infringing copy may be so great that it warrants holding that party directly liable for the infringement, even though another party has actually made the copy”). But these facts do not establish that Dish made the copies. Therefore, the district court did not err in holding that Fox did not establish a likelihood of success on its direct infringement claim.

B

The district court did not abuse its discretion in concluding that Fox was unlikely to succeed on its claim of secondary copyright infringement for the PrimeTime Anytime and AutoHop programs. “Secondary liability for copyright infringement does not exist in the absence of direct infringement by a third party.” *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 n.2 (9th Cir. 2001). Therefore, to establish secondary liability, Fox must establish that Dish’s users are infringing. There is no dispute that Fox has established a *prima facie* case of direct infringement by Dish customers because Fox owns the copyrights to its shows and the users make copies. Thus, the burden shifts to Dish to demonstrate that it is likely to succeed on its affirmative defense that its customers’ copying was a “fair use.” *Perfect 10*, 508 F.3d at 1158. Dish has met this burden.

As the district court recognized, the Supreme Court’s analysis in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), provides strong guidance in assessing

whether Dish customers' copying of Fox programs is a "fair use." In *Sony*, the Supreme Court held that Sony was not liable for secondary infringement for manufacturing Betamax VCRs because customers used the machines primarily for time-shifting, "the practice of recording a program to view it once at a later time, and thereafter erasing it." *Id.* at 423. The Court held that "even the unauthorized home time-shifting of respondents' programs is legitimate fair use." *Id.* at 442.

Fox and its *amici* argue that Dish customers use PrimeTime Anytime and AutoHop for purposes other than time-shifting – namely, commercial-skipping and library-building. These uses were briefly discussed in *Sony*, in which the Court recognized that some Betamax customers used the device to avoid viewing advertisements and accumulate libraries of tapes. In *Sony*, about 25 percent of Betamax users fast-forwarded through commercials. *Id.* at 452 n.36. Additionally, a "substantial number of interviewees had accumulated libraries of tapes." *Id.* at 423. One user owned about 100 tapes and bought his Betamax intending to "build a library of cassettes," but this "proved too expensive." *Id.* at 423 n.3. Because the Betamax was primarily used for time-shifting, the Court in *Sony* never expressly decided whether commercial-skipping and library-building were fair uses. *Cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 931 (2005) (explaining that "[a]lthough Sony's advertisements urged consumers to buy the VCR to 'record favorite shows' or 'build a library' of recorded programs, neither of these uses was necessarily infringing" (citations omitted)).

Yet, as the district court held, commercial-skipping does not implicate Fox's copyright interest because Fox owns the copyrights to the television programs, not to the ads aired in

the commercial breaks. If recording an entire copyrighted program is a fair use, the fact that viewers do not watch the ads not copyrighted by Fox cannot transform the recording into a copyright violation. Indeed, a recording made with PrimeTime Anytime still includes commercials; AutoHop simply skips those recorded commercials unless a viewer manually rewinds or fast-forwards into a commercial break. Thus, any analysis of the market harm should exclude consideration of AutoHop because ad-skipping does not implicate Fox's copyright interests.

Analyzing PrimeTime Anytime under the fair use factors, Dish has demonstrated a likelihood of success on its customers' fair use defense. As for the first factor, the "purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," 17 U.S.C. § 107(1), Dish customers' home viewing is noncommercial under *Sony*, which held that "time-shifting for private home use" was a "noncommercial, nonprofit activity," 464 U.S. at 449. Here, the district court found that PrimeTime Anytime is used for time-shifting, and that the Hopper is available only to private consumers. *Fox Broad.*, 905 F. Supp. 2d at 1098.

Sony also governs the analysis of the second and third factors, the "nature of the copyrighted work" and "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," 17 U.S.C. §§ 107(2), (3). *Sony* held that "when one considers the nature of a televised copyrighted audiovisual work, and that time-shifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced, does not have its ordinary effect of militating against a finding of fair use." 464 U.S. at

449–50 (citations omitted). The same analysis applies here, and thus the fact that Dish users copy Fox’s entire copyrighted broadcasts does not have its ordinary effect of militating against a finding of fair use.

Finally, we consider the “effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). This is the “most important element of fair use.” *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985). Because Dish customers’ taping is “for a noncommercial purpose,” the likelihood of future market harm is not presumed but “must be demonstrated.” *Sony*, 464 U.S. at 451. Fox “need only show that if the challenged use ‘should become widespread, it would adversely affect the *potential* market for the copyrighted work.’” *Harper & Row*, 471 U.S. at 568 (quoting *Sony*, 464 U.S. at 451 (emphasis added by *Harper & Row* Court)).

Because Fox licenses its programs to distributors such as Hulu and Apple, the market harm analysis is somewhat different than in *Sony*, where no such secondary market existed for the copyright-holders’ programs.³ However, the record before the district court establishes that the market harm that Fox and its *amici* allege results from the automatic commercial-skipping, not the recording of programs through PrimeTime Anytime. Indeed, Fox often charges no additional license fees for providers to offer Fox’s licensed video on demand, so long as providers disable fast-forwarding. This indicates that the ease of skipping commercials, rather than the on-demand availability of Fox programs, causes any

³ Instead, the *Sony* plaintiffs argued in part that the Betamax would reduce the audience for live television and movies, a fear the district court described as lacking “factual basis.” 464 U.S. at 453.

market harm. And as we have discussed, the commercial-skipping does not implicate any copyright interest.

In arguing otherwise, Fox points to the district court's market harm analysis in a different section of its opinion. However, that analysis is not relevant to determining whether PrimeTime Anytime causes market harm because that portion of the opinion addresses a different question: whether the "quality assurance" copies used to test AutoHop would harm the market for Fox to license copies of its shows. Because the quality assurance copies were used to perfect AutoHop, the district court assessed whether AutoHop caused market harm and found that Dish "harms Fox's opportunity to negotiate a value for [authorized] copies and also inhibits Fox's ability to enter into similar licensing agreements with others in the future by making the copies less valuable." *Fox Broad.*, 905 F. Supp. 2d at 1105. However, the court's analysis of the market harm caused by the quality assurance copies does not affect the assessment of whether Dish customers' copying of programs potentially causes market harm because the district court correctly found that AutoHop, standing alone, does not infringe.

Therefore, the district court did not abuse its discretion in concluding that Fox was unlikely to succeed on its secondary infringement claim.

C

The question of whether Dish has breached its contract with Fox is much closer. However, applying our very deferential standard of review, we conclude that the district court did not abuse its discretion in denying a preliminary injunction based on the alleged contract breaches.

Fox first argues that Dish breached the portion of the 2002 contract that states:

EchoStar [now Dish] shall not, for pay or otherwise, record, copy, duplicate and/or authorize the recording, copying, duplication (other than by consumers for private home use) or retransmission of any portion of any Station's Analog Signal without prior written permission of the Station, except as is specifically permitted by this Agreement.

Fox's argument as to why Dish allegedly breached this clause is the same as its argument that Dish directly infringed its copyrights. It does not argue that the contract's use of "record, copy, duplicate" has a different meaning than the Copyright Act's definition of "reproduce." Given that Dish did not directly infringe Fox's copyrights, the district court properly concluded that Fox is unlikely to succeed on its claim that Dish breached this clause.

Second, Fox argues that Dish breached the following provision in the 2002 contract:

EchoStar acknowledges and agrees that it shall have no right to distribute all or any portion of the programming contained in any Analog Signal on an interactive, time-delayed, video-on-demand or similar basis; *provided* that Fox acknowledges that the foregoing shall not restrict EchoStar's practice of connecting its Subscribers' video replay equipment

The district court construed the contract term “distribute” to be analogous to the same word in the Copyright Act, 17 U.S.C. § 106(3). It held that distribution under the Copyright Act required a copyrighted work to “chang[e] hands,” *Fox Broad.*, 905 F. Supp. 2d at 1106, and Dish engaged in no distribution because the PrimeTime Anytime copies “are made by users, remain in private homes, and do not change hands,” *id.* at 1107. Therefore, it held, Fox was unlikely to prevail on its claim that Dish breached this contract provision.⁴

On appeal, Fox challenges this construction of “distribute,” essentially arguing that the prohibition against “distribut[ing]” Fox programming constitutes an agreement that Dish would not make Fox programming available to its subscribers. Fox’s interpretation is plausible, but so is the district court’s. While the district court would not be justified in holding that the meaning of the term “distribute” was unambiguous or that, as a matter of law, any ambiguous terms in the contract should be interpreted by looking to the Copyright Act, we do not read the district court’s opinion as resting its decision on such grounds. In the proceedings below, the parties did not argue about the meaning of “distribute.” Absent any argument or extrinsic evidence on this term, the district court did not err by looking to the Copyright Act to interpret “distribute.” We express no view on whether, after a fully developed record and arguments, the

⁴ Fox also argued below that Dish violated its right “to distribute copies . . . of the copyrighted work to the public” under 17 U.S.C. § 106(3). The district court held that Fox was unlikely to succeed on this claim. *Fox Broad.*, 905 F. Supp. 2d at 1106. Fox has not challenged this ruling on appeal.

district court's construction of "distribute" will prove to be the correct one.

We are, however, dubious of Dish's position that PrimeTime Anytime is not "similar" to "interactive, time-delayed, [or] video-on-demand" programming, the distribution of which is expressly prohibited by the 2002 contract. Dish has convinced us that PrimeTime Anytime is not *identical* to video-on-demand but is at a loss to explain why it is not *similar*, and at oral argument, when pressed, Dish could not provide even a single example of what *would* be considered similar under the contract if not this. The contract is written broadly, and Fox has a good argument that PrimeTime Anytime is "similar," even though not exactly the same, as time-delayed or video-on-demand programming.

Third, Fox argues that Dish breached a provision of a 2010 letter agreement that modified the 2002 contract. The letter agreement permitted Dish to offer Fox's licensed video on demand (VOD) service so long as Dish disabled fast-forwarding during commercials:

DISH will disable fast forward functionality during all advertisements; FBC and DISH may include a pre-roll announcement prior to each show regarding the fast-forward disabling. DISH and FBC will discuss in good faith the timing of DISH's implementation of such fast-forward disabling and messaging to consumers; provided that DISH acknowledges and agrees that such fast-forward disabling is a necessary condition to distribution of the Fox

broadcast content via VOD. (Emphasis added.)

The district court held that if PrimeTime Anytime is video on demand, then Dish clearly breached the contract. The court found this dispute “especially challenging because [PrimeTime Anytime] is, in some ways, a hybrid of DVR and VOD likely not contemplated by either party when the 2010 Agreement was drafted.” *Fox Broad.*, 905 F. Supp. 2d at 1109. But the district court concluded that PrimeTime Anytime was “more akin” to DVR than to video on demand. *Id.*

Because the district court based its interpretation on extrinsic evidence, we review its holding for clear error. *Miller v. Safeco Title Ins. Co.*, 758 F.2d 364, 367 (9th Cir. 1985). The district court’s finding that PrimeTime Anytime was more akin to a DVR than to video on demand was not clearly erroneous. Because, unlike the relevant clause of the 2002 contract, this provision of the 2010 letter agreement does not preclude Dish from enabling fast-forwarding on services that are “similar” to video on demand, the district court did not abuse its discretion in concluding that Fox was unlikely to succeed on its breach of contract claim.

The fact that a Dish attorney referred to PrimeTime Anytime as a “video-on-demand service” in a trademark application supports Fox’s claim that the parties would have understood PrimeTime Anytime to be akin to video on demand. Providing further support are Dish promotional materials that repeatedly referred to PrimeTime Anytime providing “On Demand access” or an “on demand library.” However, Dish introduced evidence that programming distributors such as itself and DirecTV have used the phrase

“on demand” to refer to DVR recordings, which are clearly not video on demand. And the district court relied in part on the fact that a viewer must enable PrimeTime Anytime before a show airs to view it later, which is an important feature distinguishing DVR from video on demand. *Fox. Broad.*, 905 F. Supp. 2d at 1109. Therefore, in light of the record before it, the district court did not clearly err in concluding that PrimeTime Anytime was more like DVR than video on demand.

Finally, Fox argues that Dish breached the portion of the 2010 letter agreement that provides that neither party may “take any action whatsoever intended to frustrate or circumvent, or attempt to frustrate or circumvent, the protections granted to the other Party pursuant to any provision in this Letter Agreement.” Contrary to Fox’s argument, the record does not indicate that Dish launched PrimeTime Anytime because it was unwilling to comply with the requirements to offer Fox’s licensed video on demand service, rather than because Dish lacked the technological capability to do so. On this record, Fox has not demonstrated it is likely to succeed on this claim.

Therefore, the district court did not abuse its discretion in concluding that Fox did not demonstrate a likelihood of success on its breach of contract claims.

III

The district court held that Dish likely directly infringed Fox’s copyrights and breached the no-copying clause of the 2002 contract by making “quality assurance” copies to test the functioning of the AutoHop program. However, it ultimately concluded that Fox did not demonstrate a

likelihood of irreparable harm absent an injunction. Assuming, without deciding, that the district court correctly decided that Fox was likely to succeed on the merits of this claim, we agree with the district court that Fox did not demonstrate a likelihood of irreparable harm resulting from these copies.

These copies were made as part of Dish's process of implementing the AutoHop program. As we have noted, Dish creates marking announcements to signal to AutoHop when to skip commercials. It then tests the accuracy of the marking announcements using copies recorded through PrimeTime Anytime. These copies remain at a Dish facility and are used for "quality assurance" purposes only. A technician working for Dish then plays back each recording, enables AutoHop, and fast-forwards through each show segment just until the point of each commercial break to ensure AutoHop is working properly. If the marking announcements are correct, AutoHop is made available to Dish customers at 3 a.m. Eastern time on the morning following the live broadcast.

In refusing to enjoin Dish from creating these copies, the district court correctly concluded that the harms Fox identified – including "loss of control over its copyrighted works and loss of advertising revenue" – did not "flow from" the quality assurance copies themselves, but from the entire AutoHop program. *Fox Broad.*, 905 F. Supp. 2d at 1110–11. While a plaintiff need not "show that the action sought to be enjoined is the exclusive cause of the injury," *M.R. v. Dreyfus*, 697 F.3d 706, 728 (9th Cir. 2011), the district court did not err in concluding that the quality assurance copies were not a cause of Fox's alleged harm. That Dish used the copies in the process of implementing AutoHop does not

suggest that those copies were integral to AutoHop's functioning. Rather, the record demonstrates that the AutoHop announcement files are created using an entirely separate process and the quality assurance copies are used only to test whether this process is working.⁵

Furthermore, the district court did not err in holding that monetary damages could compensate Fox for its losses from the copies. *See, e.g., L.A. Mem'l Coliseum Comm'n v. Nat'l Football League*, 634 F.2d 1197, 1202 (9th Cir. 1980) (“[M]onetary injury is not normally considered irreparable.”). To be sure, Fox does not license copies of its programs for distributors to create ad-skipping software. However, the lack of a licensing agreement that directly corresponds to Dish's copying of Fox programs does not mean it would be difficult to calculate damages. Fox's existing licensing agreements could, at the very least, constitute a starting point or an aid in calculating damages.

IV

Given our “limited and deferential” review of preliminary injunction appeals, *Sw. Voter Registration Educ. Project v. Shelley*, 344 F.3d 914, 918 (9th Cir.2003) (en banc) (per curiam), and without determining the ultimate merits of the case, *Am. Trucking Ass'ns, Inc. v. City of L.A.*, 559 F.3d

⁵ Indeed, Dish has temporarily stopped making the quality assurance copies pending the outcome of this appeal.

1046, 1052 (9th Cir. 2009), we conclude that the district court did not abuse its discretion in declining to grant Fox a preliminary injunction.⁶

AFFIRMED.

⁶ The parties' motions for judicial notice are **DENIED**.

Jack R. Salamanca, James Shapiro, Danièle Simpson, T.J. Stiles, and Fay Welson, and the associational organizations are The Authors Guild, Inc. (“Authors Guild”), The Australian Society of Authors Limited, Authors' Licensing and Collecting Society (“ALCS”), Union des Écrivaines et des Écrivains Québécois (“UNEQ”), Sveriges Författarförbund (“SFF”), Norsk Faglitterær Forfatter-og Oversetterforening (“NFF”), and The Writers' Union of Canada (“TWUC”) (collectively, “Associational Plaintiffs”). The Authors League Fund (“Authors' Fund”) does not seek associational standing, but asserts a claim based on its direct ownership of copyrights. I granted the motion to intervene as defendants by the National Federation of the Blind, Georgina Kleege, Blair Seidlitz, and Courtney Wheeler (collectively, “Defendant Intervenors”) on consent in January 2012.

Defendants' motion for judgment on the pleadings, filed in December 2011, seeks the dismissal of the Associational Plaintiffs on standing grounds to the extent they asserted the rights of their members and sought dismissal of claims involving the Orphan Works Project (“OWP”) as not ripe for adjudication. For the reasons set forth below, Defendants' motion for judgment on the pleadings is GRANTED in part and DENIED in part. Plaintiffs' motion for judgment on the pleadings insofar as it seeks a ruling that fair use and other defenses are unavailable to the Defendants as a matter of law is DENIED. In June 2012, Defendants, Defendant Intervenors and Plaintiffs each filed motions for summary judgment. Defendants' and Defendant Intervenors' motions for summary judgment are GRANTED, and Plaintiffs' motion for summary judgment is DENIED.

Also before the Court are two unopposed motions for leave to file briefs as amici, brought by the American Library Association, Association of College and Research Libraries, and Association of Research Libraries (the “Library Amici”), and the Digital Humanities and Law Scholars (the “Digital Humanities Amicus”). Both motions are GRANTED.[2](#)

***448 BACKGROUND**[3](#)

Defendants have entered into agreements with Google, Inc. (“Google”), that allow Google to create digital copies of works in the Universities' libraries in exchange for which Google provides digital copies to Defendants (the “Mass Digitization Project” or “MDP”). Compl. ¶ 1–2; Pls.' 56.1 ¶ 62; Defs.' 56.1 ¶¶ 30–31.[4](#) The HathiTrust partnership is in the process of creating “a shared digital repository that already contains almost 10 million digital volumes, approximately 73% of which are protected by copyright.” Compl. ¶ 2; *see also* Pls.' 56.1 ¶ 77; Defs.' 56.1 ¶ 42. After digitization, Google retains a copy of the digital book that is available through Google Books, an online system through which Google users can search the content and view “snippets” of the books. Compl. ¶ 51; Pls.' 56.1 ¶ 12. Google also provides a digital copy of each scanned work to the Universities, which includes scanned image files of the pages and a text file from the printed work. Compl. ¶ 52; Pls.' 56.1 ¶ 87; Defs.' 56.1 ¶ 30. According to Plaintiffs, this process effectively creates two reproductions of the original. Compl. ¶ 52. After Google provides the Universities with digital copies of their works, the Universities then

“contribute” these digital copies to the HathiTrust Digital Library (“HDL”). *Id.* ¶ 63. The Complaint alleges that in total, twelve unauthorized digital copies are created during this digitization process. *Id.* ¶ 72. Google's use of the digital works is the subject of a separate lawsuit.

For works with known authors, Defendants use the works within the HDL in three ways: (1) full-text searches; (2) preservation; and (3) access for people with certified print disabilities. Defs.' 56.1 ¶ 48. The full-text search capabilities allow users to search for a particular term across all the works within the HDL. *Id.* ¶ 49. For works that are not in the public domain or for which the copyright owner has not authorized use, the full-text search indicates only the page numbers on which a particular term is found and the number of times the term appears on each page. *Id.* ¶ 50.

In an eloquent oral argument by Mr. Goldstein⁵ as well as in Mr. Kerscher's⁶ declaration, Defendant Intervenors spelled out where blind scholars stood before digitalization: “Prior to the development of accessible digital books, the blind could access print materials only if the materials were converted to braille or if they were read by a human reader, either live or recorded.” Kerscher Decl. ¶ 19; *see also* Aug. 6, 2012 Tr. 41:23–55:25. Absent a program like the MDP, print-disabled students accessed course materials through a *449 university's disability student services office, but most universities are able to provide only reading that was actually required. Kerscher Decl. ¶¶ 32, 36. Print-disabled individuals read digital books independently through screen access software that allows text to be conveyed audibly or tactilely to print-disabled readers, which permits them to access text more quickly, reread passages, annotate, and navigate, just as a sighted reader does with text. *Id.* ¶¶ 20–21, 23. Since the digital texts in the HDL became available, print-disabled students have had full access to the materials through a secure system intended solely for students with certified disabilities. Wilkin Decl. ¶ 105. Many of these works have tables of contents, which allow print-disabled students to navigate to relevant sections with a screen reader just as a sighted person would use the table of contents to flip to a relevant portion. Kerscher Decl. ¶ 34. In other words, academic participation by print-disabled students has been revolutionized by the HDL.

Four of the HathiTrust Universities (all except Indiana University) have also agreed to participate in the OWP, an initiative to “identify and make available to University students, faculty and library patrons full copies of so-called ‘orphan works’—works that are protected by copyright but whose rights holders theoretically cannot be located by procedures established by the HathiTrust.” Compl. ¶ 3. The original process to determine which works would be included as orphan works (“Orphan Works”) involved a decision as to whether a work was commercially available for sale, and if not, an attempt to contact the copyright holder. *Id.* ¶ 74; Pls.' 56.1 ¶ 114; Defs.' 56.1 ¶ 79. If that attempt failed, then HathiTrust would list the bibliographical information for the work on the

HathiTrust Orphan Candidates webpage for ninety days, after which time the work would have become available for “Full view” on HathiTrust to UM students, professors, and other authenticated users and visitors to libraries at UM's campuses. Compl. ¶ 74; Pls.' 56.1 ¶ 114. UM intended to allow “access to orphan works for the purpose of online review, with the number of users permitted to view a given work limited at any one time to the number of copies held by the UM library.” Defs.' 56.1 ¶ 81. Other schools subsequently announced participation in this project. Compl. ¶ 75. After the filing of the original complaint in this action, UM announced that the OWP would be temporarily suspended because the procedures used to identify Orphan Works had apparently allowed many works to make their way onto the Orphan Works Lists in error. *Id.* ¶ 78; Defs.' 56.1 ¶¶ 83–84. UM has not yet provided a new process for identifying Orphan Works, or even a timeline for when that might happen, “although it continues to study ways to improve the orphan identification process.” Defs.' 56.1 ¶ 84.

By their Complaint, Plaintiffs seek (1) a declaration that the systematic digitization of copyrighted materials without authorization violates [Sections 106](#) and [108](#) of the Copyright Act, (2) an injunction to prevent the reproduction, distribution, or display of Plaintiffs' or other copyrighted works except as provided by [§ 108](#), (3) an injunction to prohibit Defendants' provision of works to Google for digitization without authorization, (4) a declaration that the OWP will infringe the copyrights of Plaintiffs and others, (5) an injunction that prohibits Defendants from proceeding with the OWP, and (6) the impoundment of all unauthorized digital copies within Defendants' possession.

***450 MOTIONS FOR JUDGMENT ON THE PLEADINGS**

I. DEFENDANTS' MOTION FOR JUDGMENT ON THE PLEADINGS

Defendants seek dismissal of the Associational Plaintiffs on standing grounds to the extent they assert the rights of their members. Defendants argue that the Associational Plaintiffs are precluded from representation of their members on both constitutional and statutory bases. The Associational Plaintiffs respond that they are ideally suited to represent the largely identical copyright claims of their members. Pls.' Opp'n to Defs.' J. Pleadings 4. They do not, however, address the crux of Defendants' argument, which is that the Copyright Act simply does not include this type of standing.⁷ I hold that the Associational Plaintiffs have satisfied Article III standing requirements and that the issues pertaining to the rights of their members are therefore justiciable. As a matter of statutory standing under the Copyright Act, however, the domestic Associational Plaintiffs are precluded from enforcing those rights. The issue of statutory standing for the foreign associations has not been properly presented to the Court, and I decline to speculate on the operation of those foreign laws.

Defendants further seek dismissal of claims involving the OWP as not ripe for adjudication. Plaintiffs' claims concern the OWP as it may exist in the future, not as it existed before HathiTrust abandoned the original program. As I later explain,

I do not know and cannot anticipate whether the features of that hypothetical program will raise the same issues that possibly defeated the first OWP, assuming there will even be a renewed OWP.

A. Legal Standard

“A Rule 12(c) motion for judgment on the pleadings based upon a lack of subject matter jurisdiction is treated as a Rule 12(b)(1) motion to dismiss the complaint.” [*United States v. Comprehensive Cmty. Dev. Corp.*, 152 F.Supp.2d 443, 448–49 \(S.D.N.Y.2001\)](#). “A case is properly dismissed for lack of subject matter jurisdiction under Rule 12(b)(1) when the district court lacks the statutory or constitutional power to adjudicate it.” [*Makarova v. United States*, 201 F.3d 110, 113 \(2d Cir.2000\)](#). “A plaintiff asserting subject matter jurisdiction has the burden of proving by a preponderance of the evidence that it exists.” [*Id.*](#)

B. Constitutional and Prudential Standing of the Associational Plaintiffs

¹² For reasons similar to those stated by the court in the suit against Google brought by many of the same associations, the constitutional basis for standing is satisfied. [*Author's Guild v. Google, Inc.*, 282 F.R.D. 384, 391 \(S.D.N.Y.2012\)](#). To assert standing as a representative of its members, an association must meet the constitutional requirements described by the Supreme Court in [*Hunt v. Washington State *451 Apple Advertising Commission*, 432 U.S. 333, 343, 97 S.Ct. 2434, 53 L.Ed.2d 383 \(1977\)](#). In *Hunt*, the Supreme Court explained that “an association has standing to bring suit on behalf of its members when: (a) its members would otherwise have standing to sue in their own right; (b) the interests it seeks to protect are germane to the organization's purpose; and (c) neither the claim asserted nor the relief requested requires the participation of individual members in the lawsuit.” [*Id.*](#) Defendants challenge the first and third prongs.

As to the first prong, Defendants argue that the Associational Plaintiffs “have not made any specific allegations with respect to any copyright works held by their members.” Defs.’ Mem. J. Pleadings 9. In [*Building & Construction Trades Council of Buffalo, N.Y. & Vicinity v. Downtown Development, Inc.*, 448 F.3d 138, 145 \(2d Cir.2006\)](#), the Second Circuit held that plaintiffs asserting associational standing need not “name names” in the complaint. Defendants’ argument that this case is distinguishable solely because it involved a different statute is unpersuasive.

As to the third prong, Defendants argue that the individual participation of the Associational Members will be required to demonstrate that Plaintiffs hold valid copyrights and to evaluate the fair-use defense. Defs.’ Mem. J. Pleadings 10–13. “[T]he third prong of the associational standing test is ‘prudential,’ not constitutional, and is ‘best seen as focusing on ... matters of administrative convenience and efficiency.’ ” [*Alliance for Open Soc’y Int’l, Inc. v. U.S. Agency*](#)

for *Int'l Dev.*, 651 F.3d 218, 229 (2d Cir.2011) (quoting *United Food & Commercial Workers Union Local 751 v. Brown Grp. Inc.*, 517 U.S. 544, 555–56, 116 S.Ct. 1529, 134 L.Ed.2d 758 (1996)). “[T]he fact that a limited amount of individuated proof may be necessary does not in itself preclude associational standing.” *Nat'l Ass'n of Coll. Bookstores, Inc. v. Cambridge Univ. Press*, 990 F.Supp. 245, 249 (S.D.N.Y.1997); see also *N.Y. State Nat'l Org. of Women v. Terry*, 886 F.2d 1339 (2d Cir.1989). Where an association seeks an injunction or declaration that an entire practice is unlawful, courts have concluded that the individual proof required is limited. *Nat'l Ass'n of Coll.*, 990 F.Supp. at 250 (explaining that associational standing would facilitate adjudication better than “requiring duplicative proof” from each member). The recent decision in *Google*, 282 F.R.D. at 390–91, addressed nearly identical arguments about the third prong of *Hunt*. The *Google* Court concluded that the limited amount of individual proof required to establish copyright ownership and the fair-use defense was insufficient to defeat associational standing. *Id.* Likewise, the Associational Plaintiffs here satisfy the *Hunt* test; both *Article III* and the prudential third prong of *Hunt* are satisfied.

C. Statutory Standing of the Associational Plaintiffs

³ Copyright is a “creature of statute.” *Stewart v. Abend*, 495 U.S. 207, 251, 110 S.Ct. 1750, 109 L.Ed.2d 184 (1990). It “does not exist at common law—it originated, if at all, under the acts of [C]ongress.” *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 663, 8 L.Ed. 1055 (1834). As a result, “[n]o one can deny that [Congress has] the power to prescribe the conditions on which such right shall be enjoyed.” *Id.* at 663–64. Congress may define standing as to a particular cause of action more narrowly than what is constitutionally permitted.⁸ The unfortunate nomenclature is *452 somewhat misleading. See *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 97, 118 S.Ct. 1003, 140 L.Ed.2d 210 (1998) (“[A]n issue of statutory standing ... has nothing to do with whether there is case or controversy under Article III.”); see also Radha Pathak, *Statutory Standing and the Tyranny of Labels*, 62 Okla. L.Rev. 89, 91 (2009). Whether Congress intended to provide statutory standing to associations is determined by the language of congressional enactments.⁹

⁴ The Court has subject-matter jurisdiction over the members' individual copyright enforcement actions because the Associational Plaintiffs satisfy constitutional and prudential standing requirements and are therefore “entitled to have the court decide the merits of the dispute or of particular issues.” *Warth v. Seldin*, 422 U.S. 490, 498, 95 S.Ct. 2197, 45 L.Ed.2d 343 (1975). As to the issue of statutory standing—and as will be discussed more fully below—the domestic Associational Plaintiffs simply may not assert the cause of action on which the third-party enforcement of its members' copyrights depend. Put another way, those Associational Plaintiffs can win on behalf of only themselves, but can lose on behalf of their members as well.

Even though Defendants have successfully raised a fair-use defense as to the MDP and the HDL (discussed later), the questions of statutory standing and the merits of this case do not overlap and will be discussed separately. *Cf. Steel Co.*, 523 U.S. at 97 n. 2, 118 S.Ct. 1003 (“[D]epending upon the asserted basis for lack of statutory standing, [the merits inquiry and the statutory standing inquiry] are sometimes identical, so that it would be exceedingly artificial to draw a distinction between the two.”); *Roberts v. Hamer*, 655 F.3d 578, 580 (6th Cir.2011) (“The question [of whether a party has statutory standing] is closely related to the merits inquiry (oftentimes overlapping it) and is analytically distinct from the question whether a federal court has subject-matter jurisdiction to decide the merits of a case.”).

1. Statutory Standing Under U.S. Law

Although Article III is satisfied, the Authors Guild, the Australian Society of Authors Limited, and TWUC (collectively, “U.S. Associational Plaintiffs”) lack statutory standing.¹⁰ The Copyright Act’s §453 standing clause explicitly limits who may enforce copyright claims: “the legal or beneficial owner of an exclusive right under a copyright is entitled ... to institute an action for any infringement of that particular right committed while he or she is the owner of it.” 17 U.S.C. § 501(b). Courts in the Second Circuit have not explicitly addressed the issue of whether associational standing is permissible under the Copyright Act, but the language from several Second Circuit decisions suggests that there is no statutory standing for associations. *See ABKCO Music Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 980 (2d Cir.1991) (“[T]he Copyright Act does not permit copyright holders to choose third parties to bring suits on their behalf.”); *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 32 n. 3 (2d Cir.1982); *Plunket v. Doyle*, No. 09 Civ. 11006, 2001 WL 175252, at *5 (S.D.N.Y. Feb. 22, 2001) (explaining that standing is limited to “(1) owners of copyrights and (2) persons who have been granted exclusive licenses by owners of copyrights” (internal quotation and citation omitted)).

The limited case law available outside of this Circuit also suggests that statutory standing for associations is not permitted.¹¹ In *Silvers v. Sony Pictures Entertainment, Inc.*, the court observed that although “[t]he statute does not say expressly that *only* a legal or beneficial owner ... is entitled to sue ... Congress’ explicit listing of who *may* sue for copyright infringement should be understood as an *exclusion of others* from suing for infringement.” 402 F.3d 881, 885, 890 (9th Cir.2005) (en banc) (concluding that the language and history of the Act precluded assignment of an accrued copyright claim by a party that was neither a legal or beneficial owner of the copyright); *see also Mullen v. Soc’y of Stage Directors & Choreographers*, No. 06 C 6818, 2007 WL 2892654, *4 (N.D.Ill. Sept. 30, 2007) (“[I]f USA [a guild] sought a declaratory judgment of copyright infringement or damages for copyright infringement against Plaintiffs, it would surely fail for lack

of standing because it is [not] an ‘owner’ nor is it a ‘beneficial owner’ (e.g. a licensee) of any copyright at issue under the Copyright Act.”).

The Copyright Act is based on Congress's power “[t]o promote the Progress of Science ..., by securing for limited Times to Authors ... the exclusive Right to ... their ... Writings.” [U.S. Const. art. I, § 8, cl. 8](#). The basic purpose of copyright—to provide a limited monopoly for authors primarily to encourage creativity—further suggests that Congress did not intend for third-party enforcement of those rights. See [Fox Film Corp. v. Doyal](#), 286 U.S. 123, 127, 52 S.Ct. 546, 76 L.Ed. 1010 (1932) (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.”); see also *454 [Twentieth Century Music Corp. v. Aiken](#), 422 U.S. 151, 156, 95 S.Ct. 2040, 45 L.Ed.2d 84 (1975) (“When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose.”). Regardless of whether associational standing is constitutional, I am convinced that Congress did not intend for associations to enforce the rights of their members, and so the U.S. Associational Plaintiffs lack standing under the Copyright Act.¹²

2. Statutory Standing Under Foreign Law

Under the “national treatment” principle of the Berne Convention, Berne Convention art. 5(1), and the Universal Copyright Convention (“UCC”), “an author who is a national of one of the member states of either Berne or the UCC, or one who first publishes his work in any such member state, is entitled to the same copyright protection in each other member state as such other state accords to its own nationals.” [Itar-Tass Russian News Agency v. Russian Kurier, Inc.](#), 153 F.3d 82, 89 (2d Cir.1998) (quoting Nimmer on Copyright § 1.05 (1998)). The Second Circuit in [Itar-Tass](#) affirmed the district court's holding that a reporters' organization had standing to assert claims on behalf of its members after noting that Russian copyright law “authorizes the creation of organizations ‘for the collective administration of the economic rights of authors ... in cases where the individual exercise thereof is hampered by difficulties of a practical nature.’ ” [Id.](#) at 90–94 (quoting Russian Copyright Law, art. 44(1)). The Second Circuit wrote, “UJR, the reporters' organization, may well be able in this litigation to protect the rights of the reporters whose articles were copied.” [Id.](#) Although not explicit, the Second Circuit's decision in [Itar-Tass](#) supports the view that whether a foreign association has satisfied the statutory standing requirements necessary to assert a claim is determined by foreign law.

Four of the Associational Plaintiffs, ALCS, UNEQ, NFF and SFF, assert that they have standing to sue on behalf of their members under foreign law.¹³ In *455 total, the parties provide about three paragraphs of analysis on this issue. Defendants object that UNEQ, NFF and SFF lack standing because they have submitted interrogatories that admit that they are not the legal or beneficial owner of any works alleged to have been infringed by Defendants. Defs.' Reply to Defs.'

J. Pleadings 4 n. 4 (citing [Itar-Tass](#), 153 F.3d at 91; Petersen Decl. ¶¶ 4–6; Petersen Decl. Ex. C UNEQ: Canada, at 5–6; Petersen Decl. Ex. D SFF: Sweden, at 5–6; Petersen Decl. Ex. E NFF: Norway, at 5–6). However, Defendants do not challenge the actual foreign law basis for the assertion of statutory standing by these three associations, see [Itar-Tass](#), 153 F.3d at 93, nor do they offer any other argument as to why ALCS does not have statutory standing. As I explained earlier, Article III is satisfied as to the Associational Plaintiffs and the statutory standing requirements are “closely related to the merits inquiry ... and analytically distinct from the question whether a federal court has subject-matter jurisdiction.” [Roberts](#), 655 F.3d at 580. I decline to raise any other objections to the statutory standing of UNEQ, NFF, SFF or ALCS *sua sponte*, and Defendants' motion for judgment on the pleadings is denied as to these associations. Cf. [181 East 73rd Street Co. v. 181 East 73rd Street Tenants Corp.](#), 954 F.2d 45, 49 n. 9 (2d Cir.1992) (“This argument was not made by the parties and we decline to raise it *sua sponte*.”).

D. Ripeness of the Orphan Works Project

The Complaint requests a declaration that the “distribution and display of copyrighted works through the HathiTrust Orphan Works Project will infringe the copyrights of Plaintiffs and others likely to be affected” and an injunction that prohibits the OWP. Compl. Demand for Relief (a)(ii), (b)(iii). Plaintiffs seek a ruling on the OWP as it *will* exist, and not specifically as it existed at the moment that the initial complaint was filed. See also Pls.' Mem. J. Pleadings 24–25 (“Absent an injunction, Defendants will proceed with the OWP and infringe the copyrights of Plaintiffs, the Associational Plaintiffs' members and other unsuspecting authors and rights holders.”). Adjudication as to the OWP is not ripe for judicial review.¹⁴

⁵⁶ “Article III of the Constitution limits the jurisdiction of the federal courts to cases or controversies ‘of sufficient immediacy and reality’ and not ‘hypothetical or abstract dispute[s].’ ” See, e.g., [Hayes v. Carlin Am., Inc.](#), 168 F.Supp.2d 154, 159 (S.D.N.Y.2001) (internal citations omitted). “Ripeness is a doctrine rooted in both Article III's case or controversy requirement and prudential limitations on the exercise of judicial authority.” [Murphy v. New Milford Zoning Comm'n](#), 402 F.3d 342, 347 (2d Cir.2005). The determination of whether a claim is ripe is a two-prong inquiry that requires courts to “evaluate both the fitness of the issues for judicial decision and the hardship to the parties of withholding court consideration.” *Id.* (quoting [Abbott Labs. v. Gardner](#), 387 U.S. 136, 149, 87 S.Ct. 1507, 18 L.Ed.2d 681 (1967)).

⁷ The claims here are not fit for adjudication. Were I to enjoin the OWP, I would do so in the absence of crucial information about what that program will look like should it come to pass and whom it will impact. [Hayes](#), 168 F.Supp.2d at 160 (concluding that a claim seeking declaratory judgment that

plaintiff was the holder of the right to collect royalties during the copyright renewal term for works in their original term was not ripe because the court did not know whether a dispute would remain, whether it would involve the same parties, or what the relevant facts would be once the renewal term was reached). In addition, Plaintiffs suffer no hardship from litigation of this claim after Defendants release the details of their new OWP and a revised list of Orphan Work Candidates. If and when that time comes, they can request relief. “In assessing the possible hardship to the parties resulting from withholding judicial resolution, we ask whether the challenged action creates a direct and immediate dilemma for the parties. The mere possibility of future injury, unless it is the cause of some present detriment, does not constitute hardship.” [*Connecticut v. Duncan*, 612 F.3d 107, 115 \(2d Cir.2010\)](#) (quoting [*Simmonds v. INS*, 326 F.3d 351, 360 \(2d Cir.2003\)](#)). The “mere possibility” that one of Plaintiffs' works might be included on a future list of orphan works or made available is not enough. Defendants' motion for judgment on the pleadings as to the OWP is granted.

II. PLAINTIFFS' MOTION FOR JUDGMENT ON THE PLEADINGS

Plaintiffs' motion for partial judgment on the pleadings seeks a ruling that “Defendants' admitted systematic reproduction, distribution, and use of millions of copyright-protected books are not shielded by the First Amendment, the fair-use defense, or any other provision of the Copyright Act.” Pls.' Mem. J. Pleadings 1.

