

# EXHIBIT A

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION

ATLANTIC RECORDING CORP.,	)	
et al.,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	No. 4:06-CV-1708 CEJ
	)	
JENNA RALEIGH,	)	
	)	
Defendant.	)	

**MEMORANDUM AND ORDER**

This matter is before the Court on the plaintiffs' motion to dismiss defendant's counterclaims, and on the motion of defendant to join the Recording Industry Association of America as a counterclaim defendant. The issues are fully briefed.

**I. Legal Standard**

The purpose of a motion to dismiss under Rule 12(b)(6) of the Federal Rules of Civil Procedure is to test the legal sufficiency of the complaint. The factual allegations of a complaint are assumed true and construed in favor of the plaintiff, "even if it strikes a savvy judge that actual proof of those facts is improbable." Bell Atlantic Corp. v. Twombly, --- U.S. ---, 127 S. Ct. 1955, 1965 (May 21, 2007) citing Swierkiewicz v. Sorema N.A., 534 U.S. 506, 508 n.1 (2002); Neitzke v. Williams, 490 U.S. 319, 327 (1989) ("Rule 12(b)(6) does not countenance . . . dismissals based on a judge's disbelief of a complaint's factual allegations"); Scheuer v. Rhodes, 416 U.S. 232, 236 (1974) (a well-

pleaded complaint may proceed even if it appears "that a recovery is very remote and unlikely"). The issue is not whether the plaintiff will ultimately prevail, but whether the plaintiff is entitled to present evidence in support of his claim. Id. A viable complaint must include "enough facts to state a claim to relief that is plausible on its face." Bell Atlantic Corp., 127 S. Ct. at 1974. See also id. at 1969 ("no set of facts" language in Conley v. Gibson, 355 U.S. 41, 45-46 (1957), "has earned its retirement.") "Factual allegations must be enough to raise a right to relief above the speculative level." Id. at 1965.

## **II. Background**

Plaintiffs are copyright owners or licensees of exclusive rights with respect to certain copyrighted sound recordings. They allege that defendant Jenna Raleigh has used an online media distribution system to download the copyrighted recordings, to distribute those recordings to other users of the system, and/or to make the copyrighted recordings available for distribution to others without the permission or consent of plaintiffs.

Defendant denies that she is responsible for the allegedly infringing activity plaintiffs have traced to an Internet Protocol (IP) address that they have linked to her. She asserts that plaintiffs' attempt to seek relief under the Copyright Act constitutes extortion and wire and mail fraud within the terms of the Racketeer Influenced and Corrupt Organization Act (RICO), 18 U.S.C. § 1961 *et seq.* Defendant further proposes to be named class representative for a class of all persons falsely accused of

illegally downloading copyrighted sound recordings. Finally, defendant asserts that the Recording Industry Association of America (RIAA), a trade group, is a necessary and indispensable party to this action, and she moves to join RIAA as a counterclaim defendant.

In their motion to dismiss defendant's counterclaims, plaintiffs assert that the counterclaims are premised on privileged settlement communications and are subject to immunity under the Noerr-Pennington doctrine. See Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127 (1961); and United Mine Workers v. Pennington, 381 U.S. 657 (1965). Consequently, plaintiffs assert, the counterclaims are barred as a matter of law and should be dismissed. Plaintiffs further contend that defendant has failed to allege the essential elements of any of her claims of relief, and so her counterclaims fail as a matter of law. Plaintiffs deny that the RIAA is a necessary party under Rule 19(a), Fed. R. Civ. P., and they maintain that defendant has no viable counterclaim against the RIAA.

### **III. Discussion**

Defendant brings the following counterclaims: racketeering (Count I) and conspiracy (Count II) under RICO, 18 U.S.C. § 1962; fraudulent misrepresentation (Count III); prima facie tort (Count IV); and conspiracy (Count V). Defendant also asks the Court to certify a class of all persons falsely accused of illegally downloading copyrighted sound recordings and to appoint plaintiff

as the class representative. In the alternative, defendant moves for leave to amend the counterclaim.

Defendant's counterclaims purport to describe a conspiratorial scheme of racketeering and extortion by the RIAA and plaintiffs. Defendant alleges that the RIAA and recording companies have engaged in an organized campaign by filing lawsuits against "Doe" defendants identified only by IP addresses, engaging in *ex parte* discovery to identify the "Doe" defendants, notifying them of the alleged violations of the Copyright Act, and demanding a settlement.

