UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA, Plaintiff, - against - AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS, Defendant.	Civil Action No. 41-1395 (WCC)
In the Matter of the Application for the Determination of Reasonable License Fees by AT&T WIRELESS	**BRIEF AMICI CURIAE OF CTIA – THE WIRELESS ASSOCIATION, THE DIGITAL MEDIA ASSOCIATION, THE UNITED STATES TELECOM ASSOCIATION, THE INTERNET COMMERCE COALITION, AND THE CONSUMER ELECTRONICS ASSOCIATION**

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INTERESTS OF THE AMICI CURIAE

CTIA – The Wireless Association ("CTIA"), the Digital Media Association ("DiMA"), the United States Telecom Association ("USTelecom"), the Internet Commerce Coalition ("ICC"), and the Consumer Electronics Association ("CEA"), by their undersigned counsel, submit this amici curiae brief in support of the Motion for Summary Judgment of AT&T Wireless ("AT&T").[1]

CTIA is an international organization representing all sectors of wireless communications – cellular, personal communication services and enhanced specialized mobile radio. A nonprofit membership organization founded in 1984, CTIA represents providers of commercial mobile radio services ("wireless carriers"), mobile virtual network operators, aggregators of content provided over wireless telecommunications systems, equipment suppliers, wireless data and Internet companies and other contributors to the wireless universe. A list of CTIA's members appears at http://www.ctia.org/membership/ctia_members/.[2]

The Digital Media Association is a trade association composed of 18 member companies that develop and utilize Internet-based digital technologies to sell, distribute and program lawful, royalty-paying digital music and media products and services.[3] Among other activities, DiMA's members distribute audio and video content, including ringtones, to customers via digital download. This is the digital equivalent of the "brick and mortar" distribution of audio and

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[1] Amici file this brief pursuant to the May 21 Stipulation and Order providing that "*amici* filings, if any, shall be filed on or before July 1, 2009." The Court granted permission for the brief to be up to 30 pages in length.

[2] AT&T (*aka* AT&T Mobility) is a member of CTIA. This *amici curiae* brief was not authored, in whole or in part, by counsel to AT&T.

[3] One of DiMA's members, MTV Networks, a division of Viacom International Inc., does not join in Part III of this brief.

video content, which has never resulted in the paying of performance royalties to ASCAP. Other DiMA members use the Internet to publicly perform musical works via streaming. When these companies provide real-time streams that are audible to the public (just as broadcast radio and television stations do), they obtain licenses to publicly perform musical works and pay royalties. A list of DiMA's members appears at http://www.digmedia.org/index.php?option=com_content &view=article&id=49&Itemid=69.

The United States Telecom Association is a national trade association representing service providers and suppliers for the telecommunications industry. Its diverse membership includes smaller, rural companies and some of the largest corporations in the U.S. economy. USTelecom also has international and associate members that include consultants, communications equipment providers, banks and investors, and other parties with interests in the telecommunications industry.

The Internet Commerce Coalition monitors and advocates for its members on cutting-edge Internet, data security and privacy issues. It provides representation, monitoring and analysis on issues that are uniquely of concern to major Internet and communications companies in areas such as liability for activities of users, technology mandates, child online safety, privacy and data security regulation, data retention and national security mandates, and barriers to e-commerce that affect Internet companies' costs of doing business, liability risks, and relationships with their customers. In the past six months, for example, the ICC has worked intensively on copyright, counterfeiting and child pornography liability, mandates to filter content, data security, privacy, and Internet taxation issues, and participated actively in advocacy relating to the petition for a writ of certiorari in *The Cartoon Network LP, LLLP v. CSC Holdings,* 536 F.3d 121 (2d Cir. 2008), *cert. denied*, No. 08-448 (U.S. June 29, 2009).

The Consumer Electronics Association is the preeminent trade association in the U.S. consumer electronics industry. CEA members lead the consumer electronics industry in the development, manufacturing, and distribution of audio, video, mobile electronics, communications, information technology, multimedia and accessory products, as well as related services, that are sold through consumer channels. Its membership consists of over 2,100 corporate members that contribute more than $140 billion to the U.S. economy, and includes companies that make and distribute devices that allow consumers to download and listen to music.

Amici have presented the views of their members in testimony before Congress and have filed numerous amicus briefs in the federal courts on behalf of the wireless industry, digital media, telecommunications and Internet industries on a variety of issues. *See, e.g., United States v. Am. Soc'y of Composers, Authors & Publishers* (the "*Download Decision*"), 485 F. Supp. 2d 438 (S.D.N.Y. 2007); *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.,* 545 U.S. 913 (2005)*; City of Rancho Palos Verdes, Cal. v. Abrams,* 544 U.S. 113, 117, 125 (2005)*; Pub. Citizen v. Clerk, U.S. Dist. Ct.,* 451 F. Supp. 2d 109, 110 (D.D.C. 2006). Amici frequently participate in administrative proceedings and coordinate efforts to educate government agencies and the public about wireless, digital media, telecommunications and Internet issues.

Amici have a substantial interest in this proceeding. Wireless and digital technologies not only provide consumers with first-rate telecommunications service, but also allows consumers to download a wide array of data products to their cell phones, PDAs, and similar wireless devices (collectively, "cell phones"). These products include interactive games, videos, full-track digital music files, digital video files and – the subject of this proceeding – cell phone ringtones.

ASCAP's members are copyright owners of musical works. Those same rightsholders already license each ringtone that a consumer purchases and receive a 24 cent royalty for each purchased ringtone. The additional compensation that ASCAP seeks is inequitable, inconsistent with prior interpretations of the Copyright Act and will create significant disincentives for carriers to foster the widespread use of ringtones. Amici, in the interests of the wireless, digital content, telecom and Internet industries and the consuming public, believe that any interpretation of the Copyright Act that would produce such results is without statutory support.

SUMMARY OF ARGUMENT

The American Society of Composers, Artists and Publishers ("ASCAP") is not entitled to yet another license fee for its members for the playing of cell phone ringtones. There is no "public performance" within the meaning of the Copyright Act, either (a) when a ringtone is downloaded to a consumer's cell phone or (b) when that phone rings, even in public, and audibly plays a musical work. Furthermore, additional compensation would be an extraordinarily inequitable "double dip," because the copyright owners who authorize and license ringtone downloads – i.e., ASCAP's members – are already fully and fairly compensated for consumers' use of ringtones.

In struggling to overcome the language of the Copyright Act and this Court's prior decision, ASCAP invents a new type of public performance not found in the law or any decided cases. As a matter of law, a public performance of a musical work occurs when either a live performance or a sound recording is "performed" to the public. The public performance right is implicated in only two situations, neither of which exists with respect to the ringing of a cell phone. ***First***, in the case of a performance that is transmitted, as in an over-the-air broadcast or in a transmission to viewers by cable or satellite television operators, the transmission must result in a perceptible cotemporaneous performance of the work. ***Second***, a public performance occurs when a work is performed in a public place or outside a family or social circle. In either case, in order to be ***directly*** liable the alleged infringer must be "performing" the work, meaning that the infringer itself must "recite, render, play, dance or act" the work directly or through a "device or process."

