

United States District Court, N.D. California.

FONOVISA, INC., Plaintiff,
v.
NAPSTER, INC., Defendant.
PLATINUM ENTERTAINMENT, INC., Comptown
Records, Inc. dba Ruthless Records,
Estate of Eric Wright dba Ruthless Attack Muzick,
Estate of Eric Wright dba
Dollarz N Sense Muzick, Plaintiffs,
v.
NAPSTER, INC., Defendant.
ACADEMY OF MOTION PICTURE ARTS AND
SCIENCES, Plaintiff,
v.
NAPSTER, INC., Defendant.

No. 3:01-CV-02669.

Jan. 28, 2002.

MEMORANDUM AND ORDER

[PATEL](#), Chief J.

*1 This action is for alleged copyright infringement of plaintiffs' recordings by defendant Napster, Inc. ("Napster"). Now before the court is Napster's motion to dismiss the complaints for failure to state a claim under [Federal Rule of Civil Procedure 12\(b\)\(6\)](#). [\[FN1\]](#) Having considered the arguments presented, and for the reasons set forth below, the court rules as follows.

[FN1.](#) Napster also moves the court to dismiss for lack of subject matter jurisdiction asserting that plaintiffs' failure to state a federal copyright claim deprives the court of subject matter jurisdiction. Because the court finds that plaintiffs have stated a copyright infringement claim, federal subject matter jurisdiction exists pursuant to [28 U.S.C. § 1338\(a\)](#).

BACKGROUND

This action is one of several copyright infringement actions against Napster, an Internet service that facilitates the downloading of MP3 music files. *See In re Napster*, MDL 00-1369 MHP. Because this

court and the Ninth Circuit have discussed the Napster service at length in prior proceedings, and because the parties are familiar with the system, the court will limit this background section to information relevant to Napster's motion.

A. Plaintiffs' Businesses [\[FN2\]](#)

[FN2.](#) Unless otherwise specified, facts are taken from plaintiffs' complaints.

Plaintiffs in these three actions are an eclectic group of businesses, individuals and organizations, each of whom filed suit against Napster alleging contributory and vicarious copyright infringement. Plaintiff Fonovisa ("Fonovisa") describes itself as a California corporation engaged in the business of producing, manufacturing, distributing, selling and licensing Spanish language sound recordings. Fonovisa is the owner of rights under the Copyright Act, [17 U.S.C. § 101 et seq.](#), covering the recordings of such groups as Los Tigres del Norte, Los Bukis, Marco Antonio Solis, Cristian, Grupo Exterminador and Grupo Mijado. Fonovisa alleges that Napster infringed its rights by contributing to Napster users' unauthorized downloads of these copyrighted recordings.

Plaintiffs Platinum Entertainment, Inc., Comptown Records, Inc. dba Ruthless Records ("Ruthless"), Estate of Eric Wright dba Ruthless Attack Muzick ("Ruthless Attack"), Estate of Eric Wright dba Dollarz N Sense Muzick ("Dollarz") (collectively "Platinum") are all members of the music industry. Platinum Entertainment, Inc. produces and distributes sound recordings and owns copyrights and/or exclusive rights to the compositions of artists such as Dionne Warwick, the Beach Boys, and Peter Cetera. Ruthless also produces and distributes sound recordings, and owns copyrights and/or exclusive rights to such compositions as "Thug Luv", "Foe tha love of \$", and "Budsmokers only". Ruthless Attack and Dollarz are music publishers who own copyrights in musical publications such as "Down to the Last Roach" and "Menace to Society". Similar to Fonovisa, Platinum alleges that Napster is responsible for its users' unauthorized downloads of Platinum's copyrighted recordings.

Plaintiff Academy of Motion Picture Arts and Sciences ("AMPAS") is a nonprofit organization founded for the purpose of advancing the motion picture arts and sciences. Each year, AMPAS presents Awards of Merit, commonly known as Oscars or Academy Awards, to members of the

motion picture industry. The Oscars are presented each year at the internationally televised Academy Awards program during which live musical performances are staged. AMPAS is copyright owner of or has a beneficial interest in each Academy Awards broadcast, including such live musical performances as "Blame Canada" by Robin Williams (2000) and "Things Have Changed" by Bob Dylan (2001). AMPAS alleges that within hours of the March 25, 2001 televised broadcast of the 73rd Annual Academy Awards, songs from the live performances were being downloaded by Napster users. AMPAS also alleges infringement by Napster of songs from its 1999 and 2000 Academy Awards broadcasts.

