

20-3113-cv

United States Court of Appeals
for the
Second Circuit

GENIUS MEDIA GROUP INC.,

Plaintiff-Appellant,

— v. —

GOOGLE LLC, LYRICFIND,

Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

BRIEF FOR PLAINTIFF-APPELLANT

ILENE S. FARKAS
MARION R. HARRIS
PRYOR CASHMAN LLP
Attorneys for Plaintiff-Appellant
Seven Times Square
New York, New York 10036
(212) 421-4100

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, Genius Media Group Inc., Plaintiff-Appellant in this action, states that it does not have a corporate parent, and there is no publicly held corporation that owns 10 percent or more of its stock.

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INTRODUCTION

This is not a copyright case; rather, this case concerns the very existence of the business model of Plaintiff-Appellant Genius Media Group Inc. (“Genius” or “Plaintiff”). After making a substantial investment in its service, the District Court concluded that it has no claims available to protect it from the wrongful and unfair actions of its competitors – Defendants-Appellees Google LLC (“Google”) and LyricFind (together, “Defendants”). Genius has invested substantially in a valuable system that enables the creation of timely, sought-after and authoritative transcriptions of music lyrics that are accessible via Genius’s service. Without making those substantial investments (and without permission of Genius), Defendants wrongfully accessed Genius’s service and misappropriated the fruits of its considerable effort, investment and coordination, which is proprietary to Genius. Genius’s Complaint – and, indeed, this appeal – seek to confirm that small businesses like Genius have legal recourse to protect their substantial investments.

Genius’s efforts in creating and promoting its service are protected by, in relevant part, its contractual Terms of Service, to which all users must consent before accessing any Genius content and pursuant to which users agree not to make commercial use of portions of the service without a license. Revenue from such licenses (together with advertising revenue) are a substantial portion of Genius’s revenues. The owners of the copyrights in the musical compositions which embody

the lyrics have granted licenses to Genius as they too appreciate the difficulties of creating a system by which accurate and timely lyrics can be made available to the public.

Defendants are Genius's competitors. They accessed Genius's service and improperly commercialized its content without a license from Genius, in violation of Genius's Terms of Service. Moreover, even after being put on notice of their wrongful behavior, Defendants continued to wrongfully access Genius's service and commercialize it without a license, including by using such content to compete directly against Genius to its detriment. Defendants do not seriously dispute these facts; rather, Defendants argue that Genius is left without *any* cognizable claim for their wrongdoing because the ultimate theft was of lyrics protected by the Copyright Act. However, this strawman argument utterly ignores the entirely separate and valuable processes, efforts, and time that is required in order to make those very transcriptions available on Genius's service. It is that process, or system that Genius employs that was stolen from it, and on which Genius bases its claims.

The District Court agreed with Defendants. In essence, the District Court has disregarded the undisputed and substantial expenditure of time, effort and money in creating and maintaining Genius's service, thereby finding it worthless. The District Court focused solely on the copyrightable lyrics as the ultimate end-product of the theft, without addressing the systems developed by Genius and the time, effort and

work that went into making any public viewing of the end product possible. As detailed below, however, the Copyright Act was not intended to, and does not, preempt Genius's ability to protect the fruits of its investments in the creation and maintenance of its service through contract and the laws of unfair competition. The logic of this conclusion and the value of Genius's methods are affirmed by Defendants' own conduct: as trillion-dollar corporations, such as Google and Apple, enter into multi-million dollar licenses with LyricFind for access to these curated, timely and accurate lyrics transcriptions. *See* ¶ 22 (A-18). However, rather than devise their own system for creating transcriptions where none exist, LyricFind and Google have simply stolen them from Genius.

The market for accurate lyrics transcriptions and the value created by market participants like Genius are a direct result of dramatic changes to the Copyright Act in 1976, which provided that the public distribution of sound recordings qualified as publication of a musical composition. As a result, "composers could submit a recording rather than sheet music as the deposit copy for a musical composition." *See Skidmore v. Led Zeppelin*, 952 F.3d 1051, 1062 (9th Cir. 2020). This change heralded the present market in which musical compositions are entitled to copyright protection but no written record of the lyrics of such compositions need exist (and, in many cases, does not exist). Thus, market participants – like Genius and LyricFind – can, and do, create substantial value through the curation and production

of accurate and timely lyrics transcriptions. The creation of that value is neither free nor easy, however. With today's fast-paced, genre-bending and often-multilingual music, transcription accuracy is neither easy to achieve nor common. Substantial investment of time and resources is necessary to create a system that produces timely and accurate transcriptions, separate and apart from the substantial effort needed to create the transcriptions themselves. In Genius's case, the system is an elaborate platform that allows hundreds of fans to collaboratively transcript lyrics the moment music is released. Collaborative transcription is complex because, among other reasons, dozens of users may both fix and introduce transcription errors simultaneously. Both the large investment resources in this platform and the fruits of this investment are entitled to protection. They are not the subject matter of the Copyright Act, nor did Congress intend for the Copyright Act to preempt states from protecting such efforts and investments through contract and unfair competition laws. The District Court's ruling improperly applies too broad a reach to preemption under the Copyright Act and undermines the ability of businesses, particularly small businesses like Genius, to protect their investments in growing markets. Reversal of the District Court's order dismissing Genius's Complaint is necessary to ensure that Genius – and businesses like it – can protect their investments from the wrongful and unfair actions of their competitors.

JURISDICTIONAL STATEMENT

Plaintiff-Appellant Genius Media Group Inc. contends that the court below did not have subject matter jurisdiction, and as Plaintiff accordingly moved to remand the action to the Supreme Court of the State of New York, County of Kings. The court below, in denying Plaintiff's motion to remand, concluded that the claims asserted in Plaintiff's Complaint were completely preempted by the Copyright Act, 17 U.S.C. § 101 *et seq.*, for which its exercise of federal question subject matter jurisdiction pursuant to 28 U.S.C. § 1441 was proper.

This Court has jurisdiction of this appeal pursuant to 28 U.S.C. § 1291. Final judgment was entered in the court below on August 13, 2020. (A-112.) Plaintiff filed a timely notice of appeal on September 14, 2020. (A-113.) This appeal is from a final judgment that disposes of all of Plaintiff's claims in this action against defendants Google LLC and LyricFind.

STATEMENT OF THE ISSUE

Whether the District Court erred in denying Plaintiff's motion to remand upon its conclusion that Plaintiff's claims were completely preempted by the Copyright Act where Plaintiff's competitors scraped content from its website, created as a result of system and processes devised through Genius's substantial investments, in violation of Plaintiff's Terms of Service and the unfair competition laws of New York and California, misappropriated the fruits of Genius's substantial efforts which

the parties concede has commercial value separate and apart from any underlying copyrightable work and, in fact, themselves require licenses and payment for such valuable efforts.

