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'Making Available' Cases Still Making Trouble

Law360, New York (January 07, 2009) -- For the past decade, unprecedented piracy has plagued the music industry. A primary cause: so called “peer-to-peer file-sharing” (“P2P”) services, such as the notorious Napster, which enabled millions of people to share digital music files online by accessing and downloading directly from each others’ computers, rather than through a central server.

To stop this unprecedented infringement from the start, songwriters and music publishers (the copyright owners of musical works) and record companies (the copyright owners of sound recordings) sued Napster, alleging claims for contributory and vicarious infringement arising out Napster users’ violations of the copyright owners’ exclusive rights of distribution and reproduction under 17 U.S.C. §106.

In the course of the litigation against Napster, the Ninth Circuit — addressing Napster’s arguments that plaintiffs could not make out a violation of the distribution right premised on Napster users’ “making available” of works — concluded that “Napster users who upload file names to the search index for others to copy violate plaintiffs’ distribution rights” and the subsequent downloading violated plaintiffs’ reproduction rights. A & M Records Inv. v. Napster Inc., 239 F.3d 1004, 1014 (9th Cir. 2001) (“Napster”).

Napster shut down in 2001. The industry’s victory was followed by successful litigation against other P2P services. See, e.g., Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd., 545 U.S. 913 (2005).

Online piracy nonetheless persisted. In recent years, to curb the demand for illegitimate services, record companies have sued individual users of P2P services. Beyond generating controversy in the press, the “individual” suits have caused controversy in the courts.

In particular, courts — some apparently concerned about the prospect of imposing steep statutory damages awards — have grappled with the question of whether the user’s “making available” of his or her copyrighted files for reproduction by other users

constitutes a violation of the copyright holders' exclusive right of distribution under 17 U.S.C. §106(3).

The "Making Available" Debate

Section 106 of the Copyright Acts grants copyright holders, among other exclusive rights, "the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work ... [and] to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending." 17 U.S.C. 106.

The Act does not expressly define "distribution." But several courts have concluded that the making available of a work to the public suffices.

- See, e.g., Hotaling v. Church of Latter-Day Saints, 118 F.3d 199, 203 (4th Cir. 1997) ("when a ... library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the ... public, it has completed all the steps necessary for distribution to the public" within the meaning of section 106(3)).

- See also Napster, 239 F.3d at 1014 ("users who upload file names to the search index for others to copy violate plaintiffs' distribution rights"). Cf. In re Napster Inc. Copyright Litigation, 377 F. Supp. 2d 796, 805 (N.D. Cal. 2005) (distribution rights violated if defendant "either (1) actually disseminated ... copies of the work to ... the public or (2) offered to distribute copies of that work for purposes of further distribution, public performance, or public display.")

Moreover, the Register of Copyrights has opined that "making [works] available for other users of a peer-to-peer network ... constitutes infringement of" section 106(3). Capitol Records, et al., v. Thomas, No. 06-cv-1497, 2008 WL 4405282 at *6 (D. Minn. Sept. 24, 2008).

Nevertheless, courts considering the issue in the context of the "individual" suits disagree on what the Copyright Act requires for distribution to have occurred.

- See Atlantic Recording Corp. v. Howell, 554 F. Supp. 2d 976, 983 (D. Ariz. 2008) ("Unless a copy of the work changes hands in one of the designated ways, a 'distribution' under §106(3) has [not occurred and m]erely making an unauthorized copy ... available to the public" does not violate the distribution right.);

- Elektra Entertainment Group Inc., et al., v. Barker, 551 F. Supp. 2d 234, 243-44 (S.D.N.Y. 2008) ("[O]ffers to distribute ... for purpose of further distribution" violated section 106(3), but refusing to acknowledge a "contourless 'make available' right.");

- Motown Record Co., LP v. DePietro, No. 04-CV-2246, 2007 WL 576284 at *3 (E.D. Pa. Feb. 16, 2007) (plaintiff can establish violation of distribution right by "proof of actual

distribution or by proof of offers to distribute [such as] proof that the defendant 'made available' ... copyrighted work[s]");

- Universal City Studios Prods. LLP v. Bigwood, 441 F. Supp. 2d 185, 190 (D. Me. 2006) (defendant willfully infringed plaintiffs' right to distribute copyrighted works by making "copies … available to thousands of people over the internet" using Kazaa);

