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**Peer-to-Peer File Sharing:**  
***Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.***  
***In re Aimster Litigation***

INTRODUCTION

This year's peer-to-peer file sharing cases present new questions about the scope and future of the Supreme Court's *Sony* doctrine regarding secondary liability to producers of technologies that may be used to infringe on copyright.<sup>1</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.* ("Grokster")<sup>2</sup> and *In re Aimster Copyright Litigation* ("Aimster")<sup>3</sup> represent two different outcomes regarding the legality of distributing peer-to-peer file sharing technology that is widely used to share copyrighted music. *Grokster*, a California district court case decided in April and pending appeal, and *Aimster*, a June circuit court decision by the Seventh Circuit's Judge Posner, offer differing interpretations, limitations, and expansions of *Sony* doctrine that raise timely questions regarding the development of technology law between the judiciary and legislative branches that may inform the outcome of the immediate cases and many more to come.

The Supreme Court's decision in the *Sony Betamax* case has governed secondary liability for technology producers for nearly twenty years.<sup>4</sup> Drawing on the "staple article

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<sup>1</sup> See *Sony Corp. of America, Inc. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

<sup>2</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029 (9<sup>th</sup> Cir. 2003).

<sup>3</sup> *In re Aimster Copyright Litigation*, 252 F. Supp. 2d 634 (N.D. Ill. 2002), *aff'd* 334 F.3d 643 (7<sup>th</sup> Cir. 2003).

<sup>4</sup> See *Sony*, 464 U.S. 417.

of commerce” doctrine codified by Congress in patent law,<sup>5</sup> the *Sony* Court held that a technology seller was not liable for secondary copyright infringement where its product was “capable of commercially significant noninfringing uses.”<sup>6</sup> Since the Betamax video tape recorder was capable of the noninfringing fair use of time shifting, the Court held Sony was not liable for infringing use of the machine by consumers even where the record showed that such use was widespread.<sup>7</sup>

Courts have applied *Sony* doctrine to determine secondary liability in a number of subsequent technology cases,<sup>8</sup> reaching the question of music file sharing in *A&M Records, Inc. v. Napster, Inc.* (“Napster”).<sup>9</sup> In the course of these decisions, the courts have arguably transformed the *Sony* rule, and the plaintiffs in the current *Grokster* appeal call for further change still.<sup>10</sup> Under the current *Sony* rule and in light of the instant litigation, courts confront a number of questions. Where a technology is capable of substantial non-infringing uses, does secondary liability for copyright infringement lie with the distributor where the distributor does not have the right or ability to supervise infringing conduct? Where the distributor has willfully blinded itself to actual or constructive knowledge of infringing conduct by end users? Where the distributor offers not just a product but also a service that facilitates copyright infringement? Does a technology producer have a legal duty to take measures to prevent or substantially reduce

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<sup>5</sup> 35 U.S.C. § 271(c).

<sup>6</sup> *Sony*, 464 U.S. at 442.

<sup>7</sup> 464 U.S. at 428, 442.

<sup>8</sup> *See, e.g.*, *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 262 (5<sup>th</sup> Cir. 1988); *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 971 (9<sup>th</sup> Cir. 1992); *Recording Industry Ass’n of America v. Diamond Multimedia Systems, Inc.*, 180 F.3d 1072, 1079 (9<sup>th</sup> Cir. 1999) (check).

<sup>9</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, (N.D. Cal. 2000), *aff’d in part and vacated in part*, 239 F.3d 1004, 1020-21 (9<sup>th</sup> Cir. 2001).

<sup>10</sup> *MGM Br.; Boorstyn Br.*

infringing use of its product subject to a cost-benefit balancing test?<sup>11</sup> Resolving these questions requires courts to make decisions about the degree and nature of deference due to superior court precedent on an issue regarding which Congress has so far remained silent. This note proposes that this question, more than any particular aspect of the technologies at issue, will determine the ultimate outcome of the instant cases and the future of secondary copyright infringement jurisprudence.

