REDACTED VERSION
COMPLETE VERSION FILED UNDER SEAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ARISTA RECORDS LLC; ATLANTIC RECORDING CORPORATION; BMG MUSIC; CAPITOL RECORDS, INC.; ELEKTRA ENTERTAINMENT GROUP INC.; INTERSCOPE RECORDS; LAFACE RECORDS LLC; MOTOWN RECORD COMPANY, L.P.; PRIORITY RECORDS LLC; SONY BMG MUSIC ENTERTAINMENT; UMG RECORDINGS, INC.; VIRGIN RECORDS AMERICA, INC.; and WARNER BROS. RECORDS INC.,

Plaintiffs,

– against –

LIME GROUP LLC; LIME WIRE LLC; MARK GORTON; and M.J.G. LIME WIRE FAMILY LIMITED PARTNERSHIP;

Defendants.

ECF Case

06 Civ. 5936 (KMW) (DCF)

DEFENDANTS' RESPONSE TO NON-PARTY YAHOO! INC.'S OBJECTIONS TO MAGISTRATE JUDGE FREEMAN'S JANUARY 31, 2011 ORDER COMPELLING THE PRODUCTION OF INTERNAL AND EXTERNAL COMMUNICATIONS

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

CASES

RULES, STATUTES, AND OTHER SOURCES

Defendants Lime Group LLC, Lime Wire LLC, Mark Gorton, and M.J.G. Lime Wire Family Limited Partnership (collectively, "Defendants") respectfully respond to the objections (the "Objections") of non-party Yahoo! Inc. ("Yahoo") to Magistrate Judge Freeman's Order, dated January 31, 2011 (the "Order").

PRELIMINARY STATEMENT

Yahoo's Objections to Magistrate Judge Freeman's Order represent the latest in a series of efforts to evade its obligations under Rule 45 to produce documents in response to Defendants' subpoena – documents that it indisputably possesses and that this Court has deemed relevant to the issues to be tried in this case. Yahoo's stonewalling has gone on for months, and reached its Objections to Magistrate Judge Freeman's limited Order are nothing more than a last-ditch effort to avoid doing what it should have done long ago. The Order should be affirmed so that all responsive documents (and any attendant privilege log) can be produced sufficiently in advance of the March 14 deadline for the exchange of trial exhibit lists. (*See* 2/22/11 Scheduling Order (Dkt. 488).)

Although Yahoo never sought a stay, it has still not produced a single document called for by the Order. As explained below, Yahoo has failed to meet its burden of showing that Magistrate Judge Freeman committed "clear error" because the communications in question are clearly relevant, and their production will be neither duplicative of Plaintiffs' production nor unreasonably burdensome to Yahoo. The Objection should be denied, and Magistrate Judge Freeman's January 31 Order affirmed.[1]

---

[1] In briefing this issue before Magistrate Judge Freeman, Defendants expressly reserved the right to depose a representative of Yahoo following the production of responsive documents should that prove necessary. (Declaration of Dan C. Kozusko in Support of Defendants' Response to Non-Party Yahoo! Inc.'s Objections to Magistrate Judge Freeman's January 31, 2011 Order Compelling the Production of Internal and External Communications ("Kozusko Decl."), Ex. A at 2, n.1.) Yahoo did not address that issue in

FACTUAL AND PROCEDURAL BACKGROUND

On September 24, 2010, Defendants served a subpoena on Yahoo, requesting that Yahoo produce certain documents and appear for a deposition (the "Subpoena"). (Kozusko Decl. ¶ 4, Ex. B.) The Subpoena requested production of, *inter alia*, three principal types of documents (collectively, the "Documents"): (1) licenses or agreements between Yahoo and any Plaintiffs in this action "concerning the use, publication, display, or broadcast of any material" to which any Plaintiff holds the copyright; (2) communications (both internal and external) regarding those licenses or agreements, including the negotiation thereof; and (3) documents reflecting amounts paid by Yahoo to any Plaintiff pursuant to those agreements or licenses, *e.g.*, annually or on a song-by-song basis, together with figures relating to the total aggregate number of times that each of Plaintiffs' copyrighted songs (collectively, the "Songs") was accessed or viewed by Yahoo users. (*See id.*, Request Nos. 1, 2, 4, 5, 11.)

