

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

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MALIBU MEDIA, LLC,	:	
	:	
	:	Case No. 1:15:cv-03610
Plaintiff,	:	
	:	
vs.	:	
	:	
DOMINGO RODRIGUEZ,	:	
	:	
Defendant.	:	
	:	
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PLAINTIFF’S MOTION TO DISMISS DEFENDANT’S COUNTERCLAIM

Plaintiff, Malibu Media, LLC (“Plaintiff”), pursuant to Federal Rule of Civil Procedure 12(b)(b), moves to dismiss Defendant Domingo Rodriguez’s (“Defendant”) Counterclaim.

I. INTRODUCTION

Plaintiff, a husband-and-wife-owned film studio dedicated to creating and producing high-quality artistic and beautiful adult content, makes its copyrighted works available to subscribers through a subscription-based website. See CM/ECF 7-1. In recent years, people have begun uploading Plaintiff’s content onto the internet for people to steal through peer-to-peer file-sharing networks. See id. To combat this piracy, Plaintiff invests significant resources into pursuing all types of anti-piracy enforcement, and sends hundreds and often thousands of infringement notices every single week. See id. Plaintiff has also retained a computer investigator to help Plaintiff identify the worst of its infringers. Relevant to this suit, Plaintiff’s investigator accessed the BitTorrent protocol and recorded Defendant’s Internet Protocol (“IP”) address download and distribute one hundred and twenty seven (127) of Plaintiff’s copyrighted works, contemporaneously with

numerous other third party works. *See* CM/ECF 1; 17. To deter this piracy and obtain some reasonable compensation therefrom, Plaintiff amended its complaint, stating a claim for direct copyright infringement against Defendant. *See* CM/ECF 17.

On or about June 23, 2015, Andy Norman, Esq. (“Defense Counsel”) left a voicemail at the office of the undersigned, explaining that he had been retained to represent Defendant in this lawsuit and that Defendant had admitted that he used torrent websites and accessed peer-to-peer file-sharing programs to download at least one movie “of the erotica genre in which Malibu operates.” According to Defense Counsel, however, Defendant had been under the impression that this conduct was legal. Defendant then filed an Answer, apparently recanting his concession so as to deny liability and asserting a Counterclaim consisting of three (3) separate counts. *See* CM/ECF 23. Since Defendant’s Counterclaim blatantly violates Rule 11,¹ Plaintiff will separately be serving Defense Counsel with a Rule 11 motion, requesting that he voluntarily withdraw Defendant’s Counterclaim. Plaintiff candidly notes, therefore, that the subject motion will be mooted to the extent Defendant voluntarily withdraws his Counterclaim. At this juncture, though, Plaintiff moves pursuant to Rule 12(b)(6) to dismiss Defendant’s Counterclaim since it (1) misapprehends the law; (2) grossly misconstrues how the BitTorrent protocol works thereby asserting impossible and implausible factual allegations; and (3) fails to state claims upon which relief can be granted.

II. ARGUMENT

A. Legal Standard

¹ The subject motion does not address the substance of the Rule 11 violations. For present purposes, it suffices to note that Defendant’s Counterclaim contains numerous demonstrably false assertions necessarily made without any factual basis or reasonable inquiry, as well as frivolous legal claims that are unsupported by well established law.

A motion pursuant to Federal Rule of Civil Procedure 12(b)(6) tests whether a pleading sufficiently evinces a showing that the pleader is entitled to relief. *See Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009); *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007). To survive such a motion, a counterclaim “must contain sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face. A [counter]claim has facial plausibility when the [defendant] pleads factual content that allows the court to draw the reasonable inference that the [plaintiff] is liable for the misconduct alleged.” *Iqbal*, 556 U.S. at 678 (citing *Twombly*, 550 U.S. at 570); *Cincinnati Life Ins. Co. v. Beyrer*, 722 F.3d 939, 946 (7th Cir. 2013) (same). Since a “showing” of entitlement to relief is required, the Court need not accept a counterclaimant’s unsupported legal allegations, nor must it agree with legal conclusions couched as factual allegations or conclusory factual allegations devoid of any reference to actual events. *See Iqbal*, 556 U.S. at 679 (“Where the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct, the complaint has alleged, but it has not shown, that the pleader is entitled to relief.”).

