Arista Records LLC et al v. Lime Wire LLC et al Doc. 532

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------X

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

Plaintiffs,

v.

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

Defendants.

----------X

06 Civ. 05936 (KMW)(DCF)
ECF CASE

NON-PARTY YAHOO! INC.'S REPLY MEMORANDUM OF LAW IN SUPPORT OF ITS OBJECTIONS TO MAGISTRATE JUDGE FREEMAN'S ORDER COMPELLING THE PRODUCTION OF YAHOO!'S INTERNAL AND EXTERNAL COMMUNICATIONS

Winston & Strawn LLP

200 Park Avenue
New York, New York
(212) 294-6700 (telephone)
(212) 294-4700 (facsimile)

Attorneys for Non-Party Yahoo! Inc.

Dockets.Justia.com

I. PRELIMINARY STATEMENT

Non-Party Yahoo! Inc. ("Yahoo!") submits this memorandum of law in further support of its Objections to Magistrate Judge Freeman's Order Compelling the Production of Yahoo!'s Internal and External Communications.

Defendants LimeWire LLC, et al.'s ("Defendants") opposition to Yahoo!'s objections provides no compelling basis for upholding Magistrate Judge Freeman's order, an order that sufficiently misinterprets statutory damages principles and the proper balancing of the burden imposed on Yahoo! with Defendants' largely irrelevant requests, as to be clearly erroneous and contrary to law. Defendants further attack Yahoo!'s request for review of the order as an attempt to evade its discovery responsibilities, despite the fact that Yahoo! (a) agreed to produce a significant set of documents and information in response to Defendants' subpoena as early as November 2010; (b) lodged a reasoned request that the protective order be modified prior to any production by Yahoo! – a request it must be said, Defendants' *never* challenged; and (c) engaged in reasonable discussions with Defendants' counsel about the scope of production up until the filing of Defendants' unwarranted and unexpected motion to compel. The simple fact is that Yahoo! agreed to provide information that is potentially relevant to a calculation of damages – *actual* license agreements and *actual* payment information – and Defendants effectively rebuffed Yahoo!'s offer of partial compliance with the subpoena.

To suggest that Yahoo! is somehow responsible for a delay when Defendants only sought discovery from Yahoo! four years into the litigation, and mere months before the close of discovery, demonstrates Defendants' misconceptions regarding discovery, and suggests that Defendants themselves are responsible for any continued delay. Notably, nowhere in their opposition do Defendants acknowledge that Yahoo! agreed to produce its license agreements with Plaintiffs and corresponding payment information. By seeking to compel such documents

along with a host of additional, irrelevant documents involving Yahoo!'s internal and external communications, Defendants have needlessly burdened the judiciary.

Defendants are unable to refute Yahoo!'s showing that Magistrate Judge Freeman acted in clear error when she ordered Yahoo! to produce its internal and external communications. Yahoo! has demonstrated that these documents bear little, if any, relevance to a damages determination. Even were the information sought from Yahoo! relevant to the litigation, Defendants have not been able to show that Yahoo! should produce such documents when Plaintiffs are in the best position to do so. Yahoo! respectfully requests that this Court vacate the order and deny Defendants' motion compelling production from Yahoo!.

II. ARGUMENT

A. Yahoo!'s Internal Communications or External Communications with Plaintiffs Are Not Relevant to a Determination of Damages

Although a magistrate's order receives substantial deference, a magistrate's order that is clearly erroneous must be overturned. Fed. R. Civ. P. 72; *see also TVT Records v. Island Def Jam Music Group*, 447 F. Supp. 2d 311, 314 (S.D.N.Y. 2006). Magistrate Judge Freeman's order allowing Defendants to seek documents irrelevant to the claims and defenses that remain at issue in this action is contrary to well-established principles of discovery and should be vacated. *See e.g., Collens v. City of New York*, 222 F.R.D. 249 (S.D.N.Y. 2004); *In re MTI Technology Corp.*, SACV 00-0745, 2002 WL 32344347 (C.D. Cal. June 13, 2002).

1. Defendants Misconstrue the Role of the "Conduct and Attitude of the Parties" in a Determination of Statutory Damages

Defendants' proposition that the "conduct and attitude of the parties" provides a valid basis for seeking overbroad discovery of internal and external communications from Yahoo! suggests that this factor not only has an unequivocal meaning but also is routinely consulted by courts in setting statutory damages awards. Defendants allege that 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'" as indicative that Magistrate Judge Freeman correctly applied the *Bryant* factors. (Defs.' Opp. Br. at 5). Defendants' reliance on such a statement, however, is inherently flawed since this statement was made *by Magistrate Judge Freeman*, and it is Magistrate Judge Freeman's own erroneous interpretation of the law that forms one basis of Yahoo!'s objections. (Oct. 15, 2010 Order, at 6 (Dkt. 329)).