STATEMENT OF THE CASE

On December 3, 2019, Plaintiff Genius Media Group Inc. commenced an action in the Supreme Court of the State of New York, County of Kings, against Google LLC and LyricFind, arising out of their wrongful and unfair misappropriation of Plaintiff's investments and work in connection with its service, a website that has created and fosters an engaged community of music enthusiasts, in violation of Plaintiff's Terms of Service, as well as New York and California law. On December 30, 2019, Defendants removed the action to the United States District Court for the Eastern District of New York, alleging that Plaintiff's claims were preempted by the Copyright Act. By motion dated February 6, 2020, Plaintiff moved to remand the case to the Supreme Court of the State of New York, Kings County.

In a Memorandum and Order dated August 10, 2020 (A-76 – A-111) and entered as a judgment on August 13, 2020 (A-112), the District Court (Brodie, U.S.D.J.) denied Plaintiff's motion to remand. The District Court's decision was based on its conclusion that Plaintiff's claims were completely preempted by the Copyright Act because they involved musical transcriptions and, accordingly, dismissed the Complaint.

STATEMENT OF FACTS

A. The Market for Otherwise Unavailable Music Lyrics Transcriptions

Music publishers and songwriters, who generally own the copyrights to lyrics, typically do not make transcriptions of these lyrics publicly available; indeed, they often do not even maintain a database of such lyric transcriptions. Yet, there is a strong consumer demand for accurate lyrics transcriptions in today's popular culture, especially immediately upon the release of new music. ¶ 18¹ (A-17).

Since its founding in 2009, Genius has cultivated a vast community of music fans who enthusiastically transcribe, edit and annotate music lyrics on Genius's website—often within minutes of the release of new music. Genius has also cultivated partnerships with songwriters and performers in order to create and maintain the most timely, comprehensive and accurate source for music lyrics. In addition, Genius hires employees, known as “lyrics associates,” whose jobs primarily consist of transcribing lyrics. This community of Genius users and partners and the systems developed by Genius to enable and support this community give Genius a preeminent repository of accurate and timely lyrics transcriptions, which is essential in the market for music lyrics. ¶¶ 19-21 (A-17 – 18). Genius's user-

¹ The Complaint will be cited as ¶ ____.

transcribers and all visitors to Genius’s website generate critical advertising revenue for Genius. ¶¶ 16, 22 (A-17, 18).

Genius and Google compete for users, or “eyeballs,” in the market for the provision of timely and accurate music lyrics to the consuming public on the internet, and the ability to show advertisements to those users. LyricFind, likewise, is a competitor of Genius. It describes itself as the “world’s leader in lyric solutions” and purportedly maintains a “quality-controlled, vetted database of . . . lyrics available for licensing and service to over 200 countries.” ¶ 9 (A-16). In or about 2016, LyricFind partnered with Google “to expand lyric offerings,” with LyricFind’s CEO noting that LyricFind was “happy to expand the depth and quality of lyrics available on Google’s services.”² LyricFind values the transcriptions it provides to its licensees and receives compensation from these “partnerships” in recognition of the “depth and quality” of the lyrics available in LyricFind’s catalog of transcriptions. As a result of its licenses with LyricFind, Google is able to display those lyrics in its information box in search results and pays LyricFind millions of dollars per year to be able to do so.

² See LyricFind Partners with Google to Delivery More Lyrics and Administer Rights, *accessible at* <https://www.lyricfind.com/index.php?id=224> (last accessed February 5, 2020).

Defendants’ own licenses – and the fees that LyricFind charges to Google – acknowledge the independent value of being able to provide timely and accurate lyric transcriptions, as they cannot obtain them from the copyright owners themselves. While Genius and LyricFind receive licenses to display copyrighted lyrics from a music publisher, the publisher or other copyright owner typically does not provide the actual lyrics to the licensee, as they typically do not have them. Licensees, including the parties to this action, must obtain the lyrics transcriptions through other means—by either (i) obtaining such transcriptions from a company (such as Genius) that has transcribed or otherwise legally obtained them (as Google purportedly does from LyricFind); or (ii) devising a method to transcribe the lyrics themselves (as Genius, through its system of a community of music enthusiasts and lyrics associates, in fact does). ¶¶ 19-21 (A-17 – 18).

Defendants avoid any discussion of their virtually identical business model, the difficulty and effort that goes into making accurate lyrics available quickly (that is, when one is not stealing them from a competitor) and instead focus on the purposeful diversion of whether Genius owns the copyright in the underlying lyrics. Defendants know that the parties possess licenses from the copyright holders but cannot obtain the transcriptions without devising a system to timely and accurately create readable versions of them. Their focus on the copyright in the underlying

lyrics is nothing but a red herring, intended to divert attention from their blatant and conceded theft.

B. Genius's Service

Genius has expended tens of millions of dollars in developing an elaborate platform which allows hundreds of fans to collaboratively transcript lyrics the moment music is released. ¶ 20 (A-17 – 18). Genius uses an “IQ” system, through which its registered users earn IQ points based on quality contributions, as determined by other Genius users. ¶ 21 (A-18). A higher number of IQ points for a registered Genius user translates into greater ability to add, edit and/or annotate lyrics on Genius's website. ¶ 21 (A-18). All users of Genius's website and apps (“Genius's Service”) are bound by its Terms of Service, which – in exchange for access to Genius's content – limit that access to personal use, prevent the copying or other misappropriation of content from Genius's Service, and restrict, absent a license, the “commercial use” of any content from Genius's Service. ¶ 24 (A-19). Because building a collaborative lyrics platform and the timely and accurate transcription of music lyrics are arduous processes, Genius's Terms of Service were drafted to ensure that the benefits of such labor cannot simply be misappropriated by others for their own financial gain—precisely what the Defendants have brazenly done here in violation of their contractual obligations.

A significant portion of Genius’s revenue is generated by the monetization of web traffic through advertising. Genius also earns revenue through the licensing of its catalog of music lyrics transcriptions. For example, Apple pays Genius to license Genius’s lyrics transcriptions—often the very same lyrics transcriptions misappropriated by the Defendants—for display in its Apple Music product. ¶ 22 (A-18). Google has a similar license arrangement with LyricFind. ¶ 12 (A-16).

C. The Google Information Box

Beginning around December 2014, Google implemented an “Information Box” in lyrics search result pages. The lyrics Information Box appears above all other organic search results³ when a user queries the name of a song together with “lyrics.” ¶ 29 (A-20). Accordingly, virtually all mobile users and many desktop users are unable to see organic search results (which, in many cases, include Genius’s website in the first position) without first scrolling down past the Information Box. ¶ 30 (A-20). Google often displays its Information Boxes along with links to other revenue-generating Google products, such as YouTube, all of which have the effect of steering Google Search users to Google-branded products

³ “Organic search results” are defined by Google as “[a] free listing in Google Search that appears because it’s relevant to someone’s search.” ¶ 23, n.2 (A-18). The term is used *infra* to distinguish between free listings in Google Search and Google’s curated Information Box results.

which Google is then able to monetize, to the detriment of competitor websites like Genius that appear in the organic search results.⁴ ¶ 31 (A-22).

