

Docket No. 10-55946

In the
United States Court of Appeals
For the
Ninth Circuit

COLUMBIA PICTURES INDUSTRIES, INC., DISNEY ENTERPRISES, INC.,
PARAMOUNT PICTURES CORPORATION, TRISTAR PICTURES, INC.,
TWENTIETH CENTURY FOX FILM CORPORATION,
UNIVERSAL CITY STUDIOS LLLP,
UNIVERSAL CITY STUDIOS PRODUCTIONS, LLLP
and WARNER BROS. ENTERTAINMENT, INC.,

Plaintiffs-Appellees,

v.

GARY FUNG and ISOHUNT WEB TECHNOLOGIES, INC.,

Defendants-Appellants.

*Appeal from a Decision of the United States District Court for the Central District of California,
No. 06-CV-05578 · Honorable Stephen V. Wilson*

BRIEF OF APPELLANTS

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**CORPORATE DISCLOSURE STATEMENT OF
ISOHUNT TECHNOLOGIES, INC.**

Pursuant to Federal Rule of Appellate Procedure 26.1 and Circuit Rule 26-1, appellant isoHunt Technologies, Inc. states that it has no parent corporation and that there is no publicly held corporation that owns 10% or more of its stock.

APPELLANTS' REQUEST FOR ORAL ARGUMENT

The case presents important issues concerning copyright law, Internet development, free speech and international law. Appellants request oral argument.

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JURISDICTION

This copyright action was filed pursuant to 28 U.S.C. § 1338(a). (ER0500.) Defendants appeal pursuant to 28 U.S.C. § 1292(a) from the Permanent Injunction entered by the District Court on May 20, 2010 (ER0010-28) and modified on June 11, 2010 (ER0001-9) and from underlying Orders inextricably bound therewith, chiefly the Order Granting Plaintiffs' Motion for Summary Judgment on Liability. (ER0028-74.) (*Idaho Watersheds Project v. Hahn*, 307 F.3d 815, 824 (9th Cir., 2002).) Notice of Appeal was filed pursuant to Fed.R.App.Proc. 4(a)(1)(A) on June 15, 2010. (ER0097-99.)

STATEMENT OF ISSUES FOR REVIEW

1. Whether the District Court erred in holding Defendants liable as a matter of law under the new “common law” *Grokster* rule¹ for maintaining websites and servers that provide online information and connection services but that do not store, touch, or process infringing works or distribute a device.

2. Whether the District Court erred in holding Defendants’ liable as a matter of law under *Grokster* when there was no causal connection shown between defendant’s supposed inducements and any act of infringement alleged to have resulted therefrom.

3. Whether the District Court erred in holding Defendants’ liable as a matter of law under *Grokster* when Defendants provided substantial evidence that their object in promoting use of challenged technology was innovation and not infringement.

4. Whether *Grokster* excludes consideration of ongoing, substantial non-infringing uses of challenged technology that may be damaged by findings of liability.

¹ “[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.” *MGM v. Grokster*, 545 U.S. 913, 919, 936-937, 125 S. Ct. 2764 (2005) (hereinafter “*Grokster*”).

5. Whether Defendants' "messages" cited as evidence of intent to foster infringement are "conduct" that has no First Amendment protections.

6. Whether the District Court erred in excluding Defendants from the "safe harbor" provided by the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512, despite Defendants' robust "notice-and-take-down" procedures amongst other things.

7. Whether the District Court erroneously prohibited Defendants' from obtaining discovery about matters of importance both to their own case and also to national policy favoring technological innovation.

8. Whether the Permanent Injunction violates Defendants' Fifth Amendment Due Process and/or First Amendment Free Speech rights and/or is punitive when it imposes permanent constraints on technological activity and speech of a young technology innovator in concatenated, vague terms and when it mandates ongoing "filtering" of Defendants' online operations within 24 hours of receipt of "lists of titles" that Plaintiffs serve "without restriction."

9. Whether the District Court exceeded its territorial jurisdiction in ordering Defendants, Canadians operating in Canada, to "filter" communications taking place entirely within Canada (or between Canada and other foreign nations).

STATEMENT OF THE CASE

Plaintiffs, “among the leading motion picture studios in the world,” filed the action on February 23, 2006 in the Southern District of New York. (ER0394-411.) Venue was transferred on Defendants’ Motion to the Central District of California. (ER0372-382.) In their First Amended Complaint, Plaintiffs alleged that online systems and websites isoHunt, Torrentbox and ed2k-it.com maintained by Defendants Gary Fung (heinafter “Fung”) and isoHunt Web Technologies, Inc. induced third parties to download infringing copies of Plaintiffs’ copyrighted Works. (ER0353-371.)

After discovery proceedings, Plaintiffs filed their Motion for Summary Judgment on Liability on September 6, 2007. (ER0532–533.) The Motion was granted on December 21, 2009. (ER0029-74.)

Plaintiffs’ Motion for a Permanent Injunction was granted on May 20, 2010. (ER0010–28.) When it denied Defendants’ Motion for a Stay Pending Appeal, on June 11, 2010, the District Court Modified the Permanent Injunction. (ER0001-9.) A Motion for Contempt is pending. (ER0095-96.)

FACTS AND PROCEEDINGS BELOW

A. BitTorrent Technology.

1. The District Court Based Summary Judgment Rulings on Unsupported Factual Presumptions About BitTorrent Technology.

The District Court stated: “Plaintiffs’ Complaint contends that Fung operated a file-sharing service ... as part of an ongoing file-sharing network...” (ER0029:23-25)

The statement is erroneous. Plaintiffs do not allege that BitTorrent is “file-sharing” or that “Fung operated a file-sharing service.” Plaintiffs speak of “downloading.” (ER0358:13-17.)

The District Court stated: “The Fung sites are an evolutionary modification of traditional ‘peer-to-peer’ sharing sites such as Napster and Grokster.” (ER0031:13-14.)

The statement is erroneous. There is no evidence of a “modification” that changed Napster or Grokster into BitTorrent technology. Fung’s actual history, Facts B.1-3, *infra*, is entirely different. Nothing “evolutionary” connects “sharing sites” with Defendants’ services. Indeed, unlike Napster and Grokster, Defendants’ sites and services do not touch, distribute, or copy any copyrighted content.

Defendants’ retained expert, Professor Gribble, provided a detailed survey of

online publication and distribution methods. He compared client-server, USENET, Napster, Grokster/StreamCast and BitTorrent. Each technology is independent and each has its own character. (ER0201:2-214:4.)

2. The District Court Based Summary Judgment Rulings on Moving Parties' Evidence and Disregarded Opposing Parties' Evidence.

The District Court considered declarations of two retained experts and stated: "the technological structure of Defendants websites ... is agreed-upon in all material respects by Dr. Gribble (for Defendants) and Dr. Horowitz (for Plaintiffs.)" (ER0032:16-18.)

The statement is erroneous. Horowitz presented a narrow view in which all BitTorrent activity is dedicated to distributing pirated copies of Plaintiffs' copyrighted works and Defendants are the only providers of resources that infringers use. Gribble presented a broad view where numerous BitTorrent communities engage in lawful activity, where copyright infringers are also active and where Defendants are neutral participants, a few among many, with no significant capacity to control or influence infringement. The two views are in direct conflict in overall conception and on important details.

Comparing Tables of Contents of the expert declarations, Gribble's large-scale view encompasses "the content distribution landscape," "non-infringing uses," "open access systems," "collectivization," and "THE BITTORRENT

ECOSYSTEM.” (ER0197.) Horowitz sketches a background and highlights “THE FUNG SITES.” (ER0502.)

The District Court adopted the factual view of Horowitz. (ER0031:14-36:18.) The District Court disregarded Defendants’ conflicting and different evidence.

- a. Conflicting evidence about the purpose and character of BitTorrent Technology.

According to Gribble, BitTorrent technology provides inexpensive, high performance and secure distribution of large-sized files by a *distributor*, e.g., a *publisher*, to large populations of *recipients*. File contents include linux software packages, large data sets and major entertainment productions. (ER0208:4-8, 11-12, ER0202:19-21, ER0199:15-22.)

Recipients are also called *users* or *peers*. Emphasized names reflect multiple relationships: publisher-recipient, user of technology, peer-to-peer transfer. The distributor or publisher, as the original BitTorrent *seed*, divides content into many pieces and transfers pieces to separate recipients, who circulate pieces through peer-to-peer transfers and thus form a *swarm* around the seed. New peers join the swarm for further piece-wise distribution. A peer who acquires a full set of pieces and continues to provide pieces to other peers thereby become a seed. At any moment, at least one seed must be active. (ER0201-202, 209:22.)

Because recipients of materials become sub-distributors, transferring materials to other recipients, BitTorrent is cheaper for the original publisher than a pure client-server system on a website that sends the entire contents to each recipient. There are trade-offs between client-server architecture and peer-to-peer architecture, including abuses such as copyright infringement in peer-to-peer systems. (ER0201:5-202:17, 204:10-27, 206:8-20.)

According to Gribble, BitTorrent “contains both peer-to-peer and client-server components.” (ER0206:22-207:1.)

The publisher, the origin and first seed of content in the Gribble view, is absent from the Horowitz view. (ER0507:13-511:19.) As far as can be ascertained from the Horowitz Declaration, content appears magically on computers of users/peers who are exchanging it. As a result of ignoring publishers and “client-server components” identified by Gribble, for Horowitz, “BitTorrent is more recent peer-to-peer technology,” (ER0507:14-16, ¶ 16).

It was Horowitz’s just-quoted statement on which the District Court relied when it held: “Defendants [are] thus operating as a sharing service of the peer-to-peer variety. (See Horowitz Decl., at ¶ 16.)” (ER0032:7-8.)

b. Conflicting evidence about BitTorrent components.

Defendants were not held liable as publishers, recipients, users or peers. Rather, Defendants were held liable for providing services that support distribution

and receipt by other persons of materials through the “BitTorrent network.” As alleged by Plaintiffs, the BitTorrent network is:

made up of three principal components: (a) a ‘client’ application, (b) indexing websites ... known as ‘torrent sites’ ... and (c) computer servers ... known as ‘trackers[.]’ Each is a key component for the operation of the network.

(ER0357:10-14.)

The “client application,” the first “key component” in the BitTorrent network according to Plaintiffs, is obtained by individual users from online sources. A specific popular brand of client application mentioned infra is “Azareus.” During a transfer of content using BitTorrent, a user/peer’s client application interacts with client applications of other peers. (ER0507:17-27.) Defendants have no involvement with client applications.

Defendants operate torrent sites under the names isoHunt and Torrentbox. Defendants operate a tracker under the name Torrentbox. Unnamed in Plaintiffs’ pleadings, Defendants’ torrent site and tracker “Podtropolis” is bound by District Court rulings. (ER0355:23, ER0344:12-13; ER0035:23-25, ER0021:7-8).

isoHunt is Fung’s flagship site. Fung acquired Torrentbox from “HoHead” and Podtropolis from “jackofall,” online acquaintances who were retiring. (ER0476:13-21, ER0486:23-26.)

Defendants’ ed2k-it.com provides services involving eDonkey, popular with

Europeans, that has “hash links” instead of torrents. (ER0476:20-21. ER0511:20-512:10.) No substantial attention was directed at ed2k-it.com. (ER0034:20-24.)

