

Appeal Nos. 00-16401 and 00-16403

UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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A & M RECORDS, INC., a corporation, et al.,

Plaintiffs- Appellees,

v.

NAPSTER, INC., a corporation,

Defendant-Appellant.

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JERRY LEIBER, individually and dba JERRY LEIBER MUSIC, et al.,

Plaintiffs- Appellees,

v.

NAPSTER, INC., a corporation,

Defendant-Appellant.

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Appeal from the U.S. District Court Northern District of California  
Civil Nos. C 99-5183 MHP (A&M Records) & C 00-0074 MHP (Leiber)  
Honorable Marilyn Hall Patel

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BRIEF OF THE AMERICAN CIVIL LIBERTIES UNION AND  
THE AMERICAN CIVIL LIBERTIES UNION OF NORTHERN  
CALIFORNIA AS AMICI CURIAE IN SUPPORT OF REVERSAL

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## INTERESTS OF AMICI

The American Civil Liberties Union (“ACLU”) and the American Civil Liberties Union of Northern California (“ACLU-NC”) submit this brief urging that this Court vacate the preliminary injunction entered by the district court and remand the case for an evidentiary hearing. Amici submit this brief pursuant to the consent of all of the parties.

The ACLU is a nationwide, nonprofit, nonpartisan organization with nearly 300,000 members dedicated to the principles of liberty and equality embodied in the U.S. Constitution. The protection of principles of freedom of expression as guaranteed by the First Amendment is an area of special concern to the ACLU. In this connection, the ACLU has been at the forefront in numerous state and federal cases involving freedom of expression on the Internet. The ACLU-NC is the regional affiliate of the ACLU. Like the national ACLU, the ACLU-NC is frequently involved in cases raising issues of freedom of expression on the Internet.

## INTRODUCTION

This case presents a number of important and novel issues about the need to harmonize the First Amendment and copyright law in the context of the new technology of the Internet. Napster argues that a complete victory for the record companies would require it and similar businesses to shut

down. The record companies argue that a complete victory for Napster could effectively eliminate copyright protection on the Internet, destroying the vital speech-enhancing values that inhere in copyright protections. Given the complexity and importance of the issues, *amici* believe it is premature to decide them on the record developed thus far. *Amici* do note that all efforts to protect intellectual property rights in the digital environment must preserve a robust fair use privilege. This brief does not, however, address the fair use issues raised here, nor take a position on the ultimate question of liability in the case. Rather, for the reasons discussed more fully below, *amici* believe that the preliminary injunction issued by the district court is overbroad, and that this court should vacate the district court order and remand the case for an evidentiary hearing.

In this battle between giants in the record industry and the Internet service industry, *amici* believe the district court overlooked the effect of the court's actions on individual Internet users. Specifically, *amici* write to point out two fundamental flaws in the district court's rulings on the motion for a preliminary injunction. First, the preliminary injunction issued by the district court is overbroad and suppresses a wide range of protected, non-infringing speech in which Internet users engage. As written, the injunction places on Napster—and ultimately on Internet users—the burden of

identifying the works in which plaintiffs hold valid copyrights, rather than requiring plaintiffs to provide that information to Napster. Without this basic information, Napster has no choice but to limit the use of its software to those users who can prove that the files they wish to exchange do not infringe plaintiffs' copyrights. The injunction is thus a classic prior restraint in violation of the First Amendment: it puts on the speaker the burden of proving that its speech is permissible rather than requiring those who object to the speech to prove that it is not. This radical departure from established constitutional precedent has the potential to cause widespread suppression and chilling of protected speech on the Internet, a medium lauded for its open, democratizing qualities. It may also have a far-reaching impact on the basic architecture of the Internet, because, at its core, the Internet is premised on the ability of users to share information through file sharing technologies that do not—and, from a First Amendment perspective, must not—depend on the prescreening of content.

Second, the preliminary injunction was issued without an evidentiary hearing at which the facts could be tested by cross-examination. The parties sharply dispute the vast majority of relevant facts in this case.<sup>1</sup> Although an

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<sup>1</sup> Given the thorough summary of disputed facts provided in the brief submitted by defendant-appellant Napster, *amici* do not re-state the facts here.



evidentiary hearing is not always necessary prior to issuing a preliminary injunction, it is surely the better practice to hold such a hearing when the facts are as complex and as hotly contested as they are in this case. A hearing is especially warranted given the broad implications of the ruling for the millions of individuals using the new communications technologies of the Internet.

