UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA, Plaintiff, - against - AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS, Defendant.	Civil Action No. 41-1395 (WCC) **FILED UNDER SEAL**
In the Matter of the Application of CELLCO PARTNERSHIP d/b/a VERIZON WIRELESS, Applicant, for the Determination of Reasonable License Fees	

MEMORANDUM OF LAW IN SUPPORT OF
VERIZON WIRELESS' MOTION FOR SUMMARY JUDGMENT ON RINGTONES

WILEY REIN LLP

Bruce G. Joseph (BJ 8345)
Andrew G. McBride (AM 1966)
Michael L. Sturm (MS 3939)
1776 K Street NW
Washington, DC 20006
Tel: (202) 719-7000
Fax: (202) 719-7207
bjoseph@wileyrein.com
amcbride@wileyrein.com
msturm@wileyrein.com

Attorneys for Cellco Partnership d/b/a Verizon Wireless

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INTRODUCTION AND SUMMARY

Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless") submits this Memorandum of Law in support of its motion for summary judgment determining that its sale and distribution of ringtones to its customers and the ringing of a ringtone do not require it to obtain a public performance license. These issues are ripe for summary judgment – they are issues of law involving application of clear Second Circuit precedent, this Court's decisions, and statutory text to undisputed facts. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23 (1986).

This Court has determined that the transmission of downloads of digital music files does not implicate the public performance right unless the downloads are transmitted in a manner designed for contemporaneous perceptible rendition. *United States v. ASCAP (Application of AOL, Inc.)*, 485 F. Supp. 2d 438, 443 (S.D.N.Y. 2007) ("Download Ruling"). It follows that the transmission of ringtones, which are digital files downloaded without a contemporaneous perceptible rendition, is not a public performance (or a performance at all) and hence is not subject to an ASCAP license.

Once a ringtone file is downloaded to a person's phone, the use of the file is within the control of that person, in much the same way as any downloaded music file from Apple's iTunes service or a CD placed in a portable "boombox" or similar device. The individual phone's owner may or may not program his or her phone to play the ringtone to signal an incoming call and may or may not allow the ringtone to be heard in public. Any volitional act necessary for making any performance lies with the user under the decision of the U.S. Court of Appeals for the Second Circuit in *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008). Verizon Wireless does not determine if the ringtone will play, where the ringtone will play, or when the ringtone will play. Verizon Wireless' network sends the same signals regardless of whether the customer has chosen a traditional non-musical ring, vibration, or a musical ringtone

to signal a particular call. Moreover, Verizon Wireless does not track when a ringtone rings or derive any revenue when a ringtone rings.

For these reasons, to the extent there are public performances made at all, those performances are not made by Verizon Wireless but rather, if by anyone, by the phone's owner. Any such performances would fall within the plain language and purpose of section 110(4) of the Copyright Act, which identifies performances of musical works that are not subject to the copyright owners' rights. Further, to the extent there is an infringing performance, Verizon Wireless cannot be held responsible. Accordingly, ringtones do not require an ASCAP license fee to be set in this proceeding.[1]

This motion seeks summary judgment defining and clarifying the scope of the public performance right in connection with ringtones. The issues presented are questions of law, and their resolution at this stage of the proceedings will aid both the Court and the parties in narrowing and identifying the disputed issues for trial.

FACTUAL BACKGROUND

A ringtone is a digital file of a short portion of a musical composition or other sound that plays to signal an incoming call, in the same manner as a telephone ring. Declaration of Matthew J. Astle ("Astle Decl.") Ex. 1 ¶ 3 (Declaration of Ed Ruth (May 22, 2009) ("Ruth Decl.")) **REDACTED** Ringtone files are downloaded and stored on the user's mobile phone, and they are played from that local file on the phone; they are not streamed for performance in real time over the Verizon Wireless network. *Id.* Ex. 1 ¶ 6 (Ruth Decl.). The

[1] This motion only addresses the download transmission of ringtones and the playing of ringtones when a call is received; Verizon Wireless is aware of this Court's decision in the AT&T proceeding concerning preview samples, which has implications beyond ringtones. Verizon Wireless' interim fee briefing demonstrates that the evidence does not support ASCAP's claim of a "market" for licensing preview samples, on which this Court relied. *See* Verizon Wireless' Corrected Interim License Fee Response and Proposal at 4-5, 19 (Apr. 23, 2009); Verizon Wireless' Surreply Mem. in Support of Its Interim License Fee Proposal at 15 (May 8, 2009). Verizon Wireless intends to address the issue of preview samples at an appropriate later time.

ringtone is downloaded using technology that does not permit it to be heard or rendered at the time of the download; given normal network operating speeds, the download of a 30-second ringtone (the duration of most ringtones) ordinarily occurs in just a few seconds, and thus at a speed significantly faster than the playing time of the ringtone itself. *Id.* ¶ 5. Verizon Wireless offers ringtones for sale to its customers, but Verizon Wireless customers also purchase ringtones from third parties. *Id.* ¶ 4.