## **SONY DOCTRINE IN THE PEER-TO-PEER AGE: LEGAL AND TECHNICAL ISSUES**

### **a. Legal**

- i. Secondary liability (judge-made)
  1. Contributory (*Gershwin, Fonovisa*)
    - a. Knowledge of direct infringement (specific acts, *Napster* at 1021) and
    - b. Material contribution (*Grokster* at 1035)
    - c. Codified by Congress in patent law but not copyright
  2. Vicarious
    - a. Right and ability to supervise infringing conduct and
    - b. Direct financial interest (*Napster* at 1022)
- ii. *Sony* doctrine (judge-made): Borrowing from patent law's "staple article of commerce" doctrine,<sup>12</sup> the Court held that producers of technology capable of substantial non-infringing uses were not secondarily liable for copyright infringement enabled by that technology, even where producers may have constructive knowledge of such infringement and regardless of its precise commercial significance (*Sony* at 441-42).
  1. No contributory liability in copyright statute; this "an unprecedented attempt to impose copyright liability" on technology makers." 464 U.S. at 421 (check).
  2. Court looked to common law precedent, based on vicarious liability, then turned to the Patent Act for congressional

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<sup>11</sup> Additional issues posed by *Aimster* include whether using technology to edit a copyrighted work creates an infringing derivative work, whether space shifting may constitute a fair use of copyrighted materials

<sup>12</sup> 464 U.S. at 434.

guidance on what constitutes contributory infringement, foregoing other grounds for contributory infringement there and focusing on the “staple article of commerce” doctrine.<sup>13</sup>

- iii. The *Napster* line (judge-made): Material involvement exception to the *Sony* defense found in centralized file index through which all traffic passed. Invoked when:
  - 1. Specific knowledge at time of infringement, and
  - 2. Failure to act upon that information (*Napster* at 1021).  
Napster offered an “integrated service” providing the “site and facilities” for infringement → *Sony* defense does not apply (*Napster* at 1022). Court didn’t rule technology itself illegal, but ordered Napster to remove file index of infringing works.<sup>14</sup>  
Napster took itself offline
- iv. Current cases ask what sorts of knowledge, involvement, and control pass the *Sony* test in creating and distributing technology, while also raising larger questions about the future of digital copyright law.

**b. Technical**

- i. P2P technology: individual computers communicating over the Internet via networked search requests and direct file transfers.
- ii. FastTrack (Grokster) and StreamCast (Morpheus)
  - 1. Decentralized networking protocol
  - 2. Temporary host caches of IP addresses on user nodes
  - 3. Servers supply graphic interface, monitor number of users. No control over software or how users use it; no information regarding what users share.
  - 4. FastTrack: Supernodes, self selected by user software according to network needs.
  - 5. StreamCast: No supernodes; search requests relayed from one user to the next.
- iii. Aimster/Madster
  - 1. Aimster server uses America Online’s Instant Messaging to search the shared files of user’s designated buddies or all users online for the user’s request.
  - 2. Software sends encrypted e-mails with requested files attached.

**c. Legal + technical: products v. services**

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<sup>13</sup> “Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” 35 U.S.C. § 271(c). The Court did not take up § 271(b), which assigns direct liability to “whoever actively induces infringement of a patent.” § 271(b).

<sup>14</sup> *Bridges* at 3, *A&M Records v. Napster, Inc.*, 114 F. Supp. 2d 896, ? (N.D. Cal. 2000), *aff’d* in part and *vacated* in part, 239 F.3d 1004 (9<sup>th</sup> Cir. 2001).

## THE *GROKSTER* AND *AIMSTER* DECISIONS

### *Grokster*

In *Grokster*, numerous plaintiffs from the recording industry sued peer-to-peer software distributors Grokster, Streamcast Networks (also known as Morpheus), and Kazaa (since purchased by the Australian company Sharman Networks and removed from the case by a default judgment) for contributory and vicarious copyright infringement based on defendants' distribution of such software. The district court granted the defendants' motions for partial summary judgment thus denying the plaintiffs' prayer for injunctive relief. The matter is currently on appeal.

The *Grokster* court, noting that *Napster* established that downloading and uploading copyrighted music files constitutes copyright infringement and that the defendants had ceded that users did so with their software, assessed the charges in light of such undisputed infringing conduct by the software's end users.

In ruling on contributory infringement, the Ninth Circuit cited *Sony* to assert that where a technology is capable of substantial non-infringing uses, no contributory liability accrues even where the technology's distributor may have constructive knowledge of infringing conduct; actual knowledge is required. Furthermore, the court said, the holding in *Napster* required active facilitation of infringement and subsequent failure to prevent infringing conduct in order to show contributory liability. The decision distinguished the defendants' products and services from *Napster's* in that they provided no centralized file-sharing index or network, and thus did not facilitate infringement.

- i. No contributory liability; no "site or facilities."