## ARGUMENT

### I.

#### **The Injunction is Overbroad, Suppressing More Speech Than Necessary to Protect the Legitimate Copyright Interests of the Plaintiffs**

A. Because a Preliminary Injunction Constitutes a Prior Restraint on Presumptively Protected Speech, Extra Care Must Be Taken Before It is Entered.

Whenever speech is enjoined, it is a matter of constitutional import. Copyright cases are no exception. *See generally*, Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 Duke L.J. 147 (1998) (hereafter “Lemley & Volokh”). Some courts have viewed injunctions in copyright cases differently from those in other cases in which speech is enjoined, because the law of copyright is itself a speech-enhancing doctrine designed to encourage rather than suppress expression. *Id.* at 158-165. There is, therefore, an inherent tension between suppressing speech in order to further the First Amendment values

that underlie copyright doctrine and more traditional free speech values that seek to ensure that other, equally valuable speech is not unnecessarily restricted. *See, e.g., Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 560 (1985) (suggesting that fair use doctrine may be of constitutional dimension); Lemley and Volokh at 167. That tension is resolved in part by requiring that any speech injunction be narrowly tailored, even in a copyright action. “Enjoining or punishing noninfringing speech [in a copyright action] would thus be an unconstitutional restraint of First Amendment protected expression.” *Id.* at 167-68.

The tension between the competing First Amendment values raised in a case like this one are at their height when a court is asked to enter a preliminary injunction. “Temporary restraining orders . . .—i.e., court orders that actually forbid speech activities—are classic examples of prior restraints.” *Alexander v. United States*, 509 U.S. 544 (1993). And, in the preliminary injunction context, a determination to suppress speech is made based only on a prediction that the restraint will prove justified. As the Supreme Court has pointed out more than once, this is the “special vice” of a prior restraint. *Pittsburgh Press Co. v. Pittsburgh Comm’n on Human Relations*, 413 U.S. 376, 390 (1973); *Vance v. Universal Amusement Co.*,

445 U.S. 308, 316-17 (1980). If the court errs in granting the preliminary injunction, constitutionally protected expression will be silenced.

The danger that the court will erroneously enter a preliminary injunction in a copyright case is exacerbated because the traditional weighing of factors as to whether or not an injunction should issue is truncated. Thus, not only is an injunction entered based only on a prediction as to the ultimate outcome of the case on the merits, once that prediction is determined to favor the plaintiff, irreparable harm is presumed. *See* Lemley & Volokh at 158-59. Moreover, short shrift is often given to any consideration of harm to the defendant—or to the First Amendment implications of an erroneous decision. *Id.* at 161-62; *see id. generally* at 169-178.

That was the process here. Having concluded that plaintiffs had at least a reasonable likelihood of prevailing on each of the individual elements of their claims, *see, e.g.*, Opinion at 26 (third-party infringement); 28 (contributory liability); 31 (direct financial interest in the infringing activity); 33 (vicarious infringement claims); 30 (knowledge and material contribution elements), the court held that they were entitled to a presumption of irreparable harm. *Id.* at 38. Although the court also held that it was not required to balance the hardships, because plaintiffs had

“raised serious questions and shown a strong likelihood of success on the merits,” *id.* at 39, it nevertheless did discuss the relative hardship that would be imposed on Napster. It found any harm to Napster was outweighed by the plaintiffs’ interests. In reaching this judgment, however, the court declined to attach any significance to the fact that the injunction, as written, will inevitably suppress speech that even plaintiffs concede is non-infringing. It also failed to consider the effect on individual Napster users or the effect that its injunction might have on other file-sharing technologies that are at the heart of Internet communication. *Id.* at 34. Because it failed to take these factors into account, the court entered an injunction that is overbroad and suppresses a substantial amount of constitutionally protected speech.

B. The Injunction Suppresses More Speech Than Necessary To Protect Any Legitimate Copyright Interest That Plaintiffs Might Have.