Indeed, the "conduct and attitude of the parties" is just one factor within a list of factors frequently repeated in the Second Circuit when establishing a statutory damages award. [1] Defendants ignore the fact that no case, including *Bryant v. Media Rights Productions, Inc.* itself, discusses what the "conduct and attitude of the parties" factor actually encompasses. 603 F.3d 135, 144 (2d Cir.), *cert. denied*, 131 S. Ct. 656 (2010). In interpreting this factor, Magistrate Judge Freeman clearly stated that "*Bryant* itself provides little guidance as to the meaning or scope of the 'attitude and conduct of the parties' factor." (Oct. 15, 2010 Order, at 6 (Dkt. 329)). Only two cases within the Second Circuit, *Warner Brothers, Inc. v. Dae Rim Trading, Inc.* and *Entral Group International, LLC v. YHLC Vision Corporation*, have actually applied the factor in a statutory damages determination. 877 F.2d 1120, 1126 (2d Cir. 1989); No. 05-CV-1912, 2007 WL 4373257, at *3 (E.D.N.Y. Dec. 10, 2007). Magistrate Judge Freeman failed to properly recognize the import of these decisions. It is apparent from both

[1] Defendants' reference in its opposition to lost revenues as being a proper basis for a subpoena should be ignored. (Defs.' Opp. Br. at 4). Defendants casually mention this factor to bolster their relevancy argument, but do not even attempt to argue that the documents covered by the Order are actually relevant to a determination of Plaintiffs' lost revenues. Yahoo!'s internal communications and external communications with Plaintiffs regarding licensing and/or LimeWire bear *no* relation to Plaintiffs' lost revenues. Notably, in ordering Yahoo! to produce documents, Magistrate Judge Freeman does not suggest that Yahoo!'s internal and external communications are relevant to lost revenues. Any loss of revenue would be best determined from the *actual* license agreements and related payment information – the set of documents that Yahoo! actually agreed to produce and that Magistrate Judge Freeman held are not discoverable from Yahoo!. (Jan. 31, 2011 Order, at 4 (Dkt. 443)).

Warner Brothers and *Entral* that the *sole* reason the courts evaluated the conduct and attitude of the plaintiffs in those cases was as a means of capturing the effect of the plaintiffs' litigation misconduct. *See id.*[2] In no case in this Circuit, however, has a court considered the key factor utilized by Magistrate Judge Freeman – Plaintiffs' view on the value of their copyright or how Plaintiffs conducted themselves in dealing with non-party licensees – in assessing a plaintiffs' "conduct and attitude," and thereby establishing statutory damages.

2. Orders Requiring Non-Party VEVO and Plaintiffs To Produce Documents Are Incomparable to Yahoo!

Defendants' attempt to bolster their relevancy argument by referring to prior orders requiring a "non-party" and Plaintiffs to produce documents is untenable, particularly considering Defendants provide no basis for comparing these parties to Yahoo!. Defendants do not even acknowledge that by "non-parties" Plaintiffs are solely referring to VEVO. (Defs.' Opp. Br. at 5). Further, Defendants do not even attempt to dispute the facts that (a) VEVO is a unique non-party that represents a joint venture between two of the Plaintiffs and thus has a burden of production more akin to that of a party than a non-party, and (b) the order Defendants refer to represents Magistrate Judge Freeman's acquiescence to *an agreement* negotiated between Defendants and VEVO, not a judicial determination as to the relevancy and burden of the documents sought from VEVO. (Nov. 23, 2010 Order, at 1 (Dkt. 367)).

Defendants' suggestion that it is appropriate to seek documents from Yahoo! because Plaintiffs have been ordered to produce similar documents entirely ignores that the balancing of

---

[2] Both *Warner Brothers* and *Entral* are discussed in full as part of Yahoo!'s initial Memorandum of Law. (Yahoo! Obj. Br. at 6-7). The position taken in these cases comports with *L & L White Metal Casting Corporation v. Cornell Metal Specialties Corporation*, where, although the court did not refer to the factor considered specifically as the "conduct and attitude" of the parties, the court lowered a statutory damages award because of actions taken by the plaintiff in bringing the litigation, specifically that the "plaintiff permitted the acts of innocent infringement to continue longer than was necessary" before bringing a claim. 353 F. Supp. 1170, 1176 (E.D.N.Y. 1972), aff'd, No. 72-2176, 1973 WL 20396 (2d Cir. Apr. 4, 1973).

