

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

LAVA RECORDS LLC, et al.,	:	x
	:	
Plaintiffs,	:	Civil Action No.: 7:07-cv-00321-CLB
	:	
-against-	:	
	:	
ROLANDO AMURAO,	:	
	:	
Defendant.	:	
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PLAINTIFFS’ MEMORANDUM OF LAW IN SUPPORT OF THEIR MOTION FOR SUMMARY JUDGMENT ON DEFENDANT’S COUNTERCLAIM

Plaintiffs respectfully move under Fed. R. Civ. P. 56(b) for summary judgment on Defendant’s purported counterclaim for copyright misuse. Defendant’s copyright misuse counterclaim is not a recognized cause of action and Defendant has no evidence to support his misuse theory.

INTRODUCTION

Plaintiffs brought this action seeking redress for the infringement of their copyrighted sound recordings under the Copyright Act, 17 U.S.C. § 101 *et seq.* Defendant filed his Answer on February 2, 2007, along with counterclaims seeking a declaration of non-infringement and damages for Plaintiffs’ purported misuse of their copyrights. The Court dismissed Defendant’s declaratory judgment counterclaim but allowed Defendant to proceed with his misuse theory. (*See* June 18, 2007, Minute Entry.)

In support of his misuse theory, Defendant alleges vaguely that “Plaintiffs and their attorneys have engaged in a wide-ranging conspiracy to defraud the Courts of the United States” (Ans. 13th Aff. Def.; Countercl. ¶ 21); that Plaintiffs “are a cartel acting collusively in violation of the antitrust laws and public policy, by litigating and settling all cases similar to this one

together, and by entering into an unlawful agreement amongst themselves to prosecute and to dispose of all cases in an identical manner and through common lawyers” (*id.* 13th Aff. Def.; Countercl. ¶ 20); and that these alleged actions “represent an attempt by [Plaintiffs] to secure for themselves rights far exceeding those provided by copyright laws” (Countercl. ¶ 22). Plaintiffs should be granted summary judgment on Defendant’s counterclaim for alleged misuse of copyrights for several reasons.

First, where recognized, copyright misuse is a defense; it is not an affirmative cause of action. Every reported decision addressing the issue has specifically rejected the idea of creating an affirmative cause of action for copyright misuse. Moreover, the misuse defense has its roots in the unclean hands doctrine, and there exists no policy justification for converting an equitable defense into an affirmative claim for relief. For this reason, courts have refused to create an affirmative claim for misuse not only under copyright law, but also under patent and trademark law. Nor is there any basis for creating a misuse cause of action under the circumstances presented here, where Plaintiffs have done nothing more than enforce their legitimate copyrights and Defendant’s allegations suggest no restraint on any legitimate creative activity whatsoever.

Second, Defendant has no facts to support any of the allegations underlying his purported misuse theory. Instead, Defendant can offer nothing but conclusory allegations from his legal counsel attempting to derogate Plaintiffs’ efforts to protect their copyrights. Because Defendant has admitted that he has no facts to support his purported misuse theory, Plaintiffs are entitled to judgment as a matter of law.

Finally, the actions that Defendant complains of all relate to Plaintiffs’ efforts to protect their copyrights through litigation and/or settlement of infringement claims. Plaintiffs’ conduct

in this regard is protected by the First Amendment right to petition the Government for a redress of grievances and cannot form the basis for a cause of action by Defendant.

STANDARD OF REVIEW

Summary judgment is appropriate “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.” Fed. R. Civ. P. 56(c); *Doro v. Sheet Metal Workers’ Int’l Ass’n*, 498 F.3d 152, 155 (2d Cir. 2007). To survive summary judgment, a party cannot rest on mere allegations in its pleadings, but must present “concrete evidence from which a reasonable juror could return a verdict in [that party’s] favor.” *Dister v. Continental Group, Inc.*, 859 F.2d 1108, 1114 (2d Cir. 1988) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986)); *Scotto v. Almenas*, 143 F.3d 105, 114 (2d Cir. 1998) ([T]he “non-moving party may not rely on conclusory allegations or unsubstantiated speculation.”).

ARGUMENT

A. Defendant’s Claim For Copyright Misuse Is Not A Valid Cause Of Action And No Policy Justification Exists For Creating Such A Cause Of Action, Either In General Or Under The Circumstances Of This Case.