1. Test: Defendant must have “actual knowledge of specific infringement...at a time when...Defendant materially contributes to the alleged infringement, and can therefore do something about it.” (*Grokster* at 1038)

As to vicarious infringement, the court found that though the defendants did benefit financially from distribution of their products, they did not have the requisite “right or ability to supervise” infringing conduct. Comparing peer-to-peer technology with the counterfeit swap meet at issue in *Fonovisa*, the court found that the defendants did not control access to or patrol the space its product created—an apt description of the end-to-end Internet—and thus could not be held vicariously liable for copyright infringement that took place there.

The *Grokster* court concluded with a call for legislative guidance on whether and how the state should regulate the design of software susceptible to unlawful use, but specifically declined to “expand existing copyright law beyond its well-drawn boundaries,” treading the line drawn by *Sony*.

### *Aimster*

In *Aimster*, the Seventh Circuit heard an appeal of an injunction the district court granted the recording industry upon finding that Aimster’s peer-to-peer file-sharing network was likely to be found liable for contributory and vicarious copyright infringement. Writing for the Seventh Circuit, Judge Posner affirmed the contributory infringement charge and the district court’s injunction.

The *Aimster* decision destabilized a good deal more of existing *Sony* and *Napster* doctrine than did *Grokster*. Noting that Aimster offered not just a product but an ongoing service, Judge Posner held that Aimster (1) proffered an “invitation to infringement” through a tutorial that used only copyrighted music files as examples, and “Club

Aimster,” which charged a monthly fee for expedited access to the most popular downloads, and 2) willfully blinded itself to infringing activity—conduct that the company could have observed and controlled but for an encryption process apparently designed primarily to exculpate the proprietor from the knowledge requirement. Given contributory liability, Judge Posner deemed the question of vicarious liability “academic” and affirmed the district court without specifically addressing the latter charge in detail.

- ii. There is contributory liability. Though Posner asserts the Napster court erred and actual knowledge alone is not enough (he fails to address prong two of the Napster test),
  1. Defendant failed to show substantial non-infringing use and thus invoke the *Sony* defense, and
  2. Even if he had, a new balancing test applies: “If the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses.” (*Aimster* at 653)
- iii. Posner discussed but did not feel the need to reach vicarious infringement, postulating that the *Sony* Court used the term interchangeably with contributory infringement and thus the legal question was a single inquiry into secondary liability.<sup>15</sup>

In the course of his opinion, Judge Posner raised a number of novel propositions regarding copyright law. Among them was that under *Sony*, using a VCR to skip commercials creates an infringing derivative work (*compare with* the current *Clearplay* case), while despite the holding in *MP3.com*, space-shifting may constitute a fair use of digital music files. Judge Posner also proposed that *Sony* suggests that where a technology has potentially substantial infringing uses, the court should apply a cost-benefit balancing test that would require the technology producer to take all measures that are not “disproportionately costly” to prevent or substantially reduce such infringing

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<sup>15</sup> *Aimster*, 334 F.3d at 654.

use. Finally, despite language in *Sony* that looks to not just present but potential non-infringing uses of a technology, the court found that Aimster’s failure to offer evidence of any current non-infringing uses fatally weakened its non-infringing capability argument.

## THE CURRENT STATE OF *SONY*

### AND THE FUTURE OF SECONDARY LIABILITY DOCTRINE

#### Secondary Copyright Infringement Liability: Current and Proposed Rules

[Following table to be written as text tracing the evolution of the rule from *Sony* through *Aimster* and future propositions.]

	Sony	Napster	Grokster	Aimster	Proposed
Substantial noninfringing uses	- Must “be capable of commercially significant noninfringing uses.” - Rights holders may not control distribution of articles unless they are “unsuited for any commercial non-infringing use”; even if capable of an infringing use, “if an article is also adapted to other and lawful uses, it is not enough to make the seller a contributory infringer. Such a rule would block the	9 <sup>th</sup> Circuit disagreed with district court’s holding that the proportion of infringing uses rendered the Sony defense inapplicable. Citing <i>Vault v. Quaid</i> , <sup>19</sup> in which a single non-infringing use invoked Sony doctrine, Court said that the Sony issue of the technology’s structure was not the issue; rather the question was of knowledge—Napster’s conduct. <sup>20</sup>	Defendants showed and plaintiffs did not dispute substantial non-infringing uses → court moved to knowledge question. <sup>21</sup> Question “turns not only on the product’s <i>current</i> uses, but also on potential <i>future</i> noninfringing uses.” <sup>22</sup>	Burden is on defendants to show; liability lies absent such showing. <sup>23</sup> Improbable noninfringing uses do not satisfy the Sony rule. <sup>24</sup>	<b>Technologists:</b> Separate this element from knowledge. <sup>25</sup> Sony precludes substituting an intent standard for a technical capability one. <sup>26</sup> Sony represents not a defense for technology producer defendants but a burden of proof to show no substantial noninfringing uses. <sup>27</sup> Sony doctrine expresses congressional intent as embodied in patent law to prevent misuse of intellectual monopolies