ASCAP argues for a different, unprecedented approach. It contends that the transmission of a file of data that comprises a previously recorded performance (*i.e.,* a sound recording) also implicates the public performance right, even if the transmission is neither

itself, nor results in, a public performance. The law, legislative history and cases provide no support for that position. ASCAP also appears to argue, without support, that the automatic (non-volitional) act of sending a signal to a cell phone indicating an incoming call violates the public performance right if it triggers a performance of the ringtone in a public place.

Both assertions are incorrect. There can be no "performance of" a non-perceptible transmission. The act of sending a signal that does not embody a copyrighted work cannot be a public performance, and nor would it be sufficiently volitional to constitute direct infringement. As to secondary liability (contributory infringement), that signal is neither the "cause" of, nor does it "materially contribute" to or "substantially assist," any such performance.

Ringtones are digital audio files that may contain all or part of a musical work, downloaded by a consumer and stored in his or her cell phone. ASCAP's members already have licensed carriers to do just that. After this authorized and paid for distribution and reproduction of a ringtone, the cell phone can audibly play it to signal an incoming telephone call. As ASCAP repeatedly acknowledges, there is no contemporaneous audible rendition of the musical work during the download. *See* ASCAP's Opposition to AT&T's Motion for Summary Judgment Concerning Ringtones at 7, 12 ("ASCAP Br."). Once the ringtone has been downloaded, only the consumer has any control over whether the ringtone "rings." Consumers exercise that control by deciding whether to turn their cell phones on or off in a particular location and whether, upon receiving an incoming call, the phone will remain silent, vibrate, play a non-musical tone, or play a ringtone. Carriers have no control over any of these decisions and no knowledge of whether and when the consumer has set his or her phone to play a ringtone.

When a caller dials a consumer's cell phone number, the subscriber's carrier automatically sends an electronic signal – not a ringtone – to that cell phone. This signal is distinct from, and is sent without regard to, any given consumer's ringtone setting. Exactly the same automated signal is sent every time to every consumer receiving a call.

Moreover, although obvious, it is the parties who call a cell phone who actually trigger the signal indicating an incoming call. In other words, although consumers can control ***how*** their cell phones will react to incoming calls, it is the callers – neither the carriers nor the consumers – that trigger ***when*** cell phones will ring.

When these facts are viewed in their proper context, as opposed to being lumped together as if they were one continuous activity (*See* ASCAP Br. at 14), ringtones do not result in public performance liability for carriers because:

- The first of ASCAP's alleged "steps," the transmission of a ringtone by a carrier to a consumer's cell phone at the time of purchase, is not a public performance. This Court already has held in *United States v. Am. Soc'y of Composers, Authors & Publishers*, 485 F. Supp. 2d 438, 444 (S.D.N.Y. 2007) (the "*Download Decision*"), that the downloading of a musical file is not a public performance and that decision obviously applies to musical ringtones, which can be musical files no different from any other. ASCAP's argument, that a downloaded musical file can be played back by the recipient – whether immediately after receipt or much later – does not render the downloading a performance. *See* pp. 5-9, *infra.*

- The potential second "step," the audible rendering of a ringtone in a place where members of the public can hear it, does not automatically make that rendering a public performance. The playing of a ringtone does not involve a transmission, is not at all akin to a public concert or dance, and is no more a public performance than the commonplace act of playing a CD in a car with the windows (or top) down. To the extent that ringtones may ring incidentally in public, Section 110(4) of the Copyright Act expressly states that such non-profit public performances are not infringements. *See* pp. 9-17, *infra*.

- Because the carriers' role in triggering the playing of the ringtone is entirely automatic and without any volition, the carrier has no direct involvement in – and cannot be directly liable for – any violation of the public performance right. *See* pp. 17-21, *infra*.

- Nor can carriers be held secondarily liable for supplying ringtones, cell phones or the automatic signal that the cell phone is receiving an incoming call. The ringtone, the cell phone, and the service of signaling an incoming call are all overwhelmingly "capable of substantial non-infringing uses" and, accordingly, under *Sony Corp. v. Universal City Studios*, *Inc.*, the carriers cannot be held contributorily liable. Similarly, carriers cannot be held vicariously liable because they have no right or ability to supervise when and where ringtones are audible to the public, and they do not profit from any such playing of ringtones. *See* pp. 21-25, *infra*.

- Finally, rightsholders of musical works already receive a 24 cent royalty for each download of a ringtone. The Copyright Royalty Judges determined that this rate properly balanced the interest of copyright owners to receive full and fair compensation with the interest of the public to access copyrighted works. Any additional public performance right payment would pay ASCAP's members twice for what is a single transaction: the acquisition of a ringtone and the right to play it back. *See* pp. 26-29, *infra*.

ARGUMENT

I. The Downloading Of A Ringtone To Members Of The Public Is Not A Public Performance.

To perform or display a work "publicly" means:

> (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; [the "public place clause"] or
>
> (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times. [the "transmit clause"]

17 U.S.C. § 101. Although a "public performance can implicate both clauses" of this definition, ASCAP Br. at 15 n.37, in the case of the downloading and rendering of ringtones, neither clause gives rise to liability. ASCAP's public performance arguments conflate the two clauses and are so confused as to require each argument to be refuted by a clear summary of applicable first principles.

A. The Downloading Of A Ringtone Is Not A Public Performance Under The Public Place Clause.

To begin, downloading[4] a ringtone cannot be a public performance under the public place clause because that clause requires two things. First, there must be a performance – that is, the work must be rendered or played, *see* 17 U.S.C. § 101 (definition of to "perform" a work). Second, the performance must occur "in a place open to the public" or where "substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." During the initial "download" (as opposed to the subsequent "ringing") the ringtone never is rendered or played "to the public."[5]

B. The Downloading Of A Ringtone Is Not A Public Performance Under The Transmit Clause.

Nor can the downloading of a ringtone to members of the public be a public performance under the transmit clause. In order for a download to be considered a performance under that clause, the download must constitute a transmission of a ***performance***. *Download Decision*, 485 F. Supp. 2d at 446 ("***the transmission of a***

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[4] Amici adopt the term "download" as this Court has used it in the *Download Decision*. *See* 485 F. Supp.2d at 441. Using the literal terms of the Copyright Act, "download" means the electronic distribution of a phonorecord, resulting in a reproduction, also known as a "digital phonorecord delivery." *See* 17 U.S.C. § 115(d) ("A 'digital phonorecord delivery' is each individual delivery of a phonorecord by digital transmission of a sound recording which results in a specifically identifiable reproduction by or for any transmission recipient of a phonorecord of that sound recording").