Once the ringtone is downloaded, it is stored on the mobile phone and is under the control of the phone's owner. The phone's owner determines whether the phone will be turned on or off and whether it will be set to play the ringtone, to make a ringing or other sound, or to vibrate when an incoming call is received. *Id.* ¶ 7;

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The phone's owner determines which callers' calls, if any, will be identified by a given ringtone. The owner determines the volume at which the ringtone will play. The owner chooses where the phone will be at any given moment. *Id.* Ex. 1 ¶ 7 (Ruth Decl.). The phone's callers, of course, determine when the phone will ring but ordinarily do not control any other aspect of the sound indicating an incoming call.

Verizon Wireless has no part in any of this process other than sending a signal to the phone to indicate an incoming call. Notably, this signal does not vary based on (1) how the phone notifies the user of an incoming call (*e.g.*, traditional ringing sound, ringtone, vibration, beeping noise); (2) any of the other settings the owner has chosen for his phone; or (3) whether the customer is at home alone or in a crowded restaurant. *Id.* ¶ 10.

Verizon Wireless has no knowledge of or control over the process. Just as Apple does not know or control when or where a person who has downloaded an iTunes music file plays the file, Verizon Wireless does not know or control how the phone's owner sets or unsets his or her phone's ring sound, including when – or even if – the ringtone is set to ring at all. *Id.* ¶ 8. Verizon Wireless lacks the legal right or technological capability to control its users' activities. Verizon Wireless does not know or control whether calls are received in public or private places, or whether anyone is present when a ringtone plays. Verizon Wireless cannot control ambient noise levels where the phone is carried. Statement of Material Facts in Support of Verizon Wireless' Motion for Summary Judgment on Ringtones ¶ 8. And Verizon Wireless does not know or control who will be near a mobile phone each time it rings. Astle Decl. Ex. 1 ¶ 8 (Ruth Decl.).

It is common knowledge, subject to judicial notice, that mobile phones frequently ring in private places, including in the user's home, a friend's home, a car, or a hotel room. In such places, often only persons within a normal circle of a family and its social acquaintances are present. For example, the Federal Communications Commission has found that over 14% of U.S. adults have replaced their traditional landline phone with a mobile phone; any calls received by these people when they are at home are thus necessarily received on a mobile phone. *See id.* Ex. 4 ¶ 2, at 10 (FCC, *Thirteenth Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, DA 09-54 (2009)).

The phone's owner pays Verizon Wireless for the ringtone he or she downloads from Verizon Wireless. But just as Apple obtains no additional benefit if an iTunes download is performed in public, Verizon Wireless obtains no compensation from any performance of the ringtone that may be made after the ringtone is downloaded. Verizon Wireless obtains no more

benefit if the ringtone is played in private or public, or if it is not played at all. *Id.* ¶ 11. Nor does the phone's owner receive any monetary benefit from the playing of a ringtone. There is no evidence that mobile phone users seek or obtain any direct or indirect commercial advantage from playing ringtones or charge an admission fee to listen to ringtones. *Id.* ¶ 12;

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In any event, the copyright owners of musical works – the principals from whom ASCAP derives its rights as a licensing agent – are fully compensated for ringtone downloads already. The Register of Copyrights has ruled that ringtone downloads are subject to the section 115 mechanical license as "digital phonorecord deliveries," and the Copyright Royalty Judges have set a fee of twenty-four cents per ringtone that fully compensates the copyright owners for the ringtone download. *See Mechanical and Digital Phonorecord Delivery Rate Determination Proceeding: Final Rule*, 74 Fed. Reg. 4510, 4522, 4526 (Jan. 26, 2009) (finding that "the proposed mastertone benchmark certainly offers valuable rate evidence from the marketplace for one of the types of products covered by the section 115 license that is the subject of this

proceeding (*i.e.*, ringtones)" and finding that that marketplace benchmark of twenty-four cents per ringtone is "reasonable without further adjustment over the term of these licenses").

