

16-2321-cv

**United States Court of Appeals
for the
Second Circuit**

CAPITOL RECORDS, LLC, CAPITOL CHRISTIAN MUSIC GROUP, INC.,
VIRGIN RECORDS IR HOLDINGS, INC.,

Plaintiffs-Appellees,

— v —

REDIGI INC., JOHN OSSENMACHER, LARRY RUDOLPH,
aka LAWRENCE S. ROGEL,

Defendants-Appellants.

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

**BRIEF OF *AMICUS CURIAE* ASSOCIATION OF AMERICAN
PUBLISHERS, INC. IN SUPPORT OF PLAINTIFFS-APPELLEES**

REITLER KAILAS & ROSENBLATT LLC
885 Third Avenue, 20th Floor
New York, New York 10022
(212) 209-3050

*Attorneys for Amicus Curiae Association
of American Publishers, Inc.*

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *amicus curiae* Association of American Publishers, Inc., (“AAP”) states that it has no parent corporation and no that publicly held corporation has an ownership stake of 10% or more in AAP or any affiliated entity.

Dated: May 11, 2017

/s/ Robert W. Clarida
Counsel of Record

TABLE OF CONTENTS

CORPORATE DISCLOSURE STATEMENT	i
TABLE OF CONTENTS.....	ii
TABLE OF AUTHORITIES	iii
STATEMENT OF IDENTITY AND INTEREST	1
SUMMARY OF ARGUMENT	2
ARGUMENT	6
I. SECTION 109(A) DOES NOT PROVIDE A DEFENSE TO REDIGI’S ACTIVITIES	6
II. SECTION 107 DOES NOT PROVIDE A DEFENSE TO REDIGI’S ACTIVITIES	13
III. A REVERSAL WOULD CAUSE GRAVE DAMAGE TO THE PUBLISHING INDUSTRY AND WOULD BE A <i>DE FACTO</i> ADVISORY OPINION IN CONFLICT WITH THIS COURT’S OWN RECENT RULINGS IN THE <i>HATHITRUST</i> AND <i>GOOGLE BOOKS</i> CASES	20
CONCLUSION	29
CERTIFICATE OF COMPLIANCE	30
<i>COUNSEL OF RECORD</i>	30
CERTIFICATE OF SERVICE	31

TABLE OF AUTHORITIES

Cases

<i>Author’s Guild, Inc. v. Google, Inc.</i> , 804 F.3d 202 (2d Cir. 2015)	passim
<i>Author’s Guild, Inc. v. HathiTrust</i> , 755 F.3d 87 (2d Cir. 2014).....	passim
<i>A.V. v. iParadigms, LLC</i> , 562 F.3d 630 (4 th Cir. 2009).....	14
<i>Campbell v. Acuff-Rose Music, Inc.</i> 510 U.S. 569 (1994).....	27
<i>Clean Flicks of Colorado LLC v. Soderbergh</i> , 433 F. Supp. 2d 1236 (D. Colo. 2006)	20
<i>Design Options v. BellePointe, Inc.</i> , 940 F. Supp. 86 (S.D.N.Y. 1996).....	7
<i>Golan v. Holder</i> , 565 U.S. 302 (2012).....	12
<i>Kirtsaeng v. John Wiley & Sons, Inc.</i> , 133 S. Ct. 1351 (2013).	18
<i>Sega Enters. v. Accolade, Inc.</i> , 977 F.2d 1510 (9 th Cir. 1992)	14
<i>Sony Computer Entertainment, Inc. v. Connectix Corp.</i> , 203 F.3d 596 (9 th Cir. 2000)	14
<i>Sony Corp. of America v. Universal City Studios, Inc.</i> , 466 U.S. 417 (1984).....	15

Statutes

17 U.S.C. § 101	7
17 U.S.C. § 107	passim
17 U.S.C. § 109(a)	passim
17 U.S.C. § 1001(5)(A).....	9
17 U.S.C. § 1201	16, 17
Pub. L. 107-273, 116 Stat. 1758	12

Other Authorities

American Library Association, “State of America’s Libraries Report 2014”	23
Brustein, Joshua, “Secondhand Downloads: Will Used E-Books and Digital Games Be for Sale?” <i>Bloomberg News</i> (Feb. 10, 2015).....	22
<i>Digital Millennium Copyright Act (DMCA) Section 104 Report</i> , Statement of Marybeth Peters, The Register of Copyrights before the Subcommittee on Courts, the Internet, and Intellectual Property Committee on the Judiciary, United States House of Representatives, 107 th Congress, 1 st Session (December 12-13, 2001).....	10
Leval, Pierre, <i>Toward a Fair Use Standard</i> , 103 Harv. L. Rev. 1105 (1990)	27
Meadows, Chris "The Internet Archive's Open Library Is Violating Authors' Copyrights," <i>TeleRead</i> (2013)	24
<i>Overdrive</i> , “Library Readers Borrow Record Numbers of eBooks and Audiobooks in 2015” (January 5, 2016)	23
<i>Overdrive</i> , “Readers Borrow Record Number of eBooks and Audiobooks from the Library in 2016” (January 10, 2017)	23
Rosen, Judith, “ReDigi Plans to Sell Used E-books,” <i>Publishers Weekly</i> (July 30, 2012)	20, 21
U.S. Copyright Office, “Understanding the Section 1201 Rulemaking” (2015)	17
U.S. Department of Commerce Internet Policy Task Force, <i>White Paper on Remixes, First Sale, and Statutory Damages: Copyright Policy and Innovation in the Digital Economy</i> (January 2016)	11
Wohlesen, Marcus. “Amazon Wants to Get Into the Used E-Book Business – Or Bury It,” <i>Wired</i> (Feb. 8, 2013).....	22

Rules

Fed. R. App. Pro. 29.....	1
Local Appellate Rule 29.1	1

STATEMENT OF IDENTITY AND INTEREST¹

The Association of American Publishers, Inc. (“AAP”) is the largest national trade organization of U.S. book and journal publishers, representing over 400 members that range from major commercial book and journal publishers to small, non-profit, university, and scholarly presses. AAP seeks to promote the effective and efficient protection of copyright to enable publishers and their technology partners to create and disseminate literary works in new and convenient formats for consumers around the world to enjoy.

