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ARISTA RECORDS, INC., et al., Plaintiffs, v. FLEA WORLD, INC., a Pennsylvania corporation, d/b/a Columbus Farmers Market, et al., Defendants

CIVIL ACTION Case No. 03cv2670 (JBS)

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

2003 U.S. Dist. Ct. Motions 2670B; 2005 U.S. Dist. Ct. Motions LEXIS 23708

September 30, 2005

Motion for Summary Judgment

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TITLE: BRIEF IN OPPOSITION TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

TEXT: ORAL ARGUMENT REQUESTED

[*1] **Preliminary Statement**

Defendants cannot distinguish this case from *Fonovisa. Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996),* and *UMG Recordings. Inc. v. Sinnott, 300 F. Supp. 2d 993, 1002 (2004),* which held that flea markets could be liable for contributory and vicarious infringement on facts materially identical to those here. Like the flea market operators in Fonovisa and Sinnott, Defendants are liable for the widespread infringement of copyrighted sound recordings on their premises. To whittle away at Plaintiffs' claims, Defendants make four unrelated arguments, none of which has merit:

. Defendants argue [**7] that Plaintiffs' original Complaint (which twice has been superseded) should now retroactively be "dismissed" for failure to serve it within 120 days, but that argument is meritless. In any event, it was waived long ago when Defendants filed Answers without making a 12(b)(4) or 12(b)(5) motion and without raising insufficiency of service of process as an affirmative defense.

in connection with infringement allegations "beginning in June 2000," and received original complaint by "fax[] to [his] office on June 19, 2003.")

II. PLAINTIFFS ARE ENTITLED TO SEPARATE [16] AWARDS OF STATUTORY DAMAGES FOR EACH TRACK INFRINGED**

Defendants contend that the Court should cap the number of statutory damage awards in this case at 832 because Plaintiffs did not file separate copyright registrations ***for each individual song*** (or "track") on the CDs that were directly infringed by Defendants' vendors. Defendants' thus argue for simplistic "registration counting," rather than analyzing the real-world, undisputed facts concerning the way Plaintiffs' sound recordings are created, marketed, and sold. Properly analyzed, the law plainly entitles Plaintiffs to a separate statutory damages award for each individual track infringed.

Section 504 of the Copyright Act provides that "the copyright owner may elect...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...." *17 U.S.C. § 504(c)(1)*. However, the Copyright Act does not define "work." *Gamma Audio & Video, Inc. v. Ean-Chea, 11 F.3d 1106, 1116 (1st Cir. 1993)*. While various courts have wrestled with the dilemma of how to define the [*9] term "work" for purposes [**17] of counting the number of infringements, there is no Third Circuit authority on point.

The crude approach Defendants advocate--mechanically counting the number of registrations filed by Plaintiffs--has been discredited, even in the cases upon which Defendants rely. See *Gamma Audio & Video, 11 F.3d at 1117 & n.8* ("Under regulations promulgated by the Copyright Office, the copyrights in multiple works may be registered on a single form, and thus considered one work ***for the purposes of registration***, see *37 C.F.R. § 202.3(b)(3)(A)*, while still qualifying as separate 'works' for purposes of awarding statutory damages... [T]he number of copyright registrations is not the unit of reference for determining the number of awards of statutory damages.") (emphasis in original); *Xoom, Inc. v. Imageline, Inc.. 323 F.3d 279, 285 & n.8 (4th Cir. 2003)* (agreeing that "the Copyright Act does not bar multiple awards for statutory damages when one registration includes multiple works" and finding that district court erred in ruling that "there should only be one award of statutory damages per ***registration***") (emphasis in original); *Costar Group Inc. v. Loopnet, Inc., 164 F. Supp. 2d 688, 710 (D. Md. 2001)* [**18] ("multiple copyrights may be registered on the same form and, so, the registration is not dispositive."); *ASA Music Productions v. Thomsun Electronics, 49 U.S.P.Q.2d 1545, 1552 (S.D.N.Y. 1998)* ("the number of copyright registrations is not determinative of the number of statutory damage awards."). [*10] Indeed, the legislative history reflects that Congress intended to draw a sharp distinction between the number of "works" and the number of registrations. See H.R. Rep. No. 1476, 94th Cong., 2d Sess. at 162 (1970) ("although the minimum and maximum amounts are to be multiplied where multiple 'works' are involved in the suit, the same is not true with respect to... multiple registrations."); *Walt Disney Co. v. Powell, 897 F.2d 565, 569 (D.C. Cir. 1990)* (same).