Courts in this district have held that there is no affirmative claim for copyright misuse. For example, in *Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Services*, 746 F. Supp. 320 (S.D.N.Y. 1990), the Court rejected copyright misuse as a claim for affirmative relief and dismissed the defendant’s copyright misuse counterclaim because “[s]uch a claim is

unprecedented and the Court declines to create the claim.” *Id.* at 328.¹ Courts in other districts agree that copyright misuse is, at best, an affirmative defense and is not an affirmative claim for relief.² Plaintiffs are not aware of any published opinion where an affirmative claim of copyright misuse has been recognized.

Nor is there any public policy basis for creating an affirmative cause of action for copyright misuse. Where applicable, misuse is an equitable doctrine invoked to limit enforcement of intellectual property rights. The copyright misuse doctrine has its historical roots in the unclean hands defense, which, in appropriate circumstances, may temporarily close the doors of a court of equity to a party that has engaged in inequitable or bad faith conduct relative to the matter in which that party seeks relief.³ *Princeton Review*, 332 F. Supp. 2d at 17 & n.2. “Because the policy reasons underlying the development of the equitable doctrine of copyright

¹ See also *Interscope Records v. Kimmel*, 2007 U.S. Dist. LEXIS 43966,* 17 (N.D.N.Y. June 18, 2007) (dismissing a counterclaim virtually identical to the one Defendant asserts here and holding that “misuse is not the basis for affirmative relief”); *Shady Records, Inc. v. Source Enters., Inc.*, 2004 U.S. Dist. LEXIS 26143, at * 50 (S.D.N.Y. Jan 3, 2005) (granting summary judgment and dismissing claim for copyright misuse); *UMG Recordings, Inc. v. Lindor*, 2007 U.S. Dist. LEXIS 88285, at *10-16 (E.D.N.Y. Nov. 30, 2007) (striking the defendant’s affirmative defense of copyright misuse).

² See *Open Source Yoga Unity v. Chowdhury*, 2005 U.S. Dist. LEXIS 10440 (N.D. Cal. April 1, 2005) (“Copyright misuse exists solely as a defense to copyright infringement, and thus arguably cannot exist as an affirmative claim.”) (internal citations omitted); *Arista Records, Inc. v. Flea World, Inc.*, 356 F. Supp. 2d 411, 428 (D.N.J. 2005) (“copyright misuse is not a claim but a defense.”); *Ass’n of Am. Med. Colleges v. Princeton Review, Inc.*, 332 F. Supp. 2d 11 (D.D.C. 2004); *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1199 (N.D. Cal. 2004) (holding that it was not aware of any legal authority “that allows an affirmative claim for damages for copyright misuse.”); *MGM Studios, Inc. v. Grokster, Ltd.*, 269 F. Supp. 2d 1213, 1225 (C.D. Cal. 2003) (stating that “copyright misuse cannot found a claim for damages”); *Warner/Chappel Music, Inc. v. Pilz Compact Disc, Inc.*, 1999 WL 999332, at *6 n. 5 (E.D. Pa. Oct. 26, 1999) (“[There is] virtually no authority in any Circuit for [an affirmative claim of copyright abuse].”).

³ *Mgmt, Info. Corp. v. American Med. Assoc.*, 121 F.3d 516, 520 n.9 (9th Cir. 1997) (“Copyright misuse does not invalidate a copyright, but precludes its enforcement during the period of misuse.”).

misuse are grounded in the unclean hands doctrine, *permitting copyright misuse as an independent, affirmative claim would be contrary to the purpose of the doctrine.*” *Id.* at 19-20 (dismissing copyright misuse counterclaim) (emphasis added).

Applying the same analysis, courts have also rejected affirmative “misuse” claims in the trademark and patent context. *See, e.g., Enercon GMBH v. Erdman*, 13 Fed. Appx. 651, 652 (9th Cir. 2001) (“patent misuse is an affirmative defense to a suit for patent infringement, not an independent cause of action”); *B. Braun Medical v. Abbott Lab.*, 124 F.3d 1419, 1427-28 (Fed. Cir. 1997) (holding that “the defense of patent misuse may not be converted to an affirmative claim for damages simply by restyling it as a declaratory judgment counterclaim”); *Ford Motor Co. v. Obsolete Ford Parts, Inc.*, 318 F. Supp. 2d 516, 521 (E.D. Mich. 2004) (holding that trademark misuse may or may not be an existing defense, but in any event it does not support any affirmative claim); *CMI, Inc. v. Intoximeters, Inc.*, 918 F. Supp. 1068, 1090 (W.D. Ky. 1995) (“Patent misuse cannot be the basis of a cause of action. Rather, it is an *affirmative defense* to a patent holder’s claim of infringement.”) (emphasis in original).