In recent years, there has been rapid growth in digital publications, including mass-market electronic books (“eBooks”) and professional and scholarly publications, as well as adaptive educational content delivered through digital networks. There has also been growth in the variety of business models through which consumers legally may access digital reading materials, including online bookstores, library eBook lending, and subscription services. At the same time, many consumers still enjoy having hard copies (print versions) of the books they

¹ Under Fed. R. App. Pro. 29 (c)(4), (c)(5) and this Court’s Local Rule 29.1, AAP states that none of the parties to this appeal, nor their counsel, authored this brief in whole or in part. AAP states further that none of the parties to this appeal, nor their counsel, nor any party other than AAP, contributed any funding toward the preparation or filing of this brief. All parties to this appeal have consented to the filing of this brief.

read, so publishers offer consumers access to copyrighted works in print and digital formats, commonly affording a choice of formats for the same work.

Because consumers are generally aware that print and digital book formats afford them different capabilities and experiences regarding their acquisition and use of the embodied copyrighted work, the availability of the same work in print and digital formats allows readers -- as consumers -- to choose which format satisfies their preferences among the variety of differences to be considered. In that context, AAP's members have a critical interest in ensuring that federal courts interpret and apply the "first sale" defense under Section 109(a) of the Copyright Act consistent with the plain meaning of relevant statutory language and in accordance with the intended purpose in its enactment by Congress.

SUMMARY OF ARGUMENT

The judgment of the District Court should be affirmed. The Court below held that the activities of Defendants-Appellants (hereafter collectively "ReDigi") violated the exclusive rights of Plaintiffs-Appellees (hereafter collectively "Capitol") by reproducing and distributing unauthorized phonorecords of sound recordings in which Capitol held the copyrights. SPA-17. The Court correctly rejected the two principal affirmative defenses proffered by ReDigi, *i.e.*, the first

sale defense under § 109(a) of the Copyright Act (hereafter the “Act”) and the fair use defense under § 107.

As the District Court explained, the first-sale defense under § 109(a) does not apply to ReDigi’s conduct for at least two reasons. First, § 109(a) by its terms only provides a defense to violations of the copyright owner’s exclusive right of distribution under § 106(3); it offers no defense for infringements of Capitol’s exclusive right of reproduction under § 106(1), which ReDigi violated by making unauthorized reproductions. SPA-11-13.

Second, even with respect to ReDigi’s unauthorized *distribution* of the recordings, ReDigi is not eligible for a first-sale defense under § 109(a) because the phonorecords it distributed were not the same tangible copies of which it was the lawful owner, as § 109(a) requires, but were instead newly-created tangible copies. SPA-11. In this appeal, ReDigi concedes that any alleged “transfer” of a single tangible phonorecord by means of the ReDigi technology actually involves fixation of the sound recording at issue in two separate physical objects: the consumer’s computer and the ReDigi server. Brief of Defendants-Appellants (hereafter “ReDigi Brief”) at 28 (“ReDigi’s transfer method ... *transfers* block-by-block the iTunes music file from the consumer’s computer to ReDigi’s server”)(emphasis original). Such an alleged “transfer” is not permitted under

§ 109(a), which only authorizes the owner of a “*particular* copy or phonorecord” to transfer ownership of “*that* copy or phonorecord.” 17 U.S.C. § 109(a).

The District Court also correctly held that ReDigi’s activities did not constitute a fair use under § 107 of the Act. All four statutory factors under § 107 weigh against ReDigi. The use of the Capitol sound recordings by ReDigi was purely commercial and did not transform the recordings at all, either as to their content or their purpose. SPA-10. The Capitol sound recordings were highly creative and thus subject to the highest level of protection against unauthorized uses. *Id.* The Capitol sound recordings were used in their entirety. *Id.* Finally, ReDigi’s reproduction and distribution of the Capitol sound recordings in unauthorized phonorecords directly superseded the legitimate market for the recordings by allowing consumers to purchase them from ReDigi rather than from Capitol. SPA-11.

The brief of *amici curiae* Copyright Law Scholars (hereafter “CLS Brief”) asserts that fair use should apply because ReDigi’s reproductions were necessary to allow it to effectuate its alleged “first sale entitlement” under § 109(a). *See* CLS Brief at 23. Because ReDigi’s activities are not authorized by § 109(a), however, no such entitlement exists and the fair use doctrine need not be distorted beyond precedent or principle to absolve ReDigi’s infringements. The brief of *amici curiae* American Library Association *et al.* (hereafter “ALA Brief”) effectively

concedes at 15-16 that § 109(a) does not apply (“to be sure, the buyer does not end up with the seller’s actual copy”). ALA nonetheless creates a meritless argument out of whole cloth, asserting that ReDigi’s conduct is similar enough to a legitimate § 109(a) distribution that the court below should have weighed the first fair use factor, “the nature and purpose of the use,” more heavily in ReDigi’s favor. ALA Brief at 15. Neither this Court nor any other has ever so held.