B. Counterclaim Count III: Plaintiff Did Not Fail to Mitigate Its Damages And, Regardless, Same Is Not A Viable Counterclaim Or Affirmative Defense

Count III of Defendant’s Counterclaim asks the Court to enter judgment on his behalf on the basis that Plaintiff failed to mitigate its damages. According to Defendant, “Plaintiff has failed to mitigate its damages in reasonable and available ways.” CM/ECF 23 at p. 19. First, Defendant alleges that “Plaintiff has made no apparent public warning statements or other efforts to alert internet users such as Rodriguez to the risk they undertake, should they unwittingly click on a popup or file leading to one of plaintiff’s copyrighted products.” *Id.* Defendant must not have made any reasonable inquiry because his assertion is demonstrably false. The majority of Plaintiff’s works contain express copyright notices and Plaintiff’s website—where it provides its

copyrighted works to paying subscribers—likewise contains multiple copyright disclaimers, advising viewers that Plaintiff’s content is protected by copyright law.² As to Defendant’s concern about internet users “unwittingly click[ing] on a popup or file leading to one of plaintiff’s copyrighted products,” that concern is unfounded and nonexistent because there are no popups that, if clicked, would cause Plaintiff’s copyrighted works to be downloaded. Even if there were such popups, this consideration has nothing to do with this case; this lawsuit does not concern an accidental click on a pop-up, but concerns Defendant’s decision to download specialized torrent software and to then access peer-to-peer file-sharing networks to download copyrighted works for free, including 127 of Plaintiff’s films. *See* CM/ECF 17.

Second, Defendant alleges that “Plaintiff has made no apparent public warning statements or other efforts to alert internet users such as Rodriguez to be wary of entering into one of the Torrent websites in which plaintiff’s copyrights are being violated.” CM/ECF 23 at p. 19. But Plaintiff does not control or operate Torrent websites and does not have the ability to put public warnings on them. And, as stated in an affidavit already filed on the docket, Plaintiff routinely and regularly issues takedown notices to infringing websites. *See* CM/ECF 7-1. Regardless, Defendant’s argument is disingenuous because it is common knowledge that it violates copyright law to download pirated copyrighted films for free via BitTorrent. Getting films for free, when a person would otherwise have to pay for them, evinces intent to bypass legitimate means of obtaining the films. Defendant’s decision to download torrent software and access peer-to-peer file sharing systems to download scores of copyrighted works, including 127 of Plaintiff’s movies, evinces Defendant’s actual knowledge or reckless disregard of his pervasive copyright infringement. *Cf. Arista Records, Inc. v. Beker Enters., Inc.*, 298 F. Supp.2d

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See generally www.xart.com

1310, 1312 (S.D. Fla. 2003) (holding that if a defendant obtains a copyrighted work for free or for well below market price, that sales price differential is compelling evidence of willful and knowing infringement).

Finally, Defendant alleges that “Plaintiff has filed no litigation and taken no legal action to shut down the websites which enable the public to obtain Plaintiff’s products at no charge. On information and belief, plaintiff has not issued any Digital Millennium Copyright Act (D.M.C.A.) takedown notices to the owners and/or operators of the BitTorrent trackers being used to distribute plaintiff’s works.” CM/ECF 23 at p. 19–20. Once again, however, as stated in an affidavit already filed on the docket, Plaintiff routinely and regularly issues takedown notices to infringing websites. *See* CM/ECF 7-1. Although Plaintiff sends torrent websites DMCA notices, most notorious “bad actors” in this realm are located in foreign jurisdictions and they simply ignore Plaintiff’s notices. It is for this reason that Plaintiff does not file litigation against torrent websites. The majority of torrent websites are located overseas in jurisdictions that do not respect copyrights and, even if suit were possible, it would involve a multi-million dollar expense only to have another torrent website emerge to replace it if the suit were successful. And Plaintiff does not sue BitTorrent because it has legitimate, non-infringing uses and, to the best of Plaintiff’s knowledge, BitTorrent merely licenses its code to BitTorrent clients. A BitTorrent client is a software program that enables the BitTorrent protocol to work. There are scores of BitTorrent clients, but Plaintiff does not sue them because they are disassociated from the infringement. BitTorrent clients merely make software that can be used for legitimate purposes and, as with torrent websites, many of them are intentionally located overseas.

Ultimately, and even setting aside all the foregoing, Defendant’s First Counterclaim is destined for 12(b)(6) dismissal because it fails to state a claim. Plainly, there is no cause of