A. Legal Standard

A motion for judgment on the pleadings enables the moving party to have the court rule preferably in its favor based on the merits of the pleadings. [*Sellers v. M.C. Floor Crafters, Inc.*, 842 F.2d 639, 642 \(2d Cir.1988\)](#). The court applies the same standard in a Rule 12(c) motion as it does in a Rule 12(b)(6) motion, and the court must accept as true the allegations contained in the pleading and draw all reasonable inferences in favor of the non-moving party. [*L-7 Designs, Inc. v. Old Navy, LLC*, 647 F.3d 419, 429 \(2d Cir.2011\)](#). “A party is entitled to judgment on the pleadings only if it is clear that no material issues of fact remain to be resolved and that it is entitled to judgment as a matter of law.” [*Citibank, N.A. v. Morgan Stanley & Co. Int'l, PLC*, 724 F.Supp.2d 407, 414 \(S.D.N.Y.2010\)](#).

B. Availability of Fair–Use Defense

[Section 107](#) provides a defense to a claim of copyright infringement on the grounds of fair use. [Section 108](#) of the Copyright Act accords libraries the right to make a limited number of copies of certain works for specified purposes, and it explicitly states that “[n]othing in this section ... in any way affects the right of fair use as provided by [section 107](#).” [17 U.S.C. § 108\(f\)\(4\)](#). In spite of the clear language that [Section 108](#) provides rights to libraries *in addition* to fair-use rights

that might be available, Plaintiffs argue that I should find that the [Section 107](#) fair-use defense is precluded by [Section 108](#) in this case.¹⁵

*457 ⁸⁹ In support of their argument, Plaintiffs first argue that “the specific governs the general.” *Morales v. Trans World Airlines, Inc.*, 504 U.S. 374, 384, 112 S.Ct. 2031, 119 L.Ed.2d 157 (1992). Because [Section 108](#) provides “highly-specific rules governing the extent to which libraries are permitted to make digital copies of works in their collection,” Plaintiffs argue that [Section 107](#) is unavailable as a defense. Pls.’ Mem. J. Pleadings 21. However, the doctrine that the specific governs the general applies when “applying a general provision ... would undermine *limitations* created by a more specific provision.” *Varity Corp. v. Howe*, 516 U.S. 489, 511, 116 S.Ct. 1065, 134 L.Ed.2d 130 (1996) (emphasis added); see also *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1521 (9th Cir.1993) (rejecting argument that Section 117, which permits the owner of a computer program to make certain copies, preempts the fair-use defense under [Section 107](#)). Here, fair use does not undermine [Section 108](#), but rather supplements it.

Plaintiffs also argue that the legislative history suggests that fair use is not available as a defense for Defendants. They cite a 1983 Report on [Section 108](#), in which the Copyright Office stated: “[M]uch of ‘108’ photocopying would be infringing but for the existence of that section, thus leaving [section 107](#) often clearly unavailable as a basis for photocopying not authorized by [section 108](#).” Pls.’ Mem. J. Pleadings 22–23 (quoting Register of Copyrights, Report of the Register of Copyrights, Library Reproduction of Copyrighted Works ([17 U.S.C. 108](#)), at 96 (1983)).¹⁶ Defendants respond that the Report merely concludes that courts should take “into account the ‘108’ copying that has already occurred” when they evaluate the assertion of fair use for library photocopying. Library Reproduction of Copyrighted Works 98.¹⁷

The briefs submitted by Defendant Intervenors and the Library Amici, to whom I granted leave to file a memorandum as amici curiae, further convince me that fair use is available as a defense for the Defendants, and nothing Plaintiffs submitted convinces me that fair use is unavailable as a defense, or that the manner of reproduction is prohibited simply because it does not fall within [Section 108](#).

C. Availability of Other Defenses

Plaintiffs barely address the other proposed defenses asserted by Defendants to protect the MDP and OWP. In one paragraph, Plaintiffs argue that [Section 108](#) prevents libraries from asserting other potential rights and defenses besides fair *458 use, including Sections 109 (first sale), 110 (exemptions of certain performances and displays), and 121 (reproductions for the blind) and the First Amendment. Pls.’ Mem. J. Pleadings 23. No case law is cited. Plaintiffs’

motion for judgment on the pleadings that Defendants have no defenses available to them as a matter of law is denied.

MOTIONS FOR SUMMARY JUDGMENT

I. LEGAL STANDARD

A district court may not grant summary judgment if there exists a genuine issue of material fact. See [*Cotarelo v. Vill. of Sleepy Hollow Police Dep't*, 460 F.3d 247, 251 \(2d Cir.2006\)](#) (citing [*Celotex Corp. v. Catrett*, 477 U.S. 317, 322–23, 106 S.Ct. 2548, 91 L.Ed.2d 265 \(1986\)](#)). “For summary judgment purposes, a ‘genuine issue’ exists where the evidence is such that a reasonable jury could decide in the nonmoving party's favor.” [*Cambridge Realty Co., LLC v. St. Paul Fire & Marine Ins. Co.*, 421 Fed.Appx. 52, 53 \(2d Cir.2011\)](#) (internal citations omitted). “Fair use is a mixed question of law and fact.” [*Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560, 105 S.Ct. 2218, 85 L.Ed.2d 588 \(1985\)](#). Courts resolve fair use at the summary judgment stage where there are no genuine issues of material fact. See [*Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132, 137 \(2d Cir.1998\)](#); see also [*Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109, 117 \(2d Cir.1998\)](#) (affirming district court's grant of summary judgment where defendant asserted fair-use defense).

II. FAIR USE

¹⁰¹¹ To establish a *prima facie* case of copyright infringement, a plaintiff must demonstrate “ownership of a valid copyright” and “copying of constituent elements of the work that are original.” [*Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 \(1991\)](#). Plaintiffs identify 116 works (the “Identified Works”) as to which they assert direct ownership of the copyrights and allege that Defendants copied the works. Defendants concede that Plaintiffs have established a *prima facie* case of infringement as to some of these works.¹⁸ Fair use is one defense to the establishment of a *prima facie* case of copyright infringement; it permits copies made for purposes of scholarship, teaching, and research. [*17 U.S.C. § 107*](#). It is Defendants' burden to establish this affirmative defense to Plaintiffs' claims of copyright infringement. See [*Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 918 \(2d Cir.1994\)](#). A defendant need not prevail with respect to each of the four enumerated fair-use factors to succeed on a fair-use defense. [*NXIVM Corp. v. Ross Inst.*, 364 F.3d 471, 477 \(2d Cir.2004\)](#). Rather, the factors are “explored and weighed together, in light of copyright's purpose.” [*Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 569, 114 S.Ct. 1164, 127 L.Ed.2d 500 \(1994\)](#). “The ultimate focus is the goal of copyright itself, whether ‘promoting the Progress of Science and useful Arts would be better served by allowing the use than by preventing it.’ ” [*Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*, 861 F.Supp.2d 336, 339–40 \(S.D.N.Y.2012\)](#) (quoting ⁴⁵⁹ [*Castle Rock Entm't*, 150 F.3d at 141; U.S. Const. art. 1, § 8, cl. 8](#)). Plaintiffs,

Defendants, and Defendant Intervenors have each filed motions for summary judgment that argue that there is no genuine issue of material fact as to the fair-use factors.

A. Purpose and Character of the Use

¹² The first fair-use factor considers the “purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” [17 U.S.C. § 107\(1\)](#). The MDP was undertaken with several goals in mind. The MDP allows scholars to identify relevant works far more efficiently. Defs.’ 56.1 ¶¶ 18–23. In addition, the program helps Defendants preserve their collections in the face of normal deterioration during circulation, natural disasters, or other catastrophes that decimate library collections, as well as loss due to theft or misplacement. *Id.* ¶¶ 2, 11–13, 15.¹⁹ The program provides print-disabled individuals with “access to the wealth of information within library collections.” *Id.* ¶¶ 61–66; *see also* Defendant Intervenors 56.1 ¶ 1. Where the purpose of the use is for scholarship and research—uses explicitly mentioned in the preamble to [Section 107](#)—the Second Circuit has concluded that the first factor “tilt[s] in the defendants’ favor.” [NXIVM Corp., 364 F.3d at 477.20](#) The character of the use also suggests that the first prong is satisfied. Several university libraries have entered into agreements with Google whereby Google converts the hard-copy works in their libraries into digital format. Defs.’ 56.1 ¶ 30. For works that are not in the public domain or for which an author has not “expressly authorized use,” a search for a particular term reveals the pages on which the term is found and the number of times the term is found on each page. *Id.* ¶ 50. No actual text from the book is revealed, *id.* ¶ 52, except to print-disabled library patrons at UM.²¹

Transformative uses are likely to satisfy the first factor. [Campbell, 510 U.S. at 575, 114 S.Ct. 1164](#) (“The central purpose of this investigation is to see ... whether the new work merely supersede[s] the objects of the original creation ... or instead adds something new, with a further purpose or different character, altering the *460 first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is ‘transformative.’ ”) (internal citations and quotation marks omitted). A transformative use may be one that actually changes the original work. However, a transformative use can also be one that serves an entirely different purpose. [Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 609 \(2d Cir.2006\)](#) (affirming district court’s conclusion that the use of entire copyrighted concert posters in a book “to document and represent the actual occurrence” of the concerts was different from the “dual purposes of artistic expression and promotion of the original use”). The use to which the works in the HDL are put is transformative because the copies serve an entirely different purpose than the original works: the purpose is superior search capabilities rather than actual access to copyrighted material. The search

capabilities of the HDL have already given rise to new methods of academic inquiry such as text mining.²²

Several courts have upheld wholesale copying of works where the use and purpose for the copies was clearly distinguishable from those of the original. *See A.V. v. iParadigms, LLC*, 562 F.3d 630, 640 (4th Cir.2009) (concluding that copying and archiving of student papers “was completely unrelated to expressive content and instead aimed at detecting and discouraging plagiarism”); *Perfect 10 v. Amazon.com, Inc.*, 508 F.3d 1146, 1165 (9th Cir.2007) (finding that Google's copying of Internet content to make it searchable was transformative because “a search engine transforms the image into a pointer directing a user to a source of information”); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 819 (9th Cir.2003) (finding that copying to produce exact replicas of artistic works displayed in thumbnail form on the internet to facilitate searches was transformative because it was “unrelated to any aesthetic purpose”).²³ Plaintiffs' argument that the use is not transformative merely because defendants have not added anything “new” misses the point. *Perfect 10*, 508 F.3d at 1164 (“[E]ven making an exact copy of a work may be transformative so long as the copy serves a different function than the original work.”).²⁴

*461 Plaintiffs also argue that Defendants are not shielded from charges of copyright infringement by virtue of their status as educational non-profits. The cases they cite in support of this claim are cases where the use being made by the non-profit was not transformative, as it is here. *See, e.g., Encyclopaedia Britannica Educ. Corp. v. Crooks*, 542 F.Supp. 1156, 1179 (W.D.N.Y.1982) (concluding that fair use did not protect the actions of defendants, a non-profit educational organization, who videotaped plaintiff's television programs, copied them, and distributed them to be shown in schools). Likewise, Plaintiffs' argument that Defendants had a primarily “commercial” purpose when they allowed Google to digitize their libraries is without merit. Although Plaintiffs quote *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir.2001), for the point that Defendants cannot make “unauthorized copies of copyrighted works ... to save the expense of purchasing authorized copies,” this argument too is off the mark as to what Defendants use the copies for. While additional copies might have sufficed were Defendants' goal solely preservation, the purchase of additional paper copies, or even electronic copies, would not have allowed Defendants to create a searchable inventory of their works or provide access to print-disabled individuals on an equal footing with sighted individuals. Defendants satisfy the first factor not merely because they are non-profit institutions, but because the use to which the copies have been put is transformative.

The use of digital copies to facilitate access for print-disabled persons is also transformative.²⁵ Print-disabled individuals are not considered to be a significant market or potential market to publishers and authors. Def. Intervenor's MSJ 6

(citing Kerscher Decl. ¶ 17, 34). As a result, the provision of access for them was not the intended use of the original work (enjoyment and use by sighted persons) and this use is transformative. *See, e.g., Perfect 10*, 508 F.3d at 1165. Even if it were not, “[m]aking a copy of a copyrighted work for the convenience of a blind person is expressly identified by the House Committee Report as an example of a fair use, with no suggestion that anything more than a purpose to entertain or to inform need motivate the copying.” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n. 40, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984).

B. Nature of the Copyrighted Works

“[S]ome works are closer to the core of intended copyright protection than others.” *Campbell*, 510 U.S. at 586, 114 S.Ct. 1164. Copying factual works is more likely fair use than copying creative works. *Blanch v. Koons*, 467 F.3d 244, 256 (2d Cir.2006). However, where a use is transformative, the nature of the copyrighted works is not likely to “separate the fair use sheep from the infringing goats.” *Campbell*, 510 U.S. at 586, 114 S.Ct. 1164; *see also Harper & Row*, 471 U.S. at 546, 105 S.Ct. 2218. Here, Plaintiffs identify 116 works that they allege were unlawfully digitized by Defendants as part of the MDP. Pls.’ 56.1 ¶¶ 138–53. Approximately 76 percent of the identified works are fiction. Goldman Decl. ¶ 6. In the HDL as a whole, approximately 9 percent consists of prose fiction, poetry, and drama. Wilkin Decl. ¶ 67. Because the use is transformative, intended to facilitate key-word searches or access for print-disabled individuals, the second factor is not dispositive. *Bill Graham*, 448 F.3d at 612 (“[T]he second *462 factor may be of limited usefulness where the creative work of art is being used for a transformative purpose.”).

C. Amount of the Work Copied

The third fair-use factor considers whether the amount of copying was reasonable in relation to the purpose. *Sony*, 464 U.S. at 449–50, 104 S.Ct. 774. “[T]he extent of permissible copying varies with the purpose and character of the use.” *Campbell*, 510 U.S. at 586–87, 114 S.Ct. 1164. The question is whether “no more was taken than necessary.” *Id.* at 587, 114 S.Ct. 1164. Sometimes it is necessary to copy entire works. *Bill Graham*, 448 F.3d at 613; *Arriba Soft*, 336 F.3d at 821. “Intermediate” copies may not be infringing when that copying is necessary for fair use. *See Sundeman v. Seajay Soc’y, Inc.*, 142 F.3d 194, 206 (4th Cir.1998) (finding that it was fair use to copy fragile manuscript so that the author of a critical review could study it without inflicting damage). Here, entire copies were necessary to fulfill Defendants’ purposes of facilitation of searches and access for print-disabled individuals. *See Arriba Soft*, 336 F.3d at 821 (“If Arriba only copied part of the image, it would be difficult to identify it, thereby reducing the usefulness of the visual search engine.”). Plaintiffs argue that Defendants did not need to retain copies to facilitate searches; however, the maintenance of an electronic copy was necessary to provide access for print-disabled individuals.²⁶

D. Impact on the Market for or Value of the Works

The fourth factor examines “whether the secondary use usurps the market of the original work.” [*NXIVM Corp.*, 364 F.3d at 482](#). Courts consider “only those [markets] that the creators of original works would in general develop or license others to develop.” [*Campbell*, 510 U.S. at 591, 592, 114 S.Ct. 1164](#) (“[W]hen ... the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.”). Where a use is noncommercial, as it is here, the plaintiff must show “by a preponderance of the evidence that some meaningful likelihood of future harm exists”, [*Sony*, 464 U.S. at 451, 104 S.Ct. 774](#), a test Plaintiffs fail at least on this fact pattern.²⁷

Plaintiffs allege market harm on several distinct bases. First, they argue that “[e]ach digital copy of a book that Defendants created ... rather than [purchased] through lawful channels, represents a lost sale.” Pls.’ MSJ 22. This argument ignores the fact that purchase of an additional copy would not have allowed either full-text searches or access for the print-disabled individuals, two transformative uses that are central to the MDP.

Plaintiffs’ second argument is that Defendants have “expose[d] Plaintiffs’ property to immense security risks that have the potential to cannibalize the book market through ... widespread internet piracy.” *Id.* at 23. However, the expert economist that Plaintiffs rely on in support of this argument admitted that he was unfamiliar *463 with the security procedures in place at the Universities. Edelman Dep. at 248:11–12 (“I don’t know about all of the security systems that [the Libraries] have.”). Defendants respond with a declaration from the individual in charge of security for the works in the HDL, who describes the security measures in place, Snavelly Decl. ¶¶ 6–27, and notes that the Libraries have been certified as a trustworthy depository by the Center for Research Libraries. *Id.* ¶ 7; Wilkin Decl. ¶¶ 91–99. Plaintiffs’ unsupported argument fails to demonstrate a meaningful likelihood of future harm.

Finally, Plaintiffs argue that “Defendants activities will harm Plaintiffs by undermining existing and emerging licensing opportunities” such as a “collective management system [which would] permit certain of the activities of the Defendants in this case while providing compensation to copyright owners.” Pls.’ MSJ 25–27. Plaintiffs admit that they cannot identify “any specific, quantifiable past harm, or any documents relating to such past harm.” Petersen Decl. ¶¶ 2–21.²⁸ Plaintiffs’ argument about a potential market is conjecture. [*Perfect 10*, 508 F.3d at 1168](#) (rejecting argument that there was hypothetical harm to the market for thumbnail images on mobile phones). “Were a court automatically to conclude in every case that potential licensing revenues were impermissibly impaired simply because the secondary user did not pay a fee for the right to engage in the use, the fourth factor would *always* favor the copyright owner.” [*Bill Graham*, 448](#)

[F.3d at 614](#) (citation omitted). A copyright holder cannot preempt a transformative market. *Id.* Although Plaintiffs cite the Second Circuit's decision in [Texaco](#), 60 [F.3d at 930](#), for the proposition that this Court ought to consider the “impact on potential licensing opportunities,” they omit the remainder of the quote, which concludes that courts should consider “only traditional, reasonable or likely to be developed markets.”²⁹ Because I conclude that at least two of the uses are transformative—that is, the provision of search capabilities and access for print-disabled individuals—any harm arises, if at all, to a “transformative market.” [Bill Graham](#), 448 [F.3d at 614](#) (“Appellant asserts that it established a market for licensing its images, and in this case expressed a willingness to license images.... Neither of these arguments shows impairment to a traditional, as opposed to a transformative market.”). A use that “falls within a transformative market” does not cause the copyright holder to “suffer market harm due to the loss of license fees.” *Id.* at 615.

Defendants offer substantial evidence that it would be prohibitively expensive to develop a market to license the use of works for search purposes, access for print-disabled individuals, or preservation purposes. Waldfoegel Decl. ¶¶ 7, 22–24 (estimating that the costs of such a license as to the works in the HDL would be in the neighborhood of \$569 million and that the potential revenue generated would not cover these costs so it was not a “commercially viable endeavor”). This also assumes that the holder of each copyright could be identified, *id.* ¶ 24, a tenuous assumption to say the least. Plaintiffs characterize this as an argument that “it is permissible to steal the goods if it is too expensive to *464 buy them.” Pls.’ MSJ 15. However, Defendants argue that the high costs will prohibit the formation of a viable market *in the first place*, and as a consequence there will be no one to buy the goods from. Although Plaintiffs assert that the Copyright Clearance Center (“CCC”) could eventually develop a license for the uses to which Defendants put the works, *see* Gervais Decl., the CCC has no plans to provide for or develop such a license. Petersen Opp’n Decl. ¶ 9. Even if Congress will eventually find a way to regulate this area of the law, “it is not the [court’s] job to apply laws that have not yet been written.” [Sony](#), 464 [U.S. at 456](#), 104 [S.Ct. 774](#).

The provision of access for print-disabled individuals likewise does not significantly impact a market. Kerscher Decl. ¶ 34. At oral argument, Plaintiffs repeatedly emphasized that “only 32” print-disabled students had signed up to participate in the program at the UM. *See, e.g.*, Aug. 6, 2012 Tr. 15:6–7. This argument only emphasizes that print-disabled individuals are a tiny minority, and the development of a market to provide them with access on the scale of the MDP is consequently almost impossible to fathom.³⁰ This argument overlooks the fact that it is minorities such as this that Congress sought to protect through enactments like the ADA.

E. Balancing the Fair–Use Factors

The totality of the fair-use factors suggest that copyright law's "goal of promoting the Progress of Science ... would be better served by allowing the use than by preventing it." [Bill Graham, 448 F.3d at 608](#) (quotation marks omitted). The enhanced search capabilities that reveal no in-copyright material, the protection of Defendants' fragile books, and, perhaps most importantly, the unprecedented ability of print-disabled individuals to have an equal opportunity to compete with their sighted peers in the ways imagined by the ADA protect the copies made by Defendants as fair use to the extent that Plaintiffs have established a *prima facie* case of infringement.³¹ In addition to the briefs submitted by the parties, the two memoranda filed by amici further confirm that the underlying rationale of copyright law is enhanced by the HDL. *See* Library Amici Br. ("The public derives tremendous benefit from HDL, and authors stand to gain very little if the public is deprived of this resource."); Digital Humanities Amicus Br. (describing the use of metadata and text mining, which "could actually enhance the market for the underlying work, by causing researchers to revisit the original work and reexamine it in more detail"). Although I recognize that the facts here may on some levels be without precedent, I am convinced that they fall safely within the protection of fair use such that there is no genuine issue of material fact. I cannot imagine a definition of fair use that would not encompass the transformative uses made by Defendants' MDP and would require that I terminate this invaluable contribution to the progress of science and cultivation of the arts that at the same time effectuates the ideals espoused by the ADA.³²

***465 III. ACCESS FOR PRINT-DISABLED INDIVIDUALS: THE ADA & COPYRIGHT LAW**

The provision of equal access to copyrighted information for print-disabled individuals is mandated by the ADA and the Rehabilitation Act of 1976. The impetus for the ADA was Congress' explicit conclusion that people with disabilities historically had been denied "the opportunity to compete on an equal basis and to pursue those opportunities for which our free society is justifiably famous." [42 U.S.C. § 12101\(a\)\(8\)](#); Maurer Decl. ¶ 7 ("[Blind students] compete under a severe handicap. That handicap is not lack of sight, but a lack of access to information in a world in which information is the key to success."). To begin to remedy this injustice, the ADA "provide[s] a clear and comprehensive national mandate for the elimination of discrimination against individuals with disabilities." [Id. § 12101\(b\)\(1\)](#). Congress imposed on institutions an obligation to provide equal access and recognized that "technological advances ... may require public accommodations to provide auxiliary aids and services in the future which today they would not be required because they would be held to impose undue burdens on such entities." [H.R. Rep. 101-485\(II\), at 108 \(1990\)](#), 1990 U.S.C.C.A.N. 303, 391.

¹³ Under the Chafee Amendment to the Copyright Act, “authorized entit(ies)” are permitted “to reproduce or distribute copies ... of a previously published, non-dramatic literary work ... in specialized formats exclusively for use by the blind or other persons with disabilities.” [17 U.S.C. § 121](#). An “authorized entity” is a nonprofit organization or governmental agency “that has a primary mission to provide specialized services relating to training, education, or adaptive reading or information access needs of blind or other persons with disabilities.” *Id.* at [§ 121\(d\)\(1\)](#). The ADA requires that libraries of educational institutions have a primary mission to reproduce and distribute their collections to print-disabled individuals, making each library a potential “authorized entity” under the Chafee Amendment. So far, only UM has made its works available to print-disabled individuals, and its Declarations make it clear that it had a primary goal to improve access for print-disabled individuals. Kerscher Decl. ¶ 30. I conclude that UM has “a primary mission” to provide access for print-disabled individuals, and it is consequently an authorized entity. The provision of access to previously published non-dramatic literary works within the HDL fits squarely within the Chafee Amendment, although Defendants may certainly rely on fair use, as explained above, to justify copies made outside of these categories or in the event that they are not authorized entities.³³

CONCLUSION

I have considered the parties' remaining arguments and find them to be without merit. For the foregoing reasons, Plaintiffs' motions are DENIED. Defendants' motion for judgment on the pleadings is GRANTED in part and DENIED in part: the Associational Plaintiffs have Article III standing; the U.S. Associational Plaintiffs lack statutory standing; and Plaintiffs' OWP claims are not ripe. Defendants' and Defendant Intervenors' motions for *466 summary judgment are GRANTED: their participation in the MDP and the present application of the HDL are protected under fair use. The two unopposed motions for leave to file briefs as amici are GRANTED. The Clerk of the Court is instructed to close the seven open motions, close the case, and remove it from my docket.

SO ORDERED.

Parallel Citations

2012 Copr.L.Dec. P 30,327, 104 U.S.P.Q.2d 1659

Footnotes

¹“HathiTrust” is the name of the service of University of Michigan (“UM”) in which the Universities and other institutions participate under agreements with UM. Defs.' J. Pleadings 1 n. 1. The Universities consist of UM, the University of California, the University of Wisconsin, Indiana University, and Cornell University.

²Courts have discretion to allow amicus briefs. [Jamaica Hosp. Med. Ctr., Inc. v. United Health Grp., Inc.](#), 584 F.Supp.2d 489, 497 (E.D.N.Y.2008). Although Plaintiffs initially did not consent to the filing by the Digital Humanities Amicus, at oral argument they stated that they had no objection. Aug. 6, 2012 Tr. 3:5–6.

³Because I have before me both motions for judgment on the pleadings and motions for summary judgment, I cite to both the Complaint and the parties' Rule 56.1 Statements, where appropriate.

⁴References to the “Complaint” are to the first amended complaint.

⁵Daniel Goldstein of Brown Goldstein & Levy, LLP, attorney for the National Federation of the Blind.

⁶George Kerscher, Ph.D., Senior Officer of Accessible Technology at Learning Ally (formerly known as Recording for the Blind & Dyslexic), which creates recorded copies of print materials for print-disabled persons, and Secretary General of the DAISY Consortium (Digital Accessible Information System) and President of the International Digital Publishing Forum (IDPF), which are international organizations that work to promote accessibility in electronic publishing.

⁷I gave Plaintiffs numerous opportunities to address this issue, which included a letter to the parties dated July 12, 2012. Plaintiffs failed to respond to Defendants' argument that the text of the Copyright Act precludes associational standing. At oral argument on the parties' motions for summary judgment, I again questioned Plaintiffs about their position with respect to Defendants' statutory standing argument. Plaintiffs' attorney responded that, “the question of whether or not a third prong of the *Hunt* Test as to whether the individual author has itself have to have a right is prudential.” Aug. 6, 2012 Tr. 22:19–22. While I agree that the third prong of the *Hunt* test is prudential, this once again fails to answer the question of whether Congress has precluded associational standing in the text of the Copyright Act itself, a question of statutory interpretation and one that Plaintiffs have repeatedly sidestepped or obfuscated.

⁸*Compare Innovative Health Sys., Inc. v. City of White Plains*, 117 F.3d 37, 47 (2d Cir.1997) (holding that Title II of the Americans with Disabilities Act (“ADA”) “evinces a congressional intention to define standing to bring a private action ... as broadly as is permitted by *Article III*” (citation omitted)), with *Small v. Gen. Nutrition Cos., Inc.*, 388 F.Supp.2d 83, 92 (E.D.N.Y.2005) (declining to extend Title II's broad standing provision to Title III based on statutory language and limiting standing to a plaintiff who “himself must currently be suffering or be about to suffer discrimination”). Title II of the ADA provides a remedy to “any person alleging discrimination on the basis of disability.” 42 U.S.C. § 12133. Title III provides a cause of action “to any person who is being subjected to discrimination on the basis of disability in violation of this subchapter or who has reasonable grounds for believing that such person is about to be subjected to discrimination.” 42 U.S.C. § 12188(a)(1).

⁹See *N.Y. Metro Area Postal Union v. Potter*, No. 00 Civ. 8538, 2003 WL 1701909, at *2 (S.D.N.Y. Mar. 31, 2003) (concluding labor organization lacked standing to pursue claim under the Family and Medical Leave Act provision that provided a private right of action to an “eligible employee”); see also *United Food & Commercial Workers Union, Local 1564 of N.M. v. Albertson's, Inc.*, 207 F.3d 1193, 1201 (10th Cir.2000) (concluding that Congress intended to bar labor organizations from suing on behalf of their members in Fair Labor Standards Act cases); *Reid v. Dep't of Commerce*, 793 F.2d 277, 282 (Fed.Cir.1986) (concluding that labor organization did not have standing to bring suit under Civil Service Act provision allowing for suits by “an employee”).

¹⁰Certain of the foreign associations claim that they have standing by operation of foreign law. That argument is addressed *infra* in Motions for Judgment on the Pleadings Section II.C.2.

¹¹In both *Olan Mills, Inc. v. Linn Photo Co.*, 795 F.Supp. 1423, 1427 (N.D.Iowa 1991), *rev'd on other grounds*, 23 F.3d 1345 (8th Cir.1994), and *Google*, 282 F.R.D. at 391, the courts concluded that the constitutional standing requirements were satisfied as to associations that asserted copyright claims. The issue of whether Congress intended to provide a cause of action to associations, and so whether there was statutory standing, was not before the court in either case. Although courts must raise *Article III* standing requirements *sua sponte*, *Arbaugh v. Y & H Corp.*, 546 U.S. 500, 514, 126 S.Ct. 1235, 163 L.Ed.2d 1097 (2006), there is no similar requirement that they raise a statutory standing problem, which speaks to whether or not the elements of the cause of action are satisfied. Radha Pathak, *Statutory Standing and the Tyranny of Labels*, 62 Okla. L.Rev. 89, 114–15 (2009).

¹²My conclusion that the Copyright Act precludes associational standing in no way curtails the right of associations who own their own copyrights from asserting infringement claims as to those copyrights. Four of the Associational Plaintiffs, the Authors Guild, ALF, TWUC and ASA, assert a right to sue because they own and control copyrights that were digitized by Defendants.

¹³See Petersen Decl. Ex. F ALCS: UK at 5 (“Plaintiff has the right, by virtue of a mandate executed by certain of its members, including members whose works were digitized and reproduced by Defendants without authorization, to bring an action on behalf of such members against Defendants for infringing such members’ copyrights.”); Rosenthal Decl. Ex. C ALCS: U.K., Copyright, Designs and Patents Act (1988) § 101A (permitting a non-exclusive licensee to bring an action for copyright infringement if the “infringing act was directly connected to a prior licensed act of the licensee” and the license is in writing and “expressly grants the non-exclusive licensee a right of action under this section”); Rosenthal Decl. Ex. D UNEQ: Québec, Professional Syndicates Act, R.S.Q., ch. S-40, § 9(11) (“Professional syndicates may appear before the courts and acquire, by gratuitous or onerous title, any property suited to their particular objects ... and in particular ... (11) exercise before any court of law, all the rights of their members with respect to acts directly or indirectly prejudicial to the collective interest of the profession which they represent.”); Rosenthal Decl. Ex. E NFF: Norwegian Copyright Act §§ 38a, 38b (permitting an organization, “in the absence of any objection from the rightholder, [to] demand that a user who has not entered into [] an agreement ... be prohibited by a court judgment from unlawfully exploiting a work”); Rosenthal Decl. Ex. F SFF: Sweden Member Agreement §§ 1, 2, 5 (“[T]he Author assigns the Organization, or the one the Organization puts in its stead, the right to independently manage the copyright of the Author’s published works.”).

¹⁴Because I conclude that my review of the OWP is precluded on ripeness grounds, I need not address Defendants’ other arguments in opposition to my review of the OWP. Defendants argue that all of the Plaintiffs lack standing as to the OWP because the program was discontinued before any works became available and at the time that Plaintiffs filed the initial complaint, they failed to identify any of their works that were included in the program. Finally, Defendants argue that the OWP claims are moot.

¹⁵Plaintiffs also argue that this program is “systematic” in violation of [Section 108\(g\)](#). Pls.’ Reply to Pls.’ J. Pleadings 11. Defendants respond that “systematic” means reproducing a single work repeatedly, rather than reproducing all the works in their libraries. Defs.’ Opp’n to Pls.’ J. Pleadings (citing [17 U.S.C. § 108\(g\)](#) (prohibiting systematic reproduction of “the same material”)). I agree.

¹⁶Plaintiffs also cite the Second Circuit’s decision in [Universal City Studios, Inc. v. Corley](#), 273 F.3d 429 (2d Cir.2001), in support of this reading of the Copyright Act. In that case, the Second Circuit analyzed a fair-use savings clause contained in the Digital Millennium Copyright Act (“DMCA”) in evaluating a claim under Section 1201 for circumventing technical measures that control access to a copyrighted work. The savings clause there indicated that “[n]othing in this section shall affect rights, remedies, limitations or defenses to copyright infringement, including fair use, under this title.” [17 U.S.C. § 1201\(c\)](#). The Second Circuit interpreted the clause as meaning that fair use was available as a defense to a claim of copyright infringement for material obtained by the circumvention, but not to the unlawful circumvention itself. [Corley](#), 273 F.3d at 443.

¹⁷This does not suggest that Congress intended to preclude the fair-use defense where a library’s actions fall outside of [Section 108](#). See [H.R.Rep. No. 94-1476, at 78-79 \(1976\)](#), 1976 U.S.C.C.A.N. 5659, 5691-5692 (“Nothing in [section 108](#) impairs the applicability of the fair-use doctrine to a wide variety of situations involving photocopying or other reproduction by a library of copyrighted material in its collections, where the user requests the reproduction for legitimate scholarly or research purposes.”).

¹⁸Defendants challenge Plaintiffs’ allegation that they have established a *prima facie* case of infringement as to several of the foreign works because Plaintiffs fail to provide proof of ownership under foreign law or proof that the works do not qualify as United States works. See, e.g., Defs.’ Opp’n to Pls.’ 56.1 ¶¶ 138, 140, 143. Defendants also challenge several of the other claims of copyright ownership. See, e.g., *id.* ¶ 142 (challenging ownership by Robinson because the copyright registrations “were not obtained within five years after the first publication of the work”).

¹⁹The argument that preservation on its own is a transformative use is not strong. See [Texaco](#), 60 F.3d at 924 (“[T]he predominant archival purpose of the copying tips the first factor against the copier.”). However, the Supreme Court’s decision in [Sony Corp. of America v. Universal City Studios, Inc.](#), a case in which the Court held that private copying of television broadcasts for later

viewing was a protected fair use, focused on the noncommercial nature of the use. [464 U.S. 417, 449, 454, 104 S.Ct. 774, 78 L.Ed.2d 574 \(1984\)](#). Likewise, the preservation purposes of the Defendants are noncommercial in nature. See [H.R.Rep. No. 94-1476, at 73 \(1976\)](#), 1976 U.S.C.C.A.N. 5659, 5687 (“The efforts of the Library of Congress, the American Film Institute, and other organizations to rescue and preserve this irreplaceable contribution to our cultural life are to be applauded, and the making of duplicate copies for purposes of archival preservation certainly falls within the scope of ‘fair use.’”).

[20](#)As explained in Motions for Summary Judgment Section III, *infra*, to the extent that the copying allows print-disabled individuals access to “previously published, non-dramatic literary work[s]” on an equal footing with sighted individuals, it is also potentially permitted under the Chafee Amendment. See [17 U.S.C. § 121](#). The ADA also provides strong support for the conclusion that the provision of access to print-disabled persons is a protected fair use.

[21](#)Other Defendants in HathiTrust may provide such access in the future. For a description of the way in which UM’s provision of access to print-disabled individuals has already revolutionized access for its users, see *supra* Background and see *infra* Motions for Summary Judgment Section III.

[22](#)Mass digitization allows new areas of non-expressive computational and statistical research, often called “text mining.” One example of text mining is research that compares the frequency with which authors used “is” to refer to the United States rather than “are” over time. See Digital Humanities Amicus Br. 7 (“[I]t was only in the latter half of the Nineteenth Century that the conception of the United States as a single, indivisible entity was reflected in the way a majority of writers referred to the nation.”).

[23](#)Although Plaintiffs assert that the decisions in [Perfect 10](#) and [Arriba Soft](#) are distinguishable because in those cases the works were already available on the internet, Aug. 6, 2012 Tr. 19:2–4, I fail to see why that is a difference that makes a difference. As with Plaintiffs’ attempt to bar the availability of fair use as a defense at all, this argument relies heavily on the incorrect assumption that the scale of Defendants’ copying automatically renders it unlawful. Further, the student papers uploaded to a website to check for plagiarism in the [iParadigms](#) case were not available on the internet prior to the copying. [562 F.3d at 634](#).

[24](#)The cases Plaintiffs cite are easily distinguishable. For example, in [Texaco](#), [60 F.3d at 913](#), a corporation made photocopies of copyrighted articles for use by its researchers. The court concluded that the majority of the copies served “the same basic purpose that one would normally seek to obtain the original—to have it available on his shelf for ready reference.” *Id.* at 919. Likewise, in [UMG Recordings, Inc. v. MP3.com, Inc.](#), [92 F.Supp.2d 349, 351 \(S.D.N.Y.2000\)](#), the court found that conversion of CDs into computer files for use by users over the internet was not transformative because the use to which the copies were put was not different than the use for the originals.

[25](#)Plaintiffs’ suggestion at oral argument that print-disabled individuals could have “asked permission” of all the rights holders whose works comprise the HDL borders on ridiculous. Aug. 6, 2012 Tr. 11:13–12:8.

[26](#)Not to mention that it would be a tremendous waste of resources to destroy the electronic copies once they had been made for search purposes, both from the perspective of the provision of access for print-disabled individuals and from the perspective of protecting fragile paper works from future deterioration.

[27](#)Plaintiffs argue that Defendants’ uses cannot be considered noncommercial because of their relationship with Google. Pls.’ Opp’n to Defs.’ MSJ 12. Although the relationship between Google and Defendants is potentially relevant to the uses of the works made by Google, that issue is not before this Court. My determination that the Defendants’ uses are noncommercial relies on the uses actually made by Defendants in this case, that is, text searches, access for print-disabled persons, and preservation.

[28](#)The deposition of one of the Plaintiffs, in which he states that “colloquially, one copy of my book has been stolen,” May 31, 2012 Stiles Dep. Tr. 163:10, is unpersuasive because, as noted, the purchase of an additional copy would not have allowed Defendants to make the transformative uses of the works that they sought.

²⁹The use in *Texaco* was also a commercial, non-transformative use by a for-profit entity. [60 F.3d at 931](#).

³⁰Plaintiffs also argue that nonconsumptive research such as text mining, *see supra* note 22 and accompanying text, causes harm because authors might one day pay for licenses to use works in this manner. Again, the harm identified here is “speculative, and, at best, minimal.” *Sony*, [464 U.S. at 454](#), [104 S.Ct. 774](#) (citation omitted).

³¹*See supra* note 18 and accompanying text.

³²As noted *supra* Motions for Judgment on the Pleadings Section II.B, Congress expanded the copying permitted to libraries with the enactment of [Section 108](#). I need not decide if the MDP fits within the parameters of [17 U.S.C. § 108](#) because it unquestionably fits within the definition of fair use. *See* [17 U.S.C. § 108\(f\)\(4\)](#) (stating that this section “in [no] way affects the right of fair use as provided by [section 107](#)”).

³³Plaintiffs' suggestion at oral argument that the Chafee Amendment defines the outer bounds of protected copying on behalf of print-disabled individuals, Aug. 6, 2012 Tr. 21:3–4, is without merit. Nothing in the Chafee Amendment indicates an intent to preclude a fair-use defense as to copies made to facilitate access for the blind that do not fall within its ambit.

954 F.Supp.2d 282

United States District Court,

S.D. New York.

The AUTHORS GUILD, INC., and Betty Miles, Joseph Goulden, and [Jim Bouton](#), on behalf of themselves and all others similarly situated, Plaintiffs,

v.

GOOGLE INC., Defendant.

No. 05 Civ. 8136(DC).

Nov. 14, 2013.

Synopsis

Background: Organization of published authors and individual copyright owners brought putative class action against internet search engine operator, alleging that operator infringed copyrights in connection with digitally reproducing millions of copyrighted books. Following rejection of proposed settlement, [770 F.Supp.2d 666](#), and vacatur of class certification, [721 F.3d 132](#), parties moved for summary judgment with respect to operator's fair use defense.

Holding: The District Court, [Chin](#), Circuit Judge, sitting by designation, held that operator engaged in fair use in digitally reproducing millions of copyrighted books, making them available for its library project partners to download, and displaying “snippets” from the books to the public.

