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By E-mail (sullivannysdchambers@nysd.uscourts.gov)

Hon. Richard J. Sullivan, U.S.D.J.
40 Foley Square
New York, NY 10007

Re: Capitol Records, LLC v. ReDigi Inc., 12 cv. 0095 (RJS)

Dear Judge Sullivan:

We represent plaintiff Capitol Records, LLC ("Capitol") in this action and write jointly with counsel for defendants Ossenmacher and Rudolph ("IDs" or "Individual Defendants"), pursuant to the Court's order of September 22, 2014 requiring the parties to update the Court on the status of their remaining discovery disputes. The parties have resolved a number of the disputes previously outlined to the Court in letters during October and November of last year, and Capitol has served written responses to the IDs' first set of interrogatories and document requests (as narrowed by agreement of the parties). However, the parties still have a number of disagreements concerning certain interrogatories and document requests, as outlined below. The parties jointly request a conference to address these disputes and an appropriate schedule for the completion of remaining discovery.

In addition, the parties wish to inform the Court that while the Individual Defendants have agreed to narrow certain requests to facilitate the efficient management of this case (and indicated a willingness to continue that process) they have made clear that they have not waived their right to assert any of their affirmative defenses or seek additional discovery not covered by the requests now before the Court. For instance, Individual Defendants have stated that they intend to pursue (a) discovery made necessary by their review of documents produced by Capitol in response to their first set of document requests and interrogatories, (b) depositions of current and former Capitol employees, and (c) discovery of third parties with relevant information (*e.g.*, RIAA). Thus, the letter only concerns the issues raised by Individual Defendants' first set of document requests and interrogatories.

Capitol's Position

While IDs have voluntarily withdrawn certain interrogatories and document requests, they continue to seek massive amounts of irrelevant information and documentation well beyond the scope of anything reasonably required to defend the case. Counsel for IDs contend that the discovery is relevant to various affirmative defenses they have asserted, such as unclean hands

and copyright misuse. However, as explained in prior correspondence in this case, because IDs are in privity with ReDigi, they are barred under principles of res judicata from litigating defenses that ReDigi could have asserted but chose to omit, such as unclean hands and copyright misuse. See, e.g., Marine Midland Bank v. Slyman, 995 F.2d 362, 365-66 (2d Cir. 1993) (principals of corporation barred by res judicata from asserting affirmative defenses that could have been raised by corporation in prior action since principals in privity with corporation) (applying Ohio law). IDs are also barred by collateral estoppel and law of the case doctrine from relitigating issues the Court has already adjudicated, such as fair use or first sale. See, e.g., In re: Teltronics Servs., Inc., 762 F.2d 185, 190-91 (2d Cir. 1985); Kreager v. Gen. Elec. Co., 497 F.2d 468, 472 (2d Cir. 1974); Moran v. City of New Rochelle, 346 F. Supp. 2d 507, 515 (S.D.N.Y. 2004). Contrary to IDs' assertions, preclusive effect may be given to the Court's grant of partial summary judgment. See, e.g., U.S. Dept. of Justice v. Hudson, 2007 U.S. Dist. LEXIS 62749 (N.D.N.Y. 2007) ("federal courts have expanded application of collateral estoppel . . . to decisions including partial summary judgment"); Creed Taylor, Inc. v. CBS, Inc., 718 F.Supp. 1171, 1177 (S.D.N.Y. 1989) (granting preclusive effect to partial summary judgment); Harris Trust & Sav. Bank v. John Hancock Mut. Life Ins. Co., 722 F. Supp. 998, 1007-09 (S.D.N.Y. 1989) (same), aff'd in part and reversed in part on other grounds, 970 F.2d 1138 (2d Cir. 1992).

IDs continue to seek extensive documents concerning Capitol's agreements and policies relating to exploitation of more than 500 recordings (many of them huge sellers), see Requests 6, 10, and documents concerning Capitol's and the other record companies' own plans for "reselling" digital recordings. See Request Nos. 17-18. Capitol's authorized exploitation of its own recordings has no bearing on whether the IDs participated in ReDigi's infringing acts, and collecting such information for hundreds of world famous recordings would be an insuperable burden. See SJ Opinion (Docket No. 109) at 11 ("Of course, Capitol, as copyright owner, does not forfeit its right to claim copyright infringement merely because it permits certain uses of its works."). Moreover, Capitol previously produced in discovery significant documentation concerning its agreement with Apple regarding iTunes and other digital distributors of Capitol's recordings. At this juncture of the case, there is no need for additional discovery regarding this extraneous issue. IDs' fishing expedition for documents to support a supposed copyright misuse defense should be rejected, as there is no plausible basis for such a defense where Capitol has already successfully established its right to prevent ReDigi from engaging in the underlying conduct at issue. ReDigi and IDs have no right to participate in digital exploitation of Capitol's recordings to the extent they do so in a manner that violates Capitol's copyrights.

