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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ONLINE POLICY GROUP, NELSON CHU PAVLOSKY, and LUKE THOMAS SMITH, **Plaintiff,** **v.** **DIEBOLD, INCORPORATED, and DIEBOLD ELECTION SYSTEMS, INCORPORATED,** **Defendant.**	**Case No. _____** **OPPOSITION TO APPLICATION FOR TEMPORARY RESTRAINING ORDER**

Although plaintiffs' application does not expressly say so, their complaint (p. 15, par. 2) makes clear that the relief that they are seeking is to bar Diebold from exercising (1) its constitutional right to file a lawsuit against them for copyright infringement and (2) its statutory rights under the Digital Millennium Copyright Act (DMCA), 17 U.S.C. section 512, to serve notifications of copyright infringement on online service providers. In essence, plaintiffs are seeking immunity for unlawfully publishing stolen internal emails in which Diebold has a copyright interest under federal law. And they are trying to rewrite the remedies carefully crafted by Congress in the DMCA. As we show, plaintiffs are unlikely to prevail on the merits of their lawsuit, and the relief they are seeking is plainly improper, unjustified and unconstitutional.

Plaintiffs have the First Amendment argument exactly backwards. As the Supreme Court has made clear, the First Amendment does not shield plaintiffs' copyright infringement. *Harper & Row Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 555-560 (1985). However, it does protect Diebold's right to "petition the Government for a redress of grievances." Amendment 1, United States Constitution.

I. BACKGROUND.

A. Facts.

In March 2003, an unknown "hacker" stole nearly 2 gigabytes of internal emails and other materials created by employees of Diebold, Incorporated, and its subsidiary, Diebold Election Systems, Inc. (collectively Diebold). Under federal copyright law, Diebold possessed a copyright interest in each email as it was created. 17 U.S.C. §§ 101-102. Two Swarthmore students somehow obtained these stolen, copyrighted emails and posted them on their website, identifying them as "Diebold Internal Memos."

To protect its copyright interest in the stolen email archive, Diebold served Swarthmore College, the students' Online Service Provider (OSP), with a copyright infringement notification pursuant to the DMCA, 15 U.S.C. section 512 (c)(3). Swarthmore complied with the statutory request to remove the infringing material. Diebold used the same procedure with other OSPs when their customers posted the same stolen email archive on their websites. Under the DMCA, as described in more detail below, the students could have served a counter-notification on their OSP attesting to a good faith belief that they were not infringing Diebold's copyright. In that event, their OSP would have restored the infringing material in 10 to 14 days subject to Diebold's right to sue for infringement.

Eschewing that statutory protection, the two Swarthmore students instead filed this action. They allege that Diebold's notifications of copyright infringement under the DMCA interfered with their contracts with their OSP and constitutes misuse of copyright interest. They are joined as plaintiffs by the Online Policy Group. Their federal and state law claims are premised on the mistaken argument that their conduct constitutes "fair use" of the copyrighted material. In making these claims, plaintiffs have rejected the procedures set forth in the DMCA in favor of an

attempt to create a new remedy that is irreconcilable with the DMCA. They seek an extraordinary, unprecedented and unnecessary order barring Diebold from suing them for copyright infringement or threatening to do so.

B. The Digital Millennium Copyright Act.

This Act is the result of Congress' effort to balance the interests of service providers, copyright owners and internet users. It creates the following procedure when a copyright owner believes that an OSP or subscriber is infringing the owner's copyright interest.

1) The copyright owner provides a written sworn notification to the OSP that is transmitting material that infringes the owner's copyright interest. *See* 17 U.S.C. section 512(c)(3)(A).

2) To avail itself of a safe harbor to avoid being sued, the OSP "responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement," and so notifies the subscriber. Section 512 (a).

3) If the subscriber disagrees that the material is infringing, it may provide a counter notification to the OSP stating under penalty of perjury that the material should not have been removed or disabled. Section 512 (g)(3)(C).

4) Upon receipt of the counter notification, the OSP notifies the copyright owner that the OSP will replace the removed material or cease disabling access to it in 10 business days. Section 512 ((g)(2)(B).

5) The copyright owner may file "an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network." Section 512 (g)(2)(C).

If the alleged copyright owner or the subscriber knowingly make materially misrepresentations in a notification of copyright infringement or counter-notification, they are liable for damages including costs and attorney's fee incurred by the alleged infringer, the copyright owner or the OSP. *See* section 512(f).

In short, plaintiffs' interests are amply protected by the DMCA. If the two students have a good faith belief that their OSP should not have complied with Diebold's notification of copyright

infringement, they were entitled to file a counter-notification. Their OSP would then give notice of replacing the removed materials in 10 days, putting the onus on Diebold to file an action for infringement. Instead of availing themselves of that statutorily-created remedy, they are seeking to create a different remedy--a temporary restraining order--that alters the balance of interests adopted by Congress. Indeed, they seek to prevent Diebold from exercising its constitutional and statutory rights to give notification of copyright infringement and file suit.

II. ARGUMENT.

Plaintiffs cannot establish the prerequisites for a temporary restraining order. They are unlikely to prevail on the merits; they face no irreparable harm because the Act gives them ample protection; the balance of hardships favor defendants in their effort to protect their copyright interest in stolen material; and public interest favors adhering to the procedure established by Congress for resolving competing claims of copyright infringement involving OSPs.

A. Plaintiffs are unlikely to prevail on the merits.

Plaintiffs are unlikely to prevail on their "fair use" claim. Publication of stolen, unpublished copyrighted materials in their entirety with little if any commentary or analysis and nothing of a "transformative" nature is the antithesis of "fair use." "Although criticism is a favored use, where that 'criticism' consists of copying large portions of . . . works . . . with often no more than one line of criticism, the fair use doctrine is inappropriate." *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 923 F.Supp. 1231, 1249 (N.D. Cal. 1995). Here, the Swarthmore plaintiffs published approximately 3 MB of material belonging to Diebold, accompanied by thirteen partial lines of text, none of which involved any analysis, and one of which was generally critical of Diebold--"Diebold is stealing our democracy." It is as if plaintiffs had published a purloined, full-length movie in its entirety, as opposed to a critique which included the fair use of a 15-second excerpt of a movie that had been released for a general box office run. Or as if they were distributing a bootleg recording of an unpublished song with a

post-it note saying "great music." If plaintiffs' expansive view of fair use were adopted, that exception for fair use would engulf the rule against copyright infringement.[1]

The contract interference claim fares no better. Nothing in plaintiffs' contracts with their OSPs gives plaintiffs the right to reproduce, publish, and distribute material in violation of the copyright laws. Nor could it. It is bedrock principle of contract law that a contract purporting to authorize an unlawful act is itself unlawful. In any event, there is nothing unlawful about a copyright owner advising an OSP of suspected illegal activity. Indeed, the DMCA authorizes a copyright owner to do exactly that. As the district court held in *Arista Records, Inc. v. MP3Board, Inc.*, 2002 WL 1997918 at *16 (S.D.N.Y. Aug. 29 2002), in granting summary judgment on a similar claim under California law:

> "Pursuant to California state law, justification is an affirmative defense to a charge of tortious interference with contract. *See Echazabal v. Chevron U.S.A., Inc.*, 221 F.3d 1347 (9th Cir.2000) (unpublished); *Seaman's Direct Buying Serv., Inc. v. Standard Oil Co.*, 36 Cal.3d 752, 206 Cal.Rptr. 354, 686 P.2d 1158, 1165 (Cal.1984) (overruled on other grounds). Seeking to protect a copyright by alerting a third party that the copyright is being infringed constitutes a justification defense to that claim. *See, e.g., Shapiro & Son Bedspread Corp. v. Royal Mills Assoc.*, 764 F.2d 69, 75 (2d Cir.1985); *Montgomery County Ass'n of Realtors, Inc. v. Realty Photo Master Corp.*, 878 F.Supp. 804, 818 (D.Md.1995) (notifying customers of an alleged copyright infringement in good faith is justified and does not constitute tortious interference with contractual relations)."

B. <u>The requested relief would deny Diebold's First Amendment right to file a lawsuit, and its statutory right to issue notifications of copyright infringements.</u>

Not only are plaintiffs unlikely to prevail on the merits of their claim for these reasons, but the extraordinary relief they are seeking would be improper in any circumstance. They seek to bar Diebold from suing them for infringement or threatening to do so. Plaintiffs cite no case in which a court has ever awarded such draconian relief. For good reason, because barring Diebold

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[1] *Cardtoons, L.C. v. Major League Baseball Players Association*, 208 F.3d 885 (10th Cir. 2000), does not support plaintiffs here. In that case, plaintiff pursued a state-law claim for prima facie tort, libel and negligence based on a cease and desist letter sent to a printer. The court addressed the issue of whether private threats of litigation were protected by the immunity granted under the Noerr-Pennington doctrine. *Id.* at 887. The court did not address the merits of interference with contractual relationships.

from suing for copyright infringement would violate the First Amendment's petition clause. Since 1907, the United States Supreme Court has recognized that "[t]he right to sue and defend in the courts is the alternative of force. In an organized society it is the right conservative of all other rights, and lies at the foundation of orderly government. It is one of the highest and most essential privileges of citizenship, and must be allowed by each [S]tate...." *Chambers v. Balt. & Ohio R.R. Co.,* 207 U.S. 142, 148 (1907). In accord are *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 513 (1972) (parties "have the right of access to the agencies and courts. . . . That right, as indicated, is part of the right of petition protected by the First Amendment."); *Bill Johnson's Restaurant, Inc. v. N.L.R.B.*, 461 U.S. 731, 741 (1983) ("the right of access to the courts is an aspect of the First Amendment right to petition the Government for redress of grievances.").

The requested relief would also dramatically alter the rights of the parties as established by Congress in enacting the DMCA. Congress gave copyright owners the right to issue copyright infringement notifications to OSPs in exchange for limiting the liability of OSPs if they complied with the notifications. Nothing in that Act contemplates an action to enjoin a copyright owner from availing itself of those remedies. Congress did provide a remedy against a copyright owner that misuses the Act by knowingly misrepresenting that activity was infringing. The subscriber or OSP may issue a counter-notification which results in resumption of publication of the infringing material unless the copyright owner files suit. The Act also provides for an action for damages, including costs and attorney's fees, for knowingly false, material misrepresentations in a notification of copyright infringement. *See* 17 U.S.C. section 512 (f). Indeed, in their third count, plaintiffs seek damages under that provision (casting doubt on their argument that money damages are unavailable). Plaintiffs cannot pick and choose which portions of the DMCA they like, disregarding the provisions that constrain their activities and relying on the ones that benefit them.

C. <u>Plaintiffs cannot show irreparable injury.</u>

Far from being without a legal remedy, plaintiffs could protect themselves (if they were blameless) in the first instance by providing a counter notification to the OSP asserting that

Diebold was mistaken or had misidentified the material. That act would allow their OSP to restore the material without liability after a ten day period. If, during the waiting period, Diebold were to bring a claim against an accused infringer, the accused infringer could assert "fair use" as a defense to any infringement claim. If the OSP refused to restore the material on receiving a proper counter notification, the accused infringer might have breach of contract claim against the OSP. These options assume the innocence of the accused infringer, because the Act imposes penalties for filing false counter notifications. Indeed, it is perhaps to avoid the risk of these penalties that plaintiffs seek to create a different remedy where they may escape liability for disputing copyright infringement.

While plaintiffs seek to wrap themselves in the First Amendment, it is black-letter law that the First Amendment does not protect copyright infringers any more than it protects thieves. In *Harper & Row Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 568 (1985), the Supreme Court held that the unauthorized use of quotations from former President Ford's then-unpublished memoirs was not fair use. The Court rejected the argument that use of the copyrighted material in a magazine article should be excused "by the public interest in the subject matter" and declined to create an exception for public figures or matters of public interest. *See also Zacchini v. Scripps-Howard,* 433 U.S. 562, 574-78 (1977). "The First Amendment is not a license to trammel on legally recognized rights in intellectual property." *In re Capital Cities/ABC, Inc.,* 918 F.2d 140, 143 (11th Cir.1990) (quotations omitted). As one court summarized: the "Supreme Court ... has made it unmistakably clear that the First Amendment does not shield copyright infringement." *Universal City Studios, Inc. v. Reimerdes,* 82 F.Supp.2d 211, 220 (S.D.N.Y.2000).

D. <u>The public interest favors the framework established by the DMCA, not an injunction against an infringement action.</u>

Finally, the public interest favors denial of the requested temporary restraining order and permitting Diebold to avail itself of the remedies created by Congress in the DMCA. It is well-established that "the public interest is the interest in upholding copyright protections." *Autoskill, Inc. v. Nat'l Educ. Support Sys., Inc.,* 994 F.2d 1476, 1499 (10th Cir.1993); *Apple Computer, Inc. v. Franklin Computer Corp.,* 714 F.2d 1240, 1255 (3rd Cir.1983) ("[I]t is virtually axiomatic that

the public interest can only be served by upholding copyright protections...."); *Control Data Sys., Inc. v. Infoware, Inc.,* 903 F.Supp. 1316, 1326 (D.Minn.1995) ("the public interest is furthered by enforcing copyright laws and preventing the infringement of copyrighted materials.") Here, Congress has carefully crafted a balance of the interests of service providers, copyright owners, and Internet users so as to "foster the continued development of electronic commerce and the growth of the Internet." H.R.Rep. No. 105-551(II), at 21. *United States v. Elcom Ltd.,* 203 F.Supp.2d at 1111, 124 (N.D. Cal. 2002). ("Congress was concerned with promoting electronic commerce while protecting the rights of copyright owners....") Once Congress, exercising its delegated powers, has decided the order of priorities in a given area, it is ... for the courts to enforce them when enforcement is sought. Courts of equity cannot, in their decision, reject the balance that Congress has struck in a statute." *U.S. v. Oakland Cannabis Buyers' Co-op.,* 532 U.S. at 483, 497 (2001) (quoting *Tennessee Valley Auth. v. Hill,* 437 U.S. 153, 194-195 (1978)). As stated in *In Re Verizon*, 257 F. Supp.2d 244, 275 n.36 (D.D.C. 2003): "The public interest is also advanced by the considerable deference courts have long afforded Congress in regard to the scope of copyright law, particularly when it comes to new technologies." *See Eldred v. Ashcroft,* 537 U.S. 186, 205 (2003) ("[w]e defer substantially to Congress"); *Sony Corp. v. Universal City Studios, Inc.,* 464 U.S. 417, 431 (1984) ("Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials."). In other words, courts "are not at liberty to second-guess congressional determinations and policy judgments" regarding copyright issues, and "it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives." *Eldred,* 537 U.S. at 212.

Conclusion

For these reasons, the ex parte application for a temporary restraining order should be denied.

Dated: November 4, 2003

JONES DAY

By: _____
Robert A. Mittelstaedt

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PROOF OF SERVICE BY PERSONAL DELIVERY

I am a citizen of the United States and employed in San Francisco County, California. I am over the age of eighteen years and not a party to the within-entitled action. My business address is 555 California Street, 26th Floor, San Francisco, California 94104. On November 4, 2003, I ~~personally served~~ fax & copies of:

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I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on November 4, 2003, at San Francisco, California.

Robert A. Mittelstaedt