Finally, the ALA Brief makes a plea for this Court to issue an advisory opinion blessing the unfettered distribution of unauthorized electronic copies of printed books through so-called “digital lending services,” specifically including the Open Library project operated by *amicus* Internet Archive. Such a finding in favor of ReDigi in this case would have grave and immediate consequences for the publishers of literary works in print and digital formats and would be out of step with the careful calibrations employed by Congress and the courts when considering infringements. This Court has recognized in two recent decisions that the unauthorized digitization of library books for certain highly restricted research purposes may be permissible under the fair use defense, *see Author’s Guild Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014)(“*HathiTrust*”); *Author’s Guild, Inc. v. Google, Inc.*, 804 F.3d 202 (2d Cir. 2015)(“*Google Books*”). But ReDigi’s wholesale copying and commercial distribution of copyrighted materials – like the “digital lending services” proposed by *amicus* Internet Archive – bear no

resemblance whatsoever to the tightly controlled indexing and searching functions that this Court has recognized as fair use. A decision in ReDigi's favor here would therefore eviscerate this Court's carefully-limited reasoning and interest balancing in *HathiTrust* and *Google Books* and render any unauthorized digitization and distribution of printed materials non-infringing. Such an outcome would be catastrophic for the entire publishing industry for several reasons. With eBooks, used copies are a perfect substitute for new copies, and digital "lending" allows multiple readers to access a single digital copy simultaneously. Moreover, unlike the makers of films and sound recordings, eBook publishers cannot effectively distribute their works by means of on-line streaming, rendering the eBook market uniquely vulnerable to the consequences of a reversal in this case on first-sale grounds.

ARGUMENT

I. Section 109(a) Does Not Provide a Defense to ReDigi's Activities

Section 109(a) of the Act provides in pertinent part as follows:

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

Section 106(3), to which this provision refers, gives the copyright owner the exclusive right "to distribute copies or phonorecords of the copyrighted work to the

public by sale or other transfer of ownership, or by rental, lease, or lending.” Section 109(a) does not therefore provide a defense to infringement of the copyright owner’s right to reproduce the copyrighted work, or to any of the copyright owner’s other exclusive rights. It is a narrow defense that pertains only to the distribution right. *See* SPA-11 (citing *Design Options v. BellePointe, Inc.*, 940 F. Supp. 86, 91 (S.D.N.Y. 1996)). Even ReDigi and its *amici* do not contend that § 109(a) provides a defense to ReDigi’s unauthorized reproduction of the Capitol recordings.

Nor, however, does § 109(a) provide a defense to ReDigi’s unauthorized *distributions* of the Capitol recordings because ReDigi does not distribute the same “lawfully made” “particular copy or phonorecord” of which it is the owner. “Copies” and “phonorecords” are defined in § 101 of the Act as follows:

“Copies” are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “copies” includes the material object, other than a phonorecord, in which the work is first fixed.

“Phonorecords” are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “phonorecords” includes the material object in which the sounds are first fixed.

Read in light of these definitions, § 109(a) explicitly provides that the first sale defense is only available for the “owner” of a “particular” “lawfully made”

“material object” who chooses to “sell or otherwise dispose of the possession” of “that” “particular” “material object.”

ReDigi fails to qualify for this defense because, as the court below held, SPA-11-12, the phonorecords that it distributes are not “lawfully made” and are not the same “particular” “material objects” acquired from iTunes. As the District Court summarized:

[T]he first sale defense is limited to material items, like records, that the copyright owner put into the stream of commerce. Here, ReDigi is not distributing such material items; rather, it is distributing reproductions of the copyrighted code embedded in new material objects, namely, the ReDigi server in Arizona and its users’ hard drives. The first sale defense does not cover this any more than it covered the sale of cassette recordings of vinyl records in a bygone era.

SPA-12.

ReDigi concedes that “ReDigi’s transfer method ... *transfers* block-by-block the iTunes music file from the consumer’s computer to ReDigi’s server” (emphasis original), thus acknowledging that the purported “transfer” involves at least two different material objects. ReDigi Brief at 28. Desperate to avoid the plain language of the statute and the configuration of its own technology, however, ReDigi posits the existence of a *third* material object, the “electronic music file,” that ReDigi purports to be the same “particular” phonorecord despite being fixed in different material objects. *Id.* at 13-16.

ReDigi's cited authorities in support of this bizarre proposition do not in any way alter the text of § 109(a) or the definitions in § 101. The definition of "digital musical recording" in § 1001(5)(A) merely creates a new definition for a material object that includes both sounds, like a phonorecord, and "material, statements or instructions incidental to those fixed sounds." If ReDigi means to argue that such a material object, the "digital musical recording," is not a "copy or phonorecord," it might not be subject to § 109(a) at all, but it is unclear how such a result could assist ReDigi, which is seeking the benefit of § 109(a). The central point made by the District Court below is that the first sale defense only applies when ownership of the same physical object changes hands, and ReDigi instead "distributes *reproductions* of the copyright code embedded in new material objects." SPA-12 (emphasis original). Invoking the definition of "digital music recording," itself a material object, fails to address that glaring defect in ReDigi's argument.