	<p>wheels of commerce.”<sup>16</sup>  - The Court “need not explore all the different potential uses of the machine,” but rather “consider whether on the basis of the facts...a significant number of them would be non-infringing.”  The Court said, “[I]n order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, non-commercial time-shifting in the home.”<sup>17</sup></p>				<p>and fulfill the constitutional mandate.<sup>28</sup>  <b>Copyright holders:</b>  Apply a no infringing use standard by requiring technology producers to take all possible steps to prevent infringement by users.<sup>29</sup>  Apply a primary use criterion that requires the product’s primary use to be non-infringing to avoid liability to producers.<sup>30</sup>  Apply an intent test that examines whether technology producers intended for users to use the product to infringe.<sup>31</sup></p>
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<sup>16</sup> Sony, 464 U.S. at 441; *see also* Andrew Bridges, *Contributory Infringement Liability in Recent U.S. Peer-to-Peer Copyright Cases*, paper presented at Copyright and the Music Industry: Digital Dilemmas, University of Amsterdam Institute for Information Law and Buma-Sterma, Amsterdam, the Netherlands (July 2003), 2, *available at* <http://www.wsgr.com/common/wsgrpg.asp?sub=/library/index.asp&section=1> (last viewed Oct. 9, 2003).

<sup>17</sup> Sony, 464 U.S. at 442.

<sup>18</sup> 464 U.S. at 428.

<sup>19</sup> *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 264-67.

<sup>20</sup> At first the 9<sup>th</sup> Circuit appeared to collapse the question of knowledge and substantial non-infringing uses: “The Sony Court declined to impute the requisite level of knowledge where the defendants made and sold equipment capable of both infringing and ‘substantial noninfringing uses.’ We are bound to follow Sony, and will not impute the requisite level of knowledge to Napster merely because peer-to-peer file

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sharing technology may be used to infringe plaintiffs' copyrights....To enjoin simply because a computer network allows for infringing use would, in our opinion, violate Sony and potentially restrict activity unrelated to infringing use." 239 F.3d at 1020-21 (citations omitted) (check order of these quotes). However, the court went on to take up the knowledge question separately based on Napster's conduct in maintaining the index of files. "Napster's actual, specific knowledge of direct infringement renders Sony's holding of limited assistance to Napster. We are compelled to make a clear distinction between the architecture of the Napster system and Napster's conduct in relation to the operational capacity of the system." 239 F.3d at 1020.

<sup>21</sup> These included "distributing movie trailers, free songs or other non-copyrighted works; using the software in countries where it is legal; or sharing the works of Shakespeare" as well as facilitating and searching for "public domain materials, government documents, media content for which distribution is authorized, media content as to which the rights owners do not object to distribution, and computer software for which distribution is permitted." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, 1035 (C.D. Cal. 2003).

<sup>22</sup> *Grokster*, 259 F. Supp. 2d at 1035.

<sup>23</sup> "[T]he evidence is sufficient, especially in a preliminary-injunction proceeding...to shift the burden of production to Aimster to demonstrate that its service has substantial noninfringing uses....Because Aimster failed to show that its service is ever used for any purpose other than to infringe the plaintiffs' copyrights...the magnitude of the resulting loss, even whether there is a net loss, becomes irrelevant to liability." *Aimster*, 334 F.2d at 652-53.

<sup>24</sup> Judge Posner listed five such uses: downloading uncopyrighted music from start-up bands or those whose copyright has expired; distributing music for promotion; exchanging information among fans; exchanging off-color information among Aimster users who desire privacy; and space shifting for CD owners who wanted to listen to the music they owned while away from their collection. 334 F.3d at 652. Judge Posner suggested that peer-to-peer technology might enable this last proposition despite the decision in *MP3.com*, where the court rejected space shifting as a fair use because the defendant made unauthorized copies of protected works on its servers, see *UMG Recordings v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000); peer-to-peer technology obviates the need for intermediary copying. 334 F.3d at 652-53.