Finally, there is no basis for creating an affirmative cause of action for copyright misuse under the facts alleged by Defendant. Defendant’s misuse theory complains that Plaintiffs have joined together in this case to protect their copyrights from infringement, retained common lawyers, and engaged in joint settlement discussions, which actions Defendant alleges are “in violation of the antitrust laws and public policy.” (Ans. 13th Aff. Def.; Countercl. ¶¶ 20-21.) These allegations do not state even a viable misuse defense, let alone an affirmative claim for relief.

The misuse defense is far more limited than some general “violation” of “antitrust laws” or “public policy.” Rather, the case law demonstrates that the misuse defense applies only

“*when a copyright holder leverages its copyright to restrain creative activity*” in a manner that undermines the policies behind the copyright laws. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 454 F. Supp. 2d 966, 994-997 (C.D. Cal. 2006) (emphasis added) (analyzing the circuit decisions in *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *DSC Comms. Corp. v. DGI Techs. Inc.*, 81 F.3d 597 (5th Cir. 1996); *Practice Mgmt, Info. Corp. v. American Med. Assoc.*, 121 F.3d 516 (9th Cir. 1997); *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191 (3d Cir. 2003)). That is clearly not the case here, as Defendant has alleged no facts that would remotely suggest any restraint on creative expression.

Here, there is no dispute that significant infringement of Plaintiffs’ copyrights occurred on Defendant’s computer and through Defendant’s Internet account. (See Statement Of Material Facts In Support Of Plaintiffs’ Motion For Summary Judgment (“SOF”) ¶¶ 1-2; Decl. of Patrick Train-Gutiérrez at ¶¶ 3 and 4, Exhibit A hereto; Def.’s Letter of October 27, 2006, Exhibit B hereto; Audrey Amurao Dep. at 65:20 to 66:4, Exhibit C hereto.)⁴ The infringement at issue in this case had nothing to do with any type of creative expression by the infringer; rather, it was simply an effort to get music for free over the Internet. Plaintiffs’ actions in joining together to stop this infringement by bring this enforcement action, retaining common lawyers, and engaging in joint settlement discussions are entirely consistent with the purpose of the Copyright Act and do not harm creative expression in any way. See *Basic Books, Inc. v. Kinko’s Graphics Corp.*, 758 F. Supp. 1522, 1538-39 (S.D.N.Y. 1991) (holding that collective enforcement of copyrights is reasonable and does not support a copyright misuse defense); *Lindor*, 2007 U.S. Dist. LEXIS 88285, at *10-16 (striking a copyright misuse defense that was based on allegations

⁴ As set forth in Plaintiffs’ motion to dismiss and motion for sanctions, filed contemporaneously herewith, Defendant has known since before this lawsuit was filed that his adult daughter used his Internet account and computer to download and distribute Plaintiffs’ sound recordings, but intentionally concealed that information from Plaintiffs.

virtually identical to those raised by Defendant here on grounds that joint action to protect copyrights does not amount to copyright misuse). Simply put, “a plaintiff’s ‘enforcement of its copyrights does not constitute copyright misuse.’” *Grokster*, 454 F. Supp. 2d at 998 (quoting *Advanced Comp. Servs. of Mich., Inc. v. MAI Sys. Corp.*, 845 F. Supp. 356, 370 (E.D. Va. 1994)).

Far from supporting a misuse theory, Plaintiffs’ efforts to enforce their copyrights in this case are entirely consistent with the Copyright Act and should be encouraged, not discouraged. A primary purpose of copyright law is to discourage wrongful infringement and to compensate the copyright owner. *See F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952); *see also Davis v. Blige*, 505 F.3d 90, 105 2d Cir. 2007 (noting the “principal purpose” of the Copyright Act—“to encourage the origination of creative works by attaching enforceable property rights to them”). Defendant has not cited a single case suggesting that even remotely similar facts could give rise to a misuse defense, let alone an affirmative claim for relief. Indeed, joining together to protect copyrights is more efficient for both the Court and the parties.

The relief that Defendant seeks is also unprecedented. Defendant seeks an order that Plaintiffs have “forfeited [their] exclusive rights” under copyright with respect to the sound recordings at issue. (*See Counterclaim ¶ 24.*) Such relief has no basis in the law and would be wholly inappropriate. In the rare case where it applies, the misuse defense “is not cause to invalidate the copyright or patent, but instead ‘precludes its enforcement during the period of misuse.’” *Video Pipeline*, 342 F.3d at 191 (quoting *Practice Management Info.*, 121 F.3d at 520 n.9).