Operator's motion granted; organization's and copyright owners' motion denied.

OPINION

[CHIN](#), Circuit Judge.

Since 2004, when it announced agreements with several major research libraries to digitally copy books in their collections, defendant Google Inc. (“Google”) has scanned more than twenty million books. It has delivered digital copies to participating libraries, created an electronic database of books, and made text available for online searching through the use of “snippets.” Many of the books scanned by Google, however, were under copyright, and Google did not obtain permission from the copyright holders for these usages of their copyrighted works. As a consequence, in 2005, plaintiffs brought this class action charging Google with copyright infringement.

Before the Court are the parties' cross-motions for summary judgment with respect to Google's defense of fair use under [§ 107](#) of the Copyright Act, [17 U.S.C. § 107](#). For the reasons set forth below, Google's motion for summary judgment is granted and plaintiffs' motion for partial summary judgment is denied. Accordingly, judgment will be entered in favor of Google dismissing the case.

BACKGROUND

A. *The Facts*

For purposes of this motion, the facts are not in dispute. (See 9/23/13 Tr. 10–11, 15, 25–28 (Doc. No. 1086)).¹ They are summarized as follows:

285 1. *The Parties

Plaintiff Jim Bouton, the former pitcher for the New York Yankees, is the legal or beneficial owner of the U.S. copyright in the book *Ball Four*. Plaintiff Betty Miles is the legal or beneficial owner of the U.S. copyright in the book *The Trouble with Thirteen*. Plaintiff Joseph Goulden is the legal or beneficial owner of the U.S. copyright in the book *The Superlawyers: The Small and Powerful World of the Great Washington Law Firms*. (Google Resp. ¶¶ 1–3).² All three books have been scanned by Google and are available for search on Google's website, without plaintiffs' permission. (Google Resp. ¶ 4). Plaintiff The Authors Guild, Inc., is the nation's largest organization of published authors and it advocates for and supports the copyright and contractual interests of published writers. (Google Resp. ¶¶ 7–8).

Google owns and operates the largest Internet search engine in the world. (Google Resp. ¶ 9). Each day, millions of people use Google's search engine free of charge; commercial and other entities pay to display ads on Google's websites and on other websites that contain Google ads. (Google Resp. ¶ 10). Google is a for-profit entity, and for the year ended December 31, 2011, it reported over \$36.5 billion in advertising revenues. (Google Resp. ¶ 11).

2. *The Google Books Project*

In 2004, Google announced two digital books programs. The first, initially called “Google Print” and later renamed the “Partner Program,” involved the “hosting” and display of material provided by book publishers or other rights holders. (Google Resp. ¶¶ 13, 14). The second became known as the “Library Project,” and over time it involved the digital scanning of books in the collections of the New York Public Library, the Library of Congress, and a number of university libraries. (Clancy Decl. ¶ 5 (Doc. No. 1035); Google Resp. ¶¶ 25, 26, 27; Pl. Resp. ¶ 14).

The Partner Program and the Library Project together comprise the Google Books program (“Google Books”). (Google Resp. ¶ 15). All types of books are encompassed, including novels, biographies, children's books, reference works, textbooks, instruction manuals, treatises, dictionaries, cookbooks, poetry books, and memoirs. (Pl. Resp. ¶ 6; Jaskiewicz Decl. ¶ 4 (Doc. No. 1041)). Some 93% of the books are non-fiction while approximately 7% are fiction.³ Both in-print and

out-of-print books are included, although the great majority are out-of-print. (Jaskiewicz Decl. ¶ 4).

In the Partner Program, works are displayed with permission of the rights holders. (Google Resp. ¶ 16). The Partner Program is aimed at helping publishers sell books and helping books become discovered. (Google Resp. ¶ 18). Initially, Google shared revenues from ads with publishers or other rights holders in certain circumstances. In 2011, however, Google stopped displaying ads in connection with all books. (Google Resp. ¶¶ 17, *286 21; Dougall Decl. ¶¶ 5–8 (Doc. No. 1076)). Partners provide Google with a printed copy of their books for scanning, or a digital copy if one already exists. (Google Resp. ¶ 19). Partners decide how much of their books—from a few sample pages to the entire book—are browsable. (Google Resp. ¶ 20). As of early 2012, the Partner Program included approximately 2.5 million books, with the consent of some 45,000 rights holders. (Google Resp. ¶ 24).

As for the Library Project, Google has scanned more than twenty million books, in their entirety, using newly-developed scanning technology. (Google Resp. ¶¶ 28, 29). Pursuant to their agreement with Google, participating libraries can download a digital copy of each book scanned from their collections. (Google Resp. ¶ 30). Google has provided digital copies of millions of these books to the libraries, in accordance with these agreements. (Google Resp. ¶ 85). Some libraries agreed to allow Google to scan only public domain works, while others allowed Google to scan in-copyright works as well. (Google Resp. ¶ 36). Google creates more than one copy of each book it scans from the library collections, and it maintains digital copies of each book on its servers and back-up tapes. (Google Resp. ¶¶ 40, 41). Participating libraries have downloaded digital copies of in-copyright books scanned from their collections. (Google Resp. ¶¶ 53, 54). They may not obtain a digital copy created from another library's book. (Jaskiewicz Decl. ¶¶ 6, 8). The libraries agree to abide by the copyright laws with respect to the copies they make. (Clancy Decl. ¶ 5). Google did not seek or obtain permission from the copyright holders to digitally copy or display verbatim expressions from in-copyright books. (Google Resp. ¶¶ 53, 54). Google has not compensated copyright holders for its copying of or displaying of verbatim expression from in-copyright books or its making available to libraries for downloading of digital copies of in-copyright books scanned from their collections. (Google Resp. ¶ 55).

3. Google Books

In scanning books for its Library Project, including in-copyright books, Google uses optical character recognition technology to generate machine-readable text, compiling a digital copy of each book. (Google Resp. ¶ 62; Pl. Resp. ¶ 18; Jaskiewicz Decl. ¶ 3). Google analyzes each scan and creates an overall index of all scanned books. The index links each word or phrase appearing in each

book with all of the locations in all of the books in which that word or phrase is found. The index allows a search for a particular word or phrase to return a result that includes the most relevant books in which the word or phrase is found. (Clancy Decl. ¶ 6; Pl. Resp. ¶¶ 22–26). Because the full texts of books are digitized, a user can search the full text of all the books in the Google Books corpus. (Clancy Decl. ¶ 7; Google Resp. ¶ 42).

Users of Google's search engine may conduct searches, using queries of their own design. (Pl. Resp. ¶ 10). In response to inquiries, Google returns a list of books in which the search term appears. (Clancy Decl. ¶ 8). A user can click on a particular result to be directed to an "About the Book" page, which will provide the user with information about the book in question. The page includes links to sellers of the books and/or libraries that list the book as part of their collections. No advertisements have ever appeared on any About the Book page that is part of the Library Project. (Clancy Decl. ¶ 9).

For books in "snippet view" (in contrast to "full view" books), Google divides each page into eighths—each of which is a *287 "snippet," a verbatim excerpt. (Google Resp. ¶¶ 43, 44). Each search generates three snippets, but by performing multiple searches using different search terms, a single user may view far more than three snippets, as different searches can return different snippets. (Google Resp. ¶ 45). For example, by making a series of consecutive, slightly different searches of the book *Ball Four*, a single user can view many different snippets from the book. (Google Resp. ¶¶ 46, 47).

Google takes security measures to prevent users from viewing a complete copy of a snippet-view book. For example, a user cannot cause the system to return different sets of snippets for the same search query; the position of each snippet is fixed within the page and does not "slide" around the search term; only the first responsive snippet available on any given page will be returned in response to a query; one of the snippets on each page is "black-listed," meaning it will not be shown; and at least one out of ten entire pages in each book is black-listed. (Google Resp. ¶¶ 48–50; Pl. Resp. ¶¶ 35, 37–40). An "attacker" who tries to obtain an entire book by using a physical copy of the book to string together words appearing in successive passages would be able to obtain at best a patchwork of snippets that would be missing at least one snippet from every page and 10% of all pages. (Pl. Resp. ¶ 41). In addition, works with text organized in short "chunks," such as dictionaries, cookbooks, and books of haiku, are excluded from snippet view. (Pl. Resp. ¶ 42).

4. The Benefits of the Library Project and Google Books

The benefits of the Library Project are many. First, Google Books provides a new and efficient way for readers and researchers to find books. (*See, e.g.*, Clancy Decl. Ex. G). It makes tens of millions of books searchable by words and phrases.

It provides a searchable index linking each word in any book to all books in which that word appears. (Clancy Decl. ¶ 7). Google Books has become an essential research tool, as it helps librarians identify and find research sources, it makes the process of interlibrary lending more efficient, and it facilitates finding and checking citations. (Br. of *Amici Curiae* American Library Ass'n *et al.* at 4–7 (Doc. No. 1048)). Indeed, Google Books has become such an important tool for researchers and librarians that it has been integrated into the educational system—it is taught as part of the information literacy curriculum to students at all levels. (*Id.* at 7).

Second, in addition to being an important reference tool, Google Books greatly promotes a type of research referred to as “data mining” or “text mining.” (Br. of Digital Humanities and Law Scholars as *Amici Curiae* at 1 (Doc. No. 1052)). Google Books permits humanities scholars to analyze massive amounts of data—the literary record created by a collection of tens of millions of books. Researchers can examine word frequencies, syntactic patterns, and thematic markers to consider how literary style has changed over time. (*Id.* at 8–9; Clancy Decl. ¶ 15). Using Google Books, for example, researchers can track the frequency of references to the United States as a single entity (“the United States is”) versus references to the United States in the plural (“the United States are”) and how that usage has changed over time. (*Id.* at 7). The ability to determine how often different words or phrases appear in books at different times “can provide insights about fields as diverse as lexicography, the evolution of grammar, collective memory, the adoption of technology, the pursuit of fame, censorship, and historical epidemiology.” Jean-Baptiste Michel *et al.*, *Quantitative Analysis *288 of Culture Using Millions of Digitized Books*, 331 *Science* 176, 176 (2011) (Clancy Decl. Ex. H).

Third, Google Books expands access to books. In particular, traditionally underserved populations will benefit as they gain knowledge of and access to far more books. Google Books provides print-disabled individuals with the potential to search for books and read them in a format that is compatible with text enlargement software, text-to-speech screen access software, and Braille devices. Digitization facilitates the conversion of books to audio and tactile formats, increasing access for individuals with disabilities. (Letter from Marc Maurer, President of the National Federation for the Blind, to J. Michael McMahon, Office of the Clerk (Jan. 19, 2010) (Doc. No. 858)). Google Books facilitates the identification and access of materials for remote and underfunded libraries that need to make efficient decisions as to which resources to procure for their own collections or through interlibrary loans. (Br. of *Amici Curiae* American Library Ass'n at 5–6).

Fourth, Google Books helps to preserve books and give them new life. Older books, many of which are out-of-print books that are falling apart buried in library stacks, are being scanned and saved. See [*Authors Guild v. Google Inc.*, 770](#)

[F.Supp.2d 666, 670 \(S.D.N.Y.2011\)](#). These books will now be available, at least for search, and potential readers will be alerted to their existence.

Finally, by helping readers and researchers identify books, Google Books benefits authors and publishers. When a user clicks on a search result and is directed to an “About the Book” page, the page will offer links to sellers of the book and/or libraries listing the book as part of their collections. (Clancy Decl. ¶ 9). The About the Book page for *Ball Four*, for example, provides links to Amazon.com, Barnes & Noble.com, Books–A–Million, and IndieBound. (See Def. Mem. at 9). A user could simply click on any of these links to be directed to a website where she could purchase the book. Hence, Google Books will generate new audiences and create new sources of income.

As *amici* observe: “Thanks to ... [Google Books], librarians can identify and efficiently sift through possible research sources, amateur historians have access to a wealth of previously obscure material, and everyday readers and researchers can find books that were once buried in research library archives.” (Br. of *Amici Curiae* American Library Ass'n at 3).

B. Procedural History

Plaintiffs commenced this action on September 20, 2005, alleging, *inter alia*, that Google committed copyright infringement by scanning copyrighted books and making them available for search without permission of the copyright holders. From the outset, Google's principal defense was fair use under [§ 107](#) of the Copyright Act, [17 U.S.C. § 107](#).

After extensive negotiations, the parties entered into a proposed settlement resolving plaintiffs' claims on a class-wide basis. On March 22, 2011, I issued an opinion rejecting the proposed settlement on the grounds that it was not fair, adequate, and reasonable. [Authors Guild v. Google Inc., 770 F.Supp.2d 666 \(S.D.N.Y.2011\)](#).

Thereafter, the parties engaged in further settlement discussions, but they were unable to reach agreement. The parties proposed and I accepted a schedule that called for the filing of plaintiffs' class certification motion, the completion of discovery, and then the filing of summary judgment motions. (See 9/16/11 Order (Doc. *289 No. 982)). Plaintiffs filed a fourth amended class action complaint (the “Complaint”) on October 14, 2011. (Doc. No. 985). While the dates in the schedule were subsequently extended, the sequence of events was retained, with the class certification motion to precede the summary judgment motions, and adding dates for Google's filing of a motion to dismiss the Authors Guild's claims. (See, e.g., 1/17/12 Order (Doc. No. 996); 3/28/12 Order (Doc. No. 1007)). Plaintiffs filed their class certification motion and Google filed its motion to dismiss the Authors Guild's claims. On May 31, 2012, I issued an opinion denying Google's motion to dismiss and granting the individual plaintiffs' motion for class certification. [Authors Guild v. Google Inc., 282 F.R.D. 384 \(S.D.N.Y.2012\)](#).

On June 9, 2012, I issued an order re-setting the briefing schedule for the summary judgment motions. (6/19/12 Order (Doc. No. 1028)). The parties thereafter filed the instant cross-motions for summary judgment. Before the motions were fully submitted, however, the Second Circuit issued an order on September 17, 2012, staying these proceedings pending an interlocutory appeal by Google from my decision granting class certification. (9/17/12 Order (Doc. No. 1063)).

On July 1, 2013, without deciding the merits of the appeal, the Second Circuit vacated my class certification decision, concluding that “resolution of Google's fair use defense in the first instance will necessarily inform and perhaps moot our analysis of many class certification issues.” [*Authors Guild, Inc. v. Google Inc.*, 721 F.3d 132, 134 \(2d Cir.2013\)](#). The Second Circuit remanded the case “for consideration of the fair use issues.” [*Id.* at 135](#).

On remand, the parties completed the briefing of the summary judgment motions. I heard oral argument on September 23, 2013. I now rule on the motions.

DISCUSSION

For purposes of these motions, I assume that plaintiffs have established a *prima facie* case of copyright infringement against Google under [17 U.S.C. § 106](#). See [*Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 \(1991\)](#). Google has digitally reproduced millions of copyrighted books, including the individual plaintiffs' books, maintaining copies for itself on its servers and backup tapes. See [17 U.S.C. § 106\(1\)](#) (prohibiting unauthorized reproduction). Google has made digital copies available for its Library Project partners to download. See [17 U.S.C. § 106\(3\)](#) (prohibiting unauthorized distribution). Google has displayed snippets from the books to the public. See [17 U.S.C. § 106\(5\)](#) (prohibiting unauthorized display). Google has done all of this, with respect to in-copyright books in the Library Project, without license or permission from the copyright owners. The sole issue now before the Court is whether Google's use of the copyrighted works is “fair use” under the copyright laws. For the reasons set forth below, I conclude that it is.

A. Applicable Law

[12](#) Fair use is a defense to a claim of copyright infringement. The doctrine permits the fair use of copyrighted works “to fulfill copyright's very purpose, ‘[t]o promote the Progress of Science and useful Arts.’ ” [*Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575, 114 S.Ct. 1164, 127 L.Ed.2d 500 \(1994\)](#) (quoting [U.S. Const., Art. I, § 8, cl. 8](#)); accord [*Cariou v. Prince*, 714 F.3d 694, 705 \(2d Cir.2013\)](#). Copyright law seeks to achieve that purpose by providing sufficient protection to authors and inventors to stimulate creative activity, *290 while at the same time permitting others to utilize protected works to advance the progress of the arts and sciences. See [*Eldred v. Ashcroft*, 537 U.S. 186, 212, 123 S.Ct. 769,](#)

[154 L.Ed.2d 683 \(2003\)](#); [Blanch v. Koons](#), 467 F.3d 244, 250 (2d Cir.2006); Hon. Pierre N. Leval, [Toward a Fair Use Standard](#), 103 Harv. L.Rev. 1105, 1107–08 (1990). As the Supreme Court has held, “[f]rom the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose.” [Campbell](#), 510 U.S. at 575, 114 S.Ct. 1164; see also [Harper & Row Publishers, Inc. v. Nation Enters.](#), 471 U.S. 539, 560, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985) (recognizing “the latitude for scholarship and comment traditionally afforded by fair use”).

The fair use doctrine is codified in [§ 107](#) of the Copyright Act, which provides in relevant part as follows:

[T]he fair use of a copyrighted work, ... for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

[17 U.S.C. § 107.](#)

[345](#) The determination of fair use is “an open-ended and context-sensitive inquiry,” [Blanch v. Koons](#), 467 F.3d at 251, and thus the fair use doctrine calls for “case-by-case analysis,” [Campbell](#), 510 U.S. at 577, 114 S.Ct. 1164; see also [Harper & Row](#), 471 U.S. at 553, 105 S.Ct. 2218. The four factors enumerated in the statute are non-exclusive and provide only “general guidance”; they are to be explored and weighed together, “in light of the purposes of copyright.” [Campbell](#), 510 U.S. at 578–79, 114 S.Ct. 1164; [Harper & Row](#), 471 U.S. at 560–61, 105 S.Ct. 2218. As fair use is an affirmative defense to a claim of copyright infringement, the proponent carries the burden of proof as to all issues in dispute. [Am. Geophysical Union v. Texaco Inc.](#), 60 F.3d 913, 918 (2d Cir.1994); see also [Campbell](#), 510 U.S. at 590, 114 S.Ct. 1164.

[67](#) A key consideration is whether, as part of the inquiry into the first factor, the use of the copyrighted work is “transformative,” that is, whether the new work merely “supersedes” or “supplants” the original creation, or whether it: instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is “transformative.”

[*Campbell*, 510 U.S. at 579, 114 S.Ct. 1164](#) (quoting Leval, [*Toward a Fair Use Standard*](#), 103 Harv. L.Rev. at 1111); accord [*Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 608 \(2d Cir.2006\)](#) (“Most important to the court's analysis of the first factor is ‘transformative’ nature of the work.”); [*Am. Geophysical Union*, 60 F.3d at 923](#). Although transformative use is not “absolutely necessary” to a finding of fair use, “the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative *291 works.” [*Campbell*, 510 U.S. at 579, 114 S.Ct. 1164](#).

B. Application

I discuss each of the four factors separately, and I then weigh them together.

1. Purpose and Character of Use

The first factor is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” [17 U.S.C. § 107\(1\)](#).

[8](#) Google's use of the copyrighted works is highly transformative. Google Books digitizes books and transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others find books. Google Books has become an important tool for libraries and librarians and cite-checkers as it helps to identify and find books. The use of book text to facilitate search through the display of snippets is transformative. See [*Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 \(9th Cir.2007\)](#) (holding that use of works—“thumbnail images,” including copyrighted photographs—to facilitate search was “transformative”); [*Kelly v. Arriba Soft Corp.*, 336 F.3d 811 \(9th Cir.2003\)](#) (same); see also [*Bill Graham Archives*, 448 F.3d at 609–11](#) (holding that display of images of posters in 480–page cultural history of the Grateful Dead was transformative, explaining that “[w]hile the small size [of the images of the posters] is sufficient to permit readers to recognize the historical significance of the posters, it is inadequate to offer more than a glimpse of their expressive value”). The display of snippets of text for search is similar to the display of thumbnail images of photographs for search or small images of concert posters for reference to past events, as the snippets help users locate books and determine whether they may be of interest. Google Books thus uses words for a different purpose—it uses snippets of text to act as pointers directing users to a broad selection of books.

Similarly, Google Books is also transformative in the sense that it has transformed book text into data for purposes of substantive research, including data mining and text mining in new areas, thereby opening up new fields of research. Words in books are being used in a way they have not been used before. Google Books has

created something new in the use of book text—the frequency of words and trends in their usage provide substantive information.

Google Books does not supersede or supplant books because it is not a tool to be used to read books. Instead, it “adds value to the original” and allows for “the creation of new information, new aesthetics, new insights and understandings.” Leval, [*Toward a Fair Use Standard*, 103 Harv. L.Rev. at 1111](#). Hence, the use is transformative.

⁹ It is true, of course, as plaintiffs argue, that Google is a for-profit entity and Google Books is largely a commercial enterprise. The fact that a use is commercial “tends to weigh against a finding of fair use.” [*Harper & Row*, 471 U.S. at 562, 105 S.Ct. 2218](#); accord [*Campbell*, 510 U.S. at 585, 114 S.Ct. 1164](#). On the other hand, fair use has been found even where a defendant benefitted commercially from the unlicensed use of copyrighted works. See, e.g., [*Blanch*, 467 F.3d at 253](#); [*Bill Graham Archives*, 448 F.3d at 612](#). See also [*Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132, 142 \(2d Cir.1998\)](#) (observing that Second Circuit does “not give much weight to the fact that the secondary use was for commercial gain”). Here, Google does not sell the scans it has made of books for Google *292 Books; it does not sell the snippets that it displays; and it does not run ads on the About the Book pages that contain snippets. It does not engage in the direct commercialization of copyrighted works. See [17 U.S.C. § 107\(1\)](#). Google does, of course, benefit commercially in the sense that users are drawn to the Google websites by the ability to search Google Books. While this is a consideration to be acknowledged in weighing all the factors, even assuming Google's principal motivation is profit, the fact is that Google Books serves several important educational purposes. Accordingly, I conclude that the first factor strongly favors a finding of fair use.

2. Nature of Copyrighted Works

¹⁰¹¹ The second factor is “the nature of the copyrighted work.” [17 U.S.C. § 107\(2\)](#).⁴ Here, the works are books—all types of published books, fiction and non-fiction, in-print and out-of-print. While works of fiction are entitled to greater copyright protection, [*Stewart v. Abend*, 495 U.S. 207, 237, 110 S.Ct. 1750, 109 L.Ed.2d 184 \(1990\)](#), here the vast majority of the books in Google Books are non-fiction. Further, the books at issue are published and available to the public. These considerations favor a finding of fair use. See [*Arica Inst., Inc. v. Palmer*, 970 F.2d 1067, 1078 \(2d Cir.1992\)](#) (“Whether or not a work is published is critical to its nature under factor two because the scope of fair use is narrower with respect to unpublished works.”) (quoting [*New Era Publ'ns Intern., ApS v. Carol Publ'g Grp.*, 904 F.2d 152, 157 \(2d Cir.1990\)](#) (internal quotation marks omitted)).

3. Amount and Substantiality of Portion Used

¹² The third factor is “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” [17 U.S.C. § 107\(3\)](#). Google scans the full text of books—the entire books—and it copies verbatim expression. On the other hand, courts have held that copying the entirety of a work may still be fair use. *See, e.g., Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449–50, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984); *Bill Graham Archives*, 448 F.3d at 613 (“copying the entirety of a work is sometimes necessary to make a fair use of the image”). Here, as one of the keys to Google Books is its offering of full-text search of books, full-work reproduction is critical to the functioning of Google Books. Significantly, Google limits the amount of text it displays in response to a search.

On balance, I conclude that the third factor weighs slightly against a finding of fair use.

4. *Effect of Use Upon Potential Market or Value*

¹³ The fourth factor is “the effect of the use upon the potential market for or value of the copyrighted work.” [17 U.S.C. § 107\(4\)](#). Here, plaintiffs argue that Google Books will negatively impact the market for books and that Google's scans will serve as a “market replacement” for books. (Pl. Mem. at 41). It also argues that users could put in multiple searches, varying slightly the search terms, to access an entire book. (9/23/13 Tr. at 6).

Neither suggestion makes sense. Google does not sell its scans, and the scans do *293 not replace the books. While partner libraries have the ability to download a scan of a book from their collections, they owned the books already—they provided the original book to Google to scan. Nor is it likely that someone would take the time and energy to input countless searches to try and get enough snippets to comprise an entire book. Not only is that not possible as certain pages and snippets are blacklisted, the individual would have to have a copy of the book in his possession already to be able to piece the different snippets together in coherent fashion.

To the contrary, a reasonable factfinder could only find that Google Books enhances the sales of books to the benefit of copyright holders. An important factor in the success of an individual title is whether it is discovered—whether potential readers learn of its existence. (Harris Decl. ¶ 7 (Doc. No. 1039)). Google Books provides a way for authors' works to become noticed, much like traditional in-store book displays. (*Id.* at ¶¶ 14–15). Indeed, both librarians and their patrons use Google Books to identify books to purchase. (Br. of *Amici Curiae* American Library Ass'n at 8). Many authors have noted that online browsing in general and Google Books in particular helps readers find their work, thus increasing their audiences. Further, Google provides convenient links to booksellers to make it

easy for a reader to order a book. In this day and age of on-line shopping, there can be no doubt but that Google Books improves books sales.

Hence, I conclude that the fourth factor weighs strongly in favor of a finding of fair use.

5. Overall Assessment

Finally, the various non-exclusive statutory factors are to be weighed together, along with any other relevant considerations, in light of the purposes of the copyright laws. [14](#) In my view, Google Books provides significant public benefits. It advances the progress of the arts and sciences, while maintaining respectful consideration for the rights of authors and other creative individuals, and without adversely impacting the rights of copyright holders. It has become an invaluable research tool that permits students, teachers, librarians, and others to more efficiently identify and locate books. It has given scholars the ability, for the first time, to conduct full-text searches of tens of millions of books. It preserves books, in particular out-of-print and old books that have been forgotten in the bowels of libraries, and it gives them new life. It facilitates access to books for print-disabled and remote or underserved populations. It generates new audiences and creates new sources of income for authors and publishers. Indeed, all society benefits.

Similarly, Google is entitled to summary judgment with respect to plaintiffs' claims based on the copies of scanned books made available to libraries. Even assuming plaintiffs have demonstrated a *prima facie* case of copyright infringement, Google's actions constitute fair use here as well. Google provides the libraries with the technological means to make digital copies of books that they already own. The purpose of the library copies is to advance the libraries' lawful uses of the digitized books consistent with the copyright law. The libraries then use these digital copies in transformative ways. They create their own full-text searchable indices of books, maintain copies for purposes of preservation, and make copies available to print-disabled individuals, expanding access for them in unprecedented ways. Google's actions *294 in providing the libraries with the ability to engage in activities that advance the arts and sciences constitute fair use. To the extent plaintiffs are asserting a theory of secondary liability against Google, the theory fails because the libraries' actions are protected by the fair use doctrine. Indeed, in the [HathiTrust](#) case, Judge Baer held that the libraries' conduct was fair use. See [Authors Guild, Inc. v. HathiTrust](#), 902 F.Supp.2d 445, 460–61, 464 (S.D.N.Y.2012) (“I cannot imagine a definition of fair use that would not encompass the transformative uses made by Defendants' [Mass Digitization Project] and would require that I terminate this invaluable contribution to the progress of science and cultivation of the arts that at the same time effectuates the ideals espoused by the [Americans with Disabilities Act].”). The fair use analysis set forth above with respect to Google Books applies here as well to the libraries'

use of their scans, and if there is no liability for copyright infringement on the libraries' part, there can be no liability on Google's part.

CONCLUSION

For the reasons set forth above, plaintiffs' motion for partial summary judgment is denied and Google's motion for summary judgment is granted. Judgment will be entered in favor of Google dismissing the Complaint. Google shall submit a proposed judgment, on notice, within five business days hereof.

SO ORDERED.

Footnotes

¹When pressed at oral argument to identify any factual issues that would preclude the award of summary judgment, plaintiffs' counsel was unable to do so. (*Id.* at 25–26).

²“Google Resp.” refers to Google's Responses and Objections to plaintiffs' Statement of Undisputed Facts in Support of Their Motion for Partial Summary Judgment (Doc. No. 1077). “Pl. Resp.” refers to plaintiffs' Response to Google's Local Rule 56.1 Statement (Doc. No. 1071). I have relied on the parties' responses to the statements of undisputed facts only to the extent that factual statements were not controverted.

³These estimates are based on studies of the contents of the libraries involved. (Def. Mem. at 7 (Doc. No. 1032) (citing Brian Lavoie and Lorcan Dempsey, Beyond 1923): Characteristics of Potentially In-Copyright Print Books in Library Collections, 15–D–Lib 11/12 (2009), available at <http://www.dlib.org/dlib/november09/lavoie/11lavoie.html> (last visited November 12, 2013)). The numbers are not disputed. (*See* 9/23/2013 Tr. at 26).

⁴The parties agree that the second factor plays little role in the ultimate fair use determination. (Pl. Mem. at 36 n. 18 (Doc. No. 1050); Def. Mem. at 25). *See On Davis v. Gap, Inc.*, 246 F.3d 152, 175 (2d Cir.2001) (“The second statutory factor, the nature of the copyrighted work, is rarely found to be determinative.”) (internal citation omitted).

Digital Millennium Copyright Act

17 U.S.C.A. § 512

§ 512. Limitations on liability relating to material online

(a) Transitory digital network communications.--A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if--

(1) the transmission of the material was initiated by or at the direction of a person other than the service provider;

(2) the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;

(3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;

(4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and

(5) the material is transmitted through the system or network without modification of its content.

(b) System caching.--

(1) Limitation on liability.--A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which--

(A) the material is made available online by a person other than the service provider;

(B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and

(C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who,

after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A), if the conditions set forth in paragraph (2) are met.

(2) Conditions.--The conditions referred to in paragraph (1) are that--

(A) the material described in paragraph (1) is transmitted to the subsequent users described in paragraph (1)(C) without modification to its content from the manner in which the material was transmitted from the person described in paragraph (1)(A);

(B) the service provider described in paragraph (1) complies with rules concerning the refreshing, reloading, or other updating of the material when specified by the person making the material available online in accordance with a generally accepted industry standard data communications protocol for the system or network through which that person makes the material available, except that this subparagraph applies only if those rules are not used by the person described in paragraph (1)(A) to prevent or unreasonably impair the intermediate storage to which this subsection applies;

(C) the service provider does not interfere with the ability of technology associated with the material to return to the person described in paragraph (1)(A) the information that would have been available to that person if the material had been obtained by the subsequent users described in paragraph (1)(C) directly from that person, except that this subparagraph applies only if that technology--

(i) does not significantly interfere with the performance of the provider's system or network or with the intermediate storage of the material;

(ii) is consistent with generally accepted industry standard communications protocols; and

(iii) does not extract information from the provider's system or network other than the information that would have been available to the person described in paragraph (1)(A) if the subsequent users had gained access to the material directly from that person;

(D) if the person described in paragraph (1)(A) has in effect a condition that a person must meet prior to having access to the material, such as a condition based on payment of a fee or provision of a password or other information, the service provider permits access to the stored material in significant part only to users of its system or network that have met those conditions and only in accordance with those conditions; and

(E) if the person described in paragraph (1)(A) makes that material available online without the authorization of the copyright owner of the material, the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement as described in subsection (c)(3), except that this subparagraph applies only if--

(i) the material has previously been removed from the originating site or access to it has been disabled, or a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled; and

(ii) the party giving the notification includes in the notification a statement confirming that the material has been removed from the originating site or access to it has been disabled or that a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled.

(c) Information residing on systems or networks at direction of users.--

(1) In general.--A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider--

(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

(2) Designated agent.--The limitations on liability established in this subsection apply to a service provider only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by making available through its service, including on its website in a location accessible to the public, and by providing to the Copyright Office, substantially the following information:

(A) the name, address, phone number, and electronic mail address of the agent.

(B) other contact information which the Register of Copyrights may deem appropriate.

The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, and may require payment of a fee by service providers to cover the costs of maintaining the directory.

(3) Elements of notification.--

(A) To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:

(i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

(v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(B)(i) Subject to clause (ii), a notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the provisions of subparagraph (A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.

(ii) In a case in which the notification that is provided to the service provider's designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A).

(d) Information location tools.--A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider--

(1)(A) does not have actual knowledge that the material or activity is infringing;

(B) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(C) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(2) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(3) upon notification of claimed infringement as described in subsection (c)(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity, except that, for purposes of this paragraph, the information described in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be

infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate that reference or link.

(e) Limitation on liability of nonprofit educational institutions.--(1) When a public or other nonprofit institution of higher education is a service provider, and when a faculty member or graduate student who is an employee of such institution is performing a teaching or research function, for the purposes of subsections (a) and (b) such faculty member or graduate student shall be considered to be a person other than the institution, and for the purposes of subsections (c) and (d) such faculty member's or graduate student's knowledge or awareness of his or her infringing activities shall not be attributed to the institution, if--

(A) such faculty member's or graduate student's infringing activities do not involve the provision of online access to instructional materials that are or were required or recommended, within the preceding 3-year period, for a course taught at the institution by such faculty member or graduate student;

(B) the institution has not, within the preceding 3-year period, received more than two notifications described in subsection (c)(3) of claimed infringement by such faculty member or graduate student, and such notifications of claimed infringement were not actionable under subsection (f); and

(C) the institution provides to all users of its system or network informational materials that accurately describe, and promote compliance with, the laws of the United States relating to copyright.

(2) For the purposes of this subsection, the limitations on injunctive relief contained in subsections (j)(2) and (j)(3), but not those in (j)(1), shall apply.

(f) Misrepresentations.--Any person who knowingly materially misrepresents under this section--

(1) that material or activity is infringing, or

(2) that material or activity was removed or disabled by mistake or misidentification,

shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it

(g) Replacement of removed or disabled material and limitation on other liability.--

(1) No liability for taking down generally.--Subject to paragraph (2), a service provider shall not be liable to any person for any claim based on the service provider's good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

(2) Exception.--Paragraph (1) shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network

controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider, pursuant to a notice provided under subsection (c)(1)(C), unless the service provider--

(A) takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material;

(B) upon receipt of a counter notification described in paragraph (3), promptly provides the person who provided the notification under subsection (c)(1)(C) with a copy of the counter notification, and informs that person that it will replace the removed material or cease disabling access to it in 10 business days; and

(C) replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification under subsection (c)(1)(C) that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network.

(3) Contents of counter notification.--To be effective under this subsection, a counter notification must be a written communication provided to the service provider's designated agent that includes substantially the following:

(A) A physical or electronic signature of the subscriber.

(B) Identification of the material that has been removed or to which access has been disabled and the location at which the material appeared before it was removed or access to it was disabled.

(C) A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

(D) The subscriber's name, address, and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal District Court for the judicial district in which the address is located, or if the subscriber's address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notification under subsection (c)(1)(C) or an agent of such person.

(4) Limitation on other liability.--A service provider's compliance with paragraph (2) shall not subject the service provider to liability for copyright infringement with respect to the material identified in the notice provided under subsection (c)(1)(C).

(h) Subpoena to identify infringer.--

(1) Request.--A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.

(2) Contents of request.--The request may be made by filing with the clerk--

(A) a copy of a notification described in subsection (c)(3)(A);

(B) a proposed subpoena; and

(C) a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.

(3) Contents of subpoena.--The subpoena shall authorize and order the service provider receiving the notification and the subpoena to expeditiously disclose to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged infringer of the material described in the notification to the extent such information is available to the service provider.

(4) Basis for granting subpoena.--If the notification filed satisfies the provisions of subsection (c)(3)(A), the proposed subpoena is in proper form, and the accompanying declaration is properly executed, the clerk shall expeditiously issue and sign the proposed subpoena and return it to the requester for delivery to the service provider.

(5) Actions of service provider receiving subpoena.--Upon receipt of the issued subpoena, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), the service provider shall expeditiously disclose to the copyright owner or person authorized by the copyright owner the information required by the subpoena, notwithstanding any other provision of law and regardless of whether the service provider responds to the notification.

(6) Rules applicable to subpoena.--Unless otherwise provided by this section or by applicable rules of the court, the procedure for issuance and delivery of the subpoena, and the remedies for noncompliance with the subpoena, shall be governed to the greatest extent practicable by those provisions of the Federal Rules of Civil Procedure governing the issuance, service, and enforcement of a subpoena duces tecum.

(i) Conditions for eligibility.--

(1) Accommodation of technology.--The limitations on liability established by this section shall apply to a service provider only if the service provider--

(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers; and

(B) accommodates and does not interfere with standard technical measures.

(2) Definition.--As used in this subsection, the term "standard technical measures" means technical measures that are used by copyright owners to identify or protect copyrighted works and--

(A) have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process;

(B) are available to any person on reasonable and nondiscriminatory terms; and

(C) do not impose substantial costs on service providers or substantial burdens on their systems or networks.

(j) Injunctions.--The following rules shall apply in the case of any application for an injunction under [section 502](#) against a service provider that is not subject to monetary remedies under this section:

(1) Scope of relief.--(A) With respect to conduct other than that which qualifies for the limitation on remedies set forth in subsection (a), the court may grant injunctive relief with respect to a service provider only in one or more of the following forms:

(i) An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network.

(ii) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(iii) Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.

(B) If the service provider qualifies for the limitation on remedies described in subsection (a), the court may only grant injunctive relief in one or both of the following forms:

(i) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is using the provider's service to engage in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(ii) An order restraining the service provider from providing access, by taking reasonable steps specified in the order to block access, to a specific, identified, online location outside the United States.

(2) Considerations.--The court, in considering the relevant criteria for injunctive relief under applicable law, shall consider--

(A) whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this subsection, would significantly burden either the provider or the operation of the provider's system or network;

(B) the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;

(C) whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material at other online locations; and

(D) whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.

(3) Notice and ex parte orders.--Injunctive relief under this subsection shall be available only after notice to the service provider and an opportunity for the service provider to appear are provided, except for orders ensuring the preservation of evidence or other orders having no material adverse effect on the operation of the service provider's communications network.

(k) Definitions.--

(1) Service provider.--(A) As used in subsection (a), the term “service provider” means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received.

(B) As used in this section, other than subsection (a), the term “service provider” means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).

(2) Monetary relief.--As used in this section, the term “monetary relief” means damages, costs, attorneys’ fees, and any other form of monetary payment.

(l) Other defenses not affected.--The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing under this title or any other defense.

(m) Protection of privacy.--Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on--

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i); or

(2) a service provider gaining access to, removing, or disabling access to material in cases in which such conduct is prohibited by law.

(n) Construction.--Subsections (a), (b), (c), and (d) describe separate and distinct functions for purposes of applying this section. Whether a service provider qualifies for the limitation on liability in any one of those subsections shall be based solely on the criteria in that subsection, and shall not affect a determination of whether that service provider qualifies for the limitations on liability under any other such subsection.

253 F.R.D. 256

United States District Court,

S.D. New York.

VIACOM INTERNATIONAL INC., et al., Plaintiffs,

v.

[Youtube Inc.](#), [Youtube LLC](#), and Google Inc., Defendants.

Nos. 07 Civ. 2103(LLS), 07 Civ. 3582(LLS).

July 2, 2008.

Synopsis

Background: Owners of copyrights in television programs, motion pictures, music recordings, and other entertainment programs brought infringement suit against owners and operators of video-sharing website. Plaintiffs moved to compel defendants to produce certain electronically stored information and documents, including computer source code for defendants' search function. Defendants moved for protective order barring disclosure of the code on ground that it was a trade secret.

Holdings: The District Court, [Louis L. Stanton](#), J., held that:

[1](#) defendants were entitled to protective order barring disclosure of computer source code for site's search function on ground that it was a trade secret;

[2](#) plaintiffs were not entitled to compel production of trade secret in form of computer source code for newly invented program which would permit defendants to locate video clips with characteristics suggesting infringement; and

[3](#) defendants were prohibited by the Electronic Communications Privacy Act (ECPA) from disclosing private videos on website which could only be viewed by others authorized by the user who posted them and related data which revealed their contents.

