Case 16-2825, Document 66, 11/22/2016, 1913005, Page1 of 22

16-2992(XAP)

IN THE

# United States Court of Appeals

FOR THE SECOND CIRCUIT

BWP MEDIA USA INC., dba Pacific Coast News, Pacific Coast News, National Photo Group, LLC,

Plaintiffs-Appellants-Cross-Appellees,

-against-

POLYVORE, INC.,

Defendant-Appellee-Cross-Appellant.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

### BRIEF FOR AMICUS CURIAE COPYRIGHT ALLIANCE IN SUPPORT OF PLAINTIFFS-APPELLANTS IN SUPPORT OF REVERSAL

ROBERT REEVES ANDERSON Counsel of Record ARNOLD & PORTER LLP 370 17th Street, #4400 Denver, Colorado 80202 (303) 863-1000 Reeves.Anderson@aporter.com JOHN C. ULIN KATHRYN W. HUTCHINSON STEPHANIE S. ROBERTS ARNOLD & PORTER LLP 777 South Figueroa Street, 44th Floor Los Angeles, California 90017 (213) 243-4000 John.Ulin@aporter.com Attorneys for Amicus Curiae Copyright Alliance

Case 16-2825, Document 66, 11/22/2016, 1913005, Page2 of 22

CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1, the Copyright

Alliance discloses that it has no parent corporation, nor does any publicly held

company hold more than 10% of its stock.

Dated: November 22, 2016

/s/ R. Reeves Anderson

Robert Reeves Anderson

i

# TABLE OF CONTENTS

CORPORA	ATE DISCLOSURE STATEMENT	i
TABLE OI	F AUTHORITIES	iii
IDENTITY	AND INTEREST OF AMICUS CURIAE	1
INTRODU	CTION AND SUMMARY OF ARGUMENT	2
ARGUME	NT	4
ON BWP'S	RICT COURT ERRED BY GRANTING SUMMARY JUDGMENT S CONTRIBUTORY INFRINGEMENT CLAIM BASED ON THE SAMAX RULE	
A.	The Sony-Betamax Rule Prohibits Imputing The Knowledge Element Of Contributory Infringement Merely From The Design Or Distribution Of Equipment That Has Substantial Noninfringing Uses	5
В.	The <i>Sony-Betamax</i> Rule Does Not Eliminate Contributory Liability In All Instances Where A Product Is Capable Of Substantial Noninfringing Uses	6
C.	The Sony-Betamax Rule Does Not Apply To Defendants That Maintain A Continuing Relationship With Users Of Their Equipment Or Services	9
D.	The Sony-Betamax Rule Cannot Be A Complete Bar To Contributory Liability For Internet Services Because It Would Render The DMCA's Safe Harbor Provisions Superfluous If It Were	11
E.	The District Court Erroneously Applied The Sony-Betamax Rule To Bar Contributory Liability	13
CONCLUS	SION	15
CERTIFIC	ATE OF COMPLIANCE	16
CERTIFIC	ATE OF SERVICE	17

# TABLE OF AUTHORITIES

CASES	Page(s)
A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001)	5, 8, 10
In re Aimster Copyright Litig., 252 F. Supp. 2d 634 (N.D. III. 2002)	14
Arista Records, LLC v. Doe 3, 604 F.3d 110 (2d Cir. 2010)	5
Arista Records LLC v. Usenet.com, Inc., 633 F. Supp. 2d 124 (S.D.N.Y. 2009)	14
BMG Rights Mgmt. (US) LLC v. Cox Commc'ns, Inc., F. Supp. 3d, 2016 WL 4224964 (E.D. Va. 2016)	10
Capital Records, Inc. v. MP3tunes, LLC, 821 F. Supp. 2d 627 (S.D.N.Y. 2011)	14
Capitol Records, LLC v. Vimeo, 826 F.3d 78 (2d Cir. 2016)	12
Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159 (2d Cir. 1971)	5
Hendrickson v. Amazon.com, Inc., 298 F. Supp. 2d 914 (C.D. Cal. 2003)	13
Matthew Bender & Co., Inc. v. West Publ'g Co., 158 F.3d 693 (2d Cir. 1998)	5
Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913 (2005)	passim
RCA Records v. All-Fast Sys., Inc., 594 F. Supp. 335 (S.D.N.Y. 1984)	

