

No. 22-121

IN THE
Supreme Court of the United States

ML GENIUS HOLDINGS LLC,
Petitioner,

v.

GOOGLE LLC, LYRICFIND,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

Respondents' opposition is more a reframing than a response. As the petition explained, several circuits have reasoned that a contractual promise—a right against a counterparty—is qualitatively different from a copyright—a right against the world. To be sure, we acknowledged, some of these circuits leave open the possibility of some rare case in which contract rights are so inextricable from copyrights that preemption applies. But nothing about Genius's claims would trigger that narrow exception. Genius sued sophisticated parties for willful breach of a contractual prohibition on copying and distribution of its website content for "commercial purposes." It did not assert common-law rights against the world. It brought contract claims against specific competitors for knowingly breaching their contractual commitments.

Respondents have no answers. So, they consume the first half of their opposition laboriously erecting a different petition. In Respondents' version, Genius demands a categorical rule under which no breach-of-contract claim could ever be preempted. Respondents then take on their own reframing, arguing that all circuits allow for *some* possibility of preemption.

To be clear, Genius's position is that most circuits have adopted a broad rule against preemption of breach-of-contract claims, while sometimes (but not always) leaving open the possibility of a rare preempted case. But whether the majority rule is categorical or just "near-categorical," Pet.7, 36, is not important. What matters is that Genius's claims would

not be preempted in circuits that recognize that the promissory aspect of contract rights generally renders those rights different in kind from copyrights—reasoning that Respondents never confront. Respondents just incant the phrase “case-by-case,” conflating a narrow theoretical exception to the majority rule with the Second Circuit’s ad hoc approach. But Respondents never offer a coherent legal principle (let alone an actual case) suggesting that Genius’s claims would fall within any narrow exception.

Without legal support, Respondents try more reframing, this time of Genius’s claims. They say the relevant contractual provision merely “parrots” verbatim the Copyright Act. Opp.13. And they suggest that Genius’s terms of service are “lurking,” Opp.6, raising the specter of suits against “every anonymous” website-visitor, Opp.29. But Genius’s complaint controls, not Respondents’ rhetoric. Respondents breached a provision that bars reproduction, distribution, and so forth for “commercial purposes.” And Respondents, highly sophisticated competitors, do not dispute they knew they had promised not to do those things and did them anyway—caught red-handed *after* Genius asked them to stop. So, Genius’s complaint does not seek exclusive rights against some random music superfan.

Cast aside Respondents’ reframing, and this case provides an ideal opportunity to settle an acknowledged and recurring split between those circuits that recognize the qualitative difference between contract rights and copyrights and those that, like the Second Circuit, do not. The latter view is unmoored from both the statutory text and common sense. And correcting

that mistake now is vital, especially for small internet companies who rely on their terms of service to protect themselves from big-tech predation. The petition should be granted.

ARGUMENT

I. There Is An Acknowledged Circuit Split On Preemption Of Breach-Of-Contract Claims.

Respondents cannot escape the circuit split on the question Genius actually presented in the petition: whether 17 U.S.C. § 301(a) preempts claims for breach of a contractual restriction on copying and use of content.

A. As we explained (at Pet.16-17), the Seventh Circuit announced the now-majority rule, broadly holding that a “two-party contract is not ‘equivalent’” to any of the exclusive rights under the Copyright Act because contracts “generally affect only their parties.” *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454-55 (7th Cir. 1996). Respondents confine their discussion of *ProCD* to a single paragraph in which they ignore its reasoning. They instead cursorily dismiss the decision as not adopting any “categorical rule” against preemption. Opp.17. But we acknowledged (at Pet.17) that *ProCD* “refrained” from foreclosing preemption of “anything with the label ‘contract.’” *ProCD*, 86 F.3d at 1455.

Again, what matters here is that this case would have come out differently under *ProCD*. *ProCD* also involved a competing business ignoring a contractual provision in a shrinkwrap contract limiting use of

content to “non-commercial purposes.” *Id.* at 1450. The district court there, like the district court here, viewed that provision as “nothing more than an effort to prevent defendants from copying and distributing [plaintiff’s] data.” *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640, 657 (W.D. Wis. 1996). But the respective circuits reached divergent conclusions. Respondents claim these different outcomes can be explained by the fact that the contract in *ProCD* explicitly prohibited commercial use without paying a higher price. Opp.17. But that contract said no such thing. See *ProCD*, 908 F. Supp. at 645. If Respondents are suggesting some implicit notion that the defendant in *ProCD* could have purchased a commercial-use license, the same implicit possibility of payment to obtain a commercial-use license exists here. See Pet.App.138a.