relevancy and the burden imposed on a non-party involves separate considerations not at issue when the producing party is a litigant. *Nidec Corp. v Victor Co. of Japan*, 249 F.R.D. 575, 577 (N.D. Cal. 2007) ("There is simply no reason to burden nonparties when the documents sought are in possession of the party defendant"); *Instituform Techs., Inc. v. Cat. Contracting, Inc.*, 914 F. Supp. 286, 287 (N.D. Ill. 1996) (A party "should not be permitted to seek from [a non-party] information that they can obtain or have obtained from [the opposing party], and that is not relevant to the issue of damages."). Further, Plaintiffs were not, as the situation is here, ordered to produce a category of documents that they had never before produced. (Oct. 10, 2010 Order, at 4 (Dkt. 329)). Instead, Plaintiffs were ordered to "update their prior production" of "their license agreements and communications with third-party licensees or potential licensees," in part, because Plaintiffs had produced "the same type of material earlier, and thus are hard-pressed to argue that such material bears no relevance to their claims." (*Id.* at 4, 6). Here, Yahoo! has never made any waiver of relevancy by producing similar documents to the ones being sought by Defendants.

Neither the VEVO Order nor this Court's Order compelling updated production from Plaintiffs apply to Yahoo!. Further, although Defendants unreasonably emphasize the comparative value of the discovery orders applicable to VEVO and Plaintiffs when neither of these parties are in positions similar to Yahoo!, Defendants attempt to distinguish the order denying Defendants' motion to compel the party most similarly-situated to Yahoo!, Amazon.com, Inc. ("Amazon"). Of all the parties from which Defendants have sought documents, it is Amazon that is most comparable to Yahoo!. Like Yahoo!, Amazon entered into licensing agreements with Plaintiffs and operates separately from any litigant in this action. The Western District of Washington properly recognized that Amazon's situation was unlike that of

Plaintiffs or VEVO, and found that documents sought from Amazon are far more easily obtained from Plaintiffs and that such documents are irrelevant to the action. (Decl. of Robert C. Turner in Supp. of Yahoo!'s Objs. ("Turner Decl."), Ex. G, at 3). While this ruling is not controlling, and Yahoo! has never argued as such, it is instructive as to the proper balancing of burden and relevancy.

3. Plaintiffs' Conduct, Stated Position and Views Are Not Expressed in Yahoo!'s Internal Communications

It is noteworthy that Defendants make no attempt to explain the reasonableness of obtaining Yahoo!'s internal communications, which by their very nature include *at best* a secondary interpretation of the information Defendants claim is so highly relevant, specifically "Plaintiffs' views as to the true value of their works or how Plaintiffs acted toward the non-party and other digital music providers." (Defs.' Opp. Br. at 5). Requiring Yahoo! to produce documents that would at most involve a reiteration of Plaintiffs' conduct, position, and views is of no evidentiary value. Such an argument allows for the troublesome conclusion that, in discovery, a litigant's internal thoughts regarding a party may be discoverable through a non-party, despite the clear fact that such information must necessarily originate from the litigant himself.

B. Even if Yahoo!'s External Communications Are Relevant, Plaintiffs Are in the Best Position To Produce these Documents

Defendants are unable to set forth any argument as to why Yahoo! should produce documents more properly sought from Plaintiffs, and Magistrate Judge Freeman's Order similarly glosses over this most basic issue. Defendants allege that relevant case law does not preclude them from seeking documents from Yahoo!, but the primary case relied upon by Defendants for demonstrating that discovery obtainable from a party may be sought from a non-party is distinguishable from the facts at issue. In *In re Honeywell International, Inc. Securities*

Litigation, the subpoenaed party was the defendant's financial auditor and thus, held a position much closer to the litigants than Yahoo! does here. 230 F.R.D. 293, 301 (S.D.N.Y. 2003). Further, unlike an additional case cited by Defendants, *LG Display Co., Ltd. v. Chi Mei Optoelectronics Co.*, where a court ordered a non-party to produce documents, Plaintiffs, the litigants from which discovery could alternatively be obtained in this action, *do not deny* that discoverable documents exist. No. 08-Civ.-2408, 2009 WL 223585, at *3 (S.D. Cal. Jan. 28, 2009) (emphasis added). While Plaintiffs may object to Magistrate Judge Freeman's order requiring them to produce documents, Plaintiffs do not deny the existence of the documents sought by Defendants, but rather resist discovery on the basis of relevancy and burden.