- Warner Bros. Records Inc. v. Payne, No. W-06-CA-051, 2006 WL 2844415 at *3 (W.D. Tex. July 17, 2006) (on motion to dismiss, court not prepared to "rule out…making available theory");

- London-Sire Records Inc., et al., v. Doe 1, et al., 542 F. Supp. 2d 153, 169 (D. Mass. 2008) (considering motions to quash subpoenas court concluded plaintiffs had sufficiently pled an actual distribution "where [a] defendant has completed all ... necessary steps for a public distribution [allowing] a reasonable fact-finder [to] infer ... [a] distribution actually took place.");

- Interscope Records v. Duty, No. 05-CV-3744, 2006 WL 988086 at *2 (D. Ariz. April 14, 2006) ("mere presence of copyrighted [works] in [defendant's] share file may constitute copyright infringement").

Capitol Records, et al., v. Thomas, No. 06-cv-1497, 2008 WL 4405282 (D. Minn. Sept. 24, 2008) is the latest decision to tackle the issue.

Capitol Records, Et Al., V. Thomas

In Thomas, the record companies alleged that Thomas had infringed their copyrights by distributing and downloading works through the Kazaa P2P service.

At the conclusion of trial, the judge instructed the jury that under the Copyright Act: "making copyrighted sound recordings available ... on a peer-to-peer network ... violates the copyright owners' exclusive right of distribution, regardless of whether actual distribution has been shown." Id. at *1.

The jury found that Thomas had willfully infringed plaintiffs' copyrights and awarded statutory damages of $9,250 for each of the 24 infringements.

Thereafter, the Court issued a sua sponte order seeking briefing on whether its "distribution" jury charge ran afoul of controlling precedent — specifically National Rental Car System Inc. v. Computer Assoc. Int'l Inc. 991 F.2d 426 (8th Cir. 1993), in which the Eighth Circuit held that "infringement of [the distribution right] requires an actual dissemination of either copies or phonorecords." J. Davis, Order, May 15, 2008.

The record companies argued that any error was harmless, given that Thomas had also violated the reproduction right and, in any event, the record companies had proven that their agent had downloaded the songs from Thomas.

The Court nevertheless determined that the verdict sheet offered no insight into whether the jury had found Thomas liable for violation of the reproduction right or the distribution right with respect to each work, leaving open the question of whether the statutory award would have varied with a different jury instruction. Id. at *3.

Thus, the Court turned to the issue at hand: whether making copyrighted works "available for electronic distribution on a [P2P] network ... violate[s] the copyright owners' exclusive right of distribution, regardless of whether actual distribution has been shown." Id. at *1.

Starting with the statute, the Court analyzed the plain meaning of "distribution" in section 106(3) to determine whether it encompassed the concept of "making available."

Apparently equating the act of "making available" with an offer, the Court considered whether the statutory language in section 106(3) includes "offers to distribute."

The Court noted that, although section 106(3) "explains the manners in which distribution [occurs]: sale, transfer of ownership, rental, lease, or lending ... [it] does not state that an offer to do ... these acts constitutes distribution." Id. at *5.

The Court further found it telling that Congress had "explicitly defined 'distribute' to include offers to distribute" in several sections of the Copyright Act, but had not included the "offer" language in section 106(3). Id. at *6.

Thus, the Court concluded that Congress intended that section 106(3) require "actual distribution or dissemination." Id.

The Court also rejected plaintiffs' argument that the legislative history of section 106 demonstrates that distribution as used in section 106(3) is synonymous with "publication," which is expressly defined in the statute to include offers to distribute works. See 17 U.S.C. §101 ("The offering to distribute copies ... to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication").

Specifically, in describing the five exclusive rights granted by the Copyright Act, the House and Senate Committees referred to the right of "distribution" as the right of "publication," using the terms "distribution" and "publication" interchangeably. Id. at *8 (noting "the House Committee Reports stated that §106(3) 'establishes the exclusive right of publication'").

The Court, however, did "not find these snippets of legislative history to be dispositive." Id.

Nor did the Court accept plaintiffs' argument that, in Harper & Row Publishers Inc. v. Nation Enterprises, 471 U.S. 539 (1985), the Supreme Court had equated distribution in section 106(3) and publication, as defined in section 101, when it stated that the

Copyright Act "recognized for the first time a distinct statutory right of first publication." Id.

The Thomas Court found that the Supreme Court had also used language indicating that publication and distribution were "two distinct concepts" — for example, when it referred to the "'rights to publish, copy and distribute.'" Id. at *9.

