Capitol Records, LLC v. Redigi Inc. Doc. 188

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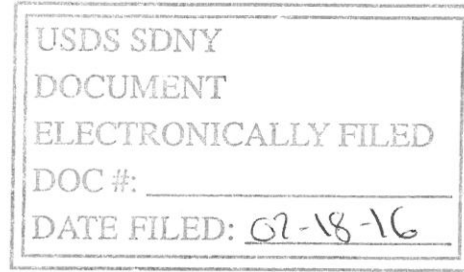

August 2, 2013

VIA ELECTRONIC MAIL

Hon. Richard J. Sullivan, U.S.D.J.
sullivannysdchambers@nysd.uscourts.gov

Re: *Capitol Records, LLC v. ReDigi Inc.* (12CV0095) (RJS)

Hon. Judge Sullivan:

We represent defendant ReDigi Inc., ("ReDigi") in the above referenced action. We write in accordance with Rule 2.A of Your Honor's Individual Practices to respectfully request a pre-motion conference in anticipation of making a motion to exclude certain categories of tracks from being considered in any calculation of damages at trial.

Plaintiff Capitol Records, LLC ("Capitol") has stated its intent to pursue statutory damages at trial for each work allegedly "infringed" pursuant to 17 U.S.C. § 504(c). Capitol further intends to include in the calculation of "works infringed" (i) all tracks that were offered for sale by customers through the ReDigi marketplace, but never sold; and (ii) the approximately 134 works that Capitol purchased through its investigator Ms. Coleen Hall prior to commencing the instant action. It is ReDigi's position that neither of the aforementioned instances constitute "infringements"[1] and as such should not be included in any calculation of statutory damages at trial.

Capitol's position that the tracks offered for sale (i.e. "made available"), but never sold, are "infringements" is based on the theory that tracks offered for sale constitute a "distribution" in violation of 17 U.S.C. 106(3). This contention was already addressed by this Court in the March 30, 2013 Memorandum and Order, when the Court noted that "a number of courts, including one in this district, have cast significant doubt on this 'make available' theory" . . . but "because the Court concludes that actual sales on ReDigi's website infringed Capitol's distribution right, it does not reach this additional theory of liability". *See* 3/30/13 Order at 8, n.6. Cases from this and other circuits have consistently held that there can be no distribution where no sale occurred. *See London-Sire Records, Inc.*, 542 F. Supp. 2d at 169 (defendants cannot be liable for violating the plaintiffs' distribution right unless a "distribution" actually occurred); *Natl Car Rental Sys., Inc., v. Computer Assocs Int'l, Inc.*, 991 F.2d 426, 434 (8th Cir. 1993) (stating that infringement of the distribution right requires the actual dissemination of copies or phonorecords); *Elektra Entm't Grp., Inc. v. Barker*, 551 F. Supp. 2d 234, 243 (S.D.N.Y. 2008) (the support in the case law for the "make available" theory of liability is quite limited). Under relevant law, it is not a violation of the distribution right to merely make a work available, where no sale or transfer of ownership is consummated and this Court has already declined to decide that making a work available is an infringement. As such, tracks that were merely offered for sale through the ReDigi marketplace,

[1] While the anticipated motion will focus on the aforementioned two issues, ReDigi does not concede that any other instance is an infringement.

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but never sold, cannot be considered as "infringements" for the purposes of calculating statutory damages at trial in this action.

Similarly, the works downloaded by Capitol's investigator paralegal Ms. Coleen Hall should not be considered in any potential calculation of statutory damages. Prior to filing the instant action, Capitol, through one of its employees downloaded approximately 134 musical tracks as part of its "investigation" of the ReDigi system. Now, Capitol intends to seek an award of statutory damages on the 134 musical tracks it had its own paralegal download. It is ReDigi's position that the tracks Capitol itself purchased and downloaded should not be part of any potential damages calculation for statutory damages. To count these works as "infringements" for the purpose of determining a statutory damage award, would reward Capitol for downloading far more works than necessary to determine the functionality of the ReDigi website. Furthermore, allowing Capitol to recover a statutory damage award for works where its own employee was actually the infringer, would encourage future copyright plaintiffs' to engage in the infringing activity more than necessary during "investigations", so that they could artificially inflate the potential statutory damage award. Such a precedent would encourage companies, like Capitol here, to have interns and paralegals download hundreds or even thousands of their own works so that the potential recovery is larger, when such activity is completely unnecessary to accomplish the goal of "investigating," what they consider to be a potentially infringing service.

We appreciate the Court's time and consideration in this matter, and should the Court need any further information, we are available at the Court's convenience.

Respectfully submitted,

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Richard Mandel, Esq.