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Brian P. Wikner

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COPYFIGHTS TO COME: THE NINTH CIRCUIT'S CONTRIBUTORY COPYRIGHT INFRINGEMENT ANALYSIS AND THE INVERSE *GROKSTER* DILEMMA

Brian P. Wikner*

I. INTRODUCTION

Since the late 1990s, developers of peer-to-peer file-sharing software have been the focus of a series of important cases testing the bounds of third-party liability in the digital age.¹ Companies with questionable motives and suspect business models frequently asserted that their products—used almost exclusively to infringe copyrighted works—were nonetheless subject to a key limitation on liability established nearly twenty years prior in the United States Supreme Court's famous decision, *Sony Corp. of America v. Universal City Studios, Inc.*² *Sony's* rule, crafted to address copyright infringement in a world of analog technology, struck a balance between the interests of technologists and copyright owners.³ As analog copying was displaced by an increase in digital copying, however, appellate courts struggled to apply *Sony's* rule to copyright infringement claims related to digital technologies, particularly peer-to-peer file sharing.

The Court's subsequent decision in *Metro-Goldwyn-*

* Editor-in-Chief, Santa Clara Law Review, Volume 46; J.D. Candidate, Santa Clara University School of Law; B.A., Political Science, University of California, San Diego. The author would like to thank his wife Christina for her encouragement and support throughout the writing of this comment.

1. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *In re Aimster Copyright Litig.*, 334 F.3d 643, 651 (7th Cir. 2003); *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1162-63 (9th Cir. 2004), *vacated and remanded*, 125 S. Ct. 2764 (2005).

2. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

3. See *id.* at 442; see also *infra* text accompanying notes 40-44.

*Mayer Studios Inc. v. Grokster, Ltd.*⁴ seemingly resolved the question of whether the *Sony* doctrine applied to illicit file-sharing networks. Under the Court's ruling, companies acting with the intent to cause infringement could not benefit from *Sony's* protection.⁵ While *Grokster* resolved the issue of liability for digital products made and distributed in furtherance of an unlawful objective,⁶ it raised an important question about the extent of *Sony's* protection of good-faith innovators whose digital products push the bounds of traditional media distribution in what has been called "the participation age."⁷

The unresolved question in *Grokster* will likely be the next front in the "copyright"⁸ between old and new media, this time pitting mainstream, consumer-participation-oriented companies against copyright owners.⁹ These disputes will further challenge the bounds of *Sony* and continue to raise difficult questions about how the traditional common-law doctrines of third-party liability for copyright infringement will be applied in the digital context.

This comment discusses the background principles and case law that have developed the contributory copyright infringement doctrine, particularly in the area of peer-to-peer file sharing.¹⁰ Part III then explains the problem created by a lack of guidance in the U.S. Supreme Court's *Grokster*

4. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005).

5. *See id.* at 2779.

6. *See id.*

7. Andreas Kluth, *Among the Audience: A Survey of New Media*, THE ECONOMIST, Apr. 22, 2006, at 3-4 (noting the "profound implications [of the age of participation] for traditional business models in the media industry, which are based on aggregating large passive audiences and holding them captive . . .").

8. A "copyright" is a term that has been coined to refer to "the struggle over the future of the rights to duplicate and transform information . . . [that] takes place in the realm of ideas—between the covers of law reviews, in position papers, on editorial pages, and online in the blogosphere." Lawrence B. Solum, *The Future of Copyright*, 83 TEX. L. REV. 1137, 1139 (2005) (reviewing LAWRENCE LESSIG, *FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY* (2004)); *see also* *What Does "Copyright" Mean?*, Copyfight, http://copyfight.corante.com/archives/2005/07/30/what_does_copyfight_mean.php (last visited Aug. 30, 2006).

9. Dawn C. Chmielewski, *Studios Not Sure Whether Web Video Innovator Is Friend or Foe*, L.A. TIMES, Apr. 10, 2006, at C1.