B. Procedural History

*2 Fonovisa, Platinum and AMPAS have filed separate complaints against Napster. Each complaint alleges that Napster is liable for contributory and vicarious copyright infringement for the distribution and reproduction of plaintiffs' copyrighted sound recordings on Napster's MP3 sharing system. The parties seek damages, attorneys' fees and preliminary and permanent injunctive relief. Fonovisa's complaint was filed on May 24, 2001 in the United States District Court for the Northern District of California. On July 12, 2001, the action was reassigned to this judge pursuant to Civil Local Rule 3-12 and assigned case No. C 01-02269 MHP. Platinum and AMPAS also filed complaints in the Northern District of California and both complaints were reassigned pursuant to Civil Local Rule 3-12 on July 10, 2001 and July 6, 2001 respectively. The Platinum action currently bears case No. C 01-01412 MHP and the AMPAS action case No. C 01-02431 MHP.

The court's Orders of Related Case with respect to the Fonovisa, Platinum and AMPAS actions relate the newly filed actions to *A & M Records, Inc. v. Napster, Inc.*, C 99-5183, an action pending before this court. *A & M Records* has been consolidated with other actions against Napster under the authority of the Multi-District Litigation Committee and assigned to *In re Napster, Inc. Copyright Litigation*, MDL 00-1369 MHP. However, neither Fonovisa's, Platinum's nor AMPAS's action has been coordinated with the Multi-District Litigation pending before this court in *In re Napster* nor has a case management conferences been held in any of the three actions.

On July 30, Napster filed a single motion to dismiss the separate complaints of Fonovisa, Platinum and AMPAS as a motion in *In re Napster*.

PROCEDURAL ISSUES

The court finds it necessary to address certain procedural issues prior to discussion of the legal standards for and the merits of Napster's motion to dismiss. Plaintiffs contend that Napster's motion to dismiss is premature because it violates the court's Standing Order. The court, for the sake of clarity and future ease of administration, will attempt to clear up confusion over procedures with regard to new filings and the ongoing litigation in *In re Napster*, MDL 00-1369 MHP. *In re Napster* has been consolidated under the Multi-District Litigation Committee. It consists of a number of cases, all related to *A & M Records, Inc. v. Napster, Inc.*, C 99-05183 MHP. New actions for copyright infringement continue to be filed against Napster, all containing substantially similar allegations and underlying facts with respect to Napster's conduct. Many of these actions were initially filed in the Northern District of California, where the court resides. Civil Local Rule 3-12 allows parties to file a Notice of Related Case, asking that their action be reassigned to the judge with the lowest numbered case. With regard to Napster, that case is *A & M Records*. As new actions against Napster are filed in this district, the court issues an Order of Related Case if the new action is substantially similar to *A & M Records*. See Civil Local Rule 3-12(b)(1) (defining a related case). Reassignment to this court occurs once an order issues. Even after transfer, a new action does not become a part of the Multi-District Litigation (MDL) until an order issues from the MDL panel consolidating the action with the MDL case. Thus, an Order of Related Case is not a substitute for MDL consolidation.

*3 The court has relieved actions in the MDL proceeding from the need for case management conferences. New actions are not automatically consolidated with the MDL proceeding and even with an Order of Related Case, new actions may be required to have case management conferences and follow all preceding and subsequent procedural requirements. In the present case, Fonovisa, Platinum, and AMPAS are all related to *A & M Records*, C 99-1583 MHP. However, they are not yet a part of the MDL proceeding and are generally required to follow the case-management procedures. [\[FN3\]](#)

[FN3.](#) For future reference, parties not yet consolidated with the MDL proceeding should continue to file with the court under the assigned case number along with reference to related case *A & M Records*,

Inc. v. Napster, Inc., C 99-5183 MHP.

The Standing Order of this Court does not allow motions to dismiss to be filed before a case management conference, except by leave of the court. Though technically in violation of the Standing Order, Napster's motion to dismiss will be considered by the court, which exercises its discretion to relieve parties from compliance with the provisions of the Standing Order. The court believes that the issues involved in the present motion will continue to arise as new actions are instituted and that the issues are sufficiently discreet that this Order and Memorandum will resolve them without further expenditure of judicial resources.

LEGAL STANDARD

In considering the sufficiency of a complaint under [Rule 12\(b\)\(6\)](#), the court will not grant a motion to dismiss "unless it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claims which would entitle him to relief." [Conley v. Gibson](#), 355 U.S. 41, 45-46 (1957). The Federal Rules do not require him to plead in detail the fact upon which he bases his claim; he must set forth a "short and plain statement of the claim" that gives the defendant fair notice of its nature and grounds. *See id.* at 47 (citing [Fed.R.Civ.P. 8\(a\)\(2\)](#)). Courts in the Ninth Circuit have often stated that unwarranted inferences and conclusory allegations of law, even when pled as facts, are insufficient to defeat a motion to dismiss. *See, e.g., In re Verifone Sec. Litig.*, 11 F.3d 865, 898 (9th Cir.1993). Although the court is generally confined to consideration of the allegations in the pleadings, when the complaint is accompanied by attached documents, such documents are deemed part of the complaint and may be considered in evaluating the merits of a [Rule 12\(b\)\(6\)](#) motion. [Durning v. First Boston Corp.](#), 815 F.2d 1265, 1267 (9th Cir.1987), *cert. denied sub. nom. Wyoming Cmty. Dev. Auth. v. Durning*, 484 U.S. 944 (1987).

