

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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Louis K. Smith,

Plaintiff,

- against -

Barnesandnoble.com LLC,

Defendant.
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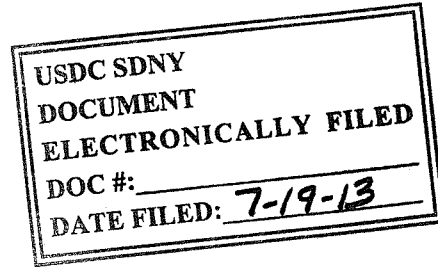
ANDREW L. CARTER, JR., United States District Judge:

Before the Court is Defendant’s motion to dismiss Plaintiff Louis K. Smith’s complaint pursuant to Fed. R. Civ. P. 12(b)(6) or in the alternative to dismiss or sever Plaintiff Enrico Festa pursuant to Fed. R. Civ. P. 21. For the reasons set forth below, this Court now denies the motion to dismiss against Plaintiff Smith, but grants the motion to dismiss against Plaintiff Festa.

FACTS

On June 5, 2012, Plaintiff Louis K. Smith (“Plaintiff” or “Smith”) filed a lawsuit against Barnesandnoble.com LLC (“Defendant”). Smith alleges three causes of action: 1) direct copyright infringement; 2) contributory copyright infringement; and 3) unfair competition.

In 2006, Smith wrote a book entitled Hardscrabble. Am. Compl. ¶ 8. In September 2009, Smith entered into a relationship with Smashwords (an online eBook distributor that is a not a party to this case) and uploaded Hardscrabble to the Smashwords.com site. *Id.* ¶¶ 10, 11. Smashwords provided Hardscrabble to its retail partners, including Barnes & Noble, to list online for potential purchase by consumers. *Id.* ¶ 12.



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In two years, only three people purchased Hardscrabble. *See id.* Ex. C (email correspondence between Smith and Smashwords). All three sales occurred at Smashwords' points of sale other than Barnes & Noble. Plaintiff's amended complaint contains an exhibit that shows that BN.com sold no copy. *Id.* Ex. F.

Smith terminated his relationship with Smashwords in October of 2011. *Id.* Ex C; *see also id.* ¶ 11. Smith does not allege that anyone (including either Smith or Smashwords) informed Barnes & Noble that Smith had terminated his relationship with Smashwords and no longer wished to have Hardscrabble listed at Smashwords' online retailers such as Barnes & Noble. Approximately five months after cancelling his Smashwords' account, Smith was informed that "Amazon had found the Book available for sale on BN.com." *Id.* ¶ 13. *See also id.* Ex. D (email from Amazon to Smith). Seventeen days later, Smith emailed a purported "first notification of copyright infringement" to Barnes & Noble. *Id.* ¶ 16. *See also id.* Ex. E (Smith email to Barnes & Noble). That very day, Barnes & Noble "agreed to remove the . . . listing from BN.com's website." *Id.* ¶ 17, *see also id.* Ex. F (email response to Smith from Barnes & Noble). Barnes & Noble also informed Smith that it had "sold zero (0) copies of the Book, in both print and eBook version." *Id.*

Nonetheless, Smith demanded a \$50,000 payment from Barnes & Noble. *Id.* Ex. E, at 2. Thereafter, he filed this lawsuit seeking \$150,000 in statutory damages for alleged copyright infringement. *See* Dkt. No. 1. On August 9, 2012, Smith filed an Amended Complaint adding claims for contributory copyright infringement and unfair competition. Am. Compl. ¶¶ 63-73. All three causes of action are predicated on the assertion that Barnes & Noble impermissibly continued to list Hardscrabble as available for purchase or preview on BN.com for five months

after his “authorization” had been revoked. There is no allegation in the Amended Complaint that a single Barnes & Noble customer purchased Hardscrabble or viewed any of its contents.

Smith’s amended complaint added a second plaintiff, Enrico Festa, to the lawsuit. Id. ¶ 3. Festa is a retired pornographic actor who wrote an autobiography entitled Lust Life. Id. ¶ 33, 34. In the fall of 2010, Festa registered at BN.com. Id. ¶ 36. In October 2010, Festa purportedly “contacted BN.com’s ‘PubIt!’ (pubit.barnesandnoble.com) in order to cancel his account.” Id. ¶ 38, 39. Festa alleges, upon information and belief, that an unauthorized version of Lust Life has remained available for sale on BN.com since the fall of 2010. Id. ¶ 47. On or about July 19, 2012, Festa maintains that he contacted Barnes & Noble to request that it remove Lust Life from BN.com. Id. ¶ 44.