action for failure to mitigate. And although such a claim may be viable as an affirmative defense, it fails in context and should be stricken because Plaintiff has elected to recover statutory damages *instead of* actual damages, as authorized by § 504(c)(1) of the Copyright Act. *See* CM/ECF 17. The selection of statutory damages obviates the applicability of a failure to mitigate damages defense. *See, e.g., Malibu Media LLC v. Doe*, No. No. 13 C 3648, 2014 WL 2581168, *5 (N.D. Ill. June 9, 2014) (striking this affirmative defense, noting that “Malibu’s election of statutory damages eliminates failure to mitigate as a viable defense”); *Malibu Media LLC v. Doe*, No. 1:13-cv-30, 2013 WL 4048513, *2 (N.D. Ind. Aug. 9, 2013) (“Having elected statutory damages, Plaintiff has given up the right to seek actual damages, thereby making a failure-to-mitigate defense inapplicable. As such, this affirmative defense will be STRICKEN.”); *see also Malibu Media, LLC v. Doe*, No. 13-cv-0512, 2015 WL 1402286, *2 (D. Md. Mar. 25, 2015) (“[C]ourts all agree that a copyright plaintiff’s exclusive pursuit of statutory damages invalidates a failure to mitigate defense”); *Malibu Media, LLC v. Fitzpatrick*, No. 1:12-cv-22767, 2013 WL 5674711, *3 n.17 (S.D. Fla. Oct. 17, 2013) (“Defendant’s fourth affirmative defense, failure to mitigate damages, is obviated by Plaintiff’s representation that it only seeks statutory damages.”).

C. Counterclaim Count II: Plaintiff Did Not Violate the Consumer Fraud and Deceptive Business Practices Act

Count II of Defendant’s Counterclaim asks the Court to enter judgment on his behalf on the basis that Plaintiff has engaged in a “scam” in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act (“the ICFA”). *See* CM/ECF 23 at p. 12–18. As addressed below, Count II of Defendant’s Counterclaim cannot survive the instant motion to dismiss for a number of reasons.

1. There Is No “Scam”—Defendant’s Allegations Are Not Well Pled

“[A] complaint alleging a violation of the ICFA must be pled with the same particularity and specificity as that required under common law fraud. Thus, a complaint must allege facts from which fraud is the necessary or probable inference, including what misrepresentations were made, when they were made, who made the misrepresentations and to whom they were made. Conclusory allegations unsupported by specific facts are insufficient.” *Ananthapadmanabhan v. BSI Fin. Servs., Inc.*, No. 15 C 5412, 2015 WL 8780579 at *5 (N.D. Ill. Dec. 15, 2015). Here, Defendant’s allegations lack the required specificity and Defendant relies upon a faulty and inadequately alleged premise.

Defendant’s ICFA claim is based on what he alleges to be “a scam designed solely to intimidate and deceive Rodriguez and hundreds or perhaps thousands of others, and to coerce money from them.” CM/ECF 23 at p. 13. According to Defendant, “[i]n addition to the allegations of [Plaintiff’s] complaint, plaintiff’s scam includes [filing] well more than a thousand copyright violation lawsuits similar to this one, against individuals who had no intention to, and were unaware, that they were engaging in conduct that might cause them to violate copyright laws.” *Id.* Defendant further alleges that Plaintiff’s “scam” involves suing people “such as Domingo Rodriguez, who did not search for, and who never had any interest in plaintiff’s products, “X-art,” erotica or pornography, but apparently are misled or deceived on the internet into clicking on plaintiff’s products.” *Id.* at p. 13–14. “Often plaintiff’s products appear as pop-ups and other unsolicited files described as ‘free’ or ‘free download.’” *Id.* “As part of the scam,” Defendant alleges, “plaintiff intentionally engages in public humiliation of defendants, so as to better coerce money from them. As Plaintiff has done with Rodriguez through Exhibit B to its complaint, they arrange for a list of pornographic movie titles to be attached to the complaint and thereby publicly associated with the defendant. Exhibit B, which references evidence and

not pleading information, serves no apparent pleading purpose other than to humiliate.” *Id.* at p. 14. Finally, Defendant alleges that “plaintiff has intentionally advanced and allowed the scam to continue unabated, so as to continue to rake in the money from defendants such as Rodriguez. Toward this end, ... plaintiff appears to brazenly stoke the flames of copyright infringement. On information and belief, plaintiff has given the right to its computer forensics investigator(s) to distribute to the public plaintiff’s copyright-protected works, so as to trap ‘defendants to be,’ such as Rodriguez.” *Id.* at p. 15–16.

