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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

PERFECT 10, INC., a California corporation,

Plaintiff,

v.

GOOGLE INC., a corporation; and DOES 1 through 100, inclusive,

Defendants.

AND CONSOLIDATED CASE

Master Case No.: 04-9484 AHM (SHx)

REPLY BRIEF IN SUPPORT OF PERFECT 10ôS MOTION FOR ORDER GRANTING LEAVE TO FILE SECOND AMENDED COMPLAINT

[REPLY DECLARATIONS OF DR. NORMAN ZADA AND JEFFREY N. MAUSNER IN SUPPORT THEREOF; AND DECLARATION OF IRINA VORONINA, SUBMITTED CONCURRENTLY HEREWITH]

Date: July 14, 2008
Time: 10:00 a.m.
Place: Courtroom 14, Courtroom of the Honorable A. Howard Matz

Discovery Cut-Off Date: None Set
Pretrial Conference Date: None Set
Trial Date: None Set

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I. INTRODUCTION.

Google's arguments regarding why Perfect 10 should not be allowed to amend the complaint are tantamount to blaming the victim for the crime. In its Opposition, Google finally concedes that it does, in fact, store full-size Perfect 10 images on its servers ï even though Google consistently denied that fact both in its discovery responses and in its opposition to Perfect 10's motion for a preliminary injunction. Yet Google now argues, in complete disregard of the liberal amendment standard under Rule 15, that Perfect 10 should not be allowed to amend its complaint, by suggesting that it was Perfect 10, and not Google, that misled the Court!

As hard as Google tries to divert attention from its own misdeeds, four facts stand out: 1) Google did not tell the truth in its discovery responses, including when it denied storing full-sized Perfect 10 images on its servers; 2) Google misrepresented and concealed the fact that it stored full-size images on its servers in its opposition to Perfect 10's preliminary injunction motion, both before this Court and the Ninth Circuit; 3) Google made no attempt to correct the record before the Ninth Circuit when it became clear that this Court had been misled by Google into believing that full-size Perfect 10 copyrighted images were not being stored on Google servers; and 4) Perfect 10 obviously would have brought to the Courtôs attention that Google was storing full-size infringing images on its servers if Perfect 10 had known about it, as that might have led to a different outcome of the preliminary injunction motion.

In any event, Google cannot show ï as is required to defeat a Rule 15 motion ï that Perfect 10's proposed amended complaint will unduly prejudice Google or somehow adversely affect its ability to defend this action. Google still has not taken a single deposition in this matter, and a discovery cut-off date and trial date have not even been set. If anything, because the ñserver testò is the governing legal standard for Perfect 10ôs direct copyright infringement claims, a

denial of the Motion would prejudice *Perfect 10*. Indeed, if Perfect 10 is not allowed to amend its complaint to allege that Google has stored, and is currently storing, Perfect 10's copyrighted images on Google's servers, Perfect 10 would be forced to pursue those allegations in a separate action against Google. A denial of the current motion, therefore, would essentially force Perfect 10 to litigate two separate cases against Google, one for direct infringement and one for contributory infringement. Google provides no legitimate reason whatsoever for foisting on Perfect 10 (and the courts) the burden of two separate lawsuits.

Equally baseless is Google's attempt to turn this motion for leave to amend into a merits-based analysis of Perfect 10's proposed claims. As a threshold matter, Googleôs opposition to Perfect 10's proposed state law claims based upon copyright preemption and immunity under the federal Communications Decency Act (ñCDAò) is improper, because Google did not even mention those issues in the partiesô lengthy pre-motion meet and confer process. More importantly, Googleôs arguments regarding preemption and immunity are incorrect since, as explained below, there are additional elements to Perfect 10's state law claims and Google acts as an information content provider.

Perfect 10 respectfully requests that the Court grant its motion for leave to file a second amended complaint.

II. GOOGLE WILL NOT BE PREJUDICED BY THE AMENDMENT.

Google has failed to demonstrate any prejudice from the proposed amendment, let alone prejudice sufficient to overcome the presumption under Rule 15 in favor of granting leave to amend. Although Google spends considerable time reviewing the four factors commonly associated with a motion to amend, it fails to mention that "prejudice to the opposing party is the most important factor." *Jackson v. Bank of Hawaii*, 902 F.2d 1385, 1387 (9th Cir. 1990).

Google attempts to manufacture a prejudice argument by baldly claiming, without any evidentiary support, that relevant documents ñmayò be more difficult

to locate; that certain nameless Google employees ñhave come and goneò; and that Perfect 10ôs proposed amendments ñwill require significant new discovery.ò Opposition at 16. Such conclusory assertions are not nearly enough to demonstrate prejudice sufficient to defeat a motion for leave to amend. *DeMalherbe v. Int'l Union of Elevator Constructors*, 449 F.Supp. 1335,1355 (N.D. Cal. 1978) (ñGeneral and conclusory allegations of prejudice are insufficient.ò).

Moreover, Google does not dispute that fact discovery remains ongoing, that it has not even begun taking depositions, and that a discovery cut-off and trial date have not been set. Thus, Perfect 10 is not seeking leave to amend on the eve of trial. Instead, Perfect 10 seeks leave to amend before Google has asked a single question at a deposition, and does so because it has uncovered critical facts contradicting the positions Google has put forth in this case. Under these circumstances, leave to amend should be granted. *See, e.g., Adam v. Hawaii*, 235 F.3d 1160, 1164 (9th Cir. 2001) (district court erred by denying motion to amend where defendants failed to identify any prejudice they would suffer from the amendment and ñat this point in the proceedings, there has been no discovery, nor has a trial date been setò), *overruled on other grounds by Green v. City of Tucson*, 255 F.3d 1086 (9th Cir. 2001) (*en banc*); *A.V. by Versace, Inc. v. Gianni Versace,* 87 F. Supp. 2d 281, 299 (S.D.N.Y. 2000) (permitting leave to amend where discovery had not yet been completed and no trial date had been set).

