# EXHIBIT 1

For Opinion See 2000 Copr.L.Dec. P 28141 , 109 F.Supp.2d 223 , 2000 WL 710056 , 92 F.Supp.2d 349

United States District Court, S.D. New York.
UMG RECORDINGS, INC., Sony Music Entertainment Inc., Capitol Records, Inc., and Interscope Records, Plaintiffs,
v.
MP3.COM, INC., Defendant.
No.: 00 Civ. 0472 (JSR).
July 21, 2000.

Memorandum of Plaintiffs UMG Recordings, Inc., Sony Music Entertainment Inc., Capitol Records, Inc., and Interscope Records in Support of Their Motion for Partial Summary Judgment as to the Assessment of Statutory Damages Per Song Infringed

*TABLE OF CONTENTS*



*TABLE OF AUTHORITIES*

*Cases:*

*INTRODUCTION*

The United States Court of Appeals for the Second Circuit has held that the test for determining whether a copyrighted work is entitled to its own award of statutory damages is whether that work has "independent economic viability." Because each distinct recording of a song on a CD has independent economic viability, plaintiffs move the Court for a ruling that an award of statutory damages may be made for each recording infringed by defendant MP3.com. This is a pure issue of law - determination of the meaning of the statutory term "work" in the context of audio CDs - and we submit that resolving it at this stage will permit all parties better to prepare for a trial on damages. It will also make a valuable contribution to evolution of the law in this area.

The issue presented involves the construction of § 504(c)(1) of the Copyright Act, 17 U.S.C. § 504(c)(1) (1994) ("the Act," "the 1976 Act"), which provides:

Statutory Damages.--

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

While there is no dispute between the parties that CDs are collective works, defendant is expected to assert that each CD should be considered a "compilation" for purposes of determining statutory damages, and that the final phrase of § 504(c) (1) therefore means that all of the recordings on a disc should be treated as a single work for such purposes. Defendant's argument, however, is inconsistent with established precedent, with the language and spirit of the Copyright Act, and with the realities of the way MP3.com infringed plaintiffs' copyrights.

While there is no reported decision analyzing CDs specifically, Courts that have analyzed this issue in other contexts have consistently held that if a "work" has independent economic viability, it is entitled to a separate award of statutory damages. Here, there can be little doubt that individual songs are economically viable as they are commonly sold as "singles," and - perhaps more telling - they were copied, stored, and distributed by MP3.com as individual songs.

## I. UNDER THE APPLICABLE LAW, STATUTORY DAMAGES ARE AWARDED *FOR INDEPENDENTLY ECONOMICALLY VIABLE INFRINGED WORKS*

### A. *The Second Circuit Stiqwood Decision*

The Copyright Act provides for the assessment of a separate statutory damages award for each work infringed. 17 U.S.C. § 504(c)(1).[FN1] The Act offers no definition for the term "work," however, in situations where multiple individually copyrightable works are published ensemble. *Video Aided Instruction, Inc. v. Y&S Express, Inc.*, No. 96 CV 518 CBA, 1996 WL 711513, at *5 (E.D.N.Y. Oct. 29, 1996).

> FN1. Accordingly, although MP3.com's scheme involved the making and distribution of *numerous infringing copies* of each song (the June 22, 2000 deposition of John DeRose, MP3.com's Director of Engineering, detailed the copying and streaming process *passim*), only a single statutory damages award can be made for each infringed work. *See Twin Peaks Productions v. Publications Int'l*, 996 F.2d 1366, 1381 (2d Cir. 1993).

The United States Court of Appeals for the Second Circuit first addressed such a situation in the 1976 case, *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir. 1976). In *Stigwood,* the owners of the copyrights in the

musical play "Jesus Christ Superstar" sued a company of Catholic priests that had performed the musical without authorization. In deciding which of the plaintiffs' copyrights - three of which were on specific songs performed during the show and three of which were on aspects of the musical production as a whole - could support an independent award of statutory damages, the court focused on whether the subject of each copyright "can live [its] own copyright life." *Id.* at 1105. The court held that the copyrights on aspects of the musical as a whole were "essentially duplicative" and therefore only justified a single award for all three copyrights. See *id.* at 1105. With regard to the songs, however, the court held that each "lived its own copyright life" and, therefore, that each song required an independent award of statutory damages. *See id.* at 1104-05.