# Case 16-2825, Document 66, 11/22/2016, 1913005, Page5 of 22

464 U.S. 417 (1984)	passim
UMG Recordings, Inc. v. Shelter Capital Partners LLC, 718 F.3d 1006 (9th Cir. 2013)	12
Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19 (2d Cir. 2012)	13
STATUTES AND RULES	
17 U.S.C. § 512	11, 12
OTHER AUTHORITIES	
S. Rep. 105-190 (1998)	11

### **IDENTITY AND INTEREST OF AMICUS CURIAE**<sup>1</sup>

The Copyright Alliance is a non-profit and non-partisan membership organization dedicated to promoting and protecting the ability of professionals to earn a living from their creativity. It represents the interests of individual authors from the entire spectrum of creative industries—including writers, musical composers and recording artists, journalists, documentarians and filmmakers, graphic and visual artists, photographers, and software developers—and the small businesses that are affected by the unauthorized use of their works. The Copyright Alliance's membership encompasses these individual creators and innovators, creative union workers, and small businesses in the creative industry, as well as the organizations and corporations that support and invest in them.

The internet plays a crucial role in the ability of innovators to promote and protect their copyrighted works. While the Copyright Alliance and its members embrace the use of new technologies—especially the distribution of works via the internet—members rely on the protections of copyright to ensure a vibrant marketplace for their work. The infringing use of their works undermines members' ability control this marketplace and protect their livelihood.

<sup>&</sup>lt;sup>1</sup> No party's counsel authored this brief in whole or in part. No party or a party's counsel made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than amicus or its counsel made such a monetary contribution. All parties have consented to the filing of this brief.

The Copyright Alliance's interest in this case goes beyond the infringement perpetrated and facilitated by Polyvore. Rather, this Court's decision with respect to contributory liability will affect all future claims that a Copyright Alliance member seeks to assert against an internet service. The lower court fundamentally misapplied the rule stated in *Sony Corporation of America v. University City Studios, Inc.*, 464 U.S. 417 (1984) (the "*Sony-Betamax* rule"). Left undisturbed, the lower court's decision threatens to frustrate the balance mandated by the Supreme Court in *Sony* and leave creators without a crucial enforcement mechanism. The Copyright Alliance submits this brief to explain to the Court the proper application of the *Sony-Betamax* rule to internet services so that this Court can rectify the error below.

#### INTRODUCTION AND SUMMARY OF ARGUMENT

The district court's analysis of Polyvore's motion for summary judgment on BWP's contributory copyright infringement claim consists of two paragraphs. In the first paragraph, the court articulates the *Sony-Betamax* rule as precluding contributory liability for the distributor of a product that materially contributes to copyright infringement if the product is "capable of substantial noninfringing uses." SPA-15 (quoting *Sony*, 464 U.S. at 442). In the second, it finds that the *Sony-Betamax* rule shields Polyvore from contributory liability because Polyvore's "Clipper" tool enables users to clip, upload, and share images on its system from

anywhere online, whether the images are copyrighted or not. For this reason, the court concludes that the system is "capable of substantial noninfringing use," and Polyvore is therefore entitled to summary judgment on contributory infringement.