ARGUMENT

I. SUMMARY JUDGMENT IS APPROPRIATE ON THE QUESTION OF WHETHER RINGTONE DOWNLOAD TRANSMISSIONS AND ANY ALLEGED SUBSEQUENT PERFORMANCES REQUIRE VERIZON WIRELESS TO OBTAIN A PUBLIC PERFORMANCE LICENSE.

Summary judgment is appropriate where "there is no genuine issue as to any material fact and . . . the movant is entitled to 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.*, 477 U.S. at 327 (quotations and citations omitted). "To 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.'" Download Ruling 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 subject to dispute. Thus, the issue of whether ringtone download transmissions and any alleged subsequent performances are subject to this proceeding is ripe for summary judgment.

II. THIS COURT'S DOWNLOAD RULING ESTABLISHES THAT VERIZON WIRELESS' RINGTONE DOWNLOAD TRANSMISSIONS ARE NOT PUBLIC PERFORMANCES.

This Court's prior decision establishes that ringtone download transmissions are not subject to this proceeding. In the Download Ruling, this Court held that "the downloading of a digital music file embodying a particular song" does not constitute "a 'public performance' of that song within the meaning [of] the United States Copyright Act, 17 U.S.C. § 101, *et seq.*" Download Ruling at 441-42. The Court reasoned that "principles of statutory construction, as

well as analogous case law and secondary authorities, dictate that, in order for a song to be performed, it must be transmitted in a manner designed for contemporaneous perception." *Id.* at 443; *accord id.* at 446 (observing that "it is not the availability of prompt replay but the simultaneously perceptible nature of a transmission that renders it a performance under the Act"). The Court observed that it could "conceive of no construction that extends [the performance right] to the copying of a digital file from one computer to another in the absence of any perceptible rendition. Rather, the downloading of a music file is more accurately characterized as a method of reproducing that file." *Id.* at 444 (citations omitted).

There is no technological or legal distinction between the transmission of a download of a digital file embodying a complete song and the transmission of a download of a digital file embodying an excerpt of a song for use as a mobile phone ringtone. In both cases, the files are not perceptibly rendered or otherwise performed during the transmission. Astle Decl. Ex. 1 ¶ 5 (Ruth Decl.). Nor does the technology used to transmit ringtone downloads permit simultaneous rendering. *Id.* Moreover, in both cases, the download occurs at a rate that is faster than a real time performance, which, in any event, would preclude the perceptible rendition of the musical work embodied in the file. *Id.* It follows that ringtone download transmissions are not public performances and thus are outside the scope of this proceeding.[2]

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enabling a public performance is not the same as making a public performance. The sale of an iTunes download or a CD may similarly enable a public performance when the recording is actually played, but no one seriously contends that such sales require a public performance license.

III. AFTER THE DOWNLOAD OCCURS, VERIZON WIRELESS DOES NOT NEED A LICENSE FOR ANY PUBLIC PERFORMANCE THAT MAY OCCUR WHEN THE PHONE RINGS.

Once the download transmission occurs, the ringtone is under the control of the phone's owner, and it is the phone's owner, not Verizon Wireless, who determines whether and under what circumstances a ringtone will be played. Verizon Wireless has no control over when, how frequently, or where the ringtone will be played – or the audience who will hear it when it is played. Thus, as a matter of law, Verizon Wireless does not engage in the type of volitional conduct that numerous courts, including the U.S. Court of Appeals for the Second Circuit, hold is necessary for a person to be deemed to have engaged in infringing conduct. Moreover, any public performances that may occur are not subject to copyright liability pursuant to section 110(4) of the Copyright Act. Thus, any such performances are beyond the rights of the copyright owner and do not require a license. Even if an infringing public performance is made, it is not a performance for which Verizon Wireless can be held responsible under theories of secondary liability. In short, Verizon Wireless does not require a public performance license for any performance that may occur when the phone rings.

A. Verizon Wireless Does Not Make a Public Performance When a Mobile Phone Rings.

The Copyright Act, legislative history, and applicable case law make clear that Verizon Wireless does not make a public performance when a ringtone plays. Verizon Wireless does not engage in the requisite volitional conduct. Thus, it cannot be held directly liable when a ringtone plays.

Providing a wireless network over which individuals may place and receive calls is not the type of activity that constitutes making a public performance under the Copyright Act. The Copyright Act provides that the owner of a copyright in a musical work has the exclusive right

"to perform the copyrighted work publicly." 17 U.S.C. § 106(4). It further provides that "[t]o 'perform' a work means to recite, render, play, dance, or act it, either directly or by means of any device or process," *id.* § 101, and 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."[3] *Id.* Nowhere does the statute expand the definitions of "publicly" and "perform" to encompass the provision of facilities possibly used by others to make performances.