DISCUSSION

Plaintiffs' complaints each recite similar allegations--that Napster is liable for copyright infringement because its users made available and downloaded plaintiffs' copyrighted sound recordings. Each complaint alleges two sources of liability. First, plaintiffs allege that Napster is liable for contributory copyright infringement for knowingly and materially contributing to copyright infringement by its users. Second, plaintiffs allege that Napster is liable for vicarious copyright infringement for receiving a

financial benefit from infringement while maintaining control over its system and its users.

*4 Napster moves to dismiss plaintiffs' copyright infringement complaints for failure to state a claim upon which relief can be granted. *See* [Fed.R.Civ.P. 12\(b\)\(6\)](#). Napster bases its motion on the Ninth Circuit's opinion in [A & M Records, Inc. v. Napster, Inc.](#), 239 F.3d 1004 (9th Cir.2001), an opinion that Napster believes fundamentally alters copyright liability in the on-line context. Napster frames its motion as a pure question of law; whether notice is an element of contributory and vicarious copyright infringement.

Napster's pure question of law actually consists of two distinct arguments. First, Napster contends that *A & M Records* held that the traditional formulation of constructive knowledge for contributory infringement does not apply in the digital realm. Instead, copyright liability may only be imposed when a computer service provider has actual knowledge of specific infringing files. Second, Napster believes that the Ninth Circuit held that notice is a required element for both contributory and vicarious infringement. This notice, Napster contends, must be provided (1) by plaintiffs (2) prior to suit and (3) must list specific infringing files. Additionally, Napster reads *A & M Records* to limit liability for contributory and vicarious infringement to cases in which after receiving notice, Napster fails to disable the infringing material. Simply put, Napster believes that the Ninth Circuit carved out a special niche in copyright law for computer service providers.

I. Contributory Copyright Infringement

In each of their respective complaints, plaintiffs allege contributory copyright infringement against Napster. Although the Copyright Act, [17 U.S.C. § 101 et seq.](#), does not expressly impose liability on anyone other than direct infringers, courts have long recognized that in certain circumstances, vicarious or contributory liability will be imposed. *E.g., Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261 (9th Cir.1996). Contributory infringement imposes liability where one person knowingly contributes to the infringing conduct of another. *Id.* at 264. Liability under this theory requires substantial participation in a specific act of direct infringement. *See Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir.1971). Thus, a prima facie case of contributory infringement is presented where plaintiffs allege (1) direct infringement by a third party; (2) knowledge by the defendant that third parties were directly infringing; and (3) substantial

participation by the defendant in the infringing activities. See [A & M Records](#), 239 F.3d at 1013 n.2, 1019.

A. Direct Infringement by Napster Users

Plaintiffs allege that Napster users directly infringe plaintiff's copyrighted sound recordings by uploading and downloading copies of these recordings through Napster's system. Napster does not dispute these allegations except with respect to AMPAS. Napster argues that the AMPAS's complaint fails to allege that Napster users traded any specific sound recordings owned or exclusively licensed to AMPAS. This argument is without merit. AMPAS's complaint clearly alleges that Napster is contributorily liable for the infringement of the musical performances in the 1999, 2000, and 2001 Academy Awards shows. Pl.'s Compl. ¶ 29. AMPAS also lists specific live performances from the 1999, 2000, and 2001 Academy Awards shows and alleges that these sound recordings were downloaded and uploaded by Napster users. Pl.'s Compl. ¶ 14. These allegations are sufficient for a notice pleading system where all that is necessary is a "short and plain statement of the claim" that gives the defendant fair notice of its nature and grounds. See [Conley v. Gibson](#), 355 U.S. at 47 (citing [Fed.R.Civ.P. 8\(a\)\(2\)](#)).

B. Knowledge

*5 Plaintiffs allege that Napster knowingly contributed to the infringing conduct of its users. Contributory liability requires that the secondary infringer "know or have reason to know" of the direct infringement. See [A & M Records](#), 239 F.3d 1004, 1020 (quoting [Cable/Home Communication Corp. v. Network Prods., Inc.](#), 902 F.2d 829, 845 & 846 n. 29 (11th Cir.1990)); [Religious Tech. Ctr. v. Netcom On-Line Communication Servs. Inc.](#), 907 F.Supp. 1361, 1374 (N.D.Cal.1995) (framing the issue as whether defendant knew or should have known of infringement). In the context of contributory copyright infringement, the "knew or should have known" standard is often couched in terms of actual or constructive knowledge. See [A & M Records](#), 239 F.3d at 1020. Actual knowledge is not required; a defendant may possess constructive knowledge if he has reason to know of a third party's direct infringement. See [Cable/Home Communication](#), 902 F.2d at 846; [Sega Enter. Ltd. v. MAPHIA](#), 948 F.Supp. 923, 933 (N.D.Cal.1996) ("The standard for the knowledge requirement is objective, and is satisfied where the defendant knows or has reason to know of the infringing activity.").