Motion to compel granted in part and denied in part; cross-motion for protective order granted.

OPINION AND ORDER

[LOUIS L. STANTON](#), District Judge.

Plaintiffs in these related lawsuits (the “*Viacom* action” and the “*Premier League* class action”) claim to own the copyrights in specified television programs, motion pictures, music recordings, and other entertainment programs. They allege violations of the Copyright Act of 1976 ([17 U.S.C. § 101 et seq.](#)) by defendants YouTube¹ and Google Inc., who own and operate the video-sharing website known as “YouTube.com”. Plaintiffs claim, as set forth in Viacom's First Amended Complaint ¶¶ 30–31, that:

Defendants encourage individuals to upload videos to the YouTube site, where YouTube makes them available for immediate viewing by members of the public free of charge. Although YouTube touts itself as a service for sharing home

videos, the well-known reality of YouTube's business is far different. YouTube has filled its library with entire episodes and movies and significant segments of popular copyrighted programming from Plaintiffs and other copyright owners, that neither YouTube nor the users who submit the works are licensed to use in this manner. Because YouTube users contribute pirated copyrighted works to YouTube by the thousands, including those owned by Plaintiffs, the videos "deliver[ed]" by YouTube include a vast unauthorized collection of Plaintiffs' copyrighted audiovisual works. YouTube's use of this content directly competes with uses that Plaintiffs have authorized and for which Plaintiffs receive valuable compensation.

....

When a user uploads a video, YouTube copies the video in its own software format, adds it to its own servers, and makes it available for viewing on its own website. A user who wants to view a video goes to the YouTube site ... enters search terms into a search and indexing function provided by YouTube for this purpose on its site, and receives a list of thumbnails of videos in the YouTube library matching those *259 terms ... and the user can select and view a video from the list of matches by clicking on the thumbnail created and supplied by YouTube for this purpose. YouTube then publicly performs the chosen video by sending streaming video content from YouTube's servers to the user's computer, where it can be viewed by the user. Simultaneously, a copy of the chosen video is downloaded from the YouTube website to the user's computer.... Thus, the YouTube conduct that forms the basis of this Complaint is not simply providing storage space, conduits, or other facilities to users who create their own websites with infringing materials. To the contrary, YouTube itself commits the infringing duplication, distribution, public performance, and public display of Plaintiffs' copyrighted works, and that infringement occurs on YouTube's own website, which is operated and controlled by Defendants, not users.

(Viacom's brackets).

Plaintiffs allege that those are infringements which YouTube and Google induced and for which they are directly, vicariously or contributorily subject to damages of at least \$1 billion (in the *Viacom* action), and injunctions barring such conduct in the future.

Among other defenses, YouTube and Google claim the protection afforded by the Digital Millennium Copyright Act of 1998 ("DMCA") ([17 U.S.C. §§ 512\(c\)-\(d\), \(i\)-\(j\)](#)), which among other things limits the terms of injunctions, and bars copyright-damage awards, against an online service provider who: (1) performs a qualified storage or search function for internet users; (2) lacks actual or imputed knowledge of the infringing activity; (3) receives no financial benefit directly from such activity in a case where he has the right and ability to control it; (4) acts promptly to remove or disable access to the material when his designated agent is notified that it is infringing; (5) adopts, reasonably implements and publicizes a policy of terminating repeat infringers; and (6) accommodates and does not

interfere with standard technical measures used by copyright owners to identify or protect copyrighted works.

Plaintiffs move jointly pursuant to [Fed.R.Civ.P. 37](#) to compel YouTube and Google to produce certain electronically stored information and documents, including a critical trade secret: the computer source code which controls both the YouTube.com search function and Google's internet search tool "Google.com". YouTube and Google cross-move pursuant to [Fed.R.Civ.P. 26\(c\)](#) for a protective order barring disclosure of that search code, which they contend is responsible for Google's growth "from its founding in 1998 to a multi-national presence with more than 16,000 employees and a market valuation of roughly \$150 billion" (Singhal Decl. ¶¶ 3, 11), and cannot be disclosed without risking the loss of the business.

1. *Search Code*

1 The search code is the product of over a thousand person-years of work. Singhal Decl. ¶ 9. There is no dispute that its secrecy is of enormous commercial value. Someone with access to it could readily perceive its basic design principles, and cause catastrophic competitive harm to Google by sharing them with others who might create their own programs without making the same investment. *Id.* ¶ 12. Plaintiffs seek production of the search code to support their claim that "Defendants have purposefully designed or modified the tool to facilitate the location of infringing content." Pls.' Reply 10. However, the predicate for that proposition is that the "tool" treats infringing material differently from innocent material, and plaintiffs offer no evidence that the search function can discriminate between infringing and non-infringing videos.

YouTube and Google maintain that "no source code in existence today can distinguish between infringing and non-infringing video clips—certainly not without the active participation of rights holders" (Defs.' Cross-Mot. Reply 11), and Google engineer Amitabh Singhal declares under penalty of perjury that:

The search function employed on the YouTube website was not, in any manner, designed or modified to facilitate the location of allegedly infringing materials. The purpose of the YouTube search engine is to allow users to find videos they are looking *260 for by entering text-based search terms. In some instances, the search service suggests search terms when there appears to be a misspelling entered by the user and attempts to distinguish between search terms with multiple meanings. Those functions are automated algorithms that run across Google's services and were not designed to make allegedly infringing video clips more prominent in search results than non-infringing video clips. Indeed, Google has never sought to increase the rank or visibility of allegedly infringing material over non-infringing material when developing its search services.

Singhal Reply Decl. ¶ 2.

Plaintiffs argue that the best way to determine whether those denials are true is to compel production and examination of the search code. Nevertheless, YouTube and Google should not be made to place this vital asset in hazard merely to allay speculation. A plausible showing that YouTube and Google's denials are false, and that the search function can and has been used to discriminate in favor of infringing content, should be required before disclosure of so valuable and vulnerable an asset is compelled.

Nor do plaintiffs offer evidence supporting their conjecture that the YouTube.com search function might be adaptable into a program which filters out infringing videos. Plaintiffs wish to “demonstrate what Defendants have *not* done but could have” to prevent infringements, Pls.' Reply 12 (plaintiffs' italics), but there may be other ways to show that filtering technology is feasible² and reasonably could have been put in place.

Finally, the protections set forth in the stipulated confidentiality order are careful and extensive, but nevertheless not as safe as nondisclosure. There is no occasion to rely on them, without a preliminary proper showing justifying production of the search code.

Therefore, the cross-motion for a protective order is granted and the motion to compel production of the search code is denied.

2. *Video ID Code*

² Plaintiffs also move to compel production of another undisputed trade secret, the computer source code for the newly invented “Video ID” program. Using that program, copyright owners may furnish YouTube with video reference samples, which YouTube will use to search for and locate video clips in its library which have characteristics sufficiently matching those of the samples as to suggest infringement. That program's source code is the product of “approximately 50,000 man hours of engineering time and millions of dollars of research and development costs”, and maintaining its confidentiality is essential to prevent others from creating competing programs without any equivalent investment, and to bar users who wish to post infringing content onto YouTube.com from learning ways to trick the Video ID program and thus “escape detection.” Salem Decl. ¶¶ 8–12.

Plaintiffs claim that they need production of the Video ID source code to demonstrate what defendants “could be doing—but are not—to control infringement” with the Video ID program (Pls.' Reply 6). However, plaintiffs can learn how the Video ID program works from use and observation of its operation (Salem Decl. ¶ 13), and examination of pending patent applications, documentation and white papers regarding Video ID (*id.*), all of which are available to them (*see* Defs.' Opp. 7). If there is a way to write a program that can

identify and thus control infringing videos, plaintiffs are free to demonstrate it, with or without reference to the way the Video ID program works. But the question is what infringement detection operations are possible, not how the Video ID source code makes it operate as it does. The notion that examination of the source code *261 might suggest how to make a better method of infringement detection is speculative. Considered against its value and secrecy, plaintiffs have not made a sufficient showing of need for its disclosure. Therefore, the motion to compel production of the Video ID code is denied.

3. *Removed Videos*

[3](#) Plaintiffs seek copies of all videos that were once available for public viewing on YouTube.com but later removed for any reason, or such subsets as plaintiffs designate (Pls.' Reply 41). Plaintiffs claim that their direct access to the removed videos is essential to identify which (if any) infringe their alleged copyrights. Plaintiffs offer to supply the hard drives needed to receive those copies (*id.* 41), which defendants store on computer hard drives.

Defendants concede that “Plaintiffs should have some type of access to removed videos in order to identify alleged infringements” (Defs.' Opp. 27), but propose to make plaintiffs identify and specify the videos plaintiffs select as probable infringers by use of data such as their titles and topics and a search program (which defendants have furnished) that gives plaintiffs the capacity both to run searches against that data and to view “snapshots” taken from each removed video. That would relieve defendants of producing all of the millions of removed videos, a process which would require a total of about five person-weeks of labor without unexpected glitches, as well as the dedication of expensive computer equipment and network bandwidth. Do Decl. ¶¶ 5–7.

However, it appears that the burden of producing a program for production of all of the removed videos should be roughly equivalent to, or at least not significantly greater than, that of producing a program to create and copy a list of specific videos selected by plaintiffs (*see* Davis Decl. ¶ 21).

While the total number of removed videos is intimidating (millions, according to defendants), the burden of inspection and selection, leading to the ultimate identification of individual “works-in-suit”, is on the plaintiffs who say they can handle it electronically.

Under the circumstances, the motion to compel production of copies of all removed videos is granted.

4. *Video-Related Data from the Logging Database*

[4](#) Defendants' “Logging” database contains, for each instance a video is watched, the unique “login ID” of the user who watched it, the time when the user started to watch the video, the internet protocol address other devices connected to the

internet use to identify the user's computer ("IP address"), and the identifier for the video. Do Sept. 12, 2007 Dep. 154:8–21 (Kohlmann Decl. Ex. B); Do Decl. ¶ 16. That database (which is stored on live computer hard drives) is the only existing record of how often each video has been viewed during various time periods. Its data can "recreate the number of views for any particular day of a video." Do Dep. 211:16–21. Plaintiffs seek all data from the Logging database concerning each time a YouTube video has been viewed on the YouTube website or through embedding on a third-party website. Pls.' Mot. 19.

They need the data to compare the attractiveness of allegedly infringing videos with that of non-infringing videos. A markedly higher proportion of infringing-video watching may bear on plaintiffs' vicarious liability claim,³ and defendants' substantial non-infringing use defense.⁴

*262 Defendants argue generally that plaintiffs' request is unduly burdensome because producing the enormous amount of information in the Logging database (about 12 terabytes of data) "would be expensive and time-consuming, particularly in light of the need to examine the contents for privileged and work product material." Defs.' Opp. 22.

But defendants do not specifically refute that "There is no need to engage in a detailed privilege review of the logging database, since it simply records the numbers of views for each video uploaded to the YouTube website, and the videos watched by each user" (Pls.' Reply 45). While the Logging database is large, all of its contents can be copied onto a few "over-the-shelf" four-terabyte hard drives (Davis Decl. ¶ 22). Plaintiffs' need for the data outweighs the unquantified and unsubstantiated cost of producing that information.

Defendants argue that the data should not be disclosed because of the users' privacy concerns, saying that "Plaintiffs would likely be able to determine the viewing and video uploading habits of YouTube's users based on the user's login ID and the user's IP address" (Do Decl. ¶ 16).

But defendants cite no authority barring them from disclosing such information in civil discovery proceedings,⁵ and their privacy concerns are speculative. Defendants do not refute that the "login ID is an anonymous pseudonym that users create for themselves when they sign up with YouTube" which without more "cannot identify specific individuals" (Pls.' Reply 44), and Google has elsewhere stated:

We ... are strong supporters of the idea that data protection laws should apply to any data that could identify you. The reality is though that in most cases, an IP address without additional information cannot.

Google Software Engineer Alma Whitten, *Are IP addresses personal?*, Google Public Policy Blog (Feb. 22, 2008), <http://googlepublicpolicy.blogspot.com/2008/02/are-ip-addresses-personal.html> (Wilkins Decl. Ex. M).

Therefore, the motion to compel production of all data from the Logging database concerning each time a YouTube video has been viewed on the YouTube website or through embedding on a third-party website is granted.

5. *Video-Related Data from the User and Mono Databases*

5 Defendants' "User" and "Mono" databases contain information about each video available in YouTube's collection, including its user-supplied title and keywords, public comments from others about it, whether it has been flagged as inappropriate by others (for copyright infringement or for other improprieties such as obscenity) and the reason it was flagged, whether an administrative action was taken in response to a complaint about it, whether the user who posted it was terminated for copyright infringement, and the user name of the user who posted it. Defendants store the User and Mono databases on computer hard drives, and have agreed to produce specified data from them which concern the removed videos and those publicly available videos which plaintiffs identify as infringing "works-in-suit". Plaintiffs now seek production of, "for the rest of the videos, all of the data fields Defendants have agreed to provide for works-in-suit." Pls.' Mot. 16.

Plaintiffs give a variety of reasons for requesting data for the complete universe of videos available on YouTube: to identify alleged infringements that are not yet works-in-suit; to find evidence (especially in the public comments)⁶ that defendants knew or *263 should have known about infringing activity; and to determine "the proportion or extent of Defendants' control over the YouTube website—such as what percentage of videos have been restricted, reviewed and/or flagged by the Defendants for any reason" (Pls.' Reply 47–48), which they argue is relevant (among other things) to show that defendants have an ability to control infringements. Plaintiffs contend that only direct access to the electronic data would give them "the ability to quickly search, sort and analyze millions of pieces of information." Pls.' Reply 45.

Defendants contend that plaintiffs' request is overbroad because it encompasses almost all of the data in the User and Mono databases, which contain information about millions of non-infringing videos (Defs.' Opp. 18), and have no data reflecting "any review of a flagged video, or disciplinary actions taken by YouTube on a video flagged by a user as inappropriate" for "the substantial majority of the videos" (Do Decl. ¶ 15). Defendants argue that plaintiffs' request is unduly burdensome, and that they have fully accommodated plaintiffs' need to identify potential infringements by giving plaintiffs access to use a search program "which allows users to search for and watch any video currently available on YouTube." Defs.' Opp. 17, 21.

No sufficiently compelling need is shown to justify the analysis of "millions of pieces of information" sought by this request, at least until the other disclosures

have been utilized, and found to be so insufficient that this almost unlimited field should be further explored.

Therefore, the motion to compel production of all those data fields which defendants have agreed to produce for works-in-suit, for all videos that have been posted to the YouTube website is denied.

6. Database Schemas

Plaintiffs seek the schemas for the “Google Advertising” and “Google Video Content” databases.⁷ A schema is an electronic index that shows how the data in a database are organized by listing the database's fields and tables, but not its underlying data.

A. Google Advertising Schema

⁶ Google earns most of its revenue from fees it charges advertisers to display advertisements on Google.com (the “AdWords” program) or on third party websites that participate in its “AdSense” program. Huchital Decl. ¶¶ 1–7. Google stores data about each of the billions of advertising transactions made in connection with those programs in the Google Advertising database. *Id.* The schema for that database “constitutes commercially sensitive information regarding Google's advertising business”, the disclosure of which would permit others to profit without equivalent investment from the “years of refinement and thousands of person hours” of work Google spent selecting the numerous data points it tracks in connection with its advertising programs. *Id.* ¶¶ 8–10. Only trivial percentages of the fields and tables in the database “possibly relate to advertising revenue generated from advertisements run on YouTube” (*id.* ¶ 7), and defendants have “already agreed to provide Plaintiffs with the small amount of YouTube-related data contained in the Google Advertising database” (Defs.' Opp. 25).

Plaintiffs argue that the schema is relevant to “show what Defendants *could have or should have known* about the extent to which their advertising revenues were associated with infringing content, and the extent to which Defendants had the ability to control, block or prevent advertising from being associated with infringing videos.” Pls.' Reply 50 (italics in original).

However, given that plaintiffs have already been promised the only relevant data in the database, they do not need its confidential schema (Huchital Decl. ¶ 8), which “itself *264 provides a detailed roadmap to how Google runs its advertising business” (*id.* ¶ 9), to show whether defendants were on notice that their advertising revenues were associated with infringing videos, or that defendants decline to exercise their claimed ability to prevent such associations. Therefore, the motion for production of the Google Advertising schema is denied.

B. Google Video Schema

By plaintiffs' description the Google Video Content database stores "information Defendants collect regarding videos on the Google Video website, which is a video-sharing website, similar to YouTube, that is operated by Defendant Google." Pls.' Mot. 22. The Google Video website has its own video library, but searches for videos on it will also access YouTube videos. *See* Pls.' Reply 51.

Plaintiffs argue that the schema for that database will reveal "The extent to which Defendants are aware of and can control infringements on Google Video" which "is in turn relevant to whether Defendants had 'reason to know' of infringements, or had the ability to control infringements, on *YouTube*, which they also own and which features similar content." *Id.* 52 (plaintiffs' italics). That states a sufficiently plausible showing that the schema is relevant to require its disclosure, there being no assertion that it is confidential or unduly burdensome to produce. Therefore, the motion to compel production of the Google Video schema is granted.

7. *Private Videos and Related Data*

⁷ YouTube.com users may override the website's default setting—which makes newly added videos available to the public—by electing to mark as "private" the videos they post to the website. Plaintiffs move to compel production of copies of all those private videos, which can only be viewed by others authorized by the user who posted each of them, as well as specified data related to them. Defendants are prohibited by the Electronic Communications Privacy Act ("ECPA") ([18 U.S.C. § 2510 et seq.](#)) from disclosing to plaintiffs the private videos and the data which reveal their contents because ECPA § 2702(a)(2) requires that entities such as YouTube who provide "remote computing service to the public shall not knowingly divulge to any person or entity the contents" of any electronic communication stored on behalf of their subscribers,⁸ and ECPA § 2702 contains no exception for disclosure of such communications pursuant to civil discovery requests. *See In re Subpoena Duces Tecum to AOL, LLC*, 550 F.Supp.2d 606, 611–12 (E.D.Va.2008).

Plaintiffs claim that users have authorized disclosure of the contents of the private videos pursuant to ECPA § 2702(b)(3) (remote computing service providers "may divulge the contents of a communication * * * with the lawful consent of * * * the subscriber") by assenting to the YouTube website's Terms of Use and Privacy Policy, which contain provisions licensing YouTube to distribute user submissions (such as videos) in connection with its website and business,⁹ disclaiming liability for disclosure of user submissions,¹⁰ and notifying users that videos they divulge online in the public areas of the website may be viewed by the public.¹¹ *265 None of those clauses can fairly be construed as a grant of permission from users

to reveal to plaintiffs the videos that they have designated as private and chosen to share only with specified recipients.

But the ECPA does not bar disclosure of non-content data about the private videos (e.g., the number of times each video has been viewed on YouTube.com or made accessible on a third-party website through an “embedded” link to the video). Plaintiffs argue that such data are relevant to show whether videos designated as private are in fact shared with numerous members of the public and therefore not protected by the ECPA, and to then obtain discovery on their claim (supported by evidence)¹² that users abuse YouTube's privacy feature “to share infringing videos with any interested member of the public while evading detection by content owners” (Pls.' Reply 62). It is not clear from this record whether plaintiffs' interpretation of the ECPA is correct, but their view is colorable, as the statute's legislative history states that “a subscriber who places a communication on a computer ‘electronic bulletin board,’ with a reasonable basis for knowing that such communications are freely made available to the public, should be considered to have given consent to the disclosure or use of the communication.” [H.R.Rep. No. 99–647, at 66 \(1986\)](#). Plaintiffs need the requested non-content data so that they can properly argue their construction of the ECPA on the merits and have an opportunity to obtain discovery of allegedly infringing private videos claimed to be public.

Therefore, the motion to compel is denied at this time, except to the extent it seeks production of specified non-content data about such videos.

That ruling is unaltered by plaintiffs' contention that defendants disclose private videos “to third party content owners as part of their regular business dealings” (Pls.' Reply 57), as supposedly shown by a clause in the Content Identification and Management Agreement between Viacom and Google which bars Viacom from disclosing to any third party private videos it receives during the process of resolving copyright infringement claims against such videos (*see* Wilkens Decl. Ex. T, ¶ 4). The record shows that defendants do not disclose to content owners any private videos processed for potentially infringing the owners' copyrights unless defendants receive the express consent of the users who designated the videos as private (Salem Sur–Reply Decl. ¶¶ 1–5), and that the clause plaintiffs rely upon merely requires content owners to maintain the confidentiality of such consensually divulged private videos (*id.*).

CONCLUSION

For the reasons set forth above:

(1) The cross-motion for a protective order barring disclosure of the source code for the YouTube.com search function is granted, and the motion to compel production of that search code is denied;

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- (2) The motion to compel production of the source code for the Video ID program is denied;
 - (3) The motion to compel production of all removed videos is granted;
 - (4) The motion to compel production of all data from the Logging database concerning each time a YouTube video has been viewed on the YouTube website or through embedding on a third-party website is granted;
 - (5) The motion to compel production of those data fields which defendants have agreed to produce for works-in-suit, for all *266 videos that have been posted to the YouTube website is denied;
 - (6) The motion to compel production of the schema for the Google Advertising database is denied;
 - (7) The motion to compel production of the schema for the Google Video Content database is granted; and
 - (8) The motion to compel production of the private videos and data related to them is denied at this time except to the extent it seeks production of specified non-content data about such videos.

So ordered.

Parallel Citations

87 U.S.P.Q.2d 1170

Footnotes

¹Defendants YouTube Inc. and YouTube LLC are both referred to as “YouTube.”

²In the *Viacom* action (Housley Decl. ¶ 2):

Viacom is currently using fingerprinting technology provided by a company called Auditude in order to identify potentially infringing clips of Viacom's copyrighted works on the YouTube website. The fingerprinting technology automatically creates digital “fingerprints” of the audio track of videos currently available on the YouTube website and compares those fingerprints against a reference library of digital fingerprints of Viacom's copyrighted works. As this comparison is made, the fingerprinting technology reports fingerprint matches, which indicate that the YouTube clip potentially infringes one of Viacom's copyrighted works.

³See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263 (9th Cir.1996) (“financial benefit prong of vicariously liability” claim may be satisfied by demonstrating that “infringing performances enhance the attractiveness of the venue to potential customers” and act as “a ‘draw’ for customers” from whom the venue's operator derives income).

⁴See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442, 104 S.Ct. 774, 78 L.Ed.2d 574 (1983) (barring secondary liability based on imputed intent to cause infringements from the design or distribution of a product “capable of substantial noninfringing uses”); *Metro-Goldwyn-Mayer Studios Inc. v. Gorkster, Ltd.*, 545 U.S. 913, 933–34, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005) (declining “to add a more quantified description” of how much non-infringing use qualifies as substantial under *Sony*).

⁵The statute defendants point to, [18 U.S.C. § 2710](#) (titled “Wrongful disclosure of video tape rental or sale records”), prohibits video tape service providers from disclosing information on the specific video materials subscribers request or obtain, and in the case they cite, *In re Grand Jury Subpoena to Amazon.com*, 246 F.R.D. 570, 572–73 (W.D.Wis.2007) (the “subpoena is troubling because it permits the government to peek into the reading habits of specific individuals without their prior knowledge or permission”), the court on First Amendment grounds did not require an internet book retailer to disclose the identities of customers who purchased used books from the grand jury's target, a used book seller under investigation for tax evasion and wire and mail fraud in connection with his sale of used books through the retailer's website.

⁶Plaintiffs have submitted a snapshot of one YouTube user's web page in which the user states “I keep almost all of my DTV [Disney Television] videos private * * * * Anyone who wants to see

the old ones, just click on Add as Friend” and another user, in a public comment posted to that page, states “hey I was wondering if you could help me out you see youtube has deleted all my videos and I was wondering if you could help me out by subscribing to my favorites.” Wilkins Decl. Ex. R (misspellings corrected).

[7](#)Defendants have agreed to produce the schema for the “Claims” database. *See* Defs.’ Opp. 24 n. 9.

[8](#)The prohibition against divulgence of stored subscriber communications set forth in ECPA § 2702(a)(2) applies only “if the provider is not authorized to access the contents of any such communications for purposes of providing any services other than storage or computer processing” (*id.* § 2702(a)(2)(B)), but defendants satisfy that condition here because their authorization to access and delete potentially infringing private videos is granted in connection with defendants’ provision of alleged storage services.

[9](#)“However, by submitting User Submissions to YouTube, you hereby grant YouTube a worldwide, non-exclusive * * * license to * * * distribute * * * the User Submissions in connection with the YouTube Website and YouTube’s (and its successors’ and affiliates’) business.” Kohlmann Decl. Ex. N, § 6C. This authorizes YouTube to post the video on the website; the privacy designation restricts to whom it may be shown.

[10](#)“YouTube does not guarantee any confidentiality with respect to any User Submissions.” Kohlmann Decl. Ex. N, § 6A.

[11](#)The record shows that the provision of the Privacy Policy plaintiffs point to, which states that “Any videos that you submit to the YouTube Sites * * * may be viewed by the general public” (Kohlmann Decl. Ex. O) refers to “personal information or video content that you voluntarily disclose online (on discussion boards, in messages and chat areas, within your playback or profile pages, etc.)” which “becomes publicly available” (*id.*).

[12](#)Plaintiffs submitted a snapshot of a YouTube user’s web page entitled “THE_RUGRATS_CHANNEL” which states “Disclaimer: Rugrats_and all Rugrats_related items are a copyright of Viacom” and on which the user states (Wilkins Decl. Ex. R):
WELCOME TO MY_RUGRATS_PAGE. Previously rbt200, this is my new channel. The old one got deleted so I thought I’d start again, but this time, it’s JUST_RUGRATS! A whole channel dedicated to this fantastic cartoon! I will be posting whole episodes over the coming weeks so be sure to subscribe or add me as a friend because they might be set to private.

536 F.3d 121

United States Court of Appeals,
Second Circuit.

The CARTOON NETWORK LP, LLLP and Cable News Network L.P., L.L.L.P., Plaintiffs–Counter–Claimants–Defendants–Appellees, Twentieth Century Fox Film Corporation, Universal City Studios Productions LLLP, Paramount Pictures Corporation, Disney Enterprises Inc., CBS Broadcasting Inc., American Broadcasting Companies, Inc., NBC Studios, Inc., Plaintiffs–Counter–Defendants–Appellees,

v.

CSC HOLDINGS, INC. and Cablevision Systems Corporation, Defendants–Counterclaim–Plaintiffs–Third–Party Plaintiffs–Appellants,

v.

Turner Broadcasting System, Inc., Cable News Network LP, LLP, Turner Network Sales, Inc., Turner Classic Movies, L.P., LLLP, Turner Network Television LP, LLLP, Third–Party–Defendants–Appellees.

Docket Nos. 07–1480–cv(L), 07–1511–cv(CON).

Argued: Oct. 24, 2007. Decided: Aug. 4, 2008.

Synopsis

Background: Owners of copyrighted programs brought action against cable television company seeking declaratory judgment as to whether cable company's digital video recorder (DVR) system would violate their copyrights and injunction enjoining cable company from making system available without copyright licenses. The United States District Court for the Southern District of New York, Denny Chin, J., 478 F.Supp.2d 607, granted summary judgment in favor of copyright owners. Cable company appealed.

Holdings: The Court of Appeals, John M. Walker, Jr., Circuit Judge, held that:

1 cable company's embodiments of copyrighted programs were not “fixed,” as required to qualify as a “copy” under Copyright Act;

2 copies were “made” by cable company's customers, and therefore cable company was not directly liable under the Copyright Act; and

3 playback transmissions of copies were not performances “to the public,” and therefore did not infringe any exclusive right of performance under the Copyright Act.

Reversed, vacated, and remanded.

Opinion

JOHN M. WALKER, JR., Circuit Judge:

Defendant–Appellant Cablevision Systems Corporation (“Cablevision”) wants to market a new “Remote Storage” Digital Video Recorder system (“RS–DVR”),

using a technology akin to both traditional, set-top digital video recorders, like TiVo (“DVRs”), and the video-on-demand (“VOD”) services provided by many cable companies. Plaintiffs–Appellees produce copyrighted movies and television programs that they provide to Cablevision pursuant to numerous licensing agreements. They contend that Cablevision, through the operation of its RS–DVR system as proposed, would directly infringe their copyrights both by making unauthorized reproductions, and by engaging in public performances, of their copyrighted works. The material facts are not in dispute. Because we conclude that Cablevision would not directly infringe plaintiffs' rights under the Copyright Act by offering its RS–DVR system to consumers, we reverse the district court's award of summary judgment to plaintiffs, and we vacate its injunction against Cablevision.

BACKGROUND

Today's television viewers increasingly use digital video recorders (“DVRs”) instead of video cassette recorders (“VCRs”) to record television programs and play them back later at their convenience. DVRs generally store recorded programming on an internal hard drive rather than a cassette. But, as this case demonstrates, the generic term “DVR” actually refers to a growing number of different devices and systems. Companies like TiVo sell a stand-alone DVR device that is typically connected to a user's cable box and television much like a VCR. Many cable companies also lease to their subscribers “set-top storage DVRs,” which combine many of the functions of a standard cable box and a stand-alone DVR in a single device.

*124 In March 2006, Cablevision, an operator of cable television systems, announced the advent of its new “Remote Storage DVR System.” As designed, the RS–DVR allows Cablevision customers who do not have a stand-alone DVR to record cable programming on central hard drives housed and maintained by Cablevision at a “remote” location. RS–DVR customers may then receive playback of those programs through their home television sets, using only a remote control and a standard cable box equipped with the RS–DVR software. Cablevision notified its content providers, including plaintiffs, of its plans to offer RS–DVR, but it did not seek any license from them to operate or sell the RS–DVR.

Plaintiffs, which hold the copyrights to numerous movies and television programs, sued Cablevision for declaratory and injunctive relief. They alleged that Cablevision's proposed operation of the RS–DVR would directly infringe their exclusive rights to both reproduce and publicly perform their copyrighted works. Critically for our analysis here, plaintiffs alleged theories only of direct infringement, not contributory infringement, and defendants waived any defense based on fair use.

Ultimately, the United States District Court for the Southern District of New York (Denny Chin, *Judge*), awarded summary judgment to the plaintiffs and enjoined Cablevision from operating the RS-DVR system without licenses from its content providers. See [*Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp. \(Cablevision I\)*](#), 478 F.Supp.2d 607 (S.D.N.Y.2007). At the outset, we think it helpful to an understanding of our decision to describe, in greater detail, both the RS-DVR and the district court's opinion.

I. Operation of the RS-DVR System

Cable companies like Cablevision aggregate television programming from a wide variety of “content providers”—the various broadcast and cable channels that produce or provide individual programs—and transmit those programs into the homes of their subscribers via coaxial cable. At the outset of the transmission process, Cablevision gathers the content of the various television channels into a single stream of data. Generally, this stream is processed and transmitted to Cablevision's customers in real time. Thus, if a Cartoon Network program is scheduled to air Monday night at 8pm, Cartoon Network transmits that program's data to Cablevision and other cable companies nationwide at that time, and the cable companies immediately re-transmit the data to customers who subscribe to that channel.

Under the new RS-DVR, this single stream of data is split into two streams. The first is routed immediately to customers as before. The second stream flows into a device called the Broadband Media Router (“BMR”), [*id.* at 613](#), which buffers the data stream, reformats it, and sends it to the “Arroyo Server,” which consists, in relevant part, of two data buffers and a number of high-capacity hard disks. The entire stream of data moves to the first buffer (the “primary ingest buffer”), at which point the server automatically inquires as to whether any customers want to record any of that programming. If a customer has requested a particular program, the data for that program move from the primary buffer into a secondary buffer, and then onto a portion of one of the hard disks allocated to that customer. As new data flow into the primary buffer, they overwrite a corresponding quantity of data already on the buffer. The primary ingest buffer holds no more than 0.1 seconds of each channel's programming at any moment. Thus, every tenth of a second, the data residing on this buffer are automatically erased and replaced. The *125 data buffer in the BMR holds no more than 1.2 seconds of programming at any time. While buffering occurs at other points in the operation of the RS-DVR, only the BMR buffer and the primary ingest buffer are utilized absent any request from an individual subscriber.

As the district court observed, “the RS-DVR is not a single piece of equipment,” but rather “a complex system requiring numerous computers, processes, networks of cables, and facilities staffed by personnel twenty-four

hours a day and seven days a week.” [Id. at 612](#). To the customer, however, the processes of recording and playback on the RS–DVR are similar to that of a standard set-top DVR. Using a remote control, the customer can record programming by selecting a program in advance from an on-screen guide, or by pressing the record button while viewing a given program. A customer cannot, however, record the earlier portion of a program once it has begun. To begin playback, the customer selects the show from an on-screen list of previously recorded programs. [See id. at 614–16](#). The principal difference in operation is that, instead of sending signals from the remote to an on-set box, the viewer sends signals from the remote, through the cable, to the Arroyo Server at Cablevision's central facility. [See id.](#) In this respect, RS–DVR more closely resembles a VOD service, whereby a cable subscriber uses his remote and cable box to request transmission of content, such as a movie, stored on computers at the cable company's facility. [Id. at 612](#). But unlike a VOD service, RS–DVR users can only play content that they previously requested to be recorded.

Cablevision has some control over the content available for recording: a customer can only record programs on the channels offered by Cablevision (assuming he subscribes to them). Cablevision can also modify the system to limit the number of channels available and considered doing so during development of the RS–DVR. [Id. at 613](#).

II. The District Court's Decision

In the district court, plaintiffs successfully argued that Cablevision's proposed system would directly infringe their copyrights in three ways. First, by briefly storing data in the primary ingest buffer and other data buffers integral to the function of the RS–DVR, Cablevision would make copies of protected works and thereby directly infringe plaintiffs' exclusive right of reproduction under the Copyright Act. Second, by copying programs onto the Arroyo Server hard disks (the “playback copies”), Cablevision would again directly infringe the reproduction right. And third, by transmitting the data from the Arroyo Server hard disks to its RS–DVR customers in response to a “playback” request, Cablevision would directly infringe plaintiffs' exclusive right of public performance. [See id. at 617](#). Agreeing with all three arguments, the district court awarded summary declaratory judgment to plaintiffs and enjoined Cablevision from operating the RS–DVR system without obtaining licenses from the plaintiff copyright holders.

As to the buffer data, the district court rejected defendants' arguments 1) that the data were not “fixed” and therefore were not “copies” as defined in the Copyright Act, and 2) that any buffer copying was de minimis because the buffers stored only small amounts of data for very short periods of time. In rejecting the latter argument, the district court noted that the “aggregate effect of the buffering” was to reproduce the entirety of Cablevision's programming, and such copying “can hardly be called de minimis.” [Id. at 621](#).

*126 On the issue of whether creation of the playback copies made Cablevision liable for direct infringement, the parties and the district court agreed that the dispositive question was “*who* makes the copies”? [Id. at 617](#). Emphasizing Cablevision's “unfettered discretion” over the content available for recording, its ownership and maintenance of the RS–DVR components, and its “continuing relationship” with its RS–DVR customers, the district court concluded that “the copying of programming to the RS–DVR's Arroyo servers ... would be done not by the customer but by Cablevision, albeit at the customer's request.” [Id. at 618, 620, 621](#).

Finally, as to the public performance right, Cablevision conceded that, during the playback, “the streaming of recorded programming in response to a customer's request is a performance.” [Id. at 622](#). Cablevision contended, however, that the work was performed not by Cablevision, but by the customer, an argument the district court rejected “for the same reasons that [it] reject [ed] the argument that the customer is ‘doing’ the copying involved in the RS–DVR.” [Id.](#) Cablevision also argued that such a playback transmission was not “to the public,” and therefore not a public performance as defined in the Copyright Act, because it “emanates from a distinct copy of a program uniquely associated with one customer's set-top box and intended for that customer's exclusive viewing in his or her home.” [Id.](#) The district court disagreed, noting that “Cablevision would transmit *the same program* to members of the public, who may receive the performance at different times, depending on whether they view the program in real time or at a later time as an RS–DVR playback.” [Id. at 623](#) (emphasis added). The district court also relied on a case from the Northern District of California, [On Command Video Corp. v. Columbia Pictures Industries](#), 777 F.Supp. 787 (N.D.Cal.1991), which held that when the relationship between the transmitter and the audience of a performance is commercial, the transmission is “to the public,” see [Cablevision I](#), 478 F.Supp.2d at 623 (citing [On Command](#), 777 F.Supp. at 790).

Finding that the operation of the RS–DVR would infringe plaintiffs' copyrights, the district court awarded summary judgment to plaintiffs and enjoined Cablevision from copying or publicly performing plaintiffs' copyrighted works “in connection with its proposed RS–DVR system,” unless it obtained the necessary licenses. [Cablevision I](#), 478 F.Supp.2d at 624. Cablevision appealed.

DISCUSSION

We review a district court's grant of summary judgment de novo. [Bill Graham Archives v. Dorling Kindersley Ltd.](#), 448 F.3d 605, 607 (2d Cir.2006). “Section 106 of the Copyright Act grants copyright holders a bundle of exclusive rights....” [Id. at 607–08](#). This case implicates two of those rights: the right “to reproduce the copyrighted work in copies,” and the right “to perform the

copyrighted work publicly.” [17 U.S.C. § 106\(1\), \(4\)](#). As discussed above, the district court found that Cablevision infringed the first right by 1) buffering the data from its programming stream and 2) copying content onto the Arroyo Server hard disks to enable playback of a program requested by an RS-DVR customer. In addition, the district court found that Cablevision would infringe the public performance right by transmitting a program to an RS-DVR customer in response to that customer's playback request. We address each of these three allegedly infringing acts in turn.

***127 I. The Buffer Data**

It is undisputed that Cablevision, not any customer or other entity, takes the content from one stream of programming, after the split, and stores it, one small piece at a time, in the BMR buffer and the primary ingest buffer. As a result, the information is buffered before any customer requests a recording, and would be buffered even if no such request were made. The question is whether, by buffering the data that make up a given work, Cablevision “reproduce[s]” that work “in copies,” [17 U.S.C. § 106\(1\)](#), and thereby infringes the copyright holder's reproduction right.

¹ “Copies,” as defined in the Copyright Act, “are material objects ... in which a work is fixed by any method ... and from which the work can be ... reproduced.” *Id.* § 101. The Act also provides that a work is “‘fixed’ in a tangible medium of expression when its embodiment ... is sufficiently permanent or stable to permit it to be ... reproduced ... *for a period of more than transitory duration.*” *Id.* (emphasis added). We believe that this language plainly imposes two distinct but related requirements: the work must be embodied in a medium, i.e., placed in a medium such that it can be perceived, reproduced, etc., from that medium (the “embodiment requirement”), and it must remain thus embodied “for a period of more than transitory duration” (the “duration requirement”). See 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.02[B][3], at 8–32 (2007). Unless both requirements are met, the work is not “fixed” in the buffer, and, as a result, the buffer data is not a “copy” of the original work whose data is buffered. The district court mistakenly limited its analysis primarily to the embodiment requirement. As a result of this error, once it determined that the buffer data was “[c]learly ... capable of being reproduced,” i.e., that the work was embodied in the buffer, the district court concluded that the work was therefore “fixed” in the buffer, and that a copy had thus been made. [Cablevision I](#), 478 F.Supp.2d at 621–22. In doing so, it relied on a line of cases beginning with [MAI Systems Corp. v. Peak Computer Inc.](#), 991 F.2d 511 (9th Cir.1993). It also relied on the United States Copyright Office's 2001 report on the Digital Millennium Copyright Act, which states, in essence, that an embodiment is fixed “[u]nless a reproduction manifests itself so fleetingly that *it cannot be copied.*” U.S. Copyright Office, [DMCA Section 104 Report](#) 111 (Aug.2001) (“*DMCA Report*”) (emphasis added),

available at <http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf>.