The legislative history provides further guidance on the types of activities Congress intended to cover with these definitions:

> Thus, for example: a singer is performing when he or she sings a song; a broadcasting network is performing when it transmits his or her performance (whether simultaneously or from records); a local broadcaster is performing when it transmits the network broadcast; a cable television system is performing when it retransmits the broadcast to its subscribers; and any individual is performing whenever he or she plays a phonorecord embodying the performance or communicates the performance by turning on a receiving set . . . . To "perform" a work, under the definition in section 101, includes reading a literary work aloud, singing or playing music, dancing a ballet or other choreographic work, and acting out a dramatic work or pantomime.

H.R. Rep. No. 94-1476, at 63 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5676-77 ("House Report"). Significantly, each of these activities involves volitional conduct beyond providing facilities on the part of the person engaging in the performance.

Applicable case law likewise provides that before a person will be found to have directly infringed the exclusive rights of a copyright owner – *i.e.*, to be found to "do" an infringing act under 17 U.S.C. § 106 – he or she must have consciously and deliberately performed the act

[3] A second clause in the definition applies when a performance is transmitted beyond the place from which it originates. 17 U.S.C. § 101 (definitions for "publicly" and "transmit"). This part of the definition is not relevant to the playing of ringtones, which are played directly from the mobile phone in which they are stored and, therefore, are not "transmitted." *See id.*; Astle Decl. Ex. 1 ¶ 6 (Ruth Decl.).

constituting the infringement. Specifically, the U.S. Court of Appeals for the Second Circuit, analyzing alleged direct infringement of the reproduction right, stated that the relevant question is who engages in "the volitional conduct that causes the copy to be made." *Cartoon Network*, 536 F.3d at 131.[4] The U.S. Court of Appeals for the Fourth Circuit agrees, concluding that "a person [has] to engage in volitional conduct – specifically, the act constituting infringement – to become a direct infringer." *CoStar Group, Inc. v. LoopNet, Inc.* 373 F.3d 544, 551 (4th Cir. 2004).

Further, the Second Circuit and other courts have concluded that operators of systems that respond automatically to commands received from users of those systems do not engage in the requisite volitional conduct necessary to hold them liable as direct infringers for "doing" an act within the scope of the copyright owner's exclusive rights. In *Cartoon Network*, for example, the Second Circuit refused to hold liable as a direct infringer a cable system operator that provided its subscribers with and managed a remote digital video recorder system. The system, located on the cable operator's premises, created copies of programs at the request of the subscribers. The Court ruled that "copies produced by the RS-DVR system are 'made' by the RS-DVR customer, and Cablevision's contribution to this reproduction by providing the system does not warrant the imposition of direct liability." *Cartoon Network*, 536 F.2d at 133. The court found:

> In determining who actually "makes" a copy, 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.

[4] The Court did not reach the issue of volitional conduct in connection with the transmission clause of the public performance right, choosing to find, instead, that the performance at issue was not a public performance. *Cartoon Network*, 536 F.3d at 134. Here, however, there is no basis in law or in logic to find that a lesser standard of volitional conduct applies to alleged performances made from a mobile phone than to the reproduction right.

Id. at 131. It reasoned:

> In the case of a VCR, it seems clear – and we know of no case holding otherwise – that the operator of the VCR, the 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.

Id.

Likewise, other courts repeatedly have refused to find direct infringement under such circumstances. For example, the Fourth Circuit in *CoStar Group* held that the operator of a web hosting service that allowed its subscribers to post commercial real estate listings that included copyrighted photographs of the properties was not liable as a direct infringer. *CoStar Group*, 373 F.3d at 555. Observing that "[t]he Copyright Act . . . describ[es] only the party who actually engages in infringing conduct – the one who directly violates the prohibitions," *id.* at 549-50, the court found that "the owner and manager of a system used by others who are violating [plaintiff's] copyrights . . . is not directly liable for copyright infringement," *id.* at 546. It reasoned:

> To conclude that . . . persons are copyright infringers simply because they are involved in the ownership, operation, or maintenance of a transmission facility that automatically records material – copyrighted or not – would miss the thrust of the protections afforded by the Copyright Act.

Id. at 551.

