

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

LAVA RECORDS LLC, a Delaware limited liability company; WARNER BROS. RECORDS INC., a Delaware corporation; UMG RECORDINGS, INC., a Delaware corporation; SONY BMG MUSIC ENTERTAINMENT, a Delaware general partnership; ARISTA RECORDS LLC, a Delaware limited liability company; and BMG MUSIC, a New York general partnership,

Plaintiffs,

-against-

ROLANDO AMURAO,

Defendant.

Civil Action No.: 7:07-cv-00321-CLB

**AMICUS BRIEF IN SUPPORT OF
DEFENDANT'S OPPOSITION TO
MOTION TO DISMISS
COUNTERCLAIMS**

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I. INTEREST OF AMICUS CURIAE

The Electronic Frontier Foundation (EFF) is a non-profit, membership-supported civil liberties organization working to protect consumer interests, innovation and free expression in the digital world. EFF and its over 13,500 dues-paying members have a strong interest in fostering and defending a balanced intellectual property system. This case calls on the Court to address the procedures for litigating intellectual property claims, and its conclusions could have far-reaching effect on litigants' ability to call on the courts to prevent or redress copyright abuse. As a leading advocate for the public interest in a balanced intellectual property system, EFF has a perspective that is not represented by the parties to this appeal.

II. INTRODUCTION AND SUMMARY OF ARGUMENT

Plaintiffs' motion should be denied. There is nothing in the Declaratory Judgment Act that forbids Defendant's claims; indeed, his claims embody the spirit and purpose of the law. And his ability to bring a misuse claim is well-supported by relevant case law.

Moreover, the context of the suit strongly favors keeping these claims in this case. As this Court is doubtless aware, this lawsuit is but one skirmish in the broader war the Recording Industry Association of America ("RIAA") is waging against unauthorized Internet copying. Using questionable methods and suspect evidence, the RIAA has targeted thousands of ordinary people around the country, including grandmothers, grandfathers, single mothers and teenagers. For example, Marie Lindor was sued even though she had never used a computer. Download Suit Defense: 'No PC,' Red Herring, Feb. 3, 2006, available at <http://www.redherring.com/Article.aspx?a=15592>. An 83-year-old deceased grandmother, Gertrude Walton, was accused of sharing files under the user name "smitten kitten" even though she hated computers even when she was alive. See Toby Coleman, *Deceased Woman Named in File-sharing Suit*, Charleston Gazette, Feb. 4, 2005, at P1A. The RIAA itself has likened its campaign to drift net fishing, admitting that "[w]hen you go fishing with a net, you sometimes are going to catch a few dolphin." Dennis Roddy, *The Song Remains the Same*,

Pittsburgh Post-Gazette, Sept. 14, 2003, available at <http://www.post-gazette.com/columnists/20030914edroddy0914p1.asp>.

In addition, the RIAA is attempting to expand the scope of its copyright protections beyond what the statutes provide. This copyright “grab” stems from the plaintiffs’ erroneous theories of secondary liability in copyright law. These theories, which the RIAA knows are wrong, attempt to put parents, employers, teachers, and other internet account holders on the hook for third-party computer activities—even when the defendant has no knowledge or ability to supervise the actual alleged infringers. For example, Deborah Foster faced frivolous claims of secondary copyright liability despite the absence of any allegation, much less any fact, showing that she knew third parties were using her Internet account to engage in illegal file-sharing, or substantially participating in such file-sharing. *See Capitol Records, Inc. v. Foster*, No. 04-1569, 2007 WL 1028532, at *3 (W.D. Okla. Feb. 6, 2007).

The difficulties facing “the dolphins” are compounded by the challenges that individuals face when attempting to litigate in federal court. When the RIAA threatens suit against an individual, it makes sure to offer her a carefully chosen sum that is substantially smaller than the legal fees required to fight the accusations, even for defendants that are completely innocent non-infringers. Faced with the threat of costly litigation to defend their names and the possibility that many thousands of dollars in damages might be wrongly assessed against them, *see, e.g. BMG Music v. Gonzalez*, 430 F.3d 888 (7th Cir. 2005) (affirming \$22,500 statutory damages award against a mother of five found liable for illegally downloading thirty songs), many innocent people settle because they cannot afford the legal costs to fight back.