The district court's reliance on cases like [MAI Systems](#) is misplaced. In general, those cases conclude that an alleged copy is fixed without addressing the duration requirement; it does not follow, however, that those cases assume, much less establish, that such a requirement does not exist. Indeed, the duration requirement, by itself, was not at issue in [MAI Systems](#) and its progeny. As a result, they do not speak to the issues squarely before us here: If a work is only “embodied” in a medium for a period of transitory duration, can it be “fixed” in that medium, and thus a copy? And what constitutes a period “of more than transitory duration”?

In [MAI Systems](#), defendant Peak Computer, Inc., performed maintenance and repairs on computers made and sold by MAI Systems. In order to service a customer's computer, a Peak employee had to operate the computer and run the computer's copyrighted operating system software. See [MAI Sys.](#), 991 F.2d at 513. The issue in [MAI Systems](#) was whether, *128 by loading the software into the computer's RAM,¹ the repairman created a “copy” as defined in § 101. See [id.](#) at 517. The resolution of this issue turned on whether the software's embodiment in the computer's RAM was “fixed,” within the meaning of the same section. The Ninth Circuit concluded that by 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.” [Id.](#) at 518 (quoting 17 U.S.C. § 101).

The [MAI Systems](#) court referenced the “transitory duration” language but did not discuss or analyze it. The opinion notes that the defendants “vigorously” argued that the program's embodiment in the RAM was not a copy, but it does not specify the arguments defendants made. [Id.](#) at 517. This omission suggests that the parties did not litigate the significance of the “transitory duration” language, and the court therefore had no occasion to address it. This is unsurprising, because it seems fair to assume that in these cases the program was embodied in the RAM for at least several minutes.

Accordingly, we construe [MAI Systems](#) and its progeny as holding that loading a program into a computer's RAM *can* result in copying that program. We do not read [MAI Systems](#) as holding that, as a matter of law, loading a program into a form of RAM *always* results in copying. Such a holding would read the “transitory duration” language out of the definition, and we do not believe our sister circuit would dismiss this statutory language without even discussing it. It appears the parties in [MAI Systems](#) simply did not dispute that the duration requirement was satisfied; this line of cases simply concludes that when a program

is loaded into RAM, the embodiment requirement is satisfied—an important holding in itself, and one we see no reason to quibble with here.²

At least one court, relying on [MAI Systems](#) in a highly similar factual setting, has made this point explicitly. In [Advanced Computer Services of Michigan, Inc. v. MAI Systems Corp.](#), the district court expressly noted that the unlicensed user in that case ran copyrighted diagnostic software “for minutes or longer,” but that the program's embodiment in the computer's RAM might be too ephemeral to be fixed if the computer had been shut down “within *129 seconds or fractions of a second” after loading the copyrighted program. [845 F.Supp. 356, 363 \(E.D.Va.1994\)](#). We have no quarrel with this reasoning; it merely makes explicit the reasoning that is implicit in the other [MAI Systems](#) cases. Accordingly, those cases provide no support for the conclusion that the definition of “fixed” does not include a duration requirement. See [Webster v. Fall](#), [266 U.S. 507, 511, 45 S.Ct. 148, 69 L.Ed. 411 \(1924\)](#) (“Questions which merely lurk in the record, neither brought to the attention of the court nor ruled upon, are not to be considered as having been so decided as to constitute precedents.”).

Nor does the Copyright Office's 2001 DMCA Report, also relied on by the district court in this case, explicitly suggest that the definition of “fixed” does not contain a duration requirement. However, as noted above, it does suggest that an embodiment is fixed “[u]nless a reproduction manifests itself so fleetingly that it cannot be copied, perceived or communicated.” *DMCA Report, supra*, at 111. As we have stated, to determine whether a work is “fixed” in a given medium, the statutory language directs us to ask not only 1) whether a work is “embodied” in that medium, but also 2) whether it is embodied in the medium “for a period of more than transitory duration.” According to the Copyright Office, if the work is capable of being copied from that medium *for any amount of time*, the answer to both questions is “yes.” The problem with this interpretation is that it reads the “transitory duration” language out of the statute.

We assume, as the parties do, that the Copyright Office's pronouncement deserves only [Skidmore](#) deference, deference based on its “power to persuade.” [Skidmore v. Swift & Co.](#), [323 U.S. 134, 140, 65 S.Ct. 161, 89 L.Ed. 124 \(1944\)](#). And because the Office's interpretation does not explain why Congress would include language in a definition if it intended courts to ignore that language, we are not persuaded.

In sum, no case law or other authority dissuades us from concluding that the definition of “fixed” imposes both an embodiment requirement and a duration requirement. Accord [CoStar Group Inc. v. LoopNet, Inc.](#), [373 F.3d 544, 551 \(4th Cir.2004\)](#) (while temporary reproductions “may be made in this transmission process, they would appear not to be ‘fixed’ in the sense that they are ‘of more than transitory duration’ ”). We now turn to whether, in this case, those requirements are met by the buffer data.

Cablevision does not seriously dispute that copyrighted works are “embodied” in the buffer. Data in the BMR buffer can be reformatted and transmitted to the other components of the RS–DVR system. Data in the primary ingest buffer can be copied onto the Arroyo hard disks if a user has requested a recording of that data. Thus, a work’s “embodiment” in either buffer “is sufficiently permanent or stable to permit it to be perceived, reproduced,” (as in the case of the ingest buffer) “or otherwise communicated” (as in the BMR buffer). [17 U.S.C. § 101](#). The result might be different if only a single second of a much longer work was placed in the buffer in isolation. In such a situation, it might be reasonable to conclude that only a minuscule portion of a work, rather than “a work” was embodied in the buffer. Here, however, where every second of an entire work is placed, one second at a time, in the buffer, we conclude that the work is embodied in the buffer.

[2](#) Does any such embodiment last “for a period of more than transitory duration”? *Id.* No bit of data remains in any buffer for more than a fleeting 1.2 seconds. And unlike the data in cases like [MAI *130 Systems](#), which remained embodied in the computer’s RAM memory until the user turned the computer off, each bit of data here is rapidly and automatically overwritten as soon as it is processed. While our inquiry is necessarily fact-specific, and other factors not present here may alter the duration analysis significantly, these facts strongly suggest that the works in this case are embodied in the buffer for only a “transitory” period, thus failing the duration requirement.

Against this evidence, plaintiffs argue only that the duration is not transitory because the data persist “long enough for Cablevision to make reproductions from them.” Br. of Pls.-Appellees the Cartoon Network et al. at 51. As we have explained above, however, this reasoning impermissibly reads the duration language out of the statute, and we reject it. Given that the data reside in no buffer for more than 1.2 seconds before being automatically overwritten, and in the absence of compelling arguments to the contrary, we believe that the copyrighted works here are not “embodied” in the buffers for a period of more than transitory duration, and are therefore not “fixed” in the buffers. Accordingly, the acts of buffering in the operation of the RS–DVR do not create copies, as the Copyright Act defines that term. Our resolution of this issue renders it unnecessary for us to determine whether any copies produced by buffering data would be de minimis, and we express no opinion on that question.

III. Direct Liability for Creating the Playback Copies

[3](#) In most copyright disputes, the allegedly infringing act and the identity of the infringer are never in doubt. These cases turn on whether the conduct in question does, in fact, infringe the plaintiff’s copyright. In this case, however, the core of the dispute is over the authorship of the infringing conduct. After an RS–DVR subscriber selects a program to record, and that program airs, a copy of the program—a copyrighted work—resides on the hard disks of Cablevision’s Arroyo Server, its creation unauthorized by the copyright holder. The question is *who*

made this copy. If it is Cablevision, plaintiffs' theory of direct infringement succeeds; if it is the customer, plaintiffs' theory fails because Cablevision would then face, at most, secondary liability, a theory of liability expressly disavowed by plaintiffs.

Few cases examine the line between direct and contributory liability. Both parties cite a line of cases beginning with [*Religious Technology Center v. Netcom On-Line Communication Services*, 907 F.Supp. 1361 \(N.D.Cal.1995\)](#). In *Netcom*, a third-party customer of the defendant Internet service provider ("ISP") posted a copyrighted work that was automatically reproduced by the defendant's computer. The district court refused to impose direct liability on the ISP, reasoning that "[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party." *Id.* at 1370. Recently, the Fourth Circuit endorsed the *Netcom* decision, noting that to establish *direct* liability under ... the Act, something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner." [*CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 \(4th Cir.2004\)](#).

*131 Here, the district court pigeon-holed the conclusions reached in *Netcom* and its progeny as "premised on the unique attributes of the Internet." [*Cablevision I*, 478 F.Supp.2d at 620](#). While the *Netcom* court was plainly concerned with a theory of direct liability that would effectively "hold the entire Internet liable" for the conduct of a single user, [907 F.Supp. at 1372](#), its reasoning and conclusions, consistent with precedents of this court and the Supreme Court, and with the text of the Copyright Act, transcend the Internet. Like the Fourth Circuit, we reject the contention that "the *Netcom* decision was driven by expedience and that its holding is inconsistent with the established law of copyright," [*CoStar*, 373 F.3d at 549](#), and we find it "a particularly rational interpretation of § 106," *id.* at 551, rather than a special-purpose rule applicable only to ISPs.

When there is a dispute as to the author of an allegedly infringing instance of reproduction, *Netcom* and its progeny direct our attention to the volitional conduct that causes the copy to be made. There are only two instances of volitional conduct in this case: Cablevision's conduct in designing, housing, and maintaining a system that exists only to produce a copy, and a customer's conduct in ordering that system to produce a copy of a specific program. In the case of a VCR, it seems clear—and we know of no case holding otherwise—that the operator of the VCR, the person who actually presses the button to make the recording, supplies the necessary element of volition, not the person who manufactures, maintains, or, if distinct from the operator, owns the machine. We

do not believe that an RS–DVR customer is sufficiently distinguishable from a VCR user to impose liability as a direct infringer on a different party for copies that are made automatically upon that customer's command.

The district court emphasized the fact that copying is “instrumental” rather than “incidental” to the function of the RS–DVR system. [*Cablevision I*, 478 F.Supp.2d at 620](#). While that may distinguish the RS–DVR from the ISPs in [*Netcom*](#) and [*CoStar*](#), it does not distinguish the RS–DVR from a VCR, a photocopier, or even a typical copy shop. And the parties do not seem to contest that a company that merely makes photocopiers available to the public on its premises, without more, is not subject to liability for direct infringement for reproductions made by customers using those copiers. They only dispute whether Cablevision is similarly situated to such a proprietor.

The district court found Cablevision analogous to a copy shop that makes course packs for college professors. In the leading case involving such a shop, for example, “[t]he professor [gave] the copyshop the materials of which the coursepack [was] to be made up, and the copyshop [did] the rest.” [*Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1384 \(6th Cir.1996\)](#) (en banc). There did not appear to be any serious dispute in that case that the shop itself was directly liable for reproducing copyrighted works. The district court here found that Cablevision, like this copy shop, would be “doing” the copying, albeit “at the customer's behest.” [*Cablevision I*, 478 F.Supp.2d at 620](#).

But because volitional conduct is an important element of direct liability, the district court's analogy is flawed. In determining who actually “makes” a copy, a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct. In cases like [*Princeton *132 University Press*](#), the defendants operated a copying device and sold the product they made using that device. See [99 F.3d at 1383](#) (“The corporate defendant ... is a commercial copyshop that reproduced substantial segments of copyrighted works of scholarship, bound the copies into ‘coursepacks,’ and sold the coursepacks to students....”). Here, by selling access to a system that automatically produces copies on command, Cablevision more closely resembles a store proprietor who charges customers to use a photocopier on his premises, and it seems incorrect to say, without more, that such a proprietor “makes” any copies when his machines are actually operated by his customers. See [*Netcom*, 907 F.Supp. at 1369](#). Some courts have held to the contrary, but they do not explicitly explain why, and we find them unpersuasive. See, e.g., [*Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360 F.Supp. 821, 823 \(E.D.N.Y.1973\)](#) (concluding that, “regardless” of whether customers or defendants' employees operated the tape-copying machines at defendants' stores, defendant had actively infringed copyrights).

The district court also emphasized Cablevision's "unfettered discretion in selecting the programming that it would make available for recording." [*Cablevision I*, 478 F.Supp.2d at 620](#). This conduct is indeed more proximate to the creation of illegal copying than, say, operating an ISP or opening a copy shop, where all copied content was supplied by the customers themselves or other third parties. Nonetheless, we do not think it sufficiently proximate to the copying to displace the customer as the person who "makes" the copies when determining liability under the Copyright Act. Cablevision, we note, also has subscribers who use home VCRs or DVRs (like TiVo), and has significant control over the content recorded by these customers. But this control is limited to the channels of programming available to a customer and not to the programs themselves. Cablevision has no control over what programs are made available on individual channels or when those programs will air, if at all. In this respect, Cablevision possesses far less control over recordable content than it does in the VOD context, where it actively selects and makes available beforehand the individual programs available for viewing. For these reasons, we are not inclined to say that Cablevision, rather than the user, "does" the copying produced by the RS-DVR system. As a result, we find that the district court erred in concluding that Cablevision, rather than its RS-DVR customers, makes the copies carried out by the RS-DVR system.

Our refusal to find Cablevision directly liable on these facts is buttressed by the existence and contours of the Supreme Court's doctrine of contributory liability in the copyright context. After all, the purpose of any causation-based liability doctrine is to identify the actor (or actors) whose "conduct has been so significant and important a cause that [he or she] should be legally responsible." W. Page Keeton et al., *Prosser and Keeton on Torts* § 42, at 273 (5th ed.1984). But here, to the extent that we may construe the boundaries of direct liability more narrowly, the doctrine of contributory liability stands ready to provide adequate protection to copyrighted works.

Most of the facts found dispositive by the district court—e.g., Cablevision's "continuing relationship" with its RS-DVR customers, its control over recordable content, and the "instrumental[ity]" of copying to the RS-DVR system, [*Cablevision I*, 478 F.Supp.2d at 618–20](#)—seem to us more relevant to the question of contributory liability. In [*Sony Corp. of America v. Universal City Studios, Inc.*](#), the lack of an "ongoing relationship" between Sony and its VCR customers supported the Court's conclusion that it should not impose contributory liability on Sony for any infringing copying done by Sony VCR owners. 464 U.S. 417, 437–38, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). The *Sony* Court did deem it "just" to impose liability on a party in a "position to control" the infringing uses of another, but as a contributory, not direct, infringer. *Id.* at 437, 104 S.Ct. 774. And asking whether copying copyrighted material is only "incidental" to a given technology is akin to asking whether that technology has "commercially significant noninfringing uses," another inquiry the *Sony* Court

found relevant to whether imposing *contributory* liability was just. [Id. at 442, 104 S.Ct. 774.](#)

The Supreme Court's desire to maintain a meaningful distinction between direct and contributory copyright infringement is consistent with congressional intent. The Patent Act, unlike the Copyright Act, expressly provides that someone who “actively induces infringement of a patent” is “liable as an infringer,” [35 U.S.C. § 271\(b\)](#), just like someone who commits the underlying infringing act by “us[ing]” a patented invention without authorization, [id. § 271\(a\)](#). In contrast, someone who merely “sells ... a material or apparatus for use in practicing a patented process” faces only liability as a “contributory infringer.” [Id. § 271\(c\)](#). If Congress had meant to assign direct liability to both the person who actually commits a copyright-infringing act and any person who actively induces that infringement, the Patent Act tells us that it knew how to draft a statute that would have this effect. Because Congress did not do so, the [Sony](#) Court concluded that “[t]he Copyright Act does not expressly render anyone liable for infringement committed by another.” [464 U.S. at 434, 104 S.Ct. 774](#). Furthermore, in cases like [Sony](#), the Supreme Court has strongly signaled its intent to use the doctrine of contributory infringement, not direct infringement, to “identify[] the circumstances in which it is just to hold one individual accountable for the actions of another.” [Id. at 435, 104 S.Ct. 774](#). Thus, although [Sony](#) warns us that “the lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn,” [id. at 435 n. 17, 104 S.Ct. 774](#) (internal quotation marks and citation omitted), that decision does not absolve us of our duty to discern where that line falls in cases, like this one, that require us to decide the question.

The district court apparently concluded that Cablevision's operation of the RS–DVR system would contribute in such a major way to the copying done by another that it made sense to say that Cablevision was a direct infringer, and thus, in effect, was “doing” the relevant copying. There are certainly other cases, not binding on us, that follow this approach. *See, e.g., Playboy Enters. v. Russ Hardenburgh, Inc.*, [982 F.Supp. 503, 513 \(N.D.Ohio 1997\)](#) (noting that defendant ISP's encouragement of its users to copy protected files was “crucial” to finding that it was a direct infringer). We need not decide today whether one's contribution to the creation of an infringing copy may be so great that it warrants holding that party directly liable for the infringement, even though another party has actually made the copy. We conclude only that on the facts of this case, copies produced by the RS–DVR system are “made” by the RS–DVR customer, and Cablevision's contribution to this reproduction by providing the system does not warrant the imposition of direct liability. Therefore, Cablevision is entitled to summary judgment on this point, and the district court erred in awarding summary judgment to plaintiffs.

***134 III. Transmission of RS–DVR Playback**

4 Plaintiffs' final theory is that Cablevision will violate the Copyright Act by engaging in unauthorized public performances of their works through the playback of the RS–DVR copies. The Act grants a copyright owner the exclusive right, “in the case of ... motion pictures and other audiovisual works, to perform the copyrighted work publicly.” 17 U.S.C. § 106(4). Section 101, the definitional section of the Act, explains that[t]o perform or display a work “publicly” means (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Id. § 101.

The parties agree that this case does not implicate clause (1). Accordingly, we ask whether these facts satisfy the second, “transmit clause” of the public performance definition: Does Cablevision “transmit ... a performance ... of the work ... to the public”? *Id.* No one disputes that the RS–DVR playback results in the transmission of a performance of a work—the transmission from the Arroyo Server to the customer's television set. Cablevision contends that (1) the RS–DVR customer, rather than Cablevision, does the transmitting and thus the performing and (2) the transmission is not “to the public” under the transmit clause.

As to Cablevision's first argument, we note that our conclusion in Part II that the customer, not Cablevision, “does” the copying does not dictate a parallel conclusion that the customer, and not Cablevision, “performs” the copyrighted work. The definitions that delineate the contours of the reproduction and public performance rights vary in significant ways. For example, the statute defines the verb “perform” and the noun “copies,” but not the verbs “reproduce” or “copy.” *Id.* We need not address Cablevision's first argument further because, even if we assume that Cablevision makes the transmission when an RS–DVR playback occurs, we find that the RS–DVR playback, as described here, does not involve the transmission of a performance “to the public.”

The statute itself does not expressly define the term “performance” or the phrase “to the public.” It does explain that a transmission may be “to the public ... whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” *Id.* This plain language instructs us that, in determining whether a transmission is “to the public,” it is of no moment that the potential recipients of the transmission are in different places, or that they may receive the transmission at different times. The implication from this same language, however, is that it is relevant, in determining whether a transmission is made to the public, to discern who is “capable of receiving” the performance being transmitted. The fact that the

statute says “capable of receiving the performance,” instead of “capable of receiving the transmission,” underscores the fact that a transmission of a performance is itself a performance. Cf. [*Buck v. Jewell-La Salle Realty Co.*, 283 U.S. 191, 197–98, 51 S.Ct. 410, 75 L.Ed. 971 \(1931\)](#).

*135 The legislative history of the transmit clause supports this interpretation. The House Report on the 1976 Copyright Act states that [u]nder the bill, as under the present law, a performance made available *by transmission to the public at large* is “public” even though the recipients are not gathered in a single place, and even if there is no proof that any of the *potential recipients* was operating his receiving apparatus at the time of the transmission. The same principles apply whenever the *potential recipients of the transmission* represent a limited segment of the public, such as the occupants of hotel rooms or the subscribers of a cable television service. [H.R.Rep. No. 94–1476, at 64–65 \(1976\)](#), reprinted in 1976 U.S.C.C.A.N. 5659, 5678 (emphases added).

Plaintiffs also reference a 1967 House Report, issued nearly a decade before the Act we are interpreting, stating that the same principles apply where the transmission is “*capable of reaching* different recipients at different times, as in the case of sounds or images stored in an information system and *capable of being performed or displayed* at the initiative of individual members of the public.” [H.R.Rep. No. 90–83, at 29 \(1967\)](#) (emphases added). We question how much deference this report deserves. But we need not belabor the point here, as the 1967 report is consistent with both legislative history contemporaneous with the Act's passage and our own interpretation of the statute's plain meaning.

From the foregoing, it is evident that the transmit clause directs us to examine who precisely is “capable of receiving” a particular transmission of a performance. Cablevision argues that, because each RS–DVR transmission is made using a single unique copy of a work, made by an individual subscriber, one that can be decoded exclusively by that subscriber's cable box, only one subscriber is capable of receiving any given RS–DVR transmission. This argument accords with the language of the transmit clause, which, as described above, directs us to consider the potential audience of a given transmission. We are unpersuaded by the district court's reasoning and the plaintiffs' arguments that we should consider a larger potential audience in determining whether a transmission is “to the public.”

The district court, in deciding whether the RS–DVR playback of a program to a particular customer is “to the public,” apparently considered all of Cablevision's customers who subscribe to the channel airing that program and all of Cablevision's RS–DVR subscribers who request a copy of that program. Thus, it concluded that the RS–DVR playbacks constituted public performances because “Cablevision would transmit the *same program* to members of the public, who

may receive the performance at different times, depending on whether they view the program in real time or at a later time as an RS-DVR playback.” [*Cablevision I*, 478 F.Supp.2d at 623](#) (emphasis added). In essence, the district court suggested that, in considering whether a transmission is “to the public,” we consider not the potential audience of a particular transmission, but the potential audience of the underlying work (i.e., “the program”) whose content is being transmitted.

We cannot reconcile the district court's approach with the language of the transmit clause. That clause speaks of people capable of receiving a particular “transmission” or “performance,” and not of the potential audience of a particular “work.” Indeed, such an approach would render the “to the public” language surplusage. Doubtless the *potential* audience for every *136 copyrighted audiovisual work is the general public. As a result, any transmission of the content of a copyrighted work would constitute a public performance under the district court's interpretation. But the transmit clause obviously contemplates the existence of non-public transmissions; if it did not, Congress would have stopped drafting that clause after “performance.”

On appeal, plaintiffs offer a slight variation of this interpretation. They argue that both in its real-time cablecast and via the RS-DVR playback, Cablevision is in fact transmitting the “same performance” of a given work: the performance of the work that occurs when the programming service supplying Cablevision's content transmits that content to Cablevision and the service's other licensees. *See* Br. of Pls.-Appellees Twentieth Century Fox Film Corp. et al. at 27 (“Fox Br.”) (“The critical factor ... is that the same *performance* is transmitted to different subscribers at different times more specifically, the *performance* of that program *by HBO or another programming service*.” (third emphasis added)). Thus, according to plaintiffs, when Congress says that to perform a work publicly means to transmit ... a performance ... to the public, they really meant “transmit ... the ‘original performance’ ... to the public.” The implication of this theory is that to determine whether a given transmission of a performance is “to the public,” we would consider not only the potential audience of that transmission, but also the potential audience of any transmission of the same underlying “original” performance.

Like the district court's interpretation, this view obviates any possibility of a purely private transmission. Furthermore, it makes Cablevision's liability depend, in part, on the actions of legal strangers. Assume that HBO transmits a copyrighted work to both Cablevision and Comcast. Cablevision merely retransmits the work from one Cablevision facility to another, while Comcast retransmits the program to its subscribers. Under plaintiffs' interpretation, Cablevision would still be transmitting the performance to the public, solely because Comcast has transmitted the same underlying performance to the public. Similarly, a hapless customer who records a program in his den and later transmits the recording to a television in his bedroom would be liable for publicly

performing the work simply because some other party had once transmitted the same underlying performance to the public.

We do not believe Congress intended such odd results. Although the transmit clause is not a model of clarity, we believe that when Congress speaks of transmitting a performance to the public, it refers to the performance created by the act of transmission. Thus, HBO transmits its own performance of a work when it transmits to Cablevision, and Cablevision transmits its own performance of the same work when it retransmits the feed from HBO.

Furthermore, we believe it would be inconsistent with our own transmit clause jurisprudence to consider the potential audience of an upstream transmission by a third party when determining whether a defendant's own subsequent transmission of a performance is "to the public." In [*National Football League v. PrimeTime 24 Joint Venture \(NFL\)*, 211 F.3d 10 \(2000\)](#), we examined the transmit clause in the context of satellite television provider PrimeTime, which captured protected content in the United States from the NFL, transmitted it from the United States to a satellite ("the uplink"), and then transmitted it from the satellite to subscribers in both the United States and Canada ("the downlink"). PrimeTime had a license to *137 transmit to its U.S. customers, but not its Canadian customers. It argued that although the downlink transmission to its Canadian subscribers was a public performance, it could not be held liable for that act because it occurred entirely outside of the United States and therefore was not subject to the strictures of the Copyright Act. It also argued that the uplink transmission was not a public performance because it was a transmission to a single satellite. See [*id.* at 12](#). The *NFL* court did not question the first assumption, but it flatly rejected the second on a specific and germane ground:

We believe the most logical interpretation of the Copyright Act is to hold that a public performance or display includes each step in the process by which a protected work wends its way to its audience. Under that analysis, it is clear that PrimeTime's uplink transmission of signals captured in the United States is a step in the process by which NFL's protected work wends its way *to a public audience*. [*Id.* at 13](#) (emphasis added) (internal quotation and citation omitted). Thus, while the uplink transmission that took place in the United States was not, in itself, "to the public," the *NFL* court deemed it so because it ultimately resulted in an undisputed public performance. Notably, the *NFL* court did not base its decision on the fact that an upstream transmission by another party (the NFL) might have been to the public. Nor did the court base its decision on the fact that Primetime simultaneously transmitted a performance of the work to the public in the United States. Because *NFL* directs us to look downstream, rather than upstream or laterally, to determine whether any link in a chain of transmissions made by a party constitutes a public performance, we reject plaintiffs' contention that we examine the potential recipients of the content provider's initial transmission to determine who is capable of receiving the RS-DVR playback transmission.

Plaintiffs also rely on *NFL* for the proposition that Cablevision publicly performs a work when it splits its programming stream and transmits the second stream to the RS–DVR system. Because *NFL* only supports that conclusion if we determine that the final transmission in the chain (i.e., the RS–DVR playback transmission) is “to the public,” plaintiffs’ reliance on *NFL* is misplaced. *NFL* dealt with a chain of transmissions whose final link was undisputedly a public performance. It therefore does not guide our current inquiry.

In sum, none of the arguments advanced by plaintiffs or the district court alters our conclusion that, under the transmit clause, we must examine the potential audience of a given transmission by an alleged infringer to determine whether that transmission is “to the public.” And because the RS–DVR system, as designed, only makes transmissions to one subscriber using a copy made by that subscriber, we believe that the universe of people capable of receiving an RS–DVR transmission is the single subscriber whose self-made copy is used to create that transmission. Plaintiffs contend that it is “wholly irrelevant, in determining the existence of a public performance, whether ‘unique’ *copies* of the same work are used to make the transmissions.” Fox Br. at 27. But plaintiffs cite no authority for this contention. And our analysis of the transmit clause suggests that, in general, any factor that limits the *potential* audience of a transmission is relevant.

Furthermore, no transmission of an audiovisual work can be made, we assume, without using a copy of that work: to transmit a performance of a movie, for *138 example, the transmitter generally must obtain a copy of that movie. As a result, in the context of movies, television programs, and other audiovisual works, the right of reproduction can reinforce and protect the right of public performance. If the owner of a copyright believes he is injured by a particular transmission of a performance of his work, he may be able to seek redress not only for the infringing transmission, but also for the underlying copying that facilitated the transmission. Given this interplay between the various rights in this context, it seems quite consistent with the Act to treat a transmission made using Copy A as distinct from one made using Copy B, just as we would treat a transmission made by Cablevision as distinct from an otherwise identical transmission made by Comcast. Both factors—the identity of the transmitter and the source material of the transmission—limit the potential audience of a transmission in this case and are therefore germane in determining whether that transmission is made “to the public.”

Indeed, we believe that [*Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154 \(3d Cir.1984\)](#), relied on by both plaintiffs and the district court, supports our decision to accord significance to the existence and use of distinct copies in our transmit clause analysis. In that case, defendant operated a video rental store, Maxwell’s, which also housed a number of small private booths containing seats and a television. Patrons would select a film, enter the booth, and

close the door. An employee would then load a copy of the requested movie into a bank of VCRs at the front of the store and push play, thereby transmitting the content of the tape to the television in the viewing booth. *See id.* at 156–57. The Third Circuit found that defendants' conduct constituted a public performance under both clauses of the statutory definition. In concluding that Maxwell's violated the transmit clause, that court explicitly relied on the fact that defendants showed the same copy of a work seriatim to its clientele, and it quoted a treatise emphasizing the same fact:

Professor Nimmer's examination of this definition is particularly pertinent: “*if the same copy ... of a given work is repeatedly played (i.e., ‘performed’) by different members of the public, albeit at different times, this constitutes a ‘public’ performance.*” 2 M. Nimmer, § 8.14[C][3], at 8–142 (emphasis in original).... Although Maxwell's has only one copy of each film, it shows each copy repeatedly to different members of the public. This constitutes a public performance. *Id.* at 159 (first omission in original).

Unfortunately, neither the *Redd Horne* court nor Prof. Nimmer explicitly explains *why* the use of a distinct copy affects the transmit clause inquiry. But our independent analysis confirms the soundness of their intuition: the use of a unique copy may limit the potential audience of a transmission and is therefore relevant to whether that transmission is made “to the public.” Plaintiffs' unsupported arguments to the contrary are unavailing. Given that each RS–DVR transmission is made to a given subscriber using a copy made by that subscriber, we conclude that such a transmission is not “to the public,” without analyzing the contours of that phrase in great detail. No authority cited by the parties or the district court persuades us to the contrary.

In addition to *Redd Horne*, the district court also cited and analyzed *On Command Video Corp. v. Columbia Pictures Industries*, 777 F.Supp. 787 (N.D.Cal.1991), in its transmit clause analysis. In that case, defendant On Command developed *139 and sold “a system for the electronic delivery of movie video tapes,” which it sold to hotels. *Id.* at 788. The hub of the system was a bank of video cassette players, each containing a copy of a particular movie. From his room, a hotel guest could select a movie via remote control from a list on his television. The corresponding cassette player would start, and its output would be transmitted to that guest's room. During this playback, the movie selected was unavailable to other guests. *See id.* The court concluded that the transmissions made by this system were made to the public “because the relationship between the transmitter of the performance, On Command, and the audience, hotel guests, is a commercial, ‘public’ one regardless of where the viewing takes place.” *Id.* at 790.

Thus, according to the [On Command](#) court, any commercial transmission is a transmission “to the public.” We find this interpretation untenable, as it completely rewrites the language of the statutory definition. If Congress had wished to make all commercial transmissions public performances, the transmit clause would read: “to perform a work publicly means ... to transmit a performance for commercial purposes.” In addition, this interpretation overlooks, as Congress did not, the possibility that even non-commercial transmissions to the public may diminish the value of a copyright. Finally, like [Redd Horne, On Command](#) is factually distinguishable, as successive transmissions to different viewers in that case could be made using a single copy of a given work. Thus, at the moment of transmission, any of the hotel's guests was capable of receiving a transmission made using a single copy of a given movie. As a result, the district court in this case erred in relying on [On Command](#).

Plaintiffs also rely on [Ford Motor Co. v. Summit Motor Products, Inc., 930 F.2d 277 \(3d Cir.1991\)](#), in which the Third Circuit interpreted [§ 106\(3\)](#) of the Copyright Act, which gives the copyright holder the exclusive right “to distribute copies ... of the copyrighted work *to the public*,” [17 U.S.C. § 106\(3\)](#) (emphasis added). The court concluded that “even one person can be the public *for the purposes of section 106(3)*.” [Ford, 930 F.2d at 299](#) (emphasis added). Commentators have criticized the [Ford](#) court for divesting the phrase “to the public” of “all meaning whatsoever,” 2 Nimmer & Nimmer, *supra*, § 8.11[A], at 8–149, and the decision does appear to have that result. Whether this result was justified in the context of the distribution right is not for us to decide in this case. We merely note that we find no compelling reason, in the context of the transmit clause and the public performance right, to interpret the phrase “to the public” out of existence.

In sum, we find that the transmit clause directs us to identify the potential audience of a given transmission, i.e., the persons “capable of receiving” it, to determine whether that transmission is made “to the public.” Because each RS–DVR playback transmission is made to a single subscriber using a single unique copy produced by that subscriber, we conclude that such transmissions are not performances “to the public,” and therefore do not infringe any exclusive right of public performance. We base this decision on the application of undisputed facts; thus, Cablevision is entitled to summary judgment on this point.

This holding, we must emphasize, does not generally permit content delivery networks to avoid all copyright liability by making copies of each item of content and associating one unique copy with each subscriber to the network, or by giving their subscribers the capacity to make their own individual copies. We do not address whether such a network operator would be *140 able to escape any other form of copyright liability, such as liability for unauthorized reproductions or liability for contributory infringement.

In sum, because we find, on undisputed facts, that Cablevision's proposed RS-DVR system would not directly infringe plaintiffs' exclusive rights to reproduce and publicly perform their copyrighted works, we grant summary judgment in favor of Cablevision with respect to both rights.

CONCLUSION

For the foregoing reasons, the district court's award of summary judgment to the plaintiffs is Reversed and the district court's injunction against Cablevision is Vacated. The case is Remanded for further proceedings consistent with this opinion.

Footnotes

¹To run a computer program, the data representing that program must be transferred from a data storage medium (such as a floppy disk or a hard drive) to a form of Random Access Memory ("RAM") where the data can be processed. The data buffers at issue here are also a form of RAM.

²The same reasoning also distinguishes this court's opinion in *Matthew Bender & Co. v. West Publishing Co.*, 158 F.3d 693 (2d Cir.1998). Language in that opinion, taken out of context, suggests that the definition of "fixed" imposes only an embodiment requirement: "Under § 101's definition of 'copies,' a work satisfies the fixation requirement when it is fixed in a material object from which it can be perceived or communicated directly or with the aid of a machine." *Id.* at 702. Like the *MAI Systems* cases, *Matthew Bender* only addresses the embodiment requirement: specifically, whether West's copyrighted arrangement of judicial opinions was "embedded" in a CD-ROM compilation of opinions when the cases were normally arranged differently but could be manipulated by the user to replicate West's copyrighted arrangement. *Id.* at 703. The opinion merely quotes the duration language without discussing it, *see id.* at 702; that case therefore does not compel us to conclude that the definition of "fixed" does not impose a duration requirement.

712 F.3d 676

United States Court of Appeals,
Second Circuit.

[WNET](#), THIRTEEN, Fox Television Stations, Inc., Twentieth Century Fox Film Corporation, WPIX, Inc., Univision Television Group, Inc., The Univision Network Limited Partnership, and Public Broadcasting Service, Plaintiffs–Counter–Defendants–Appellants,

v.

AEREO, INC., f/k/a Bamboom Labs, Inc., Defendant–Counter–Claimant–Appellee.

American Broadcasting Companies, Inc., Disney Enterprises, Inc., CBS Broadcasting Inc., CBS Studios Inc., NBCUniversal Media, LLC, [NBC Studios, LLC](#), Universal Network Television, LLC,

Synopsis

Background: Holders of copyrights to broadcast television programs sued a provider of “live” Internet broadcasts, alleging, inter alia, copyright infringement. The United States District Court for the Southern District of New York, [Alison J. Nathan, J.](#), [874 F.Supp.2d 373](#), denied plaintiffs' motion for preliminary injunction barring defendant from transmitting recorded broadcast television programs to its subscribers while programs were airing on broadcast television. Plaintiffs appealed.

Holdings: The Court of Appeals, [Droney](#), Circuit Judge, held that:

[1](#) transmissions of “live” Internet broadcasts by provider likely were not public performances;

[2](#) holders did not demonstrate sufficiently serious questions going to merits of claim of infringement; and

[3](#) balance of hardships did not tip decidedly in favor of the copyright holders.

Affirmed.

[Chin](#), Circuit Judge, filed dissenting opinion.

Opinion

Judge [CHIN](#) dissents in a separate opinion.

[DRONEY](#), Circuit Judge:

Aereo, Inc. (“Aereo”) enables its subscribers to watch broadcast television programs over the internet for a monthly fee. Two groups of plaintiffs, holders of copyrights in programs broadcast on network television, filed copyright infringement actions against Aereo in the United States District Court for the Southern District of New York. They moved for a preliminary injunction barring Aereo from transmitting programs to its subscribers while the programs are still airing, claiming that those transmissions infringe their exclusive right to publicly perform their works. The district court ([Nathan, J.](#)) denied the motion, concluding

that the plaintiffs were unlikely to prevail on the merits in light of our prior decision in [*Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121 \(2d Cir.2008\)](#) (“*Cablevision*”). We agree and affirm the order of the district court denying the motion for a preliminary injunction.¹

BACKGROUND

The parties below agreed on all but one of the relevant facts of Aereo's system, namely whether Aereo's antennas operate independently or as a unit. The district court resolved that issue, finding that Aereo's antennas operate independently. The Plaintiffs do not appeal that factual finding. Thus the following facts are undisputed.

I. Aereo's System

Aereo transmits to its subscribers broadcast television programs over the internet for a monthly subscription fee. Aereo is currently limited to subscribers living in New York City and offers only New York area channels. It does not have any license from copyright holders to record or transmit their programs. The details of Aereo's system are best explained from two perspectives. From its subscribers' perspective, Aereo functions much like a television with a remote Digital Video Recorder (“DVR”) and Slingbox.² Behind the scenes, Aereo's system *681 uses antennas and a remote hard drive to create individual copies of the programs Aereo users wish to watch while they are being broadcast or at a later time. These copies are used to transmit the programs to the Aereo subscriber.

A. The Subscriber's Perspective

Aereo subscribers begin by logging on to their account on Aereo's website using a computer or other internet-connected device. They are then presented with a programming guide listing broadcast television programs now airing or that will air in the future. If a user selects a program that is currently airing, he is presented with two options: “Watch” and “Record.” If the user selects “Watch,” the program he selected begins playing, but the transmission is briefly delayed relative to the live television broadcast.³ Thus the user can watch the program nearly live, that is, almost contemporaneously with the over-the-air broadcast. While the user is watching the program with the “Watch” function, he can pause or rewind it as far back as the point when the user first began watching the program.⁴ This may result in the user watching the program with the “Watch” feature after the over-the-air broadcast has ended. At any point while watching the program with the “Watch” feature, the user can select the “Record” button, which will cause Aereo's system to save a copy of the program for later viewing. The recorded copy of the program will begin from the point when the user first began watching the program, not from the time when the user first pressed the “Record” button.⁵ If a user in

“Watch” mode does not press “Record” before the conclusion of the program, the user is not able to watch that program again later.

An Aereo user can also select a program that is currently airing and press the “Record” button. In that case, a copy of the program will be saved for later viewing. However, the “Record” function can also be used to watch a program nearly live, because the user can begin playback of the program being recorded while the recording is being made. Thus the difference between selecting the “Watch” and the “Record” features for a program currently airing is that the “Watch” feature begins playback and a copy of the program is not retained for later viewing, while the “Record” feature saves a copy for later viewing but does not begin playback without further action by the user.

If an Aereo user selects a program that will air in the future, the user's only option is the “Record” function. When the user selects that function, Aereo's system will record the program when it airs, saving a copy for the user to watch later. An Aereo user cannot, however, choose either to “Record” or “Watch” a program that has already finished airing if he did not previously elect to record the program.

The final notable feature of Aereo's system is that users can watch Aereo programming on a variety of devices. Aereo's *682 primary means of transmitting a program to a user is via an internet browser, which users can access on their computers. Aereo users can also watch programs on mobile devices such as tablets or smart phones using mobile applications. Finally, Aereo subscribers can watch Aereo on an internet-connected TV or use a stand-alone device to connect their non-internet TVs to Aereo.