Because there is no cognizable cause of action for copyright misuse, no policy justification for creating such a cause of action, and no basis for such a cause of action under the

circumstances here, Plaintiffs are entitled to judgment against Defendant on this purported counterclaim.

B. Defendant Has No Evidence To Support His Purported Misuse Theory.

Not only is Defendant's misuse counterclaim not recognized as an affirmative claim for relief, but Defendant has no facts to support any of the allegations he offers in support of his alleged misuse theory.

First, when asked in written discovery to identify all facts supporting his misuse allegations (*i.e.*, that Plaintiffs "have engaged in a wide-ranging conspiracy to defraud the Courts," are a "cartel acting collusively in violation of the antitrust laws . . . by litigating and settling" cases like this one, and that such conduct "constitute[s] misuse of plaintiffs' copyrights"), Defendant simply referred back to his allegations and nothing more. (*See* SOF ¶ 3; Resp. to Interrog. No. 24 Thirteenth Defense, Exhibit D hereto.)

Second, Defendant admitted at his deposition that he can present no facts demonstrating that Plaintiffs are part of any alleged "conspiracy" or "cartel" acting in violation of any law or public policy:

Q. So you are alleging that there is a wide-ranging conspiracy.
Do you have any facts or information to support that?

...

A: Yes, I don't know. I don't have the evidence.

Q. You don't know the evidence?

A. No.

Q. In the next sentence, number 2, you allege that plaintiffs are a cartel acting collusively in violation of the antitrust laws and public policy. Do you have any information or facts to support your allegation?

A. No, I don't have.

(See SOF ¶ 4; R. Amurao Depo. Trans. at 76:1-20, Exhibit E hereto.)

Third, after Defendant admitted that he has no evidence to support either of these allegations, Defendant's counsel improperly prevented Defendant from answering any further questions regarding his purported misuse theory:

Q. Turning to page 8 of what has been marked as Exhibit 6, I'll have you look at paragraph 22. In this you allege [plaintiffs] have attempted to secure for themselves rights far exceeding those provided by copyright laws. Do you have any information or facts to support this allegation?...

Mr. Altman: I have had it. I'm directing him not to answer. We are going to get a ruling on all these objections.

(See SOF ¶ 5; R. Amurao Depo. Trans. 76:21-77:12, Exhibit E.) Plaintiffs made clear to Defendant's counsel that his objection was improper. (R. Amurao Depo. Trans.. at 77:13 to 84:17, Exhibit E.) A witness in a deposition may be instructed not to answer only to preserve a privilege or to seek a protective order. See Fed. R. Civ. P. 30(c) and 30(d)(1)). Defendant's counsel persisted, however, and refused to allow Defendant to answer any further questions on his purported misuse theory. (*Id.* 77:13 to 84:17, Exhibit E.) Plaintiffs continued with the deposition with the expectation that Defendant would seek a protective order from the Court regarding Plaintiffs' questions, but Defendant never made any such motion. Because Defendant refused to answer any further questions regarding the factual basis for his purported misuse claim, he should be prevented from offering such evidence now.⁵

⁵ See *In re von Bulow*, 828 F.2d 94, 103 (2d Cir. 1987) (noting the "fairness considerations" that preclude a party from preventing the disclosure of communications on grounds of privilege while allowing the same party to later disclose self serving portions of such communications).

Finally, the discovery deadline has passed and Defendant has not disclosed a single document or witness with information that would support any of his copyright misuse allegations. (*See* SOF ¶ 6.)

The Supreme Court has held that where the non-moving party will bear the burden of proof at trial, the party moving for summary judgment may meet its burden by showing the “evidentiary materials of record, if reduced to admissible evidence, would be insufficient to carry the non-movant’s burden of proof at trial.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 327, 106 S. Ct. 2548 (1986). Here, based on Defendant’s interrogatory responses and deposition testimony, Defendant’s counsel’s improper refusal to allow further questions on Defendant’s purported misuse theory, and the lack of any evidence in the record to support Defendant’s misuse theory, it is clear that Defendant can produce no evidence, and knows of no factual circumstances at all, that would support his misuse counterclaim, even if it were a cognizable claim for relief. Therefore, there are no genuine issues of material fact and Defendant’s purported misuse counterclaim should be dismissed.

