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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

PACIFIC BELL INTERNET SERVICES,

Plaintiff,

v.

RECORDING INDUSTRY ASSOCIATION OF AMERICA, INC., MEDIASENTRY, INC., dba MEDIAFORCE, and IO GROUP, INC., dba TITAN MEDIA, TITANMEDIA.COM, and TITANMEN.COM,

Defendants.

Case No.: C-03-3560 (SI)

DEFENDANT MEDIASENTRY, INC.'S REPLY MEMORANDUM IN FURTHER SUPPORT OF ITS MOTION TO DISMISS

Date : November 21, 2003
Time: 9:00 a.m.
Place: Courtroom 10, 19th Floor
Judge: Honorable Susan Illston

STATEMENT OF RELIEF SOUGHT

The Court should enter an order dismissing all claims against defendant MediaSentry, Inc. ("MediaSentry") (f/k/a "MediaForce") pursuant to Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6), and for such other and further relief as this court may deem just and proper.

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POINTS AND AUTHORITIES IN FURTHER SUPPORT OF MOTION TO DISMISS

It is undisputed that the Court only has jurisdiction to award the declaratory relief that Plaintiff Pacific Bell Internet Services ("PBIS") seeks in "a case of actual controversy" with Defendant MediaSentry. *See* 28 U.S.C. § 2201. An actual controversy exists only when "the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Central Montana Elec. Power Coop., Inc. v. Administrator of Bonneville Power Admin.*, 840 F.2d 1472, 1474 (9th Cir. 1988) (citations omitted); MediaSentry's brief in support of its motion to dismiss the Complaint ("MS Mot."), p. 7. That circumstance, however, is not present here, because PBIS' Complaint is bereft of allegations to support jurisdiction over MediaSentry.

To wit, PBIS' complaint does not assert that MediaSentry has ever obtained a DMCA subpoena (it has not), does not assert that it has threatened to do so (it has not), does not assert that MediaSentry offers such a service to others (it does not), and does not assert that MediaSentry itself has copyrights that are likely to be infringed and the subject of a DMCA subpoena (it has none). This Court need look no further than the text of the Complaint to find that there is no cognizable controversy between PBIS and MediaSentry. PBIS simply did not, and cannot, show that there is an "adverse legal interest" or an "actual controversy," or even a potential one, between it and MediaSentry.[1]

A. There Is No Actual Controversy Between PBIS and MediaSentry Concerning PBIS' "Apprehension" That MediaSentry Will Serve It With A DMCA Subpoena.

PBIS improperly asks the Court to accept as fact PBIS' claim of "reasonable apprehension" that MediaSentry will serve it with a DMCA subpoena, when the facts and circumstances -- even as alleged in PBIS's Complaint -- overwhelmingly indicate that MediaSentry will do no such thing. *See* PBIS Opposition ("PBIS Opp."), p. 4. PBIS' conclusory request of the Court is necessary, then, because PBIS cannot show that MediaSentry has sent it a subpoena, or has threatened to send it a

[1] PBIS' nonsensical view that there is no live controversy between it and the RIAA (and therefore that the RIAA's subpoenas run afoul of Article III), but somehow that one does exist between it and MediaSentry, lays bare the fallacy of its position.

subpoena, or has stated that it will enforce its copyright(s) against PBIS, or anyone else. MediaSentry is simply not a party that is wielding a Damoclean threat of DMCA subpoenas (or of copyright infringement) over PBIS, and any fear of such a threat is unfounded.

1. PBIS' Allegation of Apprehension Falls Below the Rule 12(b) Standard

The initial burden of establishing the trial court's jurisdiction rests on the party invoking the jurisdiction, here PBIS. *See Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98, 113 S. Ct. 1967, 124 L. Ed.2d 1 (1993); *Newmark v. Turner Broadcasting, Inc.*, 226 F. Supp.2d 1215, 1219 (C.D. Cal. 2002) (stating "[t]he burden of proof on a Rule 12(b)(1) motion is on the party asserting jurisdiction."). Contrary to PBIS' assertion, however, even if this is a case where the "issues of jurisdiction and substance are intertwined," that burden does not shift to MediaSentry. Even in such circumstances, the Court will still deem dismissal for lack of jurisdiction appropriate "where it appears beyond doubt that plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *See Roberts v. Corrothers*, 812 F.2d 1173, 1177 (9th Cir. 1987) (citation omitted) (emphasis added). Moreover, those facts must be "*genuinely*" disputed. *See id.* (emphasis added).[2]