Aereo's system thus provides the functionality of three devices: a standard TV antenna, a DVR, and a Slingbox-like device. These devices allow one to watch live television with the antenna; pause and record live television and watch recorded programming using the DVR; and use the Slingbox to watch both live and recorded programs on internet-connected mobile devices.

B. The Technical Aspects of Aereo's System

Aereo has large antenna boards at its facility in Brooklyn, New York. Each of these boards contains approximately eighty antennas, which consist of two metal loops roughly the size of a dime. These boards are installed parallel to each other in a large metal housing such that the antennas extend out of the housing and can receive broadcast TV signals. Aereo's facility thus uses thousands of individual antennas to receive broadcast television channels.⁶

When an Aereo user selects a program to watch or record, a signal is sent to Aereo's antenna server. The antenna server assigns one of the individual antennas and a transcoder to the user. The antenna server tunes that antenna to the broadcast frequency of the channel showing the program the user wishes to watch or record. The server transcodes the data received by this antenna, buffers it, and sends it to another Aereo server, where a copy of the program is saved to a large hard drive

in a directory reserved for that Aereo user. If the user has chosen to “Record” the program, the Aereo system will create a complete copy of the program for that user to watch later. When the user chooses to view that program, Aereo's servers will stream the program to the user from the copy of the program saved in the user's directory on the Aereo server. If the user instead has chosen to “Watch” the program, the same operations occur, except that once six or seven seconds of programming have been saved in the hard drive copy of the program in the user's directory on the Aereo server, the Aereo system begins streaming the program to the user from this copy. Thus even when an Aereo user is watching a program using the “Watch” feature, he is not watching the feed directly or immediately from the antenna assigned to him. Rather the feed from that antenna is used to create a copy of the program on the Aereo server, and that copy is then transmitted to the user. If at any point before the program ends, the user in “Watch” mode selects “Record,” the copy of the program is retained for later viewing. If the user does not press “Record” before the program ends, the copy of the program created for and used to transmit the program to the user is automatically deleted when it has finished playing.

Three technical details of Aereo's system merit further elaboration. First, Aereo *683 assigns an individual antenna to each user. No two users share the same antenna at the same time, even if they are watching or recording the same program.⁷ Second, the signal received by each antenna is used to create an individual copy of the program in the user's personal directory. Even when two users are watching or recording the same program, a separate copy of the program is created for each. Finally, when a user watches a program, whether nearly live or previously recorded, he sees his individual copy on his TV, computer, or mobile-device screen. Each copy of a program is only accessible to the user who requested that the copy be made, whether that copy is used to watch the program nearly live or hours after it has finished airing; no other Aereo user can ever view that particular copy.

II. The Present Suits

Two groups of plaintiffs (the “Plaintiffs”) filed separate copyright infringement actions against Aereo in the Southern District of New York. They asserted multiple theories, including infringement of the public performance right, infringement of the right of reproduction, and contributory infringement. ABC and its co-plaintiffs moved for a preliminary injunction barring Aereo from transmitting television programs to its subscribers while the programs were still being broadcast. The two sets of plaintiffs agreed to proceed before the district court in tandem, and the motion for preliminary injunction was pursued in both actions simultaneously.

Following expedited briefing and discovery and an evidentiary hearing, the district court denied the Plaintiffs' motion. [*Am. Broad. Cos., Inc. v. Aereo*, 874](#)

[F.Supp.2d 373, 405 \(S.D.N.Y.2012\)](#). The district court began its analysis with the first factor relevant to granting a preliminary injunction: whether the Plaintiffs have demonstrated a likelihood of success on the merits. [Id. at 381](#) (citing [Salinger v. Colting](#), 607 F.3d 68, 80 (2d Cir.2010)). The district court found that this factor was determined by our prior decision in [Cablevision](#), 536 F.3d 121. [Aereo](#), 874 F.Supp.2d at 381–82. After a lengthy discussion of the facts and analysis of that decision, the district court concluded that Aereo's system was not materially distinguishable from Cablevision's Remote Storage Digital Video Recorder system, which we held did not infringe copyright holders' public performance right. [Id. at 385–86](#). The district court found unpersuasive each of the Plaintiffs' arguments attempting to distinguish [Cablevision](#). See [id. at 386–96](#). Thus the court concluded that the Plaintiffs were unlikely to prevail on the merits. [Id. at 396](#). The district court then considered the other three preliminary injunction factors. First, the court concluded that the Plaintiffs had demonstrated a likelihood that they would suffer irreparable harm in the absence of a preliminary injunction. [Id. at 396–402](#). But second, the district court found that an injunction would severely harm Aereo, likely ending its business. [Id. at 402–03](#). As such, the balance of hardships did not tip “decidedly” in favor of the Plaintiffs. [Id. at 403](#). Finally, the district court concluded that an injunction “would not disserve the public interest.” [Id. at 403–04](#). Because the Plaintiffs had not demonstrated a likelihood of success on the merits or a balance of hardship tipping decidedly in their favor, the district court denied their motion for a preliminary injunction. [Id. at 405](#). The Plaintiffs promptly filed an interlocutory appeal, and this case was briefed on an expedited schedule.

DISCUSSION

¹² We review a district court's denial of a preliminary injunction for abuse of discretion. [WPIX, Inc. v. ivi, Inc.](#), 691 F.3d 275, 278 (2d Cir.2012). A district court abuses its discretion when its decision rests on legal error or a clearly erroneous factual finding, or when its decision, though not the product of legal error or a clearly erroneous factual finding, cannot be located within the range of permissible decisions. [Id.](#)

³⁴⁵⁶ Our decisions identify four factors relevant to granting a preliminary injunction for copyright infringement. First, a district court may issue a preliminary injunction “only if the plaintiff has demonstrated either (a) a likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the plaintiff's favor.” [Salinger v. Colting](#), 607 F.3d 68, 79 (2d Cir.2010) (internal citation and quotation marks omitted). Second, a plaintiff seeking a preliminary injunction must demonstrate “ ‘that he is likely to suffer irreparable injury in the absence of’ ” an injunction. [Id. at 79–80](#) (quoting [Winter v. Natural Res. Def. Council](#), 555 U.S. 7, 20, 129 S.Ct. 365, 172 L.Ed.2d 249 (2008)). A court may not presume irreparable injury in the copyright context;

rather the plaintiff must demonstrate actual harm that cannot be remedied later by damages should the plaintiff prevail on the merits. *Id.* at 80 (citing [eBay Inc. v. MercExchange, L.L.C.](#), 547 U.S. 388, 391, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006)). Third, a district court “must consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff’s favor.” *Id.* Fourth and finally, “the court must ensure that ‘the public interest would not be disserved’ by the issuance of a preliminary injunction.” *Id.* (quoting [eBay](#), 547 U.S. at 391, 126 S.Ct. 1837).

The outcome of this appeal turns on whether Aereo’s service infringes the Plaintiffs’ public performance right under the Copyright Act. The district court denied the injunction, concluding, as mentioned above, that (1) Plaintiffs were not likely to prevail on the merits given our prior decision in [Cablevision](#) and (2) the balance of hardships did not tip “decidedly” in the Plaintiffs’ favor. [Aereo](#), 874 F.Supp.2d at 405. Plaintiffs’ likelihood of success on the merits depends on whether Aereo’s service infringes Plaintiffs’ copyrights. And, as we discuss further below, the balance of hardships is largely a function of whether the harm Aereo would suffer from the issuance of an injunction is legally cognizable, which in turn depends on whether Aereo is infringing the Plaintiffs’ copyrights. *See* [ivi](#), 691 F.3d at 287. As a result, a preliminary injunction can only be granted if Plaintiffs can show that Aereo infringes their public performance right. We now turn to that issue.

I. The Public Performance Right

The 1976 Copyright Act (the “Act”) gives copyright owners several exclusive rights and then carves out a number of exceptions. The fourth of these rights, at issue in this appeal, is the copyright owner’s exclusive right “in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures *685 and other audiovisual works, to perform the copyrighted work publicly.” [17 U.S.C. § 106\(4\)](#). The Act defines “perform” as “to recite, render, play, dance, or act [a work], either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.” [17 U.S.C. § 101](#).

The Act also states:

To perform or display a work “publicly” means—

- (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

[17 U.S.C. § 101](#). This appeal turns on the second clause of this definition (the “Transmit Clause” or “Clause”).

The relevant history of the Transmit Clause begins with two decisions of the Supreme Court, [Fortnightly Corp. v. United Artists Television, Inc.](#), 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968), and [Teleprompter Corp. v. Columbia Broadcasting System, Inc.](#), 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974). These decisions held that under the then-current 1909 Copyright Act, which lacked any analog to the Transmit Clause, a cable television system that received broadcast television signals via antenna and retransmitted these signals to its subscribers via coaxial cable did not “perform” the copyrighted works and therefore did not infringe copyright holders’ public performance right. [Teleprompter](#), 415 U.S. at 408, 94 S.Ct. 1129; [Fortnightly](#), 392 U.S. at 399–401, 88 S.Ct. 2084. Even before these cases were decided, Congress had begun drafting a new copyright act to respond to changes in technology, most notably, cable television.

These efforts resulted in the 1976 Copyright Act. The Act responded to the emergence of cable television systems in two ways. First, it added the Transmit Clause. The legislative history shows that the Transmit Clause was intended in part to abrogate [Fortnightly](#) and [Teleprompter](#) and bring a cable television system’s retransmission of broadcast television programming within the scope of the public performance right. [H.R. Rep. 94–1476](#), 1976 U.S.C.C.A.N. 5659, at 63 (1976) (“House Report”) (“[A] sing[er] is performing when he or she sings a song; a broadcasting network is performing when it transmits his or her performance (whether simultaneously or from records); a local broadcaster is performing when it transmits the network broadcast; a cable television system is performing when it retransmits the broadcast to its subscribers; and any individual is performing when he or she plays a phonorecord embodying the performance or communicates it by turning on a receiving set.”). Second, Congress recognized that requiring cable television systems to obtain a negotiated license from individual copyright holders may deter further investment in cable systems, so it created a compulsory license for retransmissions by cable systems.⁸ See [17 U.S.C. § 111\(d\)](#).

*686 Plaintiffs claim that Aereo’s transmissions of broadcast television programs while the programs are airing on broadcast television fall within the plain language of the Transmit Clause and are analogous to the retransmissions of network programming made by cable systems, which the drafters of the 1976 Copyright Act viewed as public performances. They therefore believe that Aereo is publicly performing their copyrighted works without a license.⁹ In evaluating their claims, we do not work from a blank slate. Rather, this Court in [Cablevision](#), 536 F.3d 121, closely analyzed and construed the Transmit Clause in a similar factual context. Thus the question of whether Aereo’s transmissions are public performances under the Transmit Clause must begin with a discussion of [Cablevision](#).

II. *Cablevision's* Interpretation of the Transmit Clause

In [*Cablevision*, 536 F.3d 121](#), we considered whether Cablevision's Remote Storage Digital Video Recorder ("RS-DVR") infringed copyright holders' reproduction and public performance rights. Cablevision, a cable television system, wished to offer its customers its newly designed RS-DVR system, which would give them the functionality of a stand-alone DVR via their cable set-top box. [536 F.3d at 124–25](#). Before the development of the RS-DVR system, Cablevision would receive programming from various content providers, such as ESPN or a local affiliate of a national broadcast network, process it, and transmit it to its subscribers through coaxial cable in real time. *Id.* With the RS-DVR system, Cablevision split this stream into two. One stream went out to customers live as before. The second stream was routed to a server, which determined whether any Cablevision customers had requested to record a program in the live stream with their RS-DVR. If so, the data for that program was buffered, and a copy of that program was created for that Cablevision customer on a portion of a Cablevision remote hard drive assigned solely to that customer. Thus if 10,000 Cablevision customers wished to record the Super Bowl, Cablevision would create 10,000 copies of the broadcast, one for each customer. A customer who requested that the program be recorded could later play back the program using his cable remote, and Cablevision would transmit the customer's saved copy of that program to the customer. Only the customer who requested that the RS-DVR record the program could access the copy created for him; no other Cablevision customer could view this particular copy.¹⁰ See [536 F.3d at 124–25](#).

Copyright holders in movies and television programs sued, arguing that Cablevision's RS-DVR system infringed their reproduction right by creating unauthorized *687 copies of their programs and their public performance right by transmitting these copies to Cablevision customers who previously requested to record the programs using their RS-DVRs. The district court granted the plaintiffs' motion for summary judgment and issued an injunction against Cablevision. See [*Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp.*, 478 F.Supp.2d 607 \(S.D.N.Y.2007\)](#). The court found that the RS-DVR infringed the plaintiffs' reproduction right in two ways: (1) by creating temporary buffer copies of programs in order to create a permanent copy for each of its customers on its hard drives and (2) by creating a permanent copy of the program for each customer. *Id.* at 617–22. The court also found that Cablevision's transmission of a recorded program to the customer who had requested to record the program was a public performance under the Transmit Clause and therefore was infringing on that basis as well. *Id.* at 622–23.

This Court reversed on all three issues. [*Cablevision*, 536 F.3d at 140](#). Because the Plaintiffs in the present cases did not pursue their claim that Aereo infringes their reproduction right in the injunction application before the district court, we need not discuss the two reproduction right holdings of [*Cablevision*](#)

except where relevant to the public performance issue. Instead, we will focus on [Cablevision's](#) interpretation of the public performance right and the Transmit Clause, which the court below found determinative of the injunction application.

The [Cablevision](#) court began by discussing the language and legislative history of the Transmit Clause. [536 F.3d at 134–35](#). Based on language in the Clause specifying that a transmission may be “to the public ... whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times,” [17 U.S.C. § 101](#), this Court concluded that “it is of no moment that the potential recipients of the transmission are in different places, or that they may receive the transmission at different times.” [536 F.3d at 134](#). As the language makes plain, in determining whether a transmission is to the public it is important “to discern who is ‘capable of receiving’ the performance being transmitted.” *Id.* (quoting [17 U.S.C. § 101](#)). [Cablevision](#) then decided that “capable of receiving the performance” refers not to the performance of the underlying work being transmitted but rather to the transmission itself, since the “transmission of a performance is itself a performance.” *Id.* The Court therefore concluded that “the transmit clause directs us to examine who precisely is ‘capable of receiving’ *a particular transmission of a performance*.” [536 F.3d at 135](#) (emphasis added).

In adopting this interpretation of the Transmit Clause, [Cablevision](#) rejected two alternative readings. First, it considered the interpretation accepted by the district court in that case. According to that view, a transmission is “to the public,” not based on the “potential audience of a particular transmission” but rather based on the “potential audience of the underlying work (i.e., ‘the program’) whose content is being transmitted.” *Id.* at 135. The [Cablevision](#) court rejected this interpretation of the Transmit Clause. Given that “the *potential* audience for every copyrighted audiovisual work is the general public,” this interpretation would render the “to the public” language of the Clause superfluous and contradict the Clause’s obvious contemplation of non-public transmissions. *Id.* at 135–36.

Second, the [Cablevision](#) court considered “a slight variation of this interpretation” offered by the plaintiffs. *Id.* Plaintiffs *688 argued that “both in its real-time cablecast and via the RS–DVR playback, Cablevision is in fact transmitting the ‘same performance’ of a given work: the performance that occurs when the programming service supplying Cablevision’s content transmits that content to Cablevision and the service’s other licensees.” *Id.* In this view, the Transmit Clause requires courts to consider “not only the potential audience [of a particular] transmission, but also the potential audience of any transmission of the same underlying ‘original’ performance.” *Id.* This interpretation of the Transmit Clause would aggregate all transmissions of the same underlying performance, and if these transmissions enabled the performance to reach the public, each transmission, regardless of its potential audience, should be deemed a public performance. [Cablevision](#) rejected this view because it would make a seemingly

private transmission public by virtue of actions taken by third parties. *Id.* For example, if a person records a program and then transmits that recording to a television in another room, he would be publicly performing the work because some other party, namely the original broadcaster, had once transmitted the same performance to the public. *Id.* The *Cablevision* court concluded that Congress could not have intended “such odd results”; instead, the Transmit Clause directed courts to consider only the potential audience of the “performance created by the act of transmission.” *Id.* The *Cablevision* court found this interpretation consistent with prior opinions of this Court construing the Clause. *Id.*; see *Nat'l Football League v. PrimeTime 24 Joint Venture*, 211 F.3d 10 (2d Cir.2000).

Finally, the *Cablevision* court considered *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154 (3d Cir.1984). In *Redd Horne*, the defendant operated a video rental store that utilized private booths containing individual televisions. Customers would select a movie from the store's catalog and enter a booth. A store employee would then load a copy of the movie into a VCR hard-wired to the TV in the customer's booth and transmit the content of the tape to the television in the booth. See 749 F.2d at 156–57. The Third Circuit, following an interpretation of the Transmit Clause first advanced by Professor Nimmer, held that this was a public performance because the same copy of the work, namely the individual video cassette, was repeatedly “performed” to different members of the public at different times. *Id.* at 159 (quoting 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.14[C][3], at 8.192.8(1) (Matthew Bender rev. ed.)). The *Cablevision* court endorsed this conclusion¹¹; whether *689 a transmission originates from a distinct or shared copy is relevant to the Transmit Clause analysis because “the use of a unique copy may limit the potential audience of a transmission and is therefore relevant to whether that transmission is made ‘to the public.’ ” 536 F.3d at 138.

Applying this interpretation of the Transmit Clause to the facts of the RS–DVR, the *Cablevision* court concluded that Cablevision's transmission of a recorded program to an individual subscriber was not a public performance. *Id.* Each transmission of a program could be received by only one Cablevision customer, namely the customer who requested that the copy be created. No other Cablevision customer could receive a transmission generated from that particular copy. The “universe of people capable of receiving an RS–DVR transmission is the single subscriber whose self-made copy is used to create that transmission.” *Id.* at 137. The transmission was therefore not made “to the public” within the meaning of the Transmit Clause and did not infringe the plaintiffs' public performance right. *Id.* at 138.

⁷⁸⁹¹⁰ We discuss *Cablevision's* interpretation of the Transmit Clause in such detail because that decision establishes four guideposts that determine the outcome of this appeal. First and most important, the Transmit Clause directs courts to consider the potential audience of the individual transmission. See *id.* at

[135](#). If that transmission is “capable of being received by the public” the transmission is a public performance; if the potential audience of the transmission is only one subscriber, the transmission is not a public performance, except as discussed below. Second and following from the first, private transmissions—that is those not capable of being received by the public—should not be aggregated. It is therefore irrelevant to the Transmit Clause analysis whether the public is capable of receiving the same underlying work or original performance of the work by means of many transmissions. See [id. at 135–37](#). Third, there is an exception to this no-aggregation rule when private transmissions are generated from the same copy of the work. In such cases, these private transmissions *should* be aggregated, and if these aggregated transmissions from a single copy enable the public to view that copy, the transmissions are public performances. See [id. at 137–38](#). Fourth and finally, “any factor that limits the *potential* audience of a transmission is relevant” to the Transmit Clause analysis. [Id. at 137](#).

II. *Cablevision's* Application to Aereo's System

[11](#) As discussed above, [Cablevision's](#) holding that Cablevision's transmissions of programs recorded with its RS–DVR system were not public performances rested on two essential facts. First, the RS–DVR system created unique copies of every program a Cablevision customer wished to record. [536 F.3d at 137](#). Second, the RS–DVR's transmission of the recorded program to a particular customer was generated from that unique copy; no other customer could view a transmission created by that copy. [Id.](#) Given these two features, the potential audience of every RS–DVR transmission was only a single Cablevision subscriber, namely the subscriber who created the copy.^{[12](#)} And because the *690 potential audience of the transmission was only one Cablevision subscriber, the transmission was not made “to the public.”

The same two features are present in Aereo's system. When an Aereo customer elects to watch or record a program using either the “Watch” or “Record” features, Aereo's system creates a unique copy of that program on a portion of a hard drive assigned only to that Aereo user. And when an Aereo user chooses to watch the recorded program, whether (nearly) live or days after the program has aired, the transmission sent by Aereo and received by that user is generated from that unique copy. No other Aereo user can ever receive a transmission from that copy. Thus, just as in [Cablevision](#), the potential audience of each Aereo transmission is the single user who requested that a program be recorded.

Plaintiffs offer various arguments attempting to distinguish [Cablevision](#) from the Aereo system. First, they argue that [Cablevision](#) is distinguishable because Cablevision had a license to transmit programming in the first instance, namely when it first aired the programs; thus the question was whether Cablevision needed an additional license to retransmit the programs recorded by its RS–DVR system. Aereo, by contrast, has no license. This argument fails, as the question is

whether Aereo's transmissions are public performances of the Plaintiffs' copyrighted works. If so, Aereo needs a license to make such public performances; if they are not public performances, it needs no such license. Thus whether Aereo has a license is not relevant to whether its transmissions are public and therefore must be licensed. This argument by the Plaintiffs also finds no support in the [Cablevision](#) opinion. [Cablevision](#) did not hold that Cablevision's RS-DVR transmissions were *licensed* public performances; rather it held they were not public performances. It does not appear that the [Cablevision](#) court based its decision that Cablevision's RS-DVR transmissions were non-public transmissions on Cablevision's license to broadcast the programs live. Indeed, such a conclusion would have been erroneous, because having a license to publicly perform a work in a particular instance, such as to broadcast a television program live, does not give the licensee the right to perform the work again. That Cablevision had a license to transmit copyrighted works when they first aired thus should have no bearing on whether it needed a license to retransmit these programs as part of its RS-DVR system. Indeed, if this interpretation of [Cablevision](#) were correct, Cablevision would not need a license to retransmit programs using video-on-demand and there would have been no reason for Cablevision to construct an RS-DVR system employing individual copies. Second, Plaintiffs argue that discrete transmissions should be aggregated to determine whether they are public performances. This argument has two aspects. Plaintiffs first argue that because Aereo's discrete transmissions enable members of the public to receive “the same performance (i.e., Aereo's retransmission of a program)” they are transmissions made “to the public.” Br. of Pls.-Appellants Am. Broad. Cos., et al. at 19. But this is nothing more than the [Cablevision](#) plaintiffs' interpretation of the Transmit Clause, as it equates Aereo's transmissions with the original broadcast made by the over-the-air network rather than treating Aereo's transmissions as independent performances. See [536 F.3d at 136](#). This approach was explicitly rejected by the [Cablevision](#) court. See *id.*

Plaintiffs also argue that the Copyright Act requires that all of Aereo's discrete transmissions “be aggregated and viewed *691 collectively as constituting a public performance.” Br. of Pls.-Appellants WNET, Thirteen, et al. at 34. This is not contrary to [Cablevision](#), they argue, because [Cablevision](#) only held that transmissions of the same performance or work made by different entities should not be aggregated. On their view, discrete transmissions of the same performance or work made by the same entity should be aggregated to determine whether a public performance has occurred. This argument is also foreclosed by [Cablevision](#). First, [Cablevision](#) made clear that the relevant inquiry under the Transmit Clause is the potential audience of a particular transmission, not the potential audience for the underlying work or the particular performance of that work being transmitted. See [536 F.3d at 135](#). But the only reason to aggregate Aereo's discrete transmissions along the lines suggested by Plaintiffs is that they are discrete transmissions *of the same performance or work*. Thus Plaintiffs are asking us to adopt a reading of the Transmit Clause that is contrary to that adopted

by [Cablevision](#) because it focuses on the potential audience of the performance or work being transmitted, not the potential audience of the particular transmission. Second, Plaintiffs provide no reason why Aereo's multiple, audience-of-one transmissions of unique copies of the same underlying program should be aggregated but not Cablevision's multiple, audience-of-one transmissions of unique copies of the same underlying program. Both Aereo and Cablevision are making multiple private transmissions of the same work, so adopting the Plaintiffs' approach and aggregating all transmissions made by the same entity would require us to find that both are public performances. While it does not appear that [Cablevision](#) explicitly rejected this view, interpreting the Transmit Clause as the Plaintiffs urge so as to aggregate Aereo's transmissions would, if fairly applied to the facts of [Cablevision](#), require us to aggregate Cablevision's distinct RS-DVR transmissions. For these reasons, we cannot accept Plaintiffs' arguments that Aereo's transmissions to a single Aereo user, generated from a unique copy created at the user's request and only accessible to that user, should be aggregated for the purposes of determining whether they are public performances.

Plaintiffs' third argument for distinguishing [Cablevision](#) is that [Cablevision](#) was decided based on an analogy to a typical VCR, with the RS-DVR simply an upstream version, but Aereo's system is more analogous to a cable television provider. While it is true that the [Cablevision](#) court did compare the RS-DVR system to the stand-alone VCR, these comparisons occur in the section of that opinion discussing Cablevision's potential liability for infringing the plaintiffs' reproduction right. See [536 F.3d at 131](#). No part of [Cablevision's](#) analysis of the public performance right appears to have been influenced by any analogy to the stand-alone VCR. Moreover, this Court has followed [Cablevision's](#) interpretation of the Transmit Clause in the context of internet music downloads. See [United States v. Am. Soc'y of Composers, Authors & Publishers](#), 627 F.3d 64, 73–76 (2d Cir.2010) (“*ASCAP* ”); see also [United States v. Am. Soc'y of Composers, Authors & Publishers \(Application of Cellco P'Ship\)](#), 663 F.Supp.2d 363, 371–74 (S.D.N.Y.2009) (following [Cablevision's](#) analysis of the Transmit Clause in the context of cellphone ringtones). Thus we see no support in [Cablevision](#) or in this Court's subsequent decisions for the Plaintiffs' argument that [Cablevision's](#) interpretation of the Transmit Clause is confined to technologies similar to the VCR.¹³

*692 Plaintiffs' fourth argument for distinguishing [Cablevision](#) is that Cablevision's RS-DVR copies “broke the continuous chain of retransmission to the public” in a way that Aereo's copies do not. Br. of Pls.-Appellants Am. Broad. Cos., et al. at 39. Specifically, they argue that Aereo's copies are merely a device by which Aereo enables its users to watch nearly live TV, while Cablevision's copies, by contrast, could only serve as the source for a transmission of a program after the original transmission, that is the live broadcast of the program, had finished. As a result, Aereo's copies lack the legal significance of Cablevision's

RS-DVR copies and are no different from the temporary buffer copies created by internet streaming, a process that this Court has assumed produces public performances. *See, e.g.,* [ivi](#), 691 F.3d at 278; [ASCAP](#), 627 F.3d at 74.

This argument fails for two reasons. First, Aereo's copies do have the legal significance ascribed to the RS-DVR copies in [Cablevision](#) because the user exercises the same control over their playback. The Aereo user watching a copy of a recorded program that he requested be created, whether using the “Watch” feature or the “Record” feature, chooses when and how that copy will be played back. The user may begin watching it nearly live, but then pause or rewind it, resulting in playback that is no longer concurrent with the program's over-the-air broadcast. Or the user may elect not to begin watching the program at all until long after it began airing. This volitional control over how the copy is played makes Aereo's copies unlike the temporary buffer copies generated incident to internet streaming. A person watching an internet stream chooses the program he wishes to watch and a temporary buffer copy of that program is then created, which serves as the basis of the images seen by the person watching the stream. But that person cannot exercise any control over the manner in which that copy is played—it cannot be paused, rewound, or rewatched later. As a result, the imposition of a temporary buffer copy between the outgoing stream and the image seen by the person watching it is of no significance, because the person only exercises control *before* the copy is created in choosing to watch the program in the first place. By contrast, the Aereo user selects what program he wishes a copy to be made of and then controls when and how that copy is played.¹⁴ This second layer of control, exercised *after* the copy has been created, means that Aereo's transmissions from the recorded copies cannot be regarded as simply one link in a chain of transmission, giving Aereo's copies the same legal significance as the RS-DVR copies in [Cablevision](#).¹⁵*693 Second, Plaintiffs' argument fails to account for Aereo's user-specific antennas. Each user-associated copy of a program created by Aereo's system is generated from a unique antenna assigned only to the user who requested that the copy be made. The feed from that antenna is not used to generate multiple copies of each program for different Aereo users but rather only one copy: the copy that can be watched by the user to whom that antenna is assigned. Thus even if we were to disregard Aereo's copies, it would still be true that the potential audience of each of Aereo's transmissions was the single user to whom each antenna was assigned. It is beyond dispute that the transmission of a broadcast TV program received by an individual's rooftop antenna to the TV in his living room is private, because only that individual can receive the transmission from that antenna, ensuring that the potential audience of that transmission is only one person. Plaintiffs have presented no reason why the result should be any different when that rooftop antenna is rented from Aereo and its signals transmitted over the internet: it remains the case that only one person can receive that antenna's transmissions.¹⁶ Thus even without the creation of user-associated copies, which under [Cablevision](#) means that Aereo's transmissions are not public, there is significant reason to believe that Aereo's system would not be

creating public performances, since the entire chain of transmission from the time a signal is first received by Aereo to the time it generates an image the Aereo user sees has a potential audience of only one Aereo customer.¹⁷

Finally, Plaintiffs argue that holding that Aereo's transmissions are not public performances exalts form over substance, because the Aereo system is functionally equivalent to a cable television provider. Plaintiffs also make much of the undisputed *694 fact that Aereo's system was designed around the [Cablevision](#) holding, because it creates essentially identical copies of the same program for every user who wishes to watch it in order to avoid copyright liability, instead of using a perhaps more efficient design employing shared copies. However, that Aereo was able to design a system based on [Cablevision's](#) holding to provide its users with nearly live television over the internet is an argument that [Cablevision](#) was wrongly decided; it does not provide a basis for distinguishing [Cablevision](#). Moreover, Aereo is not the first to design systems to avoid copyright liability. The same is likely true of Cablevision, which created separate user-associated copies of each recorded program for its RS-DVR system instead of using more efficient shared copies because transmissions generated from the latter would likely be found to infringe copyright holders' public performance right under the rationale of [Redd Horne](#), 749 F.2d 154. Nor is Aereo alone in designing its system around [Cablevision](#), as many cloud computing services, such as internet music lockers, discussed further below, appear to have done the same. See Br. of the Computer & Comm'n's Indus. Ass'n & the Internet Ass'n as Amicus Curiae at 5–8. Perhaps the application of the Transmit Clause should focus less on the technical details of a particular system and more on its functionality, but this Court's decisions in [Cablevision](#) and [NFL](#), 211 F.3d 10, held that technical architecture matters.

III. The Legislative Intent Behind the 1976 Copyright Act

Plaintiffs also contend that the legislative history of the 1976 Copyright Act shows that Aereo's transmissions should be deemed public performances of the Plaintiffs' copyrighted works. They argue that cable retransmissions are public performances under the Transmit Clause and Aereo is functionally equivalent to a cable system. However, this reading of the legislative history is simply incompatible with the conclusions of the [Cablevision](#) court.

This view of the legislative history also ignores a contrary strand of the history behind the 1976 Copyright Act. Congress recognized when it drafted the 1976 Act that its broad definition of “performance” could create unintended results. The House Report states that under this definition, “any individual is performing whenever he or she plays a phonorecord embodying the performance or communicates the performance by turning on a receiving set.” House Report at 63. But because Congress did not wish to require everyone to obtain a license from copyright holders before they could “perform” the copyrighted works played by their television, Congress was careful to note that a performance “would not be

actionable as an infringement unless it were done ‘publicly,’ as defined in [section 101](#).” *id.* “Private” performances are exempted from copyright liability. *Id.* This limitation also applies to performances created by a “transmission,” since, as the [Cablevision](#) court noted, if Congress intended all transmissions to be public performances, the Transmit Clause would not have contained the phrase “to the public.”¹⁸ [Cablevision](#), 536 F.3d at 135–36.

In the technological environment of 1976, distinguishing between public and private transmissions was simpler than today. *695 New devices such as RS–DVRs and Slingboxes complicate our analysis, as the transmissions generated by these devices can be analogized to the paradigmatic example of a “private” transmission: that from a personal roof-top antenna to a television set in a living room. As much as Aereo’s service may resemble a cable system, it also generates transmissions that closely resemble the private transmissions from these devices. Thus unanticipated technological developments have created tension between Congress’s view that retransmissions of network programs by cable television systems should be deemed public performances and its intent that some transmissions be classified as private. Although Aereo may in some respects resemble a cable television system, we cannot disregard the contrary concerns expressed by Congress in drafting the 1976 Copyright Act. And we certainly cannot disregard the express language Congress selected in doing so. That language and its legislative history, as interpreted by this Court in [Cablevision](#), compels the conclusion that Aereo’s transmissions are not public performances.

IV. Stare Decisis

¹²¹³ Though presented as efforts to distinguish [Cablevision](#), many of Plaintiffs’ arguments really urge us to overrule [Cablevision](#). One panel of this Court, however, “cannot overrule a prior decision of another panel.” [Union of Needletrades, Indus. & Textile Employees, AFL–CIO, CLC v. U.S. I.N.S.](#), 336 F.3d 200, 210 (2d Cir.2003). We are “bound by the decisions of prior panels until such time as they are overruled either by an en banc panel of our Court or by the Supreme Court.” [United States v. Wilkerson](#), 361 F.3d 717, 732 (2d Cir.2004). There is an exception when an intervening Supreme Court decision “casts doubt on our controlling precedent,” [Union of Needletrades](#), 336 F.3d at 210, but we are unaware of any such decisions that implicate [Cablevision](#). Plaintiffs have provided us with no adequate basis to distinguish [Cablevision](#) from the Aereo system.¹⁹ We therefore see no error in the district court’s conclusion that Plaintiffs are unlikely to prevail on the merits.

V. The Other Preliminary Injunction Factors

¹⁴ We now turn to the remaining preliminary injunction factors. *See Salinger*, 607 F.3d at 79–80. Because the Plaintiffs are not likely to prevail on the merits, we consider whether the Plaintiffs have demonstrated “sufficiently serious

questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the plaintiff's favor.” [Id. at 79](#). Given our conclusion that Aereo's service does not infringe Plaintiffs' public performance right when it transmits a program still airing on broadcast television, we do not believe the Plaintiffs have demonstrated “sufficiently serious questions going to the merits to make them a fair ground for litigation.” [Id.](#)

*696 [15](#) Moreover, we find no abuse of discretion in the district court's determination that the balance of hardships does not tip decidedly in the Plaintiffs' favor. The district court reached this decision based on its conclusions (1) that the Plaintiffs were likely to suffer irreparable harm in the absence of an injunction and (2) that Aereo would suffer significant hardship if an injunction should issue, since this would likely be the end of its business. See [Am. Broad. Cos., Inc. v. Aereo](#), 874 F.Supp.2d at 397–403. The parties do not appear to contest the district court's factual determinations supporting these conclusions and we see no clear error in them. Plaintiffs do argue that any harm suffered by Aereo should be disregarded in the balance of hardships analysis because Aereo's business is illegal and “[i]t is axiomatic that an infringer of copyright cannot complain about the loss of ability to offer its infringing product.” [Ivi](#), 691 F.3d at 287. But this argument hinges on the conclusion that Aereo's business infringes the Plaintiffs' copyrights. Because we conclude that it does not—at least on the limited question before us of whether Aereo's transmissions of unique copies of recorded programs to the Aereo users who directed that they be created are public performances—the harms Aereo would suffer from an injunction are legally cognizable and significant. There is thus no reason to disturb the district court's conclusion that the balance of hardships does not tip “decidedly” in the Plaintiffs' favor.

CONCLUSION

We conclude that Aereo's transmissions of unique copies of broadcast television programs created at its users' requests and transmitted while the programs are still airing on broadcast television are not “public performances” of the Plaintiffs' copyrighted works under [Cablevision](#). As such, Plaintiffs have not demonstrated that they are likely to prevail on the merits on this claim in their copyright infringement action. Nor have they demonstrated serious questions as to the merits and a balance of hardships that tips decidedly in their favor. We therefore affirm the order of the district court denying the Plaintiffs' motion.

[CHIN](#), Circuit Judge:

I respectfully dissent.

Defendant-appellee Aereo, Inc. (“Aereo”) captures over-the-air broadcasts of television programs and retransmits them to subscribers by streaming them over the Internet. For a monthly fee, Aereo's customers may “Watch” the programming “live” (that is, with a seven-second delay) on their computers and other electronic

devices, or they may “Record” the programs for later viewing. Aereo retransmits the programming without the authorization of the copyright holders and without paying a fee.

The Copyright Act confers upon owners of copyrights in audiovisual works the exclusive right “to perform the copyrighted work publicly.” [17 U.S.C. § 106\(4\)](#). This exclusive right includes the right “to transmit or otherwise communicate a performance ... to the public, by means of any device or process.” *Id.* § 101. In my view, by transmitting (or retransmitting) copyrighted programming to the public without authorization, Aereo is engaging in copyright infringement in clear violation of the Copyright Act.

Aereo argues that it is not violating the law because its transmissions are not “public” performances; instead, the argument goes, its transmissions are “private” performances, and a “private performance is not copyright infringement.” It contends that it is merely providing a “technology platform that enables consumers to *697 use remotely-located equipment ... to create, access and view their own unique recorded copies of free over-the-air broadcast television programming.”

Aereo's “technology platform” is, however, a sham. The system employs thousands of individual dime-sized antennas, but there is no technologically sound reason to use a multitude of tiny individual antennas rather than one central antenna; indeed, the system is a Rube Goldberg-like contrivance, over-engineered in an attempt to avoid the reach of the Copyright Act and to take advantage of a perceived loophole in the law. After capturing the broadcast signal, Aereo makes a copy of the selected program for each viewer, whether the user chooses to “Watch” now or “Record” for later. Under Aereo's theory, by using these individual antennas and copies, it may retransmit, for example, the Super Bowl “live” to 50,000 subscribers and yet, because each subscriber has an individual antenna and a “unique recorded cop[y]” of the broadcast, these are “private” performances. Of course, the argument makes no sense. These are very much *public* performances.

Aereo purports to draw its infringement-avoidance scheme from this Court's decision in [Cartoon Network LP v. CSC Holdings, Inc.](#), 536 F.3d 121 (2d Cir.2008), cert. denied, 557 U.S. 946, 129 S.Ct. 2890, 174 L.Ed.2d 595 (2009) (“*Cablevision*”). But, as discussed below, there are critical differences between *Cablevision* and this case. Most significantly, *Cablevision* involved a cable company that paid statutory licensing and retransmission consent fees for the content it retransmitted, while Aereo pays no such fees. Moreover, the subscribers in *Cablevision* already had the ability to view television programs in real-time through their *authorized* cable subscriptions, and the remote digital video recording service at issue there was a supplemental service that allowed subscribers to store that authorized content for later viewing. In contrast, no part

of Aereo's system is authorized. Instead, its storage and time-shifting functions are an integral part of an unlicensed retransmission service that captures broadcast television programs and streams them over the Internet.

Aereo is doing precisely what cable companies, satellite television companies, and authorized Internet streaming companies do—they capture over-the-air broadcasts and retransmit them to customers—except that those entities are doing it legally, pursuant to statutory or negotiated licenses, for a fee. By accepting Aereo's argument that it may do so without authorization and without paying a fee, the majority elevates form over substance. Its decision, in my view, conflicts with the text of the Copyright Act, its legislative history, and our case law.

For these and other reasons discussed more fully below, I would reverse the district court's order denying plaintiffs-appellants' motion for a preliminary injunction.

DISCUSSION

When interpreting a statute, we must begin with the plain language, giving any undefined terms their ordinary meaning. See [*Roberts v. Sea-Land Servs., Inc.*, — U.S. —, 132 S.Ct. 1350, 1356, 182 L.Ed.2d 341 \(2012\)](#); [*United States v. Desposito*, 704 F.3d 221, 226 \(2d Cir.2013\)](#). We must “attempt to ascertain how a reasonable reader would understand the statutory text, considered as a whole.” [*Pettus v. Morgenthau*, 554 F.3d 293, 297 \(2d Cir.2009\)](#). Where Congress has expressed its intent in “reasonably plain terms, that language must ordinarily be regarded as conclusive.” [*Negonsott v. Samuels*, 507 U.S. 99, 104, 113 S.Ct. 1119, 122 L.Ed.2d 457 \(1993\)](#) (internal quotation marks and citation *698 omitted); see [*Devine v. United States*, 202 F.3d 547, 551 \(2d Cir.2000\)](#). If we conclude that the text is ambiguous, however, we will look to legislative history and other tools of statutory interpretation to “dispel this ambiguity.” [*In re Air Cargo Shipping Servs. Antitrust Litig.*, 697 F.3d 154, 159 \(2d Cir.2012\)](#).