Both aspects of the district court's analysis involve critical legal errors that require reversal. First, the court wrongly asserts that, under Sony, whenever a product is capable of substantial noninfringing use, the producer can never be held contributorily liable for third parties' infringing uses of it. The Supreme Court squarely rejected so broad a reading of the Sony-Betamax rule in Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913 (2005). In Grokster, the Court explained that Sony bars contributory liability in only one limited circumstance: when a plaintiff seeks to impute knowledge of infringement by third parties to a defendant based solely on the design or distribution of a product capable of substantial lawful use, which the distributor knows can in fact be used for infringement. Id. at 933-34. Even where a product is capable of noninfringing uses, the Court held that a distributor who has another source of knowledge of third party infringement can still be contributorily liable. *Id.* at 934. The *Sony-Betamax* rule thus eliminates only one potential basis for finding the requisite knowledge of third-party infringement to support contributory liability.

The district court's second error was its application of the *Sony-Betamax* rule beyond the context in which it arose—that is, to distributors of products whose

relationship with the customer ends at the moment of sale. *See Sony*, 464 U.S. at 437–38. In contrast here, Polyvore maintains a continuing relationship with users of its website and thus has the ongoing ability to learn about, participate in, encourage, influence, and control their infringing conduct. As a result, Polyvore can be found contributorily liable without the court having to impute knowledge of infringement merely from the design of its website. The *Sony-Betamax* rule therefore does not support the court's grant of summary judgment on the contributory infringement claim, which should be reversed.

#### **ARGUMENT**

# THE DISTRICT COURT ERRED BY GRANTING SUMMARY JUDGMENT ON BWP'S CONTRIBUTORY INFRINGEMENT CLAIM BASED ON THE SONY-BETAMAX RULE

In granting summary judgment to Polyvore on BWP's contributory infringement claim, the district court adopted an overbroad construction of the *Sony-Betamax* rule that the Supreme Court has rejected outright. By doing so, the district court wrongly concluded that *Sony* affords Polyvore a complete defense to contributory copyright infringement, when, at most, it eliminates one basis for proving the knowledge element of that claim. For these reasons, summary judgment on BWP's contributory infringement claim should be reversed.

A party "who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a

'contributory' infringer." Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971); accord Arista Records, LLC v. Doe 3, 604 F.3d 110, 117 (2d Cir. 2010). Under this formulation of the claim, the familiar elements of contributory copyright infringement are: (1) knowledge (actual or constructive) of infringing activity and (2) material contribution to the infringement. See Matthew Bender & Co., Inc. v. West Publ'g Co., 158 F.3d 693, 706 (2d Cir. 1998); accord A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1019–22 (9th Cir. 2001). This Court has recognized two general types of activities that lead to contributory liability: "personal conduct that encourages or assists the infringement" and "provision of machinery or goods that facilitate the infringement." Matthew Bender, 158 F.3d at 706.

### A. The Sony-Betamax Rule Prohibits Imputing The Knowledge Element Of Contributory Infringement Merely From The Design Or Distribution Of Equipment That Has Substantial Noninfringing Uses

In *Sony*, the Supreme Court carved out an exception to contributory liability for defendants with actual or constructive knowledge that their customers used general purpose equipment they sold to infringe copyright. Under what is known as the *Sony-Betamax* rule, the knowledge element of a contributory liability claim cannot be established against sellers of equipment that is "capable of commercially significant noninfringing uses" solely on the basis of the seller's ability to anticipate that consumers may also use that equipment to infringe copyright. *Id.* at

442. While the Court recognized that adequate protection of copyright requires courts to look beyond actual copying to the products and services that make infringement possible, it held that those who sell products that are "widely used for legitimate, unobjectionable purposes" should not be found liable where the providers' only knowledge of infringement arises from the design of the products themselves. *See id*.

Applying this rule to the facts of the case, the Court held that Sony's distribution of its Betamax video tape recorder ("VTR") was not copyright infringement. Because a significant use of VTRs was "time-shifting" (*i.e.*, recording free-to-air television programs for at-home viewing at some time after the original broadcast), which the Court deemed fair use, *id.* at 451–55, it concluded that the VTRs were "staple articles of commerce" capable of substantial noninfringing uses. Accordingly, Sony's awareness that some customers would use their VTRs for infringing purposes—without more—did not establish culpable knowledge for purposes of contributory liability. *Id.* at 456.