No one disputes that there are currently a substantial number of files in Napster’s directory that contain material subject to plaintiffs’ copyright, as well as many files that are not. Nor does anyone dispute that the relative ratios of these files may change over time. Finally, none of the parties disputes that the only files whose exchange the plaintiffs may be entitled to have enjoined are those files whose exchange would infringe plaintiffs’ copyright. To the extent the injunction imposed by the trial court

unnecessarily prohibits the exchange of additional files, as well, it is impermissible.

In *Reno v. ACLU*, 521 U.S. 844 (1997), the Supreme Court considered a statute that attempted to criminalize certain speech on the Internet. The Court first found that speech on the Internet was entitled to the same broad First Amendment protection as speech in books, magazines, and conversation. It then struck down the statute even though it was designed to achieve a governmental purpose the Court thought “compelling” because it was overbroad and not narrowly tailored, reaching speech that was unquestionably constitutionally protected.

The same principle, that the First Amendment prohibits suppression of speech that is overbroad and not narrowly tailored to appropriately important governmental interests, applies to court orders. *Vance v. Universal Amusement Co.*, 445 U.S. at 317; *CPC Int’l, Inc. v. Skippy, Inc.*, 214 F.3d 456, 459 (4<sup>th</sup> Cir. 2000) (vacating trademark injunction that lacked findings and specificity required by Fed. R. Civ. Pro. 65(d) and whose substantial breadth raised serious First Amendment concerns); *see also U.S. v. PATCO*, 678 F.2d 1, 3 (1<sup>st</sup> Cir. 1982) (injunction tested against vagueness doctrine and “Rule 65(d) [which] embodies this concept”); *Religious Tech. Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361, 1383

(N.D. Cal. 1995) (“Because plaintiffs seek injunctive relief that is broader than necessary to prevent [a Netcom user] from committing copyright infringement, there is a valid First Amendment question raised here.”). That this case arises in the context of copyright, rather than “indecentcy” or trademark, is irrelevant. The Supreme Court has acknowledged that although the First Amendment and copyright law are complementary, not contradictory, the First Amendment may require limitations on copyright. *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. at 560.

The district court’s injunction here provides that:

Defendant is hereby preliminarily enjoined from engaging in, or facilitating others in copying, downloading, uploading, transmitting, or distributing plaintiffs’ copyrighted musical compositions and sound recordings, protected by either federal or state law, without express permission of the rights owners. This injunction applies to all such works that plaintiffs own; it is not limited to those [identified by plaintiffs] ... Because defendant has contributed to illegal copying on a scale that is without precedent, it bears the burden of developing a means to comply with the injunction. Defendant must insure that no work owned by plaintiffs which neither defendant nor Napster users have permission to use or distribute is uploaded or downloaded on Napster.

Opinion at 39-40 (emphasis added).<sup>2</sup>

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<sup>2</sup> The order also apparently applies not only to works that are now subject to copyright, but those that will be copyrighted in the future. Opinion at 38 (“those not yet named”). *Cf. Vance v. Universal Amusement Co.*, 445 U.S. 308 (injunction prohibiting movie theater from showing obscene films in the future unconstitutional).

This order is overbroad in two respects. First, it requires Napster to identify the works for which plaintiffs hold a copyright rather than requiring plaintiffs to identify these works. Plaintiffs have provided Napster with no list of their copyrighted holdings, and “claim that it would be burdensome or even impossible to identify all of the copyrighted music they own....” *See* Opinion at 37. Thus, to the extent that Napster is unsure whether a particular work is subject to plaintiffs’ copyright, it has no choice but to err on the side of caution and prohibit the exchange of the file containing that music.<sup>3</sup> This is an impermissible result. Whatever interest plaintiffs have in enforcing their own copyright, they have no legitimate interest in preventing the exchange of files not subject to their copyright. In refusing to require plaintiffs to identify their copyrighted works, the court imposed a remedy that results in the needless suppression of protected speech. As such, it violates the First Amendment.