Moving to the Eleventh Circuit, Respondents make the stinting concession that it has “used language in tension with the approach taken by other circuits,” and “hinted that contractual rights are not equivalent to copyright rights.” Opp.19. That was more than a hint: The Eleventh Circuit has *held* that “claims involving two-party contracts are not preempted because contracts do not create exclusive rights,” even where the relevant agreement “deal[s] only with copying and redistribution of the materials.” *Lipscher v. LRP Publ’ns, Inc.*, 266 F.3d 1305, 1318 (11th Cir. 2001). And *Lipscher* acknowledged that its rule split with the Sixth Circuit. See *id.* Respondents also try to distinguish the Eleventh Circuit’s decision in *Utopia Provider Systems, Inc. v. Pro-Med Clinical Systems, L.L.C.*, 596 F.3d 1313 (11th Cir. 2010), as turning on “alleged failure to pay

royalties.” Opp.20. That is wrong. *Utopia* held that the breach-of-contract claims at issue—which included a claim for “unauthorized use” of content—were all unpreempted solely because “pro[of] [of] a valid license agreement ... constitutes an ‘extra element.’” 596 F.3d at 1316, 1327.

Respondents’ efforts to explain away the approaches of other circuits in the majority camp (at 17-19) are similarly unpersuasive. Respondents have no response to the Federal Circuit’s approval of *ProCD*’s reasoning. See *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003). Moreover, that some district courts in the Fifth Circuit have read *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488 (5th Cir. 1990), as not establishing a broad rule against preemption is news to the Fifth Circuit, which reads *Taquino* precisely as we do, see *Real Estate Innovations, Inc. v. Hous. Ass’n of Realtors, Inc.*, 422 F. App’x 344, 349 (5th Cir. 2011) (“This court has held that breach of contract claims are not preempted by the Copyright Act.” (citing *Taquino*)).

Contrary to Respondents’ contention (at 15-16), we never claimed that the Eighth Circuit had adopted a categorical rule against preemption. Instead, we explained that a breach-of-contract claim based on restrictions on use escapes preemption in the Eighth Circuit. Pet.19. And that distinction means that this case would have come out differently in the Eighth Circuit.

B. Respondents also ignore that multiple courts have acknowledged a circuit split.

For example, Respondents point to the Sixth Circuit’s approach as demonstrating uniformity across the circuits. Opp.16. But the Sixth Circuit has expressly noted its disagreement with both *ProCD* and *Taquino*’s broad reasoning. See *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 457 (6th Cir. 2001). And the Sixth Circuit also noted the “difficulty of applying” its subjective test and the disagreement among the circuits in *Ritchie v. Williams*, where the court held that a claim based on a breached contractual promise to share in the income derived from song distribution was preempted. 395 F.3d 283, 287 & n.3 (6th Cir. 2005).

Respondents similarly sidestep the California Court of Appeal’s decision in *Kabehie v. Zoland*, which held that a “promise ... to refrain from copying ... material” is preempted. 102 Cal. App. 4th 513, 526 (Ct. App. 2002). Again, Respondents ignore that *Kabehie* acknowledged the circuit split on this issue, see *id.* at 525-28, with the concurrence noting that the majority’s approach conflicted with that of the Fifth, Seventh, and Eleventh Circuits, *id.* at 532 (Mosk, J., concurring).

C. Respondents’ remaining arguments fail.

First, Respondents note that all circuits use a two-prong test to determine whether claims are preempted, Opp.11, and that part of this test asks whether a claim is “qualitatively different” from a copyright claim, Opp.12. That is true, but irrelevant. We never claimed there was a circuit split on this overarching framework, nor does this supposed uniformity resolve the conflict we do identify.

Second, Respondents repeatedly mischaracterize Genius’s terms of service as merely “parrot[ing] the exclusive bundle of rights set forth in section 106.” Opp.13; *see also* Opp.18, 20. But Genius’s terms of service restrict users from copying and redistributing its content “for any commercial purposes.” Pet.App.138a. Just like the contract in *ProCD*. Yet the commercial-use restriction did not factor into the Second Circuit’s preemption analysis because that Court had already squarely held that a “commercial use” requirement is “not enough to qualitatively distinguish [a state-law claim] from a claim in copyright.” *In re Jackson*, 972 F.3d 25, 53 (2d Cir. 2020).