D. Genius Suspects Misappropriation

On June 8, 2016, Genius observed that the lyrics Information Box for the Desiigner song “Panda” were a character-for-character match to those appearing on Genius’s service. ¶¶ 49-51 (A-27 – 28). At the time, Genius was only aware of two other companies engaged in licensing lyrics transcriptions on the internet—

⁴ Google’s prominent displays of its Information Box and other Google-branded products above organic lyrics search results directly contradicts its own search quality guidelines. ¶ 31 (A-22). For example, Google’s Search Quality Evaluator Guidelines (the “SQEG”) indicate that Google prioritizes accurate search results that meet the search user’s intent. Those same Guidelines, however, instruct reviewers to rate Information Boxes—regardless of their accuracy, and without instructing its evaluators to make any inquiry into their accuracy—with the highest possible rating ¶ 38 (A-25). In many cases, however, Google’s Information Box often displays inferior and/or inaccurate music lyrics. *See, e.g.*, ¶ 41 (A-25). Elsewhere in its SQEG, Google claims to place little to no value on copied content despite its conduct herein:

The Lowest rating is appropriate if all or almost all of the [Main Content] on the page is copied with little or no time, effort, expertise, manual curation, or added value for users. Such pages should be rated Lowest, even if the page assigns credit for the content to another source.

¶ 43 (A-27). Accordingly, based on Google’s own guidance to search evaluators, a reasonable person would expect that Google’s search engine would disfavor copied content obtained without permission and consequently rank it lower on search engine results pages. In reality, however, Google’s Information Box lyrics results are displayed above all other search results without regard to their accuracy and without any evaluation of whether they are copied without permission from another source, such as Genius’s website.

Musixmatch and LyricFind, neither of whom appeared to have provided the suspect lyrics to Google.⁵ Indeed, only after Google and LyricFind entered into their license in or about June 2016—pursuant to which Google pays LyricFind to provide accurate lyrics transcriptions—did the “Panda” lyrics in Google’s lyrics Information Box suddenly change to reflect inaccurate lyrics, presumably sourced from LyricFind. ¶ 58, n.5 (A-29). Thus, the only logical conclusion was that Google itself misappropriated the lyrics from Genius’s service and, notwithstanding its SQEG concerning “copied” content, prominently displayed those lyrics in its Information Box. ¶¶ 43, 58 (A-27, 29).

E. Genius Catches Defendants “Red Handed”

Following Genius’s observation of the apparent misappropriation of the “Panda” lyrics from its service, in or about August 2016, Genius deployed a watermark on certain new lyrics transcriptions on its service (“Watermark #1”). ¶ 59 (A-29). Watermark #1 involved replacing apostrophes in a selection of newly-released songs with a distinctive pattern of curly and straight apostrophes, which when converted to dots and dashes respectively, spell “RED HANDED” in Morse code. ¶ 60 (A-29 – 30). Genius designed Watermark #1 such that if the apostrophe

⁵ This determination was based on Genius’s review of other sites displaying “Panda” lyrics that were known licensees of Musixmatch and LyricFind at that time (azlyrics.com and metrolyrics.com, respectively). ¶¶ 55-57 (A-28 – 29).

pattern were found outside of Genius’s website, there would be no explanation other than that the lyrics were improperly copied from its website. *Id.* Over the next several months, Genius observed that various lyrics in Google’s lyrics Information Boxes featured Watermark #1, confirming its earlier suspicions. ¶ 61 (A-32).

In or about May 2017, Genius notified Google that Watermark #1 was appearing in Google’s lyrics Information Boxes and provided an example of a song featuring Watermark #1. ¶ 62 (A-32). Google repeatedly stated that it was “looking into” the issue, but never provided a substantive response. ¶ 63 (A-32). In October 2018, Genius designed an experiment to more systematically assess the incidence of lyrics misappropriated from Genius’s website in Google’s lyrics Information Boxes and performed daily searches on Google to confirm whether the watermarked lyrics were being displayed in the lyrics Information Boxes. ¶¶ 64-65 (A-32). ***The results showed that between October 2018 and December 2018, over 40% of songs in the sample set for which Google provided a lyrics Information Box contained evidence of misappropriation from Genius’s Service.*** ¶ 66 (A-33). This further confirmed that – despite LyricFind seeing fit to charge Google millions of dollars for these valuable, timely, compiled lyrics – LyricFind was simply letting Genius do all of the valuable work and stealing from Genius. This ongoing, systematic and widespread misappropriation of content from Genius’s Service was undisputed by Defendants

on the motion below and has continued despite repeated actual notice to Google of the issue. ¶ 67 (A-35).

F. Defendants Deflect Responsibility

In April 2019, Genius again wrote to Google regarding its ongoing misappropriation from Genius’s website and demanded that Google cease and desist from its wrongful and anticompetitive conduct. ¶ 68 (A-35). In response, Google responded vaguely that the lyrics were “obtained through several licensors not through scraping”—without acknowledging the obvious – that those “licensors” aka LyricFind had stolen the watermarked work product from Genius’s Service. After requesting 20 additional examples of lyrics in the Information Box containing Watermark #1 (which Genius provided), and after repeatedly being caught “Red Handed,” Google subsequently acknowledged that LyricFind was the source of the lyrics transcriptions. ¶¶ 69-70 (A-35).

Genius next wrote to LyricFind, demanding it cease and desist from the misappropriation and commercialization of content from Genius’s website, which both constitutes unfair competition and is a violation of Genius’s Terms of Service. ¶ 71 (A-35). Despite actual notice of the ongoing misappropriation from Genius’s Service, and the failure – even to date – to credibly deny their theft, neither Defendant took any steps to cease such conduct and continued to commercialize the misappropriated content bearing Watermark #1. ¶¶ 72-73 (A-35 – 36).

On June 16, 2019, the *Wall Street Journal* published an article titled “Lyrics Site Accuses Google of Lifting Its Content,” which outlined Defendants’ misappropriation of the lyrics from Genius’s website. ¶ 74 (A-36). Only after the publication of this article did the Defendants respond to the allegations, still without disputing them. In one such response, Google wrote:

News reports this week suggested that one of our lyrics content providers is in a dispute with a lyrics site about where their written lyrics come from. We’ve asked our lyrics partner to investigate the issue to ensure they’re following industry best practices in their approach. We always strive to uphold high standards of conduct for ourselves and from the partners we work with.

¶ 77 (A-36). Google’s response clearly demonstrates that it understood that lyrics transcriptions are valuable assets and that the misappropriation of such transcriptions is wrong, and yet did not deny the theft was occurring.