### B. The Sony-Betamax Rule Does Not Eliminate Contributory Liability In All Instances Where A Product Is Capable Of Substantial Noninfringing Uses

Subsequent decisions have provided additional guidance about the proper application of the *Sony-Betamax* rule. In *Grokster*, the Supreme Court considered whether *Sony* provided a defense to contributory infringement for companies that

enabled users to engage in massive piracy of copyrighted music and video files over "peer-to-peer" networks. *See Grokster*, 545 U.S. at 928–29. The Ninth Circuit had concluded that the *Sony-Betamax* rule precluded contributory liability because the networks could be used to share noninfringing files. *Id.* at 927–28. Reversing that decision, the Supreme Court criticized the Court of Appeals for misapplying *Sony* to limit secondary liability "beyond the circumstances to which the case applied." *Id.* at 933.

The *Grokster* Court emphasized that *Sony* merely barred contributory liability "based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement." *Id.* at 933. The Ninth Circuit had read *Sony* to hold that "whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties' infringing use of it . . . , even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product . . . ." *Id.* at 934. The Supreme Court rejected the Ninth Circuit's reading as "error, converting [*Sony* from a case] about liability resting on imputed intent to one about liability on any theory." *Id.* 

The Supreme Court further explained that while "Sony's rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed

product[,]...nothing in *Sony* requires courts to ignore evidence of intent if there is such evidence...." *Id.* at 935. Even though the peer-to-peer file-sharing service at issue in *Grokster* could be used to share noninfringing files, that did not prevent the Court from holding peer-to-peer file-sharing services contributorily liable for massive infringement by users when other evidence proved their knowledge of, and intent to facilitate and induce, infringement. *Id.* at 937–40.

The Ninth Circuit reached a similar conclusion in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019–22 (9th Cir. 2001). Addressing the contributory liability of the operator of another peer-to-peer file sharing service that facilitated mass infringement of copyrighted content, the court felt "compelled to make a clear distinction between the architecture of the Napster system and Napster's conduct in relation to the operational capacity of the system." 239 F.3d at 1020. Following *Sony*, it declined to impute the requisite level of knowledge to Napster solely because its file-sharing technology could be used for infringing purposes. *Id.* at 1020–21. Nevertheless, the court ultimately affirmed the finding of likelihood of success on the contributory liability claims because Napster, in its capacity as operator of an internet service, had gained both actual and constructive knowledge of infringement on its system. *Id.* at 1021–22.

# C. The Sony-Betamax Rule Does Not Apply To Defendants That Maintain A Continuing Relationship With Users Of Their Equipment Or Services

The relationship between the defendant and its customers is also critical to the application of the *Sony-Betamax* rule and whether it will prevent contributory liability. The Supreme Court in *Sony* made this point expressly when it distinguished between cases involving "an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred," *Sony*, 464 U.S. at 437, and the *Sony* case itself, in which "[t]he only contact between Sony and the users of the Betamax . . . occurred at the moment of sale," *id.* at 438. When the parties have a continuing relationship, the *Sony-Betamax* rule does not prevent the court from looking for other evidence of knowledge or intent (beyond what may be imputed from the design or distribution of a product or service used to infringe copyright) to support a contributory infringement claim.

The relationship provides the defendant with further opportunities to know about and facilitate the infringement and/or to control its customers' infringing conduct. *See id.* at 437. Indeed, the relationship between Grokster and Napster, on the one hand, and the infringing users of their peer-to-peer services, on the other hand, was a significant basis for the Court's findings of secondary liability in those two cases, even though both services were capable of significant noninfringing

uses. *Grokster*, 545 U.S. at 938–39 (reviewing Grokster's and another service's communications with users and targeting and providing technical support for former Napster users, who were known to seek facilities to continue their mass sharing of infringing files); *Napster*, 239 F.3d at 1020–22 & n.5 (finding sufficient knowledge of user infringement to support file-sharing service's contributory liability, in part based on communications with users, actual notice of their unlawful file-sharing activities, and ability to control access to the system and failure to do so).