<sup>25</sup> "To the extent the Ninth Circuit subordinated the substantial noninfringing use requirement to the knowledge requirement, the Napster court necessarily undermined the object of the doctrine: to ensure that consumers not be required to pay monopoly tribute for unpatented or otherwise unprotected goods or equipment." Samuelson and Quilter at 13, citing Goldstein, *supra* note \_\_\_, Supplement, § 6.1.2 (internal quotations omitted).

<sup>26</sup> Patent law does assign liability where a product is "especially adapted" for infringing use (cite), but the substantial noninfringing use standard defines the boundary where a product is not especially adapted and the patentee's monopoly ends. *Sony*, 464 U.S. at 441; *Bridges* at 7.

<sup>27</sup> *Bridges* at 3. The *Sony* Court held that it was the plaintiff's burden to show that the use under investigation was infringing: "[R]espondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, the copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondent's copyrights." 464 U.S. at 456. While the *Sony* Court invoked fair use doctrine to show that time-shifting was a substantial noninfringing use, the court has found peer-to-peer file sharing to have substantial noninfringing uses without needing to rely on fair use. *Grokster*, \_\_\_; compare with *Aimster*, 334 F.3d at 652-53 (naming fair uses for Aimster's technology but deeming them irrelevant because not raised by the defendant).

<sup>28</sup> 35 U.S.C. § 271(c) (exempting from secondary liability inventions "suitable for noninfringing uses"); 2 Paul Goldstein, *Copyright* § 6.1.2 (2d ed. 2002) ("Congress passed section 271(c) for the specific purpose of clarifying the long-troubled boundary between actions for contributory infringement and patent misuse"); Samuelson and Quilter *Grokster* amici brief at 6-7 ("The Sony test...is consistent with the contributory infringement rule of patent law...[and] similarly clarifies the boundary between contributory infringement and copyright misuse, which limits the power of copyright owners to obtain an unjustified monopoly over technologies").

<sup>29</sup> *Bridges* at 10; plaintiffs' briefs, Samuelson brief. Andrew Bridges argues that this standard would allow copyright holders to control product architecture and thus expand the scope of copyright in the way specifically deemed impermissible by the Sony Court. *Bridges* at 10.

	Thus one private non-commercial use satisfies the “significant noninfringing uses” standard. Ct overturned 9 <sup>th</sup> Circuit’s ruling that Sony infringed because trial court facts showed the company sold VTRs for the “primary purpose” of copying protected works and that “virtually all” of the recorded material was copyrighted. <sup>18</sup>				
Knowledge	<b>Rejected constructive knowledge</b> of infringement as basis for secondary liability. <sup>32</sup> Though the Court of	<b>Required actual knowledge</b> —(1) specific knowledge at time of the infringement, and (2) failure to act upon that	<b>Required actual knowledge of specific infringement when defendant materially contributed to</b>	<b>Rejected Napster/Grokster actual knowledge requirement.</b> District court: “[T]here is absolutely no indication in the precedential	

<sup>30</sup> Bridges at 10, plaintiffs’ briefs, Samuelson brief. This fact-finding approach has been critiqued as indeterminate and chilling to technology development, as the results in each instance would depend on the time of the inquiry and how primary use is defined. Bridges at 10; Samuelson and Quilter at 7-8 (“Uses of a technology may evolve significantly over time....Peer-to-peer technologies, which promise significant benefit, e.g. relieving network congestion and increasing security and fault tolerance...will not evolve over time if progress in the field is stymied by expansive secondary liability”). This approach arguably contradicts the Sony Court’s holding in the face of a clear factual record showing that Sony sold Betamax for the “primary purpose” of copying protected works and that “virtually all” material copied by Betamax was copyrighted. See 464 U.S. at 428. However, the Sony Court went on to find that these otherwise infringing uses were protected under the fair use defense for time-shifting, and thus it remains unclear that Sony doctrine precludes any factual inquiry into technology uses. Still, the idea that Xerox could be held liable for producing photocopiers in a future trial under this test points to the problems of notice, repose, and neutral application inherent in such a rule.