Second, the injunction suppresses more speech than necessary because it requires the “express permission of the rights owners” before any

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<sup>3</sup> Although the district court's order directed plaintiffs to submit a plan to assist defendants in identifying infringing files by September 5, 2000, that order does nothing to alter the overbroad scope of the injunction upon its issuance. Nor does it assure that the plan will provide the assistance Napster needs to comply with the injunction.

works for which plaintiffs hold copyrights may be exchanged.<sup>4</sup> By requiring advance approval before any file is exchanged over Napster, the injunction reverses the constitutionally mandated burden to prove that particular speech is unprotected before it is suppressed, and thus imposes an unconstitutional prior restraint on protected speech. *See New York Times Co. v. United States*, 403 U.S. 713 (1971). First, the injunction's express permission requirement would require Napster users to prove that a work was *not* subject to plaintiffs' copyrights, which could be practically impossible. For example, how would a user prove that his own home-recorded piano performance of one of Bach's Goldberg Variations was not a copyrighted performance by Glenn Gould? Equally, a user could be deterred from using Napster's chat room to promote his next-door neighbor as a future superstar because it would be difficult to prove he had the necessary permission to share his neighbor's recordings.

In addition, a Napster user may not know whether or not a music file is copyrighted. For example, there are innumerable recorded versions of Beethoven's Fifth Symphony in circulation. Some recordings are subject to

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<sup>4</sup> The injunction, as currently phrased, is in fact ambiguous as to whether the "rights owners" whose permission must be obtained are plaintiffs, or whether no work may be exchanged unless permission of the rights owner, whoever that may be, has been obtained. It would appear from the first



copyright, others are not. A Napster user may not know which version she has, because, for example, its MP3 file was made from a tape made from a vinyl record long since lost. An express permission requirement would force Napster to prevent the exchange of this file, inevitably suppressing speech that is constitutionally protected.

Finally, if a Napster user sought to exchange a music file that is actually copyrighted by the plaintiffs, an advance permission requirement would by definition eliminate any possibility of fair use. A robust fair use privilege is a constitutionally required element of any effort to protect copyright in the digital environment.<sup>5</sup>

The burden of an advance approval process could have a vast chilling effect on users. Most may simply opt not to exchange speech at all.<sup>6</sup> *See ACLU v. Reno*, 31 F.Supp.2d 473, 495 (E.D.Pa. 1999) (“ACLU II”) (“First Amendment jurisprudence indicates that the relevant inquiry is determining the burden imposed on the *protected speech* . . . not the pressure placed on the *pocketbooks or bottom lines* of the [Web site operators].”

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portion of the sentence that the court intended only the former. The ambiguity, however, should be clarified.

<sup>5</sup> As noted above, *amici* take no position at this time on the merits of the fair use issues raised here. As discussed in Section III., *infra*, an evidentiary hearing is necessary before those issues can be adequately addressed.

The district court provided two rationales for its ruling. First, the court said that Napster's inability to identify which files were covered by copyright was legally irrelevant to the claim of contributory copyright infringement. Opinion at 27-28. Even if the court is correct as a matter of legal liability, that legal conclusion is irrelevant to the legitimate scope of the order. The court articulated no valid reason, let alone a reason that would justify such a fundamental shift in settled First Amendment law, for absolving plaintiffs of the duty to provide notice to Napster of the works covered by their copyright.

Second, and more importantly, the court realized the difficulty of the task but concluded that the burden should rest with Napster because it had facilitated copyright infringement on a "massive scale" that is "without precedent." Opinion at 37, 40. This analysis, however, gives no weight to the First Amendment interests of Napster's users. Nor does it address the practicalities of the situation. The question is not merely one of technical burden. Instead, the question is whether the solution should suppress speech that is entirely legal or should fail to stop some speech that is arguably illegal. Where speech is concerned, the answer must always be to err on the side of protected speech. The district court's alternate choice is

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<sup>6</sup> Testimony about the effect of the injunction on users could have been

constitutional error, especially since the court failed to consider other steps that could be taken to, at the very least, minimize the amount of speech that is improperly suppressed.

*Amici* recognize the practical problems of developing a system to facilitate the removal of clearly infringing files from Napster's system; a solution may become apparent after an evidentiary hearing. See discussion *infra*. We also recognize, however, that, in the end, it may be difficult, if not impossible, to craft an injunction that adequately takes into account both the legitimate interest of the plaintiff copyright holders and the legitimate First Amendment interests of Napster and its users. Should that come to pass, it does not mean that either this Court or the court below is faced with an all or nothing choice for either side. Rather, given an inability to adequately accommodate these competing interests through an injunction, the Court may need to consider other remedies. See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994) (suggesting that injunction may not always be appropriate remedy even where infringement proven); *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 494, 499-500 (1984) (Blackmun, J., dissenting); cf. *New Era Publications, Int'l v. Henry Holt & Co.*, 695 F. Supp. 1493, 1525, 1527-28 (S.D.N.Y. 1988) (in specific