On September 27, 2010, Plaintiffs moved to quash the subpoenas Defendants had served on Yahoo and others. (*Id.* ¶ 5.) On October 15, 2010, the Court denied Plaintiffs' motion to quash in its entirety and also ruled that licensing agreements between Plaintiffs and non-parties, together with communications regarding those licensing agreements, were relevant to the amount of Plaintiffs' lost revenues from copyright infringement and the conduct and attitude of the parties, both of which are factors that the Court must take into account in determining the amount of damages to award to Plaintiffs. (Order, 10/15/10 at 5-6 (Dkt. 329).)

Promptly after the Court issued the October 15 Order, Defendants attempted to work out a production schedule with Yahoo. (Kozusko Decl. ¶¶ 7-11, Ex. D-E.) While

---

its submissions before Magistrate Judge Freeman or in its submission to this Court. Should this Court uphold the Order, Defendants do not anticipate taking Yahoo's deposition based on those documents unless such a deposition is strictly necessary for trial.

negotiations over the scope of the Yahoo subpoena were ongoing, Defendants sought and obtained an order from Magistrate Judge Freeman compelling another non-party -- who had been served with a subpoena that was virtually identical in all material respects to the Yahoo subpoena -- to produce responsive documents, and identified search parameters to locate the emails to be produced. (Order, 11/23/10 at 2 (Dkt. 327) (the "VEVO Order").) Defendants asked Yahoo to comply with the subpoena consistent with Magistrate Judge Freeman's VEVO Order. (Kozusko Decl. ¶ 12, Ex. F.) Despite numerous attempts to resolve the matter, Yahoo refused to comply with the subpoena and the VEVO order, necessitating the filing of a motion to compel on December 10, 2010. (Kozusko Decl. ¶¶ 7-12, Ex. A, D-F.)

On January 31, 2011, Magistrate Judge Freeman granted the motion to compel and issued the Order, ordering Yahoo to search for and produce "any communications, both internal and with Plaintiffs, relating to their licenses with Plaintiffs and/or relating to LimeWire, to the extent those communications reflect information regarding Plaintiffs' conduct, positions, or views about online licensing or about LimeWire." (Order at 6.) Magistrate Judge Freeman limited the production of documents to the period after April 18, 2008. (*Id.* at 5-6.) The Court left it to Yahoo's "own judgment as to the best means of locating the communications covered by" the Order, though noting that Yahoo "may wish to take guidance from" the VEVO Order." (*Id.* at 5 n.3.)

Defendants forwarded the Order to Yahoo promptly upon receiving it, and asked when and how Yahoo intended to comply with it. (Kozusko Decl. ¶ 15, Ex. I.) Yahoo's counsel responded, indicating that any discussion regarding compliance was premature prior to a determination by Yahoo as to whether it would file objections. (*Id.* ¶ 16, Ex. J.) Yahoo

subsequently filed its Objections on February 15, 2011. (*Id.* ¶ 17.) Although Yahoo did not seek a stay of the Order, it has not produced any documents. (*Id.* ¶ 18.)

ARGUMENT

I. The Order Should Not Be Disturbed Unless It Is "Clearly Erroneous Or Contrary To Law."

The district court reviews orders regarding non-dispositive matters "under the 'clearly erroneous or contrary to law' standard." *Thomas E. Hoar, Inc. v. Sara Lee Corp.*, 900 F.2d 522, 525 (2d Cir. 1990); *see also* 28 U.S.C. § 636(b)(1)(A) (2006) ("A judge of the court may reconsider any pretrial matter under this subparagraph (A) where it has been shown that the magistrate judge's order is clearly erroneous or contrary to law."); Fed. R. Civ. P. 72(a) ("The district judge in the case must consider timely objections and modify or set aside any part of the order that is clearly erroneous or is contrary to law."). The "clearly erroneous or contrary to law" standard set forth in section 636(b)(1)(A) is akin to an abuse of discretion standard. *Edmonds v. Seavey*, No. 08 Civ. 5646, 2009 WL 2150971, at *2 (S.D.N.Y. July 20, 2009).

Thus, the ruling of a magistrate judge is "entitled to substantial deference" and may not be set aside "unless the court, on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *Bank Hapoalim, B.M. v. Am. Home Assurance Co.*, No. 92 Civ. 3561, 1994 WL 119575, at *2 (S.D.N.Y. Apr. 6, 1994) (Wood, J.) (citations and quotation marks omitted).

II. Magistrate Judge Freeman's Finding That Yahoo's Internal Communications Are Relevant Was Not Clearly Erroneous Or Contrary To Law.