By contrast, where the defendant's relationship with its customers ceases at the time of sale, as was the case in *Sony*, the *Sony-Betamax* defense precludes imputing knowledge from the design or distribution of the product used to infringe and thus defeats an essential element of contributory infringement. *Id.* at 438; *see RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 339 (S.D.N.Y. 1984) (commercial operator of duplicating machine may be contributorily liable for customers' infringement because it provides them with facilities and assistance and may be able to control their behavior, whereas manufacturer of the machine has no control over its use once sold and therefore is shielded by the *Sony-Betamax* rule); *see also BMG Rights Mgmt. (US) LLC v. Cox Commc'ns, Inc.*, -- F. Supp. 3d --, 2016 WL 4224964, at \*12 n.17 (E.D. Va. 2016), *appeal docketed*, No. 16-1972 (4th Cir. Aug. 24, 2016) ("*Sony* does not, in the Court's view, immunize the same

defendant from liability when it maintains an ongoing relationship with users, knows of specific infringement, and continues to provide material assistance in the face of that knowledge.").

D. The Sony-Betamax Rule Cannot Be A Complete Bar To Contributory Liability For Internet Services Because It Would Render The DMCA's Safe Harbor Provisions Superfluous If It Were

Congress confirmed its understanding that the *Sony-Betamax* rule does not shield internet services from all contributory liability when it enacted the safe harbor provisions of the Digital Millennium Copyright Act ("DMCA"). 17 U.S.C. § 512. Fourteen years after the Supreme Court decided *Sony*, Congress still felt compelled to delineate the scope of service provider contributory liability because "without clarification of their liability, service providers may hesitate to make the necessary investment in the expansion of the speed and capacity of the Internet." S. Rep. 105-190, at 8 (1998). If the *Sony-Betamax* rule had eliminated all potential liability for internet services with substantial noninfringing uses, Congress would not have needed to enact the DMCA's safe harbor provisions to address its stated concern.

The safe harbors limit the liability of internet service providers who meet certain statutory requirements for, *inter alia*, infringement occurring "by reason of the storage [of infringing content] at the direction of a user," *id.* § 512(c), and "by reason of the provider . . . linking users to an online location containing infringing

material," *id.* § 512(d). To qualify for the safe harbors, a service provider must "adopt[] and reasonably implement[] . . . a policy that provides for termination" of repeat infringers, *id.* § 512(i)(1)(A), and must act expeditiously to address known infringements, *id.* § 512(c)(1)(A)(iii) & (d)(1)(C). Here again, if an internet service were shielded from contributory liability simply because its service were capable of substantial noninfringing uses, these requirements of the safe harbor provisions would be unnecessary.

Similarly, if the *Sony-Betamax* rule precluded contributory liability even for service providers who received notices of actual infringement under the DMCA, the "notice-and-takedown" procedures of 17 U.S.C. § 512(c)(3) & (d)(3) would serve little purpose. A service provider would have no reason to respond to a DMCA notice of infringement if it could avoid contributory liability simply by demonstrating that it also stored noninfringing material at the direction of its users or also linked users to noninfringing sites.

Tellingly, service providers routinely rely on the § 512 safe harbor to defend services that are capable of both infringing and noninfringing uses from contributory liability for infringement by users—notwithstanding *Sony. See, e.g.*, *Capitol Records, LLC v. Vimeo*, 826 F.3d 78, 93–98 (2d Cir. 2016) (Vimeo relies on DMCA safe harbor and not the *Sony-Betamax* rule); *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1030–31 (9th Cir. 2013) (same for

Veoh); Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19, 30–32 (2d Cir. 2012) (same for YouTube); Hendrickson v. Amazon.com, Inc., 298 F. Supp. 2d 914, 914–16 (C.D. Cal. 2003) (same for Amazon.com). If the Sony-Betamax rule were as expansive as the district court in this case believed, these defendants surely would have made it the basis of their defenses. But they did not. Their decisions to rely on the DMCA safe harbors confirm that even services with noninfringing uses can be contributorily liable. The district court's contrary conclusion requires reversal.