The two experts had conflicting views about the roles and significance of trackers and torrent sites.

Gribble states that “It is worth describing the function of a tracker in greater detail.” (ER0208:22-209:22.) Trackers introduce peers to each other within a swarm. (ER0208:18-20.) To carry out a distribution, “there must be a tracker running.” (ER0208:16-17; see also ER0511:15-19.) A tracker operates on purely functional data and performs like an Internet router. Trackers have no contact with content. (ER0209:15-19; see also ER0477:20-25, ER0486:27-487:3.)

According to Gribble, a torrent site “provides...missing pieces” that can also be provided in other ways. (ER0210:2-3, 24-28) A “publisher must ... create a special metadata file called a dot-torrent file,” also known as “.torrent files,” “torrent files” or, simply, “torrents.” (ER0208:11-13; see also ER0486:16-19.) Prof. Horowitz noted that “.torrent files” specify BitTorrent like “.doc files” specify Microsoft Word and “.pdf files” specify Adobe Acrobat. (ER0508:24-27.) The torrent provides the user’s client application with the online address of a tracker that is handling the distribution. (ER0208:16-17.)

A publisher needs to disseminate the torrent. Torrent sites provide facilities for publishers to upload torrents, a store (cache) of torrents and a search engine

database and interface for users/visitors to locate and download the desired torrent. Torrent sites search other torrent sites and other search engines like Google to collect and store as many torrents as possible. (ER0209:23-210:6; ER0486:16-22, ER0487:20-488:3.)

In the conflicting Horowitz view, the central service is the torrent site. (ER0508:1-17.) Because the existence of a publisher is not acknowledged in the Horowitz view, “Torrent sites organize and host small files called ‘.torrent’ or ‘dot-torrent’ files” (ER0508:13-14.) Adopting the Horowitz view, the District Court mentioned trackers only incidentally. (ER0034:6-35:21.) Thus, the District Court erroneously spoke of downloading “accomplished through the use of trackers that are contained within the dot-torrent file.” (E0035:5-6.)

Evidence shows the greater significance of trackers. Even when operating under a single name, torrent site operations and tracker operations are distinct and independent. Prof. Horowitz measured the number of downloaders accessing the Torrentbox tracker for an exemplary infringing file as some 30 times larger than the number of torrent file downloaders accessing the Torrentbox torrent site. Prof. Horowitz states that “[m]illions of users” of the Torrentbox tracker are obtaining torrent files “from elsewhere.” (ER0529:13-530:23, esp. ER0529:18-20.)

- c. Disregarded evidence about the collective BitTorrent ecosystem.

The District Court ruled: “This case contains the same general pattern presented in *Grokster...*, *Napster...*, and, more recently, *Arista Records LLC v. Usenet.com, Inc.*, 633 F.Supp.2d 124 (S.D.N.Y. 2009).” (ER0072:21-73:3.)

The District Court did not mention the “collective BitTorrent ecosystem” that figures prominently in Defendants’ evidence. (ER0206:21-210:9.) Instead, the District Court ruled as if Defendants operated the only torrent site and the only tracker.

Previously-adjudicated secondary infringers Napster and Grokster were closed, proprietary systems that suited defendants’ specific plans. (ER0211:11-212:6, 213:9-214:4)

The software systems in *Napster* and *Grokster* were engineered, disseminated, and promoted explicitly for the purpose of facilitating piracy.

(*Perfect10 v. Visa*, 494 F.3d 788, 801 (9th Cir. 2007), *cert. den.* 128 S. Ct. 2871 (2008) (hereinafter “*Visa*”).)

In *Arista Records*, at 633 F.Supp.2d 155, the court stated: “Defendants’ servers are the sole instrumentality of their subscribers’ infringement.”

Here, the District Court based liability indiscriminately on Defendants’ own specific speech, messages and conduct, on the one hand, and on shared features of BitTorrent technology, on the other hand.

Evidence shows that shared features are uppermost and predominant.

Plaintiffs themselves alleged that “Defendants operate websites and computer servers as part of media online distribution systems known as ‘BitTorrent.’ ” (ER0355:17-21.) General allegations are directed, e.g., at “torrent ... sites (including the ones run by Defendants) [that] provide the key interface with users.” (ER0358:17-19.)

Torrent sites share resources and operate together in a collective fashion. Special purpose torrent sites need general aggregators like isoHunt to spread torrents through the BitTorrent ecosystem. isoHunt collects torrents from 225 torrent sites. Fung watches spiders from Google and numerous torrent sites and other search engines as they index Defendants’ sites. (ER0488:12-24)

Trackers also operate collectively and redundantly. A dot-torrent file often identifies multiple trackers that serve as backup and parallel channels. isoHunt collects data from 1939 online trackers. No single tracker could handle more than a tiny share of the combined load. (ER0487:7-14.)

Like other BitTorrent developers, Defendants build their systems from generic software, typically available as free open-source code. Fung’s innovations keep his systems among the most competitive in the market but all essential BitTorrent operations are realized by means of straightforward combinations of generic components. (ER0488:25-489:10.)

One chief reason stated by the District Court for imposing liability is that:

“dot-torrent files downloaded from Defendants’ sites correspond to and automatically cause the downloading of Plaintiffs’ copyrighted content.”

(ER0049:10-12, 22-28; see also ER0036:7-18, ER0060:3-11.)

The District Court stated:

Because dot-torrent files *automatically* trigger this content-downloading process, it is clear that dot-torrent files and content files are, for all practical purposes, synonymous. To conclude otherwise would be to elevate form over substance. (ER0049:26-28, emphasis in original.)

The District Court erred. A dot-torrent file downloaded from Defendants’ system is tiny compared to the corresponding content file, e.g. a major video production typically takes 17 hours to download via BitTorrent. (ER0478:14-20, ER00495:9-27.) Downloading a dot-torrent file leads to successfully downloading content only if a designated tracker and a seed remain online. (ER0511:15-20.) For “practical purposes,” the two downloads are not “synonymous.” One is quick and sure and the other is prolonged and chancy.

“Automatic downloading” is a feature of BitTorrent technology for which defendants have no responsibility. “Automatic downloading” in the BitTorrent network is like “automatic downloading” of .pdf files (for Adobe Acrobat software) when a user clicks on a link in a Google list. Individual users control whether their client applications, such as Azareus, have “automatic downloading.” (ER0510:1-12, 24-27, ER0506:24-27, ER0507:24-27, ER0495:9-27.)

- d. Disregarded evidence about use of BitTorrent by lawful publishers and distributors.

The District Court did not mention non-infringing uses of BitTorrent technology by online publishers and distributors. Defendants submitted voluminous evidence of non-infringing uses. (ER0478:21-485:19, ER0204:14-27.)

Belenix, a Linux developer, made a special BitTorrent publication arrangement with isoHunt, which “took it way ahead” according to the developer. An isoHunt employee is also a developer of Gentoo, another Linux variant; isoHunt helps publish Gentoo materials through BitTorrent. (ER0478:26-479:15)

isoHunt indexes torrents leading to full-feature videos published by independent “movie” producers, including competitors of Plaintiffs. (ER0479:16-28, ER0481:1-27.) Torrents leading to videogame, software and technical materials and updates are numerous. (ER0480:11-14, ER0483:18-485:14.) All kinds of authorized large-scale materials are available through BitTorrent, including politics, educational materials, documentary archives, music and science, as well as materials in the public domain. (ER0481:28-483:16.)

Plaintiffs Paramount Pictures and Twentieth Century Fox make works available through www.bittorrent.com. (ER0204:19-22.)

Defendants objected to evidence submitted by Plaintiffs that showed

“approximately 95%” of files and/or activity on their sites related to “infringing or highly likely infringing content.” (ER0038:10-13, ER0038:21-39:2.) Defendants showed that Plaintiffs’ witnesses intentionally designed search categories, search methods and ranges of values to increase figures showing infringing activity and to exclude high-volume non-infringing activity. (ER0254-274, see Facts C.2, *infra*.)

The District Court ruled that it was sufficient that a “substantial percentage of the available files included copyright-infringing or highly likely copyright-infringing content.” No mention was made of non-infringing materials. The District Court ruled: “*It simply does not matter* whether 75% (to pick a number) of available materials were copyrighted or 95% of available materials were copyrighted.” (ER0038:9-40:7, ER0039:18-27, *emphasis added*.)

B. Defendants’ system and operations.

1. Defendant Gary Fung’s background and intentions.

Defendant Gary Fung was born in Hong Kong in 1983 and immigrated to Vancouver, Canada in 1994, where he has resided ever since. In January of 2003, he left University studies in physics and computer engineering to run isoHunt. He has never sought or received financial support, other than earnings from advertising, sales of T-shirts and donations from individuals. His only “business plan” is to become a leader in BitTorrent and related technologies through his own efforts. He addresses and disputes Plaintiffs’ specific charges of improper intent or

object. His intent or object is technological innovation, not copyright infringement. (ER0389-393, ER0476:22-251:5, ER0489:15-21, ER0490:13-23, ER0491:2-17, ER0494:21-26, ER0496:22-28, ER0497:4-14, ER0498:4-17.)

2. Fung started isoHunt as a search engine for Internet Relay Chat.

isoHunt first indexed communications occurring through “Internet Relay Chat,” or IRC, “a primitive protocol,” which attracted Fung in early 2003 because there was then no search tool for IRC. (ER0536:3-540:22.)

To acquire IRC data, isoHunt’s automated process or “bot” entered chat channels, announcing its presence. In an online isoHunt forum (see Facts B.4), people complained to Fung that the bot resembled investigators for the copyright enforcement group, Recording Industry Association of America or RIAA. Posters disliked RIAA. One posting complained about “mondo big corporations making bizillions of dollars from record sales” while indie artists were suffering. In a posting on March 30, 2003, Fung quoted that posting and stated: “agreed. they accuse us for thieves, and they r right. Only we r ‘stealing’ from the lechers (them!) and not the originators (artists).” (ER0459-460 (SUF 14), ER0548:18-549:7, ER0550:16-551:8, ER0568-570 (message string).)

Fung altered the IRC bot to announce: “Files...are now being indexed for isoHunt.com...We completely OPPOSE RIAA & Co., so do not be alarmed by our indexing activities.” (ER0460 (SUF 18), ER0541:18-547:2, esp. ER0544:22-

545:13, ER0554-557 (message string discussing and quoting the bot).

The District Court prominently quoted Fung's messages, made in connection with IRC and RIAA, as evidence of Defendants' intent to induce infringement of Plaintiffs' movies and videos through BitTorrent. (ER0040:9-20, ER055:22-56:6.)

3. Defendants' technical features are copyright neutral.

The District Court found that "infringing materials do not pass through or reside on Defendants' system." (ER0066:22-23.)

However, the District Court ruled:

Essentially, Defendants argue that they merely assembled a website that combined already-existing technologies, and that they did not include any unique innovations that were specially tailored to assist in the distribution of copyrighted works. These assertions are inapposite. The unrebutted factual evidence shows that Fung designed programs which improved the functioning of his websites with respect to infringing uses.

(ER061:8-14.)