While listed at BN.com, precisely one purchase of Lust Life was made: to an agent of Festa engaged by his attorney to manufacture this case. Specifically, the attorney hired Martin Gwynn (“Gwynn”) as an “expert” in this litigation “to assess certain aspects of the operation of [BN.com].” Id. Ex. O, at 1. While working for Festa and his attorney, Gwynn purchased a Nook version of Lust Life from BN.com on July 20, 2012. Id. ¶ 45, Ex. O, at 2, 34.

Based upon these allegations, Festa brings claims for copyright infringement, contributory copyright infringement, and unfair competition. Id. ¶¶ 57-73. The three causes of action are predicated on two independent bases: (1) the assertion that Barnes & Noble impermissibly continued to list Lust Life on BN.com after Festa’s authorization had been revoked in 2010, id. ¶¶ 49- 54, and (2) Barnes & Noble sold a copy of Lust Life —to Festa’s agent. Id. ¶¶ 50-51, 53-54. No other sales of Lust Life are alleged.

On October 3, 2012, Defendant brought a motion to dismiss Plaintiff's complaint. For the reasons that follow, the Court grants the Defendant's motion to dismiss against Festa, but not against Smith.

DISCUSSION

I. Legal Standard under 12(b)(6)

On a motion to dismiss, this Court accepts all factual allegations in the complaint as true and draws all reasonable inferences in the plaintiff's favor. Ruotolo v. City of N.Y., 514 F.3d 184, 188 (2d Cir. 2008). Nonetheless, to survive a motion to dismiss, "a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" Ashcroft v. Iqbal, 556 U.S. 662, 663, 129 S.Ct. 1937, 1949, 173 L.Ed.2d 868 (2009) (quoting Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007)). A claim has "facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." Iqbal, 129 S.Ct. at 1949. "Determining whether a complaint states a plausible claim for relief will be a context specific task that requires the reviewing court to draw on its judicial experience and common sense." Plumbers & Steamfitters Local 773 Pension Fund v. Canadian Imperial Bank of Commerce, 694 F.Supp.2d 287, 296 (S.D.N.Y. 2010). Although "a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff's obligation to provide the grounds of his entitlement to relief requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." Starr v. Sony BMG Music Entm't, 592 F.3d 314, 321 (2d Cir. 2010).

In ruling on a motion to dismiss, a “court may consider the facts as asserted within the four corners of the complaint together with the documents attached to the complaint as exhibits, and any documents incorporated in the complaint by reference.” Peter F. Gaito Architecture, LLC v. Simone Dev. Corp., 602 F.3d 57, 64 (2d Cir. 2010) (internal quotation and citation omitted). “Even where a document is not incorporated by reference, the court may nevertheless consider it where the complaint relies heavily upon its terms and effect, which renders the document integral to the complaint.” Chambers v. Time Warner, Inc., 282 F.3d 147, 153 (2d Cir. 2002) (internal quotation marks and citations omitted).

The issue before the Court on this motion to dismiss “is not whether ... plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to support the claims.” Villager Pond, Inc. v. Town of Darien, 56 F.3d 375, 378 (2d Cir. 1995), cert. denied, 519 U.S. 808 (1996) (citation omitted).

II. Direct Copyright Infringement

Smith claims that Barnes & Noble improperly listed Hardscrabble on the BN.com website for five months. BN.com, as a Smashwords retailer, originally started listing Hardscrabble pursuant to a business relationship that Smith had with Smashwords. Smith claims to have “terminated” that relationship with Smashwords on or about October 26 or 27, 2011. Plaintiff alleges that Defendant infringed Plaintiff’s copyright by making an offer to distribute Plaintiff’s copyrighted book for the purpose of further distribution or public display in violation of 17 U.S.C. § 106(3).

Copyright law gives the author the right to prevent copying of the copyrighted work in any medium. The Copyright Act creates a cause of action in favor of the owner of a copyright for direct copyright infringement. 17 U.S.C. § 501. Moreover, those who “infringe [] vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it” are secondarily liable “on a theory of contributory or vicarious infringement.” Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 930–31 (2005). Nevertheless, Section 411 of the Act, with exceptions not here pertinent, further provides that “no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.” 17 U.S.C. § 411(a).

To be liable for direct infringement, a defendant must have “engaged in some volitional conduct sufficient to show that [it] actively” violated one of the plaintiff’s exclusive rights. Capitol Records, LLC v. ReDigi Inc., 2013 U.S. Dist. LEXIS 48043, *37 (S.D.N.Y. Mar. 30, 2013) citing Arista Records LLC v. Usenet.com, Inc., 633 F. Supp. 2d 124, 148 (S.D.N.Y. 2009).