10. *See* discussion *infra* Part II.

decision.¹¹ Part IV examines the Ninth Circuit's treatment of *Sony*,¹² how the *Grokster* decision left a gap in what was a significant part of the Ninth Circuit's contributory liability analysis,¹³ and why the Ninth Circuit must resolve this ambiguity by crafting a test to assess the scope of *Sony*'s protection in what this comment refers to as the "inverse *Grokster*" scenario.¹⁴ Finally, Part V proposes a balancing test that provides consistency with Ninth Circuit precedent while complying with the Supreme Court's ruling in *Grokster*.¹⁵

II. BACKGROUND

The *Sony* and *Grokster* decisions were both based on doctrines of third-party liability for copyright infringement with origins in the common law. This part begins with a discussion of the constitutional, statutory, and case-law justifications for the doctrine of contributory liability and emphasizes the policy interests behind the doctrine.¹⁶ Next, this part summarizes the Court's seminal decision in *Sony Corp. of America v. Universal City Studios, Inc.*,¹⁷ and the case law that gave rise to differing interpretations of *Sony* in the Seventh and Ninth Circuit Courts of Appeals.¹⁸ Finally, this part discusses both the Ninth Circuit and U.S. Supreme Court rulings in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*¹⁹

A. Contributory Liability for Copyright Infringement

The United States Constitution authorizes Congress to grant authors of creative works the exclusive right to their creations for a limited period of time.²⁰ The Copyright Act of

11. See discussion *infra* Part III.

12. See discussion *infra* Part IV.A.

13. See discussion *infra* Part IV.B-C.

14. See discussion *infra* Part IV.D.

15. See discussion *infra* Part V.

16. See discussion *infra* Part II.A.

17. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984); see discussion *infra* Part II.B.

18. See discussion *infra* Part II.C.1-2.

19. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005); see discussion *infra* Part II.D.1-2.

20. U.S. CONST. art. I, § 8, cl. 8; *Eldred v. Ashcroft*, 537 U.S. 186, 199-200 (2003).

1976 grants the author of a copyrighted work a divisible “bundle” of exclusive rights.²¹ The unauthorized exercise of any one of these rights constitutes a direct infringement of the author’s copyright.²²

Although the Copyright Act addresses and provides remedies for direct infringement, liability for copyright infringement is not limited to direct infringers. Courts also impose liability on third parties who contribute to or financially benefit from the infringing activities of others.²³ Such liability is justified on the grounds that third parties, who are often responsible for fostering infringing activity by numerous direct infringers, allow copyright owners a more efficient means of ending widespread infringement and, ultimately, satisfying judgments.²⁴

21. See 17 U.S.C. § 106 (2000); see also CRAIG JOYCE, MARSHALL LEAFFER, PETER JASZI, & TYLER OCHOA, COPYRIGHT LAW 320-21 (2003) (discussing the “bundle of rights” concept). The rights vested in the author of a copyrighted work include the right of reproduction (§ 106(1)), the right to prepare derivative works (§ 106(2)), the right of distribution (§ 106(3)), and the rights of public performance (§ 106(4)) and public display (§ 106(5)). 17 U.S.C. § 106. A copyright is said to be a “bundle” of rights because an author may divest himself of any § 106 right, in whole or in part (i.e., through an assignment or license), without alienating any of the remaining rights. See JOYCE ET AL., *supra*, at 321.

22. See 17 U.S.C. § 501(a) (“Anyone who violates any of the exclusive rights of the copyright owner as provided by section[] 106 . . . is an infringer of the copyright . . .”).

23. See, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996) (finding a swap meet operator liable as a vicarious infringer for (1) financially benefiting from the infringing activity of another while (2) having the right and ability to supervise the place where the infringement occurred); *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162-63 (2d Cir. 1971) (finding a local concert association liable as a contributory infringer for (1) materially contributing to the public performance of copyrighted works with (2) knowledge that such performances were infringing).