[5] This is undisputed. *See* Brief of Defendant-Appellant-Cross-Appellee at 33, *United States v. Am. Soc'y of Composers, Authors & Publishers*, No. 09-0539-cv(L) (2d Cir. June 8, 2009) ("ASCAP Appellate Br.") (admitting that "Clause (1) of the Section 101 definition of public performance . . . ***requires a performance simultaneous*** with the public's ***perception*** of it.") (emphasis added); *see also* ASCAP Br. at 15 (admitting that the public place clause is implicated only when a ringtone plays in public to signal an incoming call).

performance, rather than just the transmission of data constituting a media file, is required in order to implicate the public performance right in a copyrighted work") (emphasis original).

When a consumer downloads a ringtone from a carrier, however, the work is not being performed because it is not being contemporaneously rendered audible. Accordingly, the transmission is not a "performance" and, therefore, cannot possibly be a "public" performance. *See Download Decision*, 485 F. Supp. 2d at 444 ("Although we acknowledge that the term 'perform' should be broadly construed, we can conceive of no construction that extends it to the copying of a digital file from one computer to another in the absence of any perceptible rendition.") (internal citations omitted). This Court has already considered and rejected the argument that transmissions that can only be rendered audible after completion of the download are performances. *Download Decision*, 485 F. Supp. 2d at 446 ("that a customer's online purchase is . . . capable of playback as soon as the transmission is completed, does not change the fact that ***the transaction is a data transmission rather than a musical broadcast***") (emphasis added). Notwithstanding ASCAP's protestations, *see* ASCAP Br. at 12, there is no legal difference between a musical ringtone and any other sort of musical file that is digitally distributed to a consumer device. Finally, ASCAP is simply wrong when it asserts on appeal of the *Download Decision* that a transmission of a sound recording (a work that always comprises a performance) is inevitably a "performance" within the requirements of the transmit clause. *See* ASCAP Appellate Br. at 24. That argument proves too much, because it would mean that every single digital phonorecord delivery would be a

performance. That result both defies the plain language of the statute and is unsupported by legislative history and any cases.[6]

To circumvent this Court's clear holding, ASCAP now argues that even when a downloaded ringtone is stored on a cell phone that is turned off, switched to vibrate or plays exclusively in private, a public performance occurs because the initial download always remains a transmission of a work that is "capable" of being played in public. ASCAP Br. at 13-16 (arguing that the "performances AT&T causes are 'public'" whether the device is on or off, the volume turned down or . . . placed on vibrate").

There are two crisp responses to this. First, ASCAP relies on a fact it concedes is not present. ASCAP expressly acknowledges that "the only reason why the transmission does not ordinarily actually play before the transmission is concluded, is because AT&T has itself instructed that the file be encoded that way even though it is capable of being streamed." *Id.* at 12-13. Thus, as ASCAP itself concedes, a customer can play the ringtone only once it is downloaded (*i.e.*, distributed) to the customer's cell phone. *Id.* at 12 (AT&T "invites its customers to play the ringtones immediately ***upon transfer***"); *id.* at 2 ("ringtone plays. . . ***following purchase***") (underline in original; other emphasis added); *id.* at 3-4 (describing process). Given these repeated concessions that transmissions of ringtones are ***not*** capable of

[6] Section 115(d) defines a "digital phonorecord delivery" as a "delivery" by "digital transmission of a sound recording," "***regardless*** of whether the digital transmission is ***also*** a public performance of the sound recording or any nondramatic musical work embodied therein." 17 U.S.C. § 115(d) (emphasis supplied). Congress clearly contemplated that such deliveries also could, but need not, be public performances. ASCAP would read the word "regardless" out of the definition. Furthermore, although ASCAP cites to the House Report accompanying the 1976 Act, notably not a single one of the five examples given of public performances includes the transmission of a previously recorded performance, unless the work being transmitted is rendered perceptible contemporaneous with the transmission. *See* H.R. REP. NO. 94-1476, at 63 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5676-77.

being heard by the consumer during the download, the Court's prior, correct conclusion that public performances are not implicated in the "downloading of a music file" fully applies here. *See Download Decision*, 485 F. Supp. 2d at 446.

Second, no statutory or case law supports ASCAP's proposition that a transmission of a file that remains "capable of" being performed later is itself a performance. Instead, ASCAP relies on the legislative history of the 1976 Copyright Act to make the noncontroversial point that unlicensed broadcasts could be actionable even "if there is no proof that any of the potential recipients was operating his receiving apparatus at the time of the transmission." *Id.* at 12 n.32, 15-16 (citing H.R. REP. NO. 94-1476, at 65 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5678). That, however, simply acknowledges that a transmission constituting a public performance remains so even if some or all members of the public have their radios or television sets turned off during the performance. No one would deny that a broadcaster publicly performs sound recordings regardless of the audience size or whether anyone is actually listening to the broadcast. ASCAP, however, twists the statutory definition and the legislative history to assert that the transmission "need only be 'capable' of being ***performed to the public***" even if that performance cannot be perceived at the time of transmission, *id.* at 15 (emphasis supplied). There is absolutely no support for that position because the statute requires examining, instead, whether members of the public are "***capable of receiving the performance***."

During the downloading of a ringtone by members of the public, of course, no "performance" is capable of being received, *see* p. 5, *supra*. Moreover, under ASCAP's theory, any distribution of content to any device that is "capable" of receiving that transmission, where the content could later be performed in public (*e.g.*, downloading a song

onto an iPod or a boom box for subsequent playback) also must constitute a compensable public performance. Put bluntly, this novel "capability" argument appears to have been made solely to circumvent this Court's prior decision.

Recognizing that no transmission amounting to a public performance occurs during a download, ASCAP objects to the use of the "digital controls over the ringtones" that prevent the downloads from being heard as a "technological sleight of hand." ASCAP Br. at 13. This objection is difficult to fathom. Courts routinely recognize the value of using technology to ensure that products or services do not infringe. *See*, *e.g.*, *Grokster*, 545 U.S. at 939 (criticizing defendants' failure to "develop filtering tools or other mechanisms to diminish the infringing activity using their software"). That the downloads are so encoded is to be saluted, not condemned.

II. The "Ringing" Of A Ringtone Is Not A Public Performance.

A. The "Ringing" Of A Ringtone Is Not A Public Performance Under The Transmit Clause.

After the initial download, the subsequent ringing of the ringtone also does not trigger the transmit clause because a ringtone is never again "transmitted." To "transmit" means to "***communicate*** [the work] by any device or process whereby images and sounds are received ***beyond the place from which they are sent***." *Columbia Pictures Indus., Inc. v. Prof. Real Estate Investors, Inc.*, 866 F.2d 278, 282 (9th Cir. 1989) (emphasis added).[7]

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[7] ASCAP erroneously argues that "[i]mportantly, the definition of 'transmit' does not limit the words 'or otherwise communicate'" in order to suggest distance is not an element of "otherwise communicate." ASCAP Br. at 11. That view has been soundly rejected: "[T]he term 'otherwise communicate' should be construed consistently with the term 'transmit.' . . . Consequently, the 'otherwise communicate' phrase must relate to a 'process whereby images or sounds are received beyond the place from which they are sent.'" *Columbia Pictures*, 866 F.3d at 282.