There was no sale of Smith’s work in the present case. At the motion to dismiss stage, Smith could be construed to state a cognizable claim for the infringement of Smith’s copyright within the meaning of the statute based on Defendant’s “preview” feature of his book. Copying from a work does not constitute infringement unless sufficient protected expression is copied. See, e.g., Paul Goldstein, GOLDSTEIN ON COPYRIGHT 7.3.1, at 7:21 (3d ed. 2005). Listing a book for purchase, even with a picture of the cover, does not involve sufficient protected expression to trigger 17 U.S.C. § 106. Cf. Hammer v. Amazon.com, 392 F.Supp. 2d 423, 431 (E.D.N.Y. Sept. 27, 2005) (“Here, Plaintiff’s copyright claims must be dismissed because. . . the only allegations that are arguably relevant to this claim concern the fact that a graphic depicting

Plaintiff's book cover was linked. . . .") (citations omitted). In order for a violation of § 106(3) to occur, "an actual transfer must take place; a mere offer for sale will not infringe the right." Paul Goldstein, 2 GOLDSTEIN ON COPYRIGHT § 7.5.1 (3d ed. 2007); accord Melville B. Nimmer & David Nimmer, 2 NIMMER ON COPYRIGHT § 8.11[A] (2007); William F. Patry, 4 PATRY ON COPYRIGHT § 13:9 (2007) ("[W]ithout actual distribution of copies . . . , there is no violation of the distribution right."). Without discovery, the Court cannot find whether Defendant's "Free Sample" of Smith's book violates copyright infringement.

The offering to distribute copies to a group of persons for purposes of further distribution or public display constitutes publication. Elektra Entertainment Group, Inc. v. Barker, 551 F.Supp.2d 234, 240 (S.D.N.Y. 2008). A public display of a work does not of itself constitute publication. Id. The courts have held that there is no violation of the right to vend copyrighted works under the federal copyright statute where the defendant offers to sell copyrighted materials but does not consummate a sale. Obolensky v. G.P. Putnam's Sons, 628 F.Supp. 1552, 1555 - 1556 (S.D.N.Y. 1986) citing Greenbie v. Noble, 151 F.Supp. 45, 63-64 (S.D.N.Y. 1957). There is no infringement of the vending right where there is copying, but no sale of the material copied. Encyclopaedia Britannica Educational Corp. v. Crooks, 558 F.Supp. 1247, 1253 (W.D.N.Y. 1983); Arista Records, Inc. v. Mp3Board, Inc., No. 00-CV-4660, 2002 WL 1997918, at *4 (S.D.N.Y. Aug.29, 2002) (making a copy available is copyright infringement only in cases where proof of actual infringement is impossible to produce because the infringer has not kept records of public use). "[T]he support in the case law for the "make available" theory of liability is quite limited." Elektra Entertainment Group, 551 F.Supp.2d at 243. The simple listing of the book on the website fails to state a claim. "[D]efendants cannot be liable for violating the plaintiffs' distribution right unless a 'distribution' actually occurred." London-Sire Records, Inc. v. John

Doe 1, 542 F.Supp.2d 153, 166 & n.16 (D. Mass. 2008). Section 106 does not create an infringeable right of authorization independent of the expressly enumerated rights set forth in the Section, and thus cannot form the basis for a “make available” right. Elektra Entertainment Group, Inc. v. Barker, 551 F.Supp.2d 234, 247 (S.D.N.Y. 2008).

On the other hand, Festa failed to state a cognizable claim for the infringement of Festa’s copyright within the meaning of the statute. Here, when plaintiff Festa instituted his action, he had only submitted an application for registration; he had not been issued or received a certificate of registration from the Copyright Office. Am. Compl. ¶ 59. “A claim for copyright infringement requires a copyright holder to first register its work before filing suit.” Patrick Collins, Inc. v. John Does 1-7, 2012 WL 1889766, at *1 (S.D.N.Y. May 24, 2012) (citing 17 U.S.C. § 411(a)). “Plaintiff cannot demonstrate a prima facie case of infringement without first alleging that it holds a valid copyright, has properly registered the copyright, or its application for a copyright was refused by the Copyright Office.” Id. at *2 citing 17 U.S.C. § 411(a); see also K-Beech, Inc. v. Doe, 2010 U.S. Dist. LEXIS 143728 (denying leave to conduct discovery before Rule 26(f) conference because plaintiff had only pleaded it applied for a copyright).

Section 412 of the Copyright Act permits a plaintiff to recover attorneys’ fees or statutory damages only if the work at issue was registered prior to the commencement of the infringement. 17 U.S.C. § 412. Therefore, Festa is dismissed.