Thus, at the heart of Defendant’s counterclaims and Plaintiffs’ motion to dismiss is the question of consequences – namely, what consequences should attach to plaintiffs who carelessly net “dolphins” in their mass litigation campaign and then walk away from these cases when a dolphin acts affirmatively to protect itself? Defendant has alleged that Plaintiff’s case here has no merit, has been brought to harass him, and that he has not infringed any of its legal rights. He has also alleged that by bringing this case, Plaintiff has illegally misused its government-granted

copyright, thus jeopardizing its enforceability under the equitable standards of the law. Amicus EFF takes no position as to the actual facts of this case, but if these allegations *are* true, then this presents a very serious situation for the Court to consider. If Plaintiffs *have*, in fact, brought such a frivolous case and *are* misusing their statutorily-granted copyrights, they should be held responsible for their actions. Moreover, Defendant deserves a final answer and peace of mind, rather than a voluntary dismissal that allows the specter of future litigation to linger. Counterclaims such as those brought by Defendant—for a declaration of non-infringement and a finding of copyright misuse—will promote accountability and bring him out from under that Damoclean sword.

Further, permitting the counterclaims to go forward may ultimately promote judicial economy. Careless copyright plaintiffs will think twice before filing suit if they know that voluntary dismissal will not shield them from the consequences of carelessly dragging individuals into federal court. To disallow such claims, by contrast, would allow Plaintiffs to play a nefarious “wait-and-see” game: those that expend the money on attorneys’ fees and costs to fight back against the bogus suits would find their cases voluntarily dismissed without recompense, while those who did not fight back would end up having to submit to either an unfair settlement or default judgment.

III. ARGUMENT

A. Defendant’s Declaratory Judgment Claim Meets the Requirements and Spirit of the Declaratory Judgment Act And Should Not Be Dismissed

Plaintiffs’ “mirror image” theory has no basis in either statutory or case law. There is nothing in the Declaratory Judgment Act (“DJA”) or the relevant case law interpreting it to suggest that a court *must* eliminate that remedy simply because another avenue for making that declaration exists, as is *currently* the case here. That alternative avenue may disappear at any time, without the concomitant disappearance of a substantial controversy between the adverse parties. As long as that controversy remains, Amurao deserves his day in court. His declaratory

judgment claim will ensure that he gets it. Therefore, this Court should deny Plaintiffs' motion to dismiss.

Amurao's declaratory judgment counterclaim is an independent cause of action arising under and fully compliant with the DJA. Under the Declaratory Judgment Act, an individual may file suit in federal court or counterclaim in an existing suit to obtain a declaration of rights with respect to another party – whether or not other relief (such as damages or an injunction) is or could be sought. 28 U.S.C. § 2201 (2006). To maintain a DJ action, a party need only file an “appropriate pleading” (e.g., a counterclaim) that establishes (1) jurisdiction; and (2) the existence of an actual case or controversy between parties having adverse legal interests. *Horton v. Liberty Mut. Ins. Co.*, 367 U.S. 348, 357 (1961). There is no universal rule for compliance with the latter element; rather, the analysis is necessarily tied to the facts of the case. “[T]he question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941); *quoted and affirmed in MedImmune Inc. v. Genentech, Inc.* U.S., 127 S.Ct. 764, 771-72 (2007).

Amurao's counterclaim easily meets these requirements. Plaintiffs do not claim, nor could they, that this Court lacks jurisdiction over this controversy. They do not claim—nor could they—that there is no real and substantial controversy between the parties. At this early stage in the litigation, that is enough to warrant denial of Plaintiff's motion.

In addition, the nature of Amurao's claim also weighs against dismissal, for it embodies the guiding purpose of the DJA: to guarantee the target of legal threats an opportunity to obtain a judicial declaration of his or her rights. Numerous courts have held that the DJA “should be liberally construed to accomplish its intended purpose of affording a speedy and inexpensive method of adjudicating legal disputes without invoking coercive remedies of old procedures, and to settle legal rights and remove uncertainty and insecurity from legal relationships” *Beacon Const. Co. v. Matco Elec. Co.*, 521 F.2d 392, 397 (2d Cir. 1975); *see also Allstate Ins.*

Co. v. Employers Liability Assur. Co., 445 F.2d 1278, 1280 (5th Cir. 1971) (“[This chapter] is remedial and is to be liberally construed to achieve its wholesome and salutary purpose.”)