The foregoing allegations are each conclusory; none are pled with meaningful particularity or specificity, no exhibits or supporting facts are provided. This Court has very recently reaffirmed that such unsupported conclusory allegations are insufficient to support a claim under the ICFA. *Accord BSI Fin. Servs., Inc.*, 2015 WL 8780579 at *5. Moreover, the conclusory allegations supporting Defendant’s ICFA claim are particularly insufficient because they are largely undermined and contradicted by Plaintiff’s Complaint allegations and the statements in Plaintiff’s affidavit, which were made under penalty of perjury and filed on the docket. *See* CM/ECF 7-1 & 17. For example, Plaintiff has already sworn that it is dedicated to only pursuing liable infringers and has no interest in accepting payment from innocent individuals. *See id.* Plaintiff *routinely* voluntarily dismisses cases rather than accept settlements when it obtains information to believe that the defendant offering a settlement is innocent or otherwise experiencing genuine financial hardship. Courts have taken notice. *See, e.g., Malibu Media, LLC v. Doe*, No. 14-cv-00259, 2014 WL 1689935, *5 (D. Colo. April 28, 2014) (“the Court has personally observed Plaintiff’s willingness to settle and/or dismiss cases without payment of *any damages* where the defendant has come forward with exculpatory evidence”); *Malibu Media, LLC v. Doe*, No. 13-cv-01523, 2013 WL 4510363, *3 (D. Colo. Aug.

26, 2013) (same); *Malibu Media, LLC v. Does*, No. 12-cv-02598, 2013 WL 1777710, *7 n.3 (D. Colo. Feb. 12, 2013) (“the Court has also witnessed firsthand the Plaintiff’s willingness to resolve cases without any monetary payment when a Defendant credibly denies infringement”). As for Defendant’s assertion that Plaintiff intentionally sues individuals who “were unaware that they were ... violat[ing] copyright laws,” this is simply a non-issue; “liability for copyright infringement does not turn on the infringer’s mental state because a general claim for copyright infringement is fundamentally one founded on strict liability.” *Kohus v. Graco Children’s Prods., Inc.*, 13 F. Supp. 3d 829, 838 (S.D. Ohio 2014).

Plaintiff’s copyright infringement lawsuits, including the subject suit, do not target occasional or innocent infringers; they target the worst of Plaintiff’s infringers. The defendants in Plaintiff’s copyright infringement lawsuits, including Defendant here, are alleged to have used their wireless internet connections and hard drives to *repeatedly* download and distribute numerous pirated copies of Plaintiff’s works using specialized torrent software and peer-to-peer file sharing networks. At issue in this lawsuit is not a single inadvertent download, but the downloading of 127 of Plaintiff’s films. And, Plaintiff has collected presuit evidence establishing that Defendant regularly used peer-to-peer file-sharing software to download over 150 third party copyrighted works between December 2014 and June 2015. Neither this lawsuit nor any of Plaintiff’s copyright infringement lawsuits concern accidental clicks on pop-up ads. *See generally* CM/ECF 17.

As for Defendant’s conclusory suggestions that Plaintiff employs tactics to embarrass defendants or to lure infringement by placing its works on torrent websites, the opposite is true and Defendant cannot possibly have “information and belief” to support his contrary assertions. Plaintiff always allows its defendants to litigate through discovery anonymously—appearing to

the public as simply a “John Doe.” Plaintiff identified the names of the copyrighted works at issue in this suit not to humiliate Defendant, as he claims, but for the obvious purpose of adequately alleging copyright infringement. To adequately allege copyright infringement, it is necessary to identify the copyrighted works at issue. *See Denison v. Larkin*, 64 F.Supp.3d 1127, 1132 (N.D. Ill. 2014) (“A plaintiff alleging copyright infringement must establish ... ownership of a valid copyright” citing *Janky v. Lake Cnty. Convention & Visitors Bureau*, 576 F.3d 356, 361 (7th Cir. 2009)). And Plaintiff absolutely does not induce the infringement of its works. Plaintiff has already sworn, under penalty of perjury, that it has “*never* authorized anyone to put [Plaintiff’s] works on a torrent website” and that it “do[es] not seek to use the Court system to profit from the infringement like some have suggested. [R]evenues from subscriptions to X-Art.com are by far and away the dominant driver of Malibu Media’s business. [Plaintiff] want[s] the infringement to stop. Accordingly, the purpose of these lawsuits is to motive people to pay for subscriptions by deterring infringement and seek some reasonable compensation for the massive amount of infringement of [Plaintiff]’s copyrights.” CM/ECF 7-1.

As the foregoing makes clear, Defendant’s perceived “scam” is based entirely on unsupportable, conclusory, and insufficiently alleged factual allegations that are not only noncompliant with the pleading standards applicable to fraud but that are otherwise devoid of any reference to actual events. Since Defendant’s ICFA counterclaim relies entirely on his implausible and insufficiently-alleged “scam,” Defendant’s ICFA counterclaim, as alleged, cannot survive a motion to dismiss. *Accord Iqbal*, 556 U.S. at 678; *Twombly*, 550 U.S. at 570; *Beyrer*, 722 F.3d at 946; *BSI Fin. Servs., Inc.*, 2015 WL 8780579 at *5.