<sup>31</sup> Bridges at 10, plaintiffs’ briefs, Samuelson brief. This proposal seems to rest on a deterrent and punitive model of punishing technology producers for profiting on infringing activity. Critics point to the difficulty of identifying intent to begin with—especially where the intent must lie with a corporation—and potential resulting due process hurdles, as well as to the fact that consumers often use technology for unintended purposes—for instance, VCRs to play prerecorded tapes sold by copyright holders. See JAMES LARDNER, FAST FORWARD 297-300 (1987).

<sup>32</sup> Sony, 464 U.S. at 439.

	<p>Appeals, reviewing the trial court's findings of fact, held Sony liable because copying was "the most conspicuous" or "the major" use of the product, the S. Ct. reversed on this point,<sup>33</sup> refusing to extend the copyright monopoly to distribution of technology products without Congressional authorization.<sup>34</sup></p>	<p>knowledge.<sup>35</sup> Real-time database of (infringing) files on Napster's servers; users required to use in order to locate files → Napster had knowledge. "Napster's actual, specific knowledge of direct infringement renders Sony's holding of limited assistance to Napster."<sup>36</sup> "Napster, by its conduct, <b>knowingly encourages and assists</b> the infringement of plaintiffs' copyrights....[I]f a computer system operator learns of specific infringing material</p>	<p><b>and could prevent such infringement.</b><sup>38</sup> Cited and recast Napster's two-part specific knowledge test.<sup>39</sup> Users could continue to share files with no involvement from defendants' computers<sup>40</sup> → no knowledge under this test → no liability. Knowledge "that [Defendants'] products will be used illegally by some (or even many) users" does not itself lead to contributory liability.<sup>41</sup> Knowledge after infringement by notification from plaintiffs</p>	<p>authority that such specificity of knowledge is required in the contributory infringement context."<sup>43</sup></p>	
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<sup>33</sup> Id.

<sup>34</sup> "The Court of Appeals' holding that respondents are entitled to enjoin the distribution of VTRs, to collect royalties on the sale of such equipment, or to obtain other relief, if affirmed, would enlarge the scope of...statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright protection is beyond the limits of the grants authorized by Congress." Sony, 464 U.S. at 421.

<sup>35</sup> Napster, 239 F.3d at 1021.

<sup>36</sup> 239 F.3d at 1020.

<sup>37</sup> 239 F.3d at 1020-21. By contrast, "a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material." *Id.* at 1021 (citing Sony, 464 U.S. at 436).

<sup>38</sup> The court noted that the defendants were clearly generally aware of user infringement. "The question, however, is whether *actual knowledge of specific infringement* accrues at a time when either Defendant materially contributes to the alleged infringement, and can therefore do something about it." Grokster, 259 F. Supp. 2d at 1038.

<sup>39</sup> Grokster, 259 F. Supp 2d at 1036, citing Napster, 239 F.3d at 1021.

<sup>40</sup> 259 F. Supp. at 1042.

<sup>41</sup> 259 F. Supp. at 1043.

<sup>42</sup> "Plaintiffs' notice of infringing conduct are irrelevant if they arrive when Defendants do nothing to facilitate, and cannot do anything to stop, the alleged infringement."

<sup>43</sup> In re Aimster Copyright Litigation, 252 F. Supp. 2d 634, 651 (N.D. Ill. 2002), aff'd by \_\_\_\_\_.

		available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.” <sup>37</sup>	does not render defendants liable. <sup>42</sup> Note this test merges from knowledge into control.		
Involvement/control	<b>Rejected advertising the product’s infringing uses</b> as a basis for liability. <sup>44</sup>	A “ <b>material contribution</b> ” standard based on <i>Fonovisa Inc. v. Cherry Auction, Inc.</i> <sup>45</sup> : Napster’s integrated service provides the “ <b>site and facilities</b> ” for infringement and thus is contributorily liable. <sup>46</sup> Napster court did not separate this inquiry from knowledge.	“ <b>No material involvement of Defendants</b> ” in direct infringement by users. <sup>47</sup> A <b>close-the-doors</b> test for providing the site and facilities: Users could continue to infringe after defendants ceased operations. <sup>48</sup> This “a seminal distinction” between the Grokster and Streamcast technologies and Napster → no contributory liability. <sup>49</sup>		<b>Technologists:</b> Should not limit Sony doctrine according to subsequent relationship b/t provider and user when gauging liability for mere provision of the product. “The character of the product itself should be the touchstone.” <sup>51</sup>

<sup>44</sup> Universal City Studios v. Sony Corp. of America, 480 F. Supp. 429, 436 (C.D. Cal. 1979).