Defendant describes the above procedure as "an organized effort and pattern of:

- (1) using the mails to send threatening and intimidating letters designed to instill fear of litigation and economic loss and harm; and
- (2) using the mails to send letters containing false and misleading information; and
- (3) using the telephone to make settlement demands and, through a 'Settlement Information Line,' to arrange settlements and collect monies from innocent individuals; and
- (4) filing and dismissing frivolous lawsuits instituted solely to obtain *ex parte* discovery and intended to circumvent the requirements of federal copyright law."

Defendant also accuses plaintiffs of forming an association for the purpose of attempting to extort money and using misrepresentations, threats, fear of economic loss, and lawsuits in order to obtain cash settlements. Finally, defendant alleges that plaintiffs have demanded "outrageous amounts of money to settle their baseless claims" under the Copyright Act. *Id.* at 15.

**Noerr-Pennington Immunity**

Defendant's counterclaims are based on plaintiffs' investigation of suspected copyright infringement, the filing of a lawsuit against her claiming infringement, and communicating their settlement offer and threatening further litigation proceedings. Plaintiffs argue that such claims are barred by the Noerr-Pennington doctrine.

The Noerr-Pennington doctrine immunizes those who petition the government for redress of grievances from antitrust liability. Prof'l Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc., 508 U.S. 49, 56 (1993), citing Noerr, *supra*, 365 U.S. 127; and Pennington, *supra*, 381 U.S. 657. This immunity applies when citizens seek relief in the courts. Id., citing California Motor Transport Co. v. Trucking Unlimited, 404 U.S. 508, 510 (1972). See also Porous Media Corp. v. Pall Corp., 186 F.3d 1077, 1080 n 4 (8th Cir. 1999).

Under the Noerr-Pennington doctrine, "participation in the judicial process cannot be asserted as a basis for civil antitrust liability" unless it is merely a "sham cover" for an attempt to directly interfere with a competitor's business. Central Telecommunications, Inc. v. TCI Cablevision, Inc., 610 F.Supp. 891 (W.D. Mo. 1985). "[I]n the litigation context, not only petitions sent directly to the court in the course of litigation but also 'conduct incidental to the prosecution of the suit' is protected by the Noerr-Pennington doctrine." Sosa v. DirecTV, 437 F.3d 923, 934 (9th Cir. 2006), quoting Columbia Pictures Indus., Inc. v. Prof'l

Real Estate Investors, Inc., 944 F.2d 1525, 1528-29 (9th Cir. 1991), aff'd 508 U.S. 49 (1993).

The Noerr-Pennington doctrine arose in the antitrust context, but it is applied outside that context. See, e.g., Central Telecommunications, Inc. v. TCI Cablevision, Inc., 800 F.2d 711, 717 n 7 (8th Cir. 1986) (doctrine "is equally applicable to many types of claims which seek[] to assign liability on the basis of [a litigant's] exercise of its first amendment rights.").<sup>1</sup> If the Noerr-Pennington doctrine applies to plaintiffs' filing of this action and to their attempts to settle their claims with defendant, the plaintiffs are immune from liability for those activities, and the defendant's counterclaims must be dismissed. Defendant, however, alleges that the plaintiff's claims fall within the "sham" litigation exception to the Noerr-Pennington doctrine.

#### **Sham Litigation Exception**

Noerr-Pennington immunity does not extend to "sham" litigation. Prof'l Real Estate Investors, supra, 508 U.S. at 60. A lawsuit is a "sham" if it is (1) objectively baseless such that no reasonable litigant could realistically expect success on the merits, and (2) subjectively motivated by bad faith. Id.

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<sup>1</sup> See also NAACP v. Claiborne Hardware, Co., 458 U.S. 886 (1982) (boycott of white merchants to secure compliance with demands for racial equality); and Hufsmith v. Weaver, 817 F.2d 455, 458-59 (8th Cir. 1987), citing In re IBP Confidential Business Documents Litigation, 755 F.2d 1300 (8th Cir. 1985) (recognized the doctrine's application to claims of "tortious interference with business and to alleged conspiracies under 42 U.S.C. § 1983.").

"The existence of probable cause to institute legal proceedings precludes a finding that an anti-trust litigant has engaged in sham litigation." Id. at 62. "Probable cause to institute civil proceedings requires no more than a reasonable belie[f] that there is a chance that [a] claim may be held valid upon adjudication.'" Id., quoting Hubbard v. Beatty & Hyde, Inc., 178 N.E.2d 485, 488 (1961) (additional citation omitted). If there is no factual dispute over the predicate facts of the underlying legal proceeding, a court may decide probable cause as a matter of law. Id. at 63. The Professional Real Estate Investors Court found probable cause existed when the respondent's copyright infringement action was warranted by existing law. Id. at 65.