I begin, then, by considering the text of the relevant sections of the Copyright Act. To the extent there is any arguable ambiguity in the statutory language, I next turn to its legislative history. Finally, I conclude with a discussion of [*Cablevision*](#) as well as other relevant precedents.

A. The Statutory Text

Section 106 of the Copyright Act sets out six exclusive rights held by a copyright owner; these include the right “to perform the copyrighted work publicly.” [17 U.S.C. § 106\(4\)](#).

As defined in [section 101](#), “[t]o perform ... a work ‘publicly’ means,” among other things:

to transmit or otherwise communicate a performance or display of the work ... to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Id. § 101. “To ‘transmit’ a performance” is “to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.” *Id.* Hence, the use of a device or process to transmit or communicate copyrighted images or sounds to the public constitutes a public performance, whether members of the public receive the performance in the same place or in different places, whether at the same time or at different times. It is apparent that Aereo's system fits squarely within the plain meaning of the statute. *See, e.g., Fox Television Stations, Inc. v. BarryDriller Content Sys., PLC*, No. CV 12–6921, —F.Supp.2d —, — – —, 2012 WL 6784498, at *1–6 (C.D.Cal. Dec. 27, 2012) (holding that a service “technologically analogous” to Aereo's was engaged in public performances). The statute is broadly worded, as it refers to “any device or process.” 17 U.S.C. § 101 (emphasis added); *see also id.* (defining “device” and “process” as “one now known or later developed”). Aereo's system of thousands of antennas and other equipment clearly is a “device or process.” Using that “device or process,” Aereo receives copyrighted images and sounds and “transmit [s] or otherwise communicate[s]” them to its subscribers “beyond the place from which they are sent,” *id.*, that is, “ ‘beyond the place’ of origination,” *Columbia Pictures Indus., Inc. v. Prof'l Real Estate Investors, Inc.*, 866 F.2d 278, 282 (9th Cir.1989). The “performance or display of the work” is then received by paying subscribers “in separate places” and “at different times.” 17 U.S.C. § 101.

Even assuming Aereo's system limits the potential audience for each transmission, and even assuming each of its subscribers receives a unique recorded copy, Aereo still is transmitting the programming “to the public.” *Id.* Giving the undefined term “the public” its ordinary meaning, *see Kouichi Taniguchi v. Kan Pacific Saipan, Ltd.*, — U.S. —, 132 S.Ct. 1997, 2002, 182 L.Ed.2d 903 (2012), a transmission to anyone other than oneself or an intimate relation is a communication to a “member[] of the public,” because it is not in any sense “private.” *See Webster's II: New Riverside University Dictionary* 951 (1994) (defining “public” as “[t]he community or the people as a group”); *see also id.* at 936 (defining “private” as, *inter alia*, “[n]ot public: intimate”). *699 *Cf. Cablevision*, 536 F.3d at 138 (“[T]he identity of the transmitter ... [is] germane in determining whether that transmission is made ‘to the public.’ ”); *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 299–300 (3d Cir.1991) (construing “to the public” in [section 106\(3\)](#) and concluding that “even one person can be the public”).

What Aereo is doing is not in any sense “private,” as the Super Bowl example discussed above illustrates. This understanding accords with the statute's

instruction that a transmission can be “to the public” even if the “members of the public capable of receiving the performance. receive it in the same place or in separate places and at the same time or at different times.” [17 U.S.C. § 101](#). Because Aereo is transmitting television signals to paying strangers, all of its transmissions are “to the public,” even if intervening “device[s] or process[es]” limit the potential audience of each separate transmission to a single “member[] of the public.” *Id.*

By any reasonable construction of the statute, Aereo is engaging in public performances and, therefore, it is engaging in copyright infringement. *See id.* §§ 106(4), 501(a).

B. The Legislative History

Even if the language of the transmit clause were ambiguous as applied to Aereo's system, *see* [Cablevision, 536 F.3d at 136](#) (“[T]he transmit clause is not a model of clarity”), the legislative history reinforces the conclusion that Aereo is engaging in public performances. The legislative history makes clear that Congress intended to reach new technologies, like this one, that are designed solely to exploit someone else's copyrighted work.

Just before the passage of the 1976 Copyright Act, the Supreme Court held in [Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 \(1968\)](#), and [Teleprompter Corp. v. Columbia Broadcasting System, Inc., 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 \(1974\)](#), that community antenna television (“CATV”) systems—which captured live television broadcasts with antennas set on hills and retransmitted the signals to viewers unable to receive the original signals—did not infringe the public performance right because they were not “performing” the copyrighted work. *See* [Teleprompter, 415 U.S. at 408–09, 94 S.Ct. 1129](#); [Fortnightly, 392 U.S. at 399–400, 88 S.Ct. 2084](#). In reaching this conclusion, the Court reasoned that:

If an individual erected an antenna on a hill, strung a cable to his house, and installed the necessary amplifying equipment, he would not be ‘performing’ the programs he received on his television set.... The only difference in the case of CATV is that the antenna system is erected and owned not by its users but by an entrepreneur.

[Fortnightly, 392 U.S. at 400, 88 S.Ct. 2084](#). This rationale is nearly identical to the justification advanced by Aereo: each subscriber could legally use his own antenna, digital video recorder (“DVR”), and Slingbox¹ to stream live television to his computer *700 or other device, and so it makes no legal difference that the system is actually “erected and owned not by its users but by an entrepreneur.” *Id.*²

But Congress expressly rejected the outcome reached by the Supreme Court in *Fortnightly* and *Teleprompter*. See *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 709, 104 S.Ct. 2694, 81 L.Ed.2d 580 (1984) (“Congress concluded that cable operators should be required to pay royalties to the owners of copyrighted programs retransmitted by their systems on pain of liability for copyright infringement.”); see also *WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 281 (2d Cir.2012); *Fox Television Stations*, 915 F.Supp.2d at —, 2012 WL 6784498, at *5. In the 1976 Copyright Act, Congress altered the definitions of “perform” and “publicly” specifically to render the CATV systems' unlicensed retransmissions illegal. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 469 n. 17, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984); H.R.Rep. No. 94–1476, at 63, reprinted in 1976 U.S.C.C.A.N. 5659, 5676–77 (“[A] cable television system is performing when it retransmits the broadcast to its subscribers”); *id.* at 64, reprinted in 1976 U.S.C.C.A.N. at 5678 (“Clause (2) of the definition of ‘publicly’ in [section 101](#) makes clear that the concept[] of public performance ... include[s] ... acts that transmit or otherwise communicate a performance or display of the work to the public....”).

Congress was not only concerned, however, with the then newly-emerging CATV systems. Recognizing that the *Fortnightly* and *Teleprompter* decisions arose in part because of the “drastic technological change” after the 1909 Act, *Fortnightly*, 392 U.S. at 396, 88 S.Ct. 2084, Congress broadly defined the term “transmit” to ensure that the 1976 Act anticipated future technological developments:

The definition of ‘transmit’ ... is broad enough to include all conceivable forms and combinations of wires and wireless communications media, including but by no means limited to radio and television broadcasting as we know them. Each and every method by which the images or sounds comprising a performance or display are picked up and conveyed is a ‘transmission,’ and if the transmission reaches the public in [any] form, the case comes within the scope of [clauses \(4\) or \(5\) of section 106](#). H.R.Rep. No. 94–1476, at 64, reprinted in 1976 U.S.C.C.A.N. at 5678. Further anticipating that there would be changes in technology that it could not then foresee, Congress added that a public performance could be received in different places and at different times. This change was meant to clarify that:

a performance made available by transmission to the public at large is ‘public’ even though the recipients are not gathered in a single place, and even if there is no proof that any of the potential recipients was operating his receiving apparatus at the time of the transmission. The same principles apply whenever *the potential recipients of the transmission represent a limited segment of the public*, such as the occupants of hotel rooms or the *subscribers of a cable television service*. *Id.* at 64–65, reprinted at 1976 U.S.C.C.A.N. at 5678 (emphasis added).

*701 While Congress in 1976 might not have envisioned the precise technological innovations employed by Aereo today, this legislative history surely suggests that Congress could not have intended for such a system to fall outside the definition of a public performance. To the contrary, Congress made clear its intent to include within the transmit clause “all conceivable forms and combinations of wires and wireless communications media,” and if, as here, “the transmission reaches the public in [any] form, the case comes within the scope of [clauses \(4\) or \(5\) of section 106.](#)” [H.R.Rep. No. 94–1476](#), at 64, *reprinted in* 1976 U.S.C.C.A.N. at 5678. Aereo's streaming of television programming over the Internet is a public performance as Congress intended that concept to be defined.

C. Cablevision

Aereo seeks to avoid the plain language of the Copyright Act and the clear import of its legislative history by relying on this Court's decision in [Cablevision](#). That reliance, in my view, is misplaced.

Cablevision was a cable operator with a license to retransmit broadcast and cable programming to its paying subscribers. *See* [Cablevision](#), 536 F.3d at 123–25; [Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp.](#), 478 F.Supp.2d 607, 610 (S.D.N.Y.2007), *rev'd sub nom.*, [Cartoon Network LP v. CSC Holdings, Inc. \(Cablevision\)](#), 536 F.3d 121 (2d Cir.2008). The content providers sought to enjoin Cablevision from introducing a new Remote Storage DVR system (the “RS–DVR”) that would “allow[] Cablevision customers who do not have a stand-alone DVR to record cable programming” and “then receive playback of those programs through their home television sets.” [Cablevision](#), 536 F.3d at 124. The lawsuit challenged only whether Cablevision needed additional licenses to allow its subscribers to record shows and play them back later through the RS–DVR system. *See* [Twentieth Century Fox](#), 478 F.Supp.2d at 609. If subscribers wanted to watch “live” television, they would watch it through Cablevision's licensed retransmission feed. *See* [Cablevision](#), 536 F.3d at 124 (explaining that Cablevision split its programming data stream, sending one “immediately to customers as before”); Amicus Br. of Cablevision Sys. Corp. at 20.

The RS–DVR worked as follows. Cablevision split its licensed data stream, and sent a stream to a remote server, where the data went through two buffers. [Cablevision](#), 536 F.3d at 124. At the first buffer, the system made a temporary copy of 0.1 seconds of programming while it inquired whether any subscribers wanted to copy that programming. *Id.* A customer could make such a request “by selecting a program in advance from an on-screen guide, or by pressing the record button while viewing a given program.” *Id.* at 125. If a request had been made, the data moved to the second buffer and then was permanently saved onto a portion of a hard drive designated for that customer. *Id.* at 124. At the customer's request, the permanent copy was transmitted to the customer and played back to him. *Id.* at 125.

[*Cablevision*](#) held that the RS–DVR did not infringe either the reproduction or the public performance rights. [Id. at 140](#). Unlike the majority here, I do not think we can view [*Cablevision's*](#) analyses of each right in isolation. See Majority Opin., *supra*, at 687. As [*Cablevision*](#) explained, “the right of reproduction can reinforce and protect the right of public performance.” [*Cablevision*, 536 F.3d at 138](#). “Given this interplay between the various rights in this context,” *id.*, [*Cablevision's*](#) holding that “copies produced by the RS– *702 DVR system are ‘made’ by the RS–DVR customer,” [id. at 133](#), was critical to its holding that “each RS–DVR playback transmission ... made to a single subscriber using a single unique copy *produced by that subscriber* ... [is] not [a] performance[] ‘to the public,’ ” [id. at 139](#) (emphasis added); see also Amicus Br. of the United States at 17–19, [*Cable News Network, Inc. v. CSC Holdings, Inc.*, 129 S.Ct. 2890 \(2009\)](#), *denying cert.*, [*Cartoon Network LP v. CSC Holdings, Inc. \(Cablevision\)*, 536 F.3d 121 \(2d Cir.2008\)](#) [hereinafter “U.S. *Cablevision* Amicus Br.”].

With this concept in mind, it is clear that Aereo's system is factually distinct from Cablevision's RS–DVR system. First, Cablevision's RS–DVR system “exist[ed] only to produce a copy” of material that it already had a license to retransmit to its subscribers, [*Cablevision*, 536 F.3d at 131](#), but the Aereo system produces copies to *enable* it to transmit material to its subscribers. Whereas Cablevision promoted its RS–DVR as a mechanism for recording and playing back programs, Aereo promotes its service as a means for watching “live” broadcast television on the Internet and through mobile devices. Unlike Cablevision, however, Aereo has no licenses to retransmit broadcast television. If a Cablevision subscriber wanted to use her own DVR to record programming provided by Cablevision, she could do so through Cablevision's licensed transmission. But an Aereo subscriber could not use her own DVR to lawfully record content received from Aereo because Aereo has no license to retransmit programming; at best, Aereo could only illegally retransmit public broadcasts from its remote antennas to the user. See, e.g., [*Fortnightly Corp.*, 392 U.S. at 400, 88 S.Ct. 2084](#), *overruled by statute as recognized in*, [*Capital Cities Cable*, 467 U.S. at 709, 104 S.Ct. 2694](#); *ivi, Inc.*, [691 F.3d at 278–79](#); see also U.S. *Cablevision* Amicus Br., *supra*, at 21 (arguing that the legality of a hypothetical unlicensed system that only allowed subscribers to copy and playback content “would be suspect at best, because [the subscriber] would be ... copying programs that he was not otherwise entitled to view”). Aereo's use of copies is essential to its ability to retransmit broadcast television signals, while Cablevision's copies were merely an optional alternative to a set-top DVR. The core of Aereo's business is streaming broadcasts over the Internet in real-time; the addition of the record function, however, cannot legitimize the unauthorized retransmission of copyrighted content.

Second, subscribers interact with Aereo's system differently from the way Cablevision's subscribers interacted with the RS–DVR. Cablevision subscribers were already paying for the right to watch television programs, and the RS–DVR gave them the additional option to “record” the programs. [*Cablevision*, 536 F.3d at 125](#). In contrast, Aereo subscribers can choose *either* “Watch” or “Record.” [*Am. Broad. Cos. v. AEREO, Inc.*, 874 F.Supp.2d 373, 377 \(S.D.N.Y.2012\)](#). Both

options initiate the same process: a miniature antenna allocated to that user tunes to the channel; the television signal is transmitted to a hard drive; and a full-length, permanent copy is saved for that customer. [Id. at 377–79](#). If the subscriber has opted to “Watch” the program live, the system immediately begins playing back the user's copy at the same time it is being recorded. [Id.](#) Aereo will then automatically delete the saved copy once the user is done watching the program, unless the subscriber chooses to save it. [Id. at 379](#).

These differences undermine the applicability of *Cablevision* to Aereo's system. [Cablevision](#) found that the RS–DVR was indistinguishable from a VCR or set-top DVR because *Cablevision*'s system “exist[ed] *703 only to produce a copy” and its subscribers provided the “volitional conduct” necessary to make a copy by “ordering that system to produce a copy of a specific program.” [Cablevision](#), 536 F.3d at 131; see also U.S. *Cablevision* Amicus Br., *supra*, at 16 (noting that *Cablevision* turned on whether RS–DVR was more analogous to set-top DVR or video-on-demand service). The RS–DVR was not designed to be a substitute for viewing live television broadcasts. Aereo's system, however, was designed to be precisely that. It does not exist only, or even primarily, to make copies; it exists to stream live television through the Internet. Its users can choose to “Watch” live television instead of “Record” a program, but the system begins to produce a full-length copy anyway because, even under its own theory, Aereo cannot legally retransmit a television signal to them without such a copy.³ Aereo's system is much different than a VCR or DVR—indeed, as Aereo explains, it is an antenna, a DVR, and a Slingbox rolled into one—and for that reason [Cablevision](#) does not control our decision here.

I note also that in [Cablevision](#) this Court “emphasize[d]” that its holding “does not generally permit content delivery networks to avoid all copyright liability by making copies of each item of content and associating one unique copy with each subscriber to the network, or by giving their subscribers the capacity to make their own individual copies.” 536 F.3d at 139. Likewise, when the United States opposed the grant of certiorari in [Cablevision](#), it argued that “the Second Circuit's analysis of the public-performance issue should not be understood to reach ... other circumstances beyond those presented.” U.S. *Cablevision* Amicus Br., *supra*, at 21.⁴ [Cablevision](#) should not be extended to cover the circumstances presented in this case. Indeed, it is telling that Aereo declines to offer its subscribers channels broadcast from New Jersey, even though its antennas are capable of receiving those signals, for fear of being subject to suit outside the Second Circuit, *i.e.*, outside the reach of [Cablevision](#). Cf. [Fox Television Stations, Inc. v. BarryDriller Content Sys., PLC](#), No. CV 12–6921, —F.Supp.2d —, — — —, 2012 WL 6784498, at *3–4 (C.D.Cal. Dec. 27, 2012) (declining to follow [Cablevision](#) and enjoining an Aereo-like system based on plain meaning of § 101).

Finally, the majority's decision in my view runs afoul of other decisions of this *704 Court. Although the issue was not even contested, in [ivi](#) we recognized

that the retransmission of copyrighted television programming by streaming it live over the Internet constituted a “public performance” in violation of the Copyright Act. [691 F.3d at 278, 286, 287.](#)⁵ Similarly, in [United States v. American Society of Composers, Authors, Publishers \(“ASCAP”\)](#), where, again, the issue was not even contested, we observed that the streaming of a song, like the streaming of a “television or radio broadcast,” is a public performance. [627 F.3d 64, 74 \(2d Cir.2010\)](#) (but holding in contrast that downloads of music do not constitute “public performances”);⁶ accord [Infinity Broad. Corp. v. Kirkwood](#), [150 F.3d 104, 106–07, 111–12 \(2d Cir.1998\)](#) (holding that device allowing users to access private phone line to listen to public radio broadcasts infringed right of public performance, in the absence of a defense, and was not fair use).

In [ivi](#), we addressed the need for a preliminary injunction to enjoin ivi from streaming copyrighted works over the Internet without permission:

Indeed, ivi's actions—streaming copyrighted works without permission—would drastically change the industry, to plaintiffs' detriment.... The absence of a preliminary injunction would encourage current and prospective retransmission rights holders, as well as other Internet services, to follow ivi's lead in retransmitting plaintiffs' copyrighted programming without their consent. The strength of plaintiffs' negotiating platform and business model would decline. The quantity and quality of efforts put into creating television programming, retransmission and advertising revenues, distribution models and schedules—all would be adversely affected. These harms would extend to other copyright holders of television programming. Continued live retransmissions of copyrighted television programming over the Internet without consent would thus threaten to destabilize the entire industry. [691 F.3d at 286](#). These concerns apply with equal force here, where Aereo is doing precisely what ivi was enjoined from *705 doing: streaming copyrighted works over the Internet without permission of the copyright holders. Today's decision does not merely deny the broadcasters a licensing fee for Aereo's activity; it provides a blueprint for others to avoid the Copyright Act's licensing regime altogether. *See* Appellant ABC, Inc. Br. at 10 (citing articles reporting on the rise of copycat services). Congress could not have intended such a result.

CONCLUSION

Based on the plain meaning of the statute, its legislative history, and our precedent, I conclude that Aereo's transmission of live public broadcasts over the Internet to paying subscribers are unlicensed transmissions “to the public.” Hence, these unlicensed transmissions should be enjoined. [Cablevision](#) does not require a different result. Accordingly, I dissent.

Footnotes

^{*}

The Honorable John Gleeson, United States District Court for the Eastern District of New York, sitting by designation.

¹The two actions, although not consolidated in the district court, proceeded in tandem and the district court's order applied to both actions.

²A Slingbox is a device that connects the user's cable or satellite set-top box or DVR to the internet, allowing the user to watch live or recorded programs on an internet-connected mobile device, such as a laptop or tablet.

³The technical operation of Aereo's system, discussed below, results in a slight delay in transmitting the program, which means that an Aereo subscriber using the "Watch" feature sees the program delayed by approximately ten seconds.

⁴Thus if an Aereo user starts watching a program five minutes after it first began airing, he can rewind back to the five-minute mark, but not earlier.

⁵Thus if an Aereo user starts watching a program five minutes after it first began airing and presses the "Record" button at the twenty-minute mark, the recorded copy will begin from the five-minute mark.

⁶As mentioned in the text above, the lone factual dispute below was whether Aereo's antennas function independently or as one unit. The district court resolved this dispute in favor of Aereo, finding that its antennas operate independently. [*Am. Broad. Cos., Inc. v. Aereo*, 874 F.Supp.2d 373, 381 \(S.D.N.Y.2012\)](#). The Plaintiffs do not contest this finding on appeal.

⁷Aereo's system usually assigns these antennas dynamically. Aereo users "share" antennas in the sense that one user is using a particular antenna now, and another may use the same antenna when the first is no longer using it. But at any given time, the feed from each antenna is used to create only one user's copy of the program being watched or recorded. Thus if 10,000 Aereo users are watching or recording the Super Bowl, Aereo has 10,000 antennas tuned to the channel broadcasting it.

⁸Put briefly, the statute allows cable systems to retransmit copyrighted works from broadcast television stations in exchange for paying a compulsory license to the U.S. Copyright Office calculated according to a defined formula. The fees paid by cable systems are then distributed to copyright holders. See *ivi*, 691 F.3d at 281; [*E. Microwave, Inc. v. Doubleday Sports, Inc.*, 691 F.2d 125, 128–29 \(2d Cir.1982\)](#).

⁹Plaintiffs assert that Aereo's transmissions of recorded programs when the original program is no longer airing on broadcast television are also public performances and that Aereo's system infringes other exclusive rights granted by the Copyright Act, such as the reproduction right. Plaintiffs did not, however, present these claims as a basis for the preliminary injunction. They are therefore not before us and we will not consider them.

¹⁰The RS–DVR was therefore unlike a video-on-demand service because it did not enable a customer to watch a program that had already been broadcast unless that customer had previously requested that the program be recorded and because it generated user-associated copies instead of using a shared copy or copies.

¹¹Aggregating private transmissions generated from the same copy is in some tension with the [*Cablevision*](#) court's first conclusion that the relevant inquiry under the Transmit Clause is the potential audience of the particular transmission. This interpretation of the Transmit Clause began with Professor Nimmer. He notes that it is difficult to understand precisely what Congress intended with the language in the Clause stating that a public performance can occur when the audience receives the work "at different times." See 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.14[C][3], at 8.192.8 (Matthew Bender rev. ed.). Arguing that this language on its face conflicted with other language in the statute and produced results Congress could not have intended, he proposed that by this language Congress wished to denote instances where the same copy of the work was repeatedly performed by different members of the public at different times. See *id.* at 192.8(1)–192.8(6). The [*Cablevision*](#) court's focus on the potential audience of each particular transmission would essentially read out the "different times" language, since individuals will not typically receive the same transmission at different times. But Nimmer's solution—aggregating private transmissions when those transmissions are generated from the same copy—provides a way to reconcile the "different times" language of the Clause.

¹²The [*Cablevision*](#) court concluded in its discussion of the reproduction right that Cablevision's customers, not Cablevision, "made" the RS–DVR copies. See [536 F.3d at 133](#).

¹³And even if such analogies were probative, Aereo's system could accurately be analogized to an upstream combination of a standard TV antenna, a DVR, and a Slingbox.

¹⁴It is true that an Aereo user in "Watch" mode will often not exercise volitional control over the playback of the program, because the program will automatically begin playing when selected and he will watch it through to the end. But that is not significant because the Aereo user can exercise such control if he wishes to, which means that the copy Aereo's system generates is not merely a technical link in a process of transmission that should be deemed a unity transmission. Moreover, the "Watch" feature's automatic playback is merely a default rule. The user can accomplish the same thing by using the "Record" feature, save that he must take the additional step of pressing "Play" once enough of the program has been recorded for playback. If this additional step were sufficient to break the chain of transmission, we see no reason why the "Watch" feature's default in favor of playback should change our analysis.

¹⁵We also note that the Aereo system's use of copies gives it two features that would not be present were it simply to transmit the television programs its antennas receive directly to the user. First, it allows the Aereo user to pause and rewind seemingly live TV. This is because while the Aereo user has been watching the program "live," Aereo's system has in fact been creating a complete copy of the program. Thus if the user wishes to rewind thirty seconds or to the beginning of the program, he can easily do so. Second, if a user in "Watch" mode decides during a program he has been watching that he would like to save the program for later viewing, he can simply press the "Record" button. When the user does this, the entire program from the time he first began watching it is saved, not merely the portion beginning from the time when he pressed "Record." Were Aereo to transmit the signal from its antennas directly to each Aereo customer, neither of these features would be possible, because the image seen by the customer would be generated from a live feed, not a copy of the program. Aereo's users may well regard these two features as valuable and they provide an additional reason for regarding Aereo's copies as legally significant and not merely technical artifacts of a system to transmit live TV.

¹⁶This makes Aereo's system unlike the early cable TV systems at issue in *Fortnightly*, 392 U.S. 390, 88 S.Ct. 2084, and *Teleprompter*, 415 U.S. 394, 94 S.Ct. 1129, because the signals from those community TV antennas were shared among many users. When Congress drafted the 1976 Copyright Act, it intended that such transmissions be deemed public performances. But, as discussed below, Congress clearly believed that, under the terms of the Act, some transmissions were private. The methodology Congress proscribed for distinguishing between public and private transmissions is the size of the potential audience, and by that methodology, the feed from Aereo's antennas is a private transmission because it results in a performance viewable by only one user. The 1976 Congress may not have anticipated that later technology would make it possible to mimic the functionality of early cable TV by means of private transmissions, but that unexpected result does not change the language of the statute.

¹⁷Because Aereo's system uses both user-associated antennas and user-associated copies, we need not decide whether a system with only one of these attributes would be publicly performing copyrighted works.

¹⁸This is particularly appropriate given that in 1976, when cable TV was still in its infancy, many Americans used rooftop antennas. Thus Congress would have certainly wished to avoid adopting language that would make millions of Americans copyright infringers because they transmitted broadcast television programs from their personal rooftop antennas to their own television sets.

¹⁹Stare decisis is particularly warranted here in light of substantial reliance on *Cablevision*. As mentioned above, it appears that many media and technology companies have relied on *Cablevision* as an authoritative interpretation of the Transmit Clause. One example is cloud media services, which have proliferated in recent years. These services, which allow their users to store music on remote hard drives and stream it to internet-connected devices, have apparently been designed to comply with *Cablevision*. Just like Aereo's system and Cablevision's RS-DVR, they seek to avoid public performance liability by creating user-associated copies of each song rather than sharing song files among multiple users. See Brandon J. Trout, Note, *Infringers or Innovators? Examining Copyright Liability for Cloud-Based Music Locker Services*, 14 Vand. J. Ent. & Tech. L. 729, 746–48 (2012).

¹A “Slingbox” is a set-top box that permits consumers to shift their television programming to their portable devices. Slingbox describes its service as “placeshifting”: “Placeshifting is viewing and listening to live, recorded or stored media on a remote device over the Internet or a data network. Placeshifting allows consumers to watch their TV anywhere.” See *Placeshifting*, Slingbox.com, <http://www.slingbox.com/get/placeshifting> (last visited March 5, 2013). The Slingbox thus enables a consumer to view on a remote device content that he is already entitled to receive from a licensed cable company or other authorized source to view on his television.

²Aereo's contention that each subscriber has an individual antenna is a fiction because the vast majority of its subscribers are “dynamic users” who are randomly assigned an antenna each time they use the system. Although each antenna is used only by one person at a time, it will be randomly assigned to another person for the next use. In other words, this is a shared pool of antennas, not individually-designated antennas.

³Aereo's web page does contain a conspicuous notice under the “Watch” button that reads, “When you press ‘Watch’ you will start recording this show.” Users thus have no choice but to record the show if they wish to watch it live, making it unlikely that the subscribers are voluntarily “ordering that system to produce a copy.” *Cablevision*, 536 F.3d at 131.

⁴By opposing the grant of certiorari, the government was not embracing *Cablevision's* construction of the transmit clause. To the contrary, the United States took the position that “scattered language in the Second Circuit's decision could be read to endorse overly broad, and *incorrect*, propositions about the Copyright Act.” U.S. *Cablevision* Amicus Br., *supra*, at 6 (emphasis added). Specifically, the government was concerned with the suggestion “that a performance is not made available ‘to the public’ unless more than one person is capable of receiving a *particular* transmission” because it might “undermine copyright protection in circumstances far beyond those presented here, including with respect to ... situations in which a party streams copyrighted material on an individualized basis over the Internet.” *Id.* at 20–21. Despite these “problematic” aspects, *id.* at 22, the United States considered *Cablevision* an “unsuitable vehicle” for deciding these issues, due to the absence of any conflicting circuit court decisions at the time and the limitations imposed by the parties' stipulations, *id.* at 6.

⁵There are companies in the market that stream television programming over the Internet pursuant to licenses, such as Hulu, Netflix, Amazon, and channel-specific websites like ComedyCentral.com. See Appellant WNET Br. at 12, 28, 43; Amicus Br. of Paramount Pictures Corp. et al. at 29. In general, however, these “negotiated Internet retransmissions ... typically delay Internet broadcasts as not to disrupt plaintiffs' broadcast distribution models, reduce the live broadcast audience, or divert the live broadcast audience to the Internet.” *WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 285 (2d Cir.2012).

⁶In *ASCAP*, we left open “the possibility ... that a transmission could constitute both a stream and a download.” *United States v. Am. Soc'y of Composers, Authors and Publishers (ASCAP)*, 627 F.3d 64, 74 n. 10 (2d Cir.2010). While streaming performances over the Internet constitutes a transmission “to the public,” see *ivi, Inc.*, 691 F.3d at 278–79; *ASCAP*, 627 F.3d at 74, allowing a consumer to download a copy so he can later play it back for himself does not, see *ASCAP*, 627 F.3d at 73, 75; *Cablevision*, 536 F.3d at 139. To the extent that Aereo's system immediately plays back from a copy that is still being recorded, it is clearly “both a stream and a download,” *ASCAP*, 627 F.3d at 74 n. 10, and at a minimum the streaming portion constitutes an unlicensed public performance. If 50,000 Aereo subscribers choose to “Watch” the Super Bowl live, each subscriber receives a “performance or display” of the exact same broadcast on a seven-second delay, even if Aereo is also simultaneously creating a unique copy for each subscriber so that each one has the option to pause, rewind, or save the copy for later if they wish. Until the subscriber exercises that option, the existence of the copy is irrelevant; the broadcast is streaming “live” to each user at the same time just as it did in *ivi*.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 12 Civ. 95 (RJS)

CAPITOL RECORDS, LLC,

Plaintiff,

VERSUS

REDIGI INC.,

Defendant.

MEMORANDUM AND ORDER
March 30, 2013

RICHARD J. SULLIVAN, District Judge:

Capitol Records, LLC (“Capitol”), the recording label for such classic vinyls as Frank Sinatra’s “Come Fly With Me” and The Beatles’ “Yellow Submarine,” brings this action against ReDigi Inc. (“ReDigi”), a twenty-first century technology company that touts itself as a “virtual” marketplace for “pre-owned” digital music. What has ensued in a fundamental clash over culture, policy, and copyright law, with Capitol alleging that ReDigi’s web-based service amounts to copyright infringement in violation of the Copyright Act of 1976 (the “Copyright Act”), 17 U.S.C. § 101, *et seq.* Now before the Court are Capitol’s motion for partial summary judgment and ReDigi’s motion for summary judgment, both filed pursuant to Federal Rule of Civil Procedure 56. Because this is a court of law and not a congressional subcommittee or technology

blog, the issues are narrow, technical, and purely legal. Thus, for the reasons that follow, Capitol’s motion is granted and ReDigi’s motion is denied.

I. BACKGROUND

A. Facts

ReDigi markets itself as “the world’s first and only online marketplace for digital used music.”¹ (Capitol 56.1 Stmt., Doc. No. 50

¹ The facts are taken from the pleadings, the parties’ Local Civil Rule 56.1 Statements, the affidavits submitted in connection with the instant motions, and the exhibits attached thereto. The facts are undisputed unless otherwise noted. Where one party’s 56.1 Statement is cited, the other party does not dispute the fact asserted, has offered no

(“Cap. 56.1”), ¶ 6.) Launched on October 13, 2011, ReDigi’s website invites users to “sell their legally acquired digital music files, and buy used digital music from others at a fraction of the price currently available on iTunes.” (*Id.* ¶¶ 6, 9.) Thus, much like used record stores, ReDigi permits its users to recoup value on their unwanted music. Unlike used record stores, however, ReDigi’s sales take place entirely in the digital domain. (*See* ReDigi Reply 56.1 Stmt., Doc. No. 83 (“RD Rep. 56.1”), 4 ¶ 16.)

To sell music on ReDigi’s website, a user must first download ReDigi’s “Media Manager” to his computer. (ReDigi 56.1 Stmt., Doc. No. 56 (“RD 56.1”), ¶ 8.) Once installed, Media Manager analyzes the user’s computer to build a list of digital music files eligible for sale. (*Id.*) A file is eligible only if it was purchased on iTunes or from another ReDigi user; music downloaded from a CD or other file-sharing website is ineligible for sale. (*Id.*) After this validation process, Media Manager continually runs on the user’s computer and attached devices to ensure that the user has not retained music that has been sold or uploaded for sale. (*Id.* ¶ 10.) However, Media Manager cannot detect copies stored in other locations. (Cap. 56.1 ¶¶ 59-61, 63; *see* Capitol Reply 56.1 Stmt., Doc. No. 78 (“Cap. Rep. 56.1”), ¶ 10.) If a copy is detected, Media Manager prompts the user to delete the file. (Cap. 56.1 ¶ 64.) The file is not deleted automatically or involuntarily, though ReDigi’s policy is to suspend the accounts of users who refuse to comply. (*Id.*)

After the list is built, a user may upload any of his eligible files to ReDigi’s “Cloud Locker,” an ethereal moniker for what is, in fact, merely a remote server in Arizona. (RD 56.1 ¶¶ 9, 11; Cap. 56.1 ¶ 22.)

admissible evidence to refute that fact, or merely objects to inferences drawn from that fact.

ReDigi’s upload process is a source of contention between the parties. (*See* RD 56.1 ¶¶ 14-23; Cap. Rep. 56.1 ¶¶ 14-23.) ReDigi asserts that the process involves “migrating” a user’s file, packet by packet – “analogous to a train” – from the user’s computer to the Cloud Locker so that data does not exist in two places at any one time.² (RD 56.1 ¶¶ 14, 36.) Capitol asserts that, semantics aside, ReDigi’s upload process “necessarily involves copying” a file from the user’s computer to the Cloud Locker. (Cap. Rep. 56.1 ¶ 14.) Regardless, at the end of the process, the digital music file is located in the Cloud Locker and not on the user’s computer. (RD 56.1 ¶ 21.) Moreover, Media Manager deletes any additional copies of the file on the user’s computer and connected devices. (*Id.* ¶ 38.)

Once uploaded, a digital music file undergoes a second analysis to verify eligibility. (Cap. 56.1 ¶¶ 31-32.) If ReDigi determines that the file has not been tampered with or offered for sale by another user, the file is stored in the Cloud Locker, and the user is given the option of simply storing and streaming the file for personal use or offering it for sale in ReDigi’s marketplace. (*Id.* ¶¶ 33-37.) If a user chooses to sell his digital music file, his access to the file is terminated and transferred to the new owner at the time of purchase. (*Id.* ¶ 49.) Thereafter, the new owner can store the file in the Cloud Locker, stream it, sell it, or download it to her computer and other devices. (*Id.* ¶ 50.) No money changes hands in these transactions. (RD Rep. 56.1 5 ¶ 18.) Instead, users buy music with credits they either purchased

² A train was only one of many analogies used to describe ReDigi’s service. At oral argument, the device was likened to the Star Trek transporter – “Beam me up, Scotty” – and Willy Wonka’s teleportation device, Wonkavision. (Tr., dated Oct. 5, 2012 (“Tr.”), 10:2-12; 28:15-20.)

from ReDigi or acquired from other sales. (*Id.*) ReDigi credits, once acquired, cannot be exchanged for money. (*Id.*) Instead, they can only be used to purchase additional music. (*Id.*)

To encourage activity in its marketplace, ReDigi initially permitted users to preview thirty-second clips and view album cover art of songs posted for sale pursuant to a licensing agreement with a third party. (*See* RD 56.1 ¶¶ 73-78.) However, shortly after its launch, ReDigi lost the licenses. (*Id.*) Accordingly, ReDigi now sends users to either YouTube or iTunes to listen to and view this promotional material. (*Id.* ¶¶ 77, 79.) ReDigi also offers its users a number of incentives. (Cap. 56.1 ¶ 39.) For instance, ReDigi gives twenty-cent credits to users who post files for sale and enters active sellers into contests for prizes. (*Id.* ¶¶ 39, 42.) ReDigi also encourages sales by advising new users via email that they can “[c]ash in” their music on the website, tracking and posting the titles of sought after songs on its website and in its newsletter, notifying users when they are low on credits and advising them to either purchase more credits or sell songs, and connecting users who are seeking unavailable songs with potential sellers. (*Id.* ¶¶ 39-48.)

Finally, ReDigi earns a fee for every transaction. (*Id.* ¶ 54.) ReDigi’s website prices digital music files at fifty-nine to seventy-nine cents each. (*Id.* ¶ 55.) When users purchase a file, with credits, 20% of the sale price is allocated to the seller, 20% goes to an “escrow” fund for the artist, and 60% is retained by ReDigi.³ (*Id.*)

³ On June 11, 2012, ReDigi launched ReDigi 2.0, new software that, when installed on a user’s computer, purportedly directs the user’s new iTunes purchases to upload from iTunes directly to the Cloud Locker. (RD 56.1 ¶¶ 40-41.) Accordingly, while access may transfer from user to user upon resale, the file is never moved from its initial location

B. Procedural History

Capitol, which owns a number of the recordings sold on ReDigi’s website, commenced this action by filing the Complaint on January 6, 2012. (*See* Complaint, dated Jan. 5, 2012, Doc. No. 1 (“Compl.”); Cap. 56.1 ¶¶ 68-73.) In its Complaint, Capitol alleges multiple violations of the Copyright Act, 17 U.S.C. § 101, *et seq.*, including direct copyright infringement, inducement of copyright infringement, contributory and vicarious copyright infringement, and common law copyright infringement. (Compl. ¶¶ 44-88.) Capitol seeks preliminary and permanent injunctions of ReDigi’s services, as well as damages, attorney’s fees and costs, interest, and any other appropriate relief. (*Id.* at 17-18.) On February 6, 2012, the Court denied Capitol’s motion for a preliminary injunction, finding that Capitol had failed to establish irreparable harm. (Doc. No. 26.)

On July 20, 2012, Capitol filed its motion for partial summary judgment on the claims that ReDigi directly and secondarily infringed Capitol’s reproduction and distribution rights. (Doc. No. 48.) ReDigi filed its cross-motion the same day, seeking summary judgment on all grounds of liability, including ReDigi’s alleged infringement of Capitol’s performance and display rights.⁴ (Doc. No. 54.) Both parties

in the Cloud Locker. (*Id.* ¶¶ 44-52.) However, because ReDigi 2.0 launched after Capitol filed the Complaint and mere days before the close of discovery, the Court will not consider it in this action. (*See* Tr. 19:2-20:3.)

⁴ ReDigi’s arguments in this round of briefing differ markedly from those it asserted in opposition to Capitol’s motion for a preliminary injunction. (*See* ReDigi Opp’n to Prelim. Inj., dated Jan. 27, 2012, Doc. No. 14 (“ReDigi Opp’n to PI”).) For instance, ReDigi no longer asserts an “essential step defense,” nor does it argue that “copying” to the Cloud Locker for storage is protected by the fair use defense. (*Id.* at

responded on August 14, 2012 and replied on August 24, 2012. (Doc. Nos. 76, 79, 87, 90.) The Court heard oral argument on October 5, 2012.