Therefore, Google has not demonstrated that it will be unduly prejudiced by the proposed amendment, or that it would be ñunfairly disadvantaged or deprived of the opportunity to present facts or evidence.ò *Bechtel v. Robinson*, 886 F.2d 644, 652 (3d Cir. 1989). For this reason alone, this Court should grant the Motion.

III. PERFECT 10 HAS NOT DELAYED IN SEEKING LEAVE TO AMEND.

Perhaps realizing that it cannot show that it will be unduly prejudiced by the Second Amended Complaint, Google resorts to arguing that Perfect 10 has delayed

in seeking leave to amend. Opposition pages 5-9. As a threshold matter, the Ninth Circuit has held that ñdelay, by itself, is insufficient to justify denial of leave to amend.ò *DCD Programs, Ltd. v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1986).

But even if mere delay would be sufficient to deny the motion, Perfect 10 has not delayed here. Google falsely claims that Perfect 10 has known since 2002 that blogger websites infringed full-size Perfect 10 images and that Google owned blogger.com. Opposition at 5-8. That assertion is directly contradicted by the declarations of both Perfect 10ôs president, Dr. Zada, and its counsel, Mr. Mausner. Furthermore, Google cannot explain why Perfect 10 would intentionally hold back favorable evidence that would likely establish direct infringement by Google.

A. <u>Google Has No Evidence to Support Its Illogical Contention that Perfect 10 Concealed Knowledge of Google's Direct Infringement</u>.

Google has no evidence to counter the declarations of Dr. Zada and Mr. Mausner, in which they state that they were not aware of Googleôs storing of Perfect 10ôs full-size images on Google servers until well after this Court had issued its ruling on the preliminary injunction. (Zada Reply Decl. ¶3; Mausner Reply Decl. ¶2.)

Google claims that ñPerfect 10 was well aware of alleged infringement by Blogger websites as early as ***2002 – six years ago***,ò and cites as indisputable evidence two search listings (as opposed to print-outs from the websites themselves) which contain the word ñblogspot.com,ò out of hundreds of thousands of search listings that Perfect 10 printed out in 2002 and 2003 for a different case. Zada Reply Decl. ¶4. Google has no evidence whatsoever that Perfect 10 ever looked at the two blogspot.com websites shown in those listings, that the blogspot websites in question had Perfect 10 images on them in 2002 or 2003, or that Perfect 10 knew that blogspot.com was owned by Google at the time. In fact, both of those websites, which Google falsely describes as ñallegedly infringing,ò consist almost exclusively of text, and do not have any model images on them at all, let

alone Perfect 10 images. *Id*. ¶4, Exh. 24. So Google's "evidence" proves nothing. For example, the first printout that Google cites to is an "August 30, 2002 printout of allegedly infringing Web Search results listing the URL j_cuttheshit.blogspot.com." Opposition at 5 lines 11-13. Even though Google hosted the website j_cuttheshit.blogspot.com and still hosts it, Google provided no evidence whatsoever that this website ever had images on it, let alone infringing Perfect 10 images. It turns out that this piece of "evidence" is demonstrably false. The website j_cuttheshit.blogspot.com currently consists solely of text, with no images. After receiving Google's Opposition, Perfect 10 went through every 2002 archive of j_cuttheshit.blogspot.com and found that the website had no images of any models at all, let alone Perfect 10 images. *Id.* ¶4, Exh. 24. To top it off, Google states on the very next page of its Opposition (page 6) that "Google acquired Blogger in February of 2003," well after the August 30, 2002 date of the print out for j_cuttheshit.blogspot.com. Google's second example, page3girls.blogspot.com, also currently has no images on it, let alone Perfect 10 images, (Zada Reply Decl. ¶4, Exh. 24), and Google presents no evidence that it ever did. Google's third piece of "evidence" involving Google Image search results in 2005 also proves nothing, because the image that Google refers to as "allegedly infringing" is not even a Perfect 10 image. *Id.* ¶5, Exh. 25. There is no way that Perfect 10 could have know that Google was storing full-size Perfect 10 images on its servers from these documents.

Besides having no evidence to support its outrageous contention that Perfect 10 is guilty of bad faith, Google has no explanation at all for why Perfect 10 would intentionally hold back evidence favorable to its case. Had Perfect 10 known that millions of full-size celebrity images and thousands of full-size Perfect 10 images were being stored on Google's servers, Perfect 10 certainly would have brought that up in its preliminary injunction papers.

Such evidence, which Google concealed, was significant enough to potentially change the entire outcome. Under the server test, for example, this Court and the Court of Appeals might have enjoined Google from inline-linking to the images that were stored on Googleôs servers. The Courts might have found that Google was likely directly infringing thousands of Perfect 10ôs copyrighted images. Furthermore, the Ninth Circuit might have completely changed its view of Google, had it known that Google was directly infringing millions of full-size copyrighted images and surrounding them with AdSense ads, as well as *hosting* password hacking websites and thousands of websites offering billions of dollars of pirated movie and song downloads. The Ninth Circuit might have concluded that there was something wrong with Google making thumbnails of unauthorized full-size images that were stored on Googleôs own servers, and then linking those thumbnails back to the full-size images stored on Googleôs servers, while surrounding them with Google ads. Had the Ninth Circuit been told the truth, it might have viewed Google as Perfect 10 does, namely, as a company that has made an enormous amount of money by misusing other peopleôs intellectual property. Instead of excusing Googleôs misuse of tens of thousands of Perfect 10ôs copyrighted images because Google is ñbeneficial,ò the Ninth Circuit might have determined that Googleôs use is not fair, on the basis that infringement plays too large a role in Googleôs business. These were the reasons for Google to conceal this information, as it did; there were no reasons for Perfect 10 to do so.