Respondents bury the commercial-use point in a footnote near the end of their opposition, claiming that Genius forfeited this argument by failing to raise it in the Second Circuit. Opp.30 n.4. But a party is not required to raise an argument squarely foreclosed by circuit precedent. *US Airways, Inc. v. McCutchen*, 569 U.S. 88, 101 n.7 (2013). And Respondents do not dispute the petition’s contention (at 34) that *In re Jackson* squarely foreclosed the argument. Anyway, Genius did raise the commercial-use restriction in its appellate brief. See C.A.2.Br.39-40 (arguing that agreement not to “copy or scrape Genius’s content for commercial purposes absent a license” constituted the “extra elements” of valid assent and consideration).

Moreover, Respondents’ “parrot[ing]” argument also ignores the actual reasoning of those circuits that have rejected preemption. Those courts recognize that contractual rights are qualitatively different from copyrights—reflecting the rights-based text of § 301(a)—without regard to whether the conduct

prohibited is qualitatively the same. *See supra* 3-5. Respondents never explain why their (mis)characterization of the contract would yield preemption in those circuits.

II. The Question Presented Is Increasingly Important In The Digital Age.

Respondents do not dispute the ubiquity of terms of service like Genius's. Pet.24-25. Nor do they dispute that many businesses in Genius's shoes—those that aggregate information without owning the underlying copyrights—provide crucial (and free) public goods. Pet.26-27. Their off-base objections do little to minimize the crucial implications of the question presented for businesses that rely on terms of service to protect their offerings.

Respondents claim that the circuit split is stale and the issue recurs infrequently—a point they undermine in the next paragraph by identifying more recent petitions raising similar questions. Opp.22. Although the split has existed since 2001, the Second Circuit—home to many tech companies—only recently took a side. Moreover, the internet has dramatically reshaped how accessible a business's content is since the Sixth Circuit first created the split, making it increasingly important for this Court to resolve it.

Respondents next contend that this case is unimportant because no businesses or trade groups filed amicus briefs supporting Genius. Opp.23. But that too is unsurprising. Few businesses whose survival depends on search traffic and ad revenue would be willing to stand up to Google. It “account[s] for almost 90

percent of all general search engine queries in the United States” and has been sued by DOJ for weaponizing its “extraordinary power” against its competitors. Amended Complaint at 30, 53-54, *United States v. Google LLC*, No. 20-cv-3010 (D.D.C. Jan. 15, 2021); *see also* Open Markets Inst. Br. at 7-10.

Respondents (at 23) also attempt to minimize Genius’s contributions, ignoring the amici touting its value, *e.g.*, Digital Justice Found. Br. 8, as well as Genius’s immense investment of time and resources building its platform.

Last, in Respondents’ view, the question presented has little resonance for other businesses because they could escape preemption by “requiring visitors to pay to reproduce content.” Opp.25 (citing *Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 432 (2d Cir. 2012)). To begin with, Respondents offer no defense for the Second Circuit’s promise-to-pay rule. Why would the same undertaking be preempted if it is a condition imposed for accessing a free service, but unpreempted if the condition involves a promise to pay? Respondents never explain. Anyway, that rule is hardly a panacea for companies like Craigslist and Yelp that offer free services, and for the consumers that have come to depend upon them.

III. The Decision Below Is Wrong.

Only the majority approach outlined above accords with the statutory text and common sense. Contractual provisions like Genius’s terms of service are not “*equivalent* to ... *exclusive* rights within the

general scope of copyright,” § 301(a) (emphasis added). Pet.27-35. Respondents fail to show otherwise.

A. Respondents dedicate much of their discussion on the merits to arguing against a *per se* rule that Genius never advanced. Opp.30-32. As we have explained, the majority of circuits recognize a broad principle under which contracts are generally not preempted, but may be in rare cases. Again, whether the rule is categorical or near-categorical is largely semantics. What matters for present purposes is that the Second Circuit’s ad hoc approach, and its rejection of the reasoning of the majority of circuits, is wrong.