Similarly, another court held that an Internet bulletin board operator was not liable for direct infringement because it "did not take any affirmative action that directly resulted in copying plaintiffs' works other than by installing and maintaining a system whereby software automatically forwards messages received from subscribers onto the Usenet, and temporarily stores copies on its system." *Religious Tech. Center v. Netcom On-Line Commc'n Servs., Inc.*, 907 F. Supp. 1361, 1368 (N.D. Cal. 1995). The court observed that the operator had not "initiated the copying" and that the "systems can operate without any human intervention." *Id.*

Further, two other courts found that Google was not liable for caching and providing content to users on request due to the absence of volitional conduct. *See Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006) ("[W]hen a user requests a Web page contained in the Google cache by clicking on a 'Cached' link, it is the user, not Google, who creates and downloads a copy of the cached Web page. Google is passive in this process. Google's computers respond automatically to the user's request."); *Parker v. Google, Inc.*, 422 F. Supp. 2d 492, 497 (E.D. Pa. 2006) ("When an ISP automatically and temporarily stores data without human intervention so that the system can operate and transmit data to its users, the necessary element of volition is missing.").

In this case, Verizon Wireless does not engage in conduct that even remotely approaches the volitional conduct necessary to be held a direct infringer of the public performance right when a phone rings in response to a call. Just like the above parties found not to be direct infringers, Verizon Wireless merely provides a system – here, a wireless network – over which calls are made to the phone's owner. Verizon Wireless does not determine when or how frequently the ringtone will be played, whether the ringtone will be played in private locations or places open to the public, or the persons who will be within earshot of a ringtone if it is played. Rather, the phone's owner decides (i) whether to set the ringtone to ring at all, or to set the phone to make a traditional ringing sound or to make no sound at all (for example, to vibrate); (ii) what specific callers' calls, if any, will cause the ringtone to sound; (iii) whether to turn the phone on or off; and (iv) whether to have the phone in a public place. Astle Decl. Ex. 1 ¶ 7 (Ruth Decl.). Thus, Verizon Wireless cannot be held liable as a direct infringer for any unauthorized public performances that allegedly may occur when the ringtone sounds.

Moreover, there are strong arguments that private-purpose mobile phone ringing does not constitute a public performance under the Copyright Act at all. The Register of Copyrights recently acknowledged the fundamentally private nature and use of ringtones in a decision addressing the applicability of the section 115 statutory mechanical license to ringtone downloads,[5] *See* Astle Decl. Ex. 8 (U.S. Copyright Office, Mem. Op., *In the Matter of Mechanical and Digital Phonorecord Delivery Rate Adjustment Proceeding*, Dkt. No. RF 2006-1 (Oct. 16, 2006)). In that proceeding, the owners of copyrights in musical compositions had argued that the statutory license did not apply to ringtone downloads because they are a "public" use and "provide mobile phone users a means to publicly identify and express themselves to their friends, colleagues and the public at large." *Id.* at 31. The Register, however, rejected this contention. She first compared downloaded ringtones to "traditional phonorecords," observing that "traditional phonorecords are used in public (*e.g.*, in boom boxes in public parks, in a car stereo while the automobile is driving down the street, etc.), but that does not disqualify them from the statutory license by violating their primary purpose of being for private use." *Id.* at 32. She then concluded:

> 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.[6]

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[5] 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).

[6] Although section 115 does not explicitly address the issue of public performance, the Register's discussion and conclusion are instructive, and indicate that the private use of ringtones by mobile phone owners are comparable to the playing of recorded music in public.

The Register's opinion confirms what is intuitive. Just as sellers of "traditional phonorecords" are not subject to the public performance right even though those phonorecords may be played in public, sellers of ringtones are not subject to the public performance right just because they might be played in public.[7] To paraphrase the Register, ringtones are not performed to the public in the manner "Congress intended that term to be understood" in the Copyright Act. Rather, mobile phone ringing is a fundamentally private activity that, even when it occurs occasionally in public, does not implicate the right of public performance under the Copyright Act.

B. Under Section 110(4), Any Performance Made by the Phone's Owner Is Not a Public Performance for Which a License Is Needed.

Even if public performances under the Copyright Act were deemed to be made, such performances are not subject to the copyright owners' rights pursuant to section 110(4). That provision expressly limits the public performance right as follows:

> Notwithstanding the provisions of section 106, the following are not infringements of copyright: . . . performance of a nondramatic . . . 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). The playing of a ringtone in public falls squarely within the ambit of this provision.[8]

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[7] Indeed, the private nature of ringtone ringing is confirmed by the way they are generally treated in public. In some public places (such as theatres, places of worship, and courtrooms), mobile phone users are instructed to silence any sound that could emanate from their phone.