G. Defendants’ Attempts to Conceal Their Wrongdoing

Shortly after the publication of the *Wall Street Journal* article, and consistent with a deliberate effort to conceal the wrongdoing, Watermark #1 disappeared from Google’s lyrics Information Boxes. ¶¶ 82-83 (A-37). Genius then devised a second watermark (“Watermark #2”), which replaced select spaces in lyrics transcriptions with a special Unicode character (U+2005) called a “four-per-em space,” which looks identical to a normal space character but can be distinctly identified by a computer. ¶ 84 (A-38). These characters were placed into song lyrics such that, if (ignoring the first 14 spaces of a song’s lyrics) the four-per-em spaces were

converted to dashes and regular spaces were converted dots, it would spell “GENIUS” in Morse code. *Id.*

In addition to applying Watermark #1 (which was then-publicly known) and Watermark #2 to two distinct samples of song lyrics on Genius’s website (“Group A” and “Group B”, respectively), Genius watermarked a third group of lyrics with both Watermark #1 and Watermark #2 (“Group C”). ¶ 85 (A-40). Genius regularly monitored the lyrics Information Boxes for all three groups. Genius did not observe the now publicly-known Watermark #1 in any content in Google’s lyrics Information Boxes. Genius did, however, routinely observe the still-secret Watermark #2 in Google’s Information Boxes in connection with the lyrics in Groups B and C. ¶ 86 (A-40). In other words, across all three groups of watermarked lyrics transcriptions, the publicly-known Watermark #1 was *removed* after the content was misappropriated from Genius’s Service and before it was placed into the lyrics Information Boxes, while the non-publicly known Watermark #2 remained. This demonstrated that not only were Defendants aware of their wrongdoing (having been previously put on actual notice of it), but they were now taking affirmative steps to conceal it. ¶¶ 87-89 (A-40 – 41).

Genius again wrote Google on November 6, 2019, notified Google of its observations and demanded that Google cease and desist from its wrongful conduct.

Google responded that it “had done nothing wrong” and continued to assign all blame to its lyrics licensing partners, including LyricFind. ¶¶ 90-91 (A-44).

H. Defendants’ Knowing and Deceptive Conduct Harms Genius and Consumers

As a result of the Defendants’ wrongful and deceptive misappropriation of Genius’s Service, combined with Google’s lyrics Information Box which is deliberately designed to avoid directing traffic to organic search results, Genius’s click-through rate (the rate at which a Google search user clicks through to Genius’s website) dropped precipitously, directly affecting Genius’s financial performance. ¶¶ 100-103 (A-46). Indeed, Defendants’ misappropriation Genius’s Service served to stifle Genius’s ability to monetize its services in the very markets in which each of the Defendants competes – *i.e.*, the timely and accurate provision of music lyrics transcripts to the consuming public (Genius and Google) and the licensing of these music lyrics transcripts to others (Genius and LyricFind). ¶¶ 105-107 (A-47).

Defendants are able to reap rewards by simply misappropriating the systems and processes created and employed by Genius, at considerable effort, without compensating Genius for the time, energy and effort it takes to transcribe music lyrics accurately and quickly. Indeed, Google values these efforts, as it pays LyricFind, knowing that LyricFind is willfully misappropriating this content from Genius. Google is also paying LyricFind for this content and crediting LyricFind as

the source in Google's Information Boxes. Defendants are knowingly freeriding on Genius's efforts to the direct detriment of Genius's business. *Id.*

As a result of this misappropriation, Google is able to direct users to other products in its own ecosystem for its own financial gain, by placing its Information Boxes above organic search results and diverting traffic to its own services (like YouTube). ¶¶ 109-110 (A-47 – 48). By misappropriating the fruits of Genius's substantial labor and investment, Defendants deprive Genius of revenue which undermines Genius's ability to continue to produce the very timely and accurate content that consumers demand and Defendants continue to misappropriate.

I. Lacking Any Other Recourse, Genius Sues Defendants

While Genius repeatedly attempted to engage with Defendants in good faith regarding their conduct, Defendants either denied wrongdoing or deflected blame, leaving Genius with no choice but to file suit for the past and ongoing damage to its business as a result of Defendants' improper and unfair and unlawful competitive practices. Genius is a harmed competitor seeking redress for demonstrated, unequivocal anticompetitive conduct traceable to Defendants, which also constitutes a breach of Genius's Terms of Service. Defendants' conduct also violates the express terms of Genius's Terms of Services, as well as the law of New York and California.

SUMMARY OF ARGUMENT

The District Court's order erred in several respects in dismissing Genius's claims, the reversal on any one of which is sufficient to revive Genius's claims against Defendants. First, the District Court incorrectly assumed that the subject matter of this action was musical compositions, which led to its conclusion that the claims asserted by Genius were preempted by the Copyright Act. As pled in the Complaint and explained herein, however, Genius seeks recovery against Defendants, its competitors, for their wrongful misappropriation of its techniques, systems and arduous efforts that go into the production of transcriptions of music lyrics. As such, the theft at issue is unfair competition and a breach of Genius's Terms of Service and not copyright infringement. Indeed, Defendants' own license agreements for the provision of lyrics transcriptions confirm they too value the systems, techniques and efforts that are required in order to make this content available, and that it is outside the scope of the Copyright Act (as they acknowledge they do not own the copyrights and yet are charging sizable fees). Thus, the claims relating to Defendants' theft and breach are not preempted, requiring reversal of the District Court's order *in toto*.

Second, even if the Court were to consider the subject matter requirement for Copyright Act preemption satisfied, however, many of Genius's claims nonetheless survive preemption. First, its unfair competition claims fall within the well-defined

“hot news” exception to Copyright Act preemption, as the transcriptions produced by Genius’s service have time-dependent value which has been wrongly misappropriated by Defendants, whose actions unquestionably satisfy the “free-riding” concerns that first justified the “hot news” exception. Absent relief, Defendants will be permitted to continue their misappropriation with impunity, all but assuring that Genius is no longer incentivized to invest in the maintenance and development of its service.

Third, Genius’s unfair competition and contract claims all contain “extra elements” that render them qualitatively different from a Copyright Act claim and, therefore, not preempted. Specifically, the District Court gave short shrift to a well-reasoned recent decision of the Tenth Circuit finding that the element of bad faith required to be alleged for a New York common law unfair competition claim constitutes an extra element defeating Copyright Act preemption. Regarding Genius’s contract claims, the District Court summarily concluded that no extra elements had been pled, despite ample authority in this Circuit (and, indeed, from this very Court) to the contrary.

The District Court’s decision, if affirmed, constitutes *carte blanche* to Defendants’ competitors to purloin its service with impunity. The conclusion reached by the District Court – that no relief is available to Genius for these actions – is as unsupportable as it is inequitable. Genius has stated valid, non-Copyright Act

claims against the Defendants for their wrongdoing, and this Court should ensure that Defendants must answer for it by reversing the District Court.

STANDARD OF REVIEW

In reviewing a district court's assumption of subject matter jurisdiction, this Court "accept[s] its findings of fact unless they are clearly erroneous, while examining questions of law de novo." *Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 302 (2d Cir. 2004) (citing *McGinty v. New York*, 251 F.3d 84, 90 (2d Cir. 2001)).