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presented at an evidentiary hearing. See discussion *infra* in Section III.

copyright case, public interest may justify compensation but not justify injunction), aff'd on other grounds, 873 F.2d 576, 584 (2d Cir. 1989) (disapproving of lower court's First Amendment analysis, *but see id.* at 595-97 (Oakes J., concurring in result but agreeing with lower court's analysis)), rehearing en banc denied, 884 F.2d 659, 661-62 (discussing First Amendment issue), *see also id.* at 663-64 & n.1 (dissenting from denial of rehearing en banc and discussing First Amendment issue); Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 14.06[A] at 14-108 (“When circumstances are present that would warrant denial of an injunction even after liability were conclusively determined, it is only logical that the court should likewise deny an injunction at a stage in the proceedings before liability has even been adjudicated.”). In the interim, because the order in this case will result in the unnecessary suppression of constitutionally protected speech, it should be vacated as overbroad.

## II.

### **The Injunction, As Written, Threatens the Speech-Enhancing, Decentralized Architecture of the Internet**

The Internet is pro-speech by design. Its architecture encourages speech and discourages censorship. See Lawrence Lessig, *CODE and Other Laws of Cyberspace* 25 (1999). “[T]he benefits of the Internet to private

speakers arose out of the serendipitous development of its underlying technology.” *ACLU v. Reno*, 929 F. Supp. 824, 877 (E.D.Pa. 1996) (Dalzell, J). More specifically, the communication protocols of the Internet allow millions of users to interact easily in a variety of ways with millions of other users, without any central point of control. *See Reno v. ACLU*, 521 U.S. 844, 852-53 (1997).

The decentralized nature of the Internet's architecture is responsible for the success of the Internet's “many-to-many” form of communication. It has presented opportunities for expression on a scale never before possible. “It is no exaggeration to conclude that the Internet has achieved, and continues to achieve, the most participatory marketplace of mass speech that this country—and indeed the world—has yet seen.” *ACLU v. Reno*, 929 F. Supp. at 881; *Reno v. ACLU*, 521 U.S. at 870 (The Internet “provides relatively unlimited, low-cost capacity for communication of all kinds.”)

Court actions that enjoin online speech may indirectly affect the speech-enhancing architecture of the Internet. The Supreme Court has “long recognized that each medium of expression presents special First Amendment problems.” *Denver Area Educational Telecommunications Consortium, Inc. v. FCC*, 518 U.S. 727, 742 (1996) (citing *FCC v. Pacifica Found.*, 438 U.S. 726, 748 (1978)); *see also Reno v. ACLU* at 868 (quoting

*Southeastern Promotions, Ltd. v. Conrad*, 420 U.S. 546, 557 (1975)).

Recognizing the democratizing qualities of the Internet, in *Reno* the Supreme Court applied the highest level of constitutional scrutiny to the medium. *Reno v. ACLU* at 870; *see also id.* at 868-69 (questioning the need for extensive “government supervision and regulation” over “the vast democratic fora of the Internet”).

This rule is equally important for courts considering First Amendment-based defenses to suits for copyright infringement. “Intellectual property rights are limited monopolies conferred in order to produce present and future public benefit. For the purposes of achieving those goals, the 'limitations' on the right are just as important as the grant of the right itself. To put it more accurately, since there is no 'natural' absolute intellectual property right, the doctrines which favor consumers and other users, such as fair use, are just as much a part of the basic right as the entitlement of the author to prevent certain kinds of copying.” James Boyle, *A Politics of Intellectual Property: Environmentalism for the Net?*, 47 *Duke L.J.* 87, 105 (1997) (hereinafter *Politics*).<sup>7</sup>

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<sup>7</sup>As Justice Brennan cautioned in dissent in *Harper*, “The copyright laws serve as the 'engine of free expression' only when the statutory monopoly does not choke off multifarious indirect uses and consequent broad dissemination of information and ideas. To ensure the progress of arts and sciences and the integrity of First Amendment values, ideas and information

Indeed, some commentators assert that achieving the proper balance between the rights of creators and the rights of users is the pivotal free speech issue of the information age. “[O]wnership and control of information is one of the most important forms of power in contemporary society.” Boyle, *Politics* at 87.