B. Google, Not Perfect 10, Has Acted in Bad Faith.

Regardless of how hard Google attempts to shift the blame to Perfect 10, the fact remains that Google has made demonstrably false discovery responses in this case. For example, in the Requests for Admissions to which Google denied that it stored Perfect 10 images on its servers, GOOGLE was defined as follows: ñThe terms óGOOGLEô é shall refer to Defendant Google, Inc. and any company owned or controlled in whole or in part by Google and anyone acting on Googleôs

behalf.ò *See* Exhibit 30 to Mausner Reply Decl. This definition of GOOGLE clearly covers Googleôs blogger and blogspot.com programs. Nevertheless, GOOGLE denied that (1) ñGOOGLE has copied onto its servers Perfect 10 copyrighted images that are at least 4ò x 5ò in size;ò (2) ñGOOGLE has displayed to consumers Perfect 10 copyrighted images that are at least 4ò x 5ò in size;ò (3) ñfull sized copies of Perfect 10ôs photographs are stored on Googleôs servers;ò and (4) ñfull sized copies of Perfect 10ôs photographs are delivered to Internet users from Googleôs servers.ò (See Google Inc.ôs Response To Plaintiffôs Corrected First Set of Requests For Admissions Nos. 26, 27, 213, 214, dated April 18, 2005, attached as Exhibit 23 to the Mausner Decl. in Support of the Motion, Pacer No. 301.) Google signed these responses on April 18, 2005, *after* it received Perfect 10ôs February 7, 2005 DMCA notice which, according to Google, ñreferenced several Blogger sites as alleged infringers in its defective DMCA notices.ò Opposition at 5, n.4.[1] On February 7, 2005, when Perfect 10 sent its notice, Perfect 10 did not know the connection between Google and blogspot/blogger, but Google did. Zada Reply Decl., ¶6. So Google knew that it was copying full-size Perfect 10 images onto its servers before it signed its April 18, 2005 response to requests for admissions, and well before Perfect 10 even filed its motion for preliminary injunction.[2] This makes Googleôs concealment of the fact that it was linking to full-

[1] Google repeatedly refers to Perfect 10ôs DMCA notices as ñdefective.ò They were not. Perfect 10 learned very well how to do a compliant DMCA notice from the *Perfect 10 v. CCBill* case. Google has no legitimate basis to claim that they were defective.

[2] Google has made a number of other significant false statements to the Court. For example, Google also misled the Court into believing that image recognition software was not available to identify Perfect 10 images in Googleôs image search index. That has proven to be completely false, and may also have affected this Courtôs and the Ninth Circuitôs ruling. Google submitted a demonstrably false declaration by Alexander Macgillivray which falsely contended that Perfect 10ôs DMCA notices were deficient, and that Google expeditiously responded to those notices. In fact, when Mr. Macgillivray was deposed, he could not even remember the basis on which he made a number of key statements in his declaration.

Although Googleôs attorneys have repeatedly claimed that Google has a DMCA log, and even though both Judge Hillman and Judge Matz ordered Google to

size Perfect 10 images on Google's servers, in discovery and before this Court and the Ninth Circuit, even more egregious.[3]

Google's argument that it didn't have to reveal the fact that it was storing full-size images on its servers through Blogger/Blogspot because the case "focused on Google's *search functions*" is completely disingenuous. (Opposition at 8 lines 1-10.)[4] Google avoided a preliminary injunction by falsely asserting that the images that Google's search engine in-line linked to were not stored on Google's servers. Google's false assertion led to a finding that Google was not displaying the images under the server test, and that Google did not have control over the images for purposes of vicarious liability. Google is displaying those images through in-line linking because they are on Google's servers, and Google is vicariously liable for those images because it has the right and ability to delete those images from the Internet.

IV. PERFECT 10'S CLAIMS FOR DIRECT INFRINGEMENT ARE NOT BARRED BY THE STATUTE OF LIMITATIONS.

Contrary to Google's assertions, the statute of limitations does not bar

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produce that DMCA log, it has not been produced. Similarly, Google has not explained why it could not provide the information sought in Perfect 10's Document Requests 135-137, as the Court ordered in April:

> I will say this, Mr. Mausner -- é if Google doesn't provide -- and you should hear this loud and clear, Mr. Zeller -- an absolutely compelling, close to irrefutable basis very promptly as to why the information that is encompassed by requests 135 to 137 that Judge Hillman ordered is inaccessible within the meaning of Rule 26, then not only will the information have to be provided, but for having put Perfect 10 to the additional expense and consumption of time in achieving that ruling, which would initially have to come first from Judge Hillman, sanctions should be imposed, possibly including partially terminating sanctions. é

[3] Google implies that blogger.com is some sort of innocent freedom of speech vehicle. In fact, Google stores on blogger.com millions of unauthorized celebrity images of great value, along with thousands of Perfect 10 copyrighted images, around which Google frequently places AdSense ads. Blogger.com is also involved in the unauthorized downloading by Google users of billions of dollars of pirated movies and songs.

Perfect 10ôs claims regarding Googleôs Blogger/Blogspot program (Opposition at 5 lines 26-27; page 8 line 24), for the following reasons: First, Perfect 10 has already pled a claim for both direct infringement and vicarious infringement of images that are at issue in the case. Perfect 10 is simply adding a new factual basis to support its allegations. Now that the truth is known, Google should be held both directly and vicariously liable for the larger images that it is storing on Google servers, because it is directly displaying them according to the server test, and because it has the right and ability to remove them from the internet.

Even if Google is correct that Perfect 10 is alleging new claims that do not relate back for purposes of statute of limitations, Googleôs assertion that these claims are time-barred is wrong as a matter of law. In a case of continuing copyright infringement such as this one, ñan action may be brought for all acts that accrued within the three years preceding the filing of the suit.ò *Kourtis v. Cameron*, 419 F.3d 989, 999 (9th Cir. 2005). Therefore, at the very least, Google would be liable for any infringements that took place on Blogger/Blogspot during the past three years.

