

Metro-Goldwyn-Mayer v. Grokster, Ltd.
In re Aimster Copyright Litigation

- I. Introduction (2-3 ¶)
- II. Legal/technical primer (1-4 pp): **Sony Doctrine in the Peer-to-Peer Age**
 - 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,¹ 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 guidance on what constitutes contributory infringement, foregoing other grounds for contributory infringement there and focusing on the "staple article of commerce" doctrine.²

¹ 464 U.S. at 434.

² "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).

- 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.³
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

III. Reporting of cases (3-7 pp)—per case report previously submitted: One Law, Two Tests, Two Fact Sets, Innumerable Potential Outcomes

a. Grokster

- 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)
- ii. No vicarious liability; though there was a financial benefit, no “right or ability to supervise.”

³ 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 (9th Cir. 2001).

b. *Aimster*

- i. 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)
- ii. 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.⁴

c. *Grokster*: 9th Cir appeal, arguments on the briefs

IV. Analysis and commentary (8-10 pp): **The Past, Present, and Future of the Sony Doctrine and Digital Copyright Law**

a. **Who acts now and how?**

- i. 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*, 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.
- ii. 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.⁵

b. **Sony as precedent and judicial deference**

- i. Judicial inertia, activism, or sound a proper deference to a healthy doctrine?
- ii. Congressional intent,
 1. 1976 Act: Congress intended to codify fair use to protect the constitutional balance between incentives to create and the public good. History provided enough evidence of how technology could disrupt copyright law that Congress must have intended fair use to apply broadly to future technologies.

⁴ In re *Aimster* Litigation, 334 F.3d 643, 654 (7th Cir. 2003).

⁵ 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...alon has the institutional competence necessary for a broad inquiry into the benefits and detriments of these technologies”).

2. Sony court voiced its wariness at expanding copyright beyond its statutory bounds.⁶
 - iii. DMCA: No change to Sony doctrine in terms of contributory infringement
- c. The procedural role of the Sony doctrine**
- i. 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,⁷ or is it a burden of proof for the plaintiffs to meet?⁸
 - ii. This question could change the outcome of *Aimster* if decided for the latter. No language in Sony designating the principles as defenses.
- d. Present**
- i. Has the substantial non-infringing use test become a substantial infringing use test? E.g., does "could have designed it differently" negate the *Sony* defense?
 1. The constitutional animus for copyright law precludes such a test. The universe of potential infringing uses has expanded geometrically since *Sony*, and most technologies hold infringing capabilities. To forbid them as a matter of law would have a dire chilling effect on innovation and fair use alike, and may raise due process concerns.
 2. Both the StreamCast/FastTrack and *Aimster* technologies pass the substantial non-infringing use test at the point of distribution into the stream of commerce. Non-infringing uses include:
 - a. public domain and government works
 - b. marketing and promotion
 - c. permissive and non-copyrighted uses
 - d. future uses
 - e. arguably, fair use
 3. Outcomes diverge after distribution.
 - a. *Aimster*'s ongoing involvement in infringing activity could render it liable under the *Sony* test as applied in *Napster*; no need to argue a failure to show substantial non-infringing use or seek to change the test, as Posner did.
 - ii. What constitutes contributory liability?
 1. In creating technology products?

⁶ "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.

⁷ *Napster, Grokster, Aimster, Samuelson* brief.

⁸ *Sony*, 464 U.S. at 456; *Bridges* at 3.