24. *Protecting Innovation and Art While Preventing Piracy: Hearing Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (testimony of Hon. Marybeth Peters, Registrar of Copyrights) (noting that secondary liability doctrines “allow copyright owners to focus their enforcement (and licensing) efforts on those entities that foster infringing activity and have the resources and wherewithal to either pay licensing fees or satisfy an infringement judgment, without bringing costly, time-consuming and usually futile actions against multiple, mostly judgment-proof individual defendants”), available at http://judiciary.senate.gov/testimony.cfm?id=1276&wit_id=307. A copyright owner’s interest in pursuing a defendant capable of satisfying a judgment should not be underestimated. The Copyright Act provides owners of registered copyrights with the option of electing statutory damages at any time prior to final judgment. 17 U.S.C. § 504(c)(1). Statutory damages can range from \$750 to \$30,000 per violation, but can be increased up to \$150,000 if the infringement is proven to be willful. 17 U.S.C. § 504(c)(1)-(2). Award amounts based on

The doctrines of third-party liability are not expressly codified in the Copyright Act, but they have been held implicit in § 106's grant of the right "to authorize" uses of copyrighted works.²⁵ These doctrines have traditionally been viewed as the product of federal common law, created by judges and grounded in two intellectually distinct rationales for liability.²⁶ Vicarious liability, based on the common-law doctrine of respondeat superior, contemplates liability for those who stand to benefit financially from the infringement of others while having the right and ability to supervise such infringing activity.²⁷ This doctrine of liability is grounded in basic notions of fairness and reasonableness: a copyright owner should have some remedy against a party who does not infringe directly, but who stands to profit from infringing activity occurring within his or her control.²⁸

Contributory infringement, on the other hand, is rooted in tort and criminal law analogs distinct from vicarious infringement.²⁹ Like the principles of joint and several liability in tort law and aiding and abetting in criminal law, contributory infringement imposes liability on those who are aware of the offending conduct of another, but nevertheless facilitate that activity.³⁰ The classic formulation of this doctrine was articulated by the Second Circuit Court of Appeals in *Gershwin Publishing Corp. v. Columbia Artists*

statutory damages can be staggering. See, e.g., *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284 (9th Cir. 1997) (upholding a lower court award of statutory damages in the amount of \$8,800,000), *rev'd on other grounds*, 523 U.S. 340 (1998). See generally J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 TEX. L. REV. 525 (2004).

25. See 17 U.S.C. § 106 ("[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following" (emphasis added)); see also *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994) ("[T]he addition of the words 'to authorize' in the 1976 [Copyright] Act appears best understood as merely clarifying that the Act contemplates liability for contributory infringement, and that the bare act of 'authorization' can suffice.").

26. See Jesse M. Feder, *Is Betamax Obsolete?: Sony Corp. of America v. Universal City Studios, Inc. in the Age of Napster*, 37 CREIGHTON L. REV. 859, 868 (2004).

27. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996); see also Feder, *supra* note 26, at 869-71.

28. See Feder, *supra* note 26, at 870-71.

29. See *id.* at 871.

30. See *id.*

Management, Inc.: “[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”³¹ Thus, a prima facie contributory infringement claim requires (1) direct infringement, (2) knowledge of the direct infringement, and (3) material contribution to that infringement.³²

B. Limiting Contributory Liability: The Sony Doctrine

While the contributory liability doctrine is uncontroversial in many contexts, the threat that the doctrine poses to emerging technologies ultimately forced courts to recognize an important limitation on its use. The United States Supreme Court’s decision in *Sony Corp. of America v. Universal City Studios, Inc.*³³ was a milestone in the evolving doctrine of contributory liability.³⁴ In *Sony*, owners of the copyrights in publicly broadcasted television programs brought suit against Sony, the manufacturer of the Betamax video recorder, for copyright infringement.³⁵ The copyright owners alleged that consumers were purchasing Sony’s Betamax for the purpose of recording copyrighted commercial television broadcasts and were thereby infringing the copyrights.³⁶ They sought to hold Sony liable because it had marketed and distributed the Betamax to consumers knowing that at least some of its customers would use the Betamax for infringing purposes.³⁷

The Court’s analysis stated that Sony’s contributory liability, if any, would have to be based solely on its sale of the Betamax with constructive knowledge that some customers might use the equipment to make infringing copies.³⁸ Noting that it was unprecedented in copyright law

31. *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

32. *See Fonovisa*, 76 F.3d at 264.

33. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

34. *See* David G. Post, *His Napster’s Voice*, in *COPY FIGHTS: THE FUTURE OF INTELLECTUAL PROPERTY IN THE INFORMATION AGE* 107, 109-10 (Adam Thierer & Clyde Wayne Crews, Jr. eds., 2002) (explaining *Sony’s* impact in the context of the *Napster* decision).

35. *Sony*, 464 U.S. at 420.

36. *Id.*

37. *Id.*

38. *Id.* at 439 (“If vicarious liability is to be imposed on [Sony] in this case, it

to hold third parties liable based on mere constructive knowledge,³⁹ the Court sought to strike a balance between the interests of copyright owners and the prospective benefits of new copying technologies.⁴⁰ The Court struck this balance by borrowing from a limitation placed on the contributory liability provision codified in the Patent Act.⁴¹ The Court adopted patent law's "staple article of commerce doctrine"⁴² and stated that "the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes."⁴³ The Court went on to state famously that the product "need merely be capable of substantial noninfringing uses."⁴⁴

Applying this standard to the Betamax, the Court, by a 5–4 decision,⁴⁵ found that Sony could not be held liable for

must rest on the fact that [it] has sold equipment with constructive knowledge of the fact that [its] customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory."). It should be noted that the *Sony* Court frequently used "vicarious liability" as a general term for secondary liability. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022-23 (9th Cir. 2001). Its use in the quoted language has been generally accepted as referring to the doctrine of contributory infringement, not vicarious infringement. *Id.*

39. *Sony*, 464 U.S. at 439.

40. See *id.* at 442 ("The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.").

41. *Id.* Unlike the Copyright Act, the Patent Act specifically defines what constitutes contributory infringement. *Id.* at 440 (discussing 35 U.S.C. § 271).

42. 35 U.S.C. § 271(c). The provision states:

Whoever offers to sell or sells within 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.

Id.

43. *Sony*, 464 U.S. at 442.

44. *Id.*

45. While the case was ultimately a 5–4 decision in favor of Sony, personal papers of Justice Blackmun released after his death confirm that the case had initially been decided in favor of Universal. See David G. Post et al., "Nice Questions" *Unanswered: Grokster, Sony's Staple Article of Commerce Doctrine, and the Deferred Verdict on Internet File Sharing*, 2005 CATO SUP. CT. REV. 235,

infringement committed by its customers because there was sufficient evidence to indicate that the Betamax was being used for substantial unobjectionable purposes.⁴⁶ Further, the Court pointed out that there was no ongoing relationship between Sony and its customers, as such contact was confined exclusively to the point of sale.⁴⁷ Thus, despite its constructive knowledge of its customers' infringement, Sony was absolved of any liability for the sale and distribution of the Betamax.⁴⁸

C. Appellate Court Application of the Sony Doctrine in File-Sharing Cases

1. The Ninth Circuit: *A&M Records, Inc. v. Napster, Inc.*

The first test of the *Sony* doctrine in an Internet file-sharing case came in *A&M Records, Inc. v. Napster, Inc.*⁴⁹ Numerous record labels sued Napster, a company that developed file-sharing software based on a centralized peer-to-peer model,⁵⁰ for contributory and vicarious copyright

242 n.32 (2005).

46. *Sony*, 464 U.S. at 443-55 (discussing the home use of the Betamax for time-shifting purposes as a fair use). One point of contention since *Sony* has been whether a full trial record is needed to properly determine the existence of such substantial noninfringing uses. Compare *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2783 (2005) (Ginsburg, J., concurring) (finding insufficient evidence of Grokster and StreamCast's substantial noninfringing uses at the summary judgment stage and distinguishing the value of *Sony* based on its being "enlightened by a full trial record"), with *id.* at 2790 (Breyer, J., concurring) (viewing *Sony's* full trial record as unimportant, given that the evidence presented by the plaintiffs on summary judgment would not likely lead to a different outcome following trial).

47. *Sony*, 464 U.S. at 437-38.

48. *Id.* at 456.

49. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

50. For peer-to-peer networks to function, they must make it possible for users of the software to both locate and share files on the network. The network does this by compiling an index, which records the names of the shared files available on users' computers. See *Feder*, *supra* note 26, at 863. When a user then searches the network for a particular file, the index reports whether a file by that name is available and, if so, provides the user with the Internet address of that "host" computer. *Id.* The index thus helps connect the would-be downloader with a willing file-sharer. See *id.* Such an indexing function on peer-to-peer networks can be either centralized or decentralized. *Id.* at 864.

Centralized networks, like that used by Napster, operate by maintaining a single index of all files available on the network and the Internet addresses of the computers on which those files are located. See Hisanari Harry Tanaka, *Post-Napster: Peer-to-Peer File Sharing Systems: Current and Future*

infringement.⁵¹ The district court found that Napster had both actual and constructive knowledge of its users' infringing activities and thus held that plaintiffs demonstrated a likelihood of success on the merits, warranting a preliminary injunction against Napster.⁵²

Among the issues raised on appeal to the Ninth Circuit,⁵³ Napster argued that despite any actual or constructive knowledge it had of direct infringement, it was shielded from liability by *Sony's* limitation on contributory infringement.⁵⁴ The court examined *Sony* in light of Napster's product and determined that it applied insofar as the court would not impute the requisite level of knowledge for liability merely because Napster's technology could be used for infringement.⁵⁵ Furthermore, the court considered Napster's capability for "substantial" or "commercially significant" noninfringing uses and interpreted *Sony* as requiring an evaluation of both the current uses of the product, as well as uses that may develop over time.⁵⁶ The court reasoned that if a product is capable of such potential use, evidence of a

Issues on Secondary Liability Under Copyright Laws in the United States and Japan, 22 LOY. L.A. ENT. L. REV. 37, 49 (2001). Each time a user logs into the network, information about the files available on the user's computer are added to the central index. See Feder, *supra* note 26, at 865. This indexing model ensures that at any given time, a record of all available files being shared on the peer-to-peer network is accessible to its users. See *id.*

Decentralized indices have developed in two veins: the node and the supernode model. See *id.* Under a node model, each individual peer maintains an index of the files available on his computer and those computers to which he has previously connected. See Tanaka, *supra*, at 49. Thus, the indices under the node model reflect only a small portion of the total resources being shared on the network.

The supernode model differs slightly and exists somewhere between the extremes of a centralized index and a completely decentralized node index. Feder, *supra* note 26, at 865. This model, used by Grokster and Kazaa, delegates the indexing function of a centralized server to numerous supernodes. *Id.* The supernodes index the resources available on the nodes of the network and propagate this information among one another. *Id.* Ordinary nodes then access the supernode's index just as they would a centralized index. *Id.*

51. *Napster*, 239 F.3d at 1010-11.

52. *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 927 (N.D. Cal. 2000).

53. Napster unsuccessfully attempted to avoid liability by contending that its users were making fair use of copyrighted works and were, therefore, not direct infringers. *Napster*, 239 F.3d at 1014.

54. *Id.* at 1020.

55. *Id.* at 1020-21.

56. *Id.* at 1021.

defendant's actual knowledge of specific infringing acts would be sufficient to overcome *Sony's* protection.⁵⁷ "Conversely," the court went on, "absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material."⁵⁸ Despite reading into *Sony* a requirement that Napster possess actual knowledge of specific infringing activity, the court concluded that Napster had sufficient knowledge, both actual and constructive, of its users' infringement to satisfy the knowledge element.⁵⁹

Likewise, the court had little difficulty determining that Napster satisfied the material contribution prong of the analysis.⁶⁰ Napster's centralized index⁶¹ provided the support services necessary for its users' direct infringement.⁶² By providing the "site and facilities" for infringement, Napster satisfied the material contribution element.⁶³

The Ninth Circuit ultimately held that the record companies had presented sufficient evidence of Napster's contributory and vicarious liability to merit a preliminary injunction and remanded the case to the district court for further proceedings.⁶⁴

2. *The Seventh Circuit: In re Aimster Copyright Litigation*

As in *Napster*, the Seventh Circuit's decision in *In re*

57. See *id.* at 1021 ("[I]f a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement." (citing *Religious Tech. Ctr. v. Netcom On-Line Commc'ns Servs., Inc.*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995))).