# E. The District Court Erroneously Applied The Sony-Betamax Rule To Bar Contributory Liability

The district court erred by applying the *Sony-Betamax* defense to bar BWP's contributory infringement claim against Polyvore. While the record below may be sparse, it establishes that Polyvore does not simply sell a product to its customers and have no further contact with them after the moment of sale. It provides users with access to an internet service and continues to have a relationship with them after they begin using the Polyvore website. On these facts, even if the Polyvore website is capable of substantial noninfringing uses, the *Sony-Betamax* defense does not preclude contributory liability. While Polyvore's knowledge of infringement by its users cannot be imputed from the design or distribution of its website or the software available on it, the court (or jury) must determine whether Polyvore materially contributes to infringement by users about which it has actual or constructive knowledge from another source.

Because the Court improperly applied the Sony-Betamax rule and therefore did not reach the proper inquiry, its decision to grant Polyvore's motion for summary judgment on BWP's contributory liability claim must be reversed. See Capital Records, Inc. v. MP3tunes, LLC, 821 F. Supp. 2d 627, 649 (S.D.N.Y. 2011) (rejecting Sony-Betamax defense because "the defendants were aware of the specific infringement at issue and had a continuing relationship with users"), vacated on other grounds by EMI Christian Music Grp., Inc. v. MP3tunes, LLC, --F.3d --, 2016 WL 6211836 (2d. Cir. 2016); Arista Records LLC v. Usenet.com, Inc., 633 F. Supp. 2d 124, 156 (S.D.N.Y. 2009) (finding noninfringing uses "immaterial" where defendant maintained ongoing relationship with users); In re Aimster Copyright Litig., 252 F. Supp. 2d 634, 653 (N.D. Ill. 2002) (disallowing Sony-Betamax defense where "Defendants provide an ongoing service to their users"), aff'd, 334 F.3d 643 (7th Cir. 2003).

### **CONCLUSION**

For the foregoing reasons, the district court's decision should be reversed.

Dated: November 22, 2016 Respectfully submitted,

/s/ R. Reeves Anderson
Robert Reeves Anderson
ARNOLD & PORTER LLP
370 17th Street #4400
Denver, Colorado 80202
(303) 863-1000
Reeves.Anderson@aporter.com

John C. Ulin
Kathryn W. Hutchinson
Stephanie S. Roberts
ARNOLD & PORTER LLP
777 S. Figueroa Street, 44<sup>th</sup> Floor
Los Angeles, California 90017
(213) 243-4000
John.Ulin@aporter.com

### **CERTIFICATE OF COMPLIANCE**

This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because the brief contains 3,198 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii). This brief complies with the typeface and type style requirements of Fed. R. App. P. 32(a)(5) and 32(a)(6), respectively, because this brief has been prepared in a proportionately spaced typeface using Microsoft Word 2007 in Times New Roman 14-point font.

/s/ R. Reeves Anderson
Robert Reeves Anderson

Case 16-2825, Document 66, 11/22/2016, 1913005, Page22 of 22

**CERTIFICATE OF SERVICE** 

I certify that on November 22, 2016, I caused the foregoing Brief of Amicus

Curiae Copyright Alliance in Support of Plaintiff-Appellant in Support of Reversal

to be electronically filed via the Court's CM/ECF System; all of the parties listed

on the attorney service preference report have been served via the Court's

CM/ECF system.

I further certify that on November 22, 2016, I caused six (6) copies of the

foregoing Brief of Amicus Curiae to be delivered by hand to the Clerk of the

United States Court of Appeals for the Second Circuit.

/s/ R. Reeves Anderson

Robert Reeves Anderson

17