ReDigi's attempt to find support in the definition of "digital phonorecord delivery" ("DPD") in § 115(d) is equally misguided. The definition provides that a DPD is a "delivery of *a* phonorecord by digital transmission of a sound recording which results in a specifically identifiable *reproduction* by or for any transmission recipient of *a* phonorecord of that sound recording" (emphasis added). This does nothing to solve ReDigi's problem because it specifically notes that the "result" of such a delivery is a "reproduction"; the recipient acquires possession of "a"

phonorecord, but not the same “particular” phonorecord that § 109(a) requires. Accordingly, ReDigi is incorrect in asserting that Congress has at any time “recognized that electronic files could satisfy the Copyright Act’s ‘material object’ requirement.” ReDigi Brief at 15. Congress has never done anything of the kind.

The CLS Brief proposes in the alternative that § 109(a) itself should be read more broadly, *i.e.* by disregarding what ReDigi correctly calls the “material object requirement” and instead considering the first sale defense not as a statutory exemption but rather as a broad common-law “entitlement” to dispose freely of “property” – for *amici* CLS, the statute imposes no “material object requirement” despite the numerous careful statutory drafting and definitional choices Congress made to articulate and establish exactly such a requirement. This Court should disregard all those Congressional decisions, the CLS Brief argues, and “restore” the first-sale defense to its “former and proper scope.” CLS Brief at 5.

In fact, as the Register of Copyrights has noted, the first-sale defense under § 109(a) has always been intended and understood as a codification of the common-law principle in favor of free alienation of *tangible* property:

The underlying policy of the first sale doctrine as adopted by the courts was to give effect to the common law rule against restraints on the alienation of tangible property. *The tangible nature of a copy is a defining element of the first sale doctrine and critical to its rationale.* The digital transmission of a work does not implicate the alienability of a physical artifact. When a work is transmitted, the sender is exercising control over the intangible work through its reproduction rather than common law dominion over an item of tangible personal property. Unlike the physical distribution of digital works on a

tangible medium, such as a floppy disk, the transmission of works interferes with the copyright owner's control over the intangible work and the exclusive right of reproduction.

Digital Millennium Copyright Act (DMCA) Section 104 Report, Statement of Marybeth Peters, The Register of Copyrights before the Subcommittee on Courts, the Internet, and Intellectual Property Committee on the Judiciary, United States House of Representatives 107th Congress, 1st Session (December 12-13, 2001) at III.B.1.a., <https://www.copyright.gov/docs/regstat121201.html> (last visited May 10, 2017)(“104A Report”).

The Register of Copyrights was speaking in 2001 in connection with a proposed amendment to the Act to expand the scope of § 109(a) to include digital transmissions. A bill to that effect had been introduced in 1997, *id.*; Congress did not then take, and has not since taken, any action to make such a change in the statute. The Register recommended against such an amendment in 2001 because “[t]he benefits to further expansion simply do not outweigh the likelihood of increased harm.” *Id.* The likelihood of harm has not diminished since that time. See U.S. Department of Commerce Internet Policy Task Force, *White Paper on Remixes, First Sale, and Statutory Damages: Copyright Policy and Innovation in the Digital Economy* (January 2016), at 58, <https://www.uspto.gov/sites/default/files/documents/copyrightwhitepaper.pdf> (last visited May 10, 2017):

The Task Force has heard that the current online marketplace provides some of the benefits traditionally provided by the first sale doctrine. Others, including the ability of a consumer to resell a purchased copy or to lend it without restriction, are not replicated. Based on the evidence presented, however, it is difficult to measure the value of this loss, or to weigh it against the overall consumer benefits of today’s digital offerings. At the same time, the risks to copyright owners’ primary markets as described by

the Copyright Office in its 2001 [104A] Report do not appear to have diminished, or to have been ameliorated by the deployment of effective new technologies. And an expanded first sale doctrine could curtail at least some of the flexibilities of new business models. Accordingly, we cannot at this time recommend extending the first sale doctrine to apply to digital transmissions of copyrighted works.

Accordingly, the CLS Brief is in error to condemn the District Court for having “tethered digital property rights to physical objects.” CLS Brief at 20. The District Court merely applied the law that Congress wrote, a law for which the “tangible nature of a copy is... critical to its rationale.” (104A Report, *supra*). If “digital property rights” are unwisely “tethered” to tangible objects, as *amici* CLS contend, the solution must come from Congress, not from this Court. *See Golan v. Holder*, 565 U.S. 302, 327 (2012)(“We have no warrant to reject the rational judgment Congress made.”) When technological change requires expansion of the Act’s specific exemptions, Congress has not been reluctant to amend the Act, as it did in 2002, for example, when it passed the TEACH Act, Pub. L. 107-273, 116 Stat. 1758, 1910, to broaden the § 110(2) “classroom television” performance exemptions to reach distance learning technology. Here, Congress has considered modifying the first sale defense to accommodate the digital environment since at least 1997 and has not elected to do so. This itself counsels judicial restraint in modifying the terms of the statute. *See Golan* at 335 (declining to alter statutory provision because, *inter alia*, “[d]espite longstanding efforts Congress has not yet passed ameliorative ... legislation”).

II. Section 107 Does Not Provide a Defense to ReDigi's Activities

Whether or not ReDigi can claim a defense to its unauthorized distribution of the Capitol sound recordings under § 109(a), it remains liable for infringement of Capitol's exclusive reproduction right. ReDigi has asserted the affirmative defense of fair use under § 107. The District Court correctly rejected that argument. SPA-9-11.