Ringtones are stored within a cell phone's memory. When a particular cell phone receives an incoming call, it is the cell phone – not that wireless carrier – that automatically plays back the ringtone. The ringtone is audible (if at all), much like a boom box or stereo, only to those located in the immediate vicinity. The only thing that is ever "sent" from the carrier to the consumer is the electronic signal to signify an incoming call. This signal, however, is distinct from, and is sent without regard to, any given consumer's ringtone setting. Exactly the same automated signal is sent every time to every cell phone receiving a call. At no point, therefore, does the rendering of a ringtone involve any "transmission" of that ringtone from the wireless carrier to the consumer's phone, or cause the ringtone to be received "beyond the place from which [it is] sent" – the immediate vicinity of the cell phone itself.

Because it is clear that the playing of a ringtone, by itself, resembles nothing close to a transmission, ASCAP improperly combines together the separate and distinct steps that occur – the download of the ringtone, the carrier's electronic signal, and the ringing of the ringtone – into something it labels "the entirety of the process," ASCAP Br. at 14, in order to suggest that "intermediary transmission" cases are relevant. The concept of intermediary transmissions, however, applies only to those transmissions of a work where there is a perceptible rendering contemporaneous with the final retransmission in the transmission "chain." *See, e.g., National Football League v. PrimeTime 24 Joint Venture*, 211 F.3d 10, 13 (2d Cir. 2000) (retransmission of satellite television programming to viewers for contemporaneous viewing); *WGN Cont'l Broad. Co v. United Video, Inc.*, 693 F.2d 622 (7th Cir. 1982) (retransmission of over-the-air local television programming). Neither the

download of a ringtone, nor the sending of the signal of an incoming call, results in a perceptible rendering of a work contemporaneous with the transmission of that work.

The Second Circuit rejected the logic of ASCAP's argument in *The Cartoon Network v. CSC Holdings*, 536 F.3d 121 (2d Cir. 2008), *cert. denied*, No. 08-448 (U.S. June 29, 2009), when it explained that *National Football League*, one of the principal cases on which ASCAP relies, "dealt with a chain of transmissions whose final link was undisputedly a public performance." *See id.* at 137. Thus, the independent transmissions that result in the playing of a ringtone are no more a "two-step intermediary performance," ASCAP Br. at 14, than the independent events that lead to the playback of a music file after it has been transmitted to a consumer's iPod. Indeed, that ASCAP transforms the concept of "intermediate transmissions" into the previously undiscovered concept of "intermediary performance[s]" speaks volumes about how greatly the argument it makes differs from settled case law.

B. The "Ringing" Of A Ringtone Is Not A Public Performance Under The Public Place Clause.

1. <u>The Playing Of A Ringtone In Public Is Not A Traditional Public Performance Of The Sort Envisioned By Congress.</u>

Nor does the ringing of ringtones trigger the public place clause. When Congress created the public performance right in the Copyright Act of 1909, it intended "to prohibit unauthorized performances of copyrighted musical compositions in such public places as concert halls, theaters, restaurants, and cabarets," such as those by orchestras, instrumentalists or singers. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 157 (1975) (citing H.R. REP. NO. 2222, 60th Cong., 2d Sess. (1909)). In addition, under the 1909 Act, the unauthorized public performance of a musical work would infringe only if such performance were "for profit." 17 U.S.C. § 1(e) (1909 Act).

The public performance rights granted under the 1909 Act were used primarily to prohibit unauthorized performances in places where the public would gather for the purpose of enjoying those performances. *See, e.g., Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (unauthorized performances at concerts by local community concert associations); *Leo Feist, Inc. v. Lew Tendler Tavern, Inc.*, 267 F.2d 494, 496 (3d Cir. 1959) (recordings of music piped into restaurant); *Dreamland Ball Room, Inc. v. Shapiro*, *Bernstein & Co*., 36 F.2d 354 (7th Cir. 1929) (unauthorized performances by orchestra in dance hall). In such places, the profit motive requirement could be satisfied directly (through admission fees, as in the case of a concert) or indirectly (by using the performance as a draw to attract customers who would purchase other goods or services, as in the case of a restaurant).

The 1976 Copyright Act refined the concept of a public performance in a manner entirely consistent with the 1909 Act. Under the public place clause, to perform a work "publicly" means "to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." 17 U.S.C. § 101. The "for profit" limitation of the 1909 Act was carried forward (albeit in slightly modified form) in Section 110(4), in one of the specific limitations that follow the general grant of copyright rights in Section 106. *See* 17 U.S.C. § 110(4).

With this clear understanding of Congress' intent, ASCAP's arguments that the audible playing of a ringtone from a cell phone infringes the public performance right are exposed as completely inconsistent with the plain language, structure and purpose of the Copyright Act. Ringtones do not come close to serving the same function as a public

performance in a concert or restaurant venue, the paradigmatic examples of activities that trigger the public performance right under either the 1909 or 1976 Copyright Acts. The function of a ringtone is to notify the consumer of an incoming call. Ringtones are audible within the confines of a consumer's private space (a home, car or office) and generally are perceptible only to the subscriber or those in close proximity (usually a small number of that consumer's friends, family or acquaintances). Such "ringings" are, by definition, not public performances because they are not performed in a place "open to the public" or "where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered."

When a cell phone rings in a public place, it is still not always the case that the public has heard it and, in any event, it surely is the case that the public has not gathered to hear it. The ringtone itself lasts for only a few seconds, at most, and, depending when the phone is answered, the perceptible portion of the ringtone may be *de minimis*.

Furthermore, any members of the public who might happen to hear a ringtone do not pay money to do so, and the playing of ringtones is not used by cell phone consumers to "draw" in customers or any other members of the public. To the contrary, many public venues, such as concert halls, theaters, auditoriums and similar performance spaces, prohibit or strongly discourage cell phone usage altogether because the ringing of a phone (whether with a ringtone or not) would interrupt that which the public has gathered to see and/or hear. In other places, such as restaurants, social conventions frown upon the ringing of cell phones. Thus, consumers may, and often do, turn off or silence the ringing of their cell phones in public places, or when in proximity to those outside their normal circle of family and acquaintances.