V. THE CDA DOES NOT IMMUNIZE GOOGLE FROM STATE LAW CLAIMS.

Googleôs assertion that the CDA immunizes Google from state law claims [Opposition at 12-13] is improper and premature, because Google failed to raise it during the meet and confer process. Furthermore, Googleôs CDA argument is an affirmative defense which should be presented in a motion for summary judgment, not in opposition to a motion to amend. Finally, Google is not entitled to CDA immunity. The Ninth Circuit has expressly held that an entity is not entitled to immunity when it acts as a content provider or developer. Perfect 10 has specifically pled that Google is an information content provider. Google selects which infringing images to display to its users, creates its own thumbnails from larger images, arranges its search results to favor its advertising affiliates, places

AdSense ads on infringing websites, including web pages that it hosts, and wrongly places the names of Perfect 10 models under images of other people involved in explicit sexual acts. Moreover, Google is not entitled to immunity when it engages in activities unrelated to its search engine status, such as placing ads on, and sharing revenues with, websites that violate Perfect 10ôs rights of publicity, or selling the names of Perfect 10 models and celebrities as keywords without permission.

A. As A Threshold Matter, Google Cannot Raise The CDA In Opposition To The Motion.

Google never raised any argument regarding the CDA during the meet and confer process, either in its letter or in the oral discussions. Mausner Reply Decl., ¶4, Exh. 13. Therefore, it should not be permitted to raise this argument in the Opposition. Furthermore, *Novak v. Overture Services, Inc.*, 309 F.Supp.2d 446, 452 (E.D.N.Y. 2004), a case cited by Google [*see* Opposition at 20], establishes that Google has raised its CDA argument prematurely:

> As an initial matter, the Court notes that invocation of Section 230(c) immunity constitutes an affirmative defense. As the parties are not required to plead around affirmative defenses, such an affirmative defense is generally not fodder for a Rule 12(b)(6) motion.... Instead, such a defense is generally addressed as Rule 12(c) or Rule 56 motion.... However, Plaintiff [who appeared pro se] does not request further notice or discovery to prepare for an opposition to this affirmative defense.

Here, unlike in *Novak,* Perfect 10 *does* protest Googleôs improper attempt to prematurely dismiss or summarily adjudicate Google's anticipated CDA affirmative defense in opposition to the motion to amend, and requests that this Court not entertain such an improper attempt.

In addition, the *current* complaint (First Amended Complaint) contains a claim for violation of rights of publicity. Therefore, Google's attempt to eliminate that claim by opposing Perfect 10's motion for leave to file an amended complaint is procedurally improper. The correct procedure is for Google to file a motion for summary adjudication.

B. The CDA Does Not Immunize Perfect 10's State Law Claims.

1. Google Has No Immunity When It Acts As A Content Provider.

Even if this Court chooses to address Google's CDA argument (and it should not), Google provides no basis to deny the Motion. As the Ninth Circuit recently noted, "The Communications Decency Act was not meant to create a lawless no-man's-land on the Internet." *Fair Housing Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1164 (9th Cir. 2008). The Ninth Circuit has thus held that a service provider can also act as a content provider, *and when it does it is not granted CDA immunity*. *Id.* at 1163.

The court in *Novak* drew this same distinction and stated that Google could not claim CDA immunity when it acts as an information content provider. The pro se plaintiff in *Novak* did not allege in the complaint that Google was the information provider for the statements at issue, but had the plaintiff made such allegations, Google would not have been able to claim CDA immunity. *Novak,* 309 F.Supp.2d at 452-53.

The CDA provides that "[n]o provider of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 201(c)(1), (e)(3). This immunity only applies if the interactive computer service provider is not also an "information content provider," which is defined as someone who is "responsible, in whole or in part, for the creation or development of" the offending content. *Id*., § 230(f)(3). Here, Google is not entitled to immunity under the CDA because Google's Image Search results, as they relate to the display of celebrity and adult images, represent content completely determined by Google. Google selects each and every image to include, in what order, with what accompanying text, creates its own thumbnails from larger images, and determines what web page that thumbnail is linked to and what Google advertisements are on that page. No one other than Google is

responsible for what Google selects and displays to the public. Zada Reply Decl., ¶¶11-13, Exhs. 28-29.

In order to avoid liability for its wrongful acts, Google attempts to liken itself to a file clerk indexing documents in chronological order and locating requests for them. In fact, Google runs the most sophisticated and profitable advertising system and search engine, which performs many activities that make it an information content provider actively involved in maximizing its profit at other peopleôs expense. These activities include creating its own massive website of Google-generated thumbnails for Image Search and Google-generated links for Web Search. Google offers many more supermodel, adult, and extremely explicit images than other search engines, and not surprisingly, makes substantially more money than its competitors. Google even goes so far as to place sexually explicit images having nothing to do with Perfect 10, next to actual images of Perfect 10 models in its Image Search results, apparently to get more traffic. Google stores millions of unauthorized celebrity images on its servers, places ads around those images, creates thumbnails from those images, and then links those thumbnails back to the infringing web pages it hosts, which contain Google ads next to full-size images from Googleôs servers. In the process of misusing massive quantities of other peopleôs property without permission, Google destroys the businesses of Perfect 10 and others. Google has actively collected the worldôs largest collection of misappropriated material, which it uses for its own commercial gain.

To defend its massive misappropriation, Google makes the erroneous Argument that because it generates its content automatically, it has CDA immunity. *See* Opposition page 20, citing *Maughan v. Google Technology, Inc.*, 143 Cal.App.4th 1242 (2006). Google disingenuously uses a quote on page 20 of its Opposition as if it is a finding of the court in *Maughan*, when it is merely a statement of Googleôs own witness. In *Maughan*, the California state appellate court never addressed the CDA. The majority opinion focused on the issue of

whether the fee request made by Google's counsel, Quinn Emanuel, was excessive, and affirmed the trial court's ruling that reduced the request. The concurring/ dissenting opinion indicated that Google did a lot of work, including the submission of a 14 page declaration signed by a Google software engineer. The quote that Google attributes to the court in its opposition (page 20) is actually the dissenting judge quoting a portion of the declaration submitted by Google, not the courtôs own findings. Googleôs parenthetical quote does not indicate, as it should, that it is merely a quote from its own engineerôs declaration, made by the dissenting judge in connection with consideration of the fee application.