As the District Court held, the use by ReDigi does not fall into any of the illustrative categories set forth in the preamble to § 107 (criticism, comment, news reporting, teaching scholarship, or research). Its nature and purpose are purely commercial, and the use is not in any way transformative of either the content or the purpose of the Capitol sound recordings: ReDigi sells the unaltered recordings to people who want to listen to the recordings, exactly the same purpose for which Capitol sells them. The first statutory fair use factor, § 107(1) therefore favors Capitol.

The CLS *amici* assert that ReDigi's purpose should be deemed favorable to a finding of fair use under § 107(1) because the ReDigi technology "provides a pathway to effectuate the § 109(a) entitlement for digital files." CLS Brief at 25. As demonstrated above, there is no such entitlement for ReDigi under § 109(a). None of the authorities cited by *amici* CLS even remotely suggest that facilitating unauthorized distribution of copyrighted works provides a public benefit that the

courts should recognize under § 107(1). Cognizable public benefits such as the creation of a searchable text database for scholars, *Author's Guild Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014), or for detecting academic plagiarism, *A.V. v. iParadigms, LLC*, 562 F.3d 630 (4th Cir. 2009), or the reproduction of computer code for purposes of reverse engineering, *Sega Enters. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992), *Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000), all cited by CLS, differ from ReDigi's use in one critical respect – they are designed to enable *non*-infringing conduct, not merely to provide a cut-rate commercial alternative to authorized sales by the copyright holder.

Amici ALA propose a slightly different rationale for favoring ReDigi under § 107(1). For ALA, the “similarity” between the ReDigi uses and the uses actually authorized under § 109(a) “should have tilted the first fair use factor, the purpose and character of the use, in ReDigi's favor.” ALA Brief at 4. In other words, ALA acknowledges that ReDigi does not in fact qualify for the first sale defense under the terms of § 109(a), but believes its conduct is sufficiently “similar” to a legitimate redistribution under § 109(a) that the court should deem it a fair use.

ALA's only caselaw support for this novel proposition – which was not briefed or argued below – is this Court's 2014 decision in *Author's Guild Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014)(fair use found for scholarly index and finding aids linked to database of digitized literary works). *HathiTrust* provides no

support for ALA’S argument. The *HathiTrust* court found that making literary works accessible for the print-disabled was a valid, albeit non-transformative, purpose under § 107(1).

The ALA *amici* contend that the *HathiTrust* court relied on non-copyright statutory provisions to support its finding that the print-disabled functionality was a valid purpose under § 107, but ALA conspicuously neglects to describe the Court’s reasoning in full. In fact, this Court’s principal rationale for favoring the print-disabled functionality under § 107 in *HathiTrust* was the Supreme Court’s decision in *Sony Corp. of America v. Universal City Studios, Inc.*, 466 U.S. 417, 455 n.40 (1984), and the legislative history of § 107 itself, as relied upon by the Supreme Court in *Sony*:

Our conclusion is reinforced by the legislative history on which [*Sony*] relied. The House Committee Report that accompanied codification of the fair use doctrine in the Copyright Act of 1976 expressly stated that making copies accessible “for the use of blind persons” posed a “special instance illustrating the application of the fair use doctrine” H.R. REP. NO. 94–1476, at 73 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5686. The Committee noted that “special [blind-accessible formats] . . . are not usually made by the publishers for commercial distribution.” *Id.* In light of its understanding of the market (or lack thereof) for books accessible to the blind, the Committee explained that “the making of a single copy or phonorecord by an individual as a free service for a blind persons [sic] would properly be considered a fair use under section 107.” *Id.* We believe this guidance supports a finding of fair use in the unique circumstances presented by print-disabled readers.

HathiTrust at 102.

Therefore, the legislative history of § 107 itself shows a specific Congressional understanding that providing access to the print-disabled is a laudable public purpose that courts should recognize when applying fair use under § 107. The subsequent remarks of the *HathiTrust* court concerning the Americans with Disabilities Act and the Chafee Amendment were *dicta*, bolstering the finding compelled by the Supreme Court and the specific legislative history of § 107. ALA can point to no comparable authority for its proposal that a defendant who almost, but not quite, qualifies for a statutory exemption under § 109(a) should get the benefit of that exemption anyway under the guise of fair use. ALA's proposal recalls the cynical expression "close enough for government work," and if adopted would nullify the careful balancing of interests that Congress embodied in the statutory text.

The ALA Brief compounds its misreading of *HathiTrust* by citing to a number of rulemakings by the Register of Copyrights under § 1201 of the Act. That section calls for the Register periodically to consider proposed exemptions to the anti-circumvention provisions of the Digital Millennium Copyright Act, and to make recommendations to the Librarian of Congress as to whether such exemptions would be warranted. As a threshold matter, ReDigi is not seeking a prospective § 1201 exemption from the Library of Congress, for the benefit of consumers, but is defending against an infringement claim concerning its own past

acts, in an Article III court. On purely procedural terms, the standards applied in the two situations are vastly dissimilar. *See* U.S. Copyright Office, “Understanding the Section 1201 Rulemaking” (2015) at 2, https://www.copyright.gov/1201/2015/2015_1201_FAQ_final.pdf (last visited May 10, 2017):

The law requires the proponent of an exemption to show that the use at issue is noninfringing under statutory law or established legal precedents. Neither the Librarian nor the Register has the authority to create new law, though they may suggest (and have in the past suggested) legislative action outside the confines of the rulemaking to clarify what activities are noninfringing.