Napster reads the Ninth Circuit's opinion in *A & M Records* as requiring actual knowledge for liability for contributory infringement. Napster also contends that *A & M Records* creates an even stricter standard for the on-line context. According to Napster, this new digital standard for contributory infringement mandates that where the contributory infringer is a computer systems operator, actual knowledge of specific acts of infringement is necessary for liability. This actual knowledge, Napster contends, can only come in the form of notice of specific copyrighted works *from plaintiffs prior to suit*. Napster argues that it cannot be held liable until such notice is given because its duty to disable the offending material arises only after plaintiffs provide notice. Effectively, Napster believes that there can be no contributory copyright infringement until plaintiffs submit a list of copyrighted works and infringing files and Napster fails to disable those works.

Contrary to Napster's contention, *A & M Records* did not create a new knowledge standard for contributory infringement. Instead, the court relied on the traditional formulation that either constructive or actual knowledge is sufficient to impose liability on [Napster for contributory infringement](#), 239 F.3d at 1021 ("[T]he evidentiary record here supported the district court's finding that plaintiffs would likely prevail in establishing that Napster *knew or had reason to know* of its users' infringement of plaintiffs' copyrights.") (emphasis added). [FN4] It is axiomatic that had the Ninth Circuit intended that constructive knowledge no longer give rise to contributory liability, the court would have been stated so explicitly. Additionally, it is logically inconsistent to suggest that the Ninth Circuit did away with constructive knowledge in the on-line context while continuing to use a "knew or should have known" standard to evaluate Napster's potential liability.

[FN4]. The Ninth Circuit affirmed this court's findings of fact that Napster had actual knowledge of infringement because (1) a document authored by Napster co-founder Sean Parker mentioned "the need to remain ignorant of the users' real names and IP addresses 'since they are exchanging pirated music' "; and (2) the Recording Industry Association of America ("RIAA") informed Napster of more than 12,000 infringing files. [239 F.3d at 1020](#). This court also found that Napster had constructive knowledge because: (1) Napster executives have recording industry experience; (2) they have enforced intellectual property rights in other

instances; (3) Napster executives have downloaded copyrighted songs from the system; and (4) they have promoted the site with "screen shots listing infringing files." *Id.*

*6 Napster responds by arguing that language in *A & M Records* supports the notion that constructive knowledge is no longer sufficient for liability. In particular, Napster relies heavily on the statement that "[a]bsent any specific information which identifies infringing activity, a computer system operator cannot be held liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material." [*A & M Records*, 239 F.3d at 1021](#). This language does not, as Napster believes, remove constructive knowledge as a basis for liability. Rather it must be read in the context of the court's citation to [*Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 \(1984\)](#). Napster argued to the Ninth Circuit that the teachings of *Sony* protected Napster from liability. The court rejected this argument and held that "Napster's actual specific knowledge of direct infringement renders *Sony*'s holding of limited assistance." [*A & M Records*, 239 F.3d at 1020](#). Even in the absence of actual specific knowledge, *Sony* only protects Napster to the extent that plaintiffs seek to impose liability simply because of the architecture of Napster's system. [*Id.* at 1020-21](#).

1. *Sony Corp. v. Universal City Studios, Inc.*

In *Sony*, the Court refused to hold Sony and other defendants liable for contributory copyright infringement based solely on their manufacture and sale of home video tape recorders (VTRs). [*Sony*, 464 U.S. at 456](#). Plaintiffs alleged that defendants, by manufacturing and selling VTRs, contributed to VTR purchasers' unauthorized reproduction of plaintiffs' copyrighted movies and television shows. [*Id.* at 419](#). The issue before the Court was whether the mere manufacture and sale of a copying device later used for infringement can give rise to constructive knowledge of copyright infringement. [*Id.* at 439](#) ("If vicarious liability is to be imposed on petitioners in this case it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material.").