A district court's dismissal of a complaint for failure to state a claim is reviewed de novo, accepting all of the complaint's factual allegations as true and drawing all reasonable inferences in the plaintiff's favor. *Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 429 (2d Cir. 2012) (citing *Interpharm, Inc. v. Wells Fargo Bank, Nat'l Ass'n*, 655 F.3d 136, 141 (2d Cir. 2011)).

ARGUMENT

I. PLAINTIFF'S CLAIMS ARE NOT PREEMPTED BY THE COPYRIGHT ACT

Under Section 301 of the Copyright Act, 17 U.S.C. § 301, a state law claim will be preempted only when: "(i) the state law claim seeks to vindicate 'legal or equitable rights that are equivalent' to one of the bundle of exclusive rights" protected by the Copyright Act (the "general scope requirement") and where (ii) "the particular work to which the state law claim is being applied" falls under the type of

work protected by the Copyright Act under 17 U.S.C. §§ 102 and 103 (the “subject matter requirement”). *National Basketball Ass’n. v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997).

Taking the second requirement first, “[t]he subject matter requirement is satisfied if the claim applies to a *work of authorship* fixed in a tangible medium of expression and falling within the ambit of one of the categories of copyrightable works.” *Briarpatch Ltd., L.P.*, 373 F.3d at 305 (emphasis added). As the District Court pointed out, the Second Circuit has noted that “[a] work need not consist *entirely of copyrightable material* in order to meet the subject matter requirement, but instead need only fit into one of the copyrightable categories in a broad sense.” *Id.* (citing *N.B.A.*, 105 F.3d at 848-49) (emphasis added). However, the District Court failed to consider that the subject matter requirement is *not met* if the plaintiff’s claim concerns *entirely uncopyrightable material*, as is the case here. *See Chicago Bd. Options Exch., Inc. v. Int’l Sec. Exch., L.L.C.*, 2012 IL App (1st) 102228, ¶ 38, 973 N.E.2d 390, 402-03 (Ill. App. 2012) (applying New York law, finding no preemption where claim applied to work that fell outside the scope of federal copyright law).

Under the general scope requirement, even if the claim involves acts of reproduction, adaptation, performance, distribution, or display, a state law claim nevertheless will not be preempted by the Copyright Act if an “extra element” exists

that changes the nature of the action so that it is qualitatively different from a copyright infringement claim. *Id.*; *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992) (“[I]f an ‘extra element’ is ‘required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute a state-created cause of action, then the right does not lie within the general scope of copyright,’ and there is no preemption.”) (quoting 1 *Nimmer on Copyright* § 1.01[B], at 1-14-15).

A. Plaintiff’s Claims Do Not Satisfy the Subject Matter Requirement Because Genius’s Investment in its Systems, Processes, Labor and Resources is Not Copyrightable

What Genius seeks to protect by way of this action is its investment in time, labor, systems and resources that go into the process of making lyrics transcriptions available to the public, the fruits of which have been misappropriated by Defendants in bad faith. The Copyright Act does not preclude or preempt such actions. *See* 17 U.S.C. § 102(b) (providing that copyright protection does not extend to “any idea, procedures, process, method of operation, concept, principle or discovery”). Indeed, “[w]hen Congress again amended the Copyright Act in 1990, it issued a House Report reaffirming separate causes of action for misappropriation and unfair competition. ‘State law causes of action such as those for misappropriation [and] unfair competition . . . are not currently preempted under Section 301, and they will not be preempted under the proposed law.’” *Chicago Bd. Options Exch., Inc.*, 973

N.E.2d at 403 (citing H.R. Rep. No. 101-514, at 21 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6915, 6917-19. Likewise, Congress stated in a House Report, “Nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract.” H.R. Rep. No. 94-1476, 132 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5748. In other words, a constitutional mandate bars federal copyright protection for works that lack the requisite originality to qualify for copyright protection, but the scheme enacted by Congress creates an avenue for states to protect those works (under certain circumstances, which are present here) through their misappropriation (including unfair competition) and breach of contract laws. That is precisely how the legislative scheme should be employed in this instance, to permit Genius to enforce its rights in the systems and processes that require time, labor, and expenditures in order to make lyrics available to the public on a timely basis.

Genius’s business, like LyricFind’s, is the development of systems and processes that enable it to provide fast, accurate transcriptions of musical lyrics, the compilation of transcriptions of musical lyrics, and their ready display for the public’s consumption. The creation of Genius’s body of lyric transcriptions through its service, including the “IQ” system it has created, requires a significant expenditure of time, labor, and capital, none of which is protected by the Copyright Act.

Even if the Court were to narrowly construe the subject matter of Genius's claims to be the transcriptions themselves, the transcriptions are also not copyrightable because they represent only the accurate transcription of lyrics from sound recordings that are the creations of others. Genius's transcriptions therefore lack the requisite originality necessary to constitute "works of authorship" that qualify for copyright protection. *See Feist Publ'ns, Inc. v. Rural Tel. Service Co.*, 499 U.S. 340, 359-60 (1991) ("originality, not 'sweat of the brow,' is the touchstone of copyright protection"). Put differently, under the Copyright Clause of the Constitution, only the writings of "authors" may be the subject of copyright. As Professor Nimmer explained in his seminal treatise on copyright law, "[t]he doctrine of originality stems from the Copyright Clause's use of the term 'authors' and refers to independent creation." 1 *Nimmer on Copyright*, § 1.08[C][1]. Here, it is apparent that Genius is not the "author" of original expression simply based upon developing a system for producing transcriptions of music lyrics created by another – *i.e.*, the unprotectable "sweat of the brow." Thus, while requiring significant labor, skill, and expense, the transcriptions produced by Genius's systems and techniques are not works of authorship and do not fall within the scope of the Copyright Act.

The District Court erroneously found the subject matter requirement to be met in this case because *musical lyrics* fall within the ambit of the Copyright Act. However, the District Court improperly construed Genius's claims, which seek to

protect its substantial investments in its service, as a dispute over musical lyrics. Genius did not and, indeed, cannot bring an action to protect the infringement of musical compositions, the rights of which belong to the publishers and composers of those works. All parties to this action are licensees of such rightsholders. It is clear what rights are being pursued by Genius in this action: those arising out of the efforts and processes embodied by the Genius service—a service that required a large investment of time, money and energy to create. Those rights and systems are not protected by the Copyright Act and are outside of its subject matter.