Even assuming an apples-to-apples comparison between § 1201 rulings and infringement claims, the Register’s § 1201 rulings cited by ALA are also easily distinguishable as a matter of law. While all resulted in the granting of exemptions because the technologies at issue facilitated interoperability between and among digital devices and software platforms, interoperability has long been recognized by the courts as a favored purpose under fair use, and is explicitly favored under § 1201 itself. *See* ALA brief at 9.

In other words, Congress “anticipated and considered” interoperability as a favored purpose under § 1201, just as it considered the accessibility of literary works for the blind as a favored purpose when it drafted the fair use provision of § 107. It did, not, however, ever consider that reproducing and distributing unauthorized copies of entire, unmodified works for commercial purposes was permissible under either the first sale defense or the fair use defense, or that such

activities gave rise to a public benefit that should be encouraged. In short, all of the § 1201 rulings cited by ALA were “guided by [] Congressional recognition,” that is utterly lacking in the instant case. ALA Brief at 11. Indeed, the statutory text of § 109(a) states on its face, and the Register has agreed, that Congress did *not* view activities such as ReDigi’s as a favored purpose.

Nor does the ALA Brief purport to demonstrate any such Congressional recognition. The closest it comes to identifying a public purpose that could be vindicated by applying fair use here is an inapposite passage from Justice Breyer’s majority opinion in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013). See ALA Brief at 15-16. Justice Breyer noted that first sale “is a common-law doctrine with an impeccable historic pedigree,” deriving from “the common law’s refusal to permit restraints on the alienation of chattels.” *Id.* at 1363. So it is, but at no time in this long history has it ever permitted reproduction of works in *new* chattels or the distribution of such newly-made chattels to the public. The history here actually works against ReDigi and its *amici*.

ALA finally attempts to gloss over the obvious disconnect between § 109(a) and ReDigi’s actions by generalizing the Congressional intent of § 109(a) as follows: “By enacting § 109(a), Congress recognized the value of allowing a person to transfer her right to possess *a* copy of a work.” ALA Brief at 15 (emphasis added). Again, arguably true enough, but only if the words have the

meaning Congress gave them. Congress pointedly defined “copy” as a material object and just as pointedly limited § 109(a) to the transfer of “that copy.” By enacting § 109(a), Congress explicitly did *not* recognize the value of transferring copies other than the one “particular” “lawfully made” “material object” that the owner possesses.

The second and third statutory fair use factors, which look to the nature of the copyrighted work and the amount and substantiality of the copying, weigh so clearly in Capitol’s favor that little discussion is warranted. As the District Court correctly found, Capitol’s sound recordings are creative and thus entitled to broad protection, SPA-10 and ReDigi copied them in their entirety, *id.*

With respect to the fourth fair use factor, the harm to the actual or potential market for Capitol’s recordings, ReDigi makes the circular argument that its conduct is “protected under the fair use doctrine because it furthers the public interest vouchsafed by the fair use doctrine,” ReDigi Brief at 45. In context, this seems to mean that Capitol suffers no market harm because ReDigi purportedly deletes the sender’s copy of a music file as it transmits that file to a recipient. *Amici* ALA articulate that argument more clearly, asserting “as long as the seller’s copy is deleted, the ReDigi service leaves the copyright holder no worse off than it would be due to the transfer of a physical copy under the first sale doctrine.” ALA Brief at 16. This contention, that the one-for-one nature of the copy exchange

leaves Capitol no worse off than would a legitimate first sale, has been squarely rejected. *See Clean Flicks of Colorado LLC v. Soderbergh*, 433 F. Supp. 2d 1236 (D. Colo. 2006)(market harm found despite infringer’s purchase of legitimate DVD for each unauthorized copy it sold).

As the District Court correctly held, ReDigi’s conduct causes harm to Capitol’s market because “the product sold in ReDigi’s secondary market is indistinguishable from that sold in the legitimate primary market save for its lower price. The clear inference is that ReDigi will divert buyers away from that primary market.” SPA-11.

In sum, § 107 provides no defense to ReDigi’s activities, and the District Court correctly so found.

III. A Reversal Would Cause Grave Damage to the Publishing Industry and Would Be a *De Facto* Advisory Opinion In Conflict With This Court’s Own Recent Rulings in the *HathiTrust* and *Google Books* Cases

The threat ReDigi itself poses to book publishers is not hypothetical. ReDigi has long expressed its intention to build its company around “used” eBooks: *See, e.g.* Rosen, Judith, “ReDigi Plans to Sell Used E-books,” *Publishers Weekly*, July 30, 2012 (noting that ReDigi “is poised to start reselling e-books once the case is resolved” and quoting Appellant Ossenmacher: “As a company, we’re most excited about the book part . . . In our book beta, people loved it. They said, ‘I

never thought I'd be an e-book user, but it's so much less expensive'.")

<http://www.publishersweekly.com/pw/bytopic/digital/retailing/article/53334-redigi-plans-to-sell-used-e-books.html> (last visited May 10, 2017).

But the threat of the so-called “digital lending services” for literary works, described in the ALA Brief at 18 *ff.*, is potentially even greater. Such services, including *amicus* Internet Archive’s Open Library, are functionally identical to ReDigi. Without the consent of the copyright owner, such services make digital reproductions of copyrighted books, and “lend” those digital reproductions to users under the presumed authority of the “rental, lease or lending” language in § 106(3). If this Court shields ReDigi from liability under § 109(a), it would almost by definition be shielding these eBook “lending” services as well, commercial and non-profit alike. But to the degree that some such services, and in particular the Open Library, may not charge users for providing access to the digitized works, the damage to the publishers’ markets could be even greater than from ReDigi itself. If ReDigi can lure significant numbers of eBook readers to its service because “it’s so much less expensive,” as Ossenmacher proudly claims, *see* Rosen, *supra*, then the scale of harm from a cost-free “lending” service would presumably be vastly greater; a free copy from Open Library is even more attractive to users than a “less expensive” copy from ReDigi. Any ruling in ReDigi’s favor on this appeal would

therefore have immediate and profoundly damaging consequences for the publishing industry, even beyond the significant threat posed by ReDigi itself.