58. *Id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 436, 442-43 (1984)).

59. *Napster*, 239 F.3d at 1022. Evidence of Napster's actual knowledge included documents authored by its employees indicating that pirated music was being exchanged on the network. *Id.* at 1020. It had also received notices from the Recording Industry Association of America informing it of the existence of infringing files. *Id.* at 1020 & n.5.

60. *Id.* at 1022.

61. See discussion *supra* note 50.

62. *Napster*, 239 F.3d at 1022.

63. *Id.* (citing *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996)).

64. *Id.* at 1029.

*Aimster Copyright Litigation*⁶⁵ resulted in a finding of probable liability for the maker of a peer-to-peer technology.⁶⁶ The Seventh Circuit affirmed a district court's preliminary injunction against file-sharing software maker Aimster after it found that the copyright-holder plaintiffs had presented sufficient evidence of contributory liability to succeed on the merits.⁶⁷

In its evaluation of the knowledge element of the contributory infringement analysis, the Seventh Circuit agreed with the district court's finding that Aimster had knowledge, or at least reason to know, of its users' infringing activity.⁶⁸ Judge Richard Posner, writing for the panel, found that Aimster's use of encryption technology in file transfers, which had allegedly prevented it from learning the copyrighted nature of the files being exchanged, amounted to willful blindness.⁶⁹ In the context of contributory infringement, this "self-inflicted wound" amounted to actual knowledge and did not excuse Aimster from liability.⁷⁰

Aimster sought shelter from liability under *Sony's* "staple article of commerce" doctrine.⁷¹ Because the *Sony* majority distinguished between current and potential noninfringing uses, Aimster argued that it was a sufficient defense to show merely that its file-sharing technology *could* be used for noninfringing purposes.⁷² Aimster's defense thus relied on drawing a distinction between the current uses of a technology and the prospective uses that may develop over time. The Seventh Circuit rejected this argument and noted that such a reading of *Sony* would eviscerate the significance of any finding of constructive knowledge and result in a rule similar to that articulated by the Ninth Circuit in *Napster*.⁷³

65. *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003).

66. *Id.* at 656.

67. *Id.* at 653.

68. *See id.* at 650 (explaining that the defendant must have strongly suspected that infringing activity was taking place).

69. *Id.* at 654-55.

70. *Id.*

71. *Aimster*, 334 F.3d at 651.

72. *Id.*

73. *Id.* at 649. The Seventh Circuit expressly disapproved of the Ninth Circuit's interpretation of *Sony* in *Napster*. *See id.* ("We therefore agree . . . that the Ninth Circuit erred in *A & M Records, Inc. v. Napster, Inc.* in suggesting that actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer." (citations omitted)).

Such a rule would permit a seller of a product or service made exclusively for facilitating copyright infringement to escape all liability upon a mere showing of a prospective noninfringing use.⁷⁴

The Seventh Circuit also differentiated *Aimster* from the *Betamax* at issue in *Sony*. It noted that *Aimster* was more like a service than a product, as it maintained a continuing relationship with its customers after the initial download of its software.⁷⁵ Unlike in *Sony*, where customer contact existed only at the point of sale,⁷⁶ *Aimster* furthered an ongoing relationship with its customers by providing editorial content and software updates.⁷⁷ The Seventh Circuit also found it significant that the majority in *Sony* painstakingly pointed out that the probable time-shifting use of the *Betamax* was likely a fair use under copyright law.⁷⁸ In contrast, *Aimster's* only documented uses were infringing.⁷⁹

The court further distinguished *Sony* by examining the intentions and promotional activities undertaken by *Sony* and *Aimster*. In *Sony*, the Supreme Court noted that the product manufacturer's advertising did not encourage infringing use of the *Betamax*.⁸⁰ The Seventh Circuit found that this was not the case for *Aimster*, as its "club *Aimster*" feature⁸¹ and tutorial information relied on infringing works to draw users.⁸² Similarly, the court determined that, unlike the *Betamax*, *Aimster's* software was intentionally designed for the purpose of infringement.⁸³

The Seventh Circuit further indicated that if the product

74. *Id.* at 651.