B. *The "Compilation" Provisions of the 1976 Copyright Act*

*Stigwood* was decided pursuant to the 1909 Copyright Act, which did not contain the language of § 504(c)(1) regarding compilations quoted above. That language was added by the 1976 Copyright Act, which also set forth a clear separation between the copyright in a compilation and any copyright in its constituent elements:
The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

(17 U.S.C. § 103(b).)

The 1976 Act defines a "compilation" as:
a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term "compilation" includes collective works.

(17 U.S.C. § 101.)

A "collective work," in turn, is defined as:
a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

(*Id.*)

The courts that have addressed the matter - including the Court of Appeals for the Second Circuit - have all held (either explicitly or implicitly) that the *Stigwood* test, now commonly referred to as the "independent economic viability" test, survives the 1976 Act and remains the proper standard for determining whether an individual work that may also be part of a compilation is a separate "work" for purposes of assessing statutory damages. *See* Twin Peaks Productions v. Publications Int'l, 996 F.2d 1366, 1381 (2d Cir. 1993) (citing § 504(c)(1), and following *Stigwood* to hold that defendant's infringement of the television series "Twin Peaks" supported an award of eight measures of statutory damages, one for each of eight episodes infringed); Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc., 106 F.3d 284, 295-96 (9th Cir. 1997) (citing § 504(c) (1), and employing the "independent economic viability" test to hold that several infringed television programs, although licensed and distributed as a complete series, supported individual statutory damages awards); MCA Television Ltd. v. Feltner, 89 F.3d 766, 768-70 (11th Cir. 1996) (same); Gamma Audio & Video, Inc. v. Ean-Chea, 11 F.3d 1106, 1115-18 (1st Cir. 1993) (same); Walt Disney Co. v. Powell, 897 F.2d 565, 569-70 (D.C. Cir. 1990) (citing § 504(c)(1), and following Second Circuit "own copyright life"/ "independent economic viability" test to award plaintiff separate statutory damages awards for infringement of Mickey Mouse and of Minnie Mouse); Playboy Enter, v. Sanfilippo, 46 U.S.P.Q.2d 1350, 1355-56 (S.D. Cal. 1998) (same, holding that defendant's infringement of 7,475 pictures, published in a lesser number of Playboy magazine issues, supported 7,475 statutory damages awards); Antenna Television, A.E. v. Ae-

*gean Video, Inc.*, No. 95-CV-2328 ERK, 1996 WL 298252, at *11 (E.D.N.Y. April 23, 1996) (following *Gamma Audio* under facts substantially similar to that case); *Cormack v. Sunshine Food Stores, Inc.*, 675 F. Supp. 374, 376-79 (E.D. Mich. 1987) (following *Stigwood* and concluding that plaintiff's psychological tests, packaged and sold as a group, supported separate awards under § 504(c)(1)); *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 862 n.16 (S.D.N.Y. 1984).

A "compilation" is a separately copyrightable creative *arrangement* of elements distinct from the constituent elements themselves. 17 U.S.C. § 103(b) (delimiting the scope of protection for compilations and derivative works). That is why a compilation is like a derivative work and why the two special types of copyrights are treated together. The last phrase of § 504(c)(1) makes clear that in a situation where only a *compilation* is infringed - perhaps by a licensee of the constituent elements, or where the constituent elements are not themselves copyrightable or lack independent economic value - the creative arrangement is itself considered only one work. As evidenced by the cases cited above, however, that does not mean that a creative work of independent economic value loses its status as a distinct work merely because it is packaged as a collective work with other creative works of independent economic value.

C. *The Continuing Vitality of the Stigwood Test*

In *Twin Peaks Productions v. Publications Int'l*, 996 F.2d 1366 (2d Cir. 1993), the Court of Appeals for the Second Circuit reviewed an infringement action brought by the owner of a copyrighted television series. Plaintiff Twin Peaks Productions sued the author and publisher of a book that contained detailed plot summaries of each of the series' episodes. Rejecting defendants' contention that the program's continuing plot-line rendered its eight episodes a single work under § 504(c) (1), the court cited *Stigwood* in holding that plaintiffs were entitled to eight statutory awards for defendants' infringement of "eight separate works." *Id.* at 1381. Recognizing that *Stigwood* had been decided under the 1909 Copyright Act, the court nonetheless stated that "*Stigwood* may retain some relevance under the 1976 Act in its recognition that three songs performed in the musical would support separate statutory damages awards, but that three 'overlapping copyrights on substantial parts of the entire work' would support only a single award." *Id.* Twin Peaks has frequently been cited as a demonstration of the Second Circuit's continuing adherence, after enactment of the 1976 Act, to the *Stigwood* "own copyright life" test. *See Columbia Pictures*, 106 F.3d at 295-96; *MCA Television*, 89 F.3d at 769-70; *Gamma Audio*, 11 F.3d at 1116-18; *Playboy Enter.*, 46 U.S.P.Q.2d at 1355.