Respondents do not dispute that contracts usually create only non-exclusive rights. Opp.31. Respondents’ insistence that these rights may nevertheless be “equivalent” rests on a purported match between the *conduct* that might be contractually prohibited and the exclusive rights listed in 17 U.S.C. § 106. *Id.* But § 301(a) demands equivalency not with mere “rights,” but with “*exclusive* rights.” It simply makes no sense to say that a non-exclusive right is “equivalent” to an “exclusive right.” And anyway, the commercial-use restriction in this case prohibits a form of conduct that is not equivalent to the acts enumerated in § 106.

Respondents’ reliance on § 301(a)’s “explicit[] referenc[e]” to preemption of “common-law claims,” Opp.31, only reinforces our point. Section 301(a) is a broad provision pertaining to all common-law claims, many of which *do* provide the equivalent of an exclusive right. Congress could have preempted all common-law rights. It preempted only the exclusive ones.

Respondents also offer nothing to commend their reading—no answer to why copyright law would be offended by private ordering among counterparties. They suggest that in many instances a copyright owner might be able to sue for infringement for the same conduct that breaches a contract. So what? Differently situated parties often have different rights with respect to the same subject matter. Respondents offer no good reason that the gallery in our hypothetical (Pet.3), admittedly without copyrights, should not be able to protect its interests via contract. Indeed, Respondents offer only rhetoric suggesting that all parties without copyrights “stand in the same shoes.” Opp.25. That is like saying the robber and the bank stand in the same shoes because it is not really the bank’s money. Surely the bank has other interests at stake and other sources of law to protect those interests.

B. Respondents’ case-specific observations also provide no support for the decision below.

Respondents try to distinguish “other preemption cases” on the ground that Genius’s terms of service do not arise from a *real* “negotiated, bilateral contract[].” Opp.29-30. That is wrong—*ProCD* involved a shrink-wrap agreement just like the browsewrap agreement here. 86 F.3d at 1450. It is also irrelevant—*ProCD* recognized that such agreements are contracts like any other. *Id.* at 1450-53. And this Court’s decision in *American Airlines, Inc. v. Wolens*, which *ProCD* relied upon, involved a class that had accepted the unilateral terms of a frequent-flier program. 513 U.S. 219, 224-25 (1995). The Court held that enforcement of these “privately ordered obligations” escaped

preemption notwithstanding how the agreements arose. *Id.* at 228-33.

Also irrelevant is Respondents' suggestion that Genius's terms of service "mimic[]" copyrights because they contain "rights against any and every anonymous" website-visitor. Opp.29-30. So much for Respondents' case-by-case mantra. Genius is not suing random, anonymous people in an attempt to "arrogate to itself copyright-equivalent rights." Opp.2. It is suing Google—the most powerful force on the internet—for knowingly breaching a commercial-use restriction designed to prevent companies like Google from stealing Genius's entire business.

Nor do Genius's claims "usurp" the rights of copyright owners in the lyrics. Opp.30. Genius conditions free access to the contents of *its* website on non-commercial use. Google is welcome to obtain licenses from copyright owners and display lyrics, so long as it does not steal the transcriptions from Genius.

IV. This Case Is An Ideal Vehicle.

Although Genius's petition arises at the motion-to-dismiss stage, Respondents spend several pages fighting Genius's well-pleaded allegations. They argue that this case is a poor vehicle because "it is unclear" whether the parties "had a contractual relationship." Opp.26-28. But the complaint is not hard to parse. It says that both Respondents repeatedly accessed Genius's site to steal transcriptions and were bound by the terms of service. Pet.App.103a-109a. It also says that Genius alerted Respondents when Genius's digital watermarks appeared on

Google’s site, and that Respondents then scrubbed out some watermarks—the ones they knew about—to try to hide their knowing theft. Pet.App.84a-100a. The opposition’s only retort is to speculate that Respondents *could have* “sourced” the watermarked transcriptions from some other (unidentified) site that copied lyrics from Genius. Opp.27.

In any event, the fact that Respondents might have other defenses on the merits does not pose any obstacle to review of the threshold preemption issue on which this case was resolved. *Contra* Opp.27-29. This Court routinely grants review despite a respondent’s claim that any error is harmless or otherwise not outcome-determinative for reasons not addressed below. The question presented—a purely legal one—warrants this Court’s review.

CONCLUSION

The Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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