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Focus

INTELLECTUAL PROPERTY

PAYING TO PLAY

By Leslie Gordon Fagen, Darren W. Johnson and Hallie S. Goldblatt

Anyone who thought that music downloaded from Internet file-sharing services was free may want to reconsider that opinion following the $222,000 verdict in *Capitol Records v. Thomas*, 06cv-1497 (D. Minn. Oct. 4, 2007), the first copyright infringement case against an individual file-sharing service user to go to trial and final judgment.

The case, decided Oct. 4, represents an important victory for music copyright owners in two respects. First, the threat of similar damages undoubtedly will have the desired effect of steering some consumers away from "free" file-sharing services like KaZaA and toward legitimate pay services like Apple's iTunes Music Store. Second, the case confirms that a music copyright owner need show only that a user "made available" copyrighted songs over a file-sharing network in order to prove a violation of the copyright owner's exclusive right of distribution under the Copyright Act.

Cases filed by the recording industry against individual file-sharing service users are moving forward, with the 'making available' issue likely to play a key role in each.

Internet File-Sharing

Since the birth of the notorious Napster file-sharing service in 1998, the music industry and other copyright owners have faced the problem of massive copyright infringement on a scale not previously imaginable. By using various peer-to-peer and file-sharing networks over the Internet, computer users are able to download, then make available for others to download, practically every song ever recorded. A user normally makes his or her music available to others in a file-sharing network by placing digital audio files in a "shared" folder on the hard drive of his or her computer. Other users can search for certain songs available in that user's shared folder, as well as in the shared music folders of every other user connected to the network at that time. Once the song is found, the user simply presses a button, and the digital audio file instantly begins downloading from the other user's shared folder.

Although the industry has been successful in shutting down many of these file-sharing services, new networks invariably pop up in their place. This problem led the recording industry to start targeting individual file-sharing service users who made large numbers of songs available for other users to download.

'Thomas' Trial

On April 19, 2006, seven major music labels — Sony BMG Music Entertainment, Arista Records, Interscope Records, Warner Bros Records, UMG Recordings, Virgin Records America and Capitol Records — sued Jammie Thomas, a 30-year-old single mom from Minnesota, saying that, on Feb. 21, 2005, Thomas, under the user name "tereastarr@KaZaA," distributed music files over the Internet from the KaZaA "shared" folder on her computer. Of the 1,702 digital audio files available in tereastarr's KaZaA shared folder on Feb. 21, 2005, only 24 sound recordings for which the plaintiffs owned the copyright were at issue in the case.

The *Thomas* case was one of thousands of similar actions filed by the recording industry since 2003 against individual users of KaZaA and other Internet file-sharing services. For relatively nominal sums, most of the users settled their claims soon after they were filed. Thomas, however, vigorously denied the allegations and refused to settle. Thomas claimed that she did not share any music files on KaZaA and that she did not even have a KaZaA account. Thomas contended that she was the victim of Internet "spoofing," and she claimed that an unknown individual must have used her Internet connection to share music on KaZaA.

Over two days of trial, the recording industry plaintiffs were able to cast significant doubt on Thomas' denials. First, the plaintiffs offered evidence linking Thomas' Internet protocol address and cable modem to the KaZaA user-sharing audio files on Feb. 21, 2005. Second, the plaintiffs established that Thomas had used the user name "tereastarr" for other online ventures for a decade, including as an e-mail address, for online shopping, and as her user name on her computer, on Match.com and on MySpace.com. Third, the plaintiffs offered evidence that Thomas had replaced the hard drive on her computer in March 2005, after first being notified of her infringing conduct. Although Thomas' lawyers presented evidence that Thomas replaced her hard drive because of faulty hardware, not to conceal evidence, it appears - based on post-trial jury interviews - that the replacement of the hard drive weighed heavily against Thomas's credibility.

'Making Available' Instruction

The case turned, however, not on issues of fact but on the language of a jury instruction addressing the conduct necessary to establish that Thomas violated the copyright owners' exclusive right of distribution.