The Court is not, moreover, required to "assume the truth of legal conclusions merely because they are cast in the form of factual allegations." *Western Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir.), *cert. denied*, 454 U.S. 1031 (1981); *Roberts*, 812 F.2d at 1177; *see also Lee v. City of Los Angeles*, 250 F.3d 668, 679 (9th Cir. 2001) (stating "conclusory allegations of law . . . are insufficient to defeat a motion to dismiss."). Thus, allegations, such as PBIS' bare claim of "apprehension," made without any factual support, need not be accepted as a fact for purposes of a motion to dismiss. An unsupported and subjective claim of apprehension is not factual merely because of the stage of pleading.

2. The Facts of PBIS' Complaint Belie the "Reasonableness" of its Apprehension

PBIS does not allege that MediaSentry has obtained or issued DMCA subpoenas to PBIS (or anyone) or that PBIS has any copyrights in which it is likely to claim infringement. Rather, PBIS is

[2] *Roberts* also allows a limited threshold inquiry in certain cases, such as when the federal question claims are insubstantial and made solely to obtain federal jurisidction. *See id.*

asking the Court to accept as fact the legal conclusion that PBIS has a "reasonable apprehension" that someday it will be served with a DMCA subpoena by MediaSentry. Besides being insufficient standing alone, that claim is also belied by the other allegations in the PBIS Complaint. As alleged in the Complaint, despite receiving more than 16,700 Notice Letters from MediaSentry over the past two (2) years, MediaSentry has not served PBIS with a single DMCA subpoena. Given that fact, PBIS' alleged apprehension is distinctly unreasonable. Furthermore, the only copyright mentioned in the Complaint, at Ex. 8 (and its Opposition to MediaSentry's motion, at Exhibit 1), is one owned by Columbia Pictures Industries, Inc. ("Columbia"), which owns the copyright to "Charlie's Angels, Full Throttle." It is not owned by MediaSentry. Finally, PBIS does not even claim that the RIAA subpoenas issued from the D.C. court were preceded by MediaSentry Notice Letters.

Thus, even if the alleged legal conclusion that PBIS has a "reasonable apprehension" of receiving a DMCA subpoena from MediaSentry is considered a factual allegation, it is insufficient to satisfy the burden on PBIS to allege subject matter jurisdiction in this Court. PBIS's supposed "reasonable apprehension" is unequivocally controverted by the factual allegations of the Complaint and the undisputed facts in the record. *See Roberts*, 812 F.2d at 1177; MS Mot., p. 10. Moreover, if the Court looks beyond the Complaint, as it is permitted to do, PBIS has done nothing to rebut -- and cannot -- the basic facts that demonstrate there is no cognizable controversy against MediaSentry. MediaSentry has never obtained a DMCA subpoena, nor served one, does not offer either service to its customers, has no plans to do so, did not issue Notice Letters in conjunction with the RIAA subpoenas, and has no copyrights that are likely to be infringed for which MediaSentry might seek a subpoena. *See* Declaration of Gary Millin, executed September 24, 2003, ¶¶ 6-7.

B. There Is No Actual Controversy Between PBIS and MediaSentry Concerning MediaSentry's Issuance Of Notice Letters To PBIS.

Nowhere does PBIS claim that MediaSentry must have the statutory authorization of the DMCA to send it a Notice Letter. Thus, the Notice Letters in and of themselves do not create any actual controversy or adverse legal interest between PBIS and MediaSentry, immediate or otherwise. *See Fresenius USA, Inc. v. Transonic Systems, Inc.*, 207 F. Supp.2d 1009, 1011-12 (N.D. Cal. 2001) (finding that a notice letter sent to plaintiff did not create an "actual controversy"). Without further

action by the copyright holder, they are simply correspondence.

