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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

UNITED STATES OF AMERICA

Plaintiff,

v.

AMERICAN SOCIETY OF COMPOSERS, AUTHORS
AND PUBLISHERS,

Defendant.

In the matter of the Application for the Determination of
Reasonable License Fees by

AT&T WIRELESS

Case No. 41-1395 (WCC)

AT&T MOBILITY'S
MEMORANDUM IN SUPPORT
OF ITS MOTION FOR
SUMMARY JUDGMENT ON
RINGTONES

FILED UNDER SEAL

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INTRODUCTION

ASCAP apparently would have this Court find that millions of American mobile phone users with ringtones are copyright infringers. Without such an unprecedented finding of “direct” infringement, ASCAP cannot pursue its equally novel idea that AT&T is “secondarily” liable as a contributory or vicarious infringer.

If the Court agrees with this radical ASCAP theory and makes the unprecedented finding that ringtones require a public performance license, ASCAP will have free reign to pursue copyright infringement damages against unsuspecting millions of American “John Does.” While the recording industry’s download lawsuits against selected (and oft-warned) high school students may be justified because the infringers knew that they were stealing copies of entire songs, purchasers of ringtones will be shocked to learn that the occasional and random ringing of their phones in a public place constitutes an infringing “public performance” – the same as an unlicensed radio station interspersing music between commercials. And no wonder they will be shocked! [REDACTED]

[REDACTED]

There is no need to reach this absurd result to ensure that publishers and composers get their fair due from ringtone sales. Already, they receive 10% of ringtone revenues through their mechanical rights, totaling over \$200 million thus far. To accept ASCAP’s proposition that mobile phone users now need a public performance license would lead to a practical result as twisted as the legal gymnastics required to get there.

SUMMARY OF ARGUMENT

AT&T is not liable for performance royalties on ringtones for the following reasons:

- When ringtones purchased from AT&T are downloaded, there is no perceptible rendition contemporaneous with the download and therefore no public performance. *United States v. Am. Soc’y of Composers, Authors & Publishers* (“*U.S. v. ASCAP*”), 485 F. Supp. 2d 438, 443 (S.D.N.Y. 2007).

- AT&T cannot directly infringe any public performance right because it is the individual mobile phone users – not AT&T – who switch their phone from “silent” or “vibrate” to “play” a ringtone while in a public place. Thus, it is the mobile phone users, not AT&T, who perform the “volitional acts” required for any direct liability for a public performance. *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008).

- However, individual mobile phone users are not directly liable either. Although they perform all of the volitional acts, they have no direct liability for ringtone performances because (i) these are not infringing public performances; and (ii) Section 110(4) of the Copyright Act in any event exempts them.

- Because mobile phone users have no *direct* liability, AT&T cannot be *indirectly* liable. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 434-38 (1984).

- Even if mobile phone users were infringers:

- (i) AT&T would not be a contributory infringer because ringtones are “capable of substantial non-infringing uses,” *id.* at 442;

- (ii) AT&T would not be a vicarious infringer because AT&T cannot control when or whether customers set their phones on “play” and not on “silent” or “vibrate,” nor when a ringtone can be heard in a private place versus one open to the public, *id.* at 435 n.17.

BACKGROUND

The proposition that AT&T's ringtones might infringe copyrights has only recently (and ambiguously) been asserted by ASCAP. ASCAP did not even ask for a ringtones royalty at the interim fee stage, and ASCAP's original Application to the Court does not refer to seeking payment for ringtones. [REDACTED]

A. Ringtones Are Inaudible Downloads.

A ringtone is a downloaded file that plays a short snippet of sound (words, music, or other sounds) when a person who has purchased a ringtone receives a telephone call at a time when the phone is set to "play" rather than in the "silent" or "vibrate" mode. (Declaration of Richard Zaffino ("Zaffino Decl.") ¶ 2; Declaration of Mark Nagel ("Nagel Decl.") ¶ 2). Ringtones purchased from AT&T cannot be played until after they are fully downloaded on a phone and the user selects to perform the ringtone. (Zaffino Decl. ¶ 3; Nagel Decl. ¶ 3). Ringtones downloaded to phones using AT&T's network are played from the file residing on the user's phone and not streamed from AT&T's network. (Zaffino Decl. ¶ 4; Nagel Decl. ¶ 4).

In other words, **there is no perceptible rendition contemporaneous with the download.** This Court previously determined that the download of a music file is not a public performance in the absence of a contemporaneous perceptible rendition. *U.S. v. ASCAP*, 485 F. Supp. 2d at 443. AT&T's sale of ringtones, therefore, is not subject to an ASCAP license.

B. Individual Mobile Phone Users, and Not AT&T, Execute All the Volitional Acts Necessary to Perform a Ringtone.

Once a ringtone is downloaded, any perceptible “rendition” on mobile phones is controlled by individual mobile phone users. (Zaffino Decl. ¶ 5; Nagel Decl. ¶ 5). **It is these individual users who execute the “volitional acts” necessary to perform a ringtone stored in their phone.** (Zaffino Decl. ¶ 6; Nagel Decl. ¶ 6). These volitional acts include:

- (1) the mobile phone user’s purchase and download of a ringtone;
- (2) the mobile phone user’s programming of the phone to play a ringtone rather than the standard “ring” or setting the phone in “vibrate” or “silent” mode;
- (3) the mobile phone user’s programming of the phone to play a ringtone to signal an incoming call from certain callers and not others;
- (4) the mobile phone user’s setting of the volume to perform a ringtone loudly enough for bystanders to hear; and
- (5) the mobile phone user’s setting (or leaving) the phone on “play” after choosing to go to a “public” place.

(Zaffino Decl. ¶ 6; Nagel Decl. ¶ 6).

Mobile phone users unilaterally, and without any involvement from AT&T, choose the places to take their phones. (Zaffino Decl. ¶ 7; Nagel Decl. ¶ 7; [REDACTED])

[REDACTED]). Mobile phone users unilaterally, and without any involvement from AT&T, also choose their companions. (Zaffino Decl. ¶ 8; Nagel Decl. ¶ 8). AT&T cannot control or ascertain whether only a family member or another individual is in the presence of a mobile phone user at the moment a ringtone plays. (Zaffino Decl. ¶ 9; Nagel Decl. ¶ 9).

Mobile phone users unilaterally, and without any involvement from AT&T, turn their phones “on” or “off” and set/reset their phones to “silent” or “vibrate,” to play a verbal or other non-musical “ring,” or to play a musical ringtone. (Zaffino Decl. ¶ 10; Nagel Decl. ¶ 10; [REDACTED])

[REDACTED]
[REDACTED]
[REDACTED]). AT&T does not know nor control when a person who has purchased a ringtone chooses to have it play or sets the phone instead on vibrate or silent mode. (Zaffino Decl. ¶ 11; Nagel Decl. ¶ 11). Similarly, AT&T does not know nor control when a customer grows tired of a ringtone and returns the phone to the non-musical “ring.” (Zaffino Decl. ¶ 12; Nagel Decl. ¶ 12).

C. AT&T’s Network Signals an Incoming Call But Is Indifferent to Whether or Not the Phone is Set to Play Music In Response to a Signal.

AT&T’s only role (other than selling some of the ringtones used by its customers) is to provide a system that automatically signals an incoming call on a mobile phone. (Zaffino Decl. ¶ 13; Nagel Decl. ¶ 13). The signal sent by AT&T does nothing more than alert the receiving phone that there is an incoming call. (Zaffino Decl. ¶ 14). It is the same signal whether or not the user has programmed a ringtone, has chosen the default non-musical ring, or set his phone on “silent” or “vibrate.” (*Id.*). The signal sent by AT&T is indifferent to whether a mobile phone is set in “silent” or “vibrate” mode, set to play a non-musical “ring,” or set to play a musical ringtone. (*Id.* ¶ 15).

AT&T does not know that a mobile phone customer even has (or had) a particular ringtone unless the customer purchased it from AT&T. (Zaffino Decl. ¶ 17; Nagel Decl. ¶ 14). Many of AT&T’s customers obtain ringtones from other suppliers or make their own ringtones from previously purchased full-length recordings. (Zaffino Decl. ¶ 16; Nagel Decl. ¶ 15). Even after purchasing a ringtone from AT&T, AT&T has no way of knowing whether the user still has the ringtone saved on their phone or whether the user deleted the file. (Zaffino Decl. ¶ 18; Nagel Decl. ¶ 16).

D. Mobile Phone Users Do Not Perform Ringtones for Direct or Indirect Commercial Advantage.

AT&T is not aware of any mobile phone users who obtain a direct or indirect commercial advantage from performing ringtones. (Nagel Decl. ¶ 17-18). Nor is AT&T aware of any mobile phone users who charge an admission fee to listen to the performance of a ringtone. (*Id.* ¶ 19-20). [REDACTED]

[REDACTED]

E. AT&T Sought a License to the Extent “Legally Necessary” and Not the Responsibility of a Third Party.

AT&T sought a license to the extent “legally necessary.” (*Id.* ¶ 7, Ex. F). AT&T believed then, as it believes today, that both the downloading process (as this Court has already decided) and any subsequent customer-user performances on customers’ mobile phones are not compensable public performances; and that in any event, AT&T cannot be liable as a direct or indirect infringer. However, in the event that the Court disagrees with AT&T and determines that a license is legally necessary, such content would be subject to AT&T’s license request.

[REDACTED]

[REDACTED]. In light of the Court’s interim fee decision, AT&T recognizes that the Court may “consider the apparent likelihood that AT&T will require an ASCAP license,” and therefore find such performances subject to this proceeding. *U.S. v.*

ASCAP, No. 41-1395, 2009 WL 920305, at *11 (S.D.N.Y. Apr. 3, 2009). In this event, AT&T respectfully requests that the Court allow those parties to intervene and submit arguments as to the proper royalty for their content. Otherwise, this already unnecessarily expensive and litigious proceeding would spill over and expand to follow-on indemnification lawsuits and rate court proceedings.

F. ASCAP’s Members Already Get a Fair Shake.

Although the public performance right is not “implicated” when a ringtone is downloaded, a copy is created – **for which royalties already are paid**. Songwriters and music publishers (i.e., ASCAP’s members) receive approximately 10% of gross retail ringtone revenue. *See In the Matter of Mech. & Digital Phonorecord Delivery Rate Adjustment Proceeding (“DPRA”)*, Dkt. No. RF 2006-3, at 60 (C.R.B. Nov. 24, 2008) (final determination of rates and terms). Even before the Copyright Royalty Board awarded 24 cents as the compulsory rate, songwriters and music publishers were receiving approximately 10% of gross retail ringtone revenue through negotiated agreements. *See id.* at 31 (noting that the average retail price percentage in ringtone agreements is 10.5%). As a result, based on a market estimate by BMI, songwriters and music publishers would have been paid over \$200 million over the past four years in connection with the sale of ringtones. (*See Petersen Decl.* ¶ 8, Ex. H).

ARGUMENT

I. Summary Judgment Is Appropriate on the Question of Whether Ringtone Performances Require a License.

Summary judgment is appropriate where “there is no genuine issue as to any material fact and . . . the movant is entitled to a judgment as a matter of law.” Fed. R. Civ. P. 56(c). Summary judgment “is properly regarded not as a disfavored procedural shortcut, but rather as an integral part of the Federal Rules as a whole, which are designed to secure the just, speedy

and inexpensive determination of every action.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 327 (1986) (internal quotations and citations omitted). “[T]o defeat summary judgment, the nonmovant must go beyond the pleadings and ‘do more than simply show that there is some metaphysical doubt as to the material facts.’” *U.S. v. ASCAP*, 485 F. Supp. 2d at 442 (quoting *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986)). The relatively few material facts before the Court on this motion are not in dispute.

II. AT&T Is Not Directly Liable For Any Ringtone Performances.

A. Downloading a Ringtone Music File to a Mobile Phone Is Not a Performance.

As this Court held in its April 25, 2007 opinion, “in order for a song to be performed, it must be transmitted in a manner designed for contemporaneous perception.” *U.S. v. ASCAP*, 485 F. Supp. 2d at 442-43 (concluding “that the downloading of a digital music file, in and of itself, does not [constitute a public performance]”). Ringtones are downloaded music files; the copying of a ringtone file to a mobile phone does not involve a contemporaneous perceptible rendition. (Zaffino Decl. ¶¶ 3-4; Nagel Decl. ¶¶ 3-4). Therefore, the download of a ringtone file does not constitute a public performance (or a performance at all).

B. Direct Liability For a Public Performance Requires Volitional Conduct.

“[D]irect liability rests only on *those who perform* the work; those who do not perform cannot be held liable.” 4 William F. Patry, *Patry on Copyright* (“Patry”) § 14.22 (2009) (emphasis added). In determining “who” performs the work, the critical ingredient is volitional conduct. *See Cartoon Network*, 536 F.3d at 131 (“*Netcom* and its progeny direct our attention to the volitional conduct that causes the [infringement.]”); *accord Costar Group, Inc. v. Loopnet, Inc.*, 373 F.3d 544, 551 (4th Cir. 2004) (concluding that the owner of a real estate listing website that *enabled* users to post infringing photographs did not carry out the necessary “volitional conduct – specifically, the act constituting infringement – to become a direct infringer”); *Parker*

v. Google, Inc., 422 F. Supp. 2d 492, 497 (E.D. Pa. 2006), *aff'd*, 242 F. App'x 833 (3d Cir. 2007) (finding that the automated copying of content from the Internet to facilitate Google's search engine "d[id] not include the necessary volitional element to constitute direct copyright infringement"); *Field v. Google, Inc.*, 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006) (noting that the "automated, non-volitional" distribution of cached Web pages in response to users' requests did not constitute direct infringement).

In *Cartoon Network LP v. CSC Holdings, Inc.*, the defendant Cablevision sold access to a digital video recorder ("DVR") system similar to set-top box systems such as TiVo, except that the recorded content was stored remotely on Cablevision's server rather than locally on a set-top box. 536 F.3d at 125. In addition to selling access to this remote DVR system, Cablevision designed, hosted, and maintained the system, which existed only to make copies and to perform those copies to its customers. *Id.* at 131. The system was complex and "require[ed] numerous computers, processes, networks of cables, and facilities staffed by personnel twenty-four hours a day and seven days a week," but its operation by Cablevision customers was simple. *Id.* at 125 (internal quotation marks omitted). By pressing a few buttons on a remote control, users could program the system to record a program for later playback. *Id.* The system responded to the user's direction by creating a copy of the program on Cablevision's server and making it available on the customer's account for playback. *Id.* at 124-25.

The plaintiffs argued that Cablevision was directly liable for this copy. *Id.* at 124. (The plaintiffs did not allege indirect liability, presumably because they recognized that such claims were futile in light of the Supreme Court's decision in *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984).) The Second Circuit rejected this argument, finding instead that the individual customers using the remote DVR system (not the system provider) performed the

volitional act – pressing the record button – necessary for direct liability. *Id.* at 131 (“[T]he person who actually presses the button to make the recording, supplies the necessary element of volition, not the person who manufactures, maintains, or, if distinct from the operator, owns the machine.”). Conversely, according to the court, **designing, hosting, maintaining, and selling access to the remote DVR system that automatically responds to a user’s request did not involve volitional conduct necessary for direct liability.** *Id.* at 131-32; *see also Costar*, 373 F.3d at 550 (finding that a service provider “who owns an electronic facility that responds automatically to users’ input is not a direct infringer”).

As noted in *Cartoon Network*, “a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, **which automatically obeys commands and engages in no volitional conduct.**” 536 F.3d at 131 (emphasis added); *see also Costar*, 373 F.3d at 550-51 (distinguishing volition and meaningful causation from **passive** ownership and management); *Parker*, 422 F. Supp. 2d at 497, *aff’d*, 242 F. App’x at 836-37 (same); *Field*, 412 F. Supp. 2d at 1115 (same). In all these cases, courts, including the Second Circuit, distinguish acts by a human employee demonstrating a conscious choice or decision from an automatic response by a system or machine. *See* Merriam-Webster’s Online Dictionary, <http://www.merriam-webster.com/dictionary/volition> (last visited May 6, 2009) (defining “volition” as “an act of making a choice or decision”).

As a result, there was no volitional conduct in *Cartoon Network* **even though Cablevision’s system “exist[ed] only to produce a copy.”** 536 F.3d at 131 (emphasis added). To be sure, the court agreed with the plaintiffs that Cablevision’s conduct was “more proximate to the creation of illegal copying than, say, operating an ISP or opening a copy shop, where all

copied content was supplied by the customers themselves or other third parties.” *Id.* at 132. Nonetheless, Cablevision’s conduct was not “sufficiently proximate to the copying to displace **the customer** as the person who ‘makes’ the copies when determining liability under the Copyright Act.”² *Id.* (emphasis added).

C. The Volitional Acts of Performing a Ringtone on a Mobile Phone Are Executed by the Mobile Phone User, Not By AT&T.

Similar to users of Cablevision’s remote DVR system, the volitional acts required to perform a ringtone publicly are executed by the mobile phone users, not by AT&T.³ AT&T’s only involvement is selling some of the downloaded music files (for which a royalty already is paid) and providing a system that automatically – without human intervention – signals an incoming call, which it does whether or not the user has a ringtone. (Zaffino Decl. ¶ 13). This signal – **which is not a copyright-infringing act** – sent by AT&T does nothing more than alert the receiving phone that there is an incoming call, an alert that is indifferent to whether the phone is on “silent” or “vibrate” or is set to play a ringtone. (*Id.* ¶¶ 14-15).

AT&T’s signaling of calls involves no volitional conduct. AT&T does not “choose” or “decide” to perform particular ringtones when its system signals an incoming call. Indeed, although AT&T knows that certain of its customers have purchased ringtones (those and only

² Although the plaintiffs alleged violations of both the reproduction right and the public performance right, the Court did not “need [to] address” whether there was volitional acts necessary for direct infringement of the public performance right because the transmissions were not “to the public.” *Cartoon Network*, 536 F.3d at 134.

³ These acts by users include (1) the decision by a mobile phone user to order and download a ringtone, (2) the programming of the phone by the mobile phone user to perform a ringtone to signal an incoming call (as opposed to setting the phone in “vibrate” or “silent” mode or maintaining the non-musical “ring”), (3) the programming of the phone to play a ringtone to signal an incoming call from certain callers and not others, (4) the setting of the volume by the mobile phone user to perform a ringtone loud enough for bystanders to hear, and (5) the setting (or leaving) of the phone on “play” in a public place by the mobile phone user. (Zaffino Decl. ¶ 6; Nagel Decl. ¶ 6).

those that purchased the ringtone from AT&T), AT&T does not control and exercises no volitional conduct over:

- (a) when a person who has purchased a ringtone chooses to have it play versus sets the mobile phone instead on vibrate or silent mode, (Zaffino Decl. ¶ 11; Nagel Decl. ¶ 11);
- (b) when a customer grows tired of a ringtone and returns the phone to a non-musical “ring,” (Zaffino Decl. ¶ 12; Nagel Decl. ¶ 12);
- (c) whether a mobile phone user chooses to take the phone to a place open to the public, (Zaffino Decl. ¶ 8; Nagel Decl. ¶ 8);
- (d) whether only a family member or another individual is in the presence of a mobile phone user at the moment a mobile phone rings, (Zaffino Decl. ¶ 9; Nagel Decl. ¶ 9);

And it bears repeating: the passive function of signaling incoming calls was not designed to trigger the performance of ringtones but rather for the indifferent purpose of signaling an incoming call. Indeed, the same signal is sent regardless of whether the user has ever downloaded a ringtone from any source.

Contrast this with *Cartoon Network* where Cablevision’s system was designed for the **sole purpose** of making copies of television content and transmitting those copies to its customers. 536 F.3d at 131. Despite having the capability to control the infringing activities, and despite having designed the system solely to facilitate these activities, the Second Circuit *still* determined that Cablevision’s system did not involve the volitional conduct necessary for direct liability. *Id.* at 131-32. Because AT&T’s conduct does not come close to that of Cablevision in *Cartoon Network*, AT&T simply cannot be deemed a direct infringer.

“[I]n cases like *Sony*, the Supreme Court has strongly signaled its intent to use the doctrine of contributory infringement, **not direct infringement**, to ‘identify[] the circumstances in which it is just to hold one individual accountable for the actions of another.’” *Id.* at 133 (emphasis added) (quoting *Sony*, 464 U.S. at 435). Here, the “actions of another” are actions

executed by mobile phone users. Consequently, if there were any direct infringement for ringtone performances, it would be by the millions of mobile phone users who choose to switch their ringtone to play while in a public place.

III. Mobile Phone Users Have No Direct Liability for Ringtone Performances.

A. Ringtone Performances Are Not Infringing Performances Within the Meaning of the Copyright Act.

The Copyright Act provides that the owner of copyright in a musical work has the exclusive right “to perform the copyrighted work publicly.” 17 U.S.C. § 106(4). The Act further provides that 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.”⁴ 17 U.S.C. § 101.

For purposes of this motion, AT&T acknowledges that ringtones sometimes ring for a few seconds in places “open to the public” or in places where “a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” However, **these occasional, unplanned, and unpredictable occurrences are not what Congress had in mind** when it created a right to license the public performance of music.

Traditionally, the purpose of the public performance right “was to prohibit unauthorized performances of copyrighted musical compositions in such public places as concert halls, theaters, restaurants, and cabarets.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 157 (1975). In each of those scenarios, **a public establishment benefits from projecting music** to an audience for it. As such, public performances of music act as a magnet to draw an audience

⁴ There is a second clause under the definition that is applicable where the performance is transmitted beyond the place from which the performance is sent. 17 U.S.C. § 101 (definitions for “publicly” and “transmit”). This part of the definition is not at issue because ringtones are performed directly from mobile phones – the same place where the performance occurs – (Zaffino Decl. ¶ 4; Nagel Decl. ¶ 4), and, therefore, are not “transmitted.”

from which the business derives revenue, either directly (for example, by charging for a ticket to a concert) or indirectly (for example, by selling beer and hamburgers, using music as a background or entertainment to attract customers).

Ringtones are different. People do not congregate or pay money to hear a ringtone. Ringtones do not serve as background entertainment for commercial establishments such as bars and restaurants. If a ringtone interrupts the use of a traditional public place such as a classroom, movie theater, or church, the owner of the phone is admonished for not remembering to leave the phone on vibrate and is reminded to silence it. In short, ringtones, even when they can be heard in a public place for a few seconds, are not infringing public performances as that term was used by Congress in the 1976 Copyright Act.⁵

The private nature of ringtone performances was recently acknowledged by the Register of Copyrights, Marybeth Peters, albeit in a decision addressing a different issue, the applicability of Section 115 to ringtones. *See DPRA*, Dkt. No. RF 2006-1 (C.R.B. Oct. 16, 2006). The owners of copyrights in musical compositions argued that ringtones are a “public” use because they “provide mobile phone users a means to publicly identify and express themselves to their

⁵ The Supreme Court has long recognized that copyright laws should not be stretched to encompass developments not anticipated by Congress:

Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology. In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests.

Sony, 464 U.S. at 431.

friends, colleagues and the public at large.” *Id.* at 31. Although Section 115 addresses the private/public distinction in a different context,⁶ the Register’s findings are instructive:

While it may be true that some mobile phone users purchase ringtones to identify themselves in public, this use most likely would not be considered a public use as Congress intended that term to be understood in the Section 115 context, and in any event, there is no basis to conclude that the *primary purpose* of the ringtone distributor is to distribute the ringtone for “public” use.

Id. at 32 (emphasis in original). The Register’s opinion confirms what is intuitive: ringtones are not “performed to the public” as “Congress intended” in the 1976 Copyright Act. The Court should not find that millions of ringtone subscribers are infringing copyrights when their ringtones can be momentarily, and unpredictably, heard in a public place, and should grant summary judgment on this basis alone because there is no compensable public performance under 17 U.S.C. § 106.

B. Mobile Phone Users Are Exempt From Direct Liability Under Section 110(4) of the Copyright Act.

Even if ringtone performances are held to be public, mobile phone users would not be infringers. This is because mobile phone users of ringtones are exempt from liability under Section 110(4), which provides that the following are “not infringements”:

performance[s] of a . . . 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)(A).

As an initial matter, there is no “transmission” of a ringtone as that term is used in the Copyright Act because a ringtone is not heard beyond the immediate vicinity of the mobile

⁶ Section 115 provides: “A person may obtain a compulsory license [under this Section] only if his or her primary purpose in making phonorecords is to distribute them to the public for private use, including by means of a digital phonorecord delivery.” 17 U.S.C. § 115(a)(1).

phone from which it plays. To “transmit” a performance means “to communicate it by any device or process whereby images or sounds are *received beyond the place from which they are sent.*” 17 U.S.C. § 101 (emphasis added). Typical examples include radio and television broadcasts, but at any rate, a transmission “at least involves sending out some sort of signal via a device or process to be received by the public at a place beyond the place from which it is sent.” *Columbia Pictures Indus., Inc. v. Prof'l Real Estate Investors, Inc.*, 866 F.2d 278, 282 (9th Cir. 1989) (finding that performances from videodisc players in hotel rooms were not received beyond the place from which they are sent). In the case of ringtones, the sounds are “sent” from the small speaker on the mobile phone and are “received” only by those, if any, who chance to be in the immediate vicinity. (See Zaffino Decl. ¶ 4; Nagel Decl. ¶ 4). Accordingly, there is no “transmission” by a mobile phone user.

Moreover, the persons making the performances – users of mobile phones – do not perform ringtones for direct or indirect commercial advantage, nor do they charge any fee for others to listen to their ringtone.⁷ (See Nagel Decl. ¶ 17-20). Because ringtones are neither performed for commercial advantage nor “transmitted” by mobile phone users, they are exempt under Section 110(4).

To hold that such performances are infringing would produce absurd results. For example, the following uses of music, which (like ringtones) are capable of being heard by others, would be subject to a license in the absence of this provision:

- Playing a compact disc in one’s home or apartment in a manner that can be heard by neighbors or passersby;

⁷ While Section 110(4) is solely concerned with the purpose of those making the performance – users of mobile phones – **it bears mention again** that AT&T receives no compensation when a ringtone is played in public or private, or even performed at all. Rather, AT&T is only compensated in connection with the licensed sale of a downloaded music file, for which the composer receives substantial compensation. See *DPR*A, Dkt. No. RF 2006-3, at 60 (C.R.B. Nov. 24, 2008).

- Removing one's headphones when listening to a portable music player in a public place;
- Playing a compact disc in a car stereo while driving down the road with the windows down;
- Singing "Happy Birthday" to a friend in a crowded restaurant;
- Girl Scouts singing around a campfire.⁸

In sum, mobile phone users, like other not-for-profit users, are exempt from liability when their ringtones can be heard in a public place.

C. Because Mobile Phone Users Themselves Have No Direct Liability for Ringtone Performances, AT&T Cannot Be Indirectly Liable for Such Performances.

It is axiomatic that in order for there to be indirect liability, there must first be direct liability. *Sony*, 464 U.S. at 434-38 (discussing indirect liability under the Copyright Act); *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998); 2 Paul Goldstein, *Copyright* § 6.0 (1996) ("For a defendant to be held contributorily or vicariously liable, a direct infringement must have occurred."), *quoted with approval in Matthew Bender*, 158 F.3d at 706. Because mobile phone users are not liable as direct infringers, AT&T cannot be liable under the theories of contributory and vicarious liability.

IV. Even If There Were Direct Infringement by Mobile Phone Users, AT&T Would Not Be Liable For Contributory or Vicarious Infringement.

Since "[t]he Copyright Act does not expressly render anyone liable for infringement committed by another," *Sony*, 464 U.S. at 434, the Supreme Court has recognized that there may be contributory liability, only where a secondary party has specific knowledge of infringing activity through use of a device that is incapable of substantial noninfringing uses or

⁸ As here, the seemingly clear application of Section 110(4) did not prevent ASCAP from unreasonably seeking licenses for such innocuous performances. See Elisabeth Bumiller, *Ascap Asks Royalties From Girl Scouts, and Regrets It*, N.Y. TIMES, Dec. 17, 1996, available at <http://www.nytimes.com/1996/12/17/nyregion/ascap-asks-royalties-from-girl-scouts-and-regrets-it.html>.

demonstrates an intent to actively induce such activity. *Id.* at 437-38; *see also Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930-31 (2005).

A. Knowledge of Infringing Potential or Actual Infringing Uses is Not Sufficient to Impose Liability Where a Product is Capable of “Substantial, Noninfringing Uses.”

The foundational case on contributory liability for copyright infringement is *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984). There, the Supreme Court refused to impose contributory infringement liability on the manufacturer and retailers of video tape recorders that could, **with the knowledge of the defendants**, be used to infringe plaintiffs’ copyrighted television shows. Although studies confirmed that some users of Sony’s equipment were infringing copyrights by making copies of programs, *see* 464 U.S. at 439, this fact alone was not enough to impute to Sony the degree of culpable intent necessary to make Sony a contributory infringer. *Id.* Rejecting the argument that liability should be imposed on Sony and the other petitioners simply because “they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material,” the Court held that “[t]here is no precedent in the law of copyright for the imposition of . . . liability on such a theory.” *Id.*

As the Court later explained in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), “*Sony* barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, **which the distributor knows is in fact used for infringement.**” *Id.* at 933 (emphasis added); *see also Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 262 (5th Cir. 1988) (finding no contributory liability despite knowledge that computer program on diskettes was used for infringing purposes). Indeed, the Court reiterated that “mere knowledge of infringing potential or of **actual infringing uses** would not be enough . . . to subject a distributor

to liability” where there are substantial, non-infringing uses. 545 U.S. at 937 (emphasis added). Similarly, any knowledge of AT&T that customers sometimes perform a musical ringtone in a public place is similarly “not enough” to subject AT&T to liability because there are substantial, noninfringing performances.

B. There Are Substantial, Noninfringing Performances of Ringtones on Phones.

Mere knowledge of infringing uses is insufficient if the alleged secondary infringer’s product is also used for unobjectionable purposes. As the Court held in *Sony*, “Indeed, **it need merely be capable of substantial, noninfringing uses.**” *Id.* at 442 (determining that time-shifting (*i.e.*, recording and watching later) of copyrighted television programs by home viewers, made possible through Sony’s sale of a device that copied and stored the television programs, was a substantial, noninfringing use) (emphasis added). The Court confirmed this principle in *Grokster*: “[T]he [*Sony*] doctrine absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one’s products will be misused.” *Grokster*, 545 U.S. at 932-33; *see also Matthew Bender*, 158 F.3d at 707 (finding no contributory liability where the infringing uses, copying copyrighted compilations of cases, were incidental to the predominant, noninfringing use of the product for pinpoint citations).

In determining that Sony’s video tape recorder was capable of “commercially significant, noninfringing uses,” the Court explained:

In order to resolve [the] question, we need not explore *all* the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the District Court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant.