The uploading and downloading of music files on Internet file-sharing services potentially infringes two exclusive rights under the Copyright Act: the right of reproduction and the right of distribution. A song is reproduced and distributed on the Internet when it is downloaded by one user from another. But because proof of downloading can be difficult, if not impossible, to obtain, many

plaintiffs seek recovery based on the theory that a user also infringes the exclusive right of distribution by making a song available for download in the user's shared music folder.

Such was the case in *Thomas*, in which the plaintiffs asked the court to instruct the jury that "[t]he act of distributing and/or making copyrighted sound recordings available for electronic distribution on a peer-to-peer network, without license from the copyright owners, violates the copyright owners' exclusive right of distribution, regardless of whether actual distribution has been shown." Plaintiffs' Proposed Jury Instruction No. 8. This proposed instruction represented a marked departure from the instruction originally proposed by the court, which would have held plaintiffs to the much higher standard of showing that a transfer (or download) took place.

During oral argument, just before each side presented its closing statements, counsel for the plaintiffs convinced the court to re-evaluate the issue by citing several cases in which courts had endorsed the "making available" theory of copyright infringement. See *Perfect 10 v. Amazon.com*, 487 F.3d 701 (9th Cir. 2007); U.S. v. Shaffer, 472 F.3d 1219 (10th Cir. 2007); *BMG Music v. Gonzalez*, 430 F.3d 888 (7th Cir. 2005); *A&M Records v. Napster*, 239 F.3d 1004 (9th Cir. 2001); *Hotaling v. Church of Jesus Christ of Latter-day Saints*, 118 F.3d 199 (4th Cir. 1997); *Motown Record Co. v. DePietro*, 04CV-2246, (E.D. Pa. Feb. 16, 2007).

In an attempt to rebut this authority, counsel for Thomas cited to *UMG v. Lindor*, 05CV-1095, (E.D.N.Y. Dec. 12, 2006), another recording industry case brought against an individual Internet file-sharing user. In *Lindor*, the court ruled that plaintiffs would "have the burden of proving [at trial] by a preponderance of the evidence that defendant did indeed infringe plaintiff's copyrights by convincing the fact finder, based on the evidence plaintiffs have gathered, that defendant actually shared sound files belonging to plaintiffs." Counsel for the plaintiffs in *Thomas* noted that he also was lead counsel in *Lindor* and that the "making available" issue was never briefed or discussed in that case. He noted that the ruling at issue addressed only the ability to offer evidence of uncompleted downloads at trial and should not be read to contradict the numerous other cases cited by the plaintiffs, all of which supported the "making available" instruction proposed by the plaintiffs.

Agreeing that the plaintiffs had the better part of the argument, the court amended the jury instruction to read, as the plaintiffs requested, that "[t]he act of making copyrighted sound recordings available for electronic distribution on a peer-to-peer network, without license from the copyright owners, violates the copyright owners' exclusive right of distribution, regardless of whether actual distribution has been shown." Final Jury Instruction No. 15.

Establishing Damages

Given the lack of evidence of downloading of the specific music files at issue, this amended instruction represented a crucial victory for the recording industry plaintiffs and resulted in a finding by the jury that Thomas was liable for copyright infringement of all 24 songs at issue. Under the Copyright Act's statutory damages guidelines, the jury had the ability to award damages as low as $750 per song infringed or as high as $150,000 per song infringed. In the end, the jury chose to award $9,250 for each of the 24 songs at issue, resulting in a total damages award of $222,000.

Thomas has vowed to appeal the jury's verdict to the 8th U.S. Circuit Court of Appeals, and her counsel has indicated that the appeal will focus in part on the propriety of the court's "making available" jury instruction. In the meantime, other cases filed by the recording industry against individual file-sharing service users are moving forward, with the "making available" issue likely to play a key role in each. Indeed, rulings on the "making available" issue are expected soon in three such cases: *Elektra Entertainment Group v. Barker*, 05CV-7340; *Warner Bros. Records v. Cassin*, 06Civ.3089 (S.D.N.Y.); and *Atlantic Recording Corp. v. Howell*, CV06-2076 (D. Ariz.).

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