C. Plaintiffs’ Activities Are Protected By The First Amendment.

Plaintiffs are also entitled to judgment on Defendant’s misuse counterclaim because the facts alleged in support of this claim involve conduct that is privileged under the First Amendment. The First Amendment guarantees “the right of the people . . . to petition the Government for a redress of grievances.” *U.S. Const. Amend. I*. The Supreme Court has declared the right to petition to be “among the most precious rights of the liberties safeguarded by the Bill of Rights.” *United Mine Workers v. Illinois State Bar Ass’n*, 389 U.S. 217, 222, 88 S. Ct. 353, 356 (1967). This right to petition has been extended to afford a party the right to access the courts. *See California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S. Ct. 609 (1972).

Consistent with this right, sometimes referred to as *Noerr-Pennington* immunity, courts have routinely held that a party may not be sued for commencing litigation. *See, e.g., T.F.T.F. Capital Corp. v. Marcus Dairy, Inc.*, 312 F.3d 90, 93 (2d Cir. 2002) (“The *Noerr-Pennington* doctrine generally immunizes from liability a party’s commencement of a prior court proceeding.”); *DirecTV, Inc. v. Milliman*, 2003 U.S. Dist. LEXIS 20938, at *7 (E.D. Mich. Aug. 26, 2003) (stating that *Noerr-Pennington* immunity extends to acts related to the right to seek redress for wrong from the courts, and dismissing deceptive trade practice counterclaim under *Noerr-Pennington*). Courts have also held that this immunity applies equally to efforts incident to litigation, including pre-suit letters. *See Primetime 24 Joint Venture v. Nat’l Broad. Co.*, 219 F.3d 92, 100 (2d Cir. 2000) (“Courts have extended *Noerr-Pennington* to encompass concerted efforts incident to litigation, such as prelitigation ‘threat letters.’”) (citations omitted); *DirecTV, Inc. v. Personette*, 2003 U.S. Dist. LEXIS 19694, at *6 (W.D. Mich. May 22, 2003) (holding that actions such as sending out pre-suit letters and making threats of litigation are the type of litigation activities covered by the *Noerr-Pennington* doctrine, and, thus, dismissing the counterclaims at issue).

In this case, Defendant premises his counterclaim for copyright misuse on his allegations that Plaintiffs wrongfully brought an action against him, accused him of acts that allegedly do not constitute copyright infringement, and acted collusively in bringing, litigating, and attempting to settle cases similar to this one. (Countercl. ¶¶ 20-22.) The activities that Defendant complains of are directly related to Plaintiffs’ First Amendment right to seek redress in the courts and fall squarely within the protection of *Noerr-Pennington*. *See Marcus Dairy*, 312 F.3d at 93 (holding that commencement of litigation is protected activity); *Primetime 24*, 219 F.3d at 100 (holding that “concerted efforts incident to litigation” are protected); *Personette*,

2003 U.S. Dist. LEXIS 19694, at *6 (dismissing counterclaims that were based on allegations of conduct incident to litigation).

Moreover, as copyright holders, Plaintiffs have the need and the right to seek redress for the infringement of their copyrights. The scope of online piracy, the type of infringement at issue in this case, is enormous. *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 545 U.S. 913, 940 (2005) (characterizing the magnitude of online piracy as “infringement on a gigantic scale”). In bringing cases like this one, Plaintiffs are doing nothing more than protecting their rights. *See Atlantic Recording Corp. v. Heslep*, 2007 U.S. Dist. LEXIS 35824, at *6 (holding in a similar case that Plaintiffs “brought this lawsuit not for the purposes of harassment or to extort [the defendant] . . . , but, rather, to protect their . . . copyrights from infringement and to help . . . deter future infringement”).

In short, all of the conduct underlying Defendant’s purported counterclaim for copyright misuse involves either the filing of a legitimate lawsuit or conduct incident to it. Plaintiffs’ conduct in this regard is consistent with their right to seek redress for the infringement of their copyrights and is protected under the First Amendment. Accordingly, Defendant’s purported counterclaim for copyright misuse fails as a matter of law and Plaintiffs are entitled to judgment on this counterclaim.

CONCLUSION

For all of the foregoing reasons, Plaintiffs respectfully request that this Court grant Plaintiffs' motion for summary judgment and dismiss Defendant's alleged counterclaim for copyright misuse with prejudice.

Respectfully submitted this 28th day of January, 2008.

s/Victor B. Kao

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on January 28, 2008 a copy of the foregoing **MOTION FOR SUMMARY JUDGMENT** was served upon the Defendant via ECF and United States Mail as follows:

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