III. Contributory Copyright Infringement

Secondary liability for copyright infringement may be imposed where a party has not committed direct infringement, but nonetheless played a significant role in direct infringement

committed by others. Arista Records LLC v. Lime Group LLC, 784 F. Supp. 2d 398, 422 (S.D.N.Y. 2011). A party commits contributory copyright infringement when it “intentionally induc[es] or encourage[es] direct infringement” by a third party, and infringes vicariously “by profiting from direct infringement while declining to exercise a right to stop or limit it.” Metro-Goldwyn-Mayer Studios Inc. v. Grokster, 545 U.S. 913, 930, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005) (internal citations omitted). Although the Copyright Act did not expressly contemplate liability based on a third party’s infringement, these doctrines of secondary liability “emerged from common law principles and are well established.” Id. Indeed, “it may be impossible to enforce rights in the protected work effectively against all direct infringers” absent a cause of action for secondary infringement, especially when “a widely shared service or product is used to commit infringement.” Id. at 929-30.

To state a claim for contributory copyright infringement, a plaintiff must allege that a party “with knowledge of the infringing activity[] induce[d], cause[d], or materially contribute[d] to the infringing conduct of another.” Arista Records, LLC v. Doe 3, 604 F.3d 110, 117-18 (2d Cir. 2010) (internal citation omitted). In other words, liability exists “if the defendant engages in personal conduct that encourages or assists the infringement.” Id. at 118 (internal citations omitted). The standard for knowledge is objective. Id.; see also Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162-63 (2d Cir. 1971) (affirming finding of contributory liability where defendant had knowledge of infringement, the “ability to police the infringing conduct,” and “derived substantial financial benefit” from the infringement). “Secondary liability may be imposed on a defendant who does nothing more than encourage or induce another to engage in copyright infringement.” Id. at 268 (citing Grokster, 545 U.S. at 936,

125 S.Ct. at 2779). However, “the fact or intention of a direct infringement” must be alleged and ultimately proven. See id.

Recovery under a secondary liability theory requires proof of direct infringement by specific third parties. See Arista Records LLC v. Lime Group LLC, 784 F. Supp. 2d 398, 423 (S.D.N.Y. 2011) (citing Island Software & Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 260 (2d Cir. 2005)). Selling infringing materials to third parties is frequently the basis for secondary liability claims. See, e.g., Kalem Co. v. Harper Bros., 222 U.S. 55, 62-63, 32 S. Ct. 20, 56 L. Ed. 92 (1911) (finding secondary liability for advertising infringing films with the expectation that third parties would reproduce them); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 420, 435, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984) (addressing claim of secondary liability on the merits where petitioner had not sued downstream users of allegedly infringing product). Smith’s contributory infringement claim survives Defendant’s motion to dismiss because questions of fact remain regarding the book’s alleged display and distribution. Defendant is not liable for contributory copyright infringement of Festa’s book because Festa does not have a viable copyright infringement claim.

IV. Unfair Competition

Plaintiff attempts to assert a claim based on 15 U.S.C. Section 1125, Section 43(a) of the Trademark Act. “To prevail on a claim under Section 43(a), a plaintiff must show that (1) it has a valid trademark entitled to protection, and (2) the defendant’s mark infringes on the plaintiff’s mark by causing a likelihood of confusion among consumers as to the origin or sponsorship of its product.” Jewish Sephardic Yellow Pages, Ltd. v. DAG Media, Inc., 478 F.Supp.2d 340, 356 (E.D.N.Y. 2006) (citing Time, Inc. v. Petersen Publ’g Co., 173 F.3d 113, 117 (2d Cir. 1999)).

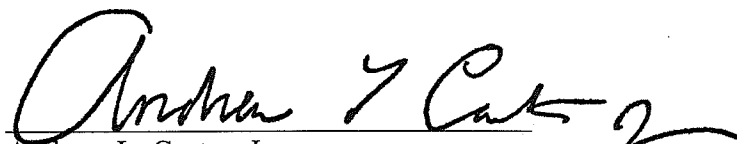
Defendant's motion to dismiss argued that the United States Supreme Court's decision in Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 123 S. Ct. 2041, 156 L. Ed. 2d 18 (2003) foreclosed Plaintiffs' Lanham Act claims, which are in fact copyright claims. The Court grounded its holding in what it ruled was the "natural understanding" of section 43(a)(1)(A)'s phrase "origin of goods." See id. at 32-32, 37, 123 S.Ct. 2041. Smith's unfair competition claim survives along with his copyright claims. Festa's unfair competition claim is hereby dismissed for the same reasons previously discussed regarding his copyright infringement claims. See Ranieri v. Adirondack Dev. Group, LLC, 2013 WL 1292010, *8 (N.D.N.Y. Mar. 27, 2013).

Based on the foregoing, at this early stage, this Court denies Defendant's motion to dismiss as to Smith, but grants Defendant's motion to dismiss as to Festa.

The Clerk of Court is direct to close Docket No. 12.

Dated: New York, New York
July 19, 2013

SO ORDERED.


Andrew L. Carter, Jr.
United States District Judge