The District Court disregarded the fact that Defendants have no means to distinguish infringing from non-infringing contents. Infringing contents do not pass through or reside on Defendants' system. (ER0477:20-25.) The copyright status of contents must be inferred from filenames and size of files. "To protect plaintiffs' copyrights, it would be necessary to block many independent video producers and to exclude public domain materials and/or video materials

authorized for general distribution.” (ER0497:4-14.)

Plaintiffs alleged the importance of Fung’s innovative “BTHub.” (ER0361:26-362:16.) BTHub addressed the problem that a torrent file identifies specific trackers whose accessibility at a future time is uncertain. BTHub re-wrote torrent files to lead to an additional “tracker,” that was really a “tracker of trackers” in Defendants’ system. With BTHub, the user would have a better chance to connect to an operating tracker and to an active seed. (ER0487:15-19.)

Plaintiffs alleged that BTHub “increased the efficiency and reliability of successful[] downloading of Plaintiffs’ copyrighted works.” (ER0361:27-362:2.) The description of BTHub by Plaintiffs’ expert, Prof. Horowitz, does not identify any distinction between “copyrighted works” and other works. (ER0520:11-521:13.) As noted by Professor Horowitz, Defendants discontinued BTHub because of system limitations but developed other means for the same end: “to make the content download more reliable.” (ER0521:14-363:5, ER0522:15-19.)

The District Court did not mention BTHub in its rulings. As first of the “technical features promoting copyright infringement,” the District Court identified “Defendants’ websites [that] allow users to locate dot-torrent files” through a search engine. Then the District Court cited “automatic downloading.” (ER0060:3-11.) BTHub, search engines and “automatic downloading” all handle copyright-infringing and non-infringing materials without distinction.

4. Forums.

Defendants maintained online “forums” on isoHunt and Torrentbox that were “public bulletin boards” for posting messages anonymously or non-anonymously. The District Court found that forum messages encouraged and assisted infringing activities of users. (ER0056:12-58:23.)

Fung posted some materials on forums in 2003 and early 2004. Thereafter, as the sites grew more popular, volunteer “moderators” took over responsibility for the forums. The District Court found that “Defendant websites are full of statements by moderators who assisted users” in unlawful activities. The District Court ruled: “There is no substantive dispute by Defendants regarding their relationship to these individuals. ... These individuals were under the control of Defendants.” (ER0058:1-3, ER0057:8-12.)

The District Court erred. Substantial evidence showed that Defendants did not control the moderators. Timothy Geniac was an “admin” and a “super-moderator” on the Podtropolis website. (ER0560:2-6, ER0560:16-561:6.) Geniac “didn’t report to anyone in the time that [he] worked for Podtropolis as either a moderator or administrator.” (ER0561:11-14.) “We would make group decisions.” (ER0561:17.) “I never received any kind of payment in any way for what I did on Podtropolis dot com.” (ER0562:9-11.)

Forums were a minor feature of Defendants’ operations. (ER0492:5-7.)

Neither Fung nor paid staff monitored or supervised the uncompensated, volunteer forum moderators. Fung considered forum postings to be protected speech unless off-topic, abusive or offensive. (ER0492:19-28.) Moderators would not have worked under censorship. (ER0491:18-24.)

Allen Parker is Defendants' chief employee and responsible for forums. Parker testified: "The entire purpose of having moderators is that I don't have to pay attention to it." (ER0553:19-25, ER0247:10-16.)

Although the District Court found "no evidence that the moderators were specifically authorized to post messages," the District Court found, as a matter of law, "apparent authority" as to "interactions with the online message boards and forums." The District Court found, therefore, that forum messages proved Defendants' "active inducement of infringing activities." (ER0056:26-58:16.)

5. Defendants' Attempts to Prevent Infringement.

The District Court did not mention evidence of Defendants' attempts to prevent infringement.

Plaintiffs alleged: "Defendants have in the past implemented filtering of searches and torrent postings of certain copyrighted content, including Microsoft content." (ER0364:7-9, see also ER0494:1-7.) Unfortunately, Defendants' experiments fail to properly filter for, e.g., Microsoft content or pornography, for which Fung has a personal dislike. (ER0493:14-494:1.)

Defendants follow “notice-and-take-down” provisions of the Digital Millennium Copyright Act (“DMCA”). (ER0499:7-13.)

Allen Parker is Defendants’ Registered Agent with the copyright office for DMCA purposes. (ER0247:13-14.) Parker has fulfilled and performed his duties as Designated Agent. (ER0248:9-12.) He has successfully worked with “[n]umerous copyright owners and their agents, including, but not limited to RIAA (Alex Tomescu, Traci Crippen primaries), WebSheriff (John Giacobbi), StarDock Corporation, GrayZone and Microsoft.” (ER0249:28-216:2.) He talks to such persons on the telephone and resolves difficulties. (ER0557:14-558:2.)

Defendants have not been able to work with agents of Plaintiffs or the Motion Picture Association of America (“MPAA”). “In fact, ... it’s only been the last six months or so that I’ve received e-mail notices from your side.” (ER0554:20-25.)

Plaintiffs or MPAA apparently employ BayTSP, which has a history of abuse, including notices sent to Defendants’ service providers rather than to Defendants and heavy volumes of notices over a short period of time, called “mail bombs.” Accordingly, Defendants have blocked BayTSP from access to their servers; but Defendants did send BayTSP a telephone number to call should it desire to cooperate on notice-and-take-down procedures. Defendants maintain procedures that are authorized by the DMCA and that are efficient and transparent.

(ER0248:28-252:7.)

C. Proceedings in the District Court

1. Initial Proceedings.

On February 23, 2006, MPAA announced having:

today filed seven lawsuits in federal courts across the country against highly trafficked Torrent, eDonkey and Newsgroup websites ...

Torrentspy.com and **Isohunt.com** are two of the most popular sites used for finding pirated content.

(ER0385-387, emphasis in original.)

MPAA also announced it was suing “BTHub.com.” (ER0486.)

The Torrentspy or “*Bunnell*” case was filed in the Central District of California. The isoHunt case was filed in the Southern District of New York. On Defendants’ Motion, the isoHunt case was transferred to the Central District of California. Judge Louis L. Stanton noted the similarities between the Torrentspy case and the isoHunt case. The Court compared the pleadings in the two cases and rejected “plaintiffs’ view [that] the case turns on Fung’s individual conduct, not on BitTorrent technology as a whole.” (ER0378.)

In the Central District of California, Magistrate Judge Jacqueline Chooljian was assigned for discovery; she was then hearing discovery matters in the *Bunnell* case. Different trial judges were assigned to the two cases.

Plaintiffs filed their First Amended Complaint on September 26, 2010. Exhibit A thereto identified 44 specific copyrights that had allegedly been infringed. (ER0370-371.)

On November 6, 2006, the District Court held a status conference and, on Defendants' Motion, ordered Plaintiffs to file a More Definite Statement. (ER0415.) Plaintiffs stated therein: "Per the Court's direction at the Status Conference, the secondary liability aspects of this case will be determined with reference to the representative works listed in Exhibit A." (ER0348:25-28.)

Defendants filed their Answer on November 28, 2006, demanding a jury trial. (ER0335-342.) Thereafter, Defendants withdrew some affirmative defenses. (ER0332-334.)

2. Discovery.

Defendants' discovery was improperly limited by a Protective Order issued by the Magistrate Judge that prohibited Defendants' from taking depositions of knowledgeable persons employed by Plaintiffs and MPAA about topics that were important to Defendants. (ER0076-78, affirmed at ER0075.)

In their Application for the Protective Order, Plaintiffs declared that all discovery issues had been resolved in the *Bunnell* case, in which the Magistrate Judge had ruled that "Google, BitTorrent technology generally, ... online license[s] .. and so-called 'spooft' files" were irrelevant. (ER0322:1-23.)

“Spoofs” are BitTorrent downloads published by Plaintiffs/MPAA. “So-called ‘spooft’ files are fake files...They are designed to look and feel exactly like a real file containing a popular copyrighted work. It is named like the real file and would display the technical characteristics of a real file.” (ER0309:22-310:7.)

“They often contain nothing (white noise) or antipiracy messages, and often are designed so that they will never complete their download.” (ER0329:1-11.)

Allen Parker noticed a large number of “fakes” associated with the name of a specific distributor. Parker noted “something like 1500 results that were 384K in size...[w]ith huge seed numbers.” (ER0555:14-556:7.)

In Summary Judgment Declarations, Plaintiffs’ expert Richard Waterman declared that, in his statistical analysis, he discarded evidence of “extremely high” seed numbers on the advice of Plaintiffs’ Prof. Horowitz, who told him that they were the result of a malfunctioning tracker or “spammers.” (ER0279:1-17.)

Plaintiffs’ investigator, former RIAA attorney Lee Friedman, declared that, in preparing Waterman’s sample, and on Waterman’s advice, he excluded, *inter alia*, evidence of “spoofs” and “corrupt files.” (ER0288:2-8, ER0292:12 - 293:22.)

He also excluded evidence of files protected by passwords, which appeared to be “commercial copyrighted works.” (ER0293:1-9.)

Plaintiffs/MPAA declared that their “*investigations* of the defendants, are not remotely relevant to the allegations of copyright infringement or affirmative

defenses at issue here.” (ER0324:7-8, emphasis in original.) Plaintiffs/MPAA declared that evidence of non-infringing uses of BitTorrent technology, including spoofs, was “simply not relevant.” (ER0325:20.)

In seeking the protective order limiting discovery, Plaintiffs stated that:

Judge Wilson has expressly phased the management of this case, such that summary judgment will be heard on the core liability issues, and based on the illustrative works identified in Exhibit A to the complaint. ... there is no transcript of the proceedings. (ER0327:15-18.)

The Magistrate Judge signed the Protective Order prepared by Plaintiffs, with minor changes. (ER0076-78.) Much as Plaintiffs requested, Defendants’ discovery was limited to “files identified in Exhibit A of the Plaintiffs’ Complaint” and to “plaintiffs’ copyrighted works alleged in the Complaint or listed in the attachment to the Complaint (and any others for which plaintiffs are claiming defendants infringed).” (ER0077:18-19, 25-26.)

The phrase “others for which plaintiffs are claiming defendants infringed” became clear when Plaintiffs’ Motion for Summary Judgment was filed. See., e.g., Plaintiffs’ SUF 48 which first lists titles of copyrighted works from Exhibit A (mostly) and then, beginning with “Geniac Depo,” adds “others.” (ER0462-465.) A large percentage of titles in the Summary Judgment Order are “others.”

There had been no discovery hearings in the Fung case on these matters and

Defendants stated that their purpose was to make a record for appeal to this Court, but the Magistrate Judge awarded sanctions to Plaintiffs as requested.

(ER0076:7-9, ER0314:17-23.)

When Defendants appealed to the District Court, Plaintiffs dismissed “so-called ‘class’ and ‘collective network environment’ discovery.” (ER0303:16-21.) “This case is about defendants’ conduct. Nothing more.” (ER0304:3-4.) “This case ... is not about BitTorrent technology generally.” (ER0305:13-15.)

Plaintiffs declared that “MPAA is the Studios’ [Plaintiffs’] counsel of record in this case” and that their investigations and other discovery sought by Defendants were all protected by work-product privilege and “wholly off limits.”

(ER0307-308, n. 7.)