The Complaint also fails to allege that MediaSentry sent Notice Letters to PBIS in bad-faith, or for the purpose of harassing it, or that they are inaccurate, or that the letters threaten PBIS with a copyright infringement suit from MediaSentry. Moreover, the Complaint does not allege that PBIS may be subjected to any potential liability based upon the sending of Notice Letters by MediaSentry, but only that MediaSentry's issuance of the Notice Letters to PBIS has forced PBIS "to devote substantial resources to responding to DMCA notices that have already been sent . . . and those that PBIS has a reasonable apprehension will be sent." *See* Complaint ¶ 53.

Because the Complaint is demonstrably insufficient, PBIS now appears to allege that in addition to causing it to incur costs, MediaSentry's Notice Letters may "strip" PBIS of the privileges granted by 17 U.S.C. § 512(a) and subject it to a copyright infringement suit by some undisclosed person or entity, and for that newly-revealed reason its declaratory judgment action should go forward. *See* PBIS Opp., p. 3. However, even if PBIS' failure to adhere to the provisions of the DMCA, in light of the Notice Letters, "stripped" it of the DMCA's protections, this retrospective basis for seeking a declaratory judgment is not alleged in the Complaint and cannot save the Complaint from a motion to dismiss, nor would it in any event. The Notice Letters by themselves simply do not create a justiciable controversy.

1. The Notice Letters Do Not Create a Justiciable Controversy

The fact that the Notice Letters refer to the DMCA does not mean that DMCA-statutory authorization was required for their issuance. MediaSentry could send them without the DMCA. And while there may be a justiciable controversy concerning the enforcement of DMCA subpoenas, and the infringement of RIAA copyrights by PBIS customers, it is not one that involves MediaSentry. The ultimate resolution of both of those issues could render the Notice Letters moot, but that does not mean that the propriety of those letters should be ruled on now, in a factual vacuum. *Contra* PBIS Opp. at 3:14-18. Not every metaphysically debatable, hypothetical issue is a justiciable controversy.

Notably, PBIS did not allege in the Complaint, nor argue in its opposition, that the Notice Letters threatened it with a potential copyright infringement action nor that MediaSentry would be

the one to bring it. In fact, PBIS has not alleged that anyone has threatened it with a copyright infringement suit concerning unauthorized downloading on its networks, or that PBIS believes that such a suit will be filed against it imminently or eventually. *See* Complaint, Ex. 8. If PBIS seriously believed that it was under imminent threat of being sued for copyright infringement by any MediaSentry client, then it likely would have included that client in this action. The ruling that PBIS seeks today would be based on uncertain events, yet to occur, and affect parties not present.

Furthermore, the fact that the Notice Letters may put PBIS into a position where it must act in order to preserve a right to immunity under the DMCA also fails to create a present controversy or adverse legal interest between MediaSentry and PBIS. PBIS cannot premise jurisdiction in a suit against MediaSentry on what would be resolution of a small part of a fact issue (whether PBIS has implemented a policy of terminating repeat infringers), related to an affirmative defense (the DMCA limitations on liability), in a copyright suit brought by some copyright holder (not before the Court and not MediaSentry) at some unknown point in the future. That represents far too many contingencies to support an Article III case or controversy. *See, e.g., Centocor, Inc. v. Medimmune, Inc.*, No. C 02-03252 CRB, 2002 WL 31465299, at *2 (N.D. Cal. Oct. 22, 2002).

Finally, whether a DMCA subpoena can create an actual controversy between parties is irrelevant as to whether the Notice Letters do create an actual controversy. MediaSentry has not and does not issue DMCA subpoenas or any other type of subpoenas to PBIS on behalf of any entity, including the other defendants in this action. *See* MS Mot., p. 10.

C. The Court Should Not Use Its Discretion To Exercise Jurisdiction.

The issues currently pending before the District Court for the District of Columbia are virtually identical to those raised in PBIS' Complaint, *i.e.*, whether an entity that allegedly performs only "conduit" functions is subject to the subpoena provisions and, *a fortiori*, the notice provisions, of the DMCA. *See* RIAA's brief in support of its motion to dismiss the Complaint, pp. 17-19. Not surprisingly, it is apparent that PBIS crafted its California action to avoid the authority of the D.C. court, as it has already rejected the very arguments PBIS makes here. But, as should be obvious from the fact that MediaSentry is not a party to the D.C. case (and no one thought to make it a party), MediaSentry has nothing to do with that case. Nor then is it connected to this one. Whichever court

decides the issues between PBIS and RIAA will impact those entities, not MediaSentry, once again demonstrating that there is no cognizable controversy involving MediaSentry.