Relevant guidance may also be found in patent law, keeping in mind “the historic kinship between patent law and copyright law.” *Sony Corp. of America v. Univ. City Studios, Inc.*, 464 U.S. 417, 439 (1984); *see also Texas v. West Pub. Co.*, 882 F.2d 171, 175 (5th Cir. 1989) (acknowledging Federal Circuit provides a “wealth of precedent” in the intellectual property field). With respect to the actual controversy requirement, the Supreme Court has recently reaffirmed that it is satisfied in patent as in other cases if the dispute is “definite and concrete, touching the legal relations of parties having adverse interests” and “real and substantial” such that it will permit “specific relief through a decree of a conclusive character.” *MedImmune, Inc.*, U.S., 127 S.Ct. at 771. In *Sandisk Corp. v. ST Microelectronics, Inc.*, No. 05-1300, 2007 WL 881008 (Fed. Cir. Mar. 26, 2007), for example, the Federal Circuit Court of Appeals held that a party had standing to seek a declaratory judgment of noninfringement of patents where a patentee took a position that forced the declaratory judgment plaintiff to choose between pursuing arguably illegal behavior or abandoning that which he claimed to have a right to do. *See also Uniform Product Code Council, Inc. v. Kaslow*, 460 F. Supp. 900, 903 (S.D.N.Y. 1978) (finding plaintiff had standing to bring DJ action where patentee defendant had publicly asserted its intent to enforce its patent and such enforcement would expose plaintiff to damages and plaintiff would then be guilty of actively inducing such infringement; “ultimate exposure of plaintiff to an action by defendant for damages clearly gives plaintiff standing to bring an action for declaratory judgment in its own right.”)

The converse is also worth noting: courts have recognized that a declaratory judgment counterclaim may not be viable if the “actual controversy” requirement is extinguished. In *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995), *cert. denied*, 516 U.S. 1093 (1996), for example, a declaratory judgment counterclaim was dismissed because plaintiff had promised not to sue the defendant for infringement. *But see Sandisk Corp. v. ST Microelectronics, Inc.*, No. 05-1300, 2007 WL 881008 (Fed. Cir. Mar. 26, 2007) (“direct

and unequivocal statement” that declaratory judgment defendants had “absolutely no plan” to sue plaintiffs did not eliminate declaratory judgment jurisdiction).

Thus, contrary to Plaintiffs’ implication here, declaratory judgment standing does not depend on whether the declaratory judgment claims are arguably similar to other issues in dispute, but whether the declaratory judgment claims pertain to a real and substantial controversy. Small wonder that patent courts have had no difficulty allowing suits or counterclaims brought by persons charged with infringement against the patent owner for a declaratory judgment of non-infringement and/or invalidity. 6 Donald S. Chisum, *Chisum on Patents* § 21.02[1][d] (2003); *see also, e.g. Altwater v. Freeman*, 319 U.S. 359 (1943) (declaratory judgment counterclaim by licensees justiciable); *cited with approval in MedImmune, Inc.*, U.S., 127 S.Ct. at 772; *Kemin Foods, L.C. v. Pigmentos Vegetales del Centro*, 464 F.3d 1339, 1343 (Fed. Cir. 2006) (DJ counterclaim for patent infringement).

Roland Amurao, like the plaintiff in *Sandisk*, is exposed to an action by an adverse party. And, *unlike* the plaintiffs in *Super Sack*, Plaintiffs have not covenanted to anything, much less not to sue, and thus a substantial controversy between parties having adverse legal interests remains even if the plaintiff’s affirmative case is dismissed. Unless and until this court rules on the issue of infringement, Amurao is vulnerable to Plaintiffs’ legal threats and, therefore, has standing to seek adjudication of the issue.

B. Defendant’s Copyright Misuse Claim Should Not Be Dismissed

This Court should also decline to dismiss Defendant’s copyright misuse counterclaim. First, while copyright misuse jurisprudence is still evolving, patent misuse law, to which copyright misuse owes its origin, provides for independent misuse claims such as the one brought here. Further, copyright misuse counterclaims have been recognized as particularly appropriate where, as here, a party seeks a declaratory judgment of noninfringement.