The Court resolved the issue in Sony's favor by importing the staple-of-commerce doctrine from patent law. [*Id.* at 442](#). The Court held that the sale of copying equipment does not constitute contributory

infringement if the product is capable of substantial non-infringing uses. *Id.* The Court stated that "the contributory infringement doctrine is grounded in the recognition that adequate protection of a [copyright] monopoly may require the courts to look beyond actual duplication of a ... publication to the *products or activities* that make such duplication possible." *Id.* (emphasis added). The "products or activities" at issue were the VTR itself and Sony's sale and manufacture of the VTR. The Court held that the VTR itself was capable of substantial non-infringing uses and noted that the only contact between Sony and the users of the VTRs--the alleged direct infringers--occurred at the moment of sale. [*464 U.S. at 438, 456*](#). While the Court was not specific about what combination of products or activities gives rise to constructive knowledge, the Court refused to impute such knowledge to Sony based solely on the existence and sale of Sony's VTR. [*Id.* at 436](#) (merely supplying the "means to accomplish an infringing activity" does not constitute contributory infringement); see 3 Melville B. Nimmer and David Nimmer, *Nimmer On Copyright* § 12.04[A][2] (2000) ("Contributory infringement itself is of two types--personal conduct that forms part of or furthers the infringement and contribution of machinery or goods that provide the means to infringe."). But see [*Fonovisa*, 76 F.3d at 264](#) ("[P]roviding the site and facilities for known copyright infringing activity is sufficient to establish contributory liability.").

2. Napster's "product and activities"

*7 The Ninth Circuit followed this reasoning by focusing on Napster's product and activities. [*A & M Records*, 239 F.3d at 1021-22](#). The court drew a "clear distinction between the architecture of the Napster system and Napster's conduct in relation to the operational capacity of the system." [*Id.* at 1020](#). The court, bound by *Sony*, held that the mere existence of Napster's peer-to-peer file sharing system does not give rise to sufficient knowledge for contributory liability. [*Id.* at 1020-21](#). The court noted that the record was not fully developed and that Napster may be able to show that its system is capable--at least in the future--of substantial non-infringing uses. [*Id.* at 1021](#). Consequently, for the purposes of injunctive relief, Napster's product fell within the ambit of *Sony*'s protections. The court then looked beyond Napster's system and turned its eye to the activities of Napster and its users. [*Id.* at 1020, 1021](#) ("Napster, by its conduct, knowingly encourages and assists the infringement of plaintiffs' copyrights.") (emphasis added). The court held that "sufficient knowledge exists to impose contributory liability when linked to the demonstrated infringing

use of the Napster system." [\[FN5\]](#) *Id.* at 1021.

[FN5](#). Plaintiffs argue that the Ninth Circuit's use of the term "sufficient" knowledge defeats Napster's contention that the court rejected constructive knowledge as a basis for liability. While this court agrees that the Ninth Circuit held that constructive knowledge may give rise to liability, the court is reticent to read a *single* word as determinative of the issue.

The Ninth Circuit found ample evidence of the demonstrated infringing use of Napster's system. *Id.* at 1021-22. The court specifically found that Napster had actual knowledge that specific infringing material was available on its system and failed to employ its ability to block access by infringers. *Id.* This combination of knowledge and failure to act trumped *Sony* concerns. *Id.*

The conduct the court singled out as "demonstrated infringing use" is merely exemplary. It is not an exclusive list of conduct necessary to give rise to contributory liability. Nor should the court's language be interpreted as mandating a showing of actual knowledge. *See id.* at 1021 (holding that plaintiffs will likely prevail in establishing that Napster knew or should have known of infringement). Rather, the court's discussion demonstrates the distinction between Napster's system and its conduct. Instances of conduct-- actual knowledge and failure to block access--are sufficient to give rise to liability while the mere existence of Napster's system is not.

The court is aware that the Ninth Circuit's reference to actual knowledge and failure to remove access might lead to some confusion. Lacking a more definitive statement from the Court of Appeals, the court understands the Ninth Circuit to hold that a range of conduct, when linked to Napster's system, may give rise to constructive or actual knowledge. Conduct sufficient for liability may take forms other than as a combination of actual knowledge and failure to block access. For example, assume Napster tracked down a single individual with a vast library of sound recordings, some of which Napster suspected but did not know were copyrighted by other parties. If Napster extended a personal invitation to that individual to join the Napster Music Community in order to increase the number of songs available on its system, Napster's conduct might well render it liable for the individual's infringement. In either situation, the court's example or *A & M*

Records, Napster's behavior with regard to its music-sharing system shows, at the very least, evidence of constructive knowledge.

*8 The plaintiffs in the present action have alleged conduct by Napster similar to that which *A & M Records* found justified injunctive relief. Plaintiffs allege that Napster knew of music piracy on its system, that it had the ability to patrol its database, that Napster had knowledge of some specific infringing files, and did nothing to prevent continued infringement. If these allegations are true, plaintiffs are entitled to at least preliminary injunctive relief under the reasoning of [A & M Records](#), 239 F.3d at 1021-22; *see NL Indus., Inc. v. Kaplan*, 792 F.2d 896, 898 (9th Cir.1986) (all material allegations in plaintiffs' complaints will be taken as true and construed in the light most favorable to plaintiffs). For now, it is sufficient that plaintiffs have alleged the elements of contributory infringement: direct infringement, constructive or actual knowledge, and substantial participation. [\[FN6\]](#)

[FN6](#). Napster does not challenge that plaintiffs sufficiently allege substantial participation.