2. There Is No ICFA Violation

Even if Defendant’s factual allegations were sufficient, Defendant fails to sufficiently

allege a violation of the ICFA. The ICFA “is a regulatory and remedial statute intended to protect consumers, borrowers, and business persons against fraud, unfair methods of competition, and other unfair and deceptive business practices.” *Siegel v. Shell Oil Co.*, 612 F.3d 932, 934 (7th Cir. 2010). “The elements of a claim under ICFA are: (1) a deceptive or unfair act or practice by the defendant; (2) the defendant’s intent that the plaintiff rely on the deceptive or unfair practice; and (3) the unfair or deceptive practice occurring during a course of conduct involving trade or commerce.” *Id.* “In addition, to prevail under ICFA, a plaintiff must demonstrate that the defendant’s conduct is the proximate cause of the injury.” *Id.* at 935. Here, as discussed below, Defendant fails to plausibly and sufficiently allege the requisite elements.

a. No Deceptive or Unfair Act or Practice

Defendant attempts to allege a deceptive or unfair act or practice by alleging that “Plaintiff makes no effort to disclose to the unwitting victims who [download] one of its movies, the material facts that his or her IP address is being recorded, that he or she is part of an intentionally created scam, and that a lawsuit may be filed against the person.” CM/ECF 23 at p. 17. In other words, Defendant’s argument is that Plaintiff’s decision to monitor BitTorrent activity to protect and enforce its copyrights amounts to a deceptive or unfair act or practice because copyright infringers are not notified about the monitoring and do not realize their crimes are detectable.

Defendant’s contention does not pass muster and is without any possible merit. The Seventh Circuit has explained that conduct is unfair within the meaning of the ICFA if it (1) violates public policy; (2) is so oppressive that the consumer has little choice but to submit; and (3) causes consumers substantial injury. *Shell Oil Co.*, 612 F.3d at 935. But Congress expressly created this system for copyright holders to monitor peer-to-peer file-sharing networks and to

then subpoena internet service providers in order to identify infringers, determining that enabling copyright holders to ferret out online infringement furthers public policy and the interests of the Copyright Act. *See* S. REP. 105-190, 20; 47 U.S.C. § 551 *et seq*; *In re Verizon Internet Servs., Inc.*, 240 F. Supp. 2d 24, 37 (D.D.C. 2013) *rev'd sub nom.* Copyright holders—including major record labels and film studios—routinely enforce their copyrights against piracy in the federal court system by monitoring BitTorrent and subpoenaing internet service providers for subscriber information, and courts routinely approve of this system of detecting infringement. *See, e.g., Sony BMG Music Entm't v. Tenenbaum*, 660 F.3d 487, 492 (1st Cir. 2011) (“Shortly after peer-to-peer networks first appeared, plaintiffs acknowledged the threat they posed to their industry and initiated a broad campaign to address the illegal infringement of copyrighted materials.”); *Paramount Pictures Corp. v. Davis*, 234 F.R.D. 102, 104 (E.D. Pa. 2005) (“With the aid of other technological developments, the internet also has afforded users with opportunities to infringe on the rights of owners of copyrighted works, including motion pictures.”). Plainly, Plaintiff’s monitoring conduct is in the public interest and is not deceptive or unfair.

Nor could it ever be held that monitoring peer-to-peer networks for infringement is oppressive or injurious to consumers. First, it is not the case that BitTorrent users have “little choice but to submit.” People need not download content illegally via BitTorrent but can readily and easily obtain content through lawful means. Those that choose to bypass legitimate means, do so on their own volition by voluntarily installing specialized torrent software, voluntarily accessing peer-to-peer file-sharing networks, and voluntarily connecting with other internet users to exchange and distribute pirated content. Second, monitoring peer-to-peer networks is not injurious to consumers because the BitTorrent protocol is inherently public; by engaging in file sharing, internet users are already “broadcasting their identifying information to everyone in the

BitTorrent ‘swarm.’” *Columbia Pictures, Inc. v. Bunnell*, 245 F.R.D. 443, 452 (C.D. Cal. 2007). At issue in this lawsuit are two distinct sets of public and voluntary BitTorrent communications: (1) those between Defendant and Plaintiff’s investigator and (2) those between Defendant and other BitTorrent users. With respect to the first set of communications, Plaintiff’s investigator and Defendant each publicly and voluntarily entered into the same BitTorrent swarms, and thereby entered into consensual TCP/IP transactions, through which Defendant sent parts of 127 of Plaintiff’s pirated copyrighted works to Plaintiff’s investigator. With respect to the second set of communications, which occurred contemporaneously with the foregoing communications, Defendant publicly and voluntarily entered into swarms with other BitTorrent users to unlawfully download and distribute third-party copyrighted works. Although Plaintiff’s investigator was not a participant to those electronic communications (*i.e.*, did not join those swarms), it was able to log them because they were made public by BitTorrent’s use of distributed hash tables (“DHT”).³ Plaintiff’s investigator merely logged the full extent of Defendant’s infringing BitTorrent activities because this circumstantial evidence facilitates Plaintiff’s ability to enforce and protect its own copyrights.