Likewise, Defendants' reliance on the last sentence of Section 504(c)(l)-- "For the purposes of this subsection, all the parts of a compilation... constitute one work"--is misplaced. Defendants argue that CDs are "compilations" of individual tracks and thus there can be just one statutory damage award per CD, regardless of the number of separate and independent tracks a CD may contain. [**19] Def. Brief at 8. But this argument fails to recognize all of the separate and distinct copyrights covered by a CD--and by the copyright registration for that CD.

Sound recordings are, generally speaking, created in a recording studio by a producer and a recording artist. Declaration of Eli Okun ("Okun Decl.") P 4. n2 The separate tracks which eventually are released together on a CD may have been written by different songwriters and may be recorded at different times, at different studios, with different producers and different backup musicians. Id. Often, the [*11] tracks that ultimately come to be assembled onto a single CD were recorded over a period of months or years--or, in the case of some "best of or "greatest hits" albums, even decades. Id. Any individual track may be released as a "single" (either to the public or in the form of "promotional copies" to radio stations), may be made available for digital download over the Internet (through, for example, services such as Apple's iTunes Music Store), or may be licensed to third parties for use in other recordings (e.g., sample licenses), movies, movie trailers, television shows, commercials, compilation albums, [**20] or for myriad other uses. Id. PP 7-12; see also Declaration of Amy Lauren ("Lauren Decl.") PP 4-9. Each individual track is an "original work of authorship" and is independently copyrightable. *17 U.S.C. §§ 102(7), 106*; see, e.g., *Cream Records, Inc. v. Jos. Schlitz Brewing Co., 754 F.2d 826 (9th Cir. 1985)*.

n2 Alternatively, a producer may record a performer's live performance in a stadium, arena, amphitheatre, or nightclub setting. Id.

The selection of the individual tracks to be compiled on a CD, and the order in which the tracks will appear, may be a purely artistic decision by the artist and/or record company, or incorporate both artistic and business considerations. Okun Decl. P 4. From this creative process, a separate copyright arises in the "compilation" of the pre-existing tracks on the CD--that is, in "the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work [**21] as a whole constitutes an original work of authorship..." *17 U.S.C. § 101* (defining "compilation"), § 103(a) [*12] ("Compilations" are within the "subject matter of copyright."); Compendium II, Copyright Office Practices (1984) § 497.01 (collection of preexisting published or registered sound recordings can constitute registrable compilation). Thus, the bundle of copyrights in the CD includes the copyrights in each of the separate tracks on the CD ***as well as*** the copyright in the "compilation" itself, which is a separate and distinct copyright. See *17 U.S.C. § 103(b)* ("The copyright in a compilation... extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and... is independent of... any copyright protection in the preexisting material.").

For this reason, Defendants' assertion that Plaintiffs' copyright registrations are merely for "compilations" is too narrow an assessment. Plaintiffs' registrations are sufficient to cover ***both*** the distinct copyrights in each of the individual tracks, ***and*** the copyright in the particular [**22] "compilation" of those tracks on the CD--the collection, assembly, selection, coordination, or arrangement of those independently copyrightable tracks. n3 See *CoStar Group, 164 F. Supp. 2d at 711* [*13] ("the crucial fact [is] not the single registration, but the nature of what [is] registered.").

n3 This is where the court erred in *UMG Recordings, Inc. v. MP3.com. Inc., 109 F. Supp. 2d 223 (S.D.N.Y. 2000)* - assuming, incorrectly, that because the copyright registration for a CD includes the copyright in the "compilation," it does not also include the separate copyrights in the individual tracks. The courts in *Schiffer Publishing. Ltd. v. Chronicle Books, LLC, 2005 WL 67077 (E.D. Pa. 2005),* and Xoom made the same error. Here, while direct infringers who sold counterfeit CDs which duplicated the tracks in the same order as on Plaintiffs' legitimate CDs may have infringed Plaintiffs' copyright in the "compilation" of these tracks, they also independently infringed Plaintiffs' separate and distinct copyrights in each of the individual tracks. The sentence in Section 504(c)(l) on which the MP3.com. Xoom, and Schiffer courts incorrectly relied - that "all the parts of a compilation... constitute one work" - is nothing more than the corollary of the principle expressed in section 103(b) that "[t]he copyright in a compilation... extends only to the material contributed by the author of such work [and] is independent of... any copyright protection in the preexisting material." It simply prevents one who only owns the copyright in a ***compilation*** of pre-existing material from obtaining statutory damages for the pre-existing works compiled, even though these underlying works are owned by others.