II. LEGAL STANDARD

Pursuant to Federal Rule of Civil Procedure 56(a), a court may not grant a motion for summary judgment unless “the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a); *see Celotex Corp. v. Catrett*, 477 U.S. 317, 322–23 (1986). The moving party bears the burden of showing that it is entitled to summary judgment. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). The court “is not to weigh evidence but is instead required to view the evidence in the light most favorable to the party opposing summary judgment, to draw all reasonable inferences in favor of that party, and to eschew credibility assessments.” *Amnesty Am. v. Town of W. Hartford*, 361 F.3d 113, 122 (2d Cir. 2004) (internal quotation marks omitted); *accord Anderson*, 477 U.S. at 249. As such, “if there is any evidence in the record from any source from which a reasonable inference in the [nonmoving party’s] favor may be drawn, the moving party simply cannot obtain a summary judgment.” *Binder & Binder PC v. Barnhart*, 481 F.3d 141, 148 (2d Cir. 2007) (internal quotation marks omitted).

Inferences and burdens of proof on cross-motions for summary judgment are the same as those for a unilateral motion. *See Straube v. Fla. Union Free Sch. Dist.*, 801 F. Supp.

1164, 1174 (S.D.N.Y. 1992). “That is, each cross-movant must present sufficient evidence to satisfy its burden of proof on all material facts.” *U.S. Underwriters Ins. Co. v. Roka LLC*, No. 99 Civ. 10136 (AGS), 2000 WL 1473607, at *3 (S.D.N.Y. Sept. 29, 2000); *see Barhold v. Rodriguez*, 863 F.2d 233, 236 (2d Cir. 1988).

III. DISCUSSION

Section 106 of the Copyright Act grants “the owner of copyright under this title” certain “exclusive rights,” including the right “to reproduce the copyrighted work in copies or phonorecords,” “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership,” and to publicly perform and display certain copyrighted works. 17 U.S.C. §§ 106(1), (3)-(5). However, these exclusive rights are limited by several subsequent sections of the statute. Pertinently, Section 109 sets forth the “first sale” doctrine, which provides that “the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” *Id.* § 109(a). The novel question presented in this action is whether a digital music file, lawfully made and purchased, may be resold by its owner through ReDigi under the first sale doctrine. The Court determines that it cannot.

A. Infringement of Capitol’s Copyrights

To state a claim for copyright infringement, a plaintiff must establish that it owns a valid copyright in the work at issue and that the defendant violated one of the exclusive rights the plaintiff holds in the work. *Twin Peaks Prods., Inc. v. Publ’ns*

9-14.) ReDigi has also abandoned its argument that the Digital Millenium Copyright Act, 17 U.S.C. § 512, bars Capitol’s claim. (*Id.* at 22.) As such, the Court will consider only those arguments made in the instant motions.

Int'l, Ltd., 996 F.2d 1366, 1372 (2d Cir. 1993) (citing *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991)). It is undisputed that Capitol owns copyrights in a number of the recordings sold on ReDigi's website. (See Cap. 56.1 ¶¶ 68-73; RD Rep. 56.1 18-19, ¶¶ 68-73; Decl. of Richard S. Mandel, dated July 19, 2012, Doc. No. 52 ("Mandel Decl."), ¶ 16, Ex. M; Decl. of Alasdair J. McMullan, dated July 19, 2012, Doc. No. 51 ("McMullan Decl."), ¶¶ 3-5, Ex. 1.) It is also undisputed that Capitol did not approve the reproduction or distribution of its copyrighted recordings on ReDigi's website. Thus, if digital music files are "reproduce[d]" and "distribute[d]" on ReDigi's website within the meaning of the Copyright Act, Capitol's copyrights have been infringed.

1. Reproduction Rights

Courts have consistently held that the unauthorized duplication of digital music files over the Internet infringes a copyright owner's exclusive right to reproduce. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001). However, courts have not previously addressed whether the unauthorized transfer of a digital music file over the Internet – where only one file exists before and after the transfer – constitutes reproduction within the meaning of the Copyright Act. The Court holds that it does.

The Copyright Act provides that a copyright owner has the exclusive right "to reproduce the copyrighted work *in . . . phonorecords.*" 17 U.S.C. § 106(1) (emphasis added). Copyrighted works are defined to include, *inter alia*, "sound recordings," which are "works that result from the fixation of a series of musical, spoken, or other sounds." *Id.* § 101. Such works are distinguished from their material

embodiments. These include phonorecords, which are the "*material objects* in which sounds . . . are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." *Id.* § 101 (emphasis added). Thus, the plain text of the Copyright Act makes clear that reproduction occurs when a copyrighted work is fixed in a new *material object*. See *Matthew Bender & Co., Inc. v. W. Pub. Co.*, 158 F.3d 693, 703 (2d Cir. 1998).

The legislative history of the Copyright Act bolsters this reading. The House Report on the Copyright Act distinguished between sound recordings and phonorecords, stating that "[t]he copyrightable work comprises the aggregation of sounds and not the tangible medium of fixation. Thus, 'sound recordings' as copyrightable subject matter are distinguished from 'phonorecords[.]' the latter being physical objects in which sounds are fixed." H.R. Rep. No. 94-1476, at 56 (1976). Similarly, the House and Senate Reports on the Act both explained:

Read together with the relevant definitions in [S]ection 101, the right "to reproduce the copyrighted work in copies or phonorecords" means the right to produce a material object in which the work is duplicated, transcribed, imitated, or simulated in a fixed form from which it can be "perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."

Id. at 61; S. Rep. No. 94-473, at 58 (1975). Put differently, the reproduction right is the exclusive right to embody, and to prevent others from embodying, the copyrighted work (or sound recording) in a new material object (or phonorecord). See Nimmer on

Copyright § 8.02 (stating that “in order to infringe the reproduction right, the defendant must embody the plaintiff’s work in a ‘material object’”).

Courts that have dealt with infringement on peer-to-peer (“P2P”) file-sharing systems provide valuable guidance on the application of this right in the digital domain. For instance, in *London-Sire Records, Inc. v. John Doe I*, the court addressed whether users of P2P software violated copyright owners’ distribution rights. 542 F. Supp. 2d 153, 166 & n.16 (D. Mass. 2008). Citing the “material object” requirement, the court expressly differentiated between the copyrighted work – or digital music file – and the phonorecord – or “appropriate segment of the hard disk” that the file would be embodied in following its transfer. *Id.* at 171. Specifically,

[w]hen a user on a [P2P] network downloads a song from another user, he receives into his computer a digital sequence representing the sound recording. That sequence is magnetically encoded on a segment of his hard disk (or likewise written on other media). With the right hardware and software, the downloader can use the magnetic sequence to *reproduce* the sound recording. The electronic file (or, perhaps more accurately, the appropriate segment of the hard disk) is therefore a “phonorecord” within the meaning of the statute.

Id. (emphasis added). Accordingly, when a user downloads a digital music file or “digital sequence” to his “hard disk,” the file is “reproduce[d]” on a new phonorecord within the meaning of the Copyright Act. *Id.*

This understanding is, of course, confirmed by the laws of physics. It is simply impossible that the same “material object” can be transferred over the Internet. Thus, logically, the court in *London-Sire* noted that the Internet transfer of a file results in a material object being “created elsewhere at its finish.” *Id.* at 173. Because the reproduction right is necessarily implicated when a copyrighted work is embodied in a new material object, and because digital music files must be embodied in a new material object following their transfer over the Internet, the Court determines that the embodiment of a digital music file on a new hard disk is a reproduction within the meaning of the Copyright Act.

This finding holds regardless of whether one or multiple copies of the file exist. *London-Sire*, like all of the P2P cases, obviously concerned multiple copies of one digital music file. But that distinction is immaterial under the plain language of the Copyright Act. Simply put, it is the creation of a *new* material object and not an *additional* material object that defines the reproduction right. The dictionary defines “reproduction” to mean, *inter alia*, “to produce again” or “to cause to exist again or anew.” See *Merriam-Webster Collegiate Edition* 994 (10th ed. 1998) (emphasis added). Significantly, it is not defined as “to produce again while the original exists.” Thus, the right “to reproduce the copyrighted work in . . . phonorecords” is implicated whenever a sound recording is fixed in a new material object, regardless of whether the sound recording remains fixed in the original material object.

Given this finding, the Court concludes that ReDigi’s service infringes Capitol’s reproduction rights under any description of the technology. ReDigi stresses that it

“migrates” a file from a user’s computer to its Cloud Locker, so that the same file is transferred to the ReDigi server and no copying occurs.⁵ However, even if that were the case, the fact that a file has moved from one material object – the user’s computer – to another – the ReDigi server – means that a reproduction has occurred. Similarly, when a ReDigi user downloads a new purchase from the ReDigi website to her computer, yet another reproduction is created. It is beside the point that the original phonorecord no longer exists. It matters only that a new phonorecord has been created.

ReDigi struggles to avoid this conclusion by pointing to *C.M. Paula Co. v. Logan*, a 1973 case from the Northern District of Texas where the defendant used chemicals to lift images off of greeting cards and place them on plaques for resale. 355 F. Supp. 189, 190 (N.D. Tex. 1973); (see ReDigi Mem. of Law, dated July 20, 2012, Doc. No. 55 (“ReDigi Mem.”), at 13). The court determined that infringement did not occur

because “should defendant desire to make one hundred ceramic plaques . . . , defendant would be required to purchase one hundred separate . . . prints.” *C.M. Paula*, 355 F. Supp. at 191. ReDigi argues that, like the defendant in *C.M. Paula*, its users must purchase a song on iTunes in order to sell a song on ReDigi. (ReDigi Mem. 13.) Therefore, no “duplication” occurs. See *C.M. Paula*, 355 F. Supp. at 191 (internal quotation marks omitted). ReDigi’s argument is unavailing. Ignoring the questionable merits of the court’s holding in *C.M. Paula*, ReDigi’s service is distinguishable from the process in that case. There, the copyrighted print, or material object, was lifted from the greeting card and transferred in toto to the ceramic tile; no new material object was created. By contrast, ReDigi’s service by necessity creates a new material object when a digital music file is either uploaded to or downloaded from the Cloud Locker.

ReDigi also argues that the Court’s conclusion would lead to “irrational” outcomes, as it would render illegal any movement of copyrighted files on a hard drive, including relocating files between directories and defragmenting. (ReDigi Opp’n, dated Aug. 14, 2012, Doc. No. 79 (“ReDigi Opp’n”), at 8.) However, this argument is nothing more than a red herring. As Capitol has conceded, such reproduction is almost certainly protected under other doctrines or defenses, and is not relevant to the instant motion. (Cap. Reply, dated Aug. 24, 2012, Doc. No. 87 (“Cap. Reply”), at 5 n.1.)

Accordingly, the Court finds that, absent the existence of an affirmative defense, the sale of digital music files on ReDigi’s website infringes Capitol’s exclusive right of reproduction.

⁵ It bears noting that ReDigi made numerous admissions to the contrary at the preliminary injunction stage. For instance, in its opposition to Capitol’s motion, ReDigi stated that, “The only copying which takes place in the ReDigi service occurs when a user uploads music files to the ReDigi Cloud, . . . or downloads music files from the user’s Cloud Locker.” (See ReDigi Opp’n to PI at 9 (emphasis added).) ReDigi also stated that, after a digital music file was uploaded to the Cloud Locker, “the copy from which it was made was actually deleted from the user’s machine.” (*Id.* at 14 (emphasis added).) ReDigi’s officers made similar statements in their depositions, and ReDigi’s patent application for its upload technology states that “to be offered for sale, [a music file] is first copied to the remote server and stored on the disc.” (See Capitol Mem. of Law, dated July 20, 2012, Doc. No. 49 (“Cap. Mem.”), at 8-9, n.6 (emphasis added).) But, as earlier stated, these semantic distinctions are immaterial as even ReDigi’s most recent description of its service runs afoul of the Copyright Act.

2. Distribution Rights

In addition to the reproduction right, a copyright owner also has the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership.” 17 U. S. C. § 106(3). Like the court in *London-Sire*, the Court agrees that “[a]n electronic file transfer is plainly within the sort of transaction that § 106(3) was intended to reach [and] . . . fit[s] within the definition of ‘distribution’ of a phonorecord.” *London-Sire*, 542 F. Supp. 2d at 173-74. For that reason, “courts have not hesitated to find copyright infringement by distribution in cases of file-sharing or electronic transmission of copyrighted works.” *Arista Records LLC v. Greubel*, 453 F. Supp. 2d 961, 968 (N.D. Tex. 2006) (collecting cases); see, e.g., *Napster*, 239 F.3d at 1014. Indeed, in *New York Times Co., Inc. v. Tasini*, the Supreme Court stated it was “clear” that an online news database violated authors’ distribution rights by selling electronic copies of their articles for download. 533 U.S. 483, 498 (2001).

There is no dispute that sales occurred on ReDigi’s website. Capitol has established that it was able to buy more than one-hundred of its own recordings on ReDigi’s website, and ReDigi itself compiled a list of its completed sales of Capitol’s recordings. (Cap. 56.1 ¶¶ 68-73; RD Rep. 56.1 ¶¶ 68-73.) ReDigi, in fact, does not contest that distribution occurs on its website – it only asserts that the distribution is protected by the fair use and first sale defenses. (See, e.g., ReDigi Opp’n 15 (noting that “any distributions . . . which occur on the ReDigi marketplace are protected”).)

Accordingly, the Court concludes that, absent the existence of an affirmative defense, the sale of digital music files on

ReDigi’s website infringes Capitol’s exclusive right of distribution.⁶

3. Performance and Display Rights

Finally, a copyright owner has the exclusive right, “in the case of . . . musical . . . works, to perform the copyrighted work publicly.” 17 U. S. C. § 106(4). Public performance includes transmission to the public regardless of “whether the members of the public . . . receive it in the same place or in separate places and at the same time or at different times.” *Id.* § 101. Accordingly, audio streams are performances because a “stream is an electronic transmission that renders the musical work audible as it is received by the client-computer’s temporary memory. This transmission, like a television or radio broadcast, is a performance because there is a playing of the song that is perceived simultaneously with the transmission.” *United States v. Am. Soc. Of Composers, Authors, & Publishers*, 627 F.3d 64, 74 (2d Cir. 2010). To state a claim for infringement of the performance right, a plaintiff must establish that (1) the public performance or display of the copyrighted work was for profit, and (2) the defendant lacked authorization from the plaintiff or the

⁶ Capitol argues that ReDigi also violated its distribution rights simply by making Capitol’s recordings available for sale to the public, regardless of whether a sale occurred. (See Cap. Mem. 11 n.8 (citing *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 201 (4th Cir. 1997)). However, a number of courts, including one in this district, have cast significant doubt on this “make available” theory of distribution. See, e.g., *Elektra Entm’t Grp., Inc. v. Barker*, 551 F. Supp. 2d 234, 243 (S.D.N.Y. 2008) (“[T]he support in the case law for the ‘make available’ theory of liability is quite limited.”); *London-Sire*, 542 F. Supp. 2d at 169 (“[T]he defendants cannot be liable for violating the plaintiffs’ distribution right unless a ‘distribution’ actually occurred.”). In any event, because the Court concludes that actual sales on ReDigi’s website infringed Capitol’s distribution right, it does not reach this additional theory of liability.

plaintiff's representative. *See Broad. Music, Inc. v. 315 W. 44th St. Rest. Corp.*, No. 93 Civ. 8082 (MBM), 1995 WL 408399, at *2 (S.D.N.Y. July 11, 1995).

The copyright owner also has the exclusive right, "in the case of . . . pictorial [and] graphic . . . works[,] . . . to display the copyrighted work publicly." 17 U.S.C. § 106(5). Public display includes "show[ing] a copy of [a work], either directly or by means of a film, slide, television image, or any other device or process." *Id.* § 101. The Ninth Circuit has held that the display of a photographic image on a computer may implicate the display right, though infringement hinges, in part, on where the image was hosted. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1160 (9th Cir. 2007).

Capitol alleges that ReDigi infringed its copyrights by streaming thirty-second song clips and exhibiting album cover art to potential buyers. (Compl. ¶¶ 25-26.) ReDigi counters that it only posted such content pursuant to a licensing agreement and within the terms of that agreement. (ReDigi Mem. 24-25.) ReDigi also asserts that it promptly removed the content when its licenses were terminated, and instead sent users to YouTube or iTunes for previews. (*Id.*) Capitol, in response, claims that ReDigi's use violated the terms of those licenses and did not cease at the time the licenses were terminated. (*Compare* RD 56.1 ¶¶ 73-79, *with* Cap. Rep. 56.1 ¶¶ 73-79.) As such, there are material disputes as to the source of the content, whether ReDigi was authorized to transmit the content, when authorization was or was not revoked, and when ReDigi ceased providing the content. Because the Court cannot determine whether ReDigi infringed Capitol's display and performance rights on the present record, ReDigi's motion for summary judgment on

its alleged infringement of these exclusive rights is denied.

B. Affirmative Defenses

Having concluded that sales on ReDigi's website infringe Capitol's exclusive rights of reproduction and distribution, the Court turns to whether the fair use or first sale defenses excuse that infringement. For the reasons set forth below, the Court determines that they do not.

1. Fair Use

"The ultimate test of fair use . . . is whether the copyright law's goal of 'promot[ing] the Progress of Science and useful Arts' would be better served by allowing the use than by preventing it." *Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132, 141 (2d Cir. 1998) (quoting U.S. Const., art. I, § 8, cl. 8). Accordingly, fair use permits reproduction of copyrighted work without the copyright owner's consent "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research." 17 U.S.C. § 107. The list is not exhaustive but merely illustrates the types of copying typically embraced by fair use. *Castle Rock Entm't, Inc.*, 150 F.3d at 141. In addition, four statutory factors guide courts' application of the doctrine. Specifically, courts look to:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use

upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. Because fair use is an “equitable rule of reason,” courts are “free to adapt the doctrine to particular situations on a case-by-case basis.” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 n.31 (1984) (quoting H. Rep. No. 94-1476, at 65-66); *see Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, 60 (2d Cir. 1980).

On the record before it, the Court has little difficulty concluding that ReDigi’s reproduction and distribution of Capitol’s copyrighted works falls well outside the fair use defense. ReDigi obliquely argues that uploading to and downloading from the Cloud Locker for storage and personal use are protected fair use.⁷ (See ReDigi Mem. 15.) Significantly, Capitol does not contest that claim. (See Tr. 12:8-23.) Instead, Capitol asserts only that uploading to and downloading from the Cloud Locker *incident to sale* fall outside the ambit of fair use. The Court agrees. *See Arista Records, LLC v. Doe 3*, 604 F.3d 110, 124 (2d Cir. 2010) (rejecting application of fair use to user uploads and downloads on P2P file-sharing network).

Each of the statutory factors counsels against a finding of fair use. The first factor requires the Court to determine whether ReDigi’s use “transforms” the copyrighted work and whether it is commercial. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578-79 (1994). Both inquiries disfavor ReDigi’s claim. Plainly, the upload, sale, and download of digital music files on ReDigi’s website does nothing to

“add[] something new, with a further purpose or different character” to the copyrighted works. *Id.*; *see, e.g., Napster*, 239 F.3d at 1015 (endorsing district court finding that “downloading MP3 files does not transform the copyrighted work”). ReDigi’s use is also undoubtedly commercial. ReDigi and the uploading user directly profit from the sale of a digital music file, and the downloading user saves significantly on the price of the song in the primary market. *See Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985) (“The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.”). ReDigi asserts that downloads for personal, and not public or commercial, use “must be characterized as . . . noncommercial, nonprofit activity.” (ReDigi Mem. 16 (quoting *Sony*, 464 U.S. at 449).) However, ReDigi twists the law to fit its facts. When a user downloads purchased files from the Cloud Locker, the resultant reproduction is an essential component of ReDigi’s commercial enterprise. Thus, ReDigi’s argument is unavailing.

The second factor – the nature of the copyrighted work – also weighs against application of the fair use defense, as creative works like sound recordings are “close to the core of the intended copyright protection” and “far removed from the . . . factual or descriptive work more amenable to fair use.” *UMG Recordings, Inc. v. MP3.Com, Inc.*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) (alteration and internal quotation marks omitted) (citing *Campbell*, 510 U.S. at 586). The third factor – the portion of the work copied – suggests a similar outcome because ReDigi transmits the works in their entirety, “negating any claim of fair use.” *Id.* at 352. Finally,

⁷ ReDigi’s argument is, perhaps, a relic of the argument it previously levied that “copying” to the Cloud Locker is protected as “space shifting” under the fair use doctrine. (See ReDigi Opp’n to PI at 10.)

ReDigi's sales are likely to undercut the "market for or value of the copyrighted work" and, accordingly, the fourth factor cuts against a finding of fair use. *Cf. Arista Records, LLC v. Doe 3*, 604 F.3d at 124 (rejecting application of fair use to P2P file sharing, in part, because "the likely detrimental effect of file-sharing on the value of copyrighted compositions is well documented." (citing *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 923 (2005))). The product sold in ReDigi's secondary market is indistinguishable from that sold in the legitimate primary market save for its lower price. The clear inference is that ReDigi will divert buyers away from that primary market. ReDigi incredibly argues that Capitol is preempted from making a market-based argument because Capitol itself condones downloading of its works on iTunes. (ReDigi Mem. 18.) Of course, Capitol, as copyright owner, does not forfeit its right to claim copyright infringement merely because it permits certain uses of its works. This argument, too, is therefore unavailing.

In sum, ReDigi facilitates and profits from the sale of copyrighted commercial recordings, transferred in their entirety, with a likely detrimental impact on the primary market for these goods. Accordingly, the Court concludes that the fair use defense does not permit ReDigi's users to upload and download files to and from the Cloud Locker incident to sale.

2. First Sale

The first sale defense, a common law principle recognized in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908) and now codified at Section 109(a) of the Copyright Act, provides that:

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. § 109. Under the first sale defense, "once the copyright owner places a copyrighted item [here, a phonorecord] in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 152 (1998); *see Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697, 2013 WL 1104736, at *4 (U.S. Mar. 19, 2013).

ReDigi asserts that its service, which involves the resale of digital music files lawfully purchased on iTunes, is protected by the first sale defense. (ReDigi Mem. 19.) The Court disagrees.

As an initial matter, it should be noted that the fair use defense is, by its own terms, limited to assertions of the *distribution right*. 17 U.S.C. § 109 (referencing Section 106(3)); *see* Nimmer on Copyright § 8.12. Because the Court has concluded that ReDigi's service violates Capitol's reproduction right, the first sale defense does not apply to ReDigi's infringement of those rights. *See Design Options v. BellePointe, Inc.*, 940 F. Supp. 86, 91 (S.D.N.Y. 1996).

In addition, the first sale doctrine does not protect ReDigi's distribution of Capitol's copyrighted works. This is because, as an unlawful reproduction, a digital music file sold on ReDigi is not "lawfully made under this title." 17 U.S.C. § 109(a). Moreover, the statute protects

only distribution by “the owner of a *particular* copy or phonorecord . . . of *that* copy or phonorecord.” *Id.* Here, a ReDigi user owns the phonorecord that was created when she purchased and downloaded a song from iTunes to her hard disk. But to sell that song on ReDigi, she must produce a new phonorecord on the ReDigi server. Because it is therefore impossible for the user to sell her “particular” phonorecord on ReDigi, the first sale statute cannot provide a defense. Put another way, the first sale defense is limited to material items, like records, that the copyright owner put into the stream of commerce. Here, ReDigi is not distributing such material items; rather, it is distributing *reproductions* of the copyrighted code embedded in new material objects, namely, the ReDigi server in Arizona and its users’ hard drives. The first sale defense does not cover this any more than it covered the sale of cassette recordings of vinyl records in a bygone era.

Rejecting such a conclusion, ReDigi argues that, because “‘technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of [its] basic purpose,’” namely, to incentivize creative work for the “ultimate[] . . . cause of promoting broad public availability of literature, music, and the other arts.” *Sony*, 464 U.S. at 432 (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)). Thus, ReDigi asserts that refusal to apply the first sale doctrine to its service would grant Capitol “a Court sanctioned extension of rights under the [C]opyright [A]ct . . . which is against policy, and should not be endorsed by this Court.” (ReDigi Mem. 24.)

The Court disagrees. ReDigi effectively requests that the Court amend the statute to achieve ReDigi’s broader policy goals – goals that happen to advance ReDigi’s economic interests. However, ReDigi’s

argument fails for two reasons. First, while technological change may have rendered Section 109(a) unsatisfactory to many contemporary observers and consumers, it has not rendered it ambiguous. The statute plainly applies to the lawful owner’s “particular” phonorecord, a phonorecord that by definition cannot be uploaded and sold on ReDigi’s website. Second, amendment of the Copyright Act in line with ReDigi’s proposal is a legislative prerogative that courts are unauthorized and ill suited to attempt.

Nor are the policy arguments as straightforward or uncontested as ReDigi suggests. Indeed, when confronting this precise subject in its report on the Digital Millennium Copyright Act, 17 U.S.C. § 512, the United States Copyright Office (the “USCO”) rejected extension of the first sale doctrine to the distribution of digital works, noting that the justifications for the first sale doctrine in the physical world could not be imported into the digital domain. *See* USCO, Library of Cong., DMCA Section 104 Report (2001) (“DMCA Report”); *see also Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121, 129 (2d Cir. 2008) (finding that the DMCA report is entitled to deference under *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944)). For instance, the USCO stated that “the impact of the [first sale] doctrine on copyright owners [is] limited in the off-line world by a number of factors, including geography and the gradual degradation of books and analog works.” DMCA Report at xi. Specifically,

[p]hysical copies of works degrade with time and use, making used copies less desirable than new ones. Digital information does not degrade, and can be reproduced perfectly on a recipient’s computer. The “used” copy is just as desirable as (in fact, is indistinguishable from)

a new copy of the same work. Time, space, effort and cost no longer act as barriers to the movement of copies, since digital copies can be transmitted nearly instantaneously anywhere in the world with minimal effort and negligible cost. The need to transport physical copies of works, which acts as a natural brake on the effect of resales on the copyright owner's market, no longer exists in the realm of digital transmissions. The ability of such "used" copies to compete for market share with new copies is thus far greater in the digital world.

Id. at 82-83 (footnotes omitted). Thus, while ReDigi mounts attractive policy arguments, they are not as one-sided as it contends.

Finally, ReDigi feebly argues that the Court's reading of Section 109(a) would in effect exclude digital works from the meaning of the statute. (ReDigi Mem. 21.) That is not the case. Section 109(a) still protects a lawful owner's sale of her "particular" phonorecord, be it a computer hard disk, iPod, or other memory device onto which the file was originally downloaded. While this limitation clearly presents obstacles to resale that are different from, and perhaps even more onerous than, those involved in the resale of CDs and cassettes, the limitation is hardly absurd – the first sale doctrine was enacted in a world where the ease and speed of data transfer could not have been imagined. There are many reasons, some discussed herein, for why such physical limitations may be desirable. It is left to Congress, and not this Court, to deem them outmoded.

Accordingly, the Court concludes that the first sale defense does not permit sales of digital music files on ReDigi's website.

C. Liability

Having determined that sales on ReDigi's website infringe Capitol's copyrights, the Court turns to whether ReDigi is directly and/or secondarily liable for that infringement. Direct liability requires "volitional conduct" that "causes" the reproduction or distribution to be made. *See Cartoon Network*, 536 F.3d at 131. Secondary infringement occurs when a defendant contributed to or benefitted from a third party's infringement such that it is "just" to hold the defendant accountable for the infringing activity. *Sony*, 464 U.S. at 435. For the reasons stated below, the Court finds that ReDigi directly and secondarily infringed Capitol's copyrights.

1. Direct Infringement

To be liable for direct infringement, a defendant must have "engaged in some volitional conduct sufficient to show that [it] actively" violated one of the plaintiff's exclusive rights. *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 148 (S.D.N.Y. 2009). In other words, "to establish direct liability under . . . the Act, something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner." *Cartoon Network*, 536 F.3d at 130 (quoting *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004)) (citing *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc.*, 907 F. Supp. 1361, 1370 (N.D. Cal. 1995)).

In *Cartoon Network*, the Second Circuit addressed whether the cable television provider Cablevision had directly infringed the plaintiff's copyrights by providing

digital video recording devices to its customers. 536 F.3d 121. The court determined that it had not. Though Cablevision had “design[ed], hous[ed], and maintain[ed]” the recording devices, it was Cablevision’s customers who “made” the copies and therefore directly infringed the plaintiff’s reproduction rights. *Id.* at 131-32. The court reasoned that, “[i]n determining who actually ‘makes’ a copy, a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct.” *Id.* at 131. However, the court allowed that a case may exist where “one’s contribution to the creation of an infringing copy [is] so great that it warrants holding that party directly liable for the infringement, even though another party has actually made the copy.” *Cartoon Network*, 536 F.3d at 133.

On the record before it, the Court concludes that, if such a case could ever occur, it has occurred with ReDigi. ReDigi’s founders built a service where *only* copyrighted work could be sold. Unlike Cablevision’s programming, which offered a mix of protected and public television, ReDigi’s Media Manager scans a user’s computer to build a list of eligible files that consists *solely* of protected music purchased on iTunes. While that process is itself automated, absolving ReDigi of direct liability on that ground alone would be a distinction without a difference. The fact that ReDigi’s founders programmed their software to choose copyrighted content satisfies the volitional conduct requirement and renders ReDigi’s case indistinguishable from those where human review of content gave rise to direct liability. *See Usenet.com*, 633 F. Supp. 2d at 148; *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp.

503, 512-13 (N.D. Ohio 1997). Moreover, unlike Cablevision, ReDigi infringed both Capitol’s reproduction and distribution rights. ReDigi provided the infrastructure for its users’ infringing sales and affirmatively brokered sales by connecting users who are seeking unavailable songs with potential sellers. Given this fundamental and deliberate role, the Court concludes that ReDigi’s conduct “transform[ed] [it] from [a] passive provider[] of a space in which infringing activities happened to occur to [an] active participant[] in the process of copyright infringement.” *Usenet.com*, 633 F. Supp. 2d at 148. Accordingly, the Court grants Capitol’s motion for summary judgment on its claims for ReDigi’s direct infringement of its distribution and reproduction rights.⁸

2. Secondary Infringement

“The Copyright Act does not expressly render anyone liable for infringement committed by another.” *Sony*, 464 U.S. at 434. However, common law doctrines permit a court to impose secondary liability where “just” and appropriate. *Id.* at 435. Capitol asserts that ReDigi is secondarily liable for its users’ direct infringement under three such doctrines: contributory

⁸ Capitol also asserts a claim for common law copyright infringement arising from sales of its pre-1972 recordings on ReDigi’s website. (Compl. ¶¶ 82-88.) Capitol correctly argues in its memorandum that the elements for a direct infringement claim under federal law mirror those for infringement of common law copyright under state law. *See Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 563 (2005); (Cap. Mem. 4.) Accordingly, the Court also grants Capitol’s motion for summary judgment with respect to ReDigi’s direct infringement of Capitol’s distribution and reproduction rights in its pre-1972 recordings. However, because neither Capitol nor ReDigi addressed the question of secondary infringement of common law copyrights, the Court does not reach that claim.

infringement, inducement of infringement, and vicarious infringement. (Cap. Mem. 13-16.) The Court agrees with respect to contributory and vicarious infringement, and therefore does not reach the inducement claim.

a. Contributory Infringement

Contributory infringement occurs where “one . . . with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.” *Arista Records, LLC v. Doe 3*, 604 F.3d at 118 (quoting *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)); *see, e.g., Grokster*, 545 U.S. at 930. The knowledge requirement is “objective” and satisfied where the defendant knew or had reason to know of the infringing activity. *See Arista Records, LLC v. Doe 3*, 604 F.3d at 118. Further, the support must be “more than a mere quantitative contribution to the primary infringement . . . [, it] must be substantial.” *Usenet.com*, 633 F. Supp. 2d 124, 155 (S.D.N.Y. 2009). However, even where a defendant’s contribution is material, it may evade liability if its product is “capable of substantial noninfringing uses.” *Sony*, 464 U.S. at 442 (the “*Sony-Betamax* rule”).

In weighing the knowledge requirement, courts consider evidence of actual and constructive knowledge, including cease-and-desist letters, officer and employee statements, promotional materials, and industry experience. *See, e.g., Napster*, 239 F.3d at 1020-21, 1027; *Arista Records LLC v. Lime Grp. LLC*, 784 F. Supp. 2d at 432; *Usenet.com* 633 F. Supp. 2d at 155. In addition, courts have consistently found that material support existed where file-sharing systems provided “the site and facilities” for their users’ infringement. *Napster*, 239 F.3d

at 1022; *see, e.g., Usenet.com*, 633 F. Supp. 2d at 155.

The Court has little difficulty concluding that ReDigi knew or should have known that its service would encourage infringement. Despite the fact that ReDigi boasted on its website that it was “The Legal Alternative” and insisted “YES, ReDigi is LEGAL,” ReDigi warned investors in its subscription agreements that “the law cannot be said to be well-settled” in this area and that it could not guarantee ReDigi would prevail on its copyright defenses. (Cap. 56.1 ¶¶ 65-66.) The Recording Industry Association of America (“RIAA”) sent ReDigi a cease-and-desist letter in November 2011, advising ReDigi that its website violated Capitol’s and other RIAA members’ copyrights. (Compl. ¶ 41.) Further, ReDigi was ensnared in a licensing dispute over song clips and cover art shortly after its launch, plainly indicating that infringement could be afoot. (RD 56.1 ¶¶ 74-75, 77.) ReDigi was also, of course, aware that copyright protected content was being sold on its website – a fact central to its business model and promotional campaigns. (Cap. 56.1 ¶¶ 70-73). Finally, ReDigi’s officers claim to have “researched copyright law [and] consulted with attorneys” concerning their service, and also to have met with record companies “to get input, get marketing support[,] and enter into deals with the labels.” (RD Rep. 56.1 2 ¶ 5, 5 ¶ 20.) By educating themselves, the officers presumably understood the likelihood that use of ReDigi’s service would result in infringement. Indeed, though ReDigi attempts to use its consultations with counsel as a shield, it is telling that ReDigi declined to reveal any of the advice it received on the subject. (*See* Cap. Reply 9). ReDigi’s lone rebuttal to this surfeit of evidence could only be that it “sincerely” believed in the legality of its service.

However, the Court has not found and will not create a subjective, good faith defense to contributory liability's objective knowledge requirement, and therefore concludes that, based on the objective facts, ReDigi was aware of its users' infringement.

The Court also finds that ReDigi materially contributed to its users' infringement. As ReDigi has admitted, "more than any other website that permits the sale of music, ReDigi is intimately involved in examining the content that will be sold and supervising the steps involved in making the music available for sale and selling it." (Cap. 56.1 ¶ 35; RD Rep. 56.1 15 ¶ 35.) ReDigi thus provided the "site and facilities" for the direct infringement. *See, e.g., Napster*, 239 F.3d at 1022; *Usenet.com*, 633 F. Supp. 2d at 155; *Lime Grp.*, 784 F. Supp. 2d at 434. Without ReDigi's Cloud Locker, no infringement could have occurred. Indeed, Media Manager ensured that *only* infringement occurred by limiting eligible files to iTunes tracks. Contrary to any conception of remote conduct, ReDigi's service was the hub and heart of its users' infringing activity.

The Court finally concludes that ReDigi's service is not capable of substantial noninfringing uses. The *Sony-Betamax* rule requires a court to determine whether a product or service is *capable* of substantial noninfringing uses, not whether it is currently used in a non-infringing manner. *Napster*, 239 F.3d at 1021 (discussing *Sony*, 464 U.S. at 442-43). But, put simply, ReDigi, by virtue of its design, is incapable of compliance with the law. ReDigi's business is built on the erroneous notion that the first sale defense permits the electronic resale of digital music. As such, ReDigi is built to trade only in copyright protected iTunes files. However, as determined above, ReDigi's legal argument

– and therefore business model – is fundamentally flawed. Accordingly, to comply with the law, either the law or ReDigi must change. While ReDigi 2.0, 3.0, or 4.0 may ultimately be deemed to comply with copyright law – a finding the Court need not and does not now make – it is clear that ReDigi 1.0 does not. Given the fundamental disconnect between ReDigi and the Copyright Act, and ReDigi's failure to provide any evidence of present or potential noninfringing uses, the Court concludes that the *Sony-Betamax* rule cannot save ReDigi from contributory liability.

Accordingly, the Court grants Capitol's motion for summary judgment on its claim for ReDigi's contributory infringement of its distribution and reproduction rights.⁹

b. Vicarious Infringement

Vicarious liability for copyright infringement exists where the defendant "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities." *Napster*, 239 F.3d at 1022 (quoting *Gershwin Pub. Corp.*, 443 F.2d at 1162); *see Grokster*, 545 U.S. at 930. Unlike contributory infringement, knowledge is not an element of vicarious liability. *Gershwin*,

⁹ As noted above, Capitol has alleged a separate cause of action for inducement of infringement. (Compl. ¶¶ 51-60.) Disagreement exists over whether "inducement of infringement" is a separate theory of liability for copyright infringement or merely a subset of contributory liability. *Compare Flava Works, Inc. v. Gunter*, 689 F.3d 754, 758 (7th Cir. 2012) (describing inducement as "a form of contributory infringement"), with *Lime Grp.*, 784 F. Supp. 2d at 424 ("In *Grokster*, the Supreme Court confirmed that inducement of copyright infringement constitutes a distinct cause of action."). Regardless, because the Court concludes that ReDigi is liable for contributing to its users' direct infringement of Capitol's copyrights, it does not reach Capitol's inducement claim.

443 F.2d at 1162; *see Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262-63 (9th Cir. 1996).

Clearly, ReDigi vicariously infringed Capitol's copyrights. As discussed, ReDigi exercised complete control over its website's content, user access, and sales. Indeed, ReDigi admits that it "is intimately involved in . . . supervising the steps involved in making the music available for sale and selling it" on the website. (Cap. 56.1 ¶ 35; RD Rep. 56.1 ¶ 35); *see, e.g., Lime Grp.*, 784 F. Supp. 2d at 435 (finding right to supervise where P2P file sharing system could filter content and regulate users). In addition, ReDigi financially benefitted from every infringing sale when it collected 60% of each transaction fee. *See, e.g., Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963) (finding a direct financial benefit where the defendant received a share of the gross receipts on every infringing sale). Notably, ReDigi failed to address any of these arguments in its opposition brief, instead insisting that it was not vicariously liable for infringement that occurred *outside* the ReDigi service, for instance, when a user impermissibly retained files on his computer. (See ReDigi Opp'n 22-23.) However, this argument is inapposite to the instant motions. Accordingly, the Court grants Capitol's motion for summary judgment on its claim for ReDigi's vicarious infringement of its distribution and reproduction rights.

IV. CONCLUSION


At base, ReDigi seeks judicial amendment of the Copyright Act to reach its desired policy outcome. However, "[s]ound policy, as well as history, supports [the Court's] consistent deference to Congress when major technological innovations alter

the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology." *Sony*, 464 U.S. at 431. Such deference often counsels for a limited interpretation of copyright protection. However, here, the Court cannot of its own accord condone the wholesale application of the first sale defense to the digital sphere, particularly when Congress itself has declined to take that step. Accordingly, and for the reasons stated above, the Court GRANTS Capitol's motion for summary judgment on its claims for ReDigi's direct, contributory, and vicarious infringement of its distribution and reproduction rights. The Court also DENIES ReDigi's motion in its entirety.

Because issues remain with respect to Capitol's performance and display rights, and ReDigi's secondary infringement of Capitol's common law copyrights, as well as damages, injunctive relief, and attorney's fees, IT IS HEREBY ORDERED THAT the parties shall submit a joint letter to the Court no later than April 12, 2013 concerning the next contemplated steps in this case.

The Clerk of Court is respectfully directed to terminate the motions pending at Doc. Nos. 48 and 54.

SO ORDERED.


RICHARD J. SULLIVAN
United States District Judge

Dated: March 30, 2013
New York, New York

* * *

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