464 U.S. at 442 (emphasis in original). Despite Sony's knowledge that consumers used its product for infringing purposes, the Court absolved Sony of liability, finding that an undetermined amount of time-shifting constituted significant noninfringing use.⁹ *Id.* at 456.

There are substantial, noninfringing performances of ringtones on phones. It is indisputable that ringtones will often play in private places in the absence of a substantial number of persons outside of a normal circle of family and friends. For example, a ringtone might play when a person receives a call at home alone or with family; or in the car; or in the office. While it is impossible to know how often every customer's ringtone is performed in private versus in a place open to the public, the *Sony* standard does not require such performances to be quantified. *See id.* at 492-93 (noting in the dissenting opinion that the factual question of percentage of legal versus illegal use was never resolved). Rather, the contributory device "need **merely be capable** of substantial noninfringing uses." *Id.* at 442 (emphasis added). Ringtones are clearly capable of being performed in private places.

In sum, under *Sony*, knowledge that some mobile phone users may sometimes perform a ringtone in a public place is not sufficient to invoke contributory liability. Because ringtones indisputably are "capable of substantial, noninfringing uses," AT&T cannot be liable for contributory infringement for selling downloads of ringtones.

C. AT&T Does Not Actively Induce Any Public Performances of Ringtones.

1. *Grokster* Requires "Purposeful, Culpable Expression and Conduct."

As noted above, the Supreme Court revisited *Sony* in *Grokster*, which involved an attempt by the defendants to avoid the level of involvement that had subjected Napster, a

⁹ Courts have applied the principles of *Sony* beyond the mere selling of a device capable of assisting in infringement. For example, in *Matthew Bender & Co. v. West Publishing Co.*, the Second Circuit held that the rationale of *Sony* applied to a CD-ROM product containing the copyrighted work alleged to have been infringed. 158 F.3d at 707; *see also, e.g., Mathieson v. Associated Press*, No. 90-6945, 1992 WL 164447, at *3-4 (S.D.N.Y. June 25, 1992) (applying *Sony* to distribution of photographs).

competing file-sharing service, to liability. 545 U.S. at 924-28. Specifically, the defendants adopted a decentralized structure for their file-sharing software, and because the files, unlike those exchanged using Napster's service, never passed through the defendants' servers, the defendants claimed they did not know when particular files were copied. *Id.* at 922-23. The Ninth Circuit held that this was sufficient to satisfy the test distilled in *Sony*.

The Supreme Court reversed, emphasizing that “where evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions **directed to promoting infringement**, *Sony's* staple-article rule will not preclude liability.” *Id.* at 935 (emphasis added). The Court distinguished *Sony*:

[J]ust as *Sony* did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, **mere knowledge of infringing potential or of actual infringing uses** would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The **inducement rule, instead, premises liability on purposeful, culpable expression and conduct**, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

Id. at 937 (emphasis added) (internal citation omitted).

In *Sony*, there was no inducement liability **even though Sony had advertised the potential for infringing uses**. *Id.* at 459 (noting in dissent that Sony advertisements had encouraged users to “record favorite shows” and “build a library”). By comparison, there was more than sufficient evidence in *Grokster* to demonstrate active inducement, including evidence that the defendants designed their systems to “satisfy a known source of demand for copyright infringement” (*i.e.*, former users of Napster). *Grokster*, 545 U.S. at 939. The Court noted that failure to employ filtering tools to prevent infringing uses would not be enough in itself to impose secondary liability if there were substantial, non-infringing uses, *id.* at 939 n.12; nor would adoption of a business model built entirely on advertising revenue derived from infringing

uses. *Id.* at 940. Taking all these facts together with Grokster’s purposeful efforts to “satisfy a known source for copyright infringement,” the Court found Grokster’s conduct to be wrongful.

2. AT&T Cannot Be Liable for Inducement.

Among the factors considered in *Grokster*, the Court placed the most significance on the defendants’ efforts to capitalize on the market created by Napster, a known infringer.¹⁰ *Id.* at 939; see also *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1171 n.11 (9th Cir. 2007) (“Google’s activities do not meet the ‘inducement’ test explained in *Grokster* because Google has not promoted the use of its search engine **specifically to infringe copyrights.**”) (emphasis added). Here, by contrast, **there is no record of infringement claims by ASCAP against mobile phone users** whose ringtones sometimes play in a public place, and certainly no evidence that AT&T offered ringtones to induce such “infringers.” Indeed, only in the context of a final fee “negotiation” has ASCAP dared to assert that ringtones “likely implicate” the public performance right. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁰ Examples include the following statements made in promotional materials:

“Napster Inc. has announced that it will soon begin charging you a fee. That’s if the courts don’t order it shut down first. What will you do to get around.”

“#1 alternative to Napster”

“[W]hen the lights went off at Napster . . . where did the users go?”

Grokster, 545 U.S. at 925, 938.

[REDACTED]

Contrast the absence of claims by ASCAP that mobile phone users infringe when a ringtone plays with Grokster's deliberate effort to pick at the carcass of Napster by inducing former subscribers to sign on to its service. Plainly, ASCAP cannot demonstrate the type of culpable conduct necessary to invoke inducement liability.