Google tries to create the erroneous perception that it merely gathers and distributes information. Google relies on the Ninth Circuitôs offhand comment, referring to it as a ñgeneric search engine.ò *See Fair Housing Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1167 (9th Cir. 2008). However, this reference is meaningless since search engine status is not enough to claim CDA immunity, and Google does much more than just act as a search engine. In *Roommates.com*, the Ninth Circuit stated that:

> A website operator can be both a service provider and a content provider: If it passively displays content that is created entirely by third parties, then it is only a service provider with respect to that content. But as to content that it creates itself, or is óresponsible, in whole or in partô for creating or developing, the website is also a content provider. Thus, a website may be immune from liability for some of the content it displays to the public but be subject to liability for other content.

Id. at 1162 - 63. The Ninth Circuit also lumped Yahoo! into the ñgeneric search engineò category. *Id*. at 1167. However, the Ninth Circuit pointed out that the district court, in *Anthony v. Yahoo! Inc*., 421 F.Supp.2d 1257, 1262-63 (N.D. Cal.. 2006), held Yahoo! was not immune under the CDA for allegedly creating fake profiles on its own dating website. *Id*. at 1163. The Ninth Circuit placed the CDA into its proper, and *narrowly limited*, context by underscoring that the section is titled ñProtection for 'good samaritan' blocking and screening of offensive materialò and the substance of section 230(c) can and should be interpreted in

accordance with this caption. *Id.* Google's inclusion of animal sex pictures in its search results next to images of Perfect 10 models, creating the false appearance that Perfect 10 models engage in such acts, is the antithesis of "blocking and screening of offensive material." The Ninth Circuit found a number of bases for finding that the defendant in *Roommates.com* was not entitled to CDA immunity, including a finding that "Roommate is not entitled to CDA immunity for the operation of its search system, which filters listings ...." *Id.* 1167. The Ninth Circuit clarified the scope of its ruling by stating that Roommates was properly "sued for the predictable consequences of creating a website designed to solicit and enforce housing preferences that are alleged to be illegal." *Id.* at 1170.

Finally, Google relies on *Carafano v. Metrosplash.com, Inc.*, 339 F.3d 1119 (9th Cir. 2003). Opposition at 13.. In its subsequent opinion in *Roommates.com*, the Ninth Circuit clarified its ruling in *Carafano* and stated that "[w]e correctly held that the website was immune, but incorrectly suggested that it could never be liable because 'no dating profile has any content until a user actively creates it' .... [E]ven if the data are supplied by third parties, a website operator may still contribute to the content's illegality and thus be liable as a developer." *Roommates.com*, 521 F.3d at 1171. Accordingly, *Carafano* is of no help to Google

2. Many Of Google's Activities Are Not Entitled To CDA Immunity.

Many of Google's activities, including its commercial exploitation of intellectual property belonging to others, do not qualify for CDA immunity. Google does not have immunity for knowingly monetizing other people's intellectual property without their permission. Google is involved in a number of advertising activities in which it is either not acting as an interactive computer service and/or is acting as an information content provider, and thus has no CDA immunity. Here are some examples: a) Google sells the names of celebrities and Perfect 10 models as key words, to earn income from the names of famous

celebrities and models without their permission; b) Google places ads that contain text which violates the rights of publicity of celebrities and Perfect 10 models without their permission, on infringing websites; c) Google places ads next to likenesses which it does not own rights to, without the permission of the rights holder; and d) Google uses the names of Perfect 10 models and celebrities to drive traffic to its advertising affiliates. Zada Reply Decl., ¶¶9-10, Exhs. 26-27. In all these instances, Google is acting as a commercial advertising operation that uses massive quantities of intellectual property without permission to generate revenue. In this role, Google cannot claim it is simply a qualifying interactive computer service ï it is just misusing intellectual property for its own commercial gain.

The CDA also does not protect Googleôs information content provider activities, which include its Image Search and Web search results. Googleôs Image Search function is essentially a gigantic collection of infringing thumbnails created and selected by Google, which include more adult images than any other search engine. Google selects which images to include, what order they appear, what text appears next to each image, what web page each image links to, and what ads appear on that web page. It is Google alone that creates and determines every aspect of the massive website that makes up its Image Search results. As explained in the Reply Declaration of Dr. Zada and the Declaration of Irina Voronina submitted herewith, Google has been placing the names of Perfect 10 models under images of others persons engaged in explicit sexual activity, causing substantial damage to the reputations of those models. Google has also been placing images of humans having sex with animals next to images of Perfect 10 models. Zada Reply Decl., ¶12, Exh. 29. Google is solely responsible for this conduct. Googleôs web search results are also a collection of links that Google *alone* decides to make available to its users. In many cases, Google dramatically biases its search results to substantially favor its infringing advertising affiliates. For these reasons, Google is an information content provider that should not

receive CDA immunity.

VI. PERFECT 10'S STATE LAW CLAIMS ARE NOT PREEMPTED BY THE COPYRIGHT ACT.

Google wrongly contends that Perfect 10ôs state law claims are preempted by the Copyright Act. Google then asserts that the Court should deny the Motion, because the proposed state law claims are futile. Opposition at 9-12, 21-22.

A. Google Cannot Raise the Preemption Argument in Opposition To This Motion to Amend.

Google never raised this contention during the meet-and-confer process. Mausner Reply Decl. ¶4; Exh. 13. For this reason alone, this Court should reject Googleôs contention. Furthermore, Googleôs contention that Perfect 10ôs proposed state law claims are futile has no relevance whatsoever to Perfect 10ôs right of publicity claim, which was alleged in almost identical form in the Amended Complaint, the currently operative pleading in this action. *See* Exh. 11 to first Mausner Decl., at 29-31 [redlined version of Fifth Claim for Relief for Violation of Rights of Publicity in proposed Second Amended Complaint].