2. Ringtones Are Intended For Private Use, Not Public Performances.

The notion of people commonly gathering to attend (or let alone pay for) a "full music ringtone concert" is absurd. Even to the extent that some consumers may purchase ringtones to "express support for particular artists or sports teams," ASCAP Br. at 7, those consumers do so with the intent of letting that ringtone be heard by their friends, family or acquaintances, not random members of the public. As a matter of common sense, the extent to which the playing of a ringtone is heard by others in a public place is wholly incidental, in large part because the playing of the ringtone is triggered unpredictably by third parties. When a ringtone is heard in public it is little different than playing a CD in a car with the windows or top down, or from one's house or patio where neighbors could hear, or, even – to use a popular example from the early days of the 1976 Act – on a boom box while walking down the street. None of these everyday occurrences, some of which are even more clearly controlled by consumers than the ringing of a ringtone, has ever been thought to constitute a public performance that infringes the rights of the musical work copyright owner.[8]

3. Section 110(4) Excludes From the Public Performance Right The Playing Of Ringtones.

Section 110(4) provides that it is not an infringement of the public performance right if one engages in any "performance of a nondramatic literary or musical work otherwise than in a transmission to the public, without any purpose of direct or indirect commercial advantage and without payment of any fee or other compensation for the performance to any of its performers, promoters, or organizers" if "there is no direct or indirect admission charge." 17 U.S.C. § 110(4). Section 110(4) was intended to carry forward some aspects of the "for profit" limitation in the 1909 Act. In doing so, Congress made it clear that "for

[8] *See* p. 22 n.13, *infra*.

profit" performances – those not within the Section 110(4) exclusions – were "public performances given or sponsored in connection with any commercial or profit-making enterprises. . . ." H.R. REP. NO. 94-1476, at 85 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5699 (emphasis added).

Because Section 110(4), by its literal terms, does not apply to "transmissions to the public," it is not applicable to alleged public performances under the transmit clause and does not, therefore, apply to ringtone downloads. It does apply however, to ASCAP's argument that the "ringing" of a ringtone on a cell phone implicates the public place clause. ASCAP Br. at 28-29.

If anyone is a "performer" of a ringtone under the public place clause, it can be only the consumer who has downloaded it onto a cell phone or, perhaps arguably, the caller who triggered the playing of the ringtone. The carrier has no direct, independent involvement in whether and when a ringtone is played. For consumers or callers, it is obvious that no fees are earned, nor is any direct or indirect commercial advantage derived, when ringtones are heard by members of the public. (Even accepting, *arguendo*, that some members of the public might willingly pay to hear the ringing of a ringtone from a cell phone – or that a consumer would charge admission for others to hear that ringtone played back – the rarity of such situations only underscores the importance of the concept of substantial non-infringing uses with respect to any claim of carrier secondary liability. *See* p. 22, *infra*.[9])

[9] Even if, as ASCAP suggests, "there are some commercial enterprises such as symphonies using ringtone performances for a fee," ASCAP Br. at 28, that would only prove that the ***symphony*** – not the ***carrier*** – is directly infringing, and that the symphony would not be able to use Section 110(4) to immunize itself from ***its own*** direct infringement (assuming it, or the concert hall, did not have a separate public performance license to perform the work).

ASCAP argues that Section 110(4) should not apply because carriers charge fees in connection with the download of ringtones and it is "well-established" that copyright law does not "allow a commercial entity to stand in the shoes of its customers" for purposes of determining if a use is not-for-profit. ASCAP Br. at 28. Whether "well-established" or not, the "stand in the shoes" proposition applies only where the commercial entity, not its customers, is itself engaged in the allegedly infringing act and tries to invoke, for example, its customers' fair use rights. *See Princeton Univ. Press v. Michigan Doc. Servs., Inc.*, 99 F.3d 1381, 1389 (6th Cir. 1996) (action for unauthorized copying where copying was "performed on a profit-making basis by a commercial enterprise"); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1530 (S.D.N.Y. 1991) (action for unauthorized copying where "copying was conducted by a commercial enterprise"). *See also Los Angeles News Serv. v. Reuters Television Int'l, Inc.*, 149 F.3d 987, 994 (9th Cir. 1998) (action for defendants' copying and transmission raises question distinct from their subscribers' fair use).

Simply put, this is not a "shoe standing" situation. For reasons made clear above, the consumer (or caller) who causes the ringtone to ring makes the public performance (if any). Whether carriers receive a one-time compensation for each ***download*** of a ringtone is irrelevant. *See* H.R. REP. NO. 94-1476, at 85 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5699 (Section 110(4) requires that "***the performance*** must be 'without any purpose of direct or indirect commercial advantage.'") (emphasis added). Because carriers receive no compensation when a ringtone is heard by members of the public – and otherwise do not in any sense "give" or "sponsor" such ringtone performances – they are no different than other

content owners who sell copies of works that are used by the purchasers in the manner contemplated by Section 110(4).[10]

III. ASCAP Is Not Entitled To Collect Public Performance Royalties From Carriers.

A. Carriers Are Not Directly Liable When A Ringtone Rings In Public.

ASCAP contends that carriers are directly liable for the ringing of ringtones in public because, it argues, the well-settled volitional element needed for an act of infringement is trumped by the strict liability nature of the tort of infringement. ASCAP Br. at 21. This confuses two distinct concepts. A strict liability tort exists regardless of the tortfeasor's state of mind – *i.e.*, it is irrelevant whether he intended to commit, or had knowledge of, the infringement. *See Faulkner v. Nat'l Geographic Soc'y*, 576 F. Supp. 2d 609, 613 (S.D.N.Y. 2008) ("Copyright infringement is a strict liability wrong in the sense that a plaintiff need not prove wrongful intent or culpability").

By contrast, volition relates to the infringing act itself – *i.e.*, whether there is a "nexus" between the affirmative actions of the alleged infringer and the actions properly identified as infringing. *See CoStar Group Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004) (establishing direct liability requires showing "actual infringing conduct with a nexus sufficiently close and causal to the illegal copying").

When courts refuse to impose copyright liability without a "volitional act" they are not imposing any new element on the *prima facie* test for infringement, or undercutting its strict liability nature. Rather, they are applying the non-controversial concept that direct

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[10] ASCAP's argument that a carrier invoking Section 110(4) "must establish that each and every customer qualifies under this exception," ASCAP Br. at 28, completely ignores the distinct concepts of direct and secondary liability, *see* pp. 17-21, *infra*. Whether a carrier would have secondary liability for its customers' acts turns not on whether every performance of a ringtone falls within Section 110(4), but on whether a substantial number do. That plainly is the case.

infringement requires conduct that directly infringes. *See CoStar,* 373 F.3d at 551 ("a person [has] to engage in volitional conduct – specifically, the act constituting infringement – to become a direct infringer"); *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc.*, 907 F. Supp. 1361, 1370 (N.D. Cal. 1995) (absent volition or causation there is no liability).

With respect to the public performance of ringtones under the public place clause, the act occurs when a consumer's cell phone rings. That act is wholly separate from, and unrelated to, the wireless network maintained and operated by carriers. Carriers perform the purely automatic function of transmitting signals to cell phones to signal an incoming call. The ***caller*** determines when the ringtone is heard and the ***consumer*** determines which (if any) ringtone is heard. The wireless carrier has no knowledge of or control over whether, when and in what circumstances a ringtone is or might be audible to members of the public. It acts automatically, without any volition. There is no principled distinction between holding carriers directly liable for the playing of a ringtone in public and holding liable any other provider of music that is downloaded to a consumer's device, should the purchaser decide subsequently to render that music audible to members of the public. Imposing liability in any of these instances would be improper.