It is beyond dispute that documents bearing on the alleged lost revenues of the copyright holder and "the conduct and attitude of the parties" are relevant, and thus the proper subject of a subpoena. *Bryant v. Media Rights Prods., Inc.*, 603 F.3d 135, 144 (2d Cir. 2010). Indeed, it has been held on multiple occasions in this action that documents related to the

"conduct and attitude" of the parties are appropriate subjects of discovery concerning Plaintiffs' damages. (*See* Order, 10/15/10 (Dkt. 329); Order, 11/2/10 (Dkt. 339); Opinion and Order, 11/19/10 (Dkt. 363); Order, 11/23/10 (Dkt. 367).)

The "conduct and attitude" factor encompasses both "Plaintiffs' attitudes regarding the value of [their] copyrights" and how "Plaintiffs conducted themselves in dealing with others in the Internet marketplace." (*See* Order, 10/15/10 at 6 (Dkt. 329).) Other non-parties have been compelled to produce their international communications on that basis in this very case. *See* Order, 11/23/10 at 2 (Dkt. 367). By the same token, Yahoo's communications with Plaintiffs concerning their license agreements and Yahoo's internal documents discussing the licenses and LimeWire will illuminate either Plaintiffs' views as to the true value of their works or how Plaintiffs acted toward the non-party and other digital music providers, which are matters the Court has already determined are "relevant to Plaintiffs' damages claims." (Order, 10/15/10 at 1 (Dkt. 329).) *Accord Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 877 F.2d 1120, 1126 (2d Cir. 1989) (lower award of statutory damages is appropriate where the copyright holder has acted in bad faith); *Entral Grp. Int'l, LLC v. YHLC Vision Corp.*, No. 05-CV-1912, 2007 WL 4373257, at *3 (E.D.N.Y. Dec. 10, 2007) (holding that low statutory damage award was "justified by the attitude and conduct of *plaintiff*" which made unreasonable licensing fee demands) (emphasis added).

Based solely on the documents Plaintiffs have produced thus far, it is crystal clear that Yahoo is in possession of exactly the sorts of communications the Court had in mind in issuing the foregoing orders. For example:

[redacted]

[redacted]

Given these communications, it is inconceivable that Yahoo has no additional relevant internal documents. They should be produced promptly.

III. Magistrate Judge Freeman's Finding That Yahoo's External Communications With Plaintiffs Were Not Duplicative Of Documents Produced By Plaintiffs Was Not Clearly Erroneous Or Contrary To Law.

Yahoo objects to producing relevant communications on the ground that the production would necessarily be duplicative of Plaintiffs' production. Indeed, Yahoo seems to believe that Defendants somehow had the duty and the ability to ensure receipt of a complete production from Plaintiffs before seeking any non-party discovery from Yahoo. That objection should be rejected.

Magistrate Judge Freeman, who routinely addresses these types of discovery issues, correctly rejected all of Yahoo's arguments. Put simply, the Federal Rules of Civil Procedure nor the relevant case law precludes a party from obtaining discovery from a non-party where the information sought may be available from the requesting party's adversary. *See In re Honeywell Int'l, Inc. Sec. Litig.*, 230 F.R.D. 293, 301 (S.D.N.Y. 2003) (holding a non-party must produce documents in response to a subpoena even though they were seemingly duplicative of discovery requests served on the other party); *State Farm Mut. Auto. Ins. Co., v. Accurate Med., P.C.*, No. CV 2007-0051, 2007 U.S. Dist. LEXIS 75336, at *3 (E.D.N.Y. Oct. 10, 2007) ("nothing in the Federal Rules of Civil Procedure requires a litigant to rely solely on discovery obtained from an adversary instead of utilizing subpoenas").[2]

The justification for compelling a non-party to produce documents that a party might have is particularly compelling where "the files of the third party may contain different versions of documents, additional material, or perhaps, significant omissions." *Viacom Int'l, Inc. v. YouTube, Inc.*, No. 08-80129, 2008 WL 3876142, at *3 (N.D. Cal. Aug. 18, 2008) (internal quotations and citation omitted). As Defendants demonstrated to Magistrate Judge Freeman, that is demonstrably the case here and Yahoo should therefore be directed to produce the documents forthwith.[3]

---

2 *See also LG Display Co., Ltd. v. Chi Mei Optroelectronics Corp.*, No. 08-cv-2408, 2009 WL 223585, at *3 (S.D. Cal. Jan. 28, 2009) ("Sony Electronics further alleges the documents sought by Plaintiff's Subpoena are duplicative in that these documents are readily attainable from the defendants in the underlying matter. The Court finds this argument unavailing, particularly in light of Plaintiff's desire to test the accuracy and completeness of the defendants' discovery responses and their denials that additional information exists. Thus, Sony Electronics shall produce all responsive documents even if they are duplicative.").

