

No. 17-320

IN THE
Supreme Court of the United States

PERFECT 10, INC.,

Petitioner,

v.

GIGANEWS, INC., *et al.*,

Respondents.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit**

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

It is undisputed that Respondents lack licenses for the copyrighted works they reproduce, distribute, and display—and that they charge their customers monthly fees to access such material. Nor is the massive scale of their infringement seriously in dispute: As Respondents tellingly concede, they have been asked to remove millions (literally *millions*) of copyrighted works from Giganews’s servers. BIO 2. When Respondents failed to stop Petitioner’s own works from “be[ing] illegally distributed” (Pet. App. 10a), the company brought suit for copyright infringement. The lower courts dismissed the case—but on grounds that conflict with the law in other circuits and with this Court’s holdings.

Respondents say little about any of this, choosing instead to debate questions that are not presented and dispute facts that are not at issue.¹ The first question presented, for example, is whether the Ninth Circuit correctly held—in conflict with four other circuits—that a defendant “profits from” direct infringement only if a plaintiff proves that its *specific work* was the reason customers patronized the defendant’s business. Respondents all but ignore this question, focusing instead on the “control” element of vicarious infringement—something simply not at issue.

¹ In an attempt to distract from their commercial exploitation of others’ works, for example, Respondents imply that Usenet providers are not different from AT&T, Verizon or Comcast. BIO 9. But unlike Usenet operators, none of those companies is in the business of “rampant copyright infringement.” See, e.g., *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 132 (S.D.N.Y. 2009) (finding another Usenet provider liable for both direct and secondary infringement).

Respondents likewise skirt the second question presented, which is whether the Ninth Circuit's holding is consistent with this Court's opinions in *American Broadcasting Companies, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014), and *New York Times Co. v. Tasini*, 533 U.S. 483 (2001). Respondents contend that those decisions approved the “volitional conduct” requirement cited by the Ninth Circuit. The question presented, however, is not whether there is such a requirement—it is whether automated conduct is an absolute defense to direct liability. The Ninth Circuit held that it is. This Court has held that it is not.

This Court should grant certiorari to resolve the conflicts created by the decision below.

I. THE DECISION BELOW CREATES A CIRCUIT SPLIT ON THE PROFIT ELEMENT OF VICARIOUS COPYRIGHT INFRINGEMENT

1. A defendant is vicariously liable if it (1) “profit[s] from direct infringement” (the profit element), and (2) “declin[es] to exercise a right to stop or limit it” (the control element). *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005). This case is about the first element.

The Ninth Circuit held that, to satisfy the profit element, Petitioner “was required to provide evidence that customers were drawn to Giganews’s services *because of the infringing Perfect 10 material at issue*,” rather than because of its infringing content generally. Pet. App. 33a (emphasis added). As we explained (at 10-16), that holding conflicts with decisions from the Second, Sixth, Seventh, and Eighth Circuits. Those circuits have all long held that a plaintiff may meet the profit element by

showing that the *totality* of the infringing content offered by a proprietor—not just plaintiff’s work in particular—drew customers to defendant’s business.

Although Respondents dispute that the decision below conflicts with decisions from other circuits, they offer little support for their view. Instead, Respondents focus almost entirely on whether other circuits apply the *control* element of vicarious infringement in a manner consistent with the Ninth Circuit. But that is not the Question Presented.² Thus, nearly all of Respondents’ argument is beside the point.

For example, Respondents contend that the Second Circuit’s seminal decision in *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963), is “consistent with the Ninth Circuit’s decision in this case” because the defendant there (presumably unlike Respondents here) “set up the infringer” and had a “special relationship” with him that provided the defendant with “the right to control” the infringement and the “power to police [it] carefully.” BIO 18. But those factors all go to the control element of vicarious infringement—whether the defendant had the ability to limit the infringing conduct. Respondents say nothing about *H.L. Green*’s interpretation of the profit element, which required only that the direct infringer’s “activities provide the proprietor with a source of customers and enhanced income”—not that the plaintiff’s *specific work* did so, as the Ninth Circuit here required. 316 F.2d at 307.

² Indeed, the Ninth Circuit declined to address “whether [Respondents] had the right and ability to supervise the infringing conduct.” Pet. App. 34a (internal quotation marks omitted).