It is intellectual property . . . that provides the key to the distribution of wealth, power, and access in the information society. The intellectual property regime could make or break the educational, political, scientific, and cultural promise of the Net . . . . The digital world gives new salience to private censorship—the control by intellectual property holders of distribution of and access to information.

*Id.* at 89; *see generally* Benkler.

From the Internet users' perspective, Napster is simply one example of an online technology that facilitates the communication and exchange of information. It allows users to locate and collect music files from other users. *See* Lessig Expert Report, para 48. Like other Internet technologies, Napster does this on a grand scale, enabling millions of users to exchange music files with millions of other users. Lessig Expert Report, para 54. Currently, the architecture of the Napster system allows users to exchange

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must not be freighted with claims of proprietary right.” *See* Yochai Benkler, *Free As the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 N.Y.U. L. Rev. 354, 396 (1999).

music files using the Napster system without any prior approval from Napster or any other party. As written, the injunction in this case would effectively require Napster to abandon its current architecture, and to re-design the system to require that users prove they have explicit permission from copyright holders before they are allowed to use the system. *See also* discussion in Section I.B. *supra*. In other words, Napster would have to change its architecture from an open, decentralized system to a fully centralized system of control in which no speech is exchanged without the prior approval of the host.

File transfer sharing software is a longstanding and widely used part of the Internet. The development of file transfer protocols is fundamental to all of these programs. Long before the Internet and Web became a mass phenomenon, scientists and researchers had developed and used these programs to share a wide variety of information including research reports, data, and image files. All such technology inevitably holds open the possibility that individuals will share information containing copyrighted material. The rationale of the injunction in this case, as presently written, could impact the use of similar technology elsewhere on the Internet, with potentially unintended or unforeseen consequences.



The injunction could force intermediary hosts of file-sharing programs to be choke points for reviewing the speech of every individual before it could be sent to its intended audience. Expansion of this principle to other potential choke points, such as classic search engines or Internet service providers, could transform the distinctively user-empowered model of the Internet into a highly centralized medium like television. Hosts of file-sharing systems would have to choose between re-designing their system architecture to enable a prior approval process, or simply closing their systems because of the high burden of prescreening content. Cf. Matt Richtel, *Web Music Battle Heats Up*, N.Y. Times Aug. 22, 2000, at C-6 (reporting declaratory relief action filed to determine lawfulness of Gnutella file sharing software). Either option would significantly chill users and ultimately decrease the amount of speech exchanged over the Internet.

The injunction could also have profound implications for the development of new software. “If Napster could be held responsible for how other people use its technology,” all software developers could be held responsible for users' illegal use of their programs. Damien Cave, *A Hacker Crackdown?*, Salon.com, [http://salon.com/tech/feature/2000/08/07/yoink\\_napster/print.html](http://salon.com/tech/feature/2000/08/07/yoink_napster/print.html) (Aug. 7, 2000). In direct response to the lower court’s ruling, some software developers have already changed their plans to

develop new programs and have hired lawyers to determine their legal liability. “[T]here is evidence that the mere threat of legal hassles is convincing some programmers to lay off their grand plans.” *Id.*

It is especially premature to enjoin uses of a technology before its long-term effects are known. “It would be a mistake . . . to judge an Internet technology based on its current use, or to ban a technology based on its initial use, even if significant violations of copyright were enabled.” Lessig Expert Report, para 56; *see also* Boyle, *Politics* at 114 (“Many of the proposals for ‘reforming’ copyright on the Net amount to little more than short-sighted state protectionism of old methods of delivering content.”). It is simply too early in the development of Napster and similar technologies to know what their ultimate economic effect on copyright owners is likely to be. Who, for example, could have predicted in 1984, at the time the *Sony* case was decided, that the current market for films available on video cassettes, video disks, and DVD’s would have developed as it has, all to the benefit of those who would have stopped the Beta Max in its tracks? What new technologies may go undeveloped as a result of this court-imposed limitation on the technology that underlies Napster? “The point is that the digital environment is complicated; the same technical factors that make copying easier also yield other ways for producers to recover their

investments, or to encourage further innovation.” Boyle, *Politics* at 104; *see also*, Lessig, *Code* at 127-130 (discussing the potential for new technologies that will enhance ability of copyright owners to control the use of their copyrighted material, thereby offsetting many of the perceived abuses that currently exist); Benkler at 414.