Notably, Defendants continue to try to rely on the same statement – that non-party production is appropriate where there is reason to believe that "the files of the third party may contain different versions of documents, additional material, or perhaps, significant omissions" – without acknowledging that, in the case from which the statement originated, the court refused to grant the defendant's motion to compel compliance with a non-party subpoena where, as here, there was "nothing in the record to suggest that [the non-party] had data or documents not available from [the plaintiff]"). (Defs.' Opp. Br. at 7); *Visto Corp. v. Smartner Info. Sys., Ltd.*, Nos. 06-80339, 06-80352, 2007 WL 218771, at *4 (N.D. Cal. Jan. 29, 2007). Indeed, the only new "evidence" offered by Defendants to suggest that Yahoo! "is in possession of exactly the sorts of communications the Court had in mind" cannot be refuted by Yahoo!. (Defs.' Opp. Br. at 5). Due to Defendants' utter failure to craft an amended protective order with Plaintiffs – following which Yahoo! was wholly willing to produce documents initially requested by Defendants' subpoena – the supposed communications by which "it is inconceivable that Yahoo

has no additional relevant internal documents" remain redacted.[3] (*Id.* at 5-6). Without any knowledge as to the content of the three items that purportedly form the entire basis of Defendants' arguments, Yahoo! simply cannot adequately respond at this time. However, should the documents referenced by Defendants consist of emails between Plaintiffs and Yahoo!, there is *still* no compelling reason why these documents are better produced by Yahoo!. Further, Defendants have still failed to provide a sufficient basis for their belief that Yahoo! is likely to produce non-duplicative documents that are also relevant. Despite Defendants' total lack of compelling argument on this point, Magistrate Judge Freeman determined, in error, that despite the inevitable duplication and extremely limited possibility that Yahoo! has documents or information relevant to Defendants' damages defenses, Yahoo! is an appropriate target of Defendants' overbroad and burdensome discovery.

C. The Production of Yahoo!'s Communications as Ordered by Magistrate Judge Freeman is Exceptionally Burdensome

Even were the documents and information regarding Yahoo!'s communications remotely relevant, which they are not, "this Court must still weigh [Defendants'] right to obtain that discovery against the burden imposed on [the non-party, Yahoo!]." *Warnke v. CVS Corp.*, 265 F.R.D. 64, 69 (E.D.N.Y. 2010) (citing *Mirkin v. Winston Res., LLC*, No. 07 Civ. 02734, 2008 WL 4861840, at *1 (S.D.N.Y. Nov. 10, 2008). Here, the burden is quite large, despite Defendants' attempts to minimize Yahoo!'s statements. Defendants have done nothing here to rebut Yahoo!'s claim that the incredible over breadth of the documents sought by Defendants will require a huge expenditure of time and financial resources. Rather, Plaintiffs argue that any

[3] On the afternoon of February 24, 2011, counsel for Yahoo! contacted Defendants' counsel to request an unredacted version of Defendants' papers. As of filing, Yahoo! has not received authorization to review the redacted documents referenced in Defendants' papers. Should Yahoo! have an opportunity to review the unredacted portions of Defendants' papers at a later date, Yahoo! respectfully reserves the right to supplement this reply.

burden is the result of Yahoo!'s "recalcitrance." (Defs.' Opp. Br. at 9). Asserting that Yahoo! should have sought to "minimize the burden" by working with Defendants, Defendants fail to admit that Yahoo! was doing exactly that by engaging in reasonable discussions with Defendants' counsel for the purpose of narrowing the scope of the subpoena when Defendants unexpectedly moved to compel production. (*Id.*; Turner Decl., Ex D).

This court has already ruled that the production of similar documents to those sought from Yahoo! is "potentially burdensome" to Plaintiffs and that the relevance of such documents to the damages determination is "potentially tenuous." (Nov. 19, 2010 Order, at 6 (Dkt. 363)). If this is true with regard to Plaintiffs, an actual litigant in the action, it is only more applicable to Yahoo!, a non-party whose internal communications and external communications with Plaintiffs are less relevant than Plaintiffs' own documents, and for whom the balance of burden and relevance favors non-production overwhelmingly.

III. CONCLUSION

For the foregoing reasons, Yahoo! respectfully requests that the Court vacate Magistrate Judge Freeman's January 31, 2011 order and deny Defendants motion to compel Yahoo! to produce documents.

Dated: February 25, 2010
New York, New York

Robert C. Turner
WINSTON & STRAWN LLP
200 Park Avenue
New York, New York 10166
(212) 294-6700

Attorneys for Yahoo! Inc.

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of February, 2011, I caused a copy of NON-PARTY YAHOO! INC.'S REPLY MEMORANDUM OF LAW IN SUPPORT OF ITS OBJECTIONS TO MAGISTRATE JUDGE FREEMAN'S ORDER COMPELLING THE PRODUCTION OF YAHOO!'S INTERNAL AND EXTERNAL COMMUNICATIONS to be served via operation of the ECF system and email upon:

Mary Eaton
Dan C. Kozusko
Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
meaton@willkie.com
dkozusko@willkie.com

Attorneys for Defendants
Lime Wire LLC, Lime Group LLC,
Mark Gorton, and M.J.G. Lime Wire
Family Limited Partnership

Glenn D. Pomerantz
Munger, Tolles & Olson LLP
355 South Grand Avenue
Los Angeles, California 90071
glenn.pomerantz@mto.com

Attorneys for Plaintiffs Arista
Records LLC, et al.

Robert C. Turner