D. The Complaint Fails To State A Claim Against MediaSentry.

Except to state that MediaSentry's "first argument is not cognizable" because its based upon the Declaration of Gary Millin, PBIS does not address MediaSentry's argument that, because it does not serve DMCA subpoenas on any entity, including PBIS, the Complaint fails to state a claim against it, and there is no subject matter jurisdiction over it. *See* PBIS Opp., p. 5. In light of the cases cited by PBIS in its opposition and the extrinsic evidence submitted by PBIS (for example, at Ex. 8 to its Complaint), PBIS' argument otherwise is facetious. The Court does not need to refer to Mr. Millin's declaration to see that the Complaint fails to allege that MediaSentry has ever obtained DMCA subpoenas.

But the Court can consider Mr. Millin's declaration. Although PBIS does not challenge the propriety of the Court's reviewing extrinsic evidence in a Rule 12(b)(1) motion, even if it had, the Court "is not restricted to the face of the pleadings, but may review any evidence, such as affidavits and testimony, to resolve factual disputes concerning the existence of jurisdiction" when considering a motion to dismiss for lack of subject matter jurisdiction. *McCarthy v. United States*, 850 F.2d 558, 560 (9th Cir. 1988);*Land v. Dollar* , 330 U.S. 731, 735 n. 4 (1947). Consideration of such evidence does not transform the motion into a motion summary judgment. *See Biotics Research Corp. v. Heckler*, 710 F.2d 1375, 1379 (9th Cir. 1983).

Moreover, the Court is not constrained from considering such evidence under Rule 12(b)(6), the second basis for MediaSentry's motion. That sub-section provides that when "matters outside the pleading are presented to and not excluded by the court, the motion *shall* be treated as one for summary judgment and disposed of as provided in Rule 56, and all parties shall be given reasonable opportunity to present all material made pertinent to such a motion by Rule 56." Fed. R. Civ. P. 12(b)(6) (emphasis added); *see Lee*, 259 F.3d at 688 (same); *Japan Gas Lighter Assoc. v. Ronson Corp.*, 257 F. Supp. 219, 236 n.35 (D. N.J. 1966) (same); PBIS Opp., p. 5 (citing both *Lee* and *Japan Gas Lighter*). Thus, MediaSentry's arguments supported by the Millin Declaration are cognizable by the Court. Tellingly, PBIS has failed to oppose them on the merits.

Nor did MediaSentry misconstrue PBIS' claim against it. *See* MS Mot., p. 5; Complaint ¶¶ 49-57. The fact that it may be costly for PBIS to review and respond to the Notice Letters is not sufficient to create an actual case or controversy within the meaning of Article III and the Declaratory Judgment Act, nor is the fact that they may be determined, at some later date, to be of no legal effect. The issue of their legal effect becomes ripe either in a motion to enforce or quash the subpoenas, or in a hypothetical future infringement action. Simply put, PBIS' request for a declaration from the Court that the Notice Letters are of "no legal effect" is simply a request for an advisory opinion from the Court, to which PBIS is not entitled. *See* MS Mot., pp. 13-15. Moreover, the volume of correspondence, whether it is one (1) or 16,700 Notice Letters, does not itself transform them into legal process. Regardless of their number, the sending of such letters does not create a case or controversy, regardless of the potential cost of responding to them. *See Fresenius USA, Inc.*, 207 F. Supp.2d at 1012; *Howell v. United States Army Corp. of Engineers*, 794 F. Supp. 1072, 1075 (D. N.M. 1992) (stating that a cease and desist letter "does not impose an obligation" on the recipient, has no "direct and immediate impact upon the plaintiff" and "there are no penalties attached to non-compliance other than the obvious burdens associated with supplying information"); *cf. United States v. Linville*, 10 F.3d 630, 633 (9th Cir. 1993); *see* MS Mot., pp. 11-12. PBIS cites no authority to the contrary.

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CONCLUSION

For the reasons set forth above, and in its motion to dismiss, MediaSentry, Inc. respectfully requests that the Court grant its motion in its entirety.

Dated: November 7, 2003

Respectfully submitted,

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