[8] In addition, any public performances that may occur when a phone rings in public likely also constitute fair use under the Copyright Act, and as such, do not constitute infringement. *See* 17 U.S.C. § 107. Fair use, however, is a more factual inquiry, and Verizon Wireless reserves the right to make that argument, if necessary, at an appropriate time.

First, the playing of a ringtone by a mobile phone is not a performance made in a transmission. The Copyright Act defines the verb "transmit" as "to communicate [a performance] 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). The sounds of a ringtone ringing are not "sent" anywhere when the ringtone rings; once the digital file is downloaded as a "digital phonorecord delivery," it is stored in the memory of the phone. When the phone rings, the sounds fixed in the digital phonorecord file simply emanate from the phone and are only audible in the immediate vicinity of the phone.[9] This is no different than the playing of an iTunes download on an iPod or boombox.

Second, mobile phone owners do not permit ringtones to play for "any purpose of direct or indirect commercial advantage." Nor do they charge any admission fee to hear a ringtone. No payment is made to the person playing the ringtone, and the ringtone is played without any participation by anyone who would be considered a promoter or organizer.[10] Thus, even if the ringing of a mobile phone in public is a performance, Congress has expressly excluded it from the rights of copyright owners.

Common sense confirms this conclusion. Verizon Wireless is unaware of a single case that has ever held an individual liable for copyright infringement by reason of incidentally allowing passersby to hear a musical work played in a public place. Further, as a logical matter, to rule that such activity does constitute infringement would extend the scope of copyright

[9] For example, Congress specifically contemplated "the playing of phonorecords" as one type of performance that could be subject to the section 110(4) exemption. House Report at 85.

[10] Further, the legislative history describes Congress's intent that, to take a performance outside of section 110(4) and subject it to the rights of copyright owners, any such payment must be "directly 'for the performance.'" House Report at 85. The House Report distinguished such direct payments from the payment of "a salary for duties encompassing the performance" such as those paid to a school music teacher or to members of a professional military "service band whose members and conductors perform as part of their assigned duties." The latter would still be entitled to rely upon section 110(4). *Id.*

protection to absurd lengths that Congress never intended. Under such a rule, for example, it would be infringement to play a CD in one's car while driving with the windows down or on the beach, or to sing in the shower in a public gymnasium locker room. That is why Congress enacted section 110(4), and it applies with full force here.

C. Verizon Wireless Is Not Responsible Under Theories of Secondary Liability for any Public Performance that May Occur when a Ringtone Sounds.

1. In the Absence of a Directly Infringing Public Performance, There Can Be No Secondary Liability.

Because the ringing of a ringtone is not an infringing public performance, Verizon Wireless is not secondarily liable and thus does not need a license for such activity. It is axiomatic that "'[f]or a defendant to be held contributorily or vicariously liable, a direct infringement must have occurred.'" *Matthew Bender & Co., Inc. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998) (*quoting* 2 PAUL GOLDSTEIN, COPYRIGHT § 6.0 (1996)); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 434 (1984) ("To prevail, [plaintiffs] have the burden of proving that users of the Betamax have infringed their copyrights and that Sony should be held responsible for that infringement"); *accord, e.g., Peter Letterese & Assocs., Inc. v. World Inst. of Scientology*, 533 F.3d 1287, 1298 n.11 (11th Cir. 2008); *Bridgeport Music, Inc. v. Diamond Time, Ltd.*, 371 F.3d 883, 889 (6th Cir. 2004). In this case, because the sounding of a ringtone, whether in public or private, is not within the scope of the copyright owners' exclusive rights, it is not infringing. Thus, there can be no secondary liability, and there is no need for Verizon Wireless to obtain a performance license.

2. Even Assuming Arguendo that the Phone's Owner Is Engaging in an Infringing Public Performance, There Is No Secondary Liability.

Even if the phones' owners are found to have engaged in infringing public performances, Verizon Wireless is not responsible for that infringement under any theory of secondary liability

and, therefore, does not require an ASCAP license. Verizon Wireless is neither contributorily nor vicariously liable.

Verizon Wireless lacks the requisite knowledge required for contributory infringement, and it lacks both the right or ability to supervise the allegedly infringing public performances and the requisite "obvious and direct financial interest" in any alleged public performances that are required for vicarious liability.