In Topic 13, Defendants requested discovery relating to all files located using Defendants’ sites that Plaintiffs’ agents had “actually listened to or viewed or analyzed.” Plaintiffs argued that the Magistrate Judge’s Order “properly limited Topic 13 to files identified in Exhibit A of plaintiffs’ Complaint.” (ER0308:8-15.)

The District Court affirmed the Magistrate Judge’s Order. (ER0075.)

3. Summary Judgment.

Plaintiffs filed their Motion for Summary Judgment on Liability on September 6, 2007. (ER0532-533)

At the hearing on November 19, 2007, a chief topic was whether

Defendants' websites were subject to the "distributor of a device or product" rule in *Grokster*. (ER0187:17-190:23, ER0191:9-193:15.)

The District Court explored the possibility of:

some distinction between Grokster and this case relying on the fact that in Grokster there was a product, mainly software that enabled the downloading. And here he argues there is no product. All there is the website of the defendant. (ER0190:17-21.)

The District Court also explored the question of whether trackers were "products." (ER0192:16-193:11.)

On April 3, 2008, the District Court ordered further briefing on "whether there is a 'product' at use in this case, and whether Defendants place any product into commerce." (ER0185.) The parties filed supplemental papers. (ER0442.)

On December 21, 2009, the District Court entered the Order Granting Plaintiffs' Motion for Summary Judgment. (ER0029-74.) The "distributor of a product" issue was not mentioned. The District Court did not discuss differences between torrent sites and trackers.

Defendants had filed a Fed.R.Civ.Proc. 56(f) Declaration seeking discovery about Plaintiffs'/MPAA's interactions with search companies Google and Yahoo!, about non-infringing uses, and about a possible means of cooperative technology for preventing infringement. (ER0238-245.) The District Court ruled: "Such discovery is utterly irrelevant to the present Order." (ER0071:15-72:17.)

4. Permanent Injunction

On February 5, 2010, Plaintiffs filed their Motion for Permanent Injunction and a Proposed Permanent Injunction. (ER0147-161.) A chief feature in Plaintiffs' proposal was a mandate compelling Defendants to "filter" their services to block "lists of titles" within 24 hours of receipt. Plaintiffs were authorized to serve lists of titles "without restriction." (ER0158:11-159:10.) The Proposed Permanent Injunction imposed permanent, broad and sweeping constraints on Fung's online activity and involvement with technology. (ER0156:15-158:3.)

In response, Defendants split their operations into two branches. One branch, called the "primal" or "lite site," interacts with visitors located in the United States; the other "main" branch, interacts with visitors from Canada and other countries. (ER0139:19-21, ER0123:9-13, ER0137:8-14, ER0123:9-13.)

Defendants are engaged in litigation in Canada adverse to the Canadian Recording Industry Association. The main site preserves Defendants' operations in Canada. (ER0124-135, ER0123:14-22.)

Defendants showed that the proposed filtering mandate was economically impractical and could be effective as to Plaintiffs' copyrighted works only if it blocked many lawful materials such as public domain materials. (ER0143:25-146:20.)

Defendants showed that 95% of the torrents available on their system were

also available on Google or Yahoo!, confirming the Horowitz testimony supra Facts A.2.b., about downloaders accessing the Torrentbox tracker, with 96% of the downloaders coming “from elsewhere.” (ER0529:18-20.)

The Permanent Injunction issued on May 20, 2010 provides that Defendants’ knowledge of infringement is established through constructive means that do not require any infringement and that do not require any knowledge.

The Permanent Injunction is violated if any of Defendants’ website indexes, links or handles “any Dot-torrent files or similar files that correspond, point or lead to any of the Copyrighted works.” (ER0022:8-14.) “Copyrighted works” are identified in “lists of titles” that plaintiffs can serve “without restriction.” Defendants must carry out filtering within 24 hours after receipt of the list. (ER0024:16-25:15.)

Plaintiffs contend that the Injunction’s mandates apply to Defendants’ non-US communications because: “Each download or upload of Plaintiffs’ copyrighted material violates Plaintiffs’ copyrights if even a single United States user is involved in the “swarm” process.” (ER0027:20-24.)

In the Permanent Injunction, the District Court decided the “distributor of a product” issue:

the clear import of the Supreme Court's opinion was that a defendant may be secondarily liable for his *conduct and activities*, separate and apart from any products, devices or tools he distributes. (ER0012:21-28, emphasis added.)

The District Court further held: "the Court's injunction is limited to Plaintiffs' copyrights and will not substantially interfere with any claimed non-infringing aspects of Defendants' system." (ER0015:17-19.)

By the time Defendants filed their Application for a Stay of Enforcement in the District Court on May 27, 2010, Plaintiffs had served their first list of over 23,000 titles that included "10," "21," "Birth," "Cars," "Dad," "Dave," "Soldier" and "Sunshine." Huge quantities of public domain and other non-infringing materials were being impacted. (ER0109:22-113:25.) Defendants requested court approval of their "lite" site for US visitors. (ER0113:26-114:17, ER0116:6-9.)

On June 11, 2010, the District Court denied Defendants' Request for a Stay but modified the Permanent Injunction to require Plaintiffs' to provide more information in the "lists of titles." (ER0005:13-6:21.)

As to the two branches of Defendants' operations ("lite" and "main"), the District Court stated:

The Court is not presently in a position to decide whether or not Defendants' suggestion would fully comply with the Injunction, but if it would, then Defendants are free to use this approach. (ER0005:24-28.)

On August 2, 2010, Plaintiffs filed a Motion for Contempt, asserting that the Canadian-access “main” site had completely failed to comply with the Injunction and that the filter on the US-access “lite” site was a sham. (ER0096:10-27.)

In opposition, Fung declared he was following the District Court’s suggestion that he was “free to use [his] approach” on the lite/main branching. (ER0084:7-16.)

Defendants’ employees had spent some 460 hours trying to comply with the District Court’s Injunction. (ER0083:26-84:6.) Over 840,000 torrents were being blocked and Plaintiffs were complaining about torrents where their own “list of titles” was defective. “We have spent many hours tracking down and correcting ... errors and discrepancies in Plaintiffs’ ‘list of titles.’ ” (ER0086:19-90:19.) It was clear that many authorized works and public domain works were being blocked. (ER0089:14-15.)

As of this writing, the District Court has not ruled on Plaintiffs’ Motion for Contempt.

SUMMARY OF ARGUMENT

The Summary Judgment Order should be reversed and the subsequent Permanent Injunction should be vacated. The District Court failed to follow proper summary judgment procedure but, instead, disregarded conflicts in the evidence, disregarded opposing parties' important issues and evidence and even drew prejudicial conclusions that had no support in the evidence.

Reversal does not resolve the case. Novel and singular jurisprudential issues arose when the United States Supreme Court decided the case of *MGM v. Grokster* and declared the new "rule[] of fault-based liability derived from the common law." *Grokster*, 545 U.S. at 934-935.

Although *Grokster* stated the rule and identified important factual "features" of the case, along with general principles, there was no structure that would guide a judge or jury in making a future decision. The task of defining a legal standard has been left to the lower federal courts.

In rendering summary judgment, the District Court did not state and apply a proper legal standard for the new *Grokster* inducement claim, namely a legal standard that is fixed and that is applied "the same" to a class of cases. The *Grokster* rule does not itself constitute such a standard. In trying to expand the rule to meet new facts and circumstances presented herein, the District Court abandoned the foundational "distributes a device" element of the *Grokster* rule,

disregarded the element of causation, disregarded the collective BitTorrent ecosystem and disregarded the principle of protecting substantial non-infringing uses. The District Court revised an existing analytic outline in order to reach the desired conclusion of liability. The District Court erroneously disregarded the “balancing principle” stated in *Grokster* that calls upon the trier of fact to weigh the value of copyright protection against the value of technological innovation.

Defendants suggest that a *factors test* will best serve as the legal standard for the new *Grokster* rule. Defendants propose a factors test that is structurally modeled after that for Fair Use, that incorporates a balanced view and that generalizes “features” of culpability that were identified by the Supreme Court in *Grokster*. A factors test can develop the new *Grokster* rule for a “distributor of a device” into a rule suitable for other kinds of “involvement with challenged technology.” A factors test can incorporate consideration of all relevant matters and can even encourage out-of-court cooperation between copyright owners and technology innovators in developing means to prevent or curtail infringements.

The District Court erred when it failed to address Free Speech issues that arose when “StreamCast’s Targeting of Napster Users” in *Grokster* was expanded to “Defendants’ messages to users” here. The First Amendment prohibits basing liability on “messages” that lack incitement of imminent unlawful activity — such as basing liability on the IRC bot message discussed supra in Facts B.2.

The District Court erroneously declared that Defendants' liability was for "conduct not expression" and that Free Speech was not involved. (ER0060:25-26.) Recently, the Supreme Court decided the case of *Humanitarian Law Project v. Holder*, 130 S.Ct. 2705, 2724 (2010), which corrects the error.

The District Court also erred in rejecting Defendants' DMCA defense on the grounds that Defendants' websites were excluded from DMCA protections and on the basis of "messages" that are protected by Free Speech. An Act of Congress is not overridden by the declaration of a new common law rule of liability.

Previous errors were compounded when the District Court issued the Permanent Injunction at issue herein. Unconstitutionally vague prohibitions and an unworkable "filtering" mandate have been imposed. A young innovator's career is permanently shackled. In an unprecedented ruling, the Permanent Injunction purports to control commerce entirely within Canada between Canadian citizens.

Defendants ask for full discovery on remand. Plaintiffs improperly imposed a narrow view where online environments of disputed activity, technological innovation, valuable non-infringing uses and cooperation between copyright owners and technology developers were all dismissed as "utterly irrelevant."

LEGAL ARGUMENT

I. The District Court Erred in a Summary Judgment Proceeding When It Adopted Moving Party's Evidence and Disregarded Opposing Party's Evidence.

A. Legal Standard.

When the *Grokster* Court declared that the new rule was one based on "common law," it implicitly held that defendants sued thereunder were entitled to trial by jury. 545 U.S. at 930-931, 934-935; Seventh Amendment to the United States Constitution; *Feltner v. Columbia Pictures Television*, 523 U.S. 340, 118 S. Ct. 1279 (1998).

Defendants here have demanded a jury trial. (ER0335.)

In *Celotex Corp. v. Catrett*, 477 U.S. 317, 327, 106 S.Ct. 2548 (1986), the Court stated: "Rule 56 must be construed with due regard ... for the rights of persons ... to have ... claims and defenses tried to a jury."

"Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255, 106 S.Ct. 2505 (1986). The opposing party's "version of any disputed issue of fact thus is presumed correct." *Eastman Kodak Co. v. Image Technical Services, Inc.*, 504 U.S. 451, 456, 112 S.Ct. 2072 (1992).

This Court reviews "a district court's grant of summary judgment de novo."

Perfect 10, Inc. v. CCBill, LLC, 488 F.3d 1102, 1109 (9th Cir.), *cert. den.* 128 S.Ct. 709 (2007) (hereinafter “*CCBill*”).²

B. The District Court Erred by Adopting Plaintiffs’ Evidence and Inferences Rather Than Defendants’ Conflicting and Different Evidence and Inferences.