3 Yahoo relies on the ruling by Judge Pechman of the U.S. District Court for the Western District of Washington concerning Defendants' subpoena of documents from Amazon.com, Inc., another of Plaintiffs' licensees. Defendants respectfully disagree with

IV. Magistrate Judge Freeman's Finding That Yahoo Failed To Show That Producing The Required Communications Would Be Unduly Burdensome Was Neither Clearly Erroneous Nor Contrary To Law.

As the party opposing the Subpoena, the burden rest on Yahoo to demonstrate that producing the communications in question is unduly burdensome. *See In re Ramaekers*, 33 F. Supp. 2d 312, 314 (S.D.N.Y. 1999) ("The burden of persuasion is borne by the party opposing the subpoena."). Although Yahoo asserts in conclusory fashion that the documents subject to the order "constitute a potentially massive amount of information," and that searching for and producing communications will entail "immense" financial cost (Yahoo Obj. at 14.), Yahoo makes no attempt to substantiate those assertions.

As an initial matter, Yahoo's burden objections are not well-placed, since Yahoo has refused Defendants' numerous offers to discuss ways to minimize that burden. (*See* "Factual Background," *supra*.) By contrast, other non-parties elected to work with Defendants concerning the scope of their production of communications, and have produced or are producing communications pursuant to agreements with Defendants that address whatever burden concerns those non-parties had. To the extent that Yahoo's dissatisfaction with the Order stems the burden of complying with it, such burden is a direct consequence of Yahoo's

---

that ruling, which did not pay proper deference to the prior rulings in this action concerning the relevance of the discovery sought, as Ninth Circuit law requires. *Del Campo v. Am. Corrective Counseling Servs., Inc.*, No. C 01-21151, 2010 WL 3744436, at *2 (N.D. Cal. Sept. 20, 2010) ("[A] district court whose only connection with a case is supervision of discovery ancillary to an action in another district should be especially hesitant to pass judgment on what constitutes relevant evidence thereunder. Where relevance is in doubt... [t]he court should be permissive.") (internal quotations omitted). Moreover, Magistrate Judge Walsh of the Central District of California, who originally had jurisdiction over Defendants' motion to compel against another non-party, referred that matter to Magistrate Judge Freeman for resolution. Yahoo gives no explanation as to why this Court should defer to Judge Pechman rather than Magistrate Judge Walsh, who properly recognized Magistrate Judge Freeman's familiarity with the issues in dispute here. In any event, Judge Pechman's ruling is not consistent with the law in this Circuit governing the duties of a subpoena under Rule 45 and is not controlling in this Court.

recalcitrance and refusal to even engage in discussions with Defendants about producing communications.

In any event, Yahoo has not even attempted to satisfy its obligation of demonstrating why searching for and producing the communications in question would impose an undue burden, e.g., by demonstrating that, even based on a reasonably limited search there would be too many "hits" or by otherwise quantifying what it would cost the non-party to comply. Instead, Yahoo simply pronounces that the process of complying with the Order would "require a time consuming and costly search of archived data" and would "utilize significant Yahoo! resources." (Yahoo Obj. at 15.) That is insufficient to excuse Yahoo's obligation to comply with the Subpoena. *See Abu-Nassar v. Elders Futures Inc.*, No. 88 Civ. 7906, 1991 WL 45062, at *17 (S.D.N.Y. Mar. 28, 1991) ("general statements by counsel, unsupported by affidavits or other competent evidence, are inadequate to demonstrate the burden of complying with proposed discovery"); 9 James Wm. Moore, et al., Moore's Federal Practice ¶ 45.51[4] (3d ed. 2009) ("A party objecting to a subpoena on the ground of undue burden generally must present an affidavit or other evidentiary proof of the time or expense involved in responding to the discovery request.").

Yahoo has not demonstrated that Magistrate Judge Freeman was clearly erroneous in finding that the production ordered would not impose an undue burden. The Objection should be denied and the Order affirmed on this issue as well.

CONCLUSION

For all of the foregoing reasons, the Court should reject Yahoo's objections to the Order and this Court should affirm the Order in its entirety.

Dated: New York, New York
February 24, 2011

WILLKIE FARR & GALLAGHER LLP

By: M. Eaton
Mary Eaton
(A Member of the Firm)

787 Seventh Avenue
New York, New York 10019-6099
(212) 728-8000

Attorneys for Defendants