The same goes for Respondents' attempt to distinguish other Second Circuit cases that conflict with the decision below. They contend that *EMI Christian Music Group, Inc. v. MP3tunes, LLC*, 844 F.3d 79 (2d Cir. 2016), is distinguishable because “[i]n that case the executive was *personally involved* in offering a service that provided infringements to attract customers.” BIO 20. And they argue that *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159 (2d Cir. 1971), “studied the specific nature of the relationship between the defendant and the alleged direct infringers.” BIO 20. But that all goes to the control element too.³

Respondents' attempts to address the split with other circuits suffer from the same flaw. They try to distinguish *Broadcast Music, Inc. v. Meadowlake, Ltd.*, 754 F.3d 353 (6th Cir. 2014), on the ground that the defendant “had the right and ability to supervise the infringing performances.” BIO 21 (internal quotation marks omitted). But the “open system” vs. “controlled premises” distinction that Respondents posit (*ibid.*) plainly relates to the control element of the vicarious-infringement test, not the profit element on which the circuits are divided.⁴

³ *Matthew Bender & Co. v. West Publishing Co.*, 158 F.3d 693, 707 n.22 (2d Cir. 1998), did not even address the profit element; it just stated that the defendants could not “control the conduct of the direct infringer.” And *Softel, Inc. v. Dragon Medical & Scientific Communications, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997), held that the defendant lacked *any* financial interest “in the exploitation of copyrighted materials”; it did not hold that the plaintiff needed to show a financial interest in *its* specific works.

⁴ Nor does *Bridgeport Music, Inc. v. Rhyme Syndicate Music*, 376 F.3d 615 (6th Cir. 2004), weaken the split. It held only that

Respondents likewise contend that *Dreamland Ball Room v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929), is distinguishable because “a dance hall is an environment that lay within the singular *control of its operator*, and the musicians performing for the entertainment of the audience are akin to agents of the operator.” BIO 22-23 (emphasis added). If that is a distinction at all, however, it is one without a difference, because, once again, it has nothing to do with the profit requirement at issue here.

Respondents next turn to *RCA/Ariola International, Inc. v. Thomas & Grayston Co.*, 845 F.2d 773, 781 (8th Cir. 1988), and there, at last, they address the profit element. Respondents contend that we “cherry-pick[ed]” language from the decision “to suggest that the Eight Circuit allowed a recovery based upon financial interest in generalized infringing activity.” BIO 24. That argument, they say, is “misleading” because “[e]ach infringement of the plaintiffs’ works brought the manufacturer a profit on the special tape used for that infringement.” *Ibid.*

But saying that “[a]ll infringements at issue . . . required the use of the manufacturer’s special tapes” (BIO 24) is just like saying all infringements in the dance-hall cases required the use of a cover band. The point is that the Eighth Circuit held that the infringement at issue—unauthorized copying of sound recordings onto a cassette tape—satisfied the profit element, irrespective of whether customers bought tapes to

the “record fails to demonstrate [the defendant’s] connection to, much less the ability to supervise or control, the infringing activity.” *Id.* at 623.

record *the plaintiff's works specifically*, the standard to which the Ninth Circuit held Petitioner here.

Finally, Respondents contend that we failed to discuss decisions from two other circuits that, in their view, are *consistent* with the decision below. See BIO 24-25. Of course, if Respondents were correct, those decisions would *deepen* the circuit split—a reason to grant certiorari, not deny it. But Respondents are not correct. In *Parker v. Google, Inc.*, 242 F. App'x 833 (3d Cir. 2007) (per curiam), the court simply held that the plaintiff failed even “to allege that Google had a direct financial interest in the purported infringing activity.” *Id.* at 837. It did not hold, as the decision below did, that that requirement could be satisfied only by showing that customers were drawn to a business by the plaintiff's works in particular. And in *La Resolana Architects, PA v. Reno, Inc.*, 555 F.3d 1171 (10th Cir. 2009), the Tenth Circuit did not even reach the profit element of vicarious infringement because it held there was no direct infringement in the first place. *Id.* at 1181.

Nor do Respondents show that the Ninth Circuit's profit rule is correct. The most they say is that our position would expose service providers to liability “based solely upon alleged infringements of non-parties' copyrights.” BIO 12-13. But as we explained (at 11), under the correct rule “a plaintiff must, of course, demonstrate that its work was among those infringed”—*which Petitioner indisputably did here* (Pet. App. 10a). It is just not required to prove that its work in particular was *the reason* a customer patronized the defendant in the first place.

Put another way, the long-standing rule considers it sufficient that customers be drawn to a restaurant to hear “everything from Queen and Pink Floyd to ZZ Top and Lynyrd Skynyrd.” *Meadowlake*, 754 F.3d at 354. The Ninth Circuit's rule, however, requires a

plaintiff to show that a customer patronized the restaurant *specifically* to hear *Sweet Home Alabama*. Such a rule makes little sense: As the dance-hall cases long ago recognized, customers have no idea what works will be covered by the band; they are drawn by the variety and totality of the infringing works it performs. See *Dreamland Ball Room*, 36 F.2d at 355.

2. Respondents' other arguments similarly fail to grapple with the first question presented.

First, Respondents assert, without citation, that "Petitioner argues that the Ninth Circuit's vicarious liability ruling conflicts with this Court's decision in *Grokster*." BIO 11. They then devote the first five pages of their argument to rebutting that notion. BIO 11-16. But we never argued that the decision below conflicts with *Grokster*. Rather, we argued that the decision below "creates a split between the Ninth Circuit and *four other circuits*." Pet. 11 (emphasis added).

Second, Respondents protest that, "[u]nlike other copyright holders," Petitioner "refused to provide Message-IDs of offending messages to Respondent." BIO 3. But as the lower court acknowledged, "Perfect 10 sent Giganews machine-readable Message-IDs" for many (though not all) of the infringing images. Pet. App. 11a. In any event, while the format of Petitioner's notices could be relevant to damages under the Digital Millennium Copyright Act—an issue the Ninth Circuit did not address—it is wholly irrelevant to the question presented here, which is whether the lower court applied the correct legal standard for the profit element of vicarious liability.

Finally, Respondents argue that the factual record makes this case unsuitable for review.

BIO 25. According to Respondents, “Petitioner provided no competent evidence at all of Giganews’s obvious and direct financial interest in *any* infringements.” *Id.* at 25-26. Instead, they say, we rely on “inadmissible ‘expert’ evidence” regarding the “prevalence of infringement.” *Id.* at 8.

It is undisputed, however, that Respondents charge their customers monthly fees to access the massive troves of copyrighted material for which they have no licenses at all. Respondents quibble (at 8) with a user’s statement that 99.9999% of such material is infringing. But they do not—and cannot—dispute that Petitioner provided “evidence that the Usenet is awash in copyrighted material,” *Perfect 10, Inc. v. Giganews, Inc.*, No. 11-07098, 2014 WL 8628031, at *4 (C.D. Cal. Nov. 14, 2014), or the Ninth Circuit’s acknowledgment that many of Petitioner’s images “have been illegally distributed over Giganews’s servers,” Pet. App. 10a. Indeed, Respondents concede that Giganews was asked to “remove[] *millions of messages* from its Usenet servers . . . [by] other copyright holders.” BIO 2 (emphasis added).

Despite the fact that its servers were “awash” in pirated material, Respondents state that we failed to “establish a nexus between *any* infringements and a financial interest of Giganews.” BIO 26. Of course, the lower court never addressed that question because it applied the wrong legal standard and required Petitioner to show that customers patronized Respondents *specifically* to access *Petitioner’s* copyrighted images. In any event, as this Court explained in the dance-hall context in *Herbert v. Shanley Co.*, 242 U.S. 591 (1917), “[i]f music did not pay, it would be given up. . . . Whether it pays or not, the purpose of employing it is profit, and that is enough.” *Id.* at 595. Here, Respondents’ purpose for

providing its content—including massive amounts of infringing content—is profit, and that too is enough.

II. THE NINTH CIRCUIT'S DIRECT-INFRINGEMENT HOLDING CONFLICTS WITH THIS COURT'S PRECEDENTS

The Ninth Circuit held that Respondents are not liable for direct infringement because infringement occurred “automatically” in response to customer requests, and therefore did not constitute volitional conduct by Respondents. As we explained (at 20-27), that holding conflicts with the Copyright Act and this Court’s decisions in *Aereo* and *Tasini*.

Respondents answer that “Justice Scalia,” in his dissenting opinion in *Aereo*, “invoked the requirement of volitional conduct,” and that the “majority in *Aereo* did not disagree with Justice Scalia’s characterization of the volitional conduct requirement.” BIO 30-31. But the question here is not whether direct infringement has a volitional-conduct requirement (or whether *Aereo* rejected that requirement). The question is whether the Ninth Circuit’s holding that a defendant can never engage in direct infringement through an “automated” process conflicts with the holdings of *Aereo* and *Tasini*. And it does.

In *Aereo*, the defendant invoked the “volitional conduct” requirement and argued (just like Respondents here) that it could not be held liable for direct infringement because “Aereo’s users, and not Aereo, ‘perform’ the copyrighted work.” Br. of Respondent at 41, *Aereo*, 2014 WL 1245459 (No. 13-461). Justice Scalia, in his dissenting opinion, agreed. He would have held that Aereo did not “perform” the copyrighted work because it “did

nothing more than operate an automated, user-controlled system.” *Aereo*, 134 S. Ct. at 2513.

The opinion of the *Court*, however, rejected that argument, and held that Aereo directly infringed the copyright holder’s performance right even though Aereo’s actions were an “automatic response to the subscriber’s request.” *Id.* at 2507. Thus, *Aereo* expressly *rejected* the very rule applied by the Ninth Circuit here: that Respondents cannot be direct infringers because the “distribution happens automatically” and the viewing of images is “done by the user.” Pet. App. 19a, 21a (internal quotation marks omitted).

Respondents protest that this Court “rested its decision upon the strong resemblance of Aereo to a traditional cable broadcaster.” BIO 31. It is true that this Court’s decision looked to the history and purposes of the Copyright Act, which made clear that “an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers’ ability to receive broadcast television signals.” *Aereo*, 134 S. Ct. at 2506. But in holding that Aereo “performed” copyrighted works, this Court specifically *rejected* the dissent’s argument that a “critical difference” between Aereo’s system and the CATV system is that “Aereo’s subscribers, not Aereo, selec[t] the copyrighted content that is perform[ed].” *Id.* at 2507 (internal quotation marks omitted). That is the exact issue in this case, and the ground on which the decision below conflicts with this Court’s precedents.

Respondents also contend that the decision below does not conflict with *Tasini*. Respondents again base that argument on the dissenting opinion in

Aereo, which stated that *Tasini* was inapposite because it “dealt with the question whether the defendants’ copying was permissible, not whether the defendants were the ones who made the copies.” BIO 32 (quoting *Aereo*, 134 S. Ct. at 2513 n.1).

Not so. It is true that *Tasini* addressed whether LEXIS/NEXIS’s acts fell within the statutory “privilege of reproducing and distributing the [Articles] as part of . . . [a] revision of that collective work.” 17 U.S.C. § 201(c). “However, a finding of direct infringement of the right of distribution (and reproduction) was essential to the Court’s opinion and holding—that is, without a finding of direct distribution and reproduction, there would have been no need for the § 201(c) privilege, because the databases would not have been engaged in direct infringement in the first instance.” *Usenet.com*, 633 F. Supp. at 147.

Indeed, as Justice Stevens stated in his dissenting opinion in *Tasini*, the Court found “that NEXIS infringes by ‘cop[ying]’ and ‘distribut[ing]’ copies of respondents’ articles to the public,” but he believed “it would be more accurate to say that NEXIS makes it possible for *users* to make and distribute copies.” 533 U.S. at 518 n.14. The opinion of the Court, of course, necessarily rejected that view, and held that LEXIS/NEXIS was liable for direct infringement even though the users were responsible for searching for, viewing, and printing the infringing content—just like Respondents’ users in this case.

Finally, Respondents argue that the courts of appeals have “uniformly adopted” the causation or volition requirement. BIO 28. Again, however, the

question here is whether the Ninth Circuit's holding that a defendant can never engage in direct infringement through an "automated" process conflicts with this Court's precedents, not whether a volitional-conduct requirement does.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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