The District Court ruled that “This case contains the same general pattern presented in *Grokster*” and other cases. (ER0072:21-73:3.) The District Court ruled that “Defendants’ technology is nothing more than old wine in a new bottle.” (ER0073:11-12.)

The District Court’s rulings were erroneous. The District Court adopted Plaintiffs’ views and evidence and disregarded Defendants’ views and evidence when the Legal Standard for Summary Judgment, *supra*, required a different approach.

Specifically, as discussed in Facts A.1, *supra*, the District Court relied on presumptions about: “a file-sharing service ... part of an ongoing file-sharing network...” ER0029:23-25) and “an evolutionary modification of traditional ‘peer-to-peer’ sharing sites such as Napster and Grokster.” (ER0031:13-14.) The

² Perfect10, an online vendor of adult photographs distressed by infringers, has pursued litigation against various business organizations alleged to aid infringement. In addition to *CCBill* and *Visa*, Facts A.2.b *supra*, see also *Perfect10 v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) (“*Amazon.com*”).

presumptions had no evidentiary support.

As discussed in Facts A.2.a and A.2.b, the District Court adopted the views and evidence presented by Plaintiffs' expert, Dr. Horowitz, and ignored views and evidence presented by Defendants' expert, Dr. Gribble. Dr. Gribble presented a large-scale view that recognized valuable existing uses of BitTorrent and in which publishers and trackers are central actors; but Dr. Horowitz presented a narrow view where only copyright infringement exists, where the focus is on users and torrent sites and where publishers have vanished.

As discussed in Facts A.2.c and A.2.d, the District Court disregarded evidence about the collective BitTorrent ecosystem in which Defendants operate. The District Court disregarded distinctions between "automatic downloading," which is ubiquitous online, and matters that were specific to Defendants. The District Court declined to acknowledge the existence of substantial non-infringing uses of BitTorrent technology.

As discussed in Facts B.4, the District Court erred factually in finding, as a matter of law, that moderators had "apparent authority" and that "There is no substantive dispute by Defendants regarding their relationship to these individuals. ... These individuals were under the control of Defendants." (ER0057:8-28, ER0058:17-28.) The District Court declined to acknowledge the existence of substantial evidence that supports contrary conclusions.

In the largest perspective, the District Court erred when it found that: undisputed evidence shows that Defendants (both Fung and the websites) engaged in “purposeful, culpable expression and conduct” aimed at promoting infringing uses of the websites. (ER0063:16-18.)

As shown in Facts B.1-3, supra, Fung disputed essentially all the evidence that the District Court says is “undisputed.” Plaintiffs combed through huge volumes of digital materials and selected and arranged items to support certain inferences. The District Court disregarded all of Defendants’ conflicting evidence and inferences. The District Court erred when it denied Defendants an opportunity to present their evidence, inferences and arguments to a jury.

II. The District Court Erred When It Failed to State or Apply a Fixed Legal Standard For the New *Grokster* Rule.

A. No Legal Standard Has Been Stated For the *Grokster* Rule and the Rule Itself Does Not Supply a Legal Standard.

The *Grokster* rule is stated supra at page 1, fn. 1 and repeated here:

[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.

(*MGM v. Grokster*, 545 U.S. at 919.)

The rule appears to have four elements: (1) “distribution of a device;” (2) improper “object” of promoting its use to infringe; (3) showing of “clear expression or other affirmative steps taken to foster infringement;” and (4) “resulting acts of infringement.”

Defendants do not distribute a device (point II.B infra) and the first element does not apply. No “resulting” or causal connection has been shown (point II.C infra) and the fourth element does not apply. The second and third elements are in dispute here, as discussed supra in point I.B.

The essence of a legal standard is that a single formulation and method of reasoning applies to all cases that are expected to be brought under it. The *Grokster* rule does not perform that function. In particular, the *Grokster* rule does

not support a finding of liability in this case.

B. The District Court Erred in Expanding a Rule for “Distributes a Device” into a Rule for Any “Conduct and Activities.”

The Supreme Court stated the new *Grokster* rule for “one who distributes a device.” 545 U.S. at 919. The Court interchangeably used the word “product.” *Id.*

When *Grokster* returned to the District Court after remand, the District Court ruled: “there is no dispute that StreamCast did distribute an infringement-enabling technology.” *MGM v. Grokster*, 454 F. Supp. 2d 966, 985 (C.D. Cal. 2006) (hereinafter “*Grokster MSJ*”) Here, in direct contrast, Plaintiffs agree that Defendants are not “distributors of a product.” (ER0184:5-6.) Indeed, unlike the copying software or “device” at issue in *Grokster* and *Napster*, defendants here provide nothing more than hyperlinks to dot torrent data files. Mere torrent data is not a “device” any more than a book of addresses or a hyperlink.

If anything is being “distributed” by a torrent site, it is a torrent file. But the distributor is not Defendants or other torrent site operators. As shown supra, Facts A.2.a, the distributor of the content creates the torrent file and uploads it to the Internet.

There are, therefore, legal and/or factual issues as to whether the term “distributor of a product” applies to torrent sites. Similar issues pertain to trackers that do not “distribute” anything, except perhaps peers’ Internet addresses.

There was extensive argument on the “device or product” issues during the summary judgment hearing on November 19, 2007. On April 3, 2008, the District Court ordered supplemental briefing on the issues. See Facts C.3, *supra*. But the issues were not even mentioned in the Summary Judgment Order filed on December 21, 2009.

The District Court belatedly addressed the issues in the Order Granting Permanent Injunction entered on May 21, 2010:

the clear import of the Supreme Court’s opinion was that a defendant may be secondarily liable for his ***conduct and activities*** separate and apart from any products, devices or tools he distributes.
(ER0012:21-28, emphasis added.)

The District Court erred. Everything a person does is part of his or her “conduct and activities.” Such an expansive application leads, as it did here, to liability based on a heap of scattered statements, expressions and actions that have no tether to a specific focus, “device” or “object.”

There was no “import” in *Grokster* to so expand and apply the rule. The District Court’s rulings make the rule so vague, omnipresent and looming as to violate Fifth Amendment Due Process and First Amendment Free Speech.

Grayned v. City of Rockford, 408 U.S. 104, 108-109, 92 S.Ct. 2294 (1972); *Free Speech Coalition v. Reno*, 198 F.3d 1083, 1095 (9th Cir.1999) (Anti-child pornography act that prohibited creation of certain “impressions” violated both

First and Fifth Amendments.)

C. The District Court Erred in Disregarding the Element of Causation in Its Expanded *Grokster* Rule.

The *Grokster* rule imposes liability for “resulting acts of infringement by third parties.” *Grokster* at 545 U.S. at 919. “Resulting” implies a causal connection between defendant’s conduct and specific acts of infringement.

In *Grokster MSJ* at 454 F. Supp. 2d 985, quoted *supra*, there was “no dispute that StreamCast did distribute an infringement-enabling technology.” Any infringement by a StreamCast customer was causally connected to StreamCast’s distribution of the product.

Here, the distribution is by the publisher or original seed who uploads the torrent file and promulgates the content. Defendants’ supposed causal influence is sending “inducing messages” and suggesting techniques to persons seeking to infringe. The supposed consequence of such causal influence is that a person downloads a torrent file from Defendants’ torrent site that leads to infringing materials or makes connections through Defendants’ tracker for infringing purposes.

Plaintiffs fail to show a causal link between Defendants’ supposed causal influence and the supposed consequence. No witness testified that he or she was

influenced by anything Defendants did. Plaintiffs' sole witness of actual infringement was Chris Mascierelli who confessed that he used isoHunt and eBay to infringe. (ER0563.) Plaintiffs provide no evidence that Defendants did anything to influence Mascierelli.

Plaintiffs' evidence shows the absence of a causal link. Prof. Horowitz examined statistics as to one particular movie and found 1.5 million visitors to the Torrentbox tracker but only 50,000 torrent downloads from the Torrentbox torrent site. (ER0530:14-23.) Even if — despite the absence of supporting evidence — it is presumed that Defendants caused all Torrentbox torrent site visitors to download the movie through the Torrentbox tracker, Defendants certainly did not cause the other 96% of the Torrentbox tracker downloads. Prof. Horowitz declares: “Users may acquire Torrentbox- and Podtropolis-tracked dot-torrent files from other torrent sites.” (ER0530:15-16.) He refers, of course, to the otherwise-disregarded BitTorrent ecosystem discussed supra in Facts A.2.c.

The causal problem in this case resembles the dispute over “Material Contribution, Inducement, or Causation” in *Visa*, supra, at 494 F.3d 796-802 (majority opinion) and *Id.*, 811-816 (Justice Kozinski dissenting). Here, in contrast to *Visa*, there is no answer, disputable or indisputable.

The causal problem here also resembles other problems in legal causation called “duplicate-causation cases,” “preemptive-causation cases” and

“overdetermined causation cases” in Robert W. Wright, “Causation in Tort Law,” 73 Calif.L.Rev. 1735, 1791 *et. seq.* (1985). Some of the problems appear to be intractable.

Intractable causation problems can be resolved by legal constructions that serve as vicars or surrogates. One well-developed example involves “DES cases” where an adult “plaintiff ... contracted cancer as a result of her mother's ingesting the drug DES while pregnant with her.” Wright at 1818. It was impossible to ascertain which particular provider of DES out of dozens was responsible for the plaintiff’s cancer. The California Supreme Court devised a “market share” surrogate to deal with the situation. (*Sindell v. Abbott Labs.*, 26 Cal. 3d 588, 603-04, 163 Cal. Rptr. 132, 138-39, *cert. denied*, 449 U.S. 912 (1980).)

As part of the proposed factors test, point III.C, *infra*, Defendants propose a surrogate of “consequences” for purposes of considering causal responsibility.

D. The District Court Erred in Revising Grounds of Decision to Support the Conclusion of “Same General Pattern.”

In *Grokster*, the Supreme Court held (545 U.S. at 939-940):

Three features of this evidence of intent are particularly notable.

First, each company showed itself to be aiming to satisfy a known source of demand for copyright infringement, the market comprising former Napster users...

Second, ... neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software.

Third, ... the more the software is used, the more ads are sent out and the greater the advertising revenue becomes. ... This evidence alone would not justify an inference of unlawful intent, but viewed in the context of the entire record its import is clear.

In *Grokster MSJ*, supra, at 454 F.Supp.2d at 985-992, the District Court worked the foregoing features into an outline for decision. The District Court modified the outline for use in this case. As parallel headings of the two outlines show, the modifications involved an important omission and other changes that attempted to uphold the conclusion of liability.

Comparison Table

<i>Grokster MSJ Order</i>	Fung MSJ Order
B. StreamCasts's Software Was Used Overwhelmingly for Infringement	A.2. Actual Infringement by Defendants' Users
C. StreamCast's Targeting of Napster Users	B.1. Defendants' message to users
D. StreamCast's Assistance to Infringing Users	B.2. Defendants' assistance to users engaging in infringement
E. StreamCast Ensured Its Technology Had Infringing Capabilities	B.3. Defendants implementation of technical features promoting copyright infringement
F. StreamCast's Business Model Depended on Massive Infringing Use	B.4. Defendants' business model depends on massive infringing use
G. StreamCast Has Taken No Meaningful Affirmative Steps to Prevent Infringement	NO PARALLEL MATERIAL.
H. StreamCast Cannot Reasonably Claim Ignorance of Infringement	B.5. Additional Considerations (Defendants' "ostrich-like" denial. ³)

³ Defendants are said to argue "that there is no evidence of infringing activity." (ER0063:5-7.) This is untrue. Plaintiffs themselves quoted Defendants' statement of the problem. (ER0374:11-19; see also ER0286:8-20.)