ASCAP emphasizes that carriers provide the ringtones for purchase and maintain the networks that "cause" the ringtones to play. ASCAP Br. at 18-21. The logic of its argument, however, would mean a record store would be directly liable for an infringing public performance by a customer because the record store sold the CD used for the infringement. Courts have expressly rejected such reasoning. *See CoStar,* 373 F.3d at 551 (copy shop not directly liable for infringing copies made by customers); *Netcom*, 907 F. Supp. at 1368-69 (automatic caching and mirroring by online service provider not direct infringement); *Field v.*

Google, Inc., 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006) ("automated, non-volitional" distribution of cached web pages in response to user search queries not direct infringement).

Nor is it relevant, as ASCAP emphasizes, that carriers "maintain[] a constant link with the customer's phone," ASCAP Br. at 12 (emphasis in original). The maintenance of a "link" between a central server and consumer equipment, without more, does not constitute volitional conduct by the service provider. Indeed, the Second Circuit rejected the substance of ASCAP's argument in an analogous "constant link" situation in *Cartoon Network,* 536 F.3d at 131, and held that a cable operator that provided its customers with access to "remote storage DVRs" could not be directly liable for the allegedly infringing act of reproduction. The programs were recorded at the direction of subscribers, but were stored on the cable operator's central servers and linked to subscribers for subsequent playback. *Id.* at 133.[11]

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[11] The Solicitor General filed a brief recommending against the grant of a petition for a writ of certiorari in *Cartoon Network*, in which it largely endorsed the reasoning of the Second Circuit on the question of direct liability. *See* Brief for the United States as Amicus Curiae, *Cable News Network, Inc. v. CSC Holdings, Inc.* No. 08-448, at 18 (U.S. May 29, 2009) (court of appeals "reasonably concluded" that subscribers, who select the programs and press the button triggering the recording, "make" the copies). On June 29, 2009, the Supreme Court denied the petition.

The Second Circuit declined to analyze whether the cable operator would have any direct liability with respect to the public performance right. *See Cartoon Network*, 536 F.3d at 134. The logic of *Cartoon Network* and other decisions, however, requiring that infringing acts be volitional in order to impose direct liability, applies to other rights within Section 106, including the right of public performance. *See Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59, 61-62 (3d Cir. 1986) (implying that video store owner was secondarily, not directly, liable for infringement of public performance right for allowing customers to pay a fee and rent a private viewing room, holding "[i]n granting copyright owners the exclusive rights to 'authorize' public performances, Congress intended 'to avoid any questions as to the liability of contributory infringers. . .'"); *Cass County Music Co. v. Khalifa*, No. 96-7171, 1996 U.S. App. LEXIS 26084, at *4 (2d Cir. Oct. 3, 1996) (holding venue owner secondarily liable for performances of copyrighted songs by band at venue).

ASCAP also makes the confused argument that the carriers' lack of any volitional conduct should not absolve them of any ***direct*** infringement liability based on the examples of Napster, Aimster and Grokster, which were "all automated systems that required no human intervention. . . ." ASCAP Br. at 20. In fact, decisions involving the defendants who operated those systems prove precisely the opposite. Although the courts concluded that they had done so in flagrant disregard for copyright, and even, in the case of Grokster, to the extent of inducing infringing activity, they still were subject only to ***secondary*** liability. *See A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (operator of peer-to-peer file sharing service only secondarily liable for unauthorized copies of music files shared between users); *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003) (same); *Grokster,*545 U.S. 913 (operator of peer-to-peer file sharing network only secondarily liable despite having "induced" users to infringe).[12]

Much like the cable operator in *Cartoon Network*, wireless carriers perform a purely automatic function – *i.e.*, transmitting signals to cell phones to indicate incoming calls. Carriers lack the requisite volitional conduct required for a finding of direct copyright liability even if the ringing of ringtones constituted a public performance, which it is not.

[12] ASCAP cites *On Command Video Corp. v. Columbia Pictures Indus.*, 777 F. Supp. 787, 789-90 (N.D. Cal. 1991), for the proposition that the operator of a video-on-demand system can be held directly liable for infringing the public performance right even where others (hotel guests, in that case) initiate the performances. ASCAP Br. at 20. In *On Command*, however, the transmissions themselves were performances, they infringed the transmit clause (not the public place clause) and the court did not address whether the system developer's liability (not, as ASCAP asserts, the hotel's) was direct or secondary. The decision is inapplicable because neither the download of a ringtone nor the signal indicating an incoming call are public performances. Similarly, ASCAP invokes the district court's decision in *Cartoon Network* regarding a cable operator's liability for on-demand transmissions, ASCAP Br. at 19; however, the Second Circuit reversed that decision, holding that, under the facts, the operator had not directly infringed the public performance right.

B. Carriers Have No Secondary Liability For Any Ringing Of A Ringtone In Public.

1. <u>Carriers Have No Contributory Liability.</u>

"For a defendant to be held contributorily or vicariously liable, a direct infringement must have occurred." *See* 2 Paul Goldstein, Copyright § 6.0 (1996); *see also Grokster*, 545 U.S. at 940 ("the inducement theory of course requires evidence of actual infringement by recipients of the device"). As explained above, the audible rendering of a ringtone in public (a) is not a public performance and (b) even if it is, Section 110(4) excludes it from the exclusive rights of copyright owners. Because there is no direct act of infringement, no carrier can be secondarily liable.

Even the potential for ringtones to constitute infringing public performances by consumers still would not be sufficient to impose contributory or vicarious liability on carriers. For contributory liability, the provider must have both (1) actual or constructive knowledge of the infringing act and (2) caused or materially contributed to, or substantially assisted in, the infringing activity. *Grokster*, 545 U.S. at 930; *Gershwin*, 443 F.2d at 1162. A carrier has no actual knowledge that a ringtone is played in public when one of its subscriber's cell phones is called. When the carrier signals an incoming call, it cannot know whether the consumer has set the cell phone to play the ringtone at all, the consumer's location, or whether that place is open to the public. These facts do not even provide constructive knowledge of anything other than, at best, that a given consumer has a ringtone-enabled cell phone that might ring in public. Moreover, sending the signal of an incoming call, triggering either a "ring" or a "ringtone," cannot be considered to cause, contribute to or substantially assist in the act of playing the ringtone in public without stretching these concepts beyond reason.

Even if carriers (1) sell cell phones with the ability to play back ringtones, (2) sell ringtones that can be downloaded to cell phones, and (3) provide the service to their subscribers of transmitting a signal of an incoming call, they fall well within the protective umbrella of *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984). Under *Sony*, the supplier of a product or service that is "capable of substantial non-infringing uses" cannot be held contributorily liable for copyright infringement. *Id.*; *see also Grokster*, 545 U.S. at 932.