<sup>45</sup> 76 F.3d 259 (9<sup>th</sup> Cir. 1996)

<sup>46</sup> 239 F.3d at 1022.

<sup>47</sup> Grokster, 259 F. Supp. 2d at 1041.

<sup>48</sup> “Neither Streamcast nor Grokster facilitates the exchange of files between users in the way Napster did. Users connect to the respective networks, select which files to share, send and receive searches, and download files, all with no material involvement of Defendants. If either Defendants closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption.” *Id.*

<sup>49</sup> *Id.* After citing Sony doctrine, describing its application in Napster, and finding no material involvement in user infringements under its close-the-doors version of the Napster test, the Grokster court held: “Defendants distribute and support software, the users of which can and do choose to employ it for both lawful and unlawful ends. Grokster and Streamcast are not significantly different from companies that sell home video recorders or copy machines, both of which can be and are used to infringe copyrights. While Defendants, like Sony or Xerox, may know that their products will be used illegally by some (or even many) users, and may provide support services and refinements that indirectly support such use, liability for contributory infringement does not lie merely because peer-to-peer file-sharing technology may be used to infringe plaintiffs’ copyrights. Absent evidence of active and substantial contribution to the infringement itself, Defendants cannot be liable.” *Id.* at 1043.

			Providing “support services and refinements that indirectly support such [infringing] use” does not in itself give rise to contributory liability. <sup>50</sup>		
Distribution				Dist ct distinguished from copying to say Sony did not apply.	<b>Technologists:</b> Turns Sony around; Q is whether substantial noninfringing use, not whether another infringing use can be found. <sup>52</sup>
Vicarious liability?	Though the Court acknowledged both contributory and vicarious liability, it arguably conflated them into a single theory of secondary liability for infringement committed by others. <sup>53</sup>	Sony doctrine did not shield defendants from vicarious liability. <sup>54</sup>	Though the court ran the vicarious liability analysis separately, it reached the same result for each.	Posner raised the vicarious liability question but noted that the Sony court joined them into a single question of secondary liability and held for the plaintiffs on the basis of contributory infringement alone.	<b>Technologists:</b> By providing for a general safe harbor against secondary liability in the Digital Millennium Copyright Act (which succeeded Sony), Congress recognized contributory and vicarious as a single question and declined to exempt vicarious liability from the Sony ruling. <sup>55</sup>

<sup>50</sup> Id. at 1043.

<sup>51</sup> Bridges at 7.

<sup>52</sup> Bridges at 7.

<sup>53</sup> See Sony, 464 U.S. at 434-35.

<sup>54</sup> Napster, 239 F.3d at 1022. Some have critiqued this analysis as lacking support. See, e.g., Samuelson and Quilter Grokster amici brief at 3, note 2.

<sup>55</sup> See 17 U.S.C. § 512; Samuelson and Quilter, Grokster amici brief at 5, note 5.

## Who Acts Now and How?

- iv. *Sony* is nearly 20 years old→time tested or outmoded?
  1. Betamax and P2P systems significantly different technologies—copying v. copying and distribution; products v. services
- v. Many argue that Congress is the appropriate body to weigh the competing interests involved in regulating peer-to-peer technology—or perhaps any technology at all.<sup>56</sup>
- vi. However, while judicial calls for congressional guidance on the question of contributory liability for technology that can be used to infringe copyright date back to *Sony*,<sup>57</sup> the question is currently before the court in the *Grokster* appeal and may well arise in other jurisdictions and/or return to the Supreme Court before Congress moves. Thus, what degree of deference or activism is a) permissible and b) desirable?
  1. The models: strict deference v. alternatives (proxy decisions)<sup>58</sup>
  2. Possible roots of deference to precedent
    - a. Article III
    - b. Power of reversal and avoidance of that outcome
    - c. Order and predictability<sup>59</sup>
  3. The proxy model: Lower courts should endeavor to predict how their superior court would decide the same matter.<sup>60</sup>

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<sup>56</sup> Pamela Samuelson and Laura Quilter, Brief Amici Curiae of 40 Intellectual Property and Technology Law Professors Supporting Affirmance, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 2 (stating that “this [the *Grokster*] Court is not the appropriate forum in which to change the *Sony* rule...Congress...alone has the institutional competence necessary for a broad inquiry into the benefits and detriments of these technologies”).