The harm to eBook publishers is particularly acute for several reasons. First, digital copies of eBooks are perfect market substitutes for new eBooks. See Brustein, Joshua, “Secondhand Downloads: Will Used E-Books and Digital Games Be for Sale?” *Bloomberg*, Feb. 10, 2015 (“The big difference is that digital media items don’t get old. Used books or albums are worth less than new copies because they deteriorate with use, and it takes some effort to pass each copy from person to person. A ‘used’ digital file, though, is exactly as valuable as the original and just as easy to distribute. The U.S. Copyright Office has already recognized that digital goods are fundamentally different from physical ones—first-sale doctrine, it has said, “works only because of the specific nature of physical objects”). <https://www.bloomberg.com/news/articles/2015-02-10/secondhand-downloads-will-used-e-books-and-digital-games-be-for-sale> (last visited May 10, 2017). See also SPA-11 (digital copy is “indistinguishable from that sold in the legitimate primary market save for its lower price”); Wohlesen, Marcus. “Amazon Wants to Get Into the Used E-Book Business – Or Bury It,” *Wired*, Feb. 8, 2013, www.wired.com/2013/02/amazon-used-e-book-patent/ (last visited May 10, 2017)(“There is no such thing as a dog-eared e-book – each copy is forever perfect”). Therefore, the secondary market for eBook “lending” is far more

injurious to the primary eBook market than the traditional used book store is to the primary market for physical books.

Second, unlike legitimate library lending of physical copies, digital “lending” can allow multiple consumers to access a single copy of a digitized book remotely and simultaneously, effectively multiplying the number of copies in circulation without compensating the copyright owner for the additional copies. This displaces book and eBook sales in the primary market and also undercuts the thriving market *amicus* AAP’s members have developed for licensing library lending of eBooks.

As of 2013, all the major publishers were participating in the library eBook market, see American Library Association, “State of America’s Libraries Report 2014,” <http://www.ala.org/news/state-americas-libraries-report-2014/e-books> (last visited May 11, 2017). The most recent report from *Overdrive*, the leading digital reading platform for schools and libraries, reports that, in 2016, eBook lending circulation in local and school libraries reached 139 million, more than a 16% increase over 2015, when circulation had reached 125 million, more than a 19% increase over 2014. See *Overdrive*, “Readers Borrow Record Number of eBooks and Audiobooks from the Library in 2016,” Press Release, January 10, 2017, <http://company.overdrive.com/readers-borrow-record-number-ebooks-audiobooks-library-2016/>, and *Overdrive*, “Library Readers Borrow Record Numbers of

eBooks and Audiobooks in 2015,” Press Release, January 5, 2016, <http://company.overdrive.com/library-readers-borrow-record-numbers-of-ebooks-and-audiobooks-in-2015/> (last visited May 11, 2017).

Third, unlike the music and film industries, eBook publishers cannot effectively take advantage of alternative on-line streaming-based means of distributing their works to the public. Under a streaming model, which offers users on-line access to *performances* of works that unfold over time, copyright owners can restrict usage, and prevent unauthorized access, reproduction and distribution by means of contract. With books and eBooks, however, works are bought, sold, loaned and borrowed *in toto*, to be consumed at the reader’s own pace. And once consumed, eBooks are less likely than CDs or DVDs to be kept for repeated use in the future. A secondary “lending” market for eBooks, would therefore quickly satisfy consumer demand from a very limited number of authorized copies. Accordingly, a judicially-blessed digital first-sale defense would cause far greater and more permanent damage in the publishing industry than in the film and music industries.

For these reasons, industry observers have since 2013 expressed alarm at the possible harm the Open Library causes to authors and publishers. Writing on the publishing website TeleRead in 2013, <https://teleread.com/the-internet-archives-open-library-is-violating-authors-copyrights/index.html>, (last visited May 10,

2017), editor Chris Meadows quoted the *Wall Street Journal* to observe that the Open Library “is making inroads into the idea of loaning in-copyright books to the masses,” and noted further that “Open Library doesn’t seem to be restricting its checkouts to in-library locations anymore.” *Id.* An author whose work was included without consent in Open Library’s “lending” program objected to Meadows,

I am not a monolithic corporate entity. I am a writer who *might* give you my stuff for free if for a good cause. I am seriously unlikely to roll over without comment if my creative output is exploited without asking me first. I make this stuff out of nothing. It costs me effort and rent and grocery money and taxes to make it. I would appreciate it if those who consume my creative output would contribute. Yes, “ideas should be free.” But should art? And why are those who think so routinely not artists?

Id. (emphasis original).

TeleRead concluded that “barring explicit permission from the rights-holders, *these books shouldn’t be available*. Even in DRM-protected and time-limited format. . . . Open Library’s goals of increasing literacy and making books widely available are laudable, but in doing this without permission, it is violating the authors’ rights. Even if no money is changing hands, the rights-holders have the right to decide how their books are presented.” *Id.* (emphasis original).