There are also two interrogatories in dispute. Interrogatory 4 asks about every copyright infringement claim Capitol has asserted with respect to the hundreds of recordings at issue. Capitol's extensive anti-piracy efforts have involved claims and lawsuits against numerous individuals and entities implicating thousands of different recordings. It would also be extremely burdensome to compile the requested information, none of which has any bearing on what damages Capitol is entitled to in this particular case or any other remaining issue in dispute here.

Interrogatory 19 asks for information about the amount of money made by the IDs from the resale of Capitol's recordings. However, Capitol is not pursuing recovery of any profits earned by any defendants in this case, but only seeks an award of statutory damages. Moreover, the requested information is entirely within IDs' own knowledge and is not a subject on which Capitol has any independent knowledge. Capitol has answered the interrogatory to the extent possible by indicating that as majority owners of ReDigi, the IDs were in a position to benefit from the commission earned from the resale of Capitol's recordings. No further response should be required.

Individual Defendants' Position

Regarding the current discovery dispute, Individual Defendants have the right to seek discovery on any of their asserted affirmative defenses regardless of whether ReDigi also claimed that defense, abandoned the defense, or could have claimed that defense but chose not to. Collateral estoppel does not, as Capitol claims, bar the Individual Defendants from seeking discovery on any of their asserted affirmative defenses.

As explained in prior letters, collateral estoppel does not apply to defenses not actually decided by the Court (e.g., the fair use doctrine, estoppel, waiver, unclean hands, DMCA, etc.), Yoon v. Fordham Univ. Faculty & Admin. Retirement Plan, 263 F.3d 196, 202 n.7 (2d Cir. 2001), nor does it apply where there has not been a "valid final judgment," as is the case with a partial summary judgment order. Ball v. A.O. Smith Corp., 451 F.3d 66, 69 (2d Cir. 2006).[1] Even if collateral estoppel could apply, "privity under such a theory depends on a finding that the person against whom collateral estoppel is applied actively participated in the previous litigation" and "controlled" the other defendant's trial strategy. Stichting Ter Behartiging Van De Belangen Van Oudaandeelhouders in Het Kapitaal Van Saybolt Int'l B.V. v. Phillippe S.E. Schreiber, 327 F.3d 173, 187 (2d Cir. 2003). Plaintiff has provided this Court with no such evidence. Thus, collateral estoppel is not grounds to deny Individual Defendants' their requested discovery on any of their asserted affirmative defenses.

Nor does res judicata or law of the case apply to the Individual Defendants' asserted affirmative defenses. Res judicata bars principals in privity with a corporation from asserting defenses that could have been raised by the corporation ***in a prior action***. Marine Midland Bank,

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[1] Capitol's cases regarding the preclusive effect of partial summary judgment orders involve issues raised in prior litigations, not the same litigation. See Creed, 718 F. Supp. at 1173-74 (discussing the prior action in which the summary judgment order was rendered); Hudson, 1:06-CV-763, 2007 WL 2461783, at *1-2 (N.D.N.Y. Aug. 24, 2007) (same), opinion vacated in part on reh'g sub nom. U.S. Dep't of Justice, Tax Div. v. Hudson, 1:06-CV-763 FJS, 2009 WL 7172812 (N.D.N.Y. July 8, 2009) (vacating application of non-mutual offensive collateral estoppel against U.S. government); Harris Trust, 722 F. Supp. 1007 (same). Because this is the same litigation, there can be no preclusive effect to the partial summary judgment order. See also note 2, supra, and accompanying text.