75. *Id.* at 648.

76. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 438 (1984).

77. *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 653 (N.D. Ill. 2002).

78. *Aimster*, 334 F.3d at 651 (citing *Sony*, 464 U.S. at 421, 443); see discussion *infra* note 204.

79. See *Aimster*, 334 F.3d at 653 ("Absent is any indication from real-life *Aimster* users that their primary use of the system is to transfer non-copyrighted files . . .").

80. *Id.* at 651 (citing *Sony*, 464 U.S. at 438).

81. *Id.* at 652. Club *Aimster* was an optional fee-based service that provided *Aimster* users with instant access to the forty most popular songs exchanged over the network. *Id.* These songs were all under copyright. *Id.*

82. *Id.* at 651. The court found that "[t]he tutorial is the invitation to infringement that the Supreme Court found was missing in *Sony*." *Id.*

83. *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 654 (N.D. Ill. 2002).

or service at issue was deemed capable of both substantial infringing and noninfringing uses, *Sony* requires that a court balance the costs and benefits of the infringement before absolving a defendant of liability.⁸⁴ The *Aimster* court's balancing test included three factors: (1) the respective magnitudes of infringing and noninfringing uses; (2) whether the defendant encouraged the infringing use; and (3) the defendant's efforts to eliminate or reduce the infringement.⁸⁵ While the court discussed the *Aimster* file-sharing application in light of all three factors, it ultimately declined to apply *Sony* because the defendant had failed to offer any proof of noninfringing uses by real-life *Aimster* users.⁸⁶

D. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.

Following the decisions in *Napster* and *Aimster*, peer-to-peer software developers created a new generation of file-sharing programs that sought to avoid their predecessors' legal problems by "designing around" the law of contributory liability.⁸⁷ Recognizing that *Napster's* fatal flaw was its centralized indexing system, these second-generation file-sharing applications used decentralized indices to deprive their creators of any actual knowledge of infringing activity.⁸⁸ Two companies, *Grokster* and *StreamCast Networks*, employed these decentralized networks and became emblematic of this attempt to bypass the contributory liability doctrine when suit was brought against them.⁸⁹ While the product at issue in *Grokster*, like in *Napster* and *Aimster*, was file-sharing software, the legal dispute was seen as much broader and more significant to the development of

84. *Aimster*, 334 F.3d at 649. The court emphasized the benefit of such a test in light of *Sony*, where it noted that the *Betamax's* primary purpose ultimately became a player for purchased or rented videos, not for recording broadcast programming. *Id.*

85. *Monotype Imaging, Inc. v. Bitstream Inc.*, 376 F. Supp. 2d 877, 887 (N.D. Ill. 2005) (citing *Aimster*, 334 F.3d at 649-51).

86. *Aimster*, 334 F.3d at 653.

87. See Post, *supra* note 34, at 112.

88. See discussion *supra* note 50.

89. See generally *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003), *aff'd*, 380 F.3d 1154 (9th Cir. 2004), *vacated and remanded*, 125 S. Ct. 2764 (2005). *Sharman Networks*, the maker of another popular file-sharing application, was also a defendant in the lawsuit, but withdrew as a party to the motion for summary judgment by *Grokster* and *StreamCast* prior to the district court's judgment. *Id.* at 1033.

future interactive technologies.⁹⁰

1. *Grokster in the Ninth Circuit Court of Appeals*

The Ninth Circuit's *Grokster* decision was the first time a federal appellate court ruled in favor of a file-sharing software company on issues of secondary liability.⁹¹ At the district court level, the software makers successfully persuaded the court to grant partial summary judgment after showing that they lacked the requisite knowledge and material contribution to be liable as contributory infringers.⁹²

In its review of the lower court decision, the Ninth Circuit analyzed *Sony's* application to the knowledge element of contributory liability.⁹³ Relying heavily on its *Napster* decision, the court determined that whether the alleged product is capable of substantial or commercially significant noninfringing uses was a threshold question to the knowledge element in the contributory liability analