

**Appeal Nos. 01-15998, 01-16003, 01-16011 and 01-16308**

**UNITED STATES COURT OF APPEALS**

**FOR THE NINTH CIRCUIT**

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**A&M RECORDS, INC., et al. and JERRY LEIBER, et al.,**

**Plaintiffs – Appellants - Cross-Appellees,**

**and**

**METALLICA; ANDRE YOUNG; CASANOVA RECORDS,**

**Plaintiffs - Cross-Appellees,**

**v.**

**NAPSTER, INC.,**

**Defendant – Appellee – Cross-Appellant.**

**(For Full Captions See Following Pages)**

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**Appeal from the United States District Court for the Northern District of California,  
MDL No. CV-00-1369-MHP  
The Honorable Marilyn Hall Patel**

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**BRIEF OF DEFENDANT/APPELLEE/CROSS-APPELLANT  
NAPSTER, INC.**

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INC., a corporation, MCA RECORDS, INC., a corporation, ATLANTIC RECORDING  
CORPORATION, a corporation, ISLAND RECORDS, INC., a corporation, MOTOWN  
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INC., a corporation, VIRGIN RECORDS AMERICA, INC., a corporation, WARNER  
BROS. RECORDS INC., a corporation,**

**Plaintiffs – Appellees,**

**v.**

**NAPSTER, INC., a corporation,**

**Defendant – Appellant.**

**(U.S. District Court Northern District of California No. C 99-05183 MHP)**

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**JERRY LEIBER, individually and dba JERRY LEIBER MUSIC, MIKE STOLLER, individually and dba MIKE STOLLER MUSIC, and FRANK MUSIC CORP., on behalf of themselves and all others similarly situated,**

**Plaintiffs – Appellees,**

**v.**

**NAPSTER, INC., a corporation,**

**Defendant – Appellant.**

**(U.S. District Court Northern District of California No. C 00-0074 MHP)**

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**METALLICA, a California general partnership; E/M VENTURES, a New York joint venture, and CREEPING DEATH MUSIC, a California general partnership,  
(U.S. District Court Northern District of California No. C-00-4068 MHP)**

**Plaintiffs – Appellees,**

**v.**

**NAPSTER, INC., a corporation,**

**Defendant – Appellant.**

**(U.S. District Court Northern District of California No. C 00-1369 MHP)**

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**ANDRE YOUNG, p/k/a Dr. Dre, a California resident; and AFTERMATH ENTERTAINMENT, a California joint venture;  
(U.S. District Court Northern District of California No. C-00-3997 MHP)**

**Plaintiffs – Appellees,**

**v.**

**NAPSTER, INC., a corporation,**

**Defendant –Appellant.**

**(U.S. District Court Northern District of California No. C 00-1369 MHP)**

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**CASANOVA RECORDS, a Virginia Limited Liability Corporation, NICOLA BATTISTA,  
an individual, KUTMUSIC, and ECL3CTIC, sole proprietorships,  
(U.S. District Court Northern District of California No. C-00-2638 MHP)**

**Plaintiffs – Appellees,**

**v.**

**NAPSTER, INC., a corporation,**

**Defendant – Appellant.**

**(U.S. District Court Northern District of California No. C 00-1369 MHP)**

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## **CORPORATE DISCLOSURE STATEMENT**

This statement is made pursuant to Federal Rule of Appellate Procedure 26.1. Defendant/Appellee/Cross-Appellant Napster, Inc., has no parent corporation, subsidiaries or affiliates that have issued shares to the public.

## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
ISSUES PRESENTED.....	3
STATEMENT OF THE CASE.....	4
STATEMENT OF FACTS .....	5
A. The Nature Of The Litigation Below And The Parties To These Appeals.....	5
B. This Court’s February 12, 2001 Decision And Remand Instructions.....	7
C. The Entry Of The Modified Preliminary Injunction On March 5, 2001 .....	10
D. The Developments Between March 5 and July 11, 2001 .....	13
1. The Implementation of Paragraph 2’s Notice Requirements.....	13
2. The Implementation of Paragraph 3’s Duty To Take “Reasonable Measures” to Identify Filename, Title, and Artist Variants.....	16
3. The Implementation of Paragraph 4’s Duty To Police and the Problem of Overblocking.....	18
4. The Expanding Role of the Technical Expert.....	25
5. The District Court’s Adoption of A New “Zero-Tolerance” Standard.....	32
6. Napster Implements Its New Architecture.....	33
E. The District Court Shuts Napster Down On July 11, 2001, Until The Order Is Stayed By This Court One Week Later .....	35
SUMMARY OF ARGUMENT .....	38
STATEMENT OF THE STANDARD OF REVIEW .....	41
ARGUMENT .....	42
I. THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION IN REQUIRING PLAINTIFFS TO PROVIDE NOTICE OF SPECIFIC INFRINGEMENT FILES BEFORE NAPSTER’S OBLIGATION TO BLOCK THAT WORK IS TRIGGERED.....	42

## TABLE OF CONTENTS

	Page
A. The District Court Cannot Be Faulted For Implementing This Court’s Unambiguous Directive .....	42
B. Even If This Court Had Not Provided Clear Remand Instructions, The District Court Would Not Have Abused its Discretion In Imposing The Notice Requirement .....	44
1. The Rationale of Netcom Supports The Notice Requirement .....	45
2. The Notice Requirement Is Also Supported By Secondary Liability Cases Involving Products And Services Capable Of Noninfringing Uses .....	48
C. Plaintiffs’ Remaining Objections To The Notice Requirement Are Insubstantial52	
D. Plaintiffs Also Seek to Reinstate The Very Injunction That This Court Rejected as Overbroad .....	54
II. NAPSTER’S “POLICING” OBLIGATION UNDER PARAGRAPHS 3, 4, AND 6 OF THE MODIFIED INJUNCTION IS TOO INDETERMINATE TO SATISFY FED. R. CIV. P. 65(D), VIOLATES THE RULE IN SONY, AND SHOULD BE CLARIFIED SO AS TO BE CONSISTENT WITH THIS COURT’S FEBRUARY 12 DECISION.....	56
A. Unless Clarified, Paragraphs 3, 4 and 6 of the Modified Injunction Are Insufficiently “Specific in Terms” To Satisfy Rule 65 .....	57
B. Unless Clarified, The Policing Paragraphs Potentially Authorize Massive Blocking Of Non-Infringing Works, In Violation Of The Sony Case And Of This Court’s February 12 Decision .....	61
C. This Court Should Clarify That Napster’s “Policing” Obligation Under Paragraphs 3, 4 And 6 Does Not Include Any Duty To Engage In Over-Blocking Or To Alter Napster’s Architecture As Of The Time The Modified Injunction Was Entered .....	64
III. THE MODIFIED INJUNCTION, AS IMPLEMENTED BY THE COURT, IMPERMISSIBLY DELEGATED ARTICLE III POWER TO A “TECHNICAL EXPERT” .....	66
A. Technical Experts May Be Used To Advise The Trial Court, But Their Role Must Be Narrowly Circumscribed.....	66

## TABLE OF CONTENTS

	<b>Page</b>
B. The Delegation To Dr. Nichols Was Impermissibly Broad And Should Therefore Be Vacated .....	67
IV. THE DISTRICT COURT LACKED JURISDICTION TO ENTER THE JULY 11 ORDER .....	71
A. As This Court Has Previously Stated, The July 11, 2001 Order Was A “Modification” Of The March 5 Preliminary Injunction .....	72
B. The July 11 Modification Cannot Be Justified As Somehow “Maintaining The Status Quo Among The Parties” .....	75
V. THE JULY 11 ORDER IS CONTRARY TO THIS COURT’S PREVIOUS DECISION .....	78
CONCLUSION .....	82
RELATED CASES AND PROCEEDINGS .....	84
CERTIFICATION OF COMPLIANCE .....	85

## TABLE OF AUTHORITIES

Page

### Cases

<i>A&amp;M Records, Inc. v. General Audio Video Cassettes, Inc.</i> , 948 F. Supp. 1449 (C.D. Cal. 1996).....	48
<i>A&amp;M Records, Inc. v. Napster, Inc.</i> , 114 F. Supp. 2d 896, 927 (N.D. Cal. 2000).....	7
<i>A&amp;M Records, Inc. v. Napster, Inc.</i> , 2000 WL 1009483, *8 (N.D. Cal.).....	7, 43
<i>A&amp;M Records, Inc. v. Napster, Inc.</i> , 239 F.3d 1004 (9th Cir. 2001).....	passim
<i>ALS Scan, Inc. v. Remarq Communities, Inc.</i> , 239 F.3d 619 (4th Cir. 2001).....	45
<i>Bay Area Addiction Research &amp; Treatment, Inc. v. City of Antioch</i> , 179 F.3d 725 (9th Cir. 1999).....	42
<i>Burlington N. R.R. Co. v. Department of Revenue</i> , 934 F.2d 1064 (9th Cir. 1991).....	66, 67
<i>Christian Science Reading Room Jointly Maintained v. San Francisco</i> , 784 F.2d 1010 (9th Cir. 1986).....	77
<i>Clark v. Coye</i> , 60 F.3d 600 (9th Cir. 1995).....	57, 58
<i>Ex parte Peterson</i> , 253 U.S. 300 (1920).....	66
<i>Florida Ass’n of Rehab. Facilities, Inc. v. State of Florida Dep’t of Health &amp; Rehabilitative Servs.</i> , 225 F.3d 1208 (11th Cir. 2000).....	58
<i>Fonovisa, Inc. v. Cherry Auction, Inc.</i> , 76 F.3d 259 (9th Cir. 1996).....	48
<i>Hiivala v. Wood</i> , 95 F.3d 1098 (9th Cir. 1999).....	72
<i>Hughey v. JMS Dev. Corp.</i> , 78 F.3d 1523 (11th Cir. 1996).....	59, 80
<i>Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.</i> , 75 F. Supp. 2d 1290 (D. Utah 1999).....	48
<i>Kern Oil &amp; Refining Co. v. Tenneco Oil Co.</i> , 840 F.2d 730 (9th Cir. 1988).....	71
<i>La Buy v. Howes Leather Co., Inc.</i> , 352 U.S. 249 (1957).....	66

## TABLE OF AUTHORITIES

**Page**

<i>McClatchy Newspapers d/b/a/ The Sacramento Bee v. Central Valley Typographical Union No. 46, 686 F.2d 731 (9th Cir. 1982)</i>	73, 75, 77
<i>Natural Res. Defense Council, Inc. v. Southwest Marine, Inc., 242 F.3d 1163 (9th Cir. 2001)</i>	74, 75, 76
<i>NBA Properties, Inc. v. Gold, 895 F.2d 30 (1st Cir. 1990)</i>	57, 58
<i>Neal v. Board of Trustees, 198 F.3d 763 (9th Cir. 1999)</i>	41
<i>New York v. Nuclear Regulatory Commission, 550 F.2d 745 (2d Cir. 1977)</i>	76
<i>Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc., 982 F. Supp. 503 (N.D. Ohio 1997)</i>	48
<i>Prudential Real Estate Affiliates, Inc. v. PPR Realty, Inc., 204 F.3d 867 (9th Cir. 2000)</i>	71
<i>RCA Records v. All-Fast Sys., Inc., 594 F. Supp. 335 (S.D.N.Y. 1984)</i>	48
<i>Reilly v. United States, 863 F.2d 149 (1st Cir. 1988)</i>	66, 67, 71
<i>Religious Technology Center. v. Netcom On-Line Communication Services, Inc., 907 F. Supp. 1361 (N.D. Cal. 1995)</i>	passim
<i>Schmidt v. Lessard, 414 U.S. 473 (1974)</i>	59
<i>Sega Enterprises, Ltd v. MAPHIA, 948 F. Supp. 923 (N.D. Cal. 1996)</i>	48
<i>Sierra Club v. Browner, 2001 WL 765841 (5th Cir. July 9, 2001)</i>	67
<i>Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984)</i>	passim
<i>Stauble v. Warrob, Inc., 977 F.2d 690 (1st Cir. 1992)</i>	67
<i>Stein v. Wood, 127 F.3d 1187 (9th Cir. 1997)</i>	71
<i>Stone v. City and County of San Francisco, 968 F.2d 850 (9th Cir. 1992)</i>	73
<i>Thomas, Head &amp; Greisen Employees Trust v. Buster, 95 F.3d 1449 (9th Cir. 1996)</i>	77
<i>United Mine Workers of Am. v. Bagwell,</i>	

## TABLE OF AUTHORITIES

	Page
512 U.S. 821 (1994) .....	75
<i>United States v. Holtzman</i> , 762 F.2d 720 (9th Cir. 1985) .....	57
<i>United States v. Microsoft Corp.</i> , 147 F.3d 935 (D.C. Cir. 1998).....	63
<i>Universal City Studios, Inc. v. American Invsco Mgmt, Inc.</i> , 217 U.S.P.Q. 1076 (N.D. Ill. 1981) .....	48
<i>Wyler Summit P’ship v. Turner Broad. Sys.</i> , 235 F.3d 1184 (9th Cir. 2000).....	72
<b>Statutes</b>	
Federal Rules of Civil Procedure 62(c) .....	75
Federal Rules of Civil Procedure 65(d) .....	passim
<b>Legislative Materials</b>	
H.R. REP. NO. 105-551(I) (1998) .....	45, 49
<b>Other Authorities</b>	
Alfred C. Yen, <i>Internet Service Provider Liability for Copyright Infringement, Enterprise Liability, and the First Amendment</i> , 88 Geo. L.J. 1833 (2000) .....	54

## INTRODUCTION

Napster, Inc. created an open peer-to-peer architecture that allows people scattered throughout the globe to use the Internet to share and enjoy music files. With a few keystrokes, a Napster user who has downloaded the company's proprietary software onto her personal computer may be able to locate on some otherwise remote, unknown and utterly inaccessible computer—and then be able to hear—everything from contemporary pop music to out-of-print ballads, from rare live recordings to new, independent artists. For their part, artists and musicians may decide—as many thousands have—to allow some or all of their works to be shared on the Napster system, thereby reaching a worldwide audience and bypassing the large record company distributors who are among the Plaintiffs in these lawsuits. Plaintiffs brought these lawsuits alleging not that Napster directly infringed their copyrights, but rather that the company should be held *secondarily* liable for the copyright infringement of individuals who use the Napster system to trade copyrighted works. Among other relief, Plaintiffs asked the district court for an injunction ordering Napster to terminate or fundamentally alter its service.

This case is before this Court on the merits for a second time. In its previous decision, the Court made clear that federal copyright law does not prohibit the operation of the Napster system nor does it compel any change in the system's essential architecture. On the contrary, the Court held that, as a computer system

operator, Napster's obligation to block copyrighted works is contingent upon receiving notice from rights holders that such works are, in fact, available on the system. The Court required Napster to police its system fully. But recognizing the limitations placed by the law on secondary liability for copyright infringement, especially in the online context, the Court also pointed out that Napster's duty to police the system was "cabined by the system's existing architecture" and need only be exercised "within the limits of the system." *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1024, 1027 (9th Cir. 2001).

These appeals arise out of the district court's attempt, on remand, to implement this Court's instructions. The lower court modified a preliminary injunction that this Court ruled was "overbroad" because it impermissibly "place[d] on Napster the entire burden of ensuring that no 'copying, downloading, uploading, transmitting, or distributing' of plaintiffs' works occurs on the system." *Id.* at 1027. Although the district court attempted to craft a preliminary injunction that adhered to this Court's directions and that imposed a shared burden on the parties, Plaintiffs vehemently objected to being required even to identify a single file on Napster that contained infringing material. The district court correctly rejected Plaintiffs' invitation to rewrite this Court's remand instructions and relieve Plaintiffs of that obligation. At the same time, however, the district court entered a modified injunction that was flawed in several important respects: it was vague; it required substantial exclusion of

noninfringing uses; and it compelled Napster—in defiance of this Court’s remand instructions—to alter its fundamental architecture.

After appeals and cross-appeals were taken from the modified injunction, the district court, prodded by Plaintiffs, modified the preliminary injunction further by ordering Napster to refrain from operating its file-sharing system—the defining feature of its business—until Napster could satisfy the court and its technical expert that Napster had achieved a “zero-tolerance” level of copyrighted works on its system. This Court ordered a stay of the district court’s draconian takedown order, just as it had previously stayed the similarly draconian aspect of the original injunction.

### **ISSUES PRESENTED**

1. Whether Paragraph 2 of the March 5, 2001 modified injunction appropriately requires Plaintiffs to provide notice of their “copyrighted works” as well as “files containing such works” that are “available on the Napster system” (239 F.3d at 1027), before Napster’s duty to disable access is triggered.

2. Whether Paragraphs 3, 4, and 6 of the March 5 modified injunction, which require Napster to “police” the system once given notice by Plaintiffs pursuant to Paragraph 2 and to prevent all exchange of identified works (without specifying how this can be accomplished), fail to satisfy (i) the minimum “specificity” requirements of Fed. R. Civ. P. 65(d), (ii) this Court’s February 12 directive that Napster’s duties must be “cabined by the system’s current architecture” (239 F.3d at

1024) and discharged “within the limits of the system” (*id.* at 1027), and (iii) the principle that noninfringing uses must be preserved under *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

3. Whether Paragraph 9 of the March 5 modified injunction, as implemented by the district court, effects an impermissibly broad delegation of Article III authority to a “technical advisor” and must therefore be vacated and the delegation confined to its appropriate province.

4. Whether the July 11, 2001 order prohibiting Napster from resuming its file-sharing function should be vacated because it constituted a modification of the March 5 modified injunction at a time when that injunction order was on appeal.

5. Whether the July 11 order violates this Court’s previous opinion in that it flat-out prohibited Napster from operating its file-sharing service until it achieved 100% success in screening out noticed works.

### **STATEMENT OF THE CASE**

These appeals arise out of the district court’s efforts to modify a preliminary injunction following a remand by this Court for that purpose. 239 F.3d at 1020-21. On March 5, 2001, the district court entered a modified injunction, which it “clarif[ied]” in part on April 26, 2001 (the “March 5 Modified Injunction” or “Modified Injunction”). Dissatisfied with certain portions of the Modified Injunction, some Plaintiffs (but not others) filed a notice of appeal on May 4, 2001. On the same

day, Napster cross-appealed. The Plaintiffs' appeals (Nos. 01-15998 and 01-16003) were consolidated with Napster's cross-appeal (No. 01-16011) by order of this Court.

On July 11, 2001, while the appeals from the March 5 Modified Injunction were pending, the district court modified the injunction yet again, forbidding Napster to resume operation of its file-sharing system (the "July 11 Order"). On July 18, 2001, this Court granted a stay of the July 11 Order. This Court subsequently consolidated Napster's appeal of the July 11 Order (No. 01-16308) with the pending appeals and cross-appeals of the March 5 Modified Injunction.

## **STATEMENT OF FACTS**

### **A. The Nature Of The Litigation Below And The Parties To These Appeals**

These consolidated appeals arise out of a single multi-district litigation ("MDL") proceeding in the Northern District of California captioned *In re Napster Copyright Litigation*, No. C-00-1369. Each lawsuit comprised by the MDL proceeding alleges, among other things, that Napster is contributorily and vicariously liable for copyright infringement by individuals who use the company's peer-to-peer file-sharing technology. One of the individual lawsuits, *A&M Records, Inc. v. Napster, Inc.*, No. C-99-5183, was commenced by 18 record companies, all affiliates of the five major labels, which are represented in the action by their trade association, the Recording Industry Association of America ("RIAA"). A second lawsuit, *Liber, et al. v. Napster, Inc.*, No. C-00-0074, advances the claims of some 25,000 music

publisher principals for whom the Harry Fox Agency acts as non-exclusive licensing agent.

In addition to the *A&M Records* and *Leiber* actions, the MDL proceeding includes lawsuits by recording artists Metallica (*Metallica, et al. v. Napster, Inc.*) and “Dr. Dre” (*Andrew Young, p/k/a Dr. Dre, et al. v. Napster, Inc.*) and an action (*Casanova Records, et al. v. Napster, Inc.*) in which three related Italian entities—Nicola Battista, Kutmusic, and Ecl3ctic—have claimed violation of sound recording and composition rights in their music.<sup>1</sup> Several other lawsuits are included in the MDL proceeding.

The *Leiber* action was heard and appealed jointly with the *A&M Records* case on the original preliminary injunction. After this Court decided that appeal and ordered a remand, the *Metallica*, *Young*, and *Casanova* Plaintiffs asked the district court to enter a preliminary injunction in their actions. The court in those cases

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<sup>1</sup> Plaintiff Casanova Records has dismissed its claim against Napster, but the parties still refer to the action by that name. On May 21, 2001, the district court denied the motion of the remaining *Casanova* Plaintiffs to certify a class of independent musicians. SER01022. On July 12, 2001, Metallica and Dr. Dre settled their lawsuits with Napster. SER01017.

entered preliminary injunctions substantially identical to the *A&M* and *Leiber* orders.<sup>2</sup> Because the preliminary injunctions are in relevant part substantially identical, we refer to them as “the preliminary injunction.” The Plaintiffs in the *Metallica*, *Young*, and *Casanova* actions have not appealed the March 5 modified injunction. Napster has appealed the injunction orders in the three individual cases because they suffer the same defects as the *A&M* and *Leiber* orders.

**B. This Court’s February 12, 2001 Decision And Remand Instructions**

Many of the issues in these appeals hinge on a proper understanding of this Court’s prior opinion, which addressed the sweeping preliminary injunction entered by the district court on July 26, 2000 that had “enjoined [Napster] from causing or assisting or enabling or facilitating or contributing to the copying, duplicating or otherwise other infringement [sic] upon all copyrighted songs, musical compositions or material in which Plaintiffs hold a copyright or with respect to Plaintiffs’ pre-1972 recordings in which they hold the rights.” *A&M Records, Inc. v. Napster, Inc.*, 2000 WL1009483, \*8 (N.D. Cal.); *see also A&M Records, Inc. v. Napster, Inc.*, 114

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<sup>2</sup> Because the *Leiber* action involved plaintiff publishers asserting rights in “musical compositions” (as opposed to record companies or artists claiming rights in “sound recordings”), the terms of the modified injunction in *Leiber* were slightly different from the injunction in *A&M*. The *Casanova*, *Metallica*, and *Dr. Dre* Plaintiffs asserted rights to both “sound recordings” and “musical compositions.” Accordingly, the injunctions in those cases included provisions found in both the *Leiber* and *A&M* injunctions. ER000671-674, ER000680-684, ER000685-689.

F. Supp. 2d 896, 927 (N.D. Cal. 2000) (opinion setting forth slightly amended preliminary injunction). Recognizing that the preliminary injunction would have the effect of shutting down the Napster file-sharing system, and that Napster's appeal raised "substantial questions of first impression going to both the merits and the form of the injunction," this Court on July 28, 2000 granted an emergency stay of the July 26 injunction. 7/28/00 Order of Ninth Circuit at 2.

On the merits, this Court affirmed the preliminary injunction in part, reversed it in part, and remanded for entry of a modified injunction. 239 F.3d 1004. After determining that the district court did not abuse its discretion in concluding (on the record before it) that Napster users likely lacked a fair use defense to a direct infringement claim, the Court examined Napster's secondary liability under theories of contributory and vicarious infringement. Contributory infringement, the Court explained, requires proof that Napster, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." *Id.* at 1019 (internal quotations omitted). Relying on *Sony*, the Court held that it could "not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights." 239 F. 3d at 1020-21. Moreover, "absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted

information.” *Id.* at 1021. This Court nevertheless concluded that the district court did not abuse its discretion in finding “a likelihood of success on the merits of the contributory copyright infringement claim.” *Id.* at 1022.

This Court reached the same conclusion with respect to Plaintiffs’ claim of vicarious liability, which depends on whether a defendant “has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.” *Id.* at 1022. This Court affirmed the district court’s decision on this issue but faulted the court for “fail[ing] to recognize that the boundaries of the premises that Napster ‘controls and patrols’ are limited.” *Id.* at 1023. “Napster’s reserved right and ability to police,” this Court explained, “is cabined by the system’s current architecture” (*id.* at 1024) and can only be discharged “within the limits of its system” (*id.* at 1027). “For Napster to function effectively,” the Court noted, “the file names must *reasonably or roughly correspond* to the material contained in the files,” because “otherwise no user could ever locate the desired music.” *Id.* at 1024 (emphasis added).

Finally, this Court ruled that “the scope of” the preliminary injunction entered by the district court “needs modification in light of our opinion.” *Id.* at 1027. The Court instructed:

The preliminary injunction which we stayed is overbroad because it places on Napster the entire burden of ensuring that no “copying, downloading, uploading, transmitting, or distributing” of plaintiffs’

works occurs on the system. As stated, *we place 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.* Napster, however, also bears the burden of policing the system within the limits of the system. Here, we recognize that this is not an exact science in that the files are user named.

*Id.* (emphasis added). This Court also directed that “the preliminary injunction fashioned by the district court prior to this appeal shall remain stayed until it is modified by the district court to conform to the requirements of this opinion.” *Id.* at 1029.

### **C. The Entry Of The Modified Preliminary Injunction On March 5, 2001**

Following the remand, Napster immediately began to take steps to comply with this Court’s decision. Even before receiving any new notices from Plaintiffs, Napster compiled a new “negative database” consisting of the artist and title names of works that Plaintiffs had identified as owned by them and available on the Napster system. ER000852¶36, ER000862-866¶¶61-75. Plaintiffs had also previously given Napster a list of 14,000 file names, 90% of which allegedly contained music owned by Plaintiffs. Napster asked Plaintiffs to identify the files in this list that made up the infringing 90% so that Napster could include that information as well in its negative database, but Plaintiffs refused to do so. ER000863¶63, ER000756.

On March 2, 2001, the district court heard argument but not evidence on the scope of an appropriate injunction. ER000571-669. At the hearing, Plaintiffs asked

the court to require Napster to “employ such measures and technology as are reasonably available to affirmatively patrol its system.” SER00397. The court demurred, however, because it was “not sure what that phrase...really means” and because injunctions must have “the specificity requisite to enforcement.” ER000632-633. The district court also admitted that it “[did not] know what Napster is capable of doing” or “what kind of technology is out there” and asked the parties to agree on a “technical assistant” to advise the court so that when “disputes” arise “they can be resolved by somebody whose [sic] technically proficient.” ER000649.

On March 5, the district court entered its modified preliminary injunction, which directed Napster, “pursuant to the procedures set forth below,” to refrain “from engaging in, or facilitating others in, copying, downloading, uploading, transmitting, or distributing copyrighted sound recordings in accordance with this Order.” ER000675-676.<sup>3</sup> In numbered paragraphs, the court’s order proceeded to delineate the parties’ “shared burdens”:

- Paragraph 2 directed the *A&M* Plaintiffs to “provide notice to Napster of their copyrighted sound recordings by providing for each work: (A) the title of the work; (B) the name of the featured recording artist performing the work (‘artist name’); (C) *the name(s) of one or more files available on the Napster system containing such work*; and (D) a certification that plaintiffs own or control the rights allegedly infringed.” ER000676

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<sup>3</sup> The analogous provision of the *Leiber* injunction refers to “copyrighted musical compositions” instead of “copyrighted sound recordings.” ER000671. The injunctions in *Casanova*, *Metallica*, and *Dr. Dre* include both terms. See note 2, *supra*.

(emphasis added; footnote omitted). The corresponding paragraph in the *Leiber* injunction was identical except that it required notification of “the name of the composer of the work” instead of the artist name.<sup>4</sup>

- Paragraph 3 stated that the parties “shall use *reasonable measures* in identifying variations of the filename(s), or of the spelling of the titles or artists’ names, of the works identified by plaintiffs.” ER000676 (emphasis added). It further provided that “[i]f it is reasonable to believe that a file available on the Napster system is a variation of a particular work or file identified by plaintiffs, *all parties have an obligation* to ascertain the actual identity (title and artist name) of the work and to take appropriate action within the context of this Order.” *Id.* (emphasis added).
- Paragraph 4 stated that “[i]t appears to the court on the basis of the factual representations by the parties at the March 2, 2001 hearing that it would be difficult for plaintiffs to identify *all* infringing files on the Napster system given the transitory nature of its operation.” ER000676 (emphasis added; footnote omitted). It explained, however, that “[t]his difficulty ... does not relieve Napster of its duty” to “polic[e] the system within the limits of the system.” *Id.* (quoting 239 F.3d at 1027). Because “[t]he court anticipates that it may be easier for Napster to search the files available on its system at any particular time against lists of copyrighted recordings provided by plaintiffs,” it “deems that the results of such a search provide Napster with ‘reasonable knowledge of specific infringing files’ as required by the Ninth Circuit.” ER000676-677.
- Paragraph 5 stated that “[o]nce Napster ‘receives reasonable knowledge’ from any source identified in preceding Paragraphs 2, 3 or 4 of *specific infringing files* containing copyrighted sound recordings, Napster shall, within three (3) business days, prevent such files from being included in the Napster index (thereby preventing access to the files corresponding

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<sup>4</sup> In recognition of the inherent difficulties in identifying works contained in particular files where only the name of song and not performing artist is identified, Paragraph 2 of the *Leiber* injunction also included the following provision that was absent from the *A&M* injunction: “For compositions for which there might be a number of compositions of the same name, the burden will rest on the plaintiffs to identify those compositions to which they own or control the copyright.” ER000672.

to such names through the Napster system).” ER000677 (emphasis added).

- Paragraph 6 stated that “[w]ithin three (3) business days of receipt of reasonable notice of infringing files, Napster shall affirmatively search the names of all files being made available by all users at the time those users log on (*i.e.* or prior to the names of files being included in the Napster index) and prevent the downloading, uploading, transmitting, or distributing of the noticed copyrighted sound recordings.” ER000677.
- Paragraph 9 stated that the court “may appoint an independent third party to serve as a technical expert to assist the court in connection with the dispute.” ER000677-678.

#### **D. The Developments Between March 5 and July 11, 2001**

##### **1. The Implementation of Paragraph 2’s Notice Requirements**

This Court’s instructions on remand “place[d] 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.” 239 F.3d at 1027. The March 5 Modified Injunction likewise commanded Plaintiffs to “provide notice to Napster of their copyrighted sound recordings by providing for each work” the title and artist name, a certification that Plaintiffs owned the rights to the work, and “*the name(s) of one or more files available on the Napster system containing such work.*” ER000676¶2 (emphasis added). Once such notice was provided, Napster had an obligation to take steps within three business days to prevent the “specific infringing file” identified by Plaintiffs from being included in the Napster index or “download[ed], upload[ed], transmit[ed], or distribut[ed]” by Napster users.

In those instances where Plaintiffs provided proper notice of works, including file names, Napster faithfully honored its obligations under the Modified Injunction and blocked access to those specific file names within three business days. Indeed, in a report issued just five business days after entry of the Modified Injunction, Napster reported that it had implemented a text-based filter that captured all files matching specific infringing file names reported to Napster. ER000695, ER000705.

From the very outset, however, Plaintiffs took the position that they were “not required to provide any individual file names, or any information other than lists of copyrighted recordings they own or control.” ER000764. Consistent with that position, Plaintiffs in many cases supplied notices that were completely lacking in file names.<sup>5</sup> In other instances, Plaintiffs provided file names for some, but not all, of the works they noticed.<sup>6</sup> And even where Plaintiffs provided file names, their submissions included hundreds of thousands of inaccurate file names—apparently generated by automated processes—that did not correlate to the artist/title pair to which they were purportedly linked. ER001513-1569, ER002729-2740. To make matters worse, the *Leiber* Plaintiffs—who represent the rights of publishers—failed to

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<sup>5</sup> For example, on March 12, 2001, Plaintiffs delivered to Napster a list of 130,000 song titles and artist names without any associated file names. ER000700. On March 13 and 14, EMI delivered a catalogue of approximately 141,000 artist/title pairs without any associated file names. ER001398.

<sup>6</sup> For example, on March 9, Sony delivered a list of 91,000 song titles with 2 million files names associated with about half of those works. ER000700.

provide performing artist names for approximately 70,000 of the 80,000 compositions they noticed. SER00935¶38.

At an April 10, 2001 hearing on compliance issues, the parties debated the propriety of Plaintiffs' continuing failure to provide Napster with notice of *actual* file names associated with their works. ER005069.024-5069.046. At one point, the district court rejected the invitation by Warner Music's counsel to look behind this Court's instructions:

[Counsel]: ... The real question is: What's the purpose? What's the function of providing a file name to Napster? Why are we doing it?

THE COURT: *Because the Ninth Circuit said you have to.*

ER005069.029 (emphasis added).

On April 26, 2001, the district court "clarif[ied] certain aspects of the modified preliminary injunction" issued on March 5. ER005250. The court rejected Plaintiffs' argument that their duty to "provide specific filenames" was limited to "their claims of contributory infringement," explaining: "A plain reading of the [relevant passage in this Court's opinion] does not allow for two separate standards, but only one with several elements." ER005251. The district court also criticized Plaintiffs' argument as yielding ludicrous results: "the[re] would [be] no reason to seek preliminary injunction relief" for claims of contributory infringement when (under Plaintiffs' view) the requirement of notice could be avoided through the simple expedient of repackaging claims under a theory of vicarious liability. *Id.*

Remarkably, even after all this, Plaintiffs refused to honor fully their obligations under Paragraph 2 of the Modified Injunction. Two months after the district court's April 26 opinion, for example, Plaintiffs provided file names for only 1.8% of the 450,000 works they noticed on June 27 and 28, 2001. SER00935¶38.<sup>7</sup> By July 10, 2001, Napster had received notices concerning 950,000 sound recordings, out of which approximately 500,000 were missing file names. *Id.* Thus, at the same time that Plaintiffs were complaining in the district court that Napster had not done enough to block noticed works, Plaintiffs ignored their plain duty under Paragraph 2 of the Modified Injunction to provide actual file names to Napster.

**2. The Implementation of Paragraph 3's Duty To Take "Reasonable Measures" to Identify Filename, Title, and Artist Variants**

The Modified Injunction imposes a duty on all parties to use "*reasonable measures* in identifying variations of the filename(s), or of the spelling of the titles or artists' names, of the works identified by plaintiffs." ER000676 (emphasis added). The Modified Injunction further provides that "[i]f it is reasonable to believe that a file available on the Napster system is a variation of a particular work or file identified by

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<sup>7</sup> Plaintiffs waited until the very day Napster was obligated to launch its new system to deliver these massive notices, which comprised one half of all works ever identified to Napster, (and which triggered an obligation on Napster's part to respond within three days). SER00935¶38.

plaintiffs, all parties have an obligation to ascertain the actual identity (title and artist name) of the work and to take appropriate action within the context of this Order.” *Id.*

Immediately after entry of the Modified Injunction, Napster took steps to develop methods of locating variations in names. First, Napster engineers developed a “Variants Entry Tool” that permitted Napster compliance personnel to look at the database of blocked works and enter variants for additional blocking. ER000706. Second, Napster developed a software tool known as the “Police BOT” that automatically generated additional name variants that Napster personnel could add to the database to be blocked. *Id.* Third, Napster purchased access to a third party’s database of 140,000 variations and misspellings of artist names and song titles and approximately 3 million variations and misspellings of file names. ER002682. Fourth, Napster hired 15 new employees to reinforce the company’s capacity to identify and block variants. *Id.* Fifth, Napster took a variety of other steps, such as changing the terms of service to advise users that they would be terminated if they altered or otherwise disguised file names to circumvent filters, halting users’ access to “pig latin” and other camouflaging devices, and implementing periodic reviews of bulletin board postings. ER002683, ER003465¶¶3-10.

Plaintiffs, for their part, refused to provide any actual (as opposed to theoretical machine-generated) variants to Napster. ER003475-3476. For example, on May 11, they provided Napster with 200,000 machine-generated theoretical permutations and

insisted that those variants be blocked, even though there was no indication that these made-up file names had ever been listed in the Napster index. ER005460-5461¶¶8,9.<sup>8</sup> As would become clear as the litigation unfolded, and as discussed further below, rather than present variants to Napster for effective blocking, Plaintiffs have saved their actual variants of file names to attempt to ambush Napster at the compliance hearings in this case.

### **3. The Implementation of Paragraph 4's Duty To Police and the Problem of Overblocking**

The provision of proper notice to Napster under Paragraph 2 of the Modified Injunction triggers a duty on the company's part to "polic[e] the system within the limits of the system" by "search[ing] the files available on its system." ER000676¶2, ER000677¶5. Napster took numerous steps to carry out its duty to police under Paragraph 4. Soon after the Modified Injunction was entered, in a report issued just five business days after entry of the Modified Injunction, Napster stated that it had implemented two text-based filters, one (required under Paragraph 2) that captured all file names matching specific infringing file names reported to (or independently gathered by) Napster, and another that captured all users' file names containing the names of noticed artist and title pairs ("ATPs"). What is significant about the second

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<sup>8</sup> Plaintiffs initially refused to provide even mechanical permutations of file names requested by Dr. A.J. Nichols because of a desire not to set a "precedent" of providing variants. ER005454.

tool is that it showed Napster's willingness to block based on ATPs, even if Plaintiffs failed to provide associated file names.

Within a week of entry of the preliminary injunction, these two initial filters, Napster's "negative database," included more than 26,000 ATP's and more than 6 million file names. ER000695, ER000847¶¶12-14, ER000852¶36. By March 20, 2001, Napster had added to its negative database more than 200,000 unique ATP's and approximately 1.2 million normalized file names. ER001397. As a result of Napster's development of these two text-based screens, in a brief period of time the average number of songs available per Napster user was reduced approximately 50%. ER001400, ER005459¶4. By April 3, 2001, Napster had increased its negative database to more than 300,000 ATP's and more than 1.7 million file names. ER002681. Most significantly, whereas Plaintiffs had previously claimed to have been able to find more than 70% of their works on the Napster system by searching for both the actual artist and title names (ER001618), Napster's expansion of its blocking methodology had reduced that number to zero. ER002683, ER002814¶3, ER002817¶¶16-17. All that remained to be tackled was the continuing problem of user-named file name variants—*i.e.*, files that did not contain accurate artist and title information.

Notwithstanding Napster's efforts and its successful exclusion of accurate file names, variants continued to leak through because Napster users demonstrated great

ingenuity in coming up with modified file names. At a hearing on April 10, Plaintiffs argued that Napster's text-based filters were "not working"—even though, of course, both parties had a duty to identify variants, and for almost half of these works Plaintiffs had never even identified a single infringing file. Pursuing the point nonetheless, Plaintiffs provided the court with results of searches on Napster's system conducted on April 9, which they contended showed that "every one of the 212 initial recordings identified on the complaint" was available for sharing. ER005069.060-5069.061. In disregard of their obligation to provided file name variants to Napster, Plaintiffs instead chose to produce their search results directly to the court during the middle of the hearing. That tactic deprived Napster of the opportunity to review or rebut the methodology and results of Plaintiffs' searches.

The district court reacted strongly to Plaintiffs' dramatic last-second submissions, observing that Napster's compliance efforts had been "disgraceful" and even suggesting that Napster should be "closed down." ER005069.065-5069.066. When Napster noted that this Court had determined that Napster was capable of significant noninfringing uses and that its ability to police its system was necessarily "cabined by its architecture," the district court suggested that "[m]aybe [the Court of Appeals] need[s] to take another look at it." ER005069.067. Following the hearing, Napster reviewed Plaintiffs' April 10 submissions. Contrary to Plaintiffs' representations to the district court, Napster discovered that only variants were

evading Napster's filters and that Plaintiffs had discovered some of their works only by using highly idiosyncratic search terms. ER005122-5142.<sup>9</sup>

Spurred by the court's ire and threat of contempt, Napster went far beyond its obligations under the modified injunction (and beyond what it had already done in terms of ATP blocking in the absence of file names) by undertaking to block files automatically based on (a) artist-name-only, (b) album-title-only, and (c) song-title-only for approximately 700,000 words and phrases—regardless of the remainder of the file name. ER005459¶3. The blocking of artist names alone results in the exclusion of numerous non-noticed works. For example, while blocking all file names containing the term "Police" may assist in blocking all versions of the work "Roxanne" by the band The Police (including file names that misspell "Roxanne" or use some nickname), this would simultaneously block all other file names containing the term "police," including works by other artists commenting on police activities.

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<sup>9</sup> Napster also determined that Plaintiffs were wrong in representing to the court, by declarations, that non-variant file names, *i.e.*, those that matched exactly noticed ATPs, could still be found on Napster as of April 9. As Napster's Interim Chief Compliance Officer found, Plaintiffs had submitted to the court a list of file names that had previously been submitted to Napster on March 24—but *these were file names that Napster had effectively blocked long before the April 10 hearing.* ER005130¶22. And, of the remaining file names that were confirmed to be available on the Napster system, all represented variants that Plaintiffs had not previously noticed. Had Plaintiffs abided by the court's orders to assist Napster in the identification of variants, these variants would have been included in Napster's screens and thus blocked.

Similarly, “artist name” blocking results in overexclusion because no rights holder has ever represented to Napster that it holds rights in every recording by any given artist. ER003473¶31.<sup>10</sup> And blocking all file names containing a particular song title will result in overbroad exclusion of songs with the identical title. In one analysis, Napster found that nearly half of the songs identified by Plaintiffs do not have unique names, but share names with other works. ER000858¶51. For example, the *Leiber* Plaintiffs claim rights in one arrangement of “Ave Maria,” but there are more than 200 other arrangements. ER000857¶49. In addition, numerous independent artists and labels that had specifically authorized their works for distribution on the Napster system submitted declarations to the district court pointing out that many of their compositions shared the same titles as the works noticed by Plaintiffs and would be (or were in fact) excluded by the title-only filtering that the district court essentially compelled Napster to employ. ER002712-2713, ER002725-2727, ER002742-2744, SER00469-476, SER00438-444, ER001089¶7, ER001107-1108, ER001178-1182 (48 of 53 works in Napster’s featured artist program would be

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<sup>10</sup> Most live concerts (which hundreds of artists allow to be recorded by fans), radio recordings, and television recordings are not owned by the record companies at all. SER00131¶¶6-9. Indeed, the *Metallica* Plaintiffs specifically advised Napster that they do not object to live concert or so-called “bootleg” recordings of their music being shared on the Napster system. ER000992-1003, ER003478¶50.

blocked as collateral result of title-only blocking of works claimed by *Leiber* Plaintiffs).

The problem of overblocking is heightened because many artist and song titles contain simple, generic words. If Napster were to block the word “blues” to exclude variant file names for a work, it would literally exclude an entire genre of music, tens of thousands of works in which Plaintiffs have not asserted an ownership interest. ER000860¶54.<sup>11</sup> Blocking based on artist name or song title alone effectively provided Plaintiffs a monopoly on files containing these common words. ER003473¶31, ER003653, ER003655 (reflecting overexclusion resulting from identification of all files containing band names “Slaughter,” “Say What,” or “Live”), ER003473¶31 (Plaintiffs’ notices result in exclusion of featured artists’ works).

As Napster’s blocking devices grew more expansive, Plaintiffs nonetheless continued to complain to the court about obscure variants found by tortured, unintuitive searches. For example, at the June 6, 2001, hearing in the district court, Plaintiffs complained that they were able to find Bruce Springsteen’s “Secret Garden” on the Napster service. ER006157, ER006220-6221. How did they find it? Not by

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<sup>11</sup> Thousands of artists have given express consent to Napster for distribution of their works, and Napster promotes both established and new artists through the company’s Featured Music Program. Napster found that if it used simple generic phrases, such as “Watching You” or “The Key,” without reference to the performing artist, to filter Plaintiffs’ works, it would also exclude works by Napster’s musicians in the Featured Music Program. ER000861¶57.

searching for “Bruce Springsteen,” not by searching for “Bruce” or “Springsteen,” not by searching for “Springsteen Bruce,” not by searching for “the Boss,” “Secret Garden,” or “Garden Secret.” Instead, Plaintiffs found the work by searching for the word “Maguire.” Why? Because Bruce Springsteen’s song “Secret Garden” was featured on the movie soundtrack for the film “Jerry Maguire.” This is just one of many obscure variants that Plaintiffs resorted to in order to find—and criticize Napster for not blocking—their copyrighted works. ER005488¶6. Nonetheless, because the court insisted that no infringing works be found on Napster’s system, Napster ultimately was forced to adopt overbroad and generic word filters to block even these obscure variants. As a result, many works that Plaintiffs do not own were excluded from Napster’s system. Indeed, although the *A&M* Plaintiffs claim to own 74% of the works available through Napster (SER00005), by June 6, 2001, Napster’s text-based filters had removed 92% of the previously available file names from its system, a percentage far in excess of what Plaintiffs claim to have owned. ER006158, ER005459¶4.

The district court repeatedly brushed aside Napster’s concern that overblocking was occurring with substantial harmful consequences for Napster, its users, and the thousands of artists who wish to promote and disseminate their music on Napster. “I’m less concerned about over-blocking,” the district court stated during the May 3, 2001, hearing, “because when in doubt, then block.” ER005277; *see also* ER005278

("[I]f you overblock, so be it."). The court went on to say that, in its view, Napster was "overstating" its overblocking concerns. ER005283. The court compared overblocking favorably to "shut[ting] down the system" and indicated that it was not "a serious problem." *Id.*

#### **4. The Expanding Role of the Technical Expert**

Faced with conflicting assertions about the capacity of the Napster system to screen out properly-noticed works (that is, works for which Plaintiffs provided not only the name of the work and artist, but also a specific file on which it was available) and its success in doing so, the district court on April 5 formally appointed Dr. Nichols "to act as a technical expert to assist the Court regarding compliance with the modified preliminary injunction Orders." ER003860.

On April 13, the district court conducted a telephone conference to determine "the parameters of Dr. Nichols' assignment and the protocol or procedures that he will use." ER005077. The court indicated that Dr. Nichols would determine how the Napster system works, "what it does and doesn't do, what its capabilities and potentialities are," and what "other programs, or software...would work and improve the situation." ER005078-5079. The court also outlined procedures under which Dr. Nichols would receive information from the parties and confer with the parties' experts.

Another hearing was conducted on April 24, 2001. In response to the district court's continuing and intense pressure to exclude infringing works more thoroughly than its text-based architecture would allow, Napster agreed to consider a fundamental change to its architecture by seeking to implement an emerging acoustic waveform recognition and fingerprinting technology known as "audio fingerprinting" (commonly referred to in this litigation as "fileID"). ER005222. Even though Dr. Nichols correctly noted during the April 24 hearing that such technology "may, in fact, not exactly correspond with the [March 5 Modified Injunction]" (ER005221), the district court directed him to investigate "what else was out there that could possibly be integrated into or used that would achieve the objectives of the order." *Id.*

In his initial findings and recommendations delivered shortly after the April 24 hearing, however, Dr. Nichols dropped a bombshell. Accepting the court's open invitation not only to advise on matters technical but also to decide Napster's compliance (according to some standard that Dr. Nichols never articulated despite repeated requests that he do so), Nichols categorically stated: "I conclude that the current Napster text-based system cannot comply with the court's order." ER005246. He explained that "relying exclusively on filtering by filenames"—the very method of blocking that this Court's decision and the March 5 Modified Injunction presupposed that Napster would use—"is a futile effort" because users change those names. *Id.*

Dr. Nichols's conclusion was predicated on the same flawed assumption that underlies Plaintiffs' submissions in this case and which was apparently accepted by the district court: that compliance with the injunction requires either an absolute or an extremely high level of screening out all infringing works, regardless whether those works were properly noticed by the Plaintiffs, and regardless whether Napster was diligently working, within the limits of its architecture, to ensure that all properly-noticed works were blocked.

Dr. Nichols proposed a variety of short-term measures that, in his opinion, would improve text-based filtering while Napster was developing the new fileID system. Subsequently, at a hearing conducted on May 3, 2001, Dr. Nichols reported that it was "getting harder" for Napster users "to find works" and in that sense "Napster is making some progress at getting things down." ER005261; *see also* ER005297 (statement of RIAA lawyer that Napster had "come a long way" and was adopting "everything that we have suggested they should adopt"). Dr. Nichols noted that Napster was working hard on its new fingerprinting system and was aiming to put it in place by June 8, but that this schedule was "aggressive." ER005260, ER005274.

At the same time, Plaintiffs continued to complain that text-based filtering within the limits of Napster's existing architecture was inherently ineffective and repeatedly raised the specter of a motion for contempt. ER005266, ER005269, ER005287, ER005319-5320. For its part, the district court threatened to "have a

contempt hearing” if the new system was not “up and running by June 8th.” ER005279-5280. Napster argued that it was working hard and in good faith to comply with the preliminary injunction and that it would be inappropriate for it to be forced to develop a new “technology with a deadline that has a contempt sanction on the back of it in a month.” ER005281. Even though Dr. Nichols recognized that Napster’s schedule for launching its new architecture was extremely aggressive—and that audio fingerprinting technology had never been tested before on such a large scale, was likely to “go wrong” (ER005260-5261), and did “not exactly correspond with the March 5 injunction” (ER005221)—the court ordered Napster, on pain of “sanctions of some sort,” to perfect by June 8 a complete rearchitecture of its system. ER005279.

During the May 3 hearing, the district court drew a distinction between Napster’s “long-term” plan of filtering through the fileID system and the “short-term” problem of how to improve text-based filtering until fileID was in place. ER005261-5277. The court expressly delegated to Dr. Nichols the authority to determine how to address the short-term compliance issues:

I’m going to authorize Dr. Nichols to work with Napster and the experts—with all of you—and to come up with the—or at least *supervise the decisionmaking* with respect to short-term solutions that are a wise use of time, will be efficient, and can be accomplished without having the consequence of delaying the June 8th implementation.

ER005277 (emphasis added). The court instructed Dr. Nichols: “You just tell them what short-term remedies you think would be most efficacious.” ER005278, ER005323 (directing the parties to “abide by his priorities as he sees fit to set them”); *id.* (stating, “I will leave that to him...I prefer to have him direct that”).

When counsel for the *A&M* Plaintiffs objected that this attempted delegation would put the technical expert in “an untenable position” because Dr. Nichols lacked “the authority to implement anything but only to advise the court,” the district court stated: “Well, I’ll give him the authority then, how’s that?” ER005279. RIAA’s counsel candidly responded: “I’m not sure you can.” *Id.*; *see also* ER005319.

During the May 3 hearing, Dr. Nichols asked the court for guidance on how he should exercise his new powers:

I would like to have a clear understanding of what the objective is, what my role is with regard to that, and, I think, a perfect time to do it. If you’re saying to me that what you want to do is attempt to maximize the blocking of infringing works and yet still keep Napster to the point where it can operate, then that’s one thing. If you’re saying to me, maximize the blocking of infringing works and don’t worry about the ability of the Napster system to operate in a rational way, then that’s something else.

ER005315-5316. The court then indicated that Dr. Nichols should pursue the first of those two approaches. ER005316. As explained below, however, Napster would soon find out that the district court was ultimately determined instead to implement the second, absolutist approach to Napster’s screening efforts.

Following the May 3 hearing, Dr. Nichols continued to expand his role in the case, conducting an extensive series of meeting with the experts of each party and generally interjecting himself into the day-to-day operations of Napster. *See generally* ER005436-5439, SER00949-954. Consistent with the district court’s delegation of authority, he began to direct Napster’s engineers concerning what they must do in the “short term” to achieve compliance. Likewise, in requiring Napster to increase the memory in all of its servers so as to capture certain data that was needed for audio fingerprinting, Dr. Nichols acknowledged that he “*instructed*” Napster’s chief engineer “to decide by Monday, May 21 upon at least one of three courses of action and to indicate when such course will be done and when it could be completed.” ER005410.

In his next report, dated June 5, Dr. Nichols made clear that he now considered himself the court’s gatekeeper. “[F]or me to consider [the new system] released successfully,” he explained, “Napster must do the following *to my satisfaction*: ...fully release the new system so that all shared works have been fingerprinted, identified, and recognized as non-noticed works.” ER005423 (emphasis added). Dr. Nichols’s micromanagement of Napster’s engineering staff is also evident in his numerous demands for Napster’s internal engineering documents and his insistence that Napster add features of his choosing, such as a plan for monitoring user behavior to catch any circumvention of the new system. *Id.* While this may have been a

salutary idea, Dr. Nichols effectively put himself in control of the fileID development effort, setting priorities and deciding how the fileID system would work in significant respects.

In his next report, dated July 6, Dr. Nichols noted that Napster had met its goal of switching over to the new fileID system on June 27, as the district court had directed at the June 6 hearing. He, however, focused on a single problem that was causing an extremely limited appearance (less than 1%) of noticed works on the service. This problem stemmed from erroneous data that Napster had received either from Plaintiffs or from third parties. SER00935¶40. Significantly, Dr. Nichols did not attempt to measure the *size* of this problem or seek to put it in context. Instead, acting on the assumption that 100% perfection was the goal, Dr. Nichols simply concluded in his July 6 report that the fileID system faced considerable obstacles. SER00952. Moreover, Dr. Nichols also failed to provide previously-promised “success criteria” from an engineering perspective, which put Napster “in the untenable position of deploying massive financial and personnel resources to a task in which [Napster] never knew what [his] goal line was.” SER00957.

##### **5. The District Court’s Adoption of A New “Zero-Tolerance” Standard**

The district court on May 3, 2001 had instructed Dr. Nichols, in directing and administering Napster’s *short-term* compliance efforts, to balance Napster’s legitimate

right to operate against the goal of maximizing the blocking of infringing works. Without explanation, however, the district court changed course and held Napster to a much stricter standard when it came to the new fileID system. Noting that it was prepared to part company with this Court's ruling that Napster's ability to police its system was necessarily "cabined by its system's current architecture" (239 F.3d at 1024), the district court threatened to shut down Napster, stating that "if it's not possible [to prevent infringement] with the architecture of the system, then I think we really have to take a look at whether, you know, whether this system can continue to function." ER005316.

During a hearing conducted on June 6, 2001, the district court reiterated its expectation that Napster—notwithstanding its status as an alleged *secondary*, not *direct* infringer—achieve nothing less than 100% accuracy in preventing infringing uses of its file-sharing system. The court recognized that its extraordinary directive would require Napster to flawlessly deploy a novel and untested architecture (ER006217-6218), but ordered Napster to achieve perfection nonetheless. In ordering that Napster achieve this zero-tolerance standard by July 11, the court stated:

And if by that time, by the time I get Dr. Nichols' report on the 6th we'll take it up on the 11th, there shall not be in operation a system by Napster that has not efficaciously *eliminated* infringing works period. Now, if that means you don't run, you don't operate, so be it. That's your choice. But by one means or another you're going to have to do it, so that you're operating *only with works that are non-infringing*. If they're [sic] infringing works on there that's it period... . It cannot operate in a

fashion to infringe by that date, it's over and done with.... *I'm saying it can only operate with non-infringing works period.*

ER006217-6218 (emphasis added). When Napster suggested that it might be necessary to challenge the court's authority to require Napster to replace one architecture with another, the court invited Napster to appeal. ER006220.

## **6. Napster Implements Its New Architecture**

After a Herculean effort—and notwithstanding the fact that this Court's February 12 ruling presupposed that Napster *would not* have to alter its fundamental architecture—Napster met the revised deadline of June 27 that the court set for the new fileID screening system. On that day, the Napster system was converted to the new architecture and Napster required all users to use the new fileID software in order to engage in file sharing. SER00930¶24; *see also* ER002714-2723, ER002746-2753. To implement its fileID system, Napster created a database of 1.8 million audio fingerprints and correlated that database with artist and title information drawn largely from Plaintiffs' notices. Approximately 40 engineers worked on this project, at a cost to Napster of approximately \$2.25 million, exclusive of the costs of licensing technology. SER00927¶¶8-11. This technology was brand new, having never been employed on any project approximating Napster's scale. SER00927¶8. Napster's fileID system works by comparing the audio fingerprint of a user's MP3 file against

the audio fingerprint of a previously known work and by comparing the metadata<sup>12</sup> for the known work against metadata supplied in Plaintiffs' notices. When a user logs on, a work is classified as sharable if the fingerprint and metadata do not match those of as noticed work. Otherwise, the work is blocked from being shared. SER00928-930¶¶12-22.

Although the architecture performed as designed, its launch revealed a flaw related to the database of noticed works, caused by human error. SER00930¶26. On July 1, 2001, shortly after discovering this flaw, Napster, out of an abundance of caution, suspended all file transfers until it diagnosed and fixed the problem. Additional problems were identified and corrected on July 5, 2001. SER 00930¶¶26-27, SER00932¶33, SER00933¶36.

Napster nevertheless decided to continue to suspend file transfers so that it could debug the new system further. SER00926¶2, SER00931¶¶27-28. Napster also wanted to demonstrate to the court that it was acting cautiously to guard against any avoidable leakage of copyrighted works. SER00931¶27. Even so, Napster retained the ability to employ several tests to determine whether noticed works would have

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<sup>12</sup> "Metadata" is identifying information—song title, artist name, album title—that describes the contents of an MP3 file. SER00928.

been available for transfer if allowed.<sup>13</sup> One set of six tests, in which Napster searched for noticed works on its index, showed a 100% success rate in excluding noticed works from July 2 to July 9. SER00932¶31. Another set of two tests, in which Napster sampled logs of file transfer attempts by users, showed that, since July 5, fewer than 1% of the works that would have been available for transfer were noticed works. SER00933¶33. In other words, this data indicated that more than 99 percent of the works were *not* infringing.

**E. The District Court Shuts Napster Down On July 11, 2001, Until The Order Is Stayed By This Court One Week Later**

On July 11, 2001, at a previously scheduled conference, Napster offered evidence indicating that the new fileID architecture was approaching 99%

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<sup>13</sup> Such testing was still possible because thousands of individuals (although only a small percentage of Napster's total previous users) continued to utilize the Napster system for purposes other than file-transfer, such as using Napster's software to listen to their own music. When they did so, their individual files were uploaded to the Napster index and run through the fileID technology, generating substantial test data. SER00931¶28.

effectiveness. Plaintiffs did not challenge that evidence before the district court.<sup>14</sup> Napster also stated that it believed its system fully complied with the March 5 Modified Injunction and this Court's decision, and it was thus prepared to remove its self-imposed barriers to file-sharing by users.

Without issuing a written opinion or conducting an evidentiary hearing, the district court made good on its threat to shut Napster down. The court ordered: (i) that Napster must disable file-sharing until it has achieved "zero-tolerance" of noticed works on the system (SER01006); and (ii) that, before it would permit Napster to allow its users to resume file-sharing, the court would rely *solely* on the judgment of Dr. Nichols to certify that Napster had done everything that the *expert* thought

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<sup>14</sup> From June 27, 2001, the date of the implementation of the fileID system, until the July 11 hearing, Plaintiffs had two weeks to test Napster's system and to determine for themselves whether noticed works were available. It is clear from the declarations that Plaintiffs submitted on July 10 that Plaintiffs devoted substantial resources to their detection efforts. The only actual evidence proffered by Plaintiffs, however, demonstrates the fundamental efficacy of fileID system. In total, Plaintiffs claim that they were able to locate approximately 350 noticed works on the system since fileID was launched. This number represents significantly less than one-tenth of one percent (0.04%) of the 950,000 works for which they have given notices. Furthermore, approximately two-thirds of the 350 noticed works identified by Plaintiffs were found during a three-hour period on July 5 when blocking had been accidentally disabled—an aberrant problem that was promptly identified and corrected and did not result in the actual transfer of any works because file transfers were suspended during that time. The bulk of the remaining works were detected during the time that Napster had not yet corrected its initial database problem. Declaration of Richard Joseph Carey in Support of Napster's Emergency Motion for Stay filed in this Court on July 12, 2001, ¶ 18.

necessary to block noticed copyrighted works in a manner consistent with the March 5 Modified Injunction (collectively, the “July 11 Order”) (SER01008-1009). When Napster sought guidance on what it must do before recommencing operations, other than achieve an impossible standard of “zero-tolerance,” the court simply stated that Napster would have to “satisfy” Dr. Nichols. The court stated:

[T]his system is not to go back up in such a manner as to permit copying and downloading other than to test that for the purposes of determining the error rate *until you’ve satisfied Dr. Nichols*. And then, he can notify me.

SER01006 (emphasis added).

Objecting to the district court’s decision to delegate yet another essential judicial function to a technical expert, Napster pointed out that “we still don’t know from the court what the standard is other than satisfying Dr. Nichols. And I would suggest to the court that we are now in a world in which we are essentially operating in a receivership.” SER01007. The district court responded:

Dr. Nichols knows what is expected. I expect you to get down to zero, as close thereto as possible...as humanly possible. He has already indicated some things that can be done, and apparently that you recognize can be done to get closer. And that is what is going to have to be accomplished. And work with him. And he will tell me when he thinks you’ve got to that point.

SER01008-1009. The district court offered Napster an undefined right to come back to the court so that the trial judge could “take it up.” SER01006.

On July 18, following detailed briefing by the parties, this Court ordered that

“the order issued by the district court on July 11, 2001, in open court, modifying the Preliminary Injunction issued March 5, 2001, is hereby stayed pending a further order of this court.”<sup>15</sup>

### SUMMARY OF ARGUMENT

1. Plaintiffs contend that Paragraph 2 of the modified injunction erroneously requires them to “provide notice to Napster,” for each of their copyrighted sound recordings, of the name of “one or more files available on the Napster system containing such work.” In fact, according to Plaintiffs, they should not have to give Napster notice of *anything*—instead, only Napster should have a duty to identify copyrighted works and recognize infringing files. Those arguments flout this Court’s unambiguous remand instructions. Had Plaintiffs wanted to take issue with this Court’s ruling, they should have filed a petition for rehearing, and they did not. But even if the notice requirements were not compelled by this Court’s decision, the district court did not abuse its discretion in imposing them. Plaintiffs’ contrary view,

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<sup>15</sup> After filing its emergency motion but before this Court issued the stay, Napster learned that certain data it had submitted to the district court were erroneous. As Napster was deploying its new fileID system, Plaintiffs delivered more than 400,000 new notices (nearly one-half of the total notices received to that date). Napster’s database administrators made inputting errors, excluding a small number of noticed works from the master database. Since that database was slightly incomplete, the random sampling tests resulted in numbers that were slightly more favorable to Napster. *See* Letter from L. Pulgram to Ninth Circuit submitted July 16, 2001.

if adopted, would effectively have required the district court to reinstate the very injunction that this Court previously reversed as “overbroad.”

2. The “policing” obligation imposed by Paragraphs 3, 4, and 6 of the Modified Injunction is so vague and indeterminate as to violate Fed. R. Civ. P. 65(d), which requires every injunction to be “specific in terms.” What is more, precisely because those provisions are so open-ended, the district court, in implementing the policing obligation, has required Napster to block not only properly-noticed works, but also substantial noninfringing material, and has insisted, on pains of contempt, that Napster alter its fundamental architecture. Construing the duty to police in this fashion, however, violates this Court’s remand decision, as well as the principles set forth in *Sony*.

In our view, Paragraphs 3, 4, and 6 must therefore be vacated and clarified in two ways. First, the Court should make clear that the duty to police does not require Napster to employ blocking techniques that are likely to screen out a significant number of noninfringing works. Drawing on a formulation from this Court’s prior decision, we submit that the policing obligation should state that once Plaintiffs have provided notice of a copyrighted work and a specifically infringing file, Napster would then have a duty to (i) block the noticed file and (ii) police the system in an effort to detect other file names, not specifically noticed by Plaintiffs, but which

“reasonably or roughly correspond” to the file names Plaintiffs provided. 239 F.3d at 1024.

Second, the policing obligation in Paragraphs 3, 4, and 6 should be clarified to confirm a point on which this Court’s prior opinion left no room for doubt: the duty to police does not require Napster to change its architecture. This Court clearly stated that Napster’s duties are “cabined by its existing architecture” (*id.* at 1027), and it follows that the duty of “policing” may not require Napster to *alter* the architecture of the system.

3. The Modified Injunction, as implemented by the district court, worked an impermissible delegation of Article III authority to the court’s “technical expert,” Dr. Nichols. Although it is well settled that a court may not delegate its core decisionmaking functions to a technical expert, that is just what the district court did—first by effecting an undefined delegation to Dr. Nichols, later by expanding that delegation on a seemingly ad hoc basis, and finally by leaving virtually the entire adjudication in his hands. By July 11, Napster found its core file-sharing business in receivership, with Dr. Nichols at the helm. The law does not permit that, and the delegation to Dr. Nichols—effected as part of the Modified Injunction—should be confined to its proper province.

4. The district court lacked jurisdiction to enter the July 11 Order prohibiting Napster from resuming its file-sharing function, and that order should

therefore be vacated. The July 11 Order modified the March 5 Modified Injunction while an appeal of that injunction was pending before this Court. Far from *maintaining* the status quo, the July 11 Order fundamentally *altered* the status quo, by changing the parties' legal rights and duties, imposing an unprecedented "zero-tolerance" standard for file blocking, and shutting down Napster's file sharing service and all its noninfringing uses until such time as the company could meet the new standard.

5. Finally, even if the district court had authority to enter the July 11 Order, that order was flatly inconsistent with this Court's previous opinion, which reversed as "overbroad" an injunction that also had required Napster to shut down its file-sharing system. The district court's inflexible command that Napster's technology not operate until it is 100% effective in excluding noticed works contradicts this Court's recognition that "the burden of policing the system" is limited not only by the architecture of the system, but also by the ingenuity of its users. Policing, this Court emphasized, "is not an exact science." The district court thought otherwise, and its July 11 Order to that effect should be set aside.

#### **STATEMENT OF THE STANDARD OF REVIEW**

Orders granting a preliminary injunction are reviewed for abuse of discretion, which will be found where a decision is based on (1) clearly erroneous findings of fact; or (2) application of an erroneous legal standard. *Neal v. Board of Trustees*, 198

F.3d 763, 766 (9th Cir. 1999). A district court’s application of law, whether relating to the legal standards governing the issuance of a preliminary injunction or to the law relating to the merits of the underlying claim, is subject to de novo review. *Bay Area Addiction Research & Treatment, Inc. v. City of Antioch*, 179 F.3d 725, 730 (9th Cir. 1999).

## **ARGUMENT**

### **I. THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION IN REQUIRING PLAINTIFFS TO PROVIDE NOTICE OF SPECIFIC INFRINGING FILES BEFORE NAPSTER’S OBLIGATION TO BLOCK THAT WORK IS TRIGGERED**

In their appeal from the March 5 Modified Injunction, Plaintiffs contend that the district court erred in requiring them to “provide notice to Napster of their copyrighted sound recordings by providing for each work...the name(s) of one or more files available on the Napster system containing such work.” ER000676¶2. Plaintiffs also complain that they should not even have to identify their copyrighted properties, because Napster should be required to discern that information from public sources. These arguments should be rejected out of hand.

#### **A. The District Court Cannot Be Faulted For Implementing This Court’s Unambiguous Directive**

In reversing the original injunction as overbroad, this Court gave remand instructions that could hardly have been clearer:

The preliminary injunction which we stayed is overbroad because it places on Napster the entire burden of ensuring that no “copying,

downloading, uploading, transmitting, or distributing” of plaintiffs’ works occurs on the system. *As stated, we place 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.*

239 F.3d at 1027 (emphasis added). This Court recognized that “file names are user-named and may not match copyrighted materials exactly”; that “the Napster system does not ‘read’ the content of indexed files”; and that, “[a]s a practical matter, Napster, its users and the record company plaintiffs have equal access to infringing material by employing Napster’s ‘search function.’” *Id.* at 1024. This Court also recognized that, “absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material.” *Id.* at 1021.

The district court faithfully implemented this Court’s directive. Thus, Paragraph 2 of the March 5 Modified Injunction directs Plaintiffs to

provide notice to Napster of their copyrighted sound recordings by providing for each work: (A) the title of the work; (B) the name of the featured recording artist performing the work (“artist name”); (C) the name(s) of one or more files available on the Napster system containing such work; and (D) a certification that plaintiffs own or control the rights allegedly infringed. Plaintiffs shall make a substantial effort to identify the infringing files as well as the names of the artist and title of the copyrighted recording.

2001 WL227083, at \*1.

It is difficult to see how the district court could have done anything *other* than what it did. Plaintiffs' contrary view is part and parcel of their campaign of resistance and obstructionism that began immediately after this Court issued its February 12 opinion. As detailed above, Plaintiffs have insisted at every turn that "the Ninth Circuit did not require...that Plaintiffs give Napster notice" of "specific user files containing plaintiffs' unauthorized works." SER00412. But this Court's remand opinion unequivocally imposed a notice obligation on Plaintiffs, and Paragraph 2 of the modified injunction simply implements that requirement.

At bottom, Plaintiffs' real objection to the notice requirement is directed at this Court's previous decision, with which Plaintiffs apparently still disagree. Yet they filed no rehearing petition in this Court. (Napster, in contrast, did ask this Court to reconsider its February 12 decision.) Because Plaintiffs made the tactical choice not to seek rehearing to clarify any doubts they may have had, their present argument should be deemed waived.

**B. Even If This Court Had Not Provided Clear Remand Instructions, The District Court Would Not Have Abused its Discretion In Imposing The Notice Requirement**

Even if the district court had been writing on a clean slate, there would be no basis for finding an abuse of discretion. *See* 239 F.3d at 1013. The notice requirements were amply supported by authority establishing that, in the online

context, rights holders must identify infringing works and files containing such works before secondary liability can attach.

### **1. The Rationale of *Netcom* Supports The Notice Requirement**

Plaintiffs are simply wrong that the notice requirement imposed by this Court is “unprecedented.” AOB5.<sup>16</sup> In allocating burdens between the parties, this Court relied primarily on *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), the leading case on copyright infringement in the online context. *See, e.g.*, H.R. REP. NO. 105-551(I), at 11 (1998) (“[The Digital Millennium Copyright Act (“DMCA”)] essentially codifies the result in the leading and most thoughtful judicial decision to date...and provides certainty that *Netcom* and its progeny...will be the law of the land.”); *ALS Scan, Inc. v. Remarq Communities, Inc.*, 239 F.3d 619, 622 (4th Cir. 2001).

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<sup>16</sup> Plaintiffs’ assertion that they have been required to expend substantial resources to comply with notice requirements is overblown. For the 18 record company Plaintiffs seeking to identify hundreds of thousands of works, Plaintiffs’ initial notices required on the order of 80 hours per company to generate—just a few seconds per song. ER001776¶10. That the Plaintiff businesses, which are founded on ownership of copyright, did not previously have such lists available does not make the costs of creating them unreasonable. Now that the lists are made, such costs need not recur. Providing the identity of works owned is something that Plaintiffs are required to do as part of meeting their *prima facie* burden to prove ownership for purposes of damages. Similarly, there is no indication in the record that the cost sustained in locating file names on the Napster system is disproportionate to the hundreds of thousands of works involved. Indeed, Plaintiffs have employed automated robots to perform such searches. ER001778¶18.

The defendants in *Netcom* were Thomas Klemesrud, the operator of a computer bulletin board service (“BBS”), and Netcom, an Internet service provider (“ISP”) that distributed messages posted by users on the bulletin board over the Internet. 907 F. Supp. at 1365-66. All materials posted on the bulletin board were stored for several days on both Klemesrud’s and Netcom’s computers. *Id.* at 1367. The suit arose after a user posted copyrighted materials. *Id.* at 1366. When Netcom and Klemesrud declined to block the infringing user from the bulletin board, plaintiffs sued for direct infringement, contributory infringement, and vicarious liability. *Id.*

On the contributory infringement claim, the court reasoned that “a mere unsupported allegation of infringement by a copyright owner may not automatically put a defendant on notice of infringing activity.” *Id.* at 1374. The court further held:

Where a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or *the copyright holder’s failure to provide the necessary documentation to show that there is a likely infringement*, the operator’s lack of knowledge will be found reasonable and there will be no liability for allowing the continued distribution of the works on its system.

*Id.* (emphasis added).

This Court, adopting the reasoning of *Netcom*, correctly recognized that, in the online context, evidence of actual knowledge of specific acts of infringement is required to hold a system operator liable for contributory infringement, and, furthermore, that the copyright holder must “provide the necessary documentation to

show there is likely infringement.” 239 F.3d at 1021. “To enjoin simply because a computer network allows for infringing use would, in our opinion, violate *Sony* and potentially restrict activity unrelated to infringing use.” *Id.* (citing *Sony Corp., supra*).

*Netcom* refutes Plaintiffs’ assertion that Napster can be deemed to have sufficient notice of infringement based merely on the content of works and its ability to conduct an investigation of them. The defendants in *Netcom* certainly had the ability to determine the content of the materials posted on the bulletin board, since all messages were stored on their systems and could have been reviewed. 907 F. Supp. at 1367. Nonetheless, the court rejected the argument that, in the online context, mere

potential to determine the content and copyrighted status of files is sufficient to impose liability for contributory infringement. *Id.* at 1374-75.<sup>17</sup>

## **2. The Notice Requirement Is Also Supported By Secondary Liability Cases Involving Products And Services Capable Of Noninfringing Uses**

Notice requirements are rightfully imposed as a limitation on claims against providers of services capable of non-infringing uses. Copyright law imposes strict liability on direct infringers, regardless of notice. *See, e.g., Netcom*, 907 F. Supp. at 1367. The standards for establishing *secondary* liability—imposed on third parties that did not perform the copying—are substantially more onerous, adding elements of

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<sup>17</sup> Many of the cases cited by Plaintiffs do not involve online service providers and thus do not implicate the same policy considerations. *See, e.g., Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996) (involving flea market operator); *A&M Records, Inc. v. General Audio Video Cassettes, Inc.*, 948 F. Supp. 1449 (C.D. Cal. 1996) (manufacturer of cassette tapes used for counterfeiting); *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335 (S.D.N.Y. 1984) (photocopying shop that also provided cassette copying service); *Universal City Studios, Inc. v. American Invsco Mgmt., Inc.*, 217 U.S.P.Q. 1076, 1077 (N.D. Ill. 1981) (private theater alleged to have permitted unauthorized showing of feature film). As for the cases cited by Plaintiffs that do involve online activities, they all pre-date this Court's prior decision and either are distinguishable on other grounds or do not stand for the proposition for which they are cited. *See, e.g., Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp. 2d 1290 (D. Utah 1999) (defendants had been ordered to remove single infringing work from their website in previous lawsuit); *Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 509-510 (N.D. Ohio 1997) (defendant screened content of each uploaded file to determine whether to include it on its electronic billboard service and personally observed each infringing image before releasing it on service); *Sega Enterprises, Ltd v. MAPHIA*, 948 F. Supp. 923 (N.D. Cal. 1996) (defendant had actual knowledge of infringement of video games on its electronic bulletin board service).

notice and control. *Id.* at 1373-77. Plaintiffs elide this distinction, time and again mistakenly relying on cases that involve the standards that govern direct, not secondary infringers.

But adhering to this distinction is especially important where the product or service at issue is capable of *substantial* noninfringing uses (which, as this Court recognized, is the case with Napster's system (239 F.3d at 1020-21)). In *Sony*, the Supreme Court held that supplying the means to accomplish infringing activity, and even encouraging that activity through advertising, are insufficient to establish secondary liability where the product or service supplied is capable of significant noninfringing uses. 464 U.S. at 442-43. Mere knowledge that a product is likely to be used for infringing activities does not meet the heightened standard required for secondary liability. *Id.*

The same is true in the online context. Online service providers can be said to “know” that the Internet will be used for infringing activities. *See* H.R. REP. NO. 105-551(I), at 32 (DMCA “addresses concerns raised by a number of online service providers regarding their potential liability when infringing material is transmitted online through their services.”). Nonetheless, like the videotape recorders at issue in *Sony*, Internet file-sharing services are capable of substantial noninfringing uses, and generalized “knowledge” on the part of companies that run them cannot give rise to

secondary liability. Therefore, actual notice of specific acts of infringement is required. This Court recognized as much in its prior decision. 239 F.3d at 1021.

Finally, Plaintiffs contend (AOB19-20), that the provision of file names to computer service providers such as Napster serves no important purpose. That is just not so. First and foremost, providing notice of a specific file demonstrates that a work in which the Plaintiffs claim rights is actually available through the system, thereby triggering the duty on Napster's part to exclude that file and others bearing the same name. Absent the file, there is no duty to exclude it. Yet, in the absence of a delivery of a file name, every rights holder could simply send lists of all of their works to all systems operators, imposing a massive and onerous burden on such systems to erect screens for every work.

Second, the existence of an infringing file also triggers the service provider's duty to police the system by searching for that work to ensure it is being excluded (and, if variants are discovered, excluding them). This is not an inconsequential expense. Napster had to hire dozens of persons to manually police the system, at the cost of \$150,000. ER000853¶40. To allow the policing duty to be triggered by mere notice of ownership in a work, without a file name showing the work's availability through the system, would allow rights holders to impose unrestrained costs unrelated to any demonstrable infringement.

Third, in Napster’s case, the file name was needed to assist in blocking the file found.<sup>18</sup> Under the old text-based system, the identification of an actual file caused that specific file to be excluded, while also providing Napster with information that was useful to its policing activities. ER00847¶¶14,15. And even under the new fileID system, the identification of an infringing file available through the system permits Napster to match with certainty the relevant metadata and ensure that the proper fingerprint is thereafter blocked. SER00928-30¶¶12-22. Indeed, by providing Napster with the file name, the rights holder now has the ability to permanently disable all access to that *work* because the file name displayed by Napster, and identified by the user, is linked by fingerprint to every other iteration of that work. *Id.*

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<sup>18</sup> Plaintiffs are therefore mistaken when they contend that “Napster admitted to the District Court that it did not need *any* file names to block infringements over its system.” AOB19. To the contrary, Napster’s counsel explained that file names are necessary but that they provide only a part of the extensive blocking being undertaken by Napster. In fact, as Napster explained in detail in its First Compliance Report, its text-based filters consisted of two stages: an artist-name/song-title-based filter; and a file name filter. ER000847¶¶14,15. The latter filter contains not only the specific file name noticed by Plaintiffs but also contains file name variants—variants that all parties were under an obligation to detect. Napster’s artist/title name filters were highly effective in blocking exact artist/title pair matches; what proved difficult was the detection and blocking of all user-named variants. Hence the provision of actual file names that Plaintiffs contend correspond to their works was absolutely critical to the success of Napster’s text-based filters. As Napster’s counsel explained at the April 10 hearing, Napster uses file names in the variant-identification process. ER005069.035-5069.037. In addition, as Napster’s counsel argued, whether Napster blocks by file name or not, it needs a file name in order to trigger the obligation to search for and exclude Plaintiffs’ noticed works. *Id.*

Providing a file name that Napster already recognizes eliminates the problem with the metadata which Dr. Nichols identified as the principal remaining issue for the fileID system. *Id.*; SER00691-92.

**C. Plaintiffs’ Remaining Objections To The Notice Requirement Are Insubstantial**

1. Plaintiffs complain that the notice requirement subverts the “traditional purpose of a copyright preliminary injunction,” which is to “enjoin future infringement before it takes place.” AOB 10; *see also id.* at 16-19, 23-24. According to Plaintiffs, the requirement that they identify specific infringing files before any duty arises on Napster’s part to block the works means that infringement will necessarily occur before injunctive relief is triggered. But here as elsewhere, Plaintiffs conflate the standard for *direct* infringement (which may apply to Napster *users*) with the standard for *secondary* liability (which Plaintiffs seek to extend to Napster itself). The entire concept of secondary liability and the required additional elements of knowledge and control mean that there may—and indeed often will—be some direct infringement *without* liability on the part of the secondary actor. Under this Court’s and *Netcom*’s formulation, unless and until notice is provided of a specific infringing file, the secondary party cannot be held responsible. Put differently, there simply is no wrongdoing by Napster until notice is provided.

2. Plaintiffs next renew their argument (AOB 28) that the requirement to

provide notice of specific infringing files applies only to their claim of contributory infringement (which has a knowledge component) and not to their claim of vicarious infringement (which imposes a duty to police the system regardless of knowledge). But this Court's decision contained no such qualification: "[W]e place 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 a duty to disable access to the offending content." 239 F.3d at 1027. What is more, as the district court recognized (ER005069.045), acceptance of this distinction would be unmanageable and lead to absurd results, requiring a court to enter a bifurcated injunction. Because Plaintiffs' contributory and vicarious infringement claims largely, if not completely, target the same conduct, Plaintiffs' argument also would render the notice provision a dead letter. Moreover, acceptance of this argument would destroy the heightened protection for online service providers under *Netcom* because claimants could simply forego contributory infringement claims in favor of vicarious liability to avoid the notice requirement.

In any event, Plaintiffs are wrong to suggest that, in this context, knowledge is irrelevant to the "ability to supervise and control" that is required for vicarious liability. This Court held that "[t]urning a blind eye to *detectable* acts of infringement" gives rise to vicarious liability. 239 F.3d at 1023 (emphasis added). The notice requirement merely reflects that, even under a vicarious liability theory,

liability arises only where a party can detect and effectively prevent acts of infringement. *Id.* at 1023. In the online context, potentially infringing files are not reasonably detectable, or subject to a realistic ability to supervise or control, in the absence of specific notice.<sup>19</sup>

**D. Plaintiffs Also Seek to Reinstate The Very Injunction That This Court Rejected as Overbroad**

Not content merely to escape this Court's plain command to provide notice of specific infringing files, Plaintiffs then go one extraordinary step further: They seek to shift *the entire burden* of avoiding infringement back to Napster. In Plaintiffs' view, Napster has a duty to determine from any available source which works are copyrighted and to block all potentially infringing files until such determination is made, without Plaintiffs ever lifting a finger. AOB37. Plaintiffs contend that knowledge of the ownership and authorization status of millions of works may be imputed to Napster based on the mere existence of public sources of information. AOB 32-33. Further, Plaintiffs contend that Napster should be required to adopt a

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<sup>19</sup> Online service providers do not have the same level of control over their customers as typically is present where vicarious liability is imposed. Unlike the vicarious liability cases cited by Plaintiffs (AOB25-26), Napster and the direct infringer are not jointly engaged in a commercial enterprise. For this reason, commentators cited by this Court have recognized that ISPs generally should not be vicariously liable for acts of consumers. *See Alfred C. Yen, Internet Service Provider Liability for Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 Geo. L.J. 1833, 1863 (2000).

“filter-in” system, under which only pre-authorized works could be made available on the system, and be required to track all of its users’ activity. AOB34. Notably absent from Plaintiffs’ view is any acknowledgment that Plaintiffs must share any burden of preventing users’ transfers of Plaintiffs’ works. 239 F.3d at 1027.

The scheme Plaintiffs have in mind is not materially different from the injunction this Court originally rejected as overbroad. The district court enjoined Napster in July 2000 from facilitating in the copying of Plaintiffs’ copyrighted works “without the express permission of the rights owner. This injunction applies to all such works that plaintiffs own;...defendant must insure that no work owned by plaintiffs which neither defendant nor Napster users have permission to use or distribute is uploaded or downloaded on Napster.” 114 F. Supp. 2d at 927. Plaintiffs’ current position seeks to reinstate the same result: a world in which Napster must itself determine what works are protected and obtain pre-approval before allowing any works to be shared. Plaintiffs made the same argument to this Court a year ago—contending that Napster should “compile a database of works authorized by copyright owners to be distributed and copied, and permit the indexing, searching, and downloading only of those works.” Pls.’ Opening Brief, First Appeal, at 19. Their present position ignores that this Court has expressly placed the burden on Plaintiffs to provide notice, and the burden on Napster thereafter to exclude noticed works to the extent it could.

Nor is it any accident that this Court required the parties to “share” the burden to prevent infringement. Plaintiffs’ alternative—according to which Napster would have to ferret out on its own, on pains of contempt, all of the “potential sources” (AOB32) of copyrighted works—is absurd. An online service, often with millions of subscribers, cannot be expected to consult “public sources” (AOB32), retain “industry experts” (*id.*), or just refer to “common knowledge” (AOB33) to determine whether there may be works on its system at any given time that may be copyrighted. Even if this were still an open question at this stage of the litigation (and it is not), common sense, if not “common knowledge,” counsels against framing an injunction in such hopelessly open-ended terms. Indeed, where Plaintiffs claim that they themselves had some difficulty determining the works they own (ER001775-1776¶¶8-10), and have incorrectly given notice to Napster for works that were not theirs (ER003646-3655), it would turn logic on its head to require Napster to divine that information in order to avoid claims of secondary liability.

**II. NAPSTER’S “POLICING” OBLIGATION UNDER PARAGRAPHS 3, 4, AND 6 OF THE MODIFIED INJUNCTION IS TOO INDETERMINATE TO SATISFY FED. R. CIV. P. 65(D), VIOLATES THE RULE IN *SONY*, AND SHOULD BE CLARIFIED SO AS TO BE CONSISTENT WITH THIS COURT’S FEBRUARY 12 DECISION**

Once Plaintiffs provide notice—pursuant to Paragraph 2 of the Modified Injunction—of copyrighted works and a specific infringing file, Napster is then required, pursuant to Paragraph 5, to “prevent the downloading, uploading,

transmitting or distributing of the noticed copyrighted sound recordings.” ER000676¶2, ER000677¶5. Beyond simply “taking down” the noticed file (which Napster has, in all cases, done promptly), however, Napster is also required at that point, pursuant to Paragraphs 3, 4, and 6, to “police” the system and disable certain infringing content.

But as presently drafted, the Modified Injunction fails to make clear how, to what extent, and at what cost, Napster is supposed to discharge its “policing” obligation. As a consequence, the district court effectively imposed a duty to police that extends beyond anything contemplated in this Court’s prior decision. Unless clarified so as to be consistent with this Court’s decision, Paragraphs 3, 4 and 6 of the Modified Injunction (containing the “policing” obligation) are insufficiently specific under Fed. R. Civ. P. 65, and violate the principles articulated in the *Sony* case.

**A. Unless Clarified, Paragraphs 3, 4 and 6 of the Modified Injunction Are Insufficiently “Specific in Terms” To Satisfy Rule 65**

An order granting an injunction “shall be specific in terms [and] shall describe in reasonable detail...the act or acts sought to be restrained.” Fed. R. Civ. P. 65(d). Rule 65(d) “requires the language of injunctions to be reasonably clear so that ordinary persons will know *precisely what action is proscribed.*” *Clark v. Coye*, 60 F.3d 600, 604 (9th Cir. 1995)(emphasis added); *United States v. Holtzman*, 762 F.2d 720, 726 (9th Cir. 1985). Injunctions must also be “narrowly construed” (*NBA*

*Properties, Inc. v. Gold*, 895 F.2d 30, 32 (1st Cir. 1990)), and “all ambiguities” must be “resolved in favor of the person subject to the injunction.” *Clark*, 60 F.3d at 604.

The policing paragraphs fail to satisfy these principles, as they do not delineate, with any degree of precision, what Napster must do to comply (and avoid contempt, which Plaintiffs have sought in the past (ER006205), and which the trial court has threatened. ER005279-5280, ER005069.066-5069.067. Paragraph 3 commands Napster (and Plaintiffs) to use “reasonable measures” to “identify[] variations of the filename(s), or of the spelling of the titles or artists’ names, of the works identified by plaintiffs.” ER000677¶3. It also directs Napster to take “appropriate action within the context of this Order” where “it is reasonable to believe that a file available on the Napster system is [such] a variation.” *Id.*

It is difficult to know with any precision what this language means. There are countless “variations of filenames” and an equally wide spectrum of “spellings” of names and songs. What does it take to perform “reasonable measures”? *See Florida Ass’n of Rehab. Facilities, Inc. v. State of Florida Dep’t of Health & Rehabilitative Servs.*, 225 F.3d 1208, 1222-23 (11th Cir. 2000) (holding that injunction was invalid and unenforceable where defendants were ordered to “adequately” reimburse plaintiffs and “compl[y]” with substantive requirements of statute). How far afield can the spellings range before Napster is relieved of the duty to spot and disable the file? And what is an “appropriate action” in this setting? If there is reason to believe that a

single copyrighted song by a particular artist is on the system, must Napster block *all* songs by that artist—even ones that were not and could not be noticed—simply to ensure that no possible variant of the noticed item will be uncovered?

Paragraph 4 is just as opaque. It imposes on Napster a highly ambiguous obligation to “police the system.” What, exactly, does that mean? It will not do simply to tell Napster, as Plaintiffs repeatedly do (AOB 23, 24-25, 37), that the company must police the system “to its fullest extent.” 239 F.3d at 1023. That formulation merely restates the standard governing vicarious liability, and an injunction not to violate the law does not provide the explicit notice required by Rule 65(d). *See Schmidt v. Lessard*, 414 U.S. 473, 476 (1974) (injunction ordering State “not to enforce the present Wisconsin [involuntary commitment] scheme” fell “far short” of satisfying Rule 65(d)); *Hughey v. JMS Dev. Corp.*, 78 F.3d 1523, 1531-32 (11th Cir. 1996) (vacating “obey the law” injunction).

If, as Plaintiffs insist, Paragraph 4 simply tells Napster to police as “fully” as it can, it constitutes an “obey the law” injunction—imposing a vague, potentially limitless obligation that Napster search its system continually against lists of copyrighted works provided by Plaintiffs. No ordinary person reading the Modified Injunction could discern precisely what Napster must do to comply. The instruction does not state how frequently Napster must search, what level of accuracy is required,

and what limit, if any, there is to the costs Napster must bear in conducting these searches.

Similarly, Paragraph 6 tells Napster to “prevent the downloading, uploading, transmitting or distributing of the noticed copyright sound recordings”—a task that is impossible to fully achieve without shutting down the system altogether. As this Court recognized, because file names only roughly correspond to content, policing the system cannot be an “exact science” (239 F.3d at 1027); there invariably will be some file names that evade detection. Yet Paragraph 6 purports to hold Napster to the duty to obey the law, without specifying what Napster is to do to achieve that end.

In Napster’s line of business, vagueness of this sort has severe consequences—it leaves the company with no idea how much “over-blocking,” if any, it must suffer in order to fulfill its policing obligations. In the name of “policing” to the “limit” and taking “reasonable” and “appropriate” measures, must Napster employ techniques that, in addition to blocking the noticed works, also result in massive blocking of noninfringing material? Must it even alter its architecture so as to block more sweepingly than any file name possibly could?

These are not idle speculations—they are, in fact, the very obligations imposed by the district court purportedly under color of Napster’s duty to “police.” The district court on May 3 instructed Napster, “when in doubt, then block.” ER005277, ER005278 (“[I]f you overblock, so be it.”). The court made the same point on June 6.

ER006187. The Court also ordered Napster to perfect by June 8 a complete rearchitecture of its system, threatening to “have a contempt hearing” if the new system was not “up and running” by June 8. ER005279-5280.

An injunction that leaves this much to the imagination cannot satisfy Rule 65(d).

**B. Unless Clarified, The Policing Paragraphs Potentially Authorize Massive Blocking Of Non-Infringing Works, In Violation Of The *Sony* Case And Of This Court’s February 12 Decision**

Apart from their inherent vagueness, the policing paragraphs, as implemented by the district court, run afoul of the principles of *Sony*. As the Supreme Court explained, a finding of contributory infringement gives the copyright holder “effective control over the sale of” the allegedly infringing item. 464 U.S. at 441. “For that reason,” it continued, “the Court has always recognized the critical importance of not allowing the [copyright owner] to extend his monopoly beyond the limits of his specific grant.” *Id.* Although a copyright holder has a “legitimate demand for effective—not merely symbolic—protection of the statutory monopoly,” so too do others have the right “freely to engage in substantially unrelated areas of commerce.” *Id.* at 442. The Court observed, further, that “[s]ound policy, as well as history,” counsels judges against pushing copyright principles too far, in the absence of specific congressional mandate, “when major technological innovations alter the market for copyrighted materials.” *Id.* at 432. To “strike a balance” among these competing

rights, the Court held that even where a product is capable of being used by others to infringe a copyright—indeed, even where the maker of that product *knows* that some users will commit acts of infringement—the sale of that product will not give rise to contributory infringement, provided it is “widely used for legitimate, unobjectionable purposes.” *Id.*

That basic principle—recognized by this Court in its prior decision (*see* 239 F.3d at 1020-1021)—requires that an injunction be narrowly tailored: it must protect the underlying copyright, but, by the same token, it may not stifle “major technological innovations” or prohibit the public availability of significant amounts of noninfringing materials. The policing paragraphs as currently drafted fail that test. They command “policing” but do not tell Napster how far it must go in discharging that duty. As a consequence, the district court has held Napster to a standard that treats substantial over-blocking as utterly inconsequential. That is precisely what *Sony* forbids. Worse still, relying on the policing paragraphs, the district court has required Napster to develop, and implement to perfection, a novel blocking architecture (fileID), wholly unprecedented in the industry. This requirement runs afoul of the basic principle in *Sony* that, absent specific congressional warrant, courts simply should not be in the business of second-guessing “major technological innovations [that] alter the market for copyrighted materials.” 464 U.S. at 432.

This Court’s prior decision also forbids the open-ended obligations imposed by the policing paragraphs. For one thing, the Court made absolutely clear that Napster has the “burden of policing the system” but only “within the limits of the system,” and that the burden is “cabined by the system’s current architecture.” 239 F.3d at 1024, 1027. Put another way, Napster’s duties under the copyright laws do not require it to invent a new “system”—much less to achieve perfection with it overnight.

But an open-ended command that says, simply, “Do what is reasonable” permits courts—and the district court is one—to decide, after the fact, that an entirely new “system” would be the “reasonable” or “necessary” thing to do. Courts should not be in the business of superintending the pace and progress of technology. *See United States v. Microsoft Corp.*, 147 F.3d 935, 948 (D.C. Cir. 1998) (noting “the undesirability of having courts oversee product design.”). The policing paragraphs must be clarified to preclude that.

So too this Court made clear that, consistent with *Sony*, the district court must frame its injunction bearing in mind Napster’s “commercially significant noninfringing uses.” 239 F.3d at 1021. Indeed, the Court took pains to remind the district court to take account of both “current and future noninfringing use.” *Id.* To meet that requirement, not to mention the principles of *Sony* from which the standard is derived, Paragraphs 3 and 4 must be clarified to ensure against overblocking of noninfringing works.

**C. This Court Should Clarify That Napster’s “Policing” Obligation Under Paragraphs 3, 4 And 6 Does Not Include Any Duty To Engage In Over-Blocking Or To Alter Napster’s Architecture As Of The Time The Modified Injunction Was Entered**

In order to cure the identified shortcomings of the policing paragraphs, the Court should issue two clarifications:

First, the Court should make clear that the duty to police does not require Napster to employ blocking techniques that are likely to screen out a significant number of noninfringing works. We believe that the best way to achieve that result is to apply the very formulation this Court used in describing the difficulties with locating infringing material in the Napster system. The Court recognized that “the files are user-named and may not match copyrighted material exactly.” 239 F.3d at 1024. Nevertheless, the Court observed, “[f]or Napster to function effectively...file names must *reasonably or roughly correspond* to the material contained in the files, otherwise no user could ever locate any desired music.” *Id.* (emphasis added).

That basic premise should guide the scope of the policing obligation. Once Plaintiffs have provided the requisite notice of a copyrighted work and a specifically infringing file, Napster then has a duty to (i) block the noticed file and any variant file names that Plaintiffs found and provided and (ii) police the system in an effort to detect other file names, not specifically noticed by Plaintiffs, but which “reasonably or roughly correspond” to the file names Plaintiffs provided. With the latter standard as

a benchmark, the district court on remand, after hearing from the parties and receiving evidence, should then refashion the policing paragraphs to provide genuine limitations on Napster's obligations.

Second, this Court should reiterate that Napster's policing duty is only "*within the limits of the system.*" 239 F.3d at 1027 (emphasis added). There is no duty to alter the system or its architecture; thus, Napster must not be required to implement its new fileID system at the peril of contempt if the system fails to meet the district court's expectations.

To implement these two clarifications, we respectfully submit that the Court should vacate Paragraphs 3, 4, and 6 of the Modified Injunction and remand the case to the district court with instructions to revise them in accordance with the foregoing principles. The Court should also make clear that, insofar as the district imposed obligations on Napster that exceeded the dictates of *Sony*, Rule 65(d), and this Court's February 12 ruling, Napster cannot be held liable.

### **III. THE MODIFIED INJUNCTION, AS IMPLEMENTED BY THE COURT, IMPERMISSIBLY DELEGATED ARTICLE III POWER TO A "TECHNICAL EXPERT"**

#### **A. Technical Experts May Be Used To Advise The Trial Court, But Their Role Must Be Narrowly Circumscribed**

Trial courts unquestionably have the "inherent power to provide themselves with appropriate instruments required for the performance of their duties," including the power to "appoint persons unconnected with the court to aid judges in the

performance of specific judicial duties, as they may arise in the progress of a cause.” *Ex parte Peterson*, 253 U.S. 300, 312 (1920). As one leading case has explained, a technical advisor may “act as a sounding board for the judge—helping the jurist to educate himself in the jargon and theory disclosed by the testimony and to think through the critical technical problems.” *Reilly v. United States*, 863 F.2d 149, 158 (1st Cir. 1988).

But, as the Supreme Court has cautioned, technical advisors and special masters may not “displace the court.” *La Buy v. Howes Leather Co., Inc.*, 352 U.S. 249, 256 (1957). The courts have therefore “closely circumscrib[ed] the range of circumstances in which reference to a master is appropriate.” *Burlington N. R.R. Co. v. Department of Revenue*, 934 F.2d 1064, 1072 (9th Cir. 1991). For example, advisors “may not contribute evidence,” nor may they brief the trial court “on legal issues.” *Reilly*, 863 F.2d at 157. So too, a court may not “employ a technical advisor to ‘undertake an independent mission of finding facts’ outside the record of the case.” *Id.* Most important of all, a “court may not, through appointment of a master or otherwise, ‘abdicate its duty to determine by its own judgment the controversy presented.’” *Id.*

When trial judges step over the line, reviewing courts do not hesitate to intervene. *See Burlington*, 934 F.2d at 1072 (concluding that mandate of special master was too broad, even though district court retained authority to receive “the parties’ objections” and ““make the final determination as to the matters herein at

issue”); *Sierra Club v. Browner*, 2001 WL765841 (5th Cir. July 9, 2001) (vacating as improper referral to special master on grounds of complexity; cases involving “voluminous filings containing highly technical documents and declarations” are “pretty much the norm for modern federal litigation”). As the First Circuit summarized in *Stauble v. Warrob, Inc.*, 977 F.2d 690, 695 (1st Cir. 1992):

[W]here a district judge does not hear and determine the main course, *i.e.*, the meat-and-potatoes issues of liability, there is an abdication of the judicial function depriving the parties of a trial before the court on the basic issues involved in the litigation.

**B. The Delegation To Dr. Nichols Was Impermissibly Broad And Should Therefore Be Vacated**

The March 5 Modified Injunction initiated a process by which virtually all of the judicial functions of the district court were delegated to Dr. Nichols. Within short order, Napster found its core file-sharing service essentially in receivership—answerable to Dr. Nichols, dependent on his approvals and certifications, and beholden to him for any possibility of judicial redress.

Paragraph 9 of the modified injunction initiated this process. And the official appointment of Dr. Nichols on April 5 was remarkably broad. It bestowed him not only with the power to advise the court of Napster’s compliance, but also with the power to define what Napster’s duties would be. Dr. Nichols, the court stated, would “assist the court regarding compliance with the modified preliminary injunction Orders entered” in the case, “including without limitation disputes regarding Napster’s

ability to carry out the duties established thereunder.” ER003860-3861. But Dr. Nichols would also assist on “any other” issues “that may be subsequently directed by the Court.” And the court would not say how widely those issues might roam—instead, Dr. Nichols would simply “be informed of his specific duties in an Order to be entered by the Court or in a hearing or conference in which the parties shall have the opportunity to participate.” ER003861.

Over time, as we detail above, Dr. Nichols assumed greater and greater control of the case. By May 3, Plaintiffs were already registering disbelief at his authority, complaining in open court that Dr. Nichols was straying beyond his constitutional mandate:

MR. FRACKMAN: ... Having sat through with Dr. Nichols, I believe, frankly, the Court is putting him in an untenable position, and in all due respect, I think that we need an order from the Court, and I don't think actually that [sic] Dr. Nichols can or has the authority to implement anything but only to advise the Court, and we're here today --

THE COURT: Well, I'll give him the authority then. How is that?

MR. FRACKMAN: I'm not sure you can, under federal rules and under the cases that I've read. But I don't think we need to get into that. But I do have a concern that that delegation, whether or not it's legally permissible, it isn't going to work.

ER005279.

By July 11, the district court, having grown frustrated at Napster's inability to achieve “zero-tolerance”—and unwilling to define what that standard means or how it can be satisfied—essentially threw up its hands and delegated the entire matter to

Dr. Nichols. By the terms of that Order, Dr. Nichols, not simply the court, now had to be satisfied with Napster's compliance—and until *both* he and the court were happy, Napster's file-sharing capacity would have to stay offline:

And I think we're at a point where it has to stay that way until you satisfy *Dr. Nichols and me* that when the system goes back up it will be able to block out or screen out copyrighted works that have been noticed.

SER00980 (emphasis added). "It's not good enough," the court stated, "until every effort has been made to, in fact, get zero-tolerance"—and the court would not find compliance with that standard until Dr. Nichols "certifie[s] it." SER01006-1007. "Otherwise," the court fretted, "we're going to be going back and forth and back and forth, and I'm not going to do that." SER01007.

But the district judge did not stop there: Not only did she invest Dr. Nichols with the power to "certify" when compliance had been met—she also delegated to Dr. Nichols the power to determine what *the standard* for compliance would be. When Napster expressed its inability to discern what, exactly, "zero-tolerance" requires, the trial court offered cold comfort:

Dr. Nichols knows what is expected. I expect you to get down to zero, essentially down to zero, as close thereto as possible....as humanly possible. He has already indicated some things that can be done, and apparently that you recognize can be done to get closer. And that is what is going to have to be accomplished. And work with him, and he will tell me when he thinks you've got to that point.

SER01008-1009.

True enough, the court reserved to itself the power to make a final determination of compliance—but it would make that determination only after Dr. Nichols set the standard and found that it had been met. What is more, the court strongly suggested that, even at that final stage, it would not permit Napster to resume service without a concurrence by Dr. Nichols. “If you think you’ve got to the point where you can, in fact, block out all noticed works,” the district court stated, “you can come in and show me that” and if “*he can attest to [compliance], then fine.*” SER01009 (emphasis added).

The lesson of Dr. Nichols’s superintendence of this case is clear: When an initial delegation to an expert lacks any concrete guidelines, the actual performance is likely to exceed permissible limits. That is why the courts have insisted that delegations to experts and masters be clear and confined. *See Reilly* F.2d at 157. For want of any clear definition, the delegation of authority to Dr. Nichols ran off the rails on Day One. By July 11, Napster effectively found its core business in receivership, required to satisfy Dr. Nichols on every detail of its technology and business. We respectfully ask this Court to order that Dr. Nichols’s role be confined to providing technical advice to the court. Any orders or directives as to specific steps to be taken by Napster, information to be provided by Napster, or standards to be met by Napster must be issued by the district court after opportunity for Napster to be fully heard.

#### **IV. THE DISTRICT COURT LACKED JURISDICTION TO ENTER THE JULY 11 ORDER**

As a general rule, the filing of a notice of appeal divests a district court of jurisdiction over those aspects of the case involved in the appeal.” *Stein v. Wood*, 127 F.3d 1187, 1189 (9th Cir. 1997). The rule is “designed to avoid the confusion and waste of time that might flow from putting the same issues before two courts at the same time.” *Kern Oil & Refining Co. v. Tenneco Oil Co.*, 840 F.2d 730, 734 (9th Cir. 1988). It follows that “[a] district court lacks jurisdiction to modify an injunction once it has been appealed except to maintain the status quo among the parties.” *Prudential Real Estate Affiliates, Inc. v. PPR Realty, Inc.*, 204 F.3d 867, 880 (9th Cir. 2000).

For that very reason, as we show below, the district court lacked authority to issue the July 11 Order modifying the March 5, 2001 Modified Injunction. The July 11 Order should therefore be vacated.

##### **A. As This Court Has Previously Stated, The July 11 Order Was A “Modification” Of The March 5 Modified Injunction**

In opposing Napster’s July 13 stay application, Plaintiffs insisted that the July 11 Order was not, in fact, a “modification” of the March 5 Modified Injunction at all; rather it “simply enforced and implemented that injunction in light of the developing factual record.” Pl. Opp. to Stay Mot. at 12. This Court rejected that characterization. In its July 18 Order granting the stay, and again in its July 27

Scheduling Order, the Court described the July 11 Order as “modifying the Preliminary Injunction issued March 5, 2001.”