Copyright misuse derives from the patent misuse doctrine, first recognized by the Supreme Court in 1942. *See Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 494 (1942)

(“It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee’s course of conduct which disqualifies him to maintain the suit....”). In *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990), the Fourth Circuit extended the misuse doctrine to copyrights:

The origins of patent and copyright law in England, the treatment of these two aspects of intellectual property by the framers of our Constitution, and the later statutory and judicial development of patent and copyright law in this country persuade us that parallel public policies underlie the protection of both types of intellectual property rights. We think these parallel policies call for application of the misuse defense to copyright as well as patent law.

Id. at 974. The copyright misuse doctrine is now recognized by most federal circuit courts. *See, e.g., Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516 (9th Cir. 1998) (finding copyright misuse where plaintiff engaged in anticompetitive behavior); *Alcatel USA, Inc. v. DGI Techs.*, 166 F.3d 772, 793 (5th Cir., 1999) (finding that plaintiffs used its copyrights to gain commercial control over products it did not have copyrighted); *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003) (holding that a copyright misuse does not require a showing of antitrust violations); *Broad. Music v. Hearst/ABC Viacom Servs.*, 746 F. Supp. 320, 328 (S.D.N.Y 1990) (recognizing copyright misuse defense.)

While some early cases declined to treat copyright misuse as an affirmative claim, *see* Plaintiffs’ Mot. at 5, the doctrine is still evolving. Therefore, it is appropriate for the Court to take guidance from patent misuse doctrine from which copyright misuse derives. *See, e.g., Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 204 (3d Cir. 2003) (looking to patent misuse law for help in deciding copyright misuse claim). In the patent context, several federal district courts have recognized that misuse can be pled as an independent claim. *See, e.g., Matsushita Elec. Indus. Co. Ltd. v. CMC Magnetics Corp.*, No. C 06-04538, 2006 WL 3290413 (N.D. Cal Nov. 13, 2006) (holding that patent-pooling, licensing, and participation in standard setting organizations can give rise to unlawful activity that is properly challenged with a patent misuse counterclaim); *Marchon Eyewear, Inc. v. Tura LP*, No. 98 CV

1932, 2002 WL 31253199 (E.D.N.Y. Sept. 30, 2002) (denying plaintiff's motion to dismiss defendant's patent misuse counterclaim); *Affymetrix, Inc. v. PE Corp.* (N.Y.), 219 F. Supp. 2d 390, 398 (S.D.N.Y. 2002) (denying defendants' motion to dismiss plaintiff's patent misuse claim); *see also generally Critical-Vac Filtration Corp. v. Minuteman Int'l, Inc.*, 233 F.3d 697, 703-704 (2d Cir. 2000) (“[C]ounterclaims related to misuse and other more economically oriented antitrust claims would seem generally to be distinct in nature and substance from patent validity and infringement issues.”).

In addition, courts have recognized that an affirmative copyright misuse claim may be proper where, as here, a party seeks declaratory judgment of noninfringement. In *Open Source Yoga Unity v. Choudhury*, 2005 U.S. Dist. LEXIS 10440 at 25* (N.D. Cal. Apr. 1, 2005), for example, the court permitted a declaratory relief plaintiff to assert copyright misuse because the plaintiff was likely to be accused of copyright infringement. *See id.* at 25* (citing *Practice Mgmt Info. v. AMA*, 121 F.3d 516, 520 (9th Cir. 1997)). The same reasoning applies here. Defendant seeks declaratory relief because, absent a covenant not to sue, he may be accused of copyright infringement even if Plaintiffs choose to withdraw their current allegations against him. If, as urged above, this court permits Defendant to maintain his declaratory relief claim, his misuse claim should be allowed to stand as well.

Following this clear line of authority permitting IP misuse counterclaims, Plaintiffs' motion to dismiss Defendant's copyright misuse counterclaim should be denied.

C. **Granting Plaintiff's Motion Could Have Disastrous Consequences For Innocent Targets of Careless Copyright Claims**

Plaintiffs make much of the “massive and exponentially expanding problem of digital piracy.” Mot. at 1. Whatever the merits of that contention, innocent individuals who find themselves caught in the mass litigation campaign should not be made to suffer for it. Absent some mechanism whereby innocent defendants can vindicate their rights, the RIAA has no incentive to exercise the appropriate level of care before dragging individuals into federal court. Here, Defendant alleges that the claims against him are spurious because he has never copied any