Moreover, Googleôs assertion that Perfect 10ôs proposed amendments are futile because the Copyright Act preempts Perfect 10ôs state law claims is contrary to law, the leading treatises, and the allegations of the proposed Second Amended Complaint. Google ignores the Ninth Circuitôs holding that ña proposed amendment is futile only if no set of facts can be proved under the amendment to the pleadings that would constitute a valid and sufficient claim or defense.ò *Miller v. Rykoff-Sexton, Inc.,* 845 F.2d 209, 214 (9th Cir. 1988). As explained below, Perfect 10 has alleged valid and sufficient claims for violation of the rights of publicity, unfair competition, misappropriation, and unjust enrichment that are not preempted by the Copyright Act.

B. The Test For Preemption Under The Copyright Act.

Section 301(a) of the Copyright Act preempts ñlegal or equitable rights that

are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106. . . .ò 17 U.S.C. § 301(a). The Ninth Circuit has held that a defendant must satisfy two separate conditions in order to establish that a plaintiffôs state law claim is preempted by the Copyright Act:

> First, the content of the protected right must fall within the subject matter of copyright described in 17 U.S.C. §§ 102 and 103. Second, the right asserted under state law must be equivalent to the exclusive rights contained in section 106 of the Copyright Act.

Downing v. Abercrombie & Fitch, 265 F.3d 994, 1003 (9th Cir. 2001). ñIf a state law claim includes an óextra elementô that makes the right asserted qualitatively different from those protected under the Copyright Act, the state law claim is not preempted by the Copyright Act.ò *Altera Corp. v. Clear Logic, Inc.,* 424 F.3d 1079, 1089 (9th Cir. 2005). Google cannot satisfy the two conditions for preemption with respect to any of Perfect 10ôs state law claims.

C. The Copyright Act Does Not Preempt Perfect 10's Right Of Publicity Claim.

As noted above, Perfect 10ôs right of publicity claim was included in the First Amended Complaint, filed on January 18, 2005, so that claim cannot be challenged on a motion to amend. The right of publicity claim is brought under both Section 3344 of the California Civil Code and the common law. Perfect 10 alleges in support of this claim that: (i) Google has infringed the Perfect 10 Rights of Publicity by using the names and likenesses of Perfect 10 models, without Perfect 10ôs prior consent, ñin connection with products, merchandise, and goods, and to advertise, promote, and attract attention to its website and to its pirate advertising affiliates, to increase advertising revenuesò [Proposed Second Amended Complaint, ¶ 86]; (ii) Google ñuses the names of Perfect 10 models to provide a collection of photographs to Google users, many of which have nothing to do with the model, and in many cases wrongly portray the Perfect 10 model to be engaged in explicit sexual actsò [*id.,* ¶ 87]; and (iii) ñGoogle has sold to advertisers, without authorization, the use of the names of Perfect 10 models as key

wordsò [*id.,* ¶ 88].

The above allegations demonstrate that the rights protected under Perfect 10ôs right of publicity claim are the names and likenesses of Perfect 10 models, which have been assigned to Perfect 10. Zada Reply Decl., ¶¶8-12, Exhs. 26-29. Accordingly, the rights at issue do not fall within the subject matter of copyright. As the Ninth Circuit has held:

> The subject matter of Appellantsô statutory and common law right of publicity claims is their names and likenesses. ***A person's name or likeness is not a work of authorship within the meaning of 17 U.S.C. § 102. This is true notwithstanding the fact that Appellants' names and likenesses are embodied in a copyrightable photograph***.

Downing, 265 F.3d at 1004 (emphasis added; citation omitted). In *Downing,* the Ninth Circuit held that plaintiff surfersô right of publicity claim, alleging that defendant had published a photograph of them without their authorization, for defendantôs commercial benefit, was not preempted by the Copyright Act. *Id.* at 999, 1003-04. In ruling that defendant could not satisfy the first condition of preemption ï that plaintiffsô claim fell within the subject matter of copyright ï the Ninth Circuit quoted with approval two leading treatises:

> [I]t is not the publication of the photograph itself, as a creative work of authorship, that is the basis for Appellantsô claims, but rather, it is the use of the Appellantsô likenesses and their names pictured in the published photograph. The Nimmer treatise on copyright law states:
>
> ñ[T]he ówork ô that is the subject matter of the right of publicity is the persona, i.e., the name and likeness of a celebrity or other individual. A persona can hardly be said to constitute a ówritingô of an óauthorô within the meaning of the copyright clause of the Constitution. *A fortiori* it is not a ówork of authorshipô under the Act. Such name or likeness does not become a work of authorship simply because it is embodied in a copyrightable work such as a photograph.ò

Id. at 1003-04, *quoting* 1 *Nimmer on Copyright* § 1.01[B][1][c] at 1-23 (1999). The Ninth Circuit also quoted favorably from McCarthy, *Rights of Publicity and Privacy* § 11.13[C] at 11-72-73 (1997): ñ[A]ssertion of

infringement of the Right of Publicity because of defendant's unpermitted commercial use of a picture of plaintiff is not assertion of infringement of copyrightable ósubject matterô in one photograph of plaintiff.ò

The Ninth Circuit then held that defendant also failed to satisfy the second requirement for copyright preemption: ñBecause the subject matter of the Appellantsô statutory and common law right of publicity claims is their names and likenesses, which are not copyrightable, the claims are not equivalent to the exclusive rights contained in § 106 [of the Copyright Act].ò *Id.* at 1005.

The Ninth Circuitôs holding in *Downing* compels the rejection of Googleôs assertion that Perfect 10ôs right of publicity claim is preempted. Numerous other federal courts have reached similar results. *See, e.g., Toney v. L'Oreal USA, Inc.*, 406 F.3d 905, 910 (7th Cir. 2005) (ñA personôs likeness ï her persona ï is not authored and it is not fixed. The fact that an image of the person might be fixed in a copyrightable photograph does not change thisé .ò); *Brown v. Ames*, 201 F.3d 654, 658 (5th Cir. 2000) (rejecting claim of copyright preemption; ñthe tort of misappropriation of a name or likeness protects a personôs *persona*. A *persona* does not fall within the subject matter of copyright.ò); *Hoffman v. Capital Cities/ABC, Inc.,* 33 F.Supp.2d 867, 871 (C.D. Cal. 1999), (ñPlaintiffôs own likeness and name cannot seriously be argued to constitute a ówork of authorshipô within the meaning of 17 U.S.C. §102. Thus, copyright preemption does not apply.ò), *rev'd on other grounds*, 255 F.3d 1180 (9th Cir. 2001).