The largest change from *Grokster MSJ* to the present case is the omission of Category G, “Meaningful Affirmative Step to Prevent Infringement,” corresponding to Feature 2 of the Supreme Court *Grokster* decision. In *Grokster MSJ* at 454 F.Supp.2d at 989-992, the failure of defendants to take such meaningful steps was of major importance. Here, Defendants’ meaningful affirmative steps are ignored. (Facts B.4.)

Categories B, C, D, E and F in *Grokster MSJ* were modified to suit the facts of this case. The modifications changing *Grokster MSJ* Category C to Fung category B.1 are the most serious. In *Grokster*, defendants’ activities were called “aiming” and had a specific target or “object.” Here, Plaintiffs have combed through huge volumes of digital materials to locate and heap up purportedly inculpatory “messages.” Even though Plaintiffs have carefully selected and cleverly arranged the messages, Defendants contend that the clear “aim” of the messages is to promote technology, not to promote infringement. In contrast, see *Grokster* at 545 U.S. 921 (“business aims of each defendant company”), 938 (“advertising designs aimed at Napster users”), 939 (“aiming to satisfy a known source of demand for copyright infringement”).

Other important differences between cases are ignored. “The software systems in *Napster* and *Grokster* were engineered, disseminated, and promoted explicitly for the purpose of facilitating piracy.” *Visa*, 494 F.3d at 801. Here, there

was a collective BitTorrent ecosystem that Defendants joined and over which Defendants have scant control.

The District Court's revisions were contrary to the principle of a valid legal standard, namely, an invariant test that applies to all cases uniformly. A fixed, uniform standard would have disclosed genuine issues of fact for the jury.

III. This Court Should Adopt a Factors Test as the Legal Standard for the New *Grokster* Rule.

Principles and precedents...carry throughout their lives the birthmarks of their origins. They are in truth provisional hypotheses, born in doubt and travail, expressing the adjustment which commended itself at the moment between competing possibilities. (Benjamin N. Cardozo, *The Growth of the Law* (1928), 69-70.)

Defendants suggest that the Supreme Court expected the new *Grokster* rule to be used to resolve broad classes of cases, including this one. Assuming facts stated in the Summary Judgment Order, and without consideration of further discovery, it appears that a properly-instructed jury might find defendants liable for inducing infringement.

Defendants have shown, on the other hand, that a jury might return a defense verdict. Just on evidence now before the Court, Defendants can argue:

Defendant Gary Fung is a young computer devotee and innovator. He is perhaps over-enthusiastic in his verbal behavior, but he is not an infringement

profiteer. Defendants' systems do not "aim" at infringement. Defendants' clear object is to promote innovation and only a clever arrangement of selected items suggests an object of promoting infringement. Defendants' actual connections with infringement are incidental and their systems' involvement in providing information and tracking services is copyright-neutral, with any infringement taking place at third-hand. Plaintiffs failed to show a causal connection between Defendants' supposedly-inducing messages and any actual infringement. In their dealings with copyright owners, Defendants followed the DMCA that is supposed to define their responsibilities and they did all they reasonably could to prevent infringement. Findings of liability might seriously damage non-infringing uses and warn off technology innovators as a class from domains of technology coveted by Plaintiffs.

Defendants suggest that a jury trial is needed to resolve this case. A factors test is the best form for the *Grokster* legal standard. A factors test can balance all the matters involved in the issues. A factors test can achieve balance, not through a static theoretical formulation, but in an ongoing way, developing to address new technologies, by means of verdicts reached after jury trials and, where appropriate, through summary judgments.

A. Principles for Development of a Factors Test for the *Grokster* Rule
Are Found in the History of the Fair Use Factors Test.

Defendants suggest that the Fair Use factors test provides a worthy model for the *Grokster* legal standard. Principles for development of such tests were stated in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 *et. seq.*, 114 S.Ct. 1164 (1994) The Court explored the common law foundations and development of the four-part test for “Fair Use” now codified in 17 U.S.C. § 107. The Fair Use test has advantageous features that can help structure a *Grokster* test. It has proved its capacity to evolve through development of the “transformative use doctrine” that had its roots in *Sony*, discussed *infra.*, was used decisively in *Campbell* in connection with a musical parody and succeeded in adapting to and meeting the challenges of the Internet in *Amazon.com* and other cases decided by this Court.

For purposes of comparison, 17 U.S.C. § 107 and this Circuit’s “Instruction 17.18: Copyright—Affirmative Defense—Fair Use” are set forth in the attached Addendum to the Brief.

B. A Factors Test Can Incorporate Principles and Considerations That Were Disregarded in This Case But That Are Essential For a Full Resolution of This Case and Likely Future Cases.

1. The District Court Erroneously Disregarded the *Sony* Problem.

In *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442, 104 S. Ct. 774 (1984), the Court held that the sale of a product like Sony's videotape recorder, without more, could not constitute contributory copyright infringement "if the product is ... capable of substantial noninfringing uses."

However, the new *Grokster* rule does not refer to non-infringing uses even though such uses had been a deciding factor in the underlying litigation. See 545 U.S. at 927-928.

In this case, the District Court implicitly ruled by omission that *Sony* had no application, apparently agreeing with Plaintiffs that evidence of such uses was "immaterial" after *Grokster*. (ER0466-471.)

The District Court erred. The *Grokster* Court decided to "leave further consideration of the *Sony* rule for a day when that may be required." 545 U.S. at 934. The Supreme Court split 3-3-3 on the *Sony* issue. U. Gasser & J. G. Palfrey, "Catch-As-Catch-Can: A Case Note on *Grokster*," at 8 and 13-14 (2005) Berkman Center for Internet & Society, <http://cyber.law.harvard.edu/publications>.

Non-infringing uses in *Grokster* were paltry, consisting chiefly of re-

packaged public domain materials easily obtained through other means. See 545 U.S. at 945-949 (Ginsburg concurring). The *Grokster* Court had a record that enabled the Justices to evaluate the case.

As summarized in Facts A.4, BitTorrent provides essential services to many publishers, including independent video producers who want to compete with Plaintiffs and publishers who are “enabling the synthesis of new works and generating audiences for emerging artists.” *Grokster*, 545 U.S. at 929, n. 8. (ER0479:16-28.)

The District Court held that: “It simply does not matter whether 75% (to pick a number) of available materials are copyrighted or 95% of available materials were copyrighted.” (ER0039:18-27.)

The District Court erred when it disregarded substantial non-infringing uses and implied that “it simply does not matter” whether such uses are cut off. The District Court should have addressed the record and ruled on the issue.

2. The District Court Erroneously Disregarded the Balancing Principle Set Forth in *Grokster*.

Introducing the *Grokster* legal analysis, the Supreme Court stated:

MGM and many of the *amici* fault the Court of Appeals's holding for upsetting a sound balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement. The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the tradeoff. See *Sony* [Citations.]

The tension between the two values is the subject of this case... (545 U.S. at 919.)

See also *Grokster*, 545 U.S. at 929, n.8, 932-933, 934; *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146, 109 S. Ct. 971 (1989).

Defendants submit that here, also, the “tension between the two values is the subject of this case.” Here, the District Court’s approach was unbalanced. It appears that the District Court interpreted *Grokster* as a mandate to stamp out copyright infringement regardless of damage to technological innovation.

National policy in favor of technological innovation has been stated at the highest level. *Reno v. ACLU*, 521 U.S. 844, 870, 117 S. Ct. 2329 (1997); 47 U.S.C. § 230; see *CCBill*, supra, at 488 F.3d 1118-19 (9th Cir.).

Defendants submit that the District Court acted contrary to national policy

by stigmatizing “automatic downloading,” as discussed in Facts 2.c. Stigmatizing “automatic downloading” does nothing to further copyright protection. The feature is ubiquitous and part of many software applications.

Defendants submit that the District Court stigmatized BitTorrent technology without consideration of national policy or the balancing principle. The District Court failed even to consider a trade-off between artistic protection and technological innovation, much less to manage it.

3. The District Court Erroneously Disregarded the Collective BitTorrent Ecosystem.

In *Grokster*, 545 U.S. at 937, after stating the “inducement rule,” the Supreme Court elaborated on its meaning:

We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. ... The inducement rule... premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

Here, the District Court excluded consideration of legitimate commerce and lawful technological development. Despite evidence of the collective BitTorrent ecosystem (Facts A.2.c), its actual realization of lawful promise (Facts A.2.d) and possible damage to such technology from overbroad rulings, the District Court

disregarded the issues and rejected Defendants' attempts to obtain relevant discovery.

In J. Dratler, Jr., "Symposium Review: Common-Sense (Federal) Common Law Adrift in a Statutory Sea, or Why Grokster Was a Unanimous Decision," 22 Santa Clara Comp. & High Technology L.J. 413 (2006), the author is critical of bright line rules such as the *Sony* rule and, in contrast, recommends the benefits of the common law:

Common-law decision making is inevitably ad hoc. It relies on general principles of justice and common sense. Its tools are analogy and distinction based on facts.

[A] common-law approach is preferable to a serial focus on abstract rules in cases like this because it intrinsically considers the big picture in making analogies and distinctions.

Id. at 420, 433.

In this case, the District Court refused to see "the big picture" and disregarded evidence, like the Gribble Declaration, that would have enabled it to use tools of analogy and distinction based on facts.

C. Defendants Propose a Factors Test That Would Be Suitable for a Jury Instruction in this Case.

Defendants' proposed factors test borrows the general format of 17 U.S.C. § 107 and some substance from its text. As discussed in detail *infra*, major substance is drawn from *Grokster* and from District Court opinions in this case and in *Grokster MSJ*. Other substance is drawn from erroneously disregarded evidence submitted by Defendants in the District Court, discussed in point III.B, *supra*.

Defendants submit that the following proposed factors test is suitable for a jury instruction in this case, based on facts now known.

When values of copyright protection and technological innovation are in tension, the law recognizes both values and seeks a sound balance⁴ between them. A person involved with challenged technology cannot be held liable for inducing copyright infringement merely on the basis of knowledge that third parties are using such technology for purposes of infringement. However, involvement with such technology can give rise to liability where evidence shows that the defendant improperly intended and encouraged use of such technology by third parties for purposes of infringement.

In deciding whether defendant has acted with an improper intention to induce copyright infringement, the finder of fact should consider the following matters:

- (1) the character, circumstances and uses of challenged technology, including infringing uses and substantial non-infringing uses;
- (2) the aims of defendant's actions with respect to challenged technology and whether defendant has the object of promoting its use to infringe copyright, as shown by defendant's clear expression or other affirmative steps to foster infringement;
- (3) capacities and efforts of defendant and copyright owners to prevent or limit infringements that occur through use of challenged technology, including efforts pursuant to law, cooperative efforts and failures or refusals to engage in such efforts or to take reasonable steps to close specific known sources or channels of such infringement;
- (4) defendant's active involvement in infringements occurring through use of challenged technology, including profiting from such infringements and participating in or assisting such infringements with knowledge thereof;
- (5) consequences of a finding of liability on technological development and copyright infringement.