At a minimum, the court should consider the long-term effects of its injunction on the development of new technologies as well as the possibility that other technological developments that enhance the position of copyright holders may overcome or equalize the perceived disadvantages of Napster’s file-sharing technology. More information may very well be needed before the lower court can take this factor into account, but, in a case like this, certainly these considerations must be weighed in the balance in determining an appropriate remedy.

In sum, the injunction is overbroad because it would require restructuring the architecture of the Napster system in a way that would suppress protected speech. If applied to other file-sharing programs, similar injunctions could ultimately stifle the speech-enhancing qualities of the online medium.

### III.

#### **The Court Should Have Held an Evidentiary Hearing Before Ruling on the Motion for a Preliminary Injunction**

In reaching its decision, the district court had before it a voluminous record. However, that record left many questions unanswered, including the most basic question of all: how, assuming some files infringe plaintiffs' copyrights, either plaintiffs or Napster can reliably determine whether a given file falls in this category.

Napster claims that, at a bare minimum, it must have a list of the works for which plaintiffs hold copyrights. Plaintiffs claim, on the other hand, that they cannot provide such a list, Opinion at 37, although they were able to identify some 12,000 infringing files. *Id.* at 27. The court never attempted to reconcile this seeming incongruity. More important, it refused to allow testimony or cross-examination on the question of plaintiffs' ability to identify its copyrights, although, as discussed above, resolution of this issue is crucial to determining the proper scope of the injunction.

Similarly the parties dispute the extent to which infringing and noninfringing aspects of Napster's service are separable. *Id.* at 33. Napster points to a number of difficulties in determining whether a particular user file is infringing. These include the inability to rely on user-given file names to identify recordings for which plaintiffs hold a copyright, the inability to

determine whether a particular version of a song is subject to plaintiffs' copyright (concert version vs. studio), and the inability to determine the use (fair or infringing) for which any particular file transfer is made. *Id.* at 33-34; *see generally* Napster Opening Brief at 12-15. Rather than hearing testimony on this question, which might have clarified the issue, the court left it unresolved, appearing to find these factors irrelevant to its decision. Opinion at 34. They are quite relevant, however, both in determining whether the injunction is unnecessarily broad and in considering whether a remedy other than a preliminary injunction is appropriate in a novel case like this one. *See* Part I, *supra*.

Moreover, there was vehement disagreement between the parties on the effect of Napster on the value of and market for plaintiffs' works. This quintessentially factual issue is crucial to the fair use analysis. The district court was openly critical of many of the expert reports on which both plaintiffs and defendant relied. *See, e.g.*, Opinion at 16 (Hall); 16, 22, 24 (Fader); 43 n. 14 (Jay); 43 n.14 (Fine); *see also id.* at 16 (criticizing Napster's reliance on survey done by Universal). However, rather than holding an evidentiary hearing, where the experts' opinions could be more fully explicated and tested, the court simply chose to rely on the Jay report,

*see id.* at 15, 16, 22, 24, in concluding that Napster could not prevail on its fair use claims based on sampling or space shifting.<sup>8</sup>

In sum, the preliminary injunction was issued on a record where the evidence on the crucial issues of fair use and scope of the injunction was inadequate to inform the court's analysis. Because the injunction at issue here has the potential for restricting a substantial amount of expression protected by the First Amendment, both the necessity and scope of an injunction must be predicated on a greater degree of certainty than is provided by the current record.

In the Ninth Circuit, while there is no presumption in favor of holding an evidentiary hearing on a motion for a preliminary injunction, there are also circumstances in which the failure to hold an evidentiary hearing is error. *Compare Kenneally v. Lungren*, 967 F.2d 329, 334 (9<sup>th</sup> Cir. 1992), and *International Molders' & Allied Workers' Local Union No. 164 v. Nelson*, 799 F.2d 547, 555 (9<sup>th</sup> Cir. 1986), with *Thomas v. County of Los Angeles*, 978 F. 2d 504 (9<sup>th</sup> Cir. 1993), *Atari Games Corp. v. Nintendo of*

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<sup>8</sup> Matters were further complicated by the fact that it appears that the parties did not have the benefit of the court's rulings on the admissibility of the various expert reports at the time of the hearing. *See Memorandum and Order Re Admissibility of Expert Reports* (Aug. 10, 2000). These reports dealt with crucial issues in the litigation. Had there been an evidentiary hearing, Napster may have been able to provide additional admissible evidence addressing some of the court's concerns.