Moreover, there cannot be any meaningful “injury” caused by Plaintiff’s monitoring because “[t]here is no expectation of solitude or seclusion when a person activates a file sharing program and sends a file to the requesting computer. By participating . . . a user expects millions of other users to view and copy her files.” *Capitol Records Inc. v. Thomas-Rasset*, No. 06-1497,

³ DHT publicly identifies, for all to see, the various IP addresses downloading content and publicly discloses, for all to see, what content is being transferred. *See, e.g.*, “How BitTorrent DHT Peer Discovery Works,” available at <https://www.maketecheasier.com/how-bittorrent-dht-peer-discovery-works/>; *see also* “Btindex Exposes IP-Addresses of BitTorrent Users,” available at <https://torrentfreak.com/btindex-exposes-ip-addresses-of-bittorrent-users-140807/> (“BitTorrent downloading habits are available for almost anyone to snoop on. By design the BitTorrent protocol shares the location of any user in the swarm. After all, without knowing where to send the data nothing can be shared to begin with. Despite this fairly common knowledge, even some experienced BitTorrent users can be shocked to learn that someone has been monitoring their activities, let alone that their sharing activity is being made public for the rest of the world to see.”).

2009 WL 1664468 at *4 (D. Minn. June 11, 2009); *see also Raw Films, Ltd. V. John Does 1-15*, No. 11-7248, 2012 WL 1019067, *8 (E.D. Pa. Mar. 26, 2012) (holding that individuals who use the internet to illegally copy and distribute copyrighted material have a minimal expectation of privacy since they “have already voluntarily given up certain information by engaging in that behavior”); *Bunnell*, 245 F.R.D. at 452 (“Even if the users are engaged in legal file sharing, they have little to no expectation of privacy because they are broadcasting their identifying information to everyone in the BitTorrent ‘swarm’”).

b. No Intended Reliance

Even if there were a deceptive or unfair practice, a party cannot sustain an ICFA claim unless he shows “the defendant’s intent that the plaintiff rely on the [defendant’s] deceptive or unfair practice.” *Shell Oil Co.*, 612 F.3d at 934. Here, Defendant does not allege this element with supporting facts, but conclusorily states: “Plaintiff knowingly works or allows the scam-process to operate behind the scenes, and ferrets out the IP numbers of unwitting prospective defendants who click on plaintiff’s products. [This] involves the concealment, suppression, or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact.” CM/ECF 23 at p. 17.

Defendant’s analysis fails for two reasons. First, Defendant has failed to show or properly allege with facts that Plaintiff intended for Defendant to rely on Plaintiff’s “behind the scenes” monitoring. Defendant cannot so allege because Plaintiff has at all times known that Defendant was *in fact* on notice that his BitTorrent activity could be monitored. Indeed, Comcast, Defendant’s internet service provider, has publicly viewable terms of service that prohibit using the internet to infringe copyrights, and Comcast notifies and expressly warns its customers that “content companies routinely monitor online activity to see if their content is

being improperly used or shared.”⁴ Second, even if Plaintiff had intended Defendant to rely on its “behind the scenes” monitoring, the reliance would not be of the sort contemplated by the ICFA. As far as undersigned can tell, Defendant’s argument is that by “allow[ing] the scam-process to operate behind the scenes,” Plaintiff intends for its defendants to assume that their file sharing is not being monitored and that their online copyright infringements will go undetected. Stated differently, Defendant’s argument appears to be that Defendant is unfairly being subjected to a direct copyright infringement lawsuit because, had Plaintiff notified Defendant that his copyright violations were being recorded, Defendant would never have violated Plaintiff’s copyrights. This argument misconstrues the purpose and intent of the ICFA and has no impact on Plaintiff’s ability to recover for Defendant’s infringement. The ICFA is not a cause of action available to criminals who allege that they only committed a crime or violated a law because they had believed they could get away with it. Instead, the ICFA is “intended to protect consumers, borrowers, and business persons against fraud, unfair methods of competition, and other unfair and deceptive business practices.” *Shell Oil Co.*, 612 F.3d at 934 (7th Cir. 2010). In this lawsuit, it is Defendant, not Plaintiff, who engaged in unfair and unlawful conduct.