B. Even if the Subject Matter of Genius’s Claims Were Music Lyrics Transcriptions, It Is Still Not Within the Subject Matter of the Copyright Act

Even in narrowly construing Genius’s claims as merely involving musical lyrics transcriptions (and ignoring the separate, valuable systems and techniques that are required to make those lyrics publicly available), the District Court relied upon inapposite cases to dismiss the Complaint because those cases found preemption where the plaintiff sued for misappropriation based on the defendant’s taking a *non-copyrightable component of a copyrighted work*. For instance, as noted above, *Briarpatch* holds that “[a] work need not consist *entirely of copyrightable material* in order to meet the subject matter requirement, but instead need only fit into one of the copyrightable categories in a broad sense.” 373 F.3d at 305. The *Briarpatch* opinion cited to *National Basketball Association v. Motorola*’s analysis of the

subject matter requirement as applied to facts concerning basketball statistics, which were copied from the plaintiff's product: "Although game broadcasts are copyrightable while the underlying games are not, the Copyright Act should not be read to distinguish between the two when analyzing the preemption of a misappropriation claim *based on copying or taking from the copyrightable work.*" 105 F.3d 841, 848-49 (2d Cir. 1997) (emphasis added). In other words, facts culled from a copyrighted work could not be the subject of a misappropriation claim.

The Second Circuit reached a similar result in *Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 430 (2d Cir. 2012), in which the plaintiff alleged that USA network stole the idea for the television show "Royal Pains" from the plaintiff's pitch for a show called "Housecall." The court found the subject matter requirement was met because the idea was part of the copyrightable work the plaintiff submitted to USA, *i.e.*, a written treatment. *See id.* ("The work at issue in this case is Forest Park's idea for "Housecall," manifested in the series treatment (comprising character biographies, themes, and storylines). This treatment and associated written materials are 'works of authorship' that are fixed in a tangible medium."). (citation omitted).⁶ In sum, if a plaintiff's work falls within the scope of

⁶ As detailed below, in *Forest Park*, the Second Circuit found that the plaintiff's breach of contract claim was not preempted because it failed the general requirements prong of the preemption test. 683 F.3d at 431.

federal copyright law, an uncopyrightable portion of that work will nevertheless meet the subject matter requirement.

Here, in contrast, Genius is not suing on the basis of Defendants' taking an uncopyrightable portion of its larger copyrightable work. Rather, the resulting work product of Genius's service is uncopyrightable, and Defendants are engaged in its wrongful misappropriation. Therefore, the *NBA/Forest Park* analysis the court below relied upon is inapposite given the factual circumstances here. In fact, the Second Circuit itself has similarly distinguished *NBA* on this exact basis. *See Dow Jones & Co. v. Int'l Sec. Exch., Inc.*, 451 F.3d 295, 302 n.8 (2d Cir. 2006) ("While defendants argue that *Nat'l Basketball Ass'n v. Motorola, Inc.* severely limits the scope of a misappropriation claim under New York law, Motorola did not purport to address the scope of a misappropriation claim where, as here, the information does not fall within the scope of federal copyright law.") (citation omitted); *see also Chicago Bd. Options Exch., Inc.*, 973 N.E.2d at 402-03 (finding under New York law, "[t]he fundamental flaw in [the defendant's] argument is its reliance on cases involving claims under the federal copyright law when . . . the plaintiff's misappropriation claim falls outside the scope of copyright law. . . That NYMEX's claim for copyright protection of its financial data was unsuccessful does not support the proposition that a misappropriation claim for protection of that data would have

been preempted. If anything, NYMEX could be read as supporting the opposite conclusion.”).

Notably, the stock index at issue in *Chicago Board*, cited above, bears significant similarities to the issues here, underscoring that Genius’s claims do not meet the subject matter requirement. The allegedly misappropriated index at issue in *Chicago Board* resulted from Dow Jones’s significant investment of time, skill, labor, and expertise, though the financial data themselves were not copyrightable. It required Dow Jones to purchase securities pricing data in order to make its index available in real time. It further required a staff of employees to develop and maintain the indexes.⁷ Likewise, here, “Genius has invested ten years and tens of millions of dollars to build the technology and community that supports

⁷ Indeed, in its complaint, plaintiffs in the *Chicago Board* action pled: “Index creation and maintenance requires a staff of experts to devise the specifications of new indexes and to monitor market developments to insure that each such index, including the DJIA, continues to properly track the market sector it was designed to reflect. Index maintenance also requires Dow Jones to pay for securities price data in order to calculate and disseminate real-time values of the indexes for trading purposes. Dow Jones would not have invested in the creation, maintenance, and enhanced dissemination of such indexes in the absence of legal protection for such products against free-riding by unlicensed exchanges and other exploiters. If legal protection against such misappropriation of its indexes is not afforded, the economic incentive to continue to create, maintain, and improve indexes will disappear, to the detriment of the public.” Complaint ¶ 22, *Chicago Board of Options Exchange, Incorporated v. International Securities Exchange, LLC*, 06 CH 24798 (Ill. Ch. Nov. 15, 2006) (*accessible in* 06 Civ. 06852 (N.D. Ill.) (ECF No. 26-2)).

collaborative lyrics transcription,” itself an “arduous task that often requires genre experts to repeatedly listen to songs in order to produce accurate transcriptions,” though the resulting transcriptions themselves are not copyrightable. ¶ 20 (A-17 – 18). Genius, in order to create the transcriptions made available on its service, must obtain a license from the holder of the copyright for the musical composition. Thus, in both cases, the allegedly misappropriated product lacked the originality to be copyrightable, but was the result of an expensive and time-consuming process to which the plaintiff had dedicated significant time and resources. As in *Chicago Board*, where the court found the index at issue did not meet the subject matter requirement of the preemption test, this Court should likewise find the transcriptions at issue fail the subject matter requirement. Otherwise, “the economic incentive to continue to create, maintain and improve [] will disappear, to the detriment of the public.” Indeed, should the District Court’s order finding Genius’s claims completely preempted by the Copyright Act be affirmed – effectively permitting Google and LyricFind to raid Genius’s service with impunity – the end result will be the cessation of Genius’s operations and the disappearance of timely and high-quality music transcriptions from the internet.

C. Genius’s Misappropriation Claims Fall Within a Settled Exception to Copyright Act Preemption

Even if Genius’s claims satisfied the subject matter requirement, which they do not, Genius’s unfair competition claim would nevertheless survive the

preemption analysis as it falls within a settled exception to the preemption law—that is, the doctrine that has grown from the Supreme Court’s “hot news” exception. Although admittedly lyric transcriptions are not news in the traditional sense, the release of new music is newsworthy to many and, in any event, the elements of the exception are equally applicable here. The seminal case establishing the “hot news” misappropriation claim is *INS v. Associated Press*, 248 U.S. 215 (1918), in which the Supreme Court held that the INS’s copying of the Associated Press’s (“AP”) news stories, and sending them to west coast papers that had yet to publish, claiming the AP’s stories as their own, constituted actionable misappropriation. *Id.* at 242. As the Second Circuit has recognized, “it is generally agreed that a ‘hot-news’ INS-like claim survives preemption.” *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876, 894 (2d Cir. 2011). In so holding, it cited to the House of Representatives Report with respect to § 301 of the 1976 Copyright Act amendments:

[S]tate law should have the flexibility to afford a remedy (under traditional principles of equity) against *a consistent pattern of unauthorized appropriation by a competitor* of the facts (i.e., not the literary expression) constituting ‘hot’ news, whether in the traditional mold of [INS], or in the newer form of data updates from scientific, business, or financial data bases.