D. Similarly, AT&T Is Not Liable For Vicarious Infringement.

1. Vicarious Liability Requires a Right and Ability to Control.

A firm may be vicariously liable for infringement when it "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities." *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). It is only when the right and ability to control and an obvious and direct financial interest "coalesce" that vicarious liability is appropriate. *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

As an initial matter, the *Sony* doctrine applies equally to a claim for vicarious liability. In the words of a prominent commentator, "Where there is a substantial noninfringing use that cannot be separated from the infringing use of the article in question, the [*Sony* doctrine] applies regardless of what theory of liability[, contributory or vicarious,] is used." 6 Patry § 21:78. Indeed, the *Sony* opinion made no distinction between vicarious and contributory liability. *See Sony*, 464 U.S. at 435 n.17; *see also* 6 Patry § 21:78. Thus, a claim for vicarious liability by ASCAP fails for the reasons argued above.

In addition, ASCAP cannot satisfy the traditional elements for vicarious liability. The right and ability to control is of crucial importance: "[T]he parties' paths must cross on a daily basis, and the character of this intersection must be such that the party against whom liability is sought is in a position to control the personnel and activities responsible for the direct infringement." *Banff Ltd. v. Limited, Inc.*, 869 F. Supp. 1103, 1109 (S.D.N.Y. 1994) (finding

parent corporation not vicariously liable for the acts of its subsidiary); *see also Matthew Bender*, 158 F.3d at 707 n.22 (“[P]laintiffs cannot be subject to liability for vicarious infringement because they cannot control the conduct of the direct infringer.”). This “continuing connection” has often been characterized as an ability to “police” the infringing conduct. *Gershwin Publ’g*, 443 F.2d at 1163 (defendant “was in a position to police the infringing conduct”); *Shapiro*, 316 F.2d at 308 (defendant had “the power to police carefully the conduct” of the infringers). This requires both a right and a “practical ability” to police the infringing activity. *Perfect 10*, 508 F.3d at 1173 (finding Google lacked the practical ability to police third-party infringing websites in its search index); *Artists Music, Inc. v. Reed Publ’g (USA), Inc.*, No. 93-3428, 1994 WL 191643, at *6 (S.D.N.Y. May 17, 1994) (“The mere fact that they could have policed the exhibitors at great expense is insufficient to impose vicarious liability”) (finding that trade show organizer did not have the right to control exhibitors that performed music without a license).

2. AT&T Does Not Have the Right or Ability to Control Any Ringtone Performances, Which Are Entirely at the Direction of Mobile Phone Users.

AT&T does not have the right or practical ability to prevent mobile phone users from taking their phones to places open to the public. (*See Zaffino Decl.* ¶ 7; *Nagel Decl.* ¶ 7). Nor can AT&T control when a phone is on “silent” or “vibrate” versus when a ringtone is set to play where “a substantial number of persons outside of a normal circle of a family and its social acquaintances are gathered.” (*Zaffino Decl.* ¶¶ 9-12; *Nagel Decl.* ¶¶ 9-12); *see also Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1153 (N.D. Cal. 2008) (finding no right and ability to control where prescreening videos submitted by users of online video service was not feasible). The only way for AT&T to prevent ringtones from being heard in public places is to shut down its ringtone service entirely, which is clearly not how courts have interpreted the

control prong of the vicarious liability test. *See id.* at 1154 (rejecting “not-so-subtle suggestion . . . that, if [the defendant] cannot prevent infringement from ever occurring, then it should not be allowed to exist.”).

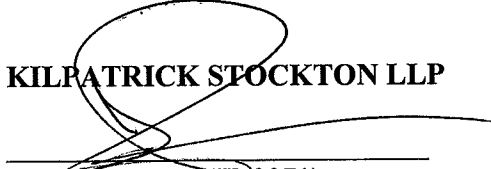
Courts have rejected attempts to bootstrap a defendant’s right to *affect* the infringing activities into a right and ability to *control* the infringement. *See Perfect 10, Inc. v. Visa Int’l Serv., Ass’n*, 494 F.3d 788, 805 (9th Cir. 2007), *cert. denied*, 128 S. Ct. 2871 (2008). In *Visa*, although the defendants could refuse to process credit card payments for infringing websites, and thus “stop or limit” the ability of these websites to infringe, this was not sufficient to impose vicarious liability. *Id.* According to the court, “Even though they have the ‘right’ to refuse their services, and hence the literal power to ‘stop or limit’ the infringement, they . . . do not exercise sufficient control over the actual infringing activity for vicarious liability to attach.” *Id.* at 806. Likewise, AT&T does not, nor could it, exercise sufficient control over the actual performances of ringtones for vicarious liability to attach.

CONCLUSION

AT&T cannot be directly liable for any compensable public performances of ringtones because AT&T’s customers, and not AT&T, carry out the volitional acts necessary to perform ringtones. Because a customer’s occasional and unpredictable performance of a ringtone was not intended by Congress to be a compensable public performance and is exempt under 17 U.S.C. § 110(4), there is no direct infringement and AT&T cannot be secondarily liable. In addition, AT&T cannot be secondarily liable because there are substantial, noninfringing performances of ringtones, because AT&T does not purposefully induce copyright infringement, and because AT&T cannot control when a user chooses to set their phone to play a ringtone. Accordingly, AT&T respectfully requests that the Court rule as a matter of law that a public performance license is not necessary for AT&T’s sale of downloaded ringtone music files.

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