c. No Trade or Commerce

The third element of a claim under ICFA is “the unfair or deceptive practice occurred during a course of conduct involving trade or commerce.” *Shell Oil Co.*, 612 F.3d at 934. Again, ICFA “is a regulatory and remedial statute intended to protect consumers, borrowers, and business persons against fraud, unfair methods of competition, and other unfair and deceptive business practices.” *Shell Oil Co.*, 612 F.3d at 934. Consistent with its rationale, the statute defines the terms “trade” and “commerce” as “the advertising, offering for sale, sale, or

⁴ See, e.g., Comcast’s Copyright Alert System FAQ (<http://customer.xfinity.com/help-and-support/internet/copyrightalerts>); Comcast’s Internet Acceptable Use Policy (<http://www.xfinity.com/Corporate/Customers/Policies/HighSpeedInternetAUP.html>).

distribution of any services and any property....” 815 Ill. Comp. Stat. Ann. 505/1. Here, however, Plaintiff’s allegedly unfair or deceptive monitoring did not occur in the course of *its* advertising, sale, or distribution of services or property. Instead, it occurred in the course of the unlawful and unauthorized theft of Plaintiff’s intellectual property. That is, Plaintiff’s monitoring and recording of Defendant’s digital theft did not occur to facilitate or induce others to purchase content from Plaintiff; it occurred to combat piracy and afford Plaintiff some reasonable recourse for the theft of its intellectual property. The ICFA is not implicated.

d. No Proximate Causation

Finally, to sustain a claim under the ICFA, a claimant must “demonstrate that the defendant’s conduct is the proximate cause of the injury.” *Shell Oil Co.*, 612 F.3d at 935. Defendant does not allege proximate causation and any allegation would be patently ridiculous and not actionable because, as discussed *supra*, the ICFA is designed to protect innocent and law-abiding consumers; it is not meant to allow individuals who steal property to countersue their victims by arguing that they did not realize their theft would be detected. The proximate cause of Defendant’s exposure to Plaintiff for infringement was Defendant’s decision to unlawfully download and distribute Plaintiff’s copyrighted works, not Plaintiff’s monitoring of that misconduct.

1. Defendant’s ICFA Is Inapplicable And Preempted

In addition to the foregoing, there are two additional infirmities with Defendant’s ICFA claim. First, the ICFA does not apply to actions which occur outside the state of Illinois; the Act “does not have extraterritorial effect” and requires that the deceptive or unfair trade practice occur “primarily and substantially” in Illinois. *Avery v. State Farm Mut. Auto. Ins. Co.*, 835 N.E.2d 801, 853–54 (Ill. 2005). Here, none of the alleged misconduct occurred in Illinois.

Plaintiff is a California company, and its business decisions and practices are primarily made and carried out in California. And, the focus of Defendant's ICFA claim is on Plaintiff's "behind the scenes" monitoring. This monitoring was performed by Plaintiff's investigator, IPP International UG, a German company in the business of providing information about online infringement to copyright owners. *See* CM/ECF 17. Plaintiff's investigator performs monitoring services for hundreds of copyright holders worldwide, and does this from its corporate offices in Germany. Plainly, Defendant's ICFA claim fails because it does not concern conduct occurring in Illinois.

Second, even if it were otherwise, Defendant's claims are preempted by the Copyright Act. The Seventh Circuit has developed a two-part test to determine whether a state law claim is preempted by the Copyright Act: "First, the court asks whether the work at issue is fixed in a tangible means of expression and whether it falls within the subject matter of copyright. Next, the court looks to whether the rights asserted are equivalent to any of the rights specified in section § 106 of the Copyright Act." *Defined Space, Inc. v. Lakeshore East, LLC*, 797 F. Supp.2d 896, 902 (N.D. Ill. 2011). Here, both questions must be answered yes, dictating preemption. First, Plaintiff's 127 copyrighted films are unquestionably fixed in a tangible means of expression and they undeniably fall within the subject matter of copyright. *See* CM/ECF 17. Indeed, Defendant admits that Plaintiff has obtain copyrights from the Copyright Office for each one of its works. *See* CM/ECF 23 at p. 15. Second, the rights asserted are equivalent to those specified in the Copyright Act. Defendant asserts his ICFA counterclaim as a means of allowing the Court to enter judgment in his favor on Plaintiff's claim for direct copyright infringement and to then award Defendant his prevailing party attorney's fees and costs under the Copyright Act. *See* CM/ECF 23 at p. 18. Under these circumstances, binding authority teaches that while