Further, neither theory of secondary liability is available when, as here, the product sold by the defendant is capable of substantial noninfringing use. *Sony*, 464 U.S. at 440. In the words of one 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 is used." 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 21:78 (2009) ("Patry"). Indeed, the *Sony* opinion made no distinction between vicarious and contributory liability. *See Sony*, 464 U.S. at 435 n.17; *see also* Patry § 21:78.

a. Because There Are Substantial, Noninfringing Ringtone Rings, any Constructive Knowledge of Verizon Is Not Sufficient To Impose Contributory Liability.

Verizon Wireless may not be held liable as a contributory infringer because it lacks the requisite knowledge of infringement. In the Second Circuit, there can only be contributory liability by a party "who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." *Matthew Bender*, 158 F.3d at 706 (quotation marks and citation omitted). As discussed above, Verizon Wireless does not know where, when, or even if a ringtone will be played in public.

Such knowledge cannot be imputed. In the foundational case on secondary liability for copyright infringement, *Sony Corp. of America v. Universal City Studios*, the Supreme Court refused to impose contributory infringement liability on the manufacturer and retailers of video

tape recorders that could be used to infringe plaintiffs' copyrighted television shows. Although studies confirmed that many users of Sony's equipment were infringing copyrights, Sony had no involvement with these uses after it sold the equipment. *See Sony*, 464 U.S. at 439. According to the Court, this was not enough to impute the knowledge necessary for contributory liability: "If . . . liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of . . . liability on such a theory." *Id.*

As the Court held in *Sony*, mere knowledge of infringing uses is insufficient "if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses." *Id.* at 442 (determining that time-shifting – recording programs for later watching – by home viewers was a substantial noninfringing use).[11] To hold otherwise, in the view of the Court, "would block the wheels of commerce." *Id.* at 441 (quotation marks omitted); *see also Matthew Bender*, 158 F.3d at 707 ("The Supreme Court applied [the *Sony*] test to prevent copyright holders from leveraging the copyrights in their original work to control distribution of (and obtain royalties from) products that might be used incidentally for infringement, but that had substantial noninfringing uses."). Despite Sony's constructive knowledge that consumers purchasing its video tape recorder were using it for infringing purposes, the Court refused to hold Sony responsible, concluding that some

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[11] The Court explained:

> In order to resolve [the] question, we need not explore all the different potential uses of the machine and 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.

Sony, 464 U.S. at 442.

"significant," if undeterminable, amount of time-shifting plainly satisfied this standard. *Id.* at 456; *accord Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005) (observing 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) (emphasis added));[12] *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).

In this case, the ringing of a mobile phone – even when a copyrighted ringtone is played – is often not infringing.[13] Even if it were held that ringtones sounding in a public place implicated the section 106 public performance right and were not exempt under section 110(4), 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, or in a hotel room. The *Sony* standard does not require such noninfringing performances to be quantified, as long as they are substantial, which they plainly are. *See Sony*, 464 U.S. at 442 (finding that noninfringing use need only be "substantial" and need not be quantified); *id.* at

[12] The narrow exception to the *Sony* doctrine announced in *Grokster*, for intentional, active inducement of infringement, is not applicable here. That "fault-based" doctrine is directed to "purposeful, culpable expression and conduct." *Grokster*, 545 U.S. at 934, 937. In *Grokster*, the Court relied primarily on the fact that defendants had built their entire businesses to satisfy an existing market of hard-core copyright infringers who had lost their forum for infringement with the demise (under injunction) of the original "Napster" service. *Id.* at 939-40. The doctrine does not properly apply to a legitimate business providing lawful downloads.

[13] Courts have applied the principles of *Sony* in contexts other than the sale of a machine, including where the defendant sold copies of the copyrighted work itself. For example, in *Matthew Bender*, 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). Additionally, for example, the reasoning of *Sony* has been applied to the providers of a service, *e.g., CoStar*, 373 F.3d at 551-52, and to a software unlocking program, *Vault*, 847 F.2d at 264-65.

492-93 (dissent noting that the factual question of percentage of legal versus illegal use was never resolved).

Thus, under *Sony*, Verizon Wireless may not be held to be a contributory infringer.

b. Verizon Wireless Is Not Vicariously Liable for Ringtone Ringing.

The *Sony* doctrine precludes vicarious liability as well. As discussed above, ringtones are capable of substantial non-infringing use. Thus, there can be no vicarious liability. *See supra* Part III.C.2.a.