The Court of Appeals for the First Circuit gave shape to the evolving *Stigwood/Twin Peaks standard in Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106 (1st Cir. 1993). The *Gamma* court considered a defendant's contention that the plaintiff's infringed television series constituted only a single work as a compilation under § 504(c)(1) for purposes of assessing statutory damages. Despite the fact that plaintiff sold or rented only complete sets of all of the episodes in the television series to video stores, and despite the registration of all of the episodes on a single copyright form, the court held that plaintiff was entitled to a statutory award for each program infringed. *Id.* at 1117-18. The court's decision rested upon an inquiry - derived from *Stigwood, Twin Peaks,* and the District of Columbia Circuit case of *Walt Disney Co. v. Powell* - into "whether each expression ... has an independent economic value and is, in itself, viable." *Id.* at 1116-17.

Although, to plaintiffs' knowledge, no court has applied the "independent economic viability" test specifically to individual recordings distributed on a compact disc,[FN2] a Southern District of California case has applied the test under analogous circumstances. In *Playboy Enter. v. Sanfilippo*, 46 U.S.P.Q.2d 1350 (S.D. Cal. 1998), the court considered whether defendant's unauthorized posting on its website of 7,475 pictures, copied from (and originally published as part of) a significantly lesser number of *Playboy* magazine issues, required 7,475 separate statutory awards. The defendant contended that each *Playboy* magazine issue constituted only a single work under § 504(c)(1), and therefore that plaintiff was entitled only to a statutory award for each issue in which one or more of the 7,475 infringed pictures appeared. See *id.* at 1355. The court rejected that contention. Citing *Gamma Audio, Walt Disney Co.,* and *Twin Peaks,* the court held that each of the infringed images "has an 'independent economic value' and is viable on its own." *Id.* The court therefore assessed against the defendant 7,475 statutory awards.

FN2. In two Southern District of New York cases, the court assessed statutory damages in the context of an infringement of multiple sound recordings. *ASA Music Prods. v. Thomson Electronics*, 49 U.S.P.Q.2d 1545 (S.D.N.Y. 1998); *RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984) (Haight, J). In each of these cases, the court recognized the applicability of the independent economic viability test, *see ASA Music*, 49 U.S.P.Q.2d at 1552; *RSO Records*, 596 F. Supp. at 862 n.16, but there was no discussion of whether individual recordings should be considered separate works, perhaps because the plaintiff did not seek damages for each recorded performance.

In addition to the cases discussed above, many district court cases in the Second Circuit have recognized the continuing applicability of the independent economic viability test in analyzing statutory damages. *See ASA Music Prods.*, 49 U.S.P.Q.2d at 1552; *Video Aided Instruction*, 1996 WL 711513, at *5; *Stokes Seeds Ltd. v. Geo. W. Park Seed. Co.*, 783 F. Supp. 104, 107 (W.D.N.Y. 1991); *RSO Records*, 596 F. Supp. at 862. Indeed, even where a court has held that particular works published ensemble are not entitled to separate statutory damages awards, the court has so held by reference to the independent economic viability test. *See, e.g., Video Aided Instruction*, 1996 WL 711513, at *5 (holding that the study booklets and audio portions of an educational videocassette series were not independent economically viable works worthy of separate awards); *Stokes Seeds*, 783 F. Supp. at 107 (holding that hundreds of pictures of seedlings in a seed company's catalogue do not enjoy independent commercial viability and therefore do not justify separate statutory awards).

Those cases that have declined to award statutory damages to elements of a compilation without explicit reference to the independent economic viability test have done so in factual situations consistent with application of the test. *See, e.g., Eastern Am. Trio Prods. v. Tang Electronic Corp.*, No. 98 Civ. 8286(LAK), 2000 WL 546519 (S.D.N.Y. May 3, 2000) (Kaplan, J.)(holding that two electronics catalogues, each of which displayed multiple pictures of the electronics offered therein for sale, were compilations that required only two statutory awards); *Itar-Tass Russian News Agency v. Russian Courier, Inc.*, No. 95 Civ. 2144(JGK), 1997 WL 109481 (S.D.N.Y. March 10, 1997), *aff'd in part & rev'd in part*, 153 F.3d 82 (2d Cir. 1998).