Defendant's allegations in his ICFA claim may support one or more equitable affirmative defenses to Plaintiff's copyright infringement (if properly alleged), they cannot support a counterclaim under the ICFA. Since Defendant is precluded from maintaining a cause of action pursuant to section 2 of Illinois' Consumer Fraud and Deceptive Business Practices Act, count II of Defendant's Counterclaim is preempted and cannot survive this motion to dismiss. *Accord Lakeshore East, LLC*, 797 F. Supp.2d at 903 (dismissing an ICFA claim, finding it preempted by the Copyright Act); *Cyber Websmith, Inc. v. Am. Dental Ass'n*, No. 09-cv-6198, 2010 WL 3075726 at *2 (N.D. Ill. Aug. 4, 2010) (same); *Natkin v. Winfrey*, 111 F. Supp.2d 1003, 1014 (N.D. Ill. 2000) (same); *Chicago Style Productions, Inc. v. Chicago Sun Times, Inc.*, 728 N.E.2d 1204, 1208 (Ill. App. Ct. 2000).

B. Counterclaim Count I: Defendant's Declaratory Judgment Counterclaim Is Duplicative Of Plaintiff's Copyright Infringement Claim

Count I of Defendant's Counterclaim asserts a cause of action for declaratory relief by asking the Court to deny Plaintiff's claim for direct copyright infringement and declare that Defendant is not liable to Plaintiff for same. *See* CM/ECF 23 at p. 11–12. Without providing analysis or discussion of applicable fact or law, Defendant's counterclaim asks the Court to hold that "Plaintiff is not entitled to recover statutory damages or attorney's fees" by finding (i) that Plaintiff "intentionally is engaging in a scam [in violation of] the Illinois Consumer Fraud and Deceptive Business Practices Act; or (ii) that Plaintiff's copyright registrations are stricken and void on the basis that Plaintiff's copyrights do not sufficiently promote the Progress of Science and useful Arts; or (iii) that Plaintiff failed to reasonably mitigate its damages. *See* CM/ECF 23 at p. 11–12.

For Defendant to be able to maintain this counterclaim, he "must demonstrate 'a substantial controversy, between parties having adverse legal interests, of sufficient immediacy

and reality to warrant the issuance of a declaratory judgment.” *Sarkis’ Café, Inc. v. Sarkis in the Park, LLC*, 55 F. Supp.2d 1034, 1038 (N.D. Ill. 2014); *Meaden v. Meaden*, No. 12 C 3534, 2012 WL 6019233, at *4 (N.D. Ill. Nov. 30, 2011). Defendant cannot do this because Defendant’s counterclaim is entirely duplicative of Plaintiff’s direct copyright infringement claim. More specifically, Defendant’s purported counterclaim for declaratory judgment simply asks the Court to find meritorious (i) an unclean hands affirmative defense; (ii) a copyright invalidity affirmative defense; or (iii) a failure to mitigate damages affirmative defense. Although Defendant’s failure to mitigate damages affirmative defense is contextually inapplicable and unsupportable, *see supra*, Defendant’s unclean hands and copyright invalidity affirmative defenses—assuming they are not stricken for being insufficiently alleged—can and will be properly addressed and ruled upon in dealing with the merits of Plaintiff’s copyright infringement claim. Since Defendant’s declaratory judgment counterclaim is duplicative of the issues that will be litigated through Plaintiff’s direct infringement claim, it serves no useful purpose and is improper and disallowed by the Declaratory Judgment Act. *See, e.g., Sarkis’ Café*, 55 F. Supp.3d at 1038 (“Where the substantive suit would resolve the issues raised by the declaratory judgment action, the declaratory judgment action serves no useful purpose because the controversy has ripened and the uncertainty and anticipation of litigation are alleviated.” (citing *Intercon Solutions, Inc. v. Basel Action Network*, 969 F. Supp.2d 1026, 1025 (N.D. Ill. 2013))). Following precedent and to properly streamline the litigation, Count I of Defendant’s Counterclaim should be dismissed. *Accord Sarkis’ Café*, 55 F. Supp.3d at 1038 (dismissing a defendant’s declaratory judgment counterclaim pursuant to Rule 12(b)(6) under analogous circumstances); *Neilsen Co. (US) LLC v. Truck Ads, LLC*, No. 08 C 6466, 2011 WL 221838, at *5 (N.D. Ill. Jan. 24, 2011) (same); *see also Interscope Records v. Duty*, No. 05-cv-3744, 2006

WL 988086, at *3 (D. Az. Apr. 14, 2006) (same).

I. CONCLUSION

For the foregoing reasons, this Court should dismiss Defendant's Counterclaim. A proposed order is attached for the Court's convenience.

Respectfully submitted,

MEDIA LITIGATION FIRM, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that on December 21, 2015, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF and that service was perfected on all counsel of record and interested parties through this system.

By: /s/ Mary K. Schulz