Id. (quoting H.R. No. 94-1476 at 132, *reprinted in* 1976 U.S.C.C.A.N. at 5748) (emphasis added).⁸ In other words, Congress fully intended that conduct like that of LyricFind and Google – competitors of Genius who have engaged in systematic misappropriation of the product of Genius’s labor, skill, investment and expertise, and, at least in the case of LyricFind, passed that product off as its own – should be remediable by state law, and not preempted under Section 301 of the Copyright Act.

On the basis of this line of cases, the Second Circuit has defined a three-part test setting out the “extra elements” that permit a “hot news” claim to survive preemption: “(i) the time-sensitive value of factual information; (ii) the free-riding by a defendant; and (iii) the threat to the very existence of the product or service provided by the plaintiff.” *Id.* at 900. All three elements are present in the instant case.

First, Genius’s business model relies upon the creation of accurate and timely music lyric transcriptions. Timeliness is a key feature of Genius’s business model – because Genius’s ability to drive revenue depends in large part upon being the first to market with the accurate lyrics transcriptions (hence, Defendants’ motivation to free-ride on Genius’s substantial investments). *See* ¶¶ 20, 22 (A-17 – 18). *Second*,

⁸ Here, Genius’s database is essentially a business database, and the transcriptions therein are essentially facts – timely reports of the lyrics to published songs.

there is no dispute that LyricFind and Google are free-riding off of Genius's substantial investment of time, labor, and expenditures in creating its database of accurate lyric transcriptions. As in *Chicago Board*, there is no reason whatsoever why Defendants could not engage in their own lyric transcriptions, except that they want to reap the rewards (in the form of licensing revenue on the part of LyricFind and advertising revenue on the part of Google) without having to put in the substantial time and cost associated with doing so (and perhaps, too, because they lack the techniques, processes and skill to create the level of accuracy obtained by Genius). See ¶¶ 20, 21, 40 (A-18, 25). *Third*, Defendants' free-riding off of Genius's work, at the very point where it gains profit therefrom, poses a threat to the very existence of Genius's business, and therefore the market for timely and accurate lyric transcriptions. ¶¶ 32, 106, 107 (A-24, 47).

In this case, both LyricFind and Google are direct competitors of Genius. LyricFind is engaged in an identical enterprise, namely, the creation and licensing of lyric transcriptions, and every dollar it earns from a licensing agreement is one that Genius does not get. Google, too, is a direct competitor of Genius because both companies display lyrics and rely upon advertising revenue generated when users view them. If Google copies lyrics directly from Genius's website, as alleged in the Complaint (¶ 58 (A-29)), and a user views the lyrics in Google's Information Box as opposed to clicking on Genius's website, Google will divert advertising revenue

from Genius, as well possibly recognize additional financial benefits from having a user remain in Google’s “ecosystem” (e.g., the collection of additional user data (to improve ad targeting and, thus, the price of ad placement), the sale of music devices and/or subscription services on the Google-run streaming service, YouTube Music). Thus, the conduct of both LyricFind and Google deprives Genius of the ability to monetize its service.⁹ As the Second Circuit put it, quoting *INS*, Defendants’ conduct “would render [Genius’s] publication [of accurate lyric transcriptions] profitless, or so little profitable as in effect to cut off the service by rendering [it] cost prohibitive in comparison with the return.” *Barclays Capital*, 650 F.3d at 900 (quoting *INS*, 248 U.S. at 241).

Indeed, although the *NBA* court found preemption on the circumstances of that case, it distinguished those facts from a case where there would be no preemption on the basis of a hypothetical virtually identical to the instant facts:

To be sure, if appellants in the future were to collect facts from an enhanced [NBA] pager to retransmit them to [Motorola’s] pagers, that would constitute free-riding and might well cause [the NBA service] to be unprofitable because it had to bear costs to collect facts that [Motorola] did not. If the appropriation of facts from one pager to another pager service were allowed, transmission of current information on NBA games to pagers or similar devices would be substantially deterred because any potential transmitter would know

⁹ To the extent that Genius has a stronger claim against LyricFind, which is engaged in an identical service to Genius’s, the District Court erred in failing to analyze Genius’s claims against LyricFind and Google separately.

that the first entrant would quickly encounter a lower cost competitor free-riding on the originator's transmissions.

NBA, 105 F.3d at 854 (distinguishing the facts in *NBA* because “[Motorola] and [the NBA] are each bearing [its] own costs of collecting factual information on NBA games, and, if one produces a product that is cheaper or otherwise superior to the other, that producer will prevail in the marketplace. This is obviously not the situation against which INS was intended to prevent: the potential lack of any such product or service because of the anticipation of free-riding.”). Here, Genius's claim meets the extra elements of the “hot news” misappropriation test, and for the same reasons that a claim based upon the NBA's hypothetical would not be preempted, neither should Genius's claim here.

D. “Bad Faith” Constitutes an “Extra Element” of Plaintiff's Unfair Competition Claims

Should the Court conclude that the *Briarpatch* test has been satisfied and Genius's claims are subject to preemption under the Copyright Act, its unfair competition claims are nonetheless not preempted because they contain an “extra element” rendering them qualitatively different from a claim under the Copyright Act.

Specifically, under New York law, unfair competition claims are based upon misappropriation, and a plaintiff must show that the defendant misappropriated the plaintiff's labor, skills, expenditures, or good will *in bad faith*. *Shroeder v. Pinterest*,

Inc., 133 A.D.3d 12, 30 (1st Dep’t 2015). Although the District Court acknowledged the bad faith prong of the unfair competition cause of action, it found that in the Second Circuit, bad faith is not an “extra element” sufficient to avoid preemption. A-106-107. It made this finding in order to justify its disregard of a recent Tenth Circuit decision, *SGO Group, Inc. v. International Business Machines Corp.*, in which that sister circuit found under New York law that the “bad faith” element of an unfair competition claim rendered it qualitatively different from a federal copyright infringement claim and thus not subject to preemption. 879 F.3d 1062, 1080-81 (10th Cir. 2018). In fact, the Tenth Circuit specifically found that bad faith was not merely a scienter requirement, such as intent, which it acknowledged would be insufficient to provide the requisite extra element necessary to avoid preemption. *Id.* at 1080. Rather, it found that because bad faith “typically results from fraud, deception” – as is the case here – “or an abuse of a fiduciary or confidential relationship,” it constitutes an “extra element” for preemption purposes. *Id.* at 1076, 1080.