- a. The balancing test under *Sony*: the copyright holder’s right to statutory protection versus others’ (technology producers’) rights to engage in commerce.⁹
 - i. There is no contributory infringement liability where “the product is widely used for legitimate, unobjectionable purposes”¹⁰—do either *Grokster* or *Aimster* meet this test?
 - ii. Possibly not, but the Court goes on to say “Indeed it need merely be capable of substantial noninfringing uses.”¹¹
 - b. *Sony* as (possibly) narrowed by *Napster*: no liability where there is substantial non-infringing use and no specific knowledge of + material contribution to infringing conduct. The district court decided *Grokster* correctly under this test: “The doctrine of vicarious infringement does not contemplate liability based upon the fact that a product could be made such that it is less susceptible to unlawful use, where no control over the *user* of the product exists.” (*Grokster* at 1045-46)
 - c. Blackmun’s dissent as basis for Posner’s infringing/non-infringing balancing test in *Aimster*
 - d.
 - e. *Compare with* Posner’s call for a balancing test: “What is true is that when a supplier is offering a product or service that has noninfringing as well as infringing uses, some estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement.” (*Aimster* at 649)
 - f. But Posner’s test is dicta: No need to reach the question because the court found that *Aimster* failed to make a showing that would trigger the *Sony* defense.
2. In offering technology services?
 - a. *Aimster* was correctly decided on this basis; ongoing willful blindness to infringing activity eviscerates the copyright bargain.
 - b. But how willful, how much, and for how long?
 - i. The DMCA safe harbor does not apply where ongoing relationship/knowledge of infringement; provider must do what’s

⁹ 464 U.S. at 442.

¹⁰ *Id.*

¹¹ *Id.*

reasonable to prevent repeat infringers
(*Aimster* at 655; 17 U.S.C. § 512(i)(1)(A))

- ii. Notice problem may chill innovation from service provision back down the technology creation chain. Before the Time-Warner merger, the record industry may well have sued AOL along with *Aimster*.

e. Future

- i. The role of precedent and judicial deference in addressing new technologies
 - 1. The models: strict deference v. alternatives (proxy decisions)
 - 2. Sony nearly 20 years old
 - a. Time tested or outmoded?
 - b. Congress has neither confirmed nor denied
 - c. Language general and little elaborated since
 - 3. Applying, interpreting, or manipulating doctrine in the face of different fact sets?
 - a. Significantly different technologies—copying v. copying and distribution
 - b. Products v. services
- ii. How will the history of legal adaptations to new content technology play out?
 - 1. Player piano and radio: compulsory/collective licensing,
 - 2. *Sony*: fair use/substantial non-infringing use doctrine
 - 3. Digital audio tape: AHRA/levies
 - 4. Webcasting: compulsory licensing extended to © holders/record labels
 - 5. P2P: ?
 - a. State of the *Sony* defense test?
 - b. Space-shifting OK? (*Aimster* at 652, but see *MP3.com*)
 - c. Skipping commercials not? (*Aimster* at 647-48, but see *Clearplay*)
- iii. Who decides?
 - 1. The Supreme Court?
 - a. The holding in *Eldred* suggests that the current Court may be likely to narrow *Sony* doctrine—but here, no analog to the CTEA.
 - b. “The Court must have the last word.” (*Aimster* at 647)
 - 2. Congress?
 - a. Recently proposed bills (Brownback, Hatch-Waxman)
 - b. Alternative compensation schemes for P2P (compulsory or collective licensing, levies,

subscriptions; Fisher, Netanel, Nadel, Ku, Eckersley)

3. The market?
 - a. RIAA lawsuits against end users
 - i. Does offering files for sharing on a P2P network constitute “distribution”?—a legal wild card.
 - ii. Privacy concerns (Swire, identity subpoenas as the “new spam”)
 - b. iTunes model:
 - i. Will consumers accept label-driven digital distribution, or is the cat too far out of the bag?
 - ii. Economic efficiencies of letting consumers dedicate their own computing resources and word of mouth to distribution.
4. It’s time for Congress to act
 - a. Constitutionally charged to enact laws in furtherance of Art. I, § 8, cl.8
 - b. Succeeded at striking appropriate balances between copyright concerns and new technology for the player piano, radio, DAT, and webcasting.
 - c. The call is built into the *Sony* doctrine: “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* at 431, quoted in *Grokster* at 1046)
 - d. The *Grokster* court echoed the call for congressional guidance in the P2P 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.”
(*Grokster* at 1046)

- e. Enforcing copyright law against end users in court wastes judicial resources, threatens Internet privacy, and erodes the public good.
- f. However, lobbying of Congress and international pressure from copyright holders is fierce. Congress must rise above sky-is-falling rhetoric to codify and clarify digital content copyright law with the foresight that characterized previous responses to new technology challenges.

V. Conclusion (1 ¶)