In addition, ASCAP cannot satisfy the traditional elements for vicarious liability. Vicarious liability only attaches when a defendant has the "right and ability to supervise that coalesced with an obvious and direct financial interest in the exploitation of copyrighted materials." *Softel, Inc. v. Dragon Med. & Scientific Commc'ns, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997) (quotation marks and citation omitted). Verizon Wireless has neither a right and ability to control, nor an obvious and direct financial interest in, any possible infringing ringtone performances.

First, Verizon Wireless lacks the right or ability to supervise any allegedly infringing performances. "Courts relying on this theory of third-party liability repeatedly have emphasized that some degree of control or supervision over the individual(s) directly responsible for the infringement is of crucial importance." *Demetriades v. Kaufmann*, 690 F. Supp. 289, 292 (S.D.N.Y. 1988) (finding "no meaningful evidence (as one might expect) suggesting that the Doernberg defendants exercised any degree of control over the direct infringers"); *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."). "[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). This "continuing connection" has often been characterized as an ability to "police" the infringing conduct. *See, e.g., Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1163 (2d Cir. 1971) (observing that defendant "was in a position to police the infringing conduct"); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963) (observing that 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. *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 . . . ."). Indeed, courts in this Circuit have suggested that the ability to control is not sufficient; actual control must be shown. *See Banff*, 869 F. Supp. at 1110 ("[W]hile *Shapiro* phrased the standard in terms of the potential to control, the formulation expressed in *Sygma* appears to require that culpable persons actually exercise control." (*citing Sygma Photo News, Inc. v. High Society Magazine, Inc.*, 778 F.2d 89 (2d Cir. 1985))).

Verizon Wireless does not have the right or practical ability to control mobile phone users' activities or to police whether a ringtone plays in a private place or a place open to the public. Nor is it possible for Verizon Wireless to determine in every instance whether "a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." 17 U.S.C. § 101; *see also Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1151 (N.D. Cal. 2008) (finding no right and ability to control where prescreening videos

submitted by users of online video service was not feasible). Thus, there can be no vicarious liability.

Second, Verizon Wireless similarly lacks the necessary "obvious and direct" financial interest in any alleged public performance of ringtones for a finding of vicarious liability. In the Second Circuit, the standard of financial benefit required for vicarious liability is clear and narrow: financial benefit must be "obvious and direct." *Softel*, 118 F.3d at 971. Attenuated claims of financial benefit are insufficient. Indeed, "[t]he cases in which the Second Circuit has found vicarious or contributory infringement have involved exceptional cases involving a strong business relationship between the primary infringer and vicarious or contributory infringer." *Airframe Sys., Inc. v. L-3 Commc'ns Corp.*, No. 05 CV 7638, 2006 WL 2588016, at *3 (S.D.N.Y. Sept. 6, 2006). The question is not whether the defendant makes money from the business that involves the infringement, but instead whether the defendant makes money directly from the act of infringement. For example, in *Softel*, the court found that vicarious liability could not attach to the president and shareholder of a small software company that was accused of copyright infringement of a former contractor's software code. It held that, even though the president was deriving financial benefit out of his company's business in general, there was not sufficient evidence that he was directly benefiting from the copyright infringement. The situation was "too attenuated to establish a sufficiently 'direct' financial interest in the exploitation of copyrighted materials." *Softel*, 118 F.3d at 971.

Verizon Wireless is paid only for the download of a ringtone, for which ASCAP's member publishers and songwriters are also paid under section 115; it makes no more or less from a ringtone based on whether the phone's owner allows the ringtone to play in public. Astle Decl. Ex. 1 ¶ 11 (Ruth Decl.). If there is copyright infringement in this case, it is in the playing

of the ringtone, and Verizon Wireless receives no "obvious and direct" benefit from any such activity. Thus, Verizon Wireless is not vicariously liable for any such ringtone playing.

CONCLUSION

For the foregoing reasons, Verizon Wireless respectfully requests that the Court rule as a matter of law that neither the download nor the playing of a ringtone implicates the public performance right under the Copyright Act in a manner that requires a wireless carrier to obtain an ASCAP license.

Respectfully submitted,

WILEY REIN LLP

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Washington, DC

Bruce G. Joseph (BJ 8345)
Andrew G. McBride (AM 1966)
Michael L. Sturm (MS 3939)
1776 K Street NW
Washington, DC 20006
Tel: (202) 719-7000
Fax: (202) 719-7207
bjoseph@wileyrein.com
amcbride@wileyrein.com
msturm@wileyrein.com

Attorneys for Cellco Partnership d/b/a Verizon Wireless