II. Vicarious Copyright Infringement

Plaintiffs' separate complaints each allege vicarious copyright infringement by Napster. To sustain a cause of action for vicarious copyright infringement, a plaintiff must prove that (1) the vicarious infringer has the right and ability to supervise or control the infringing activity, and (2) the vicarious infringer has a direct financial interest in the infringing activities. *See Fonovisa*, 76 F.3d at 262-63; *Gershwin*, 443 F.2d at 1162. Plaintiffs allege that Napster maintains a continuously updated database of available material, provides a sophisticated search tool that allows users to find recordings by artist, song title, sound quality, or download speed, creates an actual link to each recording, and supervises the entire download. Plaintiffs also allege that Napster receives financial benefit through advertising, a larger user base, and increased potential for investment.

In its motion to dismiss, Napster does not challenge plaintiffs' allegations of control and financial interest. Instead, Napster argues that *A & M Records* held that notice is an additional required element for both vicarious and contributory copyright infringement.

III. Notice As a Separate Element Of Secondary

Infringement

Napster moves to dismiss plaintiffs' complaints because plaintiffs failed to allege notice. The heart of Napster's argument is that *A & M Records* added a notice requirement to contributory and vicarious infringement. Napster contends that this notice requirement encompasses all actions in which a computer service provider is charged with secondary infringement. [\[FN7\]](#) In particular, Napster believes that plaintiffs must provide notice of ownership of copyrighted works and the corresponding specific infringing files prior to filing suit. After receiving notice, Napster is only liable if it fails to remove the infringing material from its system. [\[FN8\]](#) Napster finds support for this new notice requirement in burden-shifting language of *A & M Records*, the holding of [Religious Tech. Ctr v. Netcom On-Line Communication Servs. Inc.](#), 907 F.Supp. 1361 (N.D.Cal.1995), and *A & M Records'* discussion of *Netcom*.

[FN7.](#) Platinum disputes Napster's use of the term secondary infringement. Secondary infringement encompasses both contributory and vicarious infringement. The term is intended to distinguish liability resulting from the infringing activities of third parties--as alleged in this case--from direct infringement. Consequently, Napster is correct that the standards for secondary infringement are stricter than those for direct infringement. However, care must be taken to note the distinctions between the two types of secondary infringement. Contributory infringement requires knowledge and substantial participation in addition to direct infringement by a third party. Vicarious infringement requires control and financial benefit *and* direct infringement by a third party.

[FN8.](#) In its Opposition to Napster's Motion to Dismiss, Fonovisa alleges that it provided Napster with notice prior to suit, and includes a declaration and other exhibits as proof of notice. For a motion to dismiss, the court looks only to the allegations in the complaint and attached documents. *See Durning v. First Boston Corp.*, 815 F.2d 1265, 1267 (9th Cir.1987), *cert. denied sub. nom. Wyoming Community Dev. Auth. v. Durning*, 484 U.S. 944 (1987). Consequently, the court need not consider

Fonovisa's evidence of notice at this stage.

A. *A & M Records and the Notice Element*

*9 Napster's entire argument is based on the Ninth Circuit's modification of this court's preliminary injunction against Napster in *A & M Records*. This court placed on Napster the burden of ensuring that no "copying, downloading, uploading, transmitting, or distributing" of plaintiffs' works occur on Napster's system. *A & M Records*, 114 F.Supp.2d at 927. The Ninth Circuit held the injunction to be overbroad and placed "the burden on plaintiffs to provide notice to Napster of copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content." [A & M Records](#), 239 F.3d at 1027. [\[FN9\]](#) Napster argues that this statement mandates notice as a necessary element of secondary infringement. Consequently, any complaint failing to allege both notice prior to suit and Napster's subsequent failure to disable infringing material is deficient.

[FN9.](#) Napster correctly notes that on April 26, 2001 this court recognized that the requirement that the *A & M Records* plaintiffs provide notice to Napster applied equally to plaintiffs' contributory and vicarious infringement claims. However, based on its arguments in the present motion, Napster appears to have overlooked the reasoning behind this court's interpretation of *A & M Records*. The April 26, 2001 Memorandum stated that Napster's interpretation "may be a prescient reading ... of the opinion, [but that] it requires reading more into the paragraph than the Ninth Circuit has made apparent." Similarly, in regard to the present motion, Napster again asks this court to read more into the Ninth Circuit's reasoning than it stated. The court declines to do so.