995 F.2d at 365. This is the ***same*** action, such that this doctrine does not apply to preclude any of Individual Defendants' intended discovery. Law of the case does not apply to parties that were added to the litigation after an issue was decided, see In re W.R. Grace & Co., 591 F.3d 164, 174 (3d Cir. 2009), cert. denied, 131 S. Ct. 200 (2010), or to issues never actually decided by the court. See Pescatore v. Pan Am. World Airways, Inc., 97 F.3d 1, 7-8 (2d Cir. 1996). Because the Individual Defendants were not parties to the litigation when issues were decided and certain defenses were never decided by the Court, this doctrine does not apply.[2]

Capitol also argues that IDs' discovery requests are unduly burdensome and overbroad. But, the party opposing production must provide sufficient detail and explanation about the nature of the burden in terms of time, money, and procedure which would be required. See Edwards v. Ford Motor Co., 2012 WL 553383, at *3 (S.D. Cal. Feb. 17, 2012). Capitol's failure to provide any specificity as to its alleged burden is fatal to this argument. Moreover, Capitol seeks potentially millions of dollars in damages from the IDs. IDs have a right to fully develop the evidence to defend themselves as to both liability and damages, especially when they were added so late in the litigation.

With respect to the specific discovery requests at issue, each seeks relevant materials or is likely to lead to relevant evidence, see Fed. R. Civ. P. 26(b)(1):

- Requests 6, 10, 17, and 18 relate to Capitol's digital exploitation of the allegedly infringed songs and its plans to develop its own system for digital resale. These requests go to Individual Defendants' copyright misuse and consent defenses, among others, and the appropriate amount of the requested statutory damages award. In particular, ReDigi was in the late stages of negotiating deals with several record labels to partner on a digital resale system, but, in near simultaneous fashion and just a short period before ReDigi's launch, all of the labels backed out of those talks and Capitol proceeded to sue ReDigi. See Basic Books, Inc. v. Kinko's Graphics Corp., 758 F. Supp. 1522, 1538 (S.D.N.Y. 1991) ("'[M]isuse of a copyright, in violation of the antitrust laws, may be asserted as a defense in copyright infringement cases.'") (quoting United Tel. Co. of Missouri v. Johnson Pub. Co., 855 F.2d 604, 611 (8th Cir.1988)).

- Interrogatory 4 seeks information regarding Capitol's prior enforcement of its

[2] The cases Capitol cites for its collateral estoppel and law of the case argument are inapposite. Two of these cases actually involved res judicata, not collateral estoppel or law of the case (these terms do not even appear in the cases), and in any event, those cases made clear that res judicata only applied in repetitious suits, not in the same action. See In re Teltronics Servs., Inc., 762 F.2d at 190; Kreager, 497 F.2d at 472. Capitol's third case involved collateral estoppel (but not law of the case), and it turned on findings from two prior proceedings. Moran, 346 F. Supp. 2d at 515 ("Issue preclusion can be applied against a party in privity with a litigant in ***the prior case***.") (emphasis added) (citation omitted). Thus, Capitol's cases actually support Individual Defendants' position that they are not barred from litigating defenses that ReDigi may be precluded from arguing.

alleged copyright interest in each of the allegedly infringed songs, which is relevant to multiple defenses, including copyright misuse, see Malibu Media, LLC v. Miller, No. 13-CV-02691-WYD-MEH, 2014 WL 2619558, at *5 (D. Colo. June 12, 2014), as well the appropriate amount of the requested statutory damages award.

- Interrogatory 19 seeks information regarding the Individual Defendants' alleged financial interest in the allegedly copyrighting acts, which is directly relevant to Capitol's vicarious liability claim. This claim requires, among other things, the defendant to have an "obvious and direct" financial interest in the infringing conduct. Apparently, Capitol had a sufficient factual basis to include this claim against the Individual Defendants when it added them to the action, and it cannot now claim ignorance of those facts. In addition, this request goes to the appropriate amount of the requested statutory damages award

Therefore, each of the requests has the requisite basis, and Capitol should provide appropriate responses.

Respectfully,

COWAN, LIEBOWITZ & LATMAN, P.C.
Richard S. Mandel

HAUSFELD LLP
James Pizzirusso

IT IS HEREBY ORDERED THAT the parties' request for a conference to resolve these discovery disputes and to set a discovery schedule is GRANTED and will take place on November 7, 2014 at 4:30 p.m.

SO ORDERED.
Dated: 10/24/2014
RICHARD J. SULLIVAN
U.S.D.J.