Ringtones are used by consumers for their private consumption.[13] Ringtones are highly likely to be played back in places that are not public, such as in a car, office or home and not for profit of any sort. Section 110(4) expressly exempts from liability such playing of ringtones. The sending of signals of incoming calls is identical whether the cell phone has a downloaded ringtone, whether that ringtone is enabled or whether the caller is in a public place when the call is received. Thus, cell phones, ringtones and signals of incoming calls are overwhelmingly, not just substantially, capable of non-infringing uses.

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[13] Indeed, the Copyright Office has noted, in the context of determining whether ringtones were eligible for the Section 115 mechanical license, that the "primary purpose" of the ringtone distributor is to distribute the ringtone for "private use." U.S. Copyright Office, Mem. Op., *In the Matter of Mech. and Digital Phonorecord Delivery Rate Adjustment Proceeding*, Docket No. RF 2006-1, 71 *Fed.Reg.* 64,303, 64,316 (Nov. 1, 2006); *id.* at 64,304 ("a ringtone is made and distributed for private use even though some consumers may purchase them for the purpose of identifying themselves in public"). In doing so, the Copyright Office made the common sense analogy of the playing of ringtones in public to circumstances where "traditional phonorecords are used in public (*e.g.*, boom boxes in public parks, in a car stereo while the automobile is driving down the street)," but where such usage is nonetheless considered "private." *See id.* at 64,316. Views of the Copyright Office are afforded judicial deference. *See*, *e.g.*, *Richlin v. MGM Pictures, Inc.*, 531 F.3d 962, 973 (9th Cir. 2008) ("[C]ourts should generally defer to the Register of Copyright's ("Register") interpretation of the copyright statutes, as '[t]he Register has the authority to interpret the copyright laws and . . . its interpretations are entitled to judicial deference if reasonable.'"); *N.Y. Mercantile Exch., Inc. v. IntercontinentalExchange, Inc.*, 389 F. Supp. 2d 527, 543 (S.D.N.Y. 2005) ("courts have found that the policies and interpretation of the Office are entitled to deference").

Nor would carriers be liable under an "inducement" theory, which is imposed on "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement. . ." *Grokster*, 545 U.S. at 936-37. "[M]ere knowledge of infringing potential or of actual infringing uses" is not enough. Instead, what is required is "purposeful, culpable expression and conduct." *Id.* at 937. This includes evidence that (1) defendants attempted to "satisfy a known source of demand for copyright infringement"; (2) defendants never attempted to develop filtering tools or other mechanisms to diminish the infringing activity; and (3) defendants' advertising-driven business model directly profited from high-volume uses of its software, and those high-volume uses tended to involve infringing behavior. *Id.* at 939-40.

No such evidence of inducement exists in the case of either the provision or the ringing of ringtones, as public record facts make clear. Carriers providing ringtones are engaged in a legitimate business activity, for which they pay a royalty to musical work copyright owners. Neither their words nor their acts are aimed at the promotion of consumers' infringing behavior (particularly in the provision of ringtones, where no infringement occurs). By stark contrast with the evidence that the Supreme Court found probative in *Grokster*, consumers do not purchase ringtones to avoid ASCAP's public performance fees, carriers use technology to avoid performances contemporaneous with ringtone downloads and carriers' revenues from ringtones are not driven by efforts to encourage public performances of ringtones.

2. <u>Carriers Have No Vicarious Liability.</u>

Vicarious liability is only imposed on a party that (1) has the right and ability to supervise infringing activity, and (2) receives a direct financial benefit as a result of the infringement. *Gershwin*, 443 F.2d at 1162. The right and ability to supervise infringing

activity requires "something more" than an "opportunity to supervise." *Banff Ltd. v. Limited, Inc.*, 869 F. Supp. 1103, 1108 (S.D.N.Y. 1994). *See also Artists Music, Inc. v. Reed Publ'g (USA)*, No. 93 Civ. 3428 (JFK), 1994 U.S. Dist. LEXIS 6395, at *16 (S.D.N.Y. May 17, 1994) ("mere fact" that trade show organizers "could have policed" exhibitors' infringing performances "at great expense is insufficient to impose vicarious liability"). Instead, there must be some "continuing connection" with respect to the infringing acts, resulting in a practical ability to police the infringing conduct. *See Banff*, 869 F. Supp. at 1108 ("a parent corporation cannot be held liable for the infringing actions of its subsidiary unless there is a substantial and ***continuing connection between the two with respect to the infringing acts***") (emphasis original) (quoting *Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*, 886 F.2d 1545 (9th Cir.1989)); *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1173 (9th Cir. 2007) ("a defendant exercises control over a direct infringer when he has both a legal right to stop or limit the ***directly infringing conduct***, as well ***as the practical ability to do so***") (emphasis added).

Carriers have no right or ability to control public performances of ringtones. Once a ringtone is downloaded to a consumer's cell phone, carriers have no "continuing relationship" with that ***ringtone***.[14] Consumers can assign that ringtone to calls from certain callers, deactivate the ringtone, or delete it altogether, all without knowledge or input from carriers. Carriers have no practical ability to prevent consumers from taking their cell phones to public places, to control whether the cell phone will ring while in those places, to control whether a

[14] ASCAP's repeated references to carriers' relationships with their ***customers*** are beside the point. *See, e.g.,* ASCAP Br. at 5 ("AT&T reserves the right to terminate a user's service without cause"). The "right and ability to control" must be over "the directly infringing ***conduct***." *Perfect 10*, 508 F.3d at 1173 (emphasis added).

consumer's cell phone is set to on or off, or to control whether, upon receiving an incoming call, the cell phone will remain silent, vibrate, play a non-musical tone, or play a ringtone.

Nor do carriers derive any direct financial benefit from the ringing of ringtones in public. Vicarious infringement requires the financial benefit to be "direct," *i.e.*, there must be some "coalescing" of the right and ability to control the infringing activity with "an obvious and direct financial interest" in the infringement. *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963). Because carriers do not receive money when a cell phone rings in public, carriers have no direct financial interest in the public ***performance*** of ringtones. That carriers receive money for the ***download*** of ringtones (for which copyright interests are fully compensated) is irrelevant.

In short, none of ASCAP's arguments for carrier secondary liability, ASCAP Br. at 23-27, finds support under well-settled law.