⁴ We suggest that a "sound balance" is stable; it is a balance that can be restored if it is disturbed.

As to large-scale aspects of the proposed factors tests, the balancing principle, *supra* point III.B.2, is stated in the opening sentence and incorporated into factors 1 and 5, which are adapted from those stated in 17 U.S.C. § 107(1) and (4). Balancing also appears in factor (3) which has neutral references to “defendant and copyright owners” and “cooperative efforts.”

Factors 2, 3 and 4 are based on *Grokster* features discussed in point II.D, *supra*, with categories extended to reach important facts of *Grokster* and this case.

As to detailed aspects, language in the first paragraph after the opening sentence is adapted from *Grokster* at 545 U.S. 937 (“mere knowledge”) and 940, n. 13. The phrases “involved with challenged technology” and “improperly intended and encouraged” are to be evaluated during consideration of factors.

Looking at individual factors, “challenged technology” is articulated in factor 1, extending *Grokster*’s “distribution of a device” to new situations. “Infringing uses,” are defined in charging allegations, e.g., uses alleged by Plaintiffs here.

“Substantial non-infringing uses” incorporates the *Sony* principle, but without the bright-line effect of the *Sony* rule. Such an adaptation under the common law would be consistent with the authorities, including *Grokster*. See also Dratler, *supra*, at 416.

The language in proposed factor 2 is drawn from *Grokster*, 545 U.S. 936-

937. Defendants understand “object” as used by the Supreme Court to have a core meaning of “aim” or “goal,” as in “aiming to satisfy a known source of demand for copyright infringement” *Id.* at 939. “Involvement with challenged technology” may have a variety of aims or objects that can include play, experimenting with innovation, development of technology, ambition, profit — and promoting infringement. The law condemns only the goal of promoting infringement but may condemn other goals that get too close to infringement, e.g., a goal of innovations that would enable users to exceed authorized use of copyright-protected materials. The wording of factor 2 allows for such flexible reasoning.

Factor 3 is based on the second *Grokster* feature (relating to Defendants’ attempts to curtail infringement) that the District Court omitted from the Summary Judgment Order in this case. The phrasing of Factor 3 seeks a middle ground between winking at “ostrich-like behavior” and imposing involuntary servitude as a copyright policeman.

“Failure to take reasonable steps to close specific known sources or channels of such infringement” in factor 3 is based on *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001) (“Napster”) (“if a computer operator learns of specific infringing material available on his system and fails to purge such material”); see also *Amazon.com* at 508 F.3d 1171.

Defendants suggest that reference to “cooperative efforts” in factor 3 may

have a salutary effect on relations between Internet developers and copyright owners. Anticipations of litigation, discovery and testimony may even lead to innovations that significantly curtail infringements without judicial intervention.

Factor 4 is generalized from factual findings of the District Court in *Grokster MSJ* and this case. As reported in the Summary Judgment Order, these are facts that weigh most heavily in favor of Plaintiffs. Defendants will show at jury trial that the extent of such facts is relatively small. Plaintiffs combed through massive amounts of data, searching for “nuggets” that they then cleverly arrayed to create a false impression of breadth and depth.

Like 17 U.S.C. § 107(4) on which it is based, factor 5 directs the trier of fact’s attention to the consequences of the decision.

Proposed factor 5 provides a surrogate for “causation,” discussed supra in point II.C. The surrogate is based on the concept of a “sound balance between property protection and technology innovation.” If defendant (and others similarly situated) have upset the balance and improperly induced infringements, then a finding of liability and removal of such influences will restore the balance. “Consequences” serves as a surrogate for “causation” if future restoration of a sound balance mirrors and corrects past disruption of that balance.

IV. The District Court Erroneously Refused to Weigh or Consider Defendants' First Amendment Rights.

A. Standard of Review.

This Court reviews constitutional issues *de novo*. “When the district court upholds a restriction on speech, we conduct an independent *de novo* examination of the facts.” *Free Speech Coalition v. Reno*, supra, at 198 F.3d 1090 (9th Cir.1999).

B. Free Speech Principles Prohibit Imposing Liability on the Basis of Scattered “Messages” That Have No Demonstrated Relationship to Any Actual Infringement.

As set forth supra in Facts B.2, the District Court quoted statements made by Fung personally and through an automated process or “bot” during isoHunt’s early days as an IRC search engine. The statements had no actual connection with copyright infringement but were sarcastic. The bot statement was solely directed at RIAA copyright enforcers.

A TV interviewer asked Fung “So everyone wants to try *The Da Vinci Code* [movie] for free, right?” Fung responded: “Apparently, yes.” (ER0491:2-7.) The District Court interpreted the exchange: “Fung also stated users were attracted to his website by ... *The Da Vinci Code*.” (ER0040:20-22.)

In another interview, Fung said: “to me, copyright infringement when it

occurs may not necessarily be stealing.” (ER0055:16-56:2.)

All the foregoing statements were emphasized by the District Court and cited as evidence that Fung intended to induce copyright infringement through BitTorrent. (ER0040:9-22, ER055:22-56:6.)

The District Court’s rulings were erroneous.

“The First Amendment does not permit St. Paul to impose special prohibitions on those speakers who express views on disfavored subjects.” *R.A.V. v. City of St. Paul, Minn.*, 505 U.S. 377, 391, 112 S.Ct. 2538 (1992).

There is no evidence that any of the foregoing statements “induced” anyone to commit copyright infringement. All the statements were uttered in situations that were separate and distinct from the torrent sites and trackers that are alleged material aids to infringement. Fung did not urge anyone to violate the law or to engage in copyright infringement. His statements were well within the limits of Constitutionally-protected speech. *Humanitarian Law Project v. Holder*, 130 S.Ct. 2705, 2724-2727 (2010) (Congressionally-authorized prohibition of provision of “material support” did not violate Free Speech rights); *Ashcroft v. Free Speech Coalition*, 535 U.S. 234, 253; 122 S.Ct. 1389 (2002); *Bartnicki v. Vopper*, 532 U.S. 514, 529, 121 S. Ct. 1753 (2001); see also *Entertainment Software Association v. Blagojevich*, 469 F.3d 641 (7th Cir. Ill. 2006).

The District Court’s rulings have a chilling effect on the exercise of First

Amendment rights by third-party Internet developers and Defendants are proper parties to bring their concerns before the Court. *Broadrick v. Oklahoma*, 413 U.S. 601, 611-615, 93 S. Ct. 2908 (1973). The rulings tell Internet developers that criticism of copyright enforcement or advocacy concerning copyright disputes may be treated as inculpatory should copyright litigation ever be filed.

The District Court refused to consider First Amendment limits to evidence, holding that “the present case involves *conduct* not *expression*.” (ER0060:25-26, emphasis in original.)

The District Court erred. In *Humanitarian Law Project*, supra, 130 S.Ct. at 2724, the Supreme Court held: “the conduct triggering coverage under the statute consists of communicating a message.” Therefore, the Court required “more rigorous scrutiny” of the messages and a higher level of Constitutional protection. *Id.* The same principle applies here.

The District Court erroneously inculpated Defendants on the basis of anonymous or non-anonymous forum messages. *In re Anonymous Online Speakers*, 611 F.3d 653 (9th Cir. 2010).

Messages quoted supra and in the Summary Judgment Order were all improperly considered as evidence in this case. This Court should reverse. The new authorities decided since the Summary Judgment Order will require detailed consideration of Defendants’ other messages in subsequent proceedings.

V. The District Court Erred In Dismissing Defendants' DMCA Defenses.

A. Standard of Review

This Court applies a *de novo* standard regarding interpretations or applications of statutes. *United States v. Middleton*, 231 F.3d 1207, 1209 (9th Cir. 2000); *Torres-Lopez v. May*, 111 F.3d 633, 638 (9th Cir. 1997).

B. The District Court Erroneously Refused to Consider Defendants' DMCA Defenses and Erroneously Decided Genuine Issues of Fact.

Defendants alleged affirmative defenses under the DMCA. (ER0339:4-13.) Defendants sought a "safe harbor" pursuant to 17 U.S.C. § 512(a) for trackers (providing routing or connections through automatic technical processes) and, for torrent sites, 17 U.S.C. § 512(c) (information residing on networks at direction of users) and/or 17 U.S.C. § 512(d) (information location tools). Defendants asserted the defenses during oral argument. (ER0191:9-193:11.)

As set forth supra, Facts B.5, Defendants maintain a robust DMCA policy and practice.

The District Court rejected Defendants' claims under §§ 512(a) and (c) "[b]ecause infringing materials do not pass through or reside on Defendants' system." (ER0066:22-23.)

The District Court erred. As this Court said in *CCBill* at 488 F.3d at 1116:

We reject Perfect 10's argument that CCBill is not eligible for immunity under § 512(a) because it does not itself transmit the infringing material. ... There is no requirement in the statute that the communications must themselves be infringing, and we see no reason to import such a requirement. It would be perverse to hold a service provider immune for transmitting information that was infringing on its face, but find it contributorily liable for transmitting information that did not infringe.

The District Court further ruled: “Plaintiffs’ claims are premised on active inducement of infringement, not passive transmission or storage of infringing materials.” (ER0066:27-28.)

The District Court erred. *Grokster* never suggested an exception to an Act of Congress. There is nothing in the DMCA that supports such a distinction.

The District Court stated:

Further, Defendants have not introduced any evidence that they “act[ed] expeditiously to remove, or disable access to, the [infringing] material” once they became aware that this infringing activity was apparent. (See generally Defs.’ SGI ¶¶ eee-III.) (ER0067:3-6, as in original.)

The District Court is in error. The evidence cited by the District Court shows that Defendants acted expeditiously to remove and/or disable access to materials when notified pursuant to the DMCA. See Facts B.5 and ER0471-474.

[T]he DMCA ... grants a safe harbor against liability to certain Internet service providers, even those with actual knowledge of infringement, if they have not received statutorily-compliant notice. (*Visa* at 494 F.3d 795, n.4., citing *CCBill*.)

See also *UMG Recordings, Inc. v. Veoh Networks Inc.*, 665 F.Supp.2d 1099 (C.D.Cal., 2009); *Viacom Intern. Inc. v. YouTube, Inc.*, 718 F.Supp.2d 514, (S.D.N.Y. 2010).

The District Court itself noted that “there appears to be a triable issue of fact as to the adequacy of the statutory notice that Plaintiff provided to Defendants.” (ER0067:25-27.)

The District Court ruled that “red flags” deprived Defendants of DMCA defenses as a matter of law. (ER0068:7-71:11.)

In so ruling, the District Court relied on the “90% to 95%” evidence discussed in Facts A.2.d and C.2. But the District Court also ruled that “it simply does not matter whether” the correct figure is “75% (to pick a number).” (ER0039:18-27, ER0069:6, 26).

Using a standard of “willful ignorance” (ER0068:7) and the 90% to 95% figure, the District Court concluded: “Fung was aware that infringing material was available on Defendant websites” and Defendants were “willfully ignorant of ongoing copyright infringement.” (ER0068:14-15, ER0069:11.)