The latter of these cases bears further comment. The district court in *Itar-Tass assessed* fifteen statutory awards for the infringement of twenty-eight newspaper articles originally published in fifteen newspapers, on the basis that the newspapers constituted fifteen compilations pursuant to § 504(c)(1). On appeal, the Second Circuit reversed the district court's decision on the ground that all but one of the plaintiff publishers owned only compilation copyrights in the newspapers - that is, copyrights covering "the newspapers' creative efforts in the selection, arrangement, or display of the articles," 153 F.3d at 94 - and that, under the applicable Russian law, individual non-plaintiff journalists owned the copyrights only in the articles themselves, see id. at 93-94. The court of appeals noted that those journalists could pursue claims for infringement of their articles against defendants, *independent* of any claims by the publishers for infringement of their creative arrangements, and therefore remanded for a redetermination of damages. *Id.* The *Itar-Tass* case reaffirms the import of § 103(b), that a copyright in a compilation is distinct from the copyrights in its constituent parts for purposes of assessing statutory damages.

Not only is the independent economic viability test firmly rooted in the case law, the test also reflects the policy embodied by the Copyright Act. Statutory damages awards are intended to compensate adequately the victim of an infringement in cases in which actual damages are difficult to prove. *See, e.g., Itar-Tass*, 1997 WL 109481, at *15; *Broadcast Music, Inc. v. R Bar of Manhattan, Inc.*, 919 F. Supp. 656, 659-60 (S.D.N.Y. 1996). The independent economic viability test does exactly that: It provides for an award of statutory damages only for the infringement of a work that is independently viable - and thus potentially subject to injury - in the marketplace.

For all of the foregoing reasons, the independent economic viability test is the governing standard by which to measure whether plaintiffs' infringed songs merit individual statutory awards.

## II. INDIVIDUAL MUSICAL RECORDINGS ARE INDEPENDENTLY *ECONOMICALLY VIABLE WORKS ENTITLED TO STATUTORY DAMAGES AWARDS*

### A. MP3.com and Its Users Treated Recorded Songs *as Independently Economically Viable Works*

The manner in which defendant has exploited plaintiffs' intellectual property demonstrates that individual recordings are considered separately valuable and that each individual song should be entitled to an award of statutory damages. Although MP3.com ripped plaintiffs' recordings by purchasing entire albums - MP3.com doubtless found that less expensive than buying CD singles - the information was copied to and stored on defendant's servers by song-title: Each individual recording was converted into one or more distinct MP3 files. See Affidavit to Robert Goodman ("Goodman Aff."), Ex. 1 (Deposition of John DeRose, MP3.com Director of Engineering, p. 12):
Well, to be perfectly correct, it's not a single file [copied from a CD]. *Each track on the CD is represented as a unique file.* Once all the tracks have been extracted from the disk, the central management server, which is essentially a database, is notified that the tracks are ready for the encoding process. (Emphasis supplied.)

Furthermore, the MyMP3.com service lists individual songs and encourages users to create their own playlists without regard to album. *http:// www.mp3.com/my/tutorial/paqe2.html* (printouts of cited web pages are attached as Goodman Aff., Ex. 2). *Cf.* Playboy Enter., 46 U.S.P.Q.2d at 1356 (awarding separate damages award for each infringed photograph, in part because defendant's website marketed each of the images separately). Users may choose the order in which they listen to multiple artists' songs arranged in near-infinite variations - by song-title, not by CD. See *id. Cf.* Columbia Pictures, 106 F.3d at 295 (holding that television programs, although published and distributed as part of a series, supported individual damages awards, in part because "viewers may watch as few or as many episodes as they want, and may never watch all of the episodes.... the episodes could be repeated and broadcast in different orders"); Gamma Audio, 11 F.3d at 1117 (same).

MP3.com measured user traffic on its service (and thereby measured its own commercial success) according to the number of "hits" received for each individual song-title, that is, the number of times MyMP3.com users requested that that song be streamed to them. In discovery, defendant produced a printout of hits received on its service between January 12 and March 23, 2000. That printout - some 5,500 pages long - indicates that virtually every single song on the MyMP3.com servers was hit by one or more users. (A sampling of this "hit-list" is attached as Goodman Aff., Ex. 3.)