Under the Copyright Act, a person who violates the exclusive rights of a copyright owner is an infringer of the copyright or right of the owner. 17 U.S.C. § 501(a). The legal or beneficial owner of an exclusive right under a copyright "is entitled . . . to institute an action for any infringement of that particular right." 17 U.S.C. § 501(b). Plaintiffs are the holders or exclusive licensees of the copyrighted sound recordings, a fact which defendant does not dispute. As such, plaintiffs have a statutory right to bring suit against an alleged infringer.

Defendant disputes that the plaintiffs have probable cause to bring suit against her. She denies that she engaged in any infringing activity. Defendant does not deny that plaintiffs linked the allegedly infringing activity to the IP address of a computer to which she had access. However, she states that she

resided in a sorority house and owned a computer that was not password-protected, and thus any one of the house's residents could have used her computer to engage in unlawful infringement.

The Court finds that defendant's denial that she personally engaged in any wrongdoing is not sufficient to bar this action by plaintiffs. Plaintiffs claim they have linked infringing activity to an IP address for a computer to which defendant admits she had access. While the facts have not been determined at this early stage of the lawsuit, plaintiffs are entitled to present evidence in support of their claim. Whether they can prevail in the face of defendant's denials is an issue that will be decided after the parties have had the opportunity to conduct full discovery. The Court finds that the plaintiffs' action does not fall within the "sham" litigation exception to the Noerr-Pennington doctrine.

#### **Conduct Incident to Litigation**

Defendant objects to the plaintiffs' filing of the action against a "Doe" defendant linked to an IP address, and the subpoena of the Internet service provider to determine the identity of the user of that address.

Under 17 U.S.C. § 512(h)(1), a copyright owner "may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer." Plaintiffs thus are entitled under the Copyright Act to engage in *ex parte* discovery and bringing suit against "John Doe" defendants.

Defendant's contention that the "Doe" lawsuits are "frivolous" and "intended to circumvent the requirements of federal copyright

law" is unwarranted, because the procedure is in fact a provision of federal copyright law.

Defendant also objects to the amount of damages requested by plaintiffs as "outrageous." The Court finds that, as a matter of law, any damages within the statutorily-authorized range of \$750 to \$30,000 per each infringed work cannot be deemed outrageous. See 17 U.S.C. § 504(c)(1).

Finally, defendant characterizes the plaintiffs' settlement demand letters as extortion, a claim that is discussed below. The Court observes, however, that a settlement demand is a normal activity incident to litigation, and as such, plaintiffs are immune from liability for sending settlement demand letters under the Noerr-Pennington doctrine. The Court also notes that settlement can be a "just, speedy, and inexpensive" determination of an action, see Rule 1, Fed. R. Civ. P., and as such, demands for settlement are authorized by the Federal Rules.

The Court concludes that the plaintiffs' filing of lawsuits against "Doe" defendants, *ex parte* discovery, efforts to settle their claims with defendant, and request for damages within the statutory range are conduct incident to the underlying litigation. This action is not "sham" litigation. As such, plaintiffs are immune from liability for these activities under the Noerr-Pennington doctrine. The counterclaims thus fail to state a claim upon which relief can be granted, and the Court will dismiss them.

**RICO Claims**

Defendant claims that plaintiffs have made threats of litigation and settlement demands that contain "misrepresentations." Defendant characterizes these actions as extortion and racketeering under RICO, 18 U.S.C. § 1961 *et seq.*

Title 18, Section 1962©, of the United States Code provides: "It shall be unlawful for any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt."

Racketeering activity is defined in 18 U.S.C. § 1961 to include, *inter alia*, offenses under 18 U.S.C. §§ 1951 (relating to interference with commerce, robbery, or extortion) and 1952 (relating to racketeering). A pattern of racketeering activity requires at least two acts of racketeering activity in a ten-year period. 18 U.S.C. § 1961(5). Extortion is defined as "the obtaining of property from another, with his consent, induced by wrongful use of actual or threatened force, violence, or fear, or under color of official right." 18 U.S.C. § 1951(b)(2). RICO also prohibits the use of mail or any facility in interstate commerce (e.g., telephone) with intent to promote, manage, carry on or facilitate unlawful activity. 18 U.S.C. § 1952(a).

Plaintiffs argue that threats of litigation and demands for settlement do not constitute extortion within the meaning of RICO. The Court agrees. The Eighth Circuit has specifically addressed

this issue, and it held that even a groundless, bad-faith threat to sue does not instill “‘fear’ within the meaning of the criminal statute prohibiting extortion.” I.S. Joseph Co., Inc. v. J. Lauritzen A/S, 751 F.2d 265, 267 (8th Cir. 1984).

A majority of federal jurisdictions have held that a threat to file a lawsuit unless a settlement demand is accepted, regardless of whether the threat was made in good faith, is not a wrongful threat within the meaning of extortion statutes. Rendelman v. State, 927 A.2d 468, 479-80 (Md. 2007) (citations omitted) (construing Maryland’s extortion statute, which contains the same “economic injury” language as RICO). “A civil action is a lawful means for people to have their private disputes, including financial disputes, decided.” Id. at 481. A typical demand letter “serves notice to a potential defendant that the potential plaintiff plans to pursue litigation, unless the underlying dispute can be privately resolved, by an agreement to pay money or other legitimate consideration. . . . Settlement demands of this sort are overtures to negotiation, not threats to inflict economic injury.” Id. Defendant’s counterclaims based on RICO thus fail to state a claim for extortion and racketeering within the meaning of that statute, providing an additional ground for dismissal of those claims.

#### **Motion to Join RIAA**

Defendant moves to join the RIAA as counterclaim defendants, claiming that the RIAA is a necessary and indispensable party for the adjudication of defendant’s RICO claims. Because the Court has

found that the RICO claims fail to state a claim upon which relief can be granted, the motion to join the RIAA is moot and will be denied.

**Leave to Amend**

The defendant seeks leave to amend her counterclaims in the event the plaintiffs' motion is denied. Because defendant has not indicated the substance of any proposed amendments, the Court will deny the request.

Accordingly,

**IT IS HEREBY ORDERED** that plaintiffs' motion to dismiss defendant's counterclaims [# 25] is **granted**. The counterclaims are **dismissed for failure to state a claim**.

**IT IS FURTHER ORDERED** that defendant's motion for leave to join the Recording Industry Association of America as a counterclaim defendant [# 18] is **denied**.

  
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CAROL E. JACKSON  
UNITED STATES DISTRICT JUDGE

Dated this 18th day of August, 2008.

# EXHIBIT B

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

-----X

MAVERICK RECORDING COMPANY, et  
al.

Plaintiff,

-against-

FAZLUL CHOWDHURY

Defendant.

-----X

-----X

ELEKTRA ENTERTAINMENT GROUP,  
INC., et al.

Plaintiff,

-against-

VICTOR TORRES

Defendant.

-----X

MEMORANDUM AND ORDER

Civil Action No.  
CV-07cv200(DGT)

Civil Action No.  
CV-07-640(DGT)

Trager, J:

These cases are two of several in which the plaintiffs, groups of record companies, are suing individual defendants for copyright infringement via the internet ("RIAA cases"). In each case, plaintiffs have made an identical motion to strike the defendants' affirmative defense of copyright misuse as well as to dismiss the following four of the defendants' counterclaims: (1) a demand for attorney's fees under 17 U.S.C. § 505, (2) a request for a declaratory judgment of non-infringement, (3) an antitrust

claim, and (4) a claim of copyright misuse. Because the issues in each case are the same, these two motions have been briefed and will be decided as one. For the reasons set forth below, plaintiffs' motion is granted in all respects.

## **Discussion**

### **(1)**

#### **Standard of Review for Dismissing Counterclaims**

When considering a motion to dismiss under Rule 12(b)(6) for failure to state a claim, facts must be construed and inferences must be drawn in favor of the non-moving party. See ATSI Communs., Inc. v. Shaar Fund, Ltd., 493 F.3d 87, 98 (2d Cir. 2007). "To survive dismissal, the [non-moving party] must provide the grounds upon which his claim rests through factual allegations sufficient 'to raise a right to relief above the speculative level.'" Id. (quoting Bell Atlantic Corp. v. Twombly, 127 S. Ct. 1955, 1965 (2007)).

### **(2)**

#### **Attorney's Fees**

The defendants' first counterclaim seeks an award of attorney's fees pursuant to Section 505 of the Copyright Act on the grounds that these lawsuits are frivolous. The Copyright Act does allow a court to award attorney's fees as part of the costs

of litigation, but only to a prevailing party. 17 U.S.C. § 505. These cases, however, are still in the discovery phase, and thus no party has yet prevailed. If and when the defendants prevail in these cases they are free to move for an award of attorney's fees under Section 505. Until then, however, the question of whether they are entitled to attorney's fees will not be ripe, and thus it is not a proper subject of a counterclaim. Therefore, the defendant's first counterclaim seeking attorney's fees is dismissed.

(3)

#### **Declaratory Judgment of Non-Infringement**

In their second counterclaim, the defendants seek a declaratory judgment that they did not infringe plaintiffs' copyrights. This counterclaim is the mirror image of plaintiffs' claim. The central issue in these cases is whether the defendants committed copyright infringement, and the defendants' counterclaim seeking a declaratory judgment that they did not is duplicative and entirely redundant.

In similar cases in different jurisdictions, courts have dismissed counterclaims seeking a declaration of non-infringement. See, e.g., Interscope Records v. Kimmel, No. 07 Civ. 108, 2007 U.S. Dist. LEXIS 43966, \*16 (N.D.N.Y June 18, 2007); Interscope Records v. Duty, No. 05 Civ. 3744, 2006 U.S.

Dist. LEXIS 20214, \*10-11 (D. Ariz. Apr. 14, 2006).

In the Second Circuit, two cases are instructive - Leach v. Ross Heater & Manuf. Co., 104 F.2d 88 (2d Cir. 1939), and Larson v. General Motors Corp., 134 F.2d 450 (2d Cir. 1943). In Leach, the plaintiff, who held patents on an oil refining apparatus, sued the defendant, which was in the business of selling allegedly infringing products. Leach, 104 F.2d at 89. The defendant counterclaimed seeking a declaratory judgment of invalidity and of non-infringement. Id. The district court dismissed the counterclaim, but the Second Circuit reversed, primarily because if the plaintiff voluntarily dismissed its suit - in which case there would be no judgment on the merits - a case or controversy would remain in connection with the defendant's declaratory judgment claim. Id. at 89-92. The court noted that the plaintiffs had threatened the defendant's customers with infringement actions, and thus, even in the absence of the plaintiff's infringement action, the defendant's declaratory judgment action would have been necessary to protect a significant business interest. Id. at 91 ("The need for declaratory judgment is diminished, it is true, by the fact that the patentee has commenced this suit, but the need cannot be said to have wholly disappeared; the patentee may, for all that the defendant knows, withdraw his suit without prejudice and continue broadcasting assertions of infringement."). Larson also dealt

with the viability of a counterclaim seeking a declaration of non-infringement in a patent infringement action. 134 F.2d 450. After the case was brought, the plaintiff consented to a dismissal of its infringement claim on the merits. The district court retained jurisdiction over the counterclaim seeking a declaratory judgment, and the Second Circuit reversed, holding that because the judgment dismissing the plaintiff's action on the merits barred a future claim, and because the defendants faced no threat of future litigation, no case or controversy existed in connection with the defendant's counterclaim. Id. at 453-54. It can be gleaned from Leach and Larson that, in an infringement action, a counterclaim seeking a declaration of non-infringement will be viable only when it presents an independent case or controversy that would survive a dismissal of the plaintiff's infringement claim.

Here, the defendants are not challenging the validity of the copyrights they are alleged to have infringed, nor do the defendants even claim that a viable case or controversy will remain if the plaintiffs voluntarily dismiss their suits. To the contrary, the basis of the counterclaim is that the defendant did not commit the infringing acts - a question that will either be necessarily resolved if the case is decided on the merits or become non-justiciable if the plaintiffs voluntarily discontinue their suit. Accordingly, the counterclaim seeking a declaratory

judgment of non-infringement serves no purpose and is dismissed.

(4)

#### **Antitrust Claim**

The defendants' third counterclaim alleges an antitrust violation, and states in its entirety:

Plaintiffs have violated the antitrust laws of the United States by collusively refusing to enter into separate settlements, instead trying settlement with any one plaintiff to settlement with every other plaintiff, and conferring all settlement authority upon their cartel, the Recording Industry Association of America, Inc.

Defs.' Answers at ¶ 31. The defendants do not specify which provision of antitrust law they believe the plaintiffs are violating, nor do they attempt to establish any specific elements of an antitrust claim.

In a nearly identical case involving a similarly situated defendant, an affirmative defense of copyright misuse - based on the same general antitrust allegations as this counterclaim - was struck because it was found that under no interpretation of the law or facts could the allegations establish an antitrust violation. UMG Recordings, Inc. v. Lindor, 531 F. Supp. 2d 453, 459 (E.D.N.Y. 2007). The defendants have not attempted to explain why their antitrust claim is viable as a counterclaim even though it was held to be not viable as an affirmative

defense. In addition, because in these cases defendants have alleged antitrust violations in a counterclaim they face the additional hurdle of the heightened pleading requirement imposed by Bell Atlantic v. Twombly, 127 S. Ct. 1955 (2007), which requires pleadings to contain "enough facts to 'nudge . . . claims across the line from conceivable to plausible.'" Transhorn, Ltd. v. United Techs. Corp. (In re Elevator Antitrust Litig.), 502 F.3d 47, 50 (2d Cir. 2007) (quoting Twombly, 127 S. Ct. at 1974)). The holding in Lindor made clear that the facts pleaded by the defendants fail to establish even a possible, let alone a plausible, claim of an antitrust violation.

Nevertheless, even if collectively bringing infringement suits could be considered anticompetitive - which it cannot, see Lindor, 531 F. Supp. 2d at 459 - the Noerr-Pennington doctrine would immunize plaintiffs' conduct from antitrust liability. T.F.T.F. Capital Corp. v. Marcus Dairy, Inc., 312 F.3d 90, 93 (2d Cir. 2002) ("The Noerr-Pennington doctrine generally immunizes from liability a party's commencement of a prior court proceeding."); see also E.R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 136 (1961) (stating that "the Sherman Act does not prohibit two or more persons from associating together in an attempt to persuade the legislature or the executive [or a court] to take particular action with respect to a law that would produce a restraint or a monopoly"); United

Mine Workers of Am. v. Pennington, 381 U.S. 657, 670 (1965) ("Joint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition."). Under the Noerr-Pennington doctrine, the plaintiffs have the right to join together to prosecute their claims of copyright infringement, even if such conduct could be considered anticompetitive, as long as the litigation is not a "sham." See Joblove v. Barr Labs., Inc. (In re Tamoxifen Citrate Antitrust Litig.), 466 F.3d 187, 217 (2d Cir. 2006) ("The doctrine does not extend protection to the defendants 'where the alleged conspiracy' 'is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor.'") (quoting Cal. Motor Transp. Co. v. Trucking Unlimited, 404 U.S. 508, 511 (1972)). Because it has already been held that the plaintiffs' allegations in these cases establish a plausible claim of copyright infringement, Elektra Entm't Group, Inc. v. Schwartz, No. 06 Civ. 3533, 2008 U.S. Dist. LEXIS 26183, \*8-10 (E.D.N.Y. Apr. 1, 2008), this litigation can hardly be considered a sham in the sense of disqualifying the plaintiffs' conduct for Noerr-Pennington immunity.

In sum, the defendants' counterclaim fails to establish a plausible antitrust claim, and even if it did, plaintiffs' initiating lawsuits to enforce their copyrights would be immune

from antitrust liability. Thus, the defendants' third counterclaim is dismissed.

(5)

#### **Copyright Misuse**

Defendants have also alleged - as both an affirmative defense and a counterclaim - that by collectively bringing infringement suits the plaintiffs have committed copyright misuse. As noted above, Lindor, an identical case in all material respects, held as a matter of law that the plaintiffs' litigation strategy did not constitute copyright misuse. The defendants have not attempted to distinguish Lindor, nor could they. Thus, for the reasons set forth in Lindor, the affirmative defense of copyright misuse is struck. For the same reasons that it is not viable as an affirmative defense, copyright misuse is not viable as a counterclaim. But even were copyright misuse viable as an affirmative defense in these cases, it would not provide sufficient grounds for a counterclaim because copyright misuse is not a basis for affirmative relief. See Kimmel, 2007 U.S. Dist. LEXIS 43966, \*16 (N.D.N.Y. June 18, 2007) (dismissing defendant's counterclaim of copyright misuse because copyright misuse is only cognizable as a defense, not as grounds for affirmative relief); Broadcast Music, Inc. v. Hearts/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 328 (S.D.N.Y. 1990)

(rejecting "defendant's assertion of the copyright misuse doctrine as a vehicle for affirmative relief. Such a claim is unprecedented and the Court declines to create the claim); see also Arista Records, Inc. v. Flea World, Inc., 356 F. Supp. 2d 411, 428 (D. N.J. 2005) ("[C]opyright misuse is not a claim but a defense, and Defendants may not transmute it into an independent claim merely by labeling it one for 'declaratory judgment.'"). Therefore, copyright misuse is struck as an affirmative defense and dismissed as a counterclaim.

### **Conclusion**

In sum, the plaintiffs' motion is granted in all respects: (1) the first counterclaim seeking attorney's fees is dismissed because a request for attorney's fees under the Copyright Act is not a proper subject of a counterclaim; the defendants will have the opportunity to move for an award of attorney's fees if they prevail in these actions; (2) the second counterclaim seeking a declaratory judgment of non-infringement is dismissed because it is entirely redundant of the plaintiffs' infringement claim, and does not raise an independent case or controversy; (3) the third counterclaim sounding in antitrust is dismissed because it fails as a matter of law to establish an antitrust violation; and (4) copyright misuse is (i) struck as an affirmative defense for the

reasons set forth in Lindor and (ii) dismissed as the fourth counterclaim because copyright misuse is not grounds for affirmative relief.

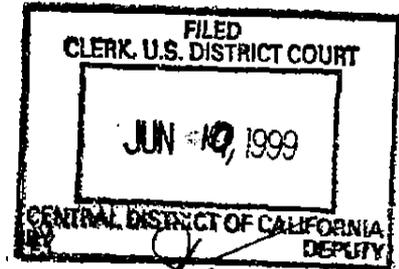
Dated: Brooklyn, New York  
August 19, 2008

SO ORDERED:

\_\_\_\_\_/s/\_\_\_\_\_  
David G. Trager  
United States District Judge

# EXHIBIT C

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

COLUMBIA PICTURES TELEVISION,  
INC.,

Plaintiff,

v.

C. ELVIN FELTNER, et al.,

Defendants.

Case No. CV 91-6847 ER (CTx)

ORDER DENYING DEFENDANT'S MOTION  
FOR JUDGMENT NOTWITHSTANDING THE  
VERDICT AND MOTION FOR A NEW  
TRIAL; ORDER DENYING PLAINTIFF'S  
MOTION FOR ATTORNEYS' FEES

The Court has read and considered the papers filed in connection with the Defendant C. Elvin Feltner's Motion for Judgment Notwithstanding the Verdict and for a New Trial, and now HEREBY DENIES this motion for the following reasons:

[1] Under the Rules of Civil Procedure, a motion for judgment notwithstanding the verdict is treated as a motion for a judgment as a matter of law under Rule 50(b). Such a motion, if brought after a jury verdict, must be a renewed motion for judgment, and can only be brought if the motion was also brought or renewed at the close of all evidence. Rule 50(b), Farley Trans. Co. v. Santa Fe Trans. Co., 786 F.2d 1342, 1346 (9th Cir. 1985). The Defendant brought a

ENTERED ON JUN 14 1999

1 motion for a judgment as a matter of law at the close of the Plaintiff's case, but did not renew it  
2 at the close of all evidence. The Defendant is barred from bringing such a motion now, after the  
3 jury verdict. Even if the motion for judgment as a matter of law were properly before the Court,  
4 the Court would deny this motion because the Court also denies the motion for a new trial.

5 [2] The Defendant seeks a new trial on several grounds. First, the Defendant alleges that  
6 the verdict is excessive, asserting that (1) there was no proof of harm to the Plaintiff or proof of  
7 benefit to the Defendant, (2) the Plaintiff presented no evidence that the infringement was  
8 willful, (3) the amount of the award "shocks the conscience," (4) the award is excessively  
9 punitive, and (5) the verdict amount is unconstitutional. None of these legal assertions constitute  
10 grounds for a new trial, and the factual assertions are baseless. To receive statutory damages, the  
11 Plaintiff did not need to prove the damages actually suffered, and the Plaintiff did not need to  
12 prove benefit to the Defendant. There was ample circumstantial and indirect evidence that  
13 Feltner knew his conduct was illegal and that the infringement was willful. The amount of the  
14 award does not shock the conscience, considering that the Court found that as a matter of law the  
15 Defendant was liable for 440 separate infringements. The Defendant also cannot argue that the  
16 award was overly punitive, or violated due process, since the award amount fell squarely within  
17 the statutory range provided by the statutory damages provision of section 504(c).

18 [3] Second, the Defendant contends that certain evidence was improperly excluded at  
19 trial. The Court excluded evidence, as described by the Defendant's counsel at the hearing for  
20 this motion, from both the bench trial and the jury trial on the grounds that the Defendant failed  
21 to respond to discovery related to this issue. This exclusion was a proper remedy for the failure  
22 to provide this information to the Plaintiff, under Fed. Rule Civ. Pro. 37(c)(1). The Defendant  
23 also contends that the Court excluded evidence of "wrongdoing" on the part of the Plaintiff, in  
24 the form evidence that the Plaintiff purposefully failed to sign the assignments of the licenses.  
25 This evidence is not relevant, and does not indicate wrongdoing by the Plaintiff that should be  
26 considered by the jury. The Defendant also claims the Court improperly excluded evidence of  
27 the recovery of some of the licensing fees in bankruptcy proceedings, but that evidence was read  
28 to the jury in the form of a stipulation. The Court will not grant a new trial on any of these

1 grounds.

2 [4] Third, the Defendant points to several alleged defects in the Court's jury instructions.  
3 The Court finds that the Defendant's challenges to the jury instructions do not constitute grounds  
4 for a new trial, since the instructions were a correct statement of the law.

5 [5] Fourth, the Defendant contends that the jury returned an improper "quotient verdict,"  
6 which was reached by averaging individual juror's determination of damages. In support of this  
7 claim, the Defendant submits an affidavit of an investigator who interviewed one juror. The  
8 juror stated that at one point in the deliberations the jurors averaged their individual valuations of  
9 the damages. This statement is not admissible evidence, however, because it is a statement  
10 describing the deliberations and statements made during deliberations, which the Court should  
11 not consider under Federal Rule of Evidence 606(b). Even if the Court could properly consider  
12 such evidence, it does not show an improper verdict. An illegal quotient verdict arises only  
13 when the jurors agree in advance to be bound by the average, and do not further deliberate or  
14 unanimously agree that a particular result is just. National R.R. Passenger Corp. v. Two Parcels  
15 of Land, 822 F.2d 1261, 1268 (2d Cir. 1987). There is no evidence that the jurors did not  
16 unanimously agree to the amount of damages awarded, and in fact the jurors each indicated the  
17 verdict was their own when polled by the Court.

18 [6] Fifth, the Defendant contends that the jury must have awarded more than \$100,000  
19 for infringements of the "Who's the Boss" program, because the Defendant aired the same  
20 episodes on two separate stations. This argument is just another framing of the argument that the  
21 Defendant is not responsible for 440 separate infringements. The Court already ruled, however,  
22 that each station's airing of an episode constituted a separate infringement, and instructed the  
23 jury that the Defendant was found liable for 440 infringements.

24 [7] The Defendant also raises several grounds for a judgment as a matter of law and a  
25 new trial which have been raised before in the litigation, and which the Court has already ruled  
26 on. These grounds include the contention that there were less than 440 infringements, the  
27 contention that the Plaintiff lacks standing to bring the suit, and the contention that the Supreme  
28 Court invalidated the entire statutory damages provision of the Copyright Act. The Court rejects

1 these grounds for the same reasons as previously stated in prior rulings.

2 [8] The Court DENIES the Defendant's motion for a judgment notwithstanding the  
3 verdict or for a new trial.

4 [9] The Court has also read and considered the papers filed in connection with the  
5 Plaintiff's motion for attorneys' fees, and now DENIES the motion for the following reasons:

6 [10] The Copyright Act of 1976 allows a court, in its discretion, to award the full costs to  
7 either party, including reasonable attorneys' fees to the prevailing party. 17 U.S.C. § 505. The  
8 Ninth Circuit has held that courts should consider, among other factors, the factors laid out in the  
9 Third Circuit case of Lieb v. Topstone Indus., Inc., 788 F.2d 151 (3rd Cir. 1986). See Fantasy,  
10 Inc. v. Fogerty, 94 F.3d 553, 557 (9th Cir. 1996). The Lieb case tells courts to exercise their  
11 discretion after consideration of (1) frivolousness, (2) motivation, (3) objective unreasonableness  
12 (both in factual and legal components of the case), and (4) the need in particular circumstances  
13 to advance considerations of compensation and deterrence. Lieb, 788 F.2d at 156. This list of  
14 factors is not exclusive. Id. The court should apply the Lieb factors, and any other relevant  
15 factors, in a manner consistent with the purposes of the Copyright Act. Fogerty, 94 F.3d at 560.

16 [11] The Plaintiff asks the Court for a total of \$659,000 in attorneys' fees, covering work  
17 done since the 1994 bench trial on the issue of damages. The Plaintiff seeks the fees associated  
18 with successfully defending an appeal to the Ninth Circuit, unsuccessfully defending an appeal  
19 to the Supreme Court, and then retrying the statutory damages issue to a jury in 1999. The Court  
20 previously awarded attorneys' fees of \$750,000 to the Plaintiff after the bench trial on statutory  
21 damages. The liability question has been resolved since 1993, after the Court granted summary  
22 judgment on this issue, and the prior award of attorneys' fees reimbursed the Plaintiff for fees  
23 expended to achieve this result. The Defendant was ultimately successful in his appeal of this  
24 case, and the Supreme Court agreed with the Defendant that he had a right to a jury trial on the  
25 issue of statutory copyright damages.

26 [12] Considering the factors of motivation, frivolousness, reasonableness, and  
27 compensation and deterrence, as applied to the litigation since the prior award of attorneys' fees,  
28 the Court declines to award fees to the Plaintiff. In addition, the jury verdict will serve both as

1 adequate compensation to the Plaintiff, and will serve to deter the Defendant and others from  
2 infringing conduct. The Court exercises its discretion and declines to award attorneys' fees to  
3 the Plaintiff.

4 [13] In light of the above ruling, the Court denies as moot the Plaintiff's Ex Parte  
5 Application for an order Quashing Subpoenas relating to attorneys' fees records.

6 IT IS SO ORDERED.

7 IT IS FURTHER ORDERED that the Clerk of the Court shall serve, by United States  
8 mail or by telefax, copies of this Order on counsel for the parties in this matter.

9 Dated: JUN 10 1999

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EDWARD RAFEEDIE  
Senior United States District Judge