The California Court of Appealôs decision in *KNB Enterprises v. Matthews,* 78 Cal.App. 4th 362 (2000) likewise compels a rejection of Googleôs contention. In *KNB Enterprises,* the copyright owner of erotic photographs, which had been displayed without authorization and for profit on an Internet website, brought suit against the website's operator asserting a misappropriation claim under California Civil Code § 3344. *Id.* at 365-66. The court found that neither of the two conditions for preemption had been met. *Id.* at 374. As the court explained,

ñbecause a human likeness is not copyrightable, even if captured in a copyrighted photograph, the modelsô section 3344 claims against the unauthorized publisher of their photographs are not the equivalent of a copyright infringement claim and are not preempted by federal copyright law.ò *Id.* at 365. Here, as well, the Perfect 10 modelsô right of publicity claims that have been assigned to Perfect 10 are not preempted by federal copyright law.

Laws v. Sony Music Entertainment, Inc., 448 F.3d 1134 (9th Cir. 2006), and *Fleet v. CBS, Inc.,* 50 Cal.App.4th 1911, 58 Cal.Rptr.2d 645 (1996), the two cases upon which Google purports to rely [*see* Opposition at 11], are not to the contrary. In *Laws,* plaintiffôs right of publicity claim was based ñexclusively on what she claims is an unauthorized duplication of her vocal performance . . .ò *Laws,* 448 F.3d at 1141. Because of the particular nature of plaintiffôs claim, the Ninth Circuit concluded that ñfederal copyright law preempts a claim alleging misappropriation of oneôs voice when the entirety of the allegedly misappropriated vocal performance is contained within a copyrighted medium.ò *Id.* Similarly, in *Fleet,* the Court of Appeal held that plaintiffsô right of publicity claim was preempted because they sought only to prevent defendant CBS from reproducing and distributing their performances in a film. *Fleet,* 50 Cal.App.4th at 1919. In fact, the *Fleet* court specifically stated that ñas a general proposition Civil Code section 3344 is intended to protect rights which cannot be copyrighted and that claims made under its provisions are usually not preempted.ò *Id.*

Here, by contrast, Perfect 10ôs right of publicity claim is based on Googleôs use of the names and likenesses of Perfect 10 models, which are not copyrightable. Google uses the names and likenesses in many ways that are not equivalent to the rights in Section 106 of the Copyright Act. Google uses the names and likenesses to draw traffic to its website, to refer users to its AdSense affiliates, and to increase its advertising revenues. It even sells those names to the highest bidders in its AdWords program. Thus, Perfect 10ôs right of publicity claims are not preempted.

D. The Copyright Act Does Not Preempt Perfect 10's Unfair Competition Claim.

Google has failed to establish, and cannot establish, that Perfect 10ôs proposed amendments in connection with its unfair competition claim are futile because they are preempted by the Copyright Act. First, Perfect 10ôs unfair competition claim incorporates its claims for relief for trademark infringement and trademark dilution, which do not fall within the subject matter of copyright. *See* Exhibit 10 to Mausner Decl. [Proposed Second Amended Complaint], ¶ 72. Second, Perfect 10 specifically alleges, as part of its unfair competition claim, that Google ñis unlawfully exploiting the publicity rights and trademark rights of Perfect 10ò and that Google is ñinfringing and dilutingò Perfect 10ôs trademarks. *Id.,* ¶¶ 73, 78. Third, Perfect 10 alleges that Google is engaging in unfair competition by advising websites to use the names of Perfect 10 models and Perfect 10 trademarks as keywords. *Id.,* ¶¶ 76. 77. Such conduct constitutes an ñunfairò business practice under Section 17200 of the California Business and Professions Code, which does not fall within the subject matter of copyright or the exclusive rights protected by the Copyright Act. 17 U.S.C. §106. For all of these reasons, Perfect 10 has alleged a valid unfair competition claim that is not preempted. *See, e.g., Phillip Morris USA Inc. v. Shalabi,* 352 F.Supp.2d 1067, 1072 (C.D. Cal. 2004) (because misappropriation deemed ñunfairò under the Lanham Act is also proscribed under Section 17200, plaintiffôs unfair competition claim is not preempted by the Copyright Act).

E. The Copyright Act Does Not Preempt Perfect 10's Unjust Enrichment Claim.

Google asserts that where an unjust enrichment claim is based upon the taking of a copyrighted work, it is preempted by the Copyright Act. Opposition at 11. Perfect 10ôs unjust enrichment claim is not so limited. Rather, it incorporates all of the allegations of Perfect 10ôs claims for relief for trademark infringement,

trademark dilution, unfair competition, and violation of the rights of publicity (but not for copyright infringement). *See* Mausner Decl., Exhibit 10 [Proposed Second Amended Complaint], ¶ 93. Accordingly, Perfect 10ôs unjust enrichment claim is neither futile nor preempted.

F. The Copyright Act Does Not Preempt Perfect 10's Misappropriation Claim.

Google likewise asserts that Perfect 10ôs proposed state law misappropriation claim is futile because it is preempted by the Copyright Act. Opposition at 11-12. Courts repeatedly have held, however, that misappropriation claims such as that alleged by Perfect 10 are not preempted. *See, e.g., Altera Corp,* 424 F.3d at 1089-90 (concluding that ñ[a] state law tort claim concerning the unauthorized use of the softwareôs end-product is not within the rights protected by the federal Copyright Actò); *Stewart Title of California, Inc. v. Fidelity Nat'l Title Co.,* 2008 WL 2094617, *2 (9th Cir. 2008) (ñStewartôs California law misappropriation claim includes an óextra elementô because it encompasses protection against improper *use,* thereby making the rights protected qualitatively different from those afforded in the Copyright Act.ò). [5]

VII. PERFECT 10 HAS STANDING TO RAISE THE UNFAIR COMPETITION CLAIM REGARDING CELEBRITIES.

Google asserts that Perfect 10 lacks standing to assert an unfair competition claim based upon Googleôs unauthorized use of celebrity names and likenesses, because ñPerfect 10 ***must*** have suffered injury as a result of Googleôs alleged conduct.ò Opposition at 23:9-10 (emphasis in original.) First, Google never raised this assertion in connection with the conference of counsel. Mausner Reply Decl., ¶ 4; Exh. 13. For this reason alone, the assertion fails.

[5] Google complains about Perfect 10ôs reference to *Stewart,* asserting that it is ñuncitableò and ñimproperly brought to the Courtôs attention.ò Opp. p. 12 n. 9. However, Federal Rules of Appellate Procedure 32.1 specifically provides that a court may not prohibit or restrict the citation of federal judicial opinions, orders, or other written dispositions if they are issued after January 1, 2007.

Furthermore, Google completely mischaracterizes the basis of Perfect 10ôs claim. Perfect 10 properly has alleged that it has suffered an ñinjury in factò and ñloss of money and propertyò so as to state an unfair competition claim. *See* Cal.Bus. & Prof. Code § 17204. Perfect 10 alleges that it has been directly injured by Googleôs unfair conduct, and is unable to compete with Google, because Google offers virtually all of Perfect 10ôs model names and likenesses, *as well as* millions of other celebrity and supermodel names and likenesses, for free. Second Amended Complaint, ¶¶ 73-75. How can Perfect 10 possibly compete, when it charges a fee for only a tiny fraction of the content that Google gives away? Perfect 10ôs unfair competition claim is analogous to that of a car dealer, who cannot compete with a thief who opens a car lot across the street and sells stolen cars for half the price. The car dealer has suffered an ñinjury in fact,ò sufficient to allow him to sue for unfair competition, even though the thief stole the cars from third parties rather than from the dealer. Here, as well, Perfect 10 has suffered an ñinjury in fact,ò and the situation is far worse, as Google not only offers millions of comparable stolen likenesses for free, but also offers Perfect 10ôs stolen likenesses. *See Perfect 10 v. Cybernet Ventures, Inc.,* 167 F.Supp.2d 1114, 1125-26 (C.D. Cal. 2001) (denying motion to dismiss similar claim under previous version of Section 17204). Googleôs assertion that Perfect 10ôs celebrity unfair competition claims are futile is contrary to law and should be rejected.

VIII. PERFECT 10 WILL ONLY SEEK DAMAGES FOR COPYRIGHTS THAT ARE REGISTERED AT THE TIME OF TRIAL.

Google objects to Exhibit 7 to the Second Amended Complaint, the chart containing copyrights that are the subject matter of this lawsuit, to the extent that it lists pending applications that have not yet been issued by the Copyright Office.

Perfect 10 applies for new copyrights on a regular basis as new material is created or acquired. Exhibit 7 to the Second Amended Complaint is an updated copyright chart showing both new registrations and new applications that have

been sent to the Copyright Office

It generally takes the Copyright Office 6 to 10 months to process and grant a copyright registration. Since Perfect 10 submitted Exhibit 7 to Google, approximately 64 new registrations have been issued. An updated chart showing these new registration numbers is attached as Exhibit 31 to the Mausner Reply Decl. Perfect 10 requests that this new exhibit be the operative exhibit to the Second Amended Complaint. Registrations will issue for the additional copyrights shown as pending on the current chart within the next few months. In addition, Perfect 10 will be submitting new applications to the Copyright Office.

It makes no sense for Perfect 10 to have to file a new lawsuit every time new copyright registrations are issued, and then move to consolidate the cases. Perfect 10 should simply be able to submit an updated copyright registration chart showing the new copyrights that have issued during the past few months. Including the pending registrations on the chart does not prejudice Google in any way; to the contrary, it informs Google what new copyright registrations will be issued within the next few months. Perfect 10 periodically produces to Google all of its new registrations. The copyrights that will be included in this lawsuit are those that are actually issued at the time of trial.

The Court of Appeals has already determined a very similar issue:

> Google argues that we lack jurisdiction over the preliminary injunction to the extent it enforces unregistered copyrights. Registration is generally a jurisdictional prerequisite to a suit for copyright infringement. See 17 U.S.C. § 411. But section 411 does not limit the remedies a court can grant. Rather, the Copyright Act gives courts broad authority to issue injunctive relief. See 17 U.S.C. § 502(a). Once a court has jurisdiction over an action for copyright infringement under section 411, the court may grant injunctive relief to restrain infringement of any copyright, whether registered or unregistered. See, e.g., *Olan Mills, Inc. v. Linn Photo Co.*, 23 F.3d 1345, 1349 (8th Cir.1994); *Pac. & S. Co., Inc. v. Duncan*, 744 F.2d 1490, 1499 n. 17 (11th Cir.1984). Because at least some of the Perfect 10 images at issue were registered, the district court did not err in determining that it could issue an order that covers unregistered works. Therefore, we have jurisdiction over the district court's decision and order.

Perfect 10, Inc. v. Amazon.com, Inc., 487 F.3d 701, 710 (9th Cir. 2007). Perfect 10

does not even ask that it be awarded damages for unregistered copyrights at the time of trial. It will only seek damages for those copyrights that are actually registered at the time of trial. Perfect 10 will periodically submit updated copyright charts showing what copyrights have been registered, and will include a list of those that have been applied for just to let Google know what new copyrights will be registered within the next few months.

IX. CONCLUSION.

Perfect 10 respectfully requests that this Court grant its Motion for Leave to file the proposed Second Amended Complaint.

Dated: July 7, 2008

Respectfully submitted,

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