The District Court failed to address the Tenth Circuit’s analysis, instead conflating “bad faith” with intent (which the Tenth Circuit specifically did not do) and relying on the bold assertion that “in this Circuit, ‘bad faith’ on its own is not sufficient to avoid preemption.” A-107. However, the District Court’s legal reasoning is unfounded given that the Second Circuit has issued no such guidance –

as is evident from the fact that the District Court itself cited only two district court opinions (neither of which address preemption in any depth) in support of its finding. *See* A-90 – 91 (citing *Stadt v. Fox News Network LLC*, 719 F. Supp. 2d 312, 320 (S.D.N.Y. 2010); *Eyal R.D. Corp. v. Jewelex N.Y. Ltd.*, 784 F. Supp. 2d 441, 447 (S.D.N.Y. 2011)).

Genius respectfully submits that the Tenth Circuit’s analysis is correct, and that where bad faith is shown based upon fraud, deception, or the abuse of a confidential relationship – as it is here, where Genius’s evidence makes clear that LyricFind and Google intentionally tried to conceal their misappropriation of Genius’s methods and systems (¶¶ 83, 89, 150, 161, 181, 198 (A-37, 44, 53, 55, 57, 59)) and, indeed, made public statements that no such misappropriation took place or promising an investigation that has changed nothing (¶¶ 75, 77 (A-36)) – such bad faith constitutes an extra element such that the claim survives the preemption analysis.¹⁰

¹⁰ Likewise, California law has long recognized a right of action to protect against the misappropriation of one’s labor or efforts. Indeed, among the bargained-for exchanges in Genius’s Terms of Service is a license from Genius’s users to Genius for the efforts that those users invested in its service. A-67. These efforts are precisely among the value wrongly misappropriated by Defendants and protected by California law. *See, e.g., Self Directed Placement Corp. v. Control Data Corp.*, 908 F.2d 462, 466 (9th Cir. 1990) (unfair competition claim based on misappropriation stated where plaintiff’s confidential information which had been developed over a number of years with “great expense and with great effort” was improperly obtained

E. Plaintiff's Contract Claims Plead Extra Elements that Render Them Qualitatively Different from a Copyright Act Claim

The District Court found that because Genius's Terms of Service do not include a promise to pay, "Plaintiff's breach of contract claims are nothing more than claims seeking to enforce the copyright owners' exclusive rights to protection from unauthorized reproduction of the lyrics and are therefore preempted." A-91. However, the Second Circuit has identified *three* extra elements that differentiate contract claims from copyright claims: (1) an express right to payment; (2) mutual assent and valid consideration; and (3) a breach of contract claim asserts rights only against the contractual counterparty, not the public at large. *See Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 431 (2d Cir. 2012). Importantly, as acknowledged by the District Court, the Second Circuit has not ruled that a contract claim is preempted only if it includes a promise to pay, and indeed,

and misappropriated by defendant). The nature of Genius's California unfair competition claim is thus itself qualitatively different from a Copyright Act claim and not preempted.

district courts are not unanimous in concluding that a promise to pay is a necessary “extra element.”¹¹ A-90.¹²

Furthermore, the latter two elements identified by the Second Circuit in *Forest Park* are present here. The second element of mutual assent and valid consideration are present on the basis of users’ assent to Genius’s Terms of Service, which impose on all users of Genius’s service, including Defendants, an obligation not to copy or scrape Genius’s content for commercial purposes absent a license. In order to gain access to Genius’s valuable content, users of its service affirmatively assent to be bound by these Terms of Service. ¶ 24 (A-19). Further, users promise not to scrape Genius’s content and use it for commercial purposes – *i.e.*, in direct competition with Genius – in exchange for access to that content constitutes valid consideration. *See*

¹¹ *See, e.g., Broker Genius, Inc. v. Volpone*, 313 F. Supp. 3d 484, 500 (S.D.N.Y. 2018) (“The U.S. Court of Appeals for the Second Circuit has identified three ‘qualitative differences between certain contract claims and a copyright violation claim,’ and concluded that such contract claims are not preempted. One of the enumerated ‘qualitative differences’ is present here: the instant claim is a ‘breach of contract claim that asserts rights only against the contractual counterparty, not, as in a copyright claim, against the public at large. This Court concludes that there is federal jurisdiction over Broker Genius’s breach of contract claim . . .”) (citing *Forest Park*, 683 F.3d at 431, and *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996)).

¹² As noted above, the House of Representatives likewise suggested no such restriction in noting that Section 301 is not intended to “derogate[] from the rights of parties to contract with each other and to sue for breaches of contract.” H.R. Rep. 94-1476, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5748.

3 *Williston on Contracts* § 7.2 (4th ed.) (noting consideration is a “bargained-for exchange”). The third element is present because Genius makes its content available to users only through access to its licensed service, subject to Genius’s Terms of Service, rather than making it available to the public at large and without restriction, and therefore, its breach of contract claim asserts rights only against its contractual counterparties, not against the public at large, as would be the case with a copyright claim. *See ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996) (holding contract claim based upon defendant’s copying of plaintiff’s database of telephone numbers not to be preempted by the Copyright Act, in part because “[c]ontracts, by contrast [to copyrights], generally affect only their parties”).

ProCD represented a fact pattern similar to the one at bar. There, the plaintiff had compiled information from more than 3,000 telephone directories into a computer database, and brought a misappropriation claim against the defendant based on its unauthorized copying of information from the database in contravention of the plaintiff’s terms of service. *Id.* at 1449. Judge Easterbrook held that as a matter of contract law, the defendants were bound by the software’s shrink-wrap licenses, and that the private contract rights created thereby were not preempted by the Copyright Act because they were not equivalent to the exclusive rights granted under the copyright law. In sum, the contract claims were not preempted – despite the fact that the claim was based upon the defendants’ copying – because the general

scope requirement was not met. *Id.* at 1454. Although the District Court did not consider the *ProCD* case, Judge Easterbrook's analysis in *ProCD* has equal force here, and the same conclusion should be reached.

CONCLUSION

For the foregoing reasons, the Judgement of the District Court should be reversed.

Dated: New York, New York
December 28, 2020

Respectfully submitted,

/s/ Marion R. Harris

Ilene S. Farkas

Marion R. Harris

PRYOR CASHMAN LLP

7 Times Square

New York, New York

(212) 421-4100

ifarkas@pryorcashman.com

mharris@pryorcashman.com

*Attorneys for Plaintiff-Appellant
Genius Media Group Inc.*

CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(5) of the Federal Rules of Appellate Procedure, the foregoing brief is in 14-Point Times New Roman proportional font and contains 9,833 words and thus is in compliance with the type-volume limitation set forth in Rule 32(a)(7)(B) of the Federal Rules of Appellate Procedure.

Dated: December 28, 2020
New York, New York

/s/ Marion R. Harris

Marion R. Harris
PRYOR CASHMAN LLP
7 Times Square
New York, New York
(212) 421-4100
mharris@pryorcashman.com

*Attorneys for Plaintiff-Appellant Genius
Media Group Inc*