The Court thus concluded that publication and distribution were not synonymous. Both can occur through sale, transfer of ownership, rental, lease or lending, but "publication is broader than the term distribution ... in §106(3)" in that it can "also occur by 'offering to distribute.'" Id. at *9. But see Elektra, 551 F. Supp. 2d at 241 (finding publication and distribution synonymous).

Plaintiffs also argued that section 106(3) grants copyright holders the exclusive right to "authorize" distribution, and making works available on Kazaa violated this right to authorize distribution.

The Court, however, held that the inclusion of the term "authorize" in section 106(3) did not broaden the right to distribution, but instead provided the basis for finding secondary liability. Id. at 10. Accord London-Sire, 542 F. Supp. 2d at 166.

The Court next turned to the conflicting precedent on the issue — namely, the Fourth Circuit's decision in Hotaling that when a library "makes [a] work available to the ... public, it has completed all the steps necessary for distribution" under section 106(3). 118 F.3d at 203.

Acknowledging that several courts had adopted Hotaling's ruling that making works available constituted distribution, see, e.g., Warner Bros. Records, 2006 WL 2844415, the Court nevertheless declined to follow Hotaling, because the Fourth Circuit had not analyzed section 106(3), but had been guided by equitable concerns that plaintiffs' ability to successfully bring suit would be prejudiced by defendants' failure to keep records of the public's access to the copyrighted works. Id. at *14.

On the other hand, in National Car Rental — a decision binding on the Thomas Court — the Eighth Circuit had determined that "infringement of the distribution right requires an actual dissemination of copies." Id. at *13.

The Court also refused to apply the Charming Betsy doctrine, which requires courts faced with competing interpretations of US law to apply the interpretation consistent with the US' international obligations — here, the World Intellectual Property Organization treaty which recognizes a "making available" right. Id. at *15-16.

The Court thus determined that "[l]iability for violation of the exclusive distribution right found in §106(3) requires actual dissemination" of copyrighted works. Id. at *16.

Critically, the Court noted that its "rejection" of Hotaling's holding "does not leave copyright holders without redress." Id. at *14.

Plaintiffs can still sue for a violation of the reproduction right when a user "makes an unauthorized copy ... of a copyrighted work for the purpose of uploading it onto a peer-to-peer network, absent a defense of fair use." Id.

Moreover, although the Court declined to "adopt the deemed-disseminated theory based on Hotaling, it note[d] that direct proof of actual dissemination is not required by the Copyright Act," and that plaintiffs could "employ circumstantial evidence ... to prove actual dissemination." Id. at 15.

The Impact Of Thomas

Although some courts have refused expressly to recognize a "making available" right, such rulings may have little impact on copyright owners' ability to recover for violations of their distribution right in the context of unlawful P2P networks.

Leaving to one side the debate over whether "distribution" under section 106(3) includes an "offer to distribute" and the question of whether the "making available" claims are properly characterized as alleging only "offers to distribute," even if the statute requires an "actual dissemination," courts should not put plaintiffs to the near-impossible task of presenting direct evidence of such dissemination (i.e., downloads) — evidence typically unavailable as a result of P2P services' deliberate decisions to avoid any record of infringement.

Rather, as even the Thomas Court acknowledged, the Copyright Act does not require direct proof of an actual dissemination; plaintiffs may rely on circumstantial evidence — effectively allowing a court to "deem" the works to have been actually distributed.

Indeed, at bottom, the Thomas decision appears not to have "reject[ed]" the ruling of Hotaling — that, notwithstanding a lack of evidence of actual transfer of plaintiffs' work, plaintiff's exclusive distribution right had been violated based on evidence of defendants' completion of all the steps necessary for distribution to the public — but to have essentially embraced it.

Ample evidence exists to demonstrate that users of P2P services — far from merely offering to distribute works — have taken all steps necessary for the actual distribution of copyrighted works, allowing courts to infer that such a distribution took place and placing the burden on defendants to demonstrate otherwise.

In the case of Napster, for example, users uploaded functional links to actual MP3 files that enabled the immediate downloading of those files by millions of other Napster users without the uploader — who had effectively ceded control over the works — having to take a single additional step to enable the distribution.

In sum, the “making available” of copyrighted works by millions of individual users proved to be the key to the rampant infringement that pervaded P2P services and continues to pain the music industry today.

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