<sup>57</sup> “The judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. [Citations.] Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the raised permutations of competing interests that are inevitably implicated by such new technology. In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never calculated such a calculus of interests.” *Sony*, 464 U.S. at 431, quoted in *Grokster*, 259 F. Supp. at 1046. The *Grokster* court echoed the call for congressional guidance in the peer to peer context: “While the Court [the California district court] need not decide whether steps could be taken to reduce the susceptibility of such software to unlawful use, assuming such steps could be taken, additional legislative guidance may be well-counseled.” 259 F. Supp.at 1046. “The Court must have the last word.” *Aimster*, 334 F.3d at 647.

<sup>58</sup> See Evan H. Caminker, *Why Must Inferior Courts Obey Superior Court Precedents?*, 46 STAN. L. REV. 817 (1994); Evan H. Caminker, *Precedent and Prediction: The Forward-Looking Aspects of Inferior Court Decisionmaking*, 73 TEX. L. REV. 1 (1994);

<sup>59</sup> Caminker, 46 STAN. L. REV. 817; see also 1B JAMES WM. MOORE, JO DESHA LUCAS & THOMAS S. CURRIER, MOORE’S FEDERAL PRACTICE ¶ 0.401, at I-2 (2d ed. 1993) (“As applied in a hierarchical system of courts, the duty of a subordinate court to follow the laws as announced by superior courts is theoretically absolute”); *Rodriguez de Quijas v. Shearson/American Express, Inc.*, 490 U.S. 477, 484 (1989) (stating that lower courts may not overrule Supreme Court decisions).

4. Sony court voiced its wariness at expanding copyright beyond its statutory bounds<sup>61</sup>; Congress has neither confirmed nor denied
  - a. Intent: Why didn't Congress add staple of commerce doctrine to the 1976 Copyright Act?
  - b. DMCA: No change to Sony doctrine in terms of secondary liability

**The Procedural Question: Is Sony a Defense or Burden of Proof?**

- vii. If a court accepts Sony doctrine as precedent due some sort of deference (as most likely will), the question remains how the Court's decision determines jurisprudence at a procedural level. Is Sony doctrine a defense to contributory infringement, as many courts and commentators contend,<sup>62</sup> or is it a burden of proof for the plaintiffs to meet?<sup>63</sup>
- viii. This question could change the outcome of Aimster if decided for the latter. No language in Sony designating the principles as defenses.

**Other Proposals for the Peer-to-Peer "Problem"**

In the wake of the Grokster district court loss, the RIAA's campaign to subpoena peer-to-peer user names from ISPs sue those it accuses of uploading copyrighted music files raises a number of additional legal issues: the extent of the DMCA's safe harbor provision for ISP providers; due process, privacy and the "new spam"; and initiatives to reform copyright law to make file sharing legal via alternative compensation schemes to copyright holders. Many in the field also expect a new round of peer-to-peer technology that masks users' identity, raising additional enforcement issues for any outcome of these cases.

- d. Recently proposed bills (Brownback, Hatch-Waxman)
- e. Alternative compensation schemes for P2P (compulsory or collective licensing, levies, subscriptions; Fisher, Netanel, Nadel, Ku, Eckersley)

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<sup>60</sup> Caminker, 73 TEX. L. REV. 1; *see also* Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 122 S. Ct. 1889, 1895 (noting that circuit splits help to identify issues that merit the Court's attention).

<sup>61</sup> "The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme." 464 U.S. at 431.

<sup>62</sup> Napster, Grokster, Aimster, Samuelson brief.

<sup>63</sup> Sony, 464 U.S. at 456; Bridges at 3.

- f. The market
  - i. RIAA lawsuits against end users
    - 1. Does offering files for sharing on a P2P network constitute “distribution”?—a legal wild card.
    - 2. Privacy concerns (Swire, identity subpoenas as the “new spam”)
  - ii. iTunes model:
    - 1. Will consumers accept label-driven digital distribution, or is the cat too far out of the bag?
    - 2. Economic efficiencies of letting consumers dedicate their own computing resources and word of mouth to distribution.

## CONCLUSION

The outcome of the *Grokster* appeal and adjudication following the *Aimster* decision will have significant effects on the legal landscape regarding contributory and vicarious liability for copyright infringement, the safe harbor provisions under the DMCA, and construction of the Copyright Act’s fair use provisions for technology products. The result of the *Grokster* appeal may deepen or lessen the divide. In either case, the fate of the *Sony* doctrine in the near future is likely to reveal much about how the legal system can and should respond to emerging technologies and the novel issues they raise.