Napster's interpretation of the Ninth Circuit is problematic at best. First, Napster reads the statement out of context. The burden-shifting statement upon which Napster relies addressed only the scope of injunctive relief. The Ninth Circuit was clearly concerned with the overbreadth of the injunction and believed that any liability based solely on the architecture of Napster's system implicated *Sony*. In tailoring injunctive relief to avoid violating *Sony*, the

Ninth Circuit shifted the burden to plaintiffs to provide notice of specific infringing works and files. This burden-shifting alleviated concerns that Napster was being penalized simply because of its peer-to-peer file sharing system. More fundamentally, the Ninth Circuit's modification balanced the broad equitable discretion of this court with the doctrine that injunctive relief should avoid prohibiting legitimate conduct. *See, e.g., United States v. Oakland Cannabis Buyer's Coop.*, 190 F.3d 1109, 1114 (9th Cir.1999)(per curiam)(describing the difficulty in "crafting an injunction that is broad enough to prohibit illegal conduct, but narrow enough to exclude conduct that likely would be legally privileged or justified"), *rev'd on other grounds*, 532 U.S. 483 (2001). Simply put, the Ninth Circuit's burden-shifting is case-specific, designed to alleviate *Sony* concerns.

Second, Napster's argument taken to its logical conclusion would allow computer service providers unprecedented shelter from the reach of the Copyright Act. Napster contends that plaintiffs must provide notice prior to filing suit and that Napster must then fail to disable the infringing works before any liability exists. This argument suggests that even if Napster has actual knowledge of specific infringement, Napster can simply wait until plaintiffs discover the infringement and then remove the offending files. Such a system would give rise to strategic ignorance of monstrous proportions. For example, if Napster knew that Napster users were downloading "Yellow Submarine" by The Beatles and even knew exactly which files contained the song, no liability would exist until the owner of the copyright informed Napster about the unauthorized transfers and provided specific file names, and Napster failed remove the infringing material. This argument turns copyright law on its head and encourages the worst form of willful blindness. [\[FN10\]](#)

[FN10.](#) The court agrees with plaintiffs that assuming *arguendo* formal notice is a required element of secondary infringement, there is no logical reason why the notice can only be provided by plaintiffs. Plaintiffs point to other sources from which Napster might obtain notice: copyright registrations, music industry consultants or experts, plaintiffs in other suits, Napster's own employees, or common knowledge. Napster is correct that it is not required to "ferret out all potential sources of copyrighted works," but Napster fails to distinguish between

notice and knowledge. Def.'s Reply at 3:9-11. Once Napster receives sufficient knowledge--either constructive or actual--from *any source*, including its own executives, Napster has a duty to refrain from contributing to copyright infringement occurring on the Napster system. This is the correct formulation of the issue: notice is relevant to the determination of constructive or actual knowledge; it is not a separate requirement.

***10** Third, as this court noted previously, had the Ninth Circuit intended to overhaul copyright liability and carve out special protections for computer service providers, the Court of Appeals would have explicitly stated such a change. Napster contends that this is exactly what *A & M Records* accomplished. Again, Napster relies heavily on the Ninth Circuit's statement that "[t]he mere existence of the Napster system, absent actual notice and Napster's demonstrated failure to remove the offending material, is insufficient to impose contributory liability." [A & M Records](#), 239 F.3d at 1027. This statement refers back to the court's discussion of *Sony* and is merely a restatement of the rule that Napster's system cannot give rise to liability simply because it allows for peer-to-peer file sharing. *See id.* at 1021-22, 1027. The statement is not, as Napster suggests, evidence that the Ninth Circuit completely retooled the requirements for secondary infringement in the on-line context.

B. Netcom, Notice and Knowledge

Napster attempts to bolster its argument by interpreting the Ninth Circuit's discussion of [Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.](#), 907 F.Supp. 1361 (N.D.Cal.1995) to require notice as an element of secondary infringement. In *Netcom*, defendants owned and operated an on-line bulletin board system (BBS) on which a former minister of the Church of Scientology (the "Church") posted the Church's copyrighted works. 907 F.Supp. at 1365-66. The Church informed Netcom of the posting, but Netcom refused to remove the infringing material until the Church provided proof of copyright ownership. *Id.* at 1366. Netcom's hesitance to act resulted from its concern that removing the infringer's access to the BBS required Netcom to remove Internet access for 500 other users. *Id.* The Church sued Netcom for contributory and vicarious copyright infringement. *Id.* In denying Netcom's motion for summary judgement, the court held that there was a genuine

issue of material fact as to whether Netcom had sufficient knowledge for liability after it received notice from the Church. *Id.* at 1374-75. In determining whether Netcom's lack of knowledge was reasonable, the court considered plaintiffs' failure to provide the necessary documentation to demonstrate copyright ownership, but specifically noted that its ruling was in "the context of a dispute between a former minister and the church he is criticizing." *Id.* at 1374.

Napster argues that *Netcom* requires notice of specific infringing files prior to filing suit. Napster first characterizes *Netcom* as holding that in the online context, evidence of actual knowledge of specific acts of infringement is required to hold a computer system operator liable for contributory infringement. Second, Napster reads the combination of "necessary documentation" and "actual knowledge of specific acts of infringement" to require that plaintiffs give notice before liability exists.