*America, Inc.*, 897 F.2d 1572 (Fed. Cir. 1990) (applying 9<sup>th</sup> Cir. law), and *Aguirre v. Chula Vista Sanitary Serv.*, 542 F.2d 779, 781 (9<sup>th</sup> Cir. 1976) (listing variety of factors to be considered). Where the parties present sharply conflicting evidence on key issues, an evidentiary hearing is required. *Thomas*, 978 F.2d at 509 (reversing grant of preliminary injunction where parties submitted “diametrically opposing declarations and counter-declarations” but district court failed to hold evidentiary hearing to resolve the disputed matters); *Aguirre*, 542 F.2d at 781 (noting that whether there is sharp factual conflict and whether resolution of that conflict will determine outcome are among factors to be considered); *see also McDonald’s Corp. v. Robertson*, 147 F.3d 1301, 1312 (11<sup>th</sup> Cir. 1998) (collecting cases: “where facts are bitterly contested and credibility determinations must be made to decide whether injunctive relief should issue, an evidentiary hearing must be held”); *Medeco Security Locks, Inc. v. Swiderek*, 680 F.2d 37, 38 (7<sup>th</sup> Cir. 1981) (where factual issues are outcome determinative and facts are in sharp dispute, need for evidentiary hearing is at “its maximum”) (quoting *SEC v. Frank*, 388 F.2d 486, 490-91 (2d Cir. 1968)).

That the factual matters presented are complex does not necessarily foreclose the propriety of a hearing. Indeed, it may often increase the

necessity for a hearing, as here. *Compare Kenneally, Molders, and Aguirre, supra* (noting that complexity of factual issues may argue against holding hearing), *with Thomas*, 978 F.2d at 506 (evidentiary hearing required to resolve factual conflicts in case where “plaintiffs filed volumes of declarations and affidavits in support of their allegations and defendants responded in kind.”). As the *Medeco* court noted, citing with approval Judge Friendly’s decision in *SEC v. Frank*, 388 F.2d at 490-91, the court should apply a sliding scale test to resolve the tension between the need for speedy action and the desire for certainty and complete fairness. *Medeco*, 680 F.2d at 38.

There are especially strong reasons for holding an evidentiary hearing in intellectual property cases, where there is often a tension between competing yet, at the same time, complementary values. The Federal Circuit explained that need well in *Atari Games Corp. v. Nintendo of America, Inc.*, 897 F.2d at 1577:

The danger of disturbing the complementary balance struck by Congress is great when a court is asked to preliminarily enjoin conduct affecting patent and antitrust rights. A preliminary injunction entered without a sufficient factual basis and findings, though intended to maintain the status quo, can offend the public policies embodied in both the patent and antitrust laws.

Those very same considerations apply in cases like this one, where the policies embodied in both the copyright laws and the First Amendment, both



of which are of constitutional moment, must be taken into account. It is thus not surprising that in *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, the district court held a “lengthy trial” before even attempting to resolve the questions of first impression presented there. As in this case, the *Sony* court was asked to rule on the interplay between copyright law and a new technology. Before ruling on the motion for a preliminary injunction here, the court below should have followed the lead of the *Sony* district court and heard testimony on the disputed issues before it.

Moreover, as discussed above, the injunction in this case is already having an impact far beyond the confines of this particular dispute. Its potential for affecting a vital new medium of communication cannot be taken lightly. Although still in its infancy, the Internet has already experienced a series of transformations, from a medium originally designed for defense purposes to a medium of communication for academics, to a medium of unprecedented, interactive mass communication, and now, most recently, to a medium of vast commercial potential. The need for greater certainty than that provided by this record cannot be ignored. *Amici* believe that, on this record, the decision not to hold an evidentiary hearing was error of sufficient magnitude to require that the case be remanded so that a fuller evidentiary record can be developed.

CONCLUSION

For the foregoing reasons, *amici* respectfully request that the injunction issued by the district court be vacated and the case remanded for an evidentiary hearing.

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Respectfully submitted,

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