These rulings may well be entitled to treatment as law of the case. *See generally Wyler Summit P’ship v. Turner Broad. Sys.*, 235 F.3d 1184, 1193 (9th Cir. 2000). But even if they are not, it is still true that “a merits panel does not lightly overturn a decision made by a motions panel during the course of the same appeal.” *Hiivala v. Wood*, 195 F.3d 1098, 1104 (9th Cir. 1999). Here, of course, the merits panel *is* the motions panel. And the best reason for this Court to adhere to its own characterization of the July 11 Order is that it was manifestly correct.

As this Court has explained, a “modification” of an injunction is a decree that “change[s] the underlying legal relationship between the parties” (*Stone v. City and County of San Francisco*, 968 F.2d 850, 859 (9th Cir. 1992)), and thus “materially affect[s] substantial rights of the parties not decided [by the court] in its original disposition of the case.” *McClatchy Newspapers d/b/a/ The Sacramento Bee v. Central Valley Typographical Union No. 46*, 686 F.2d 731, 735 (9th Cir. 1982). It is hard to imagine an order that more fundamentally “changed the underlying legal relationship between the parties” than did the July 11 Order. In one fell swoop, the district court applied a radically new standard of compliance—“zero-tolerance”—and then required that Napster’s key line of business remain shuttered in order to comply with that new standard. By contrast, the March 5 Modified Injunction did not purport

to define the percentage of infringing works that could appear on the Napster system, nor did it suggest that, pending the attainment of an effective policing system, Napster would be required to shut down its operations. Indeed, as the district court itself recognized, this Court's February 12, 2001 opinion *foreclosed* the district court from taking that drastic measure. As the district court advised Plaintiffs' counsel during an earlier proceeding: "[Y]ou want to shut the [Napster] system down completely. I don't have – *I don't believe the Court of Appeals decision allows me to do that.*" ER005313 (emphasis added).

Viewed against this backdrop, the July 11 Order unquestionably modified the March 5 Modified Injunction and very clearly violated what the district court itself several times recognized was the mandate of this Court.<sup>20</sup> Far from being an order that "simply enforced and implemented [the March 5] injunction" (Pls.' Opp. To Second Stay Mot. at 12), the July 11 Order—requiring that Napster remain shut down and imposing a 100%-effectiveness requirement—had virtually nothing to do with the burden-allocation provisions of the March 5 Modified Injunction. The March 5

Injunction directed how infringing transfers through the Napster system were to be avoided. The July 11 Order directed that *all* transfers, infringing or noninfringing, must cease. In short, the July 11 provisions were no “minor adjustments” to the March 5 Modified Injunction (*Natural Res. Defense Council, Inc. v. Southwest Marine, Inc.*, 242 F.3d 1163, 1167 (9th Cir. 2001)); they were marked departures from it.<sup>21</sup>

**B. The July 11 Modification Cannot Be Justified As Somehow “Maintaining The Status Quo Among The Parties”**

We recognize that trial courts do enjoy the “narrowly limited right,” under Fed. R. Civ. P. 62(c), “to make orders appropriate to preserve the status quo while the case is pending in an appellate court.” *McClatchy*, 686 F.2d at 734. Plaintiffs have invoked

<sup>20</sup> Recognizing that the “zero-tolerance” order imposes an entirely new and different obligation on Napster from anything contained in the March 5 Modified Injunction, The *A&M* Plaintiffs have urged that the district court “did not determine that Napster must be held to a standard of ‘zero-tolerance.’” Pls.’ Opp. to Second Stay Mot. at 2. That is simply not so. The court stated repeatedly, in clear, unmistakable terms, that the standard was “no copyright infringement, period.” SER01006; SER01008 (“I expect you to get down to zero, essentially down to zero”); SER01009 (“The standard is get it down to zero. Do you understand that?”); SER01011 (“I told you what the standard is, to get it down to zero.”).

this principle (Pls.’ Opp. To Second Stay Mot. at 14), contending that the July 11 Order did “nothing more than permissibly preserve the status quo.” That is incorrect.

First, a “modification” order is permissible under Rule 62(c) only when it maintains the status quo as it existed “when the appeal was filed.” *McClatchy Newspapers*, 686 F.2d at 735; *see Natural Res. Defense Council*, 242 F.3d at 1166 (modification under Rule 62(c) is permissible only where it preserves the status quo “as of the filing of [the notice of appeal]”). At the time of the appeal from the March 5 Modified Injunction, however, Napster was open for business (while undertaking extraordinary efforts to comply with the district court’s March 5 Modified Injunction); thus, the July 11 Order amounted to the “destruction, rather than preservation of the posture of the case as it sat before the court of appeals.” *New York v. Nuclear Regulatory Commission*, 550 F.2d 745, 759 (2d Cir. 1977). Nor is it relevant that Napster elected to shut down its system on July 1 in order to remedy problems that it detected. SER00930-00931. That voluntary business decision—which Napster effected well after the appeal was taken from the March 5 Modified Injunction—

<sup>21</sup> It may be added that if the July 11 Order were, as Plaintiffs have contended, merely an “enforcement,” not a modification, of the March 5 Modified Injunction, that would not be the end of the matter—because in that event the July 11 Order would effectively be a finding of civil (if not criminal) contempt. The July 11 Order would therefore be invalid because it was issued without affording Napster the procedural protections attendant to contempt proceedings. *See generally United Mine Workers of Am. v. Bagwell*, 512 U.S. 821, 826-27 (1994) (civil contempt proceedings require

obviously cannot confer authority on the trial court to alter the status quo as it existed at the time the appeal was filed. What is more, there is a world of difference between a *voluntary* cessation of business—that left Napster free to go back online when its business needs suggested—and a *court order requiring* a shutdown unless and until the court changes its mind.

Second, the July 11 Order worked a departure from, not a preservation of, the status quo, because the effect of the order “could not be undone by the appellate court’s ultimate reversal” of the March 5 Modified Injunction. *Natural Res. Defense Council*, 242 F.3d at 1167. Stated otherwise, regardless of how this Court ultimately resolves the appeals from the March 5 Modified Injunction—appeals that raise only the question of how properly to allocate the burdens of policing the Napster system—the shut-down and 100%-effectiveness provisions of the July 11 Order will remain unaffected. *See McClatchy*, 686 F.2d at 735.

Third, the purpose of an order issued to preserve the status quo is to “ensure the efficacy of the eventual decision of the court [of appeals].” *Christian Science Reading Room Jointly Maintained v. San Francisco*, 784 F.2d 1010, 1017 (9th Cir. 1986). For example, an order designed to “prevent the depletion” of the assets of a defendant against whom a default judgment was entered, while the underlying default judgment notice and an opportunity to be heard; criminal contempt proceedings require all “protections that the Constitution requires of...criminal proceedings”).

is on appeal, will “ensure the efficacy” of the court of appeals’ decision and is thus permissible under Rule 62(c). *Thomas, Head & Greisen Employees Trust v. Buster*, 95 F.3d 1449, 1460 n.19 (9th Cir. 1996). The July 11 Order, however, did *exactly the opposite*. Plaintiffs’ appeal of the March 5 Modified Injunction presents, among other things, the question whether that Injunction improperly imposes notice obligations on Plaintiffs while relieving Napster of the burden of policing the system. AOB19-30. By ordering that the Napster file-sharing system remain down entirely, the July 11 Order renders that question—for all practical purposes—moot. That is hardly an Order that has the effect of “ensuring the efficacy” of the court of appeals’ decision.

#### **V. THE JULY 11 ORDER IS CONTRARY TO THIS COURT’S PREVIOUS DECISION**

Quite apart from the district court’s lack of jurisdiction, the July 11 Order should be vacated because it is fundamentally at odds with this Court’s February 12 decision. That inconsistency is not limited to the district court’s unreasonable and inflexible insistence that Napster achieve absolute perfection in screening out infringing works. It also includes the trial judge’s command that Napster keep its file-sharing system offline—a mandate that this Court previously criticized and reversed as part of the “overbroad” original injunction and has now stayed not once but twice in this litigation. Because the July 11 Order is flatly inconsistent with this Court’s decisions, it should be reversed or vacated.

1. As an initial matter, the district court's directive that Napster's technology may not operate until it is 100% effective in excluding infringing works flies in the face of this Court's articulation of the governing legal framework. This Court held that the reach of any preliminary injunction against Napster "is cabined by the system's current architecture." 239 F.3d at 1024. Likewise, this Court observed that the "boundaries of the premises that Napster 'controls and patrols' are limited," (*id.* at 1023), that Napster "bears the burden of policing the system" but only "within the limits of the system," and that, in the context where "files are user-named," policing "is not an exact science." *Id.* at 1027. Those holdings presumed and expressly tolerated an architecture providing a less than perfect ability to block infringing works. *See id.*

Moreover, the whole idea of a preliminary injunction imposing a "shared burden" on the parties presupposes that, if one party fails to discharge its obligations, screening might end up being less than perfect. As we explained above, Plaintiffs have steadfastly refused to honor their clear duty under this Court's decision to provide Napster with notice of file names of noticed works. Unless the "shared burden" mandated by this Court is a sham, it is egregiously unfair to hold Napster to a standard of perfection in the face of Plaintiffs' obstructionism. Nor is this all. This Court expressly "*place[d] 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.*” 239 F.3d at 1027 (emphasis added). Thus, this Court made Napster’s duty to screen expressly contingent upon Plaintiffs’ provision of the required notice, which they have pointedly failed to supply. Under these circumstances, the district court’s insistence on perfect screening by Napster cannot be reconciled with the plain language of this Court’s remand instructions.

The zero-tolerance standard is also in considerable tension with the limitations recognized in this Court’s previous opinion on *secondary* liability for contributory or vicarious infringement of copyright. Secondary liability theories inherently require that some infringement may occur without imposing liability or recourse against

secondary defendants. *Sony*, 464 U.S. at 442. The district court’s requirement of “zero infringement” is, on its face, contrary to that essential principle.<sup>22</sup>

2. The district court also went well beyond the purview of this Court’s February 12 decision when it ordered Napster, at risk of contempt, to change its architecture entirely by jettisoning text-based filtering and adopting fileID.<sup>23</sup> It is undisputed that no one known to the parties or Dr. Nichols has ever successfully implemented fileID in a wide-scale file sharing environment. *See* ER005413-5414 (Dr. Nichols describes technology is “in its infancy”). Under the February 12 decision

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<sup>22</sup> Demanding perfect compliance with the copyright laws, without specifying how to achieve it, also violates Rule 65(d)’s requirements of specificity. In this regard, *Hughey*, 78 F.3d at 1531, is instructive. There, the Eleventh Circuit held that Rule 65(d) “mandate[d] dissolution” of a lower court injunction that ordered defendant to refrain from taking action that violated the Clean Water Act—which contained a “zero discharge” standard—but failed to specify how defendant could possibly do so. As it was impossible for that defendant to prevent all discharge of storm water from its residential development project, the injunction was unlawful. *Id.* at 1531-32. Similarly, the district court’s July 11 Order requires the impossible, and does not specify how to do it. Because data and computer systems are created by humans, and humans are imperfect, perfection is no more available from computer systems than from humans themselves. As one commentator on Internet operations put it: “Alas, in the real world, perfection is an ideal, not an expectation. The standard to which Judge Patel is holding Napster is at once onerous and absurd.” *Webnoize*, July 12, 2001, Pulgram Decl. ISO Reply Brief in Support of Emergency Mot. for Stay, filed with the Court July 13, 2001, Exh B.

(as well as under *Sony*), Napster cannot be liable for failing to employ, with 100% accuracy, a technology that *no one* has yet deployed in this fashion, and that is clearly outside the architecture of the Napster system.

3. The district court's July 11 directive that Napster refrain from operating its file-sharing system is also in tension with this Court's prior decision to suspend an identical command included in the district court's original (since reversed) injunction. This Court also took pains to continue its stay following a remand for entry of a modified injunction. At the very least, these prior actions should have confirmed what was apparent from this Court's February 12 decision: a mandate that Napster shutter its file-sharing system completely is "overbroad" and unwarranted. The fact that this Court issued yet another stay suspending the trial court's reentered "take down" order merely reaffirms this point.

4. Although the inconsistency between the July 11 Order and this Court's previous actions is plain enough, it bears mentioning that *the district court itself* acknowledged on several occasions before the July 11 hearing that it was foreclosed by this Court's decision from ordering Napster to shut down its file-sharing system.

<sup>23</sup> In unsuccessfully opposing Napster's emergency motion for a stay, Plaintiffs asserted that the district court "has never mandated that Napster employ a particular technology." Pls.' Opp. to Second Stay Mot. at 2. This assertion is belied by the record. During a hearing on May 3, 2001, the district court stated that the fileID system that Napster then had under consideration must be "up and running by June 8th

During the April 10 hearing, for example, when lead counsel for RIAA contended that Napster “simply ha[s] to shoulder the burden, whatever it is” to screen out all noticed works, because “they built this thing,” the district court responded: “I think that was exactly what I said when I issued my first injunction the first time around. The Court of Appeals—and I still think I was right—the Court of Appeals said it was overly broad.” ER005069.050-5069.051. Later in that same hearing, the district court mused that perhaps Napster “needs to be closed down.” ER005069.067. In response to Napster’s lawyer pointing out that he “d[id]n’t think the Ninth Circuit left that opportunity,” Judge Patel stated: “Maybe they need to take another look at it.” *Id.* And during the May 3, 2001 hearing, the district court at one point noted that Plaintiffs were asking “to shut the system down completely” and observed: “*I don’t believe that the court of appeals decision allows me to do that.*” ER005313 (emphasis added). This Court should vacate the July 11 Order, which even the district court, in another context, recognized was impermissible under this Court’s previous decision.

## **CONCLUSION**

For the foregoing reasons, Napster respectfully requests that the Court (i) affirm the Modified Injunction’s requirement that Plaintiffs provide notice of their works and at least one infringing file name available on the Napster system before Napster’s

or I’m going to start imposing sanctions of some sort, a monetary sanction, as if it were contempt.” ER005279.

blocking and policing obligations are triggered; (ii) vacate and remand Paragraphs 3, 4, and 6 of the Modified Injunction (to clarify the limitations on the “policing” duty and to impose limitations, consistent with case law, on the delegation of authority to Dr. Nichols); and (iii) vacate the July 11, 2001 Order directing Napster not to operate its file-sharing system.

Dated: August \_\_, 2001

Respectfully submitted,  
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## **RELATED CASES AND PROCEEDINGS**

These cases are related to the prior appeal reported at 239 F.3d 1004 (9th Cir. 2001) and have been assigned to the same merits panel.

**“FORM 8” CERTIFICATION OF COMPLIANCE TO  
FED. R. APP. P.32(a)(7)(C) AND CIRCUIT RULES 32-1 AND 32-2  
FOR CASE NOS. 01-15998, 01-16003, 01-16011 and 01-16308**

I certify, pursuant to Fed R. App. P.32(a)(7)(C) and Circuit Rules 32-1 and 32-2, that the attached Brief of Defendant/Appellee/Cross-Appellant Napster, Inc. is proportionately spaced, has a typeface of 14 points or more, and contains 20,471 words (based on the word processing system used to prepare the brief).

Dated: August \_\_, 2001

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