[**23]

As the court in CoStar Group recognized, the proper approach, and the one adopted by the majority of courts to consider the issue, is to analyze "the nature of what [is] registered" to determine how many distinct "works" are involved, and, therefore, how many statutory damage awards are permitted. To make this determination, most courts, including the First, Second, Ninth, Eleventh and D.C. Circuits, apply what is commonly known as the "independent economic value" test. See *Walt Disney, 897 F.2d at 569* (D.C. Circuit: works are "separate" for purposes of statutory damages "if they can "live their own copyright life") (citation omitted); *Gamma Audio & Video, 11 F.3d at 1117* (First Circuit: "The test set forth in Walt Disney is a functional one, with the focus on whether each expression (or in our case, television episode) has an independent economic value and is, in itself, viable."); *Twin Peaks Productions. Inc. v. Publications Int'l. Ltd.. 996 F.2d 1366, 1380-81 (2d Cir. 1993)* [*14] (applying functional analysis to find that individual episodes of "a current television genre in which one or more plots continue from [**24] one episode to another" were nonetheless separate "works" for purposes of statutory damages); *Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc., 106 F.3d 284, 295 (9th Cir. 1997)* (whether works "have independent economic value" is "the proper test to apply" and finding that separate episodes of a television series were separate "works" in calculating statutory damages); *MCA Television, Ltd. v. Feltner, 89 F.3d 766, 769 (11th Cir. 1996),* cert, denied, *520 U.S. 1117 (1997)*

(agreeing that the proper test is whether a work "has an independent economic value and is, in itself, viable," and holding that separate episodes of a television series were separate "works" for purposes of calculating statutory damages).

Courts have considered various factors in deciding this issue, In Gamma Audio & Video, the district court found that episodes of a television series were a single work because the copyright holder "sells or rents only complete sets of the [television] series to video stores, and the copyrights in the four episodes at issue were registered on one form." *11 F.3d at 1117.* The First Circuit [**25] reversed:

"A distributor's decision to sell or rent complete sets of a series to video stores in no way indicates that each episode in the series is unable to stand alone. If the distributor of the Rocky series of motion pictures required video stores to purchase all five of the movies, or alternatively, packaged the movies as a boxed set for [*15] resale, the five movies would not suddenly become one 'work' for the purpose of damages. More significant for present purposes is the fact that (1) viewers who rent the tapes from their local video stores may rent as few or as many tapes as they want, may view one, two, or twenty episodes in a single sitting, and may never watch or rent all of the episodes; and (2) each episode in the [television] series was separately produced." *Id. at 1117 & n.9.*

In Twin Peaks, the Second Circuit came to the same conclusion:

"The author of eight scripts for eight television episodes is not limited to one award of statutory damages just because he or she can continue the plot line from one episode to the next... We might well have a different situation if a book written as a single work was then adapted for [**26] television as a group of episodes, for example, the six-part television adaptations of John LeCarre's 'Tinker, Tailor, Soldier, Spy' and "Smiley's People.' Even in such circumstances, ***though there would be but one book infringed, there might be separate awards for infringement of each televised episode."*** *996 F.2d at 1381* (emphasis added). n4

n4 Although Twin Peaks did not use the term "independent economic value," its approach was conceptually the same as in Walt Disney and Gamma Audio & Video. See *Playboy Enterprises Inc. v. Sanfilippo, 46 U.S.P.Q.2d 1350, 1355 (S.D. Cal. 1998).* (Twin Peaks "adopted a similar approach" to that used in Gamma Audio & Video.) The Court in MP3.com failed to recognize the similarity of these approaches, erroneously concluding that the Second Circuit had not followed the "independent economic value" approach merely because Twin Peaks did not use that specific label. See *MP3.com, 109 F. Supp. 2d at 225.* That Court also failed to recognize that "the Twin Peaks court did not rely on the number of copyright registrations in reaching its result." *Gamma Audio & Video, 11 F.3d at 117 n.8.*

[**27]

[*16] In *Playboy Enterprises Inc. v. Sanfilippo, 46 U.S.P.Q.2d 1350 (S.D. Cal. 1998),* the defendant had copied numerous photographs from a magazine copyrighted by the plaintiff. The defendant argued that "the images defendant copied were images taken from compilations and, therefore, should not be counted separately." *46 U.S.P.Q.2d at 1355.* The court disagreed:

"[A]lthough each of these images may have appeared in a singular issue of one of plaintiff's copyrighted publications, these images are subject to re-use and redistribution in accordance with various licensing arrangements. Furthermore, each image represents a singular and copyrightable effort concerning a particular model, photographer, and location. The fact that many of these images appeared together should not detract from the protection afforded to each individual effort." 46 U.S.P.Q.2d at 1355.