The District Court erred. Any such knowledge was purely constructive and

purely constructive knowledge is insufficient under the DMCA unless DMCA notice is given. *CCBill*, quoted supra. The District Court erred when it ignored Defendants' actual DMCA policy and practice. *Id.* See also *Viacom v. YouTube*, supra. The District Court erred in a summary judgment proceeding when it disregarded all of Defendants' evidence about their operations and intentions and adopted the narrow view presented by Plaintiffs that was limited to selected items arranged to support certain inferences.

Finally, the District Court stated "one last reason" to dismiss Defendants' DMCA defenses, citing rules governing "repeat infringers." (ER0070:20-ER0071:11.) However, Plaintiffs stated that they "have not asserted that defendants are disqualified from any DMCA safe harbor by reason of defendants' failure to adopt and implement a policy of repeat infringers." (ER0471:23-472:4.)

VI. The District Court Erroneously Denied Discovery to Defendants

A. Standard of Review

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

B. The District Court Abused Its Discretion When It Refused to Allow Discovery of Relevant Evidence.

Defendants suffered actual and substantial prejudice through deprivation of evidence that only Plaintiffs have, e.g., evidence about the use of BitTorrent for both infringing and non-infringing uses, evidence about the relative involvement of different players — such as Google — in infringements that affect Plaintiffs, evidence about methods for reducing infringement and evidence about massive online activity and materials such as “spoofs” apparently promulgated by MPAA. See Facts A.2.b, c, d; B.3, 5; C.2.

Plaintiffs alleged: “The fact is that Defendants easily could prevent infringement of Plaintiffs’ copyrighted works by not indexing torrents/hash links corresponding to Plaintiffs’ copyrighted works and by not tracking Plaintiffs’ copyrighted works.” (FAC 11:9-12) The allegation relates to the issue of whether defendants “could ‘take simple measures to prevent further damage’ to copyrighted works.” *Amazon.com* at 508 F.3d 1172.

Evidence requested by Defendants is important in deciding the “ease” of filtering as well as numerous other issues involved here. Plaintiffs/MPAA improperly closed off Defendants’ discovery and more extensive discovery should be provided in further proceedings.

VII. The Permanent Injunction Should Be Vacated.

A. Standard of Review

The decision to grant a permanent injunction is reviewable for abuse of discretion. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391, 126 S. Ct. 1837. (2006).

“[D]iscretion is abused where the district court based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence.” *Roe v. Anderson*, 134 F.3d 1400, 1402 (9th Cir.1998) (internal quotation marks and citation omitted).

Conclusions of law are reviewed *de novo*. *Amazon.com*, 508 F.3d at 1157.

B. The District Court Erred in Granting a Vague, Complicated Permanent Injunction That Violates Due Process and Free Speech Protections and That Imposes Permanent Punitive Mandates.

The errors of the District Court discussed *supra* were compounded and added to when the District Court issued the Permanent Injunction. (ER0010-28.)

For the reasons set forth supra in points I-III, the District Court based the Permanent Injunction on an erroneous view of the law and an erroneous assessment of the evidence. The underlying Order Granting Plaintiff's Motion for Summary Judgment on Liability should be reversed. Reversal of the Permanent Injunction follows. *Roe v. Anderson*, supra.

The Permanent Injunction is further overbroad and violative of Defendants' Fifth Amendment Due Process and First Amendment Free Speech rights, as discussed supra in points II.B and IV. Without requiring actual knowledge on their part, Defendants are permanently enjoined from "soliciting or targeting a user base generally understood, in substantial part, to be in engaging in infringement of, or seeking to infringe, Plaintiffs' Copyrighted Works." Defendants are enjoined from using "Infringement-related terms...that refer to the titles or commonly understood names of Plaintiffs' Copyrighted Works (for example, ... the common name of a television series.)" (ER0021:25-22:3, ER0023:17-18.) Likewise, Defendants are enjoined from "providing...support services to users ...seeking to infringe." (ER0023:10-12.)

Such provisions are vague and overbroad. *Madsen v. Women's Health Center, Inc.* 512 U.S. 753, 763, 114 S.Ct. 2516 (2004); *Bartnicki v. Vopper*, 532 U.S. 514, 529, 121 S. Ct. 1753 (2001); *Free Speech Coalition v. Reno*, supra; *Roe v. Anderson*, supra.

An injunction may deter future harm, but it may not punish. *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1549 (Fed.Cir.1988); *Hecht Co. v. Bowles*, 321 U.S. 321, 329-30, 64 S.Ct. 587 (1944).

The Permanent Injunction is unfairly unlimited in duration and scope and shackles a young technology innovator with lifelong chains of incomprehensible verbiage that prevent him from meaningful undertakings or employment in his chosen vocation. The shackles are especially punitive because they bear no discernible relationship to any damage suffered by Plaintiffs and prevent no discernible future damage. As discussed supra in Facts B.2 and point II.C, there is no actual causal connection shown between Defendants' conduct and infringement. Over 95% of downloaders who visit Defendants' tracker get their torrent files from elsewhere.

In addition to the vague and overbroad terms quoted supra, the "filtering" requirement discussed in Facts C.4 is punitive and unduly overbroad. It enables Plaintiffs to impose burdens on Defendants "without restriction." Plaintiffs' "lists of title" are filled with errors that Defendants are compelled to locate and correct under threat of contempt proceedings. Defendants are compelled to execute filtering within 24 hours of receipt of lists of titles.

Such "filtering requirements" are not lawful if Defendants' "messages" and "technical assistance" are the bases for the Injunction. No causal relationship

connects the requirements with infringement. The mandated “filter” not only blocks authorized distributions and public domain materials, it is directed at search engine functions that should be protected. “[T]he challenged provisions of the injunction [should] burden no more speech than necessary to serve a significant government interest.” *Madsen*, supra, 512 U.S. at 765

C. The District Court Erred in Issuing a Permanent Injunction That Projects United States Copyright Law Extra-Territorially.

As discussed supra in Facts C.4, the District Court issued a Permanent Injunction and a subsequent Modification with complex and ambiguous provisions that Plaintiffs construe as mandating that Defendants filter all their Canadian operations, even when dealing with Canadians, on the theory that Canadians might use information or connections provided by Defendants to engage in infringing activity with United States residents. Plaintiffs’ Motion for Contempt on this issue is pending. (ER0027:10-24, ER005:24-28, ER0096:10-16.)

Plaintiffs’ position, resting on ambiguous Injunctions, would project United States copyright law into the territory of an independent and sovereign nation that is conducting a judicial inquiry into the legality of the very activity, on its own soil, that is being enjoined. (Facts C.4, ER0139:19-21, ER0124-135.)

Such an extraterritorial projection would be contrary to fundamental principles of national sovereignty and has been expressly proscribed by this Court.

Omega S.A. v. Costco Wholesale Corp., 541 F.3d 982, 987 (9th Cir. 2009), *aff'd*, , 2010 WL 5058406 (Dec. 15, 2010) (“presumption against the extraterritorial application of U.S. law”), citing, *inter alia*, “*cf. Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1093-98 (9th Cir.1994) (en banc) (describing the ‘undisputed axiom’ that United States copyright law has no extraterritorial application).”

CONCLUSION

For the foregoing reasons, this Court should reverse the District Court's Order Granting Plaintiffs' Motion for Summary Judgment on Liability, the Permanent Injunction and the Discovery Order at issue and remand the case to the District Court for further proceedings.

Dated: December 17, 2010

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

Pursuant to the requirements of Fed.R.App.Proc. 32(a)(7)(C) and Local Rules 32-1, the undersigned certifies that the foregoing Appellants' Opening Brief (excluding the Table of Contents, Table of Authorities and Certificates, and including footnotes) contains 13,999 words. In preparing this certificate, the undersigned relied on the word count generated by Microsoft Word.

Dated: December 17, 2010

Respectfully submitted,

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STATEMENT OF RELATED CASES

There are no related cases pending in this Court.

ADDENDUM



C

Effective:[See Text Amendments]

United States Code Annotated [Currentness](#)

Title 17. Copyrights ([Refs & Annos](#))

▢ [Chapter 1](#). Subject Matter and Scope of Copyright ([Refs & Annos](#))

→ **§ 107. Limitations on exclusive rights: Fair use**

Notwithstanding the provisions of [sections 106](#) and [106A](#), the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, 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 non-profit 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.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

CREDIT(S)

([Pub.L. 94-553, Title I, § 101](#), Oct. 19, 1976, 90 Stat. 2546; [Pub.L. 101-650, Title VI, § 607](#), Dec. 1, 1990, 104 Stat. 5132; [Pub.L. 102-492](#), Oct. 24, 1992, 106 Stat. 3145.)

Current through P.L. 111-264 (excluding P.L. 111-203, 111-257, and 111-259) approved 10-8-10

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Office of the Circuit Executive

Ninth Circuit Model Civil Jury Instructions

17.18 COPYRIGHT—AFFIRMATIVE DEFENSE—FAIR USE (17 U.S.C. § 107)

One who is not the owner of the copyright may use the copyrighted work in a reasonable way under the circumstances without the consent of the copyright owner if it would advance the public interest. Such use of a copyrighted work is called a fair use. The owner of a copyright cannot prevent others from making a fair use of the owner's copyrighted work.

Defendant contends that defendant made fair use of the copyrighted work for the purpose of [criticism] [comment] [news reporting] [teaching] [scholarship] [research] [*other purpose alleged*]. The defendant has the burden of proving this defense by a preponderance of the evidence.

In determining whether the use made of the work was fair, you should consider the following factors:

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;
4. the effect of the use upon the potential market for or value of the copyrighted work; and

[5.] [*insert any other factor that bears on the issue of fair use*].

If you find that the defendant proved by a preponderance of the evidence that the defendant made a fair use of the plaintiff's work, your verdict should be for the defendant.

Comment

Fair use is an affirmative defense. *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1403 (9th Cir.1997); *Supermarket of Homes v. San Fernando Valley Bd. of Realtors*, 786 F.2d 1400, 1408–09 (9th Cir.1986). Application of the fair use factors to the facts of a case is not subject to “bright-line” rules. The factors should “be considered together in light of the purposes of copyright, not in isolation.” *Sony Computer Entertainment America, Inc. v. Bleem*, 214 F.3d 1022, 1026 (9th Cir.2000). *See also Elvis Presley Enters., Inc. v. Passport Video*, 349 F.3d 622, 627 (9th Cir.2003) (“Contrary to the divide and conquer approach taken by the dissent, we may not treat the factors in isolation from one another.”).

The first paragraph of this instruction describing the effect of a fair use finding is drawn from *Triad Sys. Corp. v. Southeastern Express Co.*, 64 F.3d 1330, 1336 (9th Cir.1995) (fair use permits use of copyrighted material in a reasonable manner without the consent of the copyright owner). The fifth numbered paragraph of the instruction reflects that the elements set forth in the statutory test of fair use in 17 U.S.C. § 107 are by no means exhaustive or exclusive. *See Dr. Seuss Enters.*, 109 F.3d at 1399 (Congress considered the factors as guidelines, not definitive or determinative tests). In appropriate circumstances, the court may enumerate additional factors. *See Campbell v. Acuff-Rose Music, Inc.*, 510

CERTIFICATE OF SERVICE

I hereby certify that on December 17, 2010, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

s/ Stephen Moore