3. Carriers Are Not Jointly and Severally Liable.

ASCAP's claim that a carrier is "jointly and severally liable" with its customers, ASCAP Br. at 18, is, once again, confused. Joint and several liability is not an independent basis of liability, but a means for assigning responsibility among multiple parties for an award of damages where direct liability has been established. The doctrine is used to impose a single award in two circumstances: (1) where multiple entities have committed a ***single act*** of ***direct infringement***, *see*, *e.g.*, 17 U.S.C. § 504(c)(1) (copyright owner may elect to receive statutory damages "with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally"); or (2) where financial officers or parent corporations of infringing entities should be held liable because the owners or officers of an infringer are the same, for purposes of damages, as the infringer, *see, e.g., Sygma Photo News. Inc. v. High Soc. Magazine, Inc.*, 778 F.2d 89, 91 (2d

Cir. 1985) (defendant attempting to hide behind a shell corporation held liable); *Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.*, 76 U.S.P.Q.2d (BNA) 1949, 1953 (S.D.N.Y. 2005) (president and sole owner of small company personally liable because he had ability to supervise the infringing activity).

Carriers have no direct liability under either the transmit or public place clauses. *See* pp. 4, 17, *supra*. Nor are they acting as corporate parents or financial officers of their customers. The relationship between carriers and consumers is much different that that of financial officers to their company. Carriers obviously have no financial investment in their customers and have no ability to control where or when ringtones are performed. *Cf. Respect, Inc. v. Fremgen*, 897 F. Supp 361, 363 (N.D. Ill. 1995) (printer of infringing textbooks not jointly and severally liable with organization that had ordered the books because printer had "no connection with and had no control over" the distribution).

Most importantly, adoption of ASCAP's "joint and several liability" theory would obliterate the concepts of secondary liability. Courts have held that even in the most egregious cases, such as where a defendant is held to have actively induced infringement, secondary liability alone is appropriate. *See Grokster*, 545 U.S. 913; p. 20, *supra*.

IV. Additional Payments Of Royalties To Exempt Public Performances Would Provide Double Compensation To Music Copyright Interests.

ASCAP's reference to the revenues derived from the ringtone market, ASCAP Br. at 2-5, amounts to an implicit claim that carriers' failure to pay a second time, for a public performance license, is somehow inequitable. To the contrary, any unfairness would lie in compensating copyright owners of musical works twice for the same transaction.

Music publishers and songwriters (*i.e.*, ASCAP's members) presently derive substantial revenue from the ringtone files – phonorecords – that are downloaded to cell

phones. This "digital phonorecord delivery" royalty has been set at 24 cents (or approximately 20 percent of the $1.00 to $1.25 wholesale ringtone price proposed by record companies) every time a consumer purchases a ringtone (including ringtones purchased from wireless carriers). *See In the Matter of Mech. & Digital Phonorecord Delivery Rate Adjustment Proceeding*, Dkt. No. RF 2006-3, 74 *Fed. Reg*. 4510, 4526 (C.R.B. Jan. 26, 2009) ("DPRA Order"); 74 *Fed. Reg.* at 4522; 37 C.F.R. § 385.3(b).[15] In setting this rate as a percentage of the ***retail*** price of the ringtone, 74 *Fed. Reg.* at 4522, the Copyright Royalty Judges implicitly found that music rightsholders are being fully and fairly compensated for the consumer's end use – the playing – of the ringtone. The Copyright Royalty Judges considered the contentions of copyright owners that the statutory rate was unfair, and concluded that the copyright owners failed to establish that "under existing market conditions, [they] will fail to ***receive a fair return for the artists' creative works as a result of the adoption of a 24 cent statutory rate for ringtones***." *Id.* at 4524 (emphasis added).

Not only would any additional payment for the public performance right amount to an inequitable "double dip" for a license to have ringtones play back, but it would also require this court to artificially divide what is a single transaction – the acquisition of a ringtone by a download in order to have it ring to signal an incoming call – into two distinct components. When the individual rights associated with a single transaction add independent economic value, it make sense to divide the rights and demand separate compensation for each one. For example, a restaurant that purchases a public performance license enjoys the benefit of being able to play music for its patrons. It may subsequently purchase a separate "synch" license so that its patrons may sing along to those songs. *See ABKCO Music, Inc. v. Stellar Records,*

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[15] The 24-cent rate is much higher than the 9.1-cent rate for permanent downloads of entire songs via, for example, iTunes. *See* DPRA Order, 74 *Fed. Reg.* at 4524.

Inc., 96 F.3d 60 (2d Cir. 1996) (compulsory phonorecord license does not include right to synchronize music with video displaying lyrics for music).

Where, however, multiple rights in a single transaction have no independent economic value, it is inequitable and impractical to require a separate, duplicative payment for each.[16] In the case of ringtones, it makes no sense to artificially segment the acquisition of the ringtone from its subsequent "ringing." The purpose of a ringtone is solely to signal audibly to the subscriber that a call is incoming. Unlike a "synch" license (in which the performance right has value independent of the ability to synch the music with visible material), the download of a ringtone is of no value if the ringtone is not licensed to ring. *See also* S. REP. No. 104-278, at 37 (1995), *as reprinted in* 1995 U.S.C.C.A.N. 356, 384 (Congress, in extending mechanical compulsory license to digital phonorecord deliveries, intended to "maintain mechanical royalty income" and not to "substitute for or duplicate performance rights in musical works").

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[16] This is particularly the case with musical works, where overlapping rights and uncertainties about which rights are implicated by particular uses has been the subject of business negotiations and legislative discussions for years. Congress has considered legislation to reform the provisions of the Copyright Act applicable to the licensing of musical works, including to enable one-stop, single-license fees. In support of such proposals, the Register of Copyrights has testified repeatedly about the confusion and unfairness inherent in the licensing of musical works. In language particularly appropriate for evaluating ASCAP's claims, she opined that Congress may wish "to clarify that when a digital transmission results in the receipt of a copy that may be performed on more than one occasion after its receipt, there is no liability for any public performance that might be embodied in the transmission (because the transmission is a reproduction and distribution for which the copyright owner is being compensated)." *See Reforming Section 115 of the Copyright Act for the Digital Age: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary*, 110th Cong., No. 110-33, at 29 (2007) (statement of Marybeth Peters, Register of Copyrights), *available at* http://judiciary.house.gov/hearings/printers/110th/34178.PDF.

ASCAP's claim for royalties requires divorcing the consumer's decision to acquire a ringtone by downloading it from the subsequent "ringing" of the ringtone when the cell phone is called. The public does not view ringtones this way, nor did the Copyright Royalty Judges. Instead, the purchase of a ringtone for the purpose of having it ring on a cell phone is, and should be treated as, a unitary transaction for which adequate compensation has already been paid at the time of the download.

CONCLUSION

For the foregoing reasons, the Court should rule as a matter of law: (1) that when (a) ringtones are downloaded to a customer's cell phone or (b) ringtones are played in a public place, there is no unauthorized public performance within the exclusive rights controlled by ASCAP's members; and (2) that, even if there were infringing public performances, AT&T has no liability for them.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Richard S. Lee, an attorney admitted in the State of New York, caused on this 1st day of July, 2009 a copy of the Brief Amici Curiae of CTIA – The Wireless Association, the Digital Media Association, the United States Telecom Association, the Internet Commerce Coalition, and the Consumer Electronics Association to be served, by overnight mail, upon:

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