Many of the cases cited by Defendants utilize the same conceptual premise as Gamma Audio & Video, Twin Peaks, Columbia Pictures Television, and Playboy Enterprises, but are factually inapposite. ASA Music Productions consi-

dered only whether the infringement of a particular [**28] sound recording could be divided into separate infringements of "[t]he song, arrangement and performance..." *49 U.S.P.Q.2d at 1552.* Not surprisingly, the court found that these elements of a recording were "conceptually indivisible" for purposes of statutory damages. Id. The plaintiff apparently did not seek separate awards on a per-song basis. Id. In *RSQ Records v. Peri, 596 F. Supp. 849 (S.D.N.Y. 1984),* the only issue was whether separate statutory damage awards could be made for [*17] the "graphics for a recording and the recording itself." *Id. at 862 n. 16.* The court found that they could not, because the graphics "simply complement the recording and have no separate economic value..." Id. In CoStar Group, the plaintiff had clearly registered its copyright as a "COMPILATION" and nothing more--this admission disposed of the plaintiff's weak after-the-fact claims that it also claimed copyright in the underlying material compiled. *164 F. Supp. 2d at 711-12.* In Walt Disney, the Court found that Mickey Mouse and Minnie Mouse "are certainly distinct, viable works with separate economic value and copyright [**29] lives of their own," but the plaintiff could not collect for each separate ***pose*** of Mickey and Minnie that the defendant infringed with his "mouse-face shirts." *897 F.2d at 570* ("Mickey is still Mickey whether he is smiling or frowning, running or walking, waving his left hand or his right.").

Here, the undisputed facts support the conclusion that each track on a CD has "independent economic value" and thus is entitled to a separate statutory damages award. Individual tracks on a CD are separately produced, *Gamma Audio & Video, 11 F.3d at 1117,* separately written, *Columbia Pictures Television, 106 F.3d at 295,* and separately performed. Okun Decl. P 4. Consumers who buy them on a CD need not and often do not play all of the tracks in the same order or at all--they download certain songs to CDs or portable players, or program their CD players or computers to play the tracks in a different order or to exclude certain [*18] tracks altogether. See, e.g., Okun Decl. P 5; see also *Columbia Pictures Television, 106 F.3d at 295* (works deemed separate where they "could be repeated and broadcast in different orders"). [**30] Moreover, apart from their combination on a CD, each track is also "subject to re-use and redistribution in accordance with various licensing arrangements," *Playboy Enterprises, 46 U.S.P.Q.2d at 1355.* Okun Decl. PP 5-12. Each track thus "represents a singular and copyrightable effort." *Playboy Enterprises, 46 U.S.P.Q.2d at 1355.* The mere fact they are sold together on a CD (along with other methods of distribution and exploitation) does not mean that each track "is unable to stand alone." *Gamma Audio & Video, 11 F.3d at 1117 n.8.* See also 2 Goldstein on Copyright § 14.2.2 at 14:58 (3rd Ed. 2005) ("The better approach is to treat each separable element of a compilation as a separate work for purposes of statutory damages, and to read 'all parts of a compilation' as encompassing only the organizational element added by the compiler."). n5

n5 Defendants' "registration counting" also fails to account for the undisputed facts that different vendors sometimes sold the same copyrighted work. Declaration of Kristie O'Brien ("O'Brien Decl.") P 3. The Copyright Act authorizes a separate statutory damage award each time a defendant infringes the same copyrighted work with ***a different joint tortfeasor.*** *17 U.S.C. § 504(c)(1)* (a copyright owner is entitled to "an award of statutory damages... with respect to any one work, for which any one infringer is liable, or for which any two or more infringers are jointly and severally liable."). See, e.g., *Columbia Pictures Television, Inc. v. Krypton Broadcasting of Birmingham. Inc., 259 F.3d 1186, 1194 (9th Cir. 2001)* (each showing of television program by a different television station gives rise to a separate award of statutory damages against the defendant because defendant is a joint tortfeaser with each station); *Los Angeles News Serv, v. Reuters Television, 942 F. Supp. 1275, 1283 (CD. Cal. 1996)* (defendant liable for two statutory damage awards where it individually made an unauthorized videotape and also was jointly and severally liable with another entity that made a second unauthorized videotape of the same work), aff'd in part and rev'd in part on other grounds, *149 F.3d 987 (9th Cir. 1998).* Thus, even if an entire CD, rather than individual copyrighted tracks, were deemed to be the applicable "work" for statutory damage purposes, Defendants' Motion still must be denied.

[**31]

[*19] III. DEFENDANTS ARE VICARIOUSLY LIABLE.

To prevail on a claim for vicarious copyright infringement, "Plaintiffs must establish that [Defendants] (1) had the right and ability to supervise or control the infringing vendors, and (2) obtained a financial benefit from the infringing vendors." *Sinnott 300 F. Supp. 2d at 1001;* see also *Demetriades v. Kaufman, 690 F. Supp. 289, 293 (S.D.N.Y. 1988)* ("benefit and control are the signposts of vicarious liability"). Defendants do not address the first element (right and ability to supervise or control). They also admit direct infringements occur on their premises. Second Amended Joint