A ruling that permits ReDigi to digitize and distribute “used” sound recordings commercially under § 109(a) and § 107 would therefore be a *de facto* advisory opinion permitting Open Library freely to digitize and distribute “used”

eBooks (or even newly-scanned eBooks), with or without charge. Such a ruling would obviate the need for either ReDigi or Open Library to negotiate with copyright holders or pay appropriate royalties, despite their prior expressions of interest in doing so.

More crucially, such an advisory opinion would give Open Library (and commercial imitators) far greater freedom to exploit literary works without consent than have any of this Court's recent fair use rulings on book digitization. In *Author's Guild Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014), this Court found in favor of a non-profit scholarly library consortium that digitized literary works for specific, narrow purposes, such as serving print-disabled readers and providing full-text searching to show users the page numbers – and only the page numbers – on which a given search term appears. Users of the functionality for print-disabled readers, such as text-to-speech conversion, had to be certified with a print disability by a qualified expert, and only one university library in the consortium even permitted such access. *Id.* at 91. Further, as noted above, serving the print-disabled was explicitly recognized by Congress as a favored purpose in the legislative history of § 107. *Id.* at 102. The search technology at issue in *HathiTrust* did not display the content of the digitized books at all, not even in “snippet” form. *Id.* at 91.

This Court found that these specific uses did not “supersede[] the objects [or purposes] of the original creation” or “merely repackage[] or republish the originals,” *id.* at 97, but instead added to the original “something new with a different purpose and a different character.” *Id.* (quoting *Campbell v. Acuff-Rose Music, Inc.* 510 U.S. 569, 575 (1994) and Leval, Pierre, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1111 (1990)). The same can hardly be said of either ReDigi or Open Library. Both simply republish the original works, full stop. Their appeal, as Appellant Ossenmacher conceded with respect to ReDigi, is simply that they are “so much less expensive.” Rosen, Judith, *Publishers Weekly*, *supra*.

This Court also carefully noted in *HathiTrust* that its holding was limited to the specific facts of that case, “without foreclosing a future claim based on circumstances not now predictable, and based on a different record.” *Id.* at 101. A ruling here that effectively blesses Open Library’s far more extensive wholesale exploitation of digitized literary works under § 107, on the basis of no factual record at all concerning Open Library, would eviscerate this Court’s careful efforts to limit the scope of its holding in *HathiTrust*.

Similarly, this Court in *Author’s Guild, Inc. v. Google, Inc.*, 804 F.3d 202 (2d Cir. 2015)(“*Google Books*”) made a finding of fair use for a very tightly restricted book digitization program, stressing repeatedly that the program did not

allow for display of any significant portion of the contents of the digitized works. In *Google Books*, a user could enter a search term and be presented with a list of all books in the corpus that contained that term, and how many times the term appeared in each book. The system also identified libraries in which the books could be found and sometimes linked to retailers who offer the work for sale. *Id.* at 209.

In addition, the *Google Books* technology allowed “limited viewing of the text”, *i.e.*, a maximum of three short “snippets” containing the search term (each snippet being equal to one-eighth of a page). Multiple searches could not be combined to show more of the text, no matter how many computers were used to initiate the searches, and one snippet per page was permanently “blacklisted” to prevent any display at all, as was one full page of every ten. Certain types of works were also entirely off-limits for display, such as dictionaries, cookbooks and books of short poems, and copyright owners could request that any work likewise be excluded from display. *Id.* at 201.

Specifically because such restricted display did not provide “an effective free substitute for the purchase of the plaintiff’s book,” this Court held that “*at least as presently structured by Google*, the snippet view does not reveal matter that offers the marketplace a significantly competing substitute for the copyrighted work.” *Id.* at 222 (emphasis added). The Open Library imposes none of these

careful restrictions on display. It merely displays the entirety of each work so that users can read the work, providing exactly the “effective free substitute for the purchase of the plaintiff’s book” that this Court refused to permit in *Google Books*. Accordingly, this Court’s own recent jurisprudence regarding digitization of literary works does not support, and to the contrary establishes an insuperable barrier to, reversal in this case, insofar as it would permit Open Library and its commercial imitators (very much including ReDigi) to avoid the careful restrictions on use this Court so wisely insisted on in *HathiTrust* and *Google Books*.

CONCLUSION

Based on the above reasons and authorities, *amicus curiae* Association of American Publishers, Inc. respectfully asks that this Court affirm the decision below in all respects.

DATED: May 12, 2017
New York, New York

Respectfully submitted,

Counsel of Record
/s/ Robert W. Clarida

Robert W. Clarida
REITLER KAILAS & ROSENBLATT LLC
885 Third Avenue
New York, New York 10022
(212) 209-3044
rclarida@reitlerlaw.com

Counsel for Amicus Curiae

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitations of Fed. R. App. Pro. 32(a)(7)(B) because it contains 6,997 words, excluding parts of the brief exempted by Fed. R. App. Pro. 32(a)(7)(B)(iii).

2. This brief complies with the typeface requirements of Fed. R. App. Pro. 32(a)(5) and the type style requirements of Fed. R. App. Pro. 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word in 14 point Times New Roman.

Dated: May 11, 2017

/s/ Robert W. Clarida
Counsel of Record

CERTIFICATE OF SERVICE

I hereby certify that on May 12, 2017 a true and correct copy of the foregoing Brief of *Amicus Curiae* Association of American Publishers, Inc. was timely filed in accordance with Fed. R. App. Pro. 25(a)(2)(D) and served on all counsel of record via CM/ECF pursuant to Local Rule 25.1(h).

Dated: May 12, 2017

/s/ Robert W. Clarida
Counsel of Record