*11 Napster's strained interpretation of *Netcom* blurs the distinction between knowledge and notice. Notice was an issue in *Netcom* only because notice was the means by which Netcom acquired knowledge of infringement. It was undisputed that prior to notice Netcom did not have the requisite knowledge for contributory infringement. 907 F.Supp. at 1374. Notice became relevant as a means of proving sufficient knowledge, but itself was never dispositive. *Id.* And "necessary documentation" was a factor only because it was unclear at the time of notice who actually owned the copyrighted works at issue and whether the posting was a fair use. *Id.* at 1374. The court never announced that notice and documentation were to be separate elements of secondary infringement. To argue otherwise, as Napster does, strains *Netcom*'s reasoning to its breaking point. Despite Napster's attempts to muddy the waters, the issue in the present actions is not how Napster came by knowledge of infringement, but whether such knowledge exists.

C. A & M Records' Discussion of Netcom

Napster also argues that even if *Netcom* itself did not explicitly require notice, *A & M Records*' treatment of *Netcom* announced a notice element for secondary infringement. This is a complete misreading of *A & M Records*. Nothing in *A & M Records*' discussion of *Netcom* requires that notice be given by plaintiffs prior to suit. *A & M Records* stated that *Netcom* suggested actual knowledge as a standard, but *A & M Records* never explicitly adopted a specially tailored knowledge standard for computer service providers.

A & M Records discussed *Netcom* as it relates to the knowledge, not notice. 239 F.3d at 1021. The Ninth Circuit noted that the situation in *Netcom*, where a computer service provider has actual knowledge of specific infringing files, is *sufficient* to give rise to liability. The court never stated that actual knowledge (or notice for that matter) was *necessary* for liability. The court said that "absent any specific information which identifies infringing activity, a computer system operator cannot be held liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material." *Id.* at 1021 (citing *Sony*, 464 U.S. at 436, 442-43). *A & M Records* never required that "specific information" be in the form of notice. [FN11]

FN11. Nor does "specific information" mandate that plaintiffs include infringing file names in their complaint. The court notes that *A & M Records*, contrary to Napster's contention, did not create a heightened pleading standard. Plaintiffs are not required to include specific file names containing infringing material in order to survive a motion to dismiss. First, as noted on various occasions, if the Ninth Circuit intended to create a heightened pleading standard, it would have done so explicitly. Second, such a rule would be futile in light of Napster's continuously updated database, which adds and removes material as users log on and off the system. Third, requiring specific file names runs counter to the purpose of notice pleading in which the complaint serves to inform defendant of the general nature of the action. Fourth, such a rule ignores case law holding that liability for contributory infringement can exist in the absence of knowledge of specific acts of infringement. *See, e.g. Fonovisa*, 76 F.3d at 262 (holding that a swap meet operator's generalized knowledge that vendors were selling counterfeit tapes satisfied the knowledge requirement).

D. "The Party's Over" [FN12]

FN12. In the spirit of this order the court acknowledges the artist, Judy Holliday (and perhaps others), and the composers and lyricists Styne, Comden and Green. Undoubtedly one or more of the plaintiffs in

one of the many Napster related cases claims the copyright ownership.

Neither *Netcom* nor *A & M Records* held that notice is the exclusive means by which sufficient knowledge is acquired or that it is a separate requirement. In fact, at oral argument, Napster conceded that no court has announced such a rule, but invites this court to be the first. As this court is unwilling to overrule long-standing jurisprudence based solely on the strained interpretation of one court's minor modification of a single preliminary injunction, Napster's invitation is declined.

*12 Consequently, there is a simple answer to Napster's "pure question of law". There is no requirement that plaintiffs allege that they provided notice of specific infringing works prior to filing suit. The court agrees that computer system operators cannot be held liable for secondary copyright liability based *solely* on the transmission of unidentified (and unidentifiable) material through a computer system. To do otherwise would violate the basic tenet of *Sony*. However, according to plaintiffs' complaints, Napster has gone far beyond simply providing a peer-to-peer file sharing system; it has engaged in music piracy of magnificent proportions.

In its quest to blaze a trail across copyright jurisprudence in the digital realm, Napster overlooks the fact that the present motion is simply a motion to dismiss. This is not a legislative session of Congress nor the Supreme Court of the United States. Plaintiffs merely need to set forth a "short and plain statement of the claim" that gives the defendant fair notice of its nature and grounds. See [*Conley v. Gibson*, 355 U.S. at 47](#) (citing [Fed.R.Civ.P. 8\(a\)\(2\)](#)). Plaintiffs have done so. They will have an opportunity to prove up their claims at later stages of these actions. Because plaintiffs have sufficiently pled the elements of contributory and vicarious infringement, Napster's motion is denied.

CONCLUSION

For the reasons set forth above, the court DENIES defendant's motion to dismiss plaintiffs complaints.

IT IS SO ORDERED.

2002 WL 398676 (N.D.Cal.)

END OF DOCUMENT