Plainly, MP3.com and its users consider each recording of each song to be an independently economically viable work. MP3.com's exploitation of plaintiffs' songs as distinct entities desired by consumers justifies a separate statutory award for each individual recording. Plaintiffs' songs are akin to the television episodes in *Twin Peaks* and *Gamma,* the songs of "Jesus Christ Superstar" in *Stigwood,* and the "artistic" pictures in *Playboy.*

### B. *Recordings of Songs Are Separate and Independent Works*

As discussed above, the test for determining whether a work published ensemble is eligible for an award of statutory damages is whether it is "independently economically viable" and therefore has its "own copyright life." By that standard, recordings of songs exist as independent, economically viable works of art. *Cf.* MCA Television, 89 F.3d at 769 (awarding statutory damages for each episode in a television series despite their sale and distribution as a block, in part because each episode was produced independently); Playboy Enter., 46 U.S.P.Q.2d at 1355-56 (awarding separate damages award for each infringed photograph, in part because "each image represents a singular and copyrightable effort concerning a particular model, photographer, and location").

Recordings are regularly listened to as free-standing pieces. CDs commonly list each individual song-titles on the disc itself or on the accompanying sleeve. Individual titles from plaintiffs' albums are often released and purchased as singles and those singles enjoy independent prominence on popular music charts and among the public. *Cf.*

*Columbia Pictures,* 106 F.3d at 295-96 (awarding separate statutory damages awards for individual episodes, in part because each episode was independently aired); *MCA Television,* 89 F.3d at 769 (same). The most common interaction people have with music - listening to it on the radio - is on a song-by-song basis.

Moreover, electronic music over the Internet has nearly always been provided on a per-song basis. For example, MP3.com's own website is designed for users to download MP3 versions of individual songs, not entire albums. The MP3.com search engine permits users to search for MP3 music by "Similar Artists," "Genre Names," "Stations," "Regional," "Artists," "Songs," "Software," "Hardware," and "News," but not by CD or album. *See http:// genres.mp3.com/music/.* The MP3.com charts for MP3 files are listed by song, not by CD or album. *See id.* Even for those artists selling CDs on MP3.com, downloads are available only by individual song. See, *e.g., http:// artists.mp3s.com/artists/44/ernestocortazar.html; http:// artists.mp3s.com/artists/34/303 infinity.html.* The same is true of the other popular sites and services offering MP3 files. See, e.g., *http:// www.emusic.com/; http://www.rioport.com/; http://www.musicmatch.com/get music/* ("Download songs by the Freestylers, Eminem, They Might Be Giants, Seed of Labor, Fats Domino, and Kristen Hersh!"). And to the extent the plaintiffs have been offering music electronically, it has been on a per-song basis. See *www.sony.com/musiclub.*

C. The Form of Copyright Registrations Is Irrelevant to *the Delineation of Works Entitled to Statutory Damages*

The manner in which plaintiffs' songs were registered with the Copyright Office - whether individually or as compilations - is irrelevant to an analysis of the proper measure of statutory damages. *See Gamma Audio,* 11 F.3d at 1117 & n.8 (citing Copyright Office regulations and *Twin Peaks* in holding that "the copyrights in multiple works may be registered on a single form, and thus considered one work for the purposes of registration, while still qualifying as separate 'works' for purposes of awarding statutory damages") (citation omitted); *Video Aided Instruction,* 1996 WL 711513, at *5 n.7 (same); *Stokes Seeds,* 783 F. Supp. at 107 (holding that identification of a "compilation" as such on the copyright registration certificate has "no significance" with respect to the determination of a plaintiff's rights to statutory damages). The Act itself and the regulations promulgated thereunder make clear that applicants are permitted to register multiple sound recordings using one application for convenience, and that such registration shall have no effect on a registrant's substantive rights under the statute. *See* 17 U.S.C. § 408(c)(1).

In other words, the requirement that a work has been registered with the Copyright Office is the initial gateway to statutory damages. Although it is necessary to determine that a work has been registered in some form, the form of registration is irrelevant for purposes of substantive analysis, and for good reason: To require an applicant to register separately for each independently viable work in order to gain the full protection of copyright law would be to elevate form over substance, multiplying clerical burdens pointlessly.

*CONCLUSION*

For the reasons set forth above, summary judgment should be granted that an award of statutory damages may be made for each recorded musical work (song) infringed by defendant MP3.com.

UMG RECORDINGS, INC., Sony Music Entertainment Inc., Capitol Records, Inc., and Interscope Records, Plaintiffs, v. MP3.COM, INC., Defendant.
2000 WL 34475036 (S.D.N.Y. ) (Trial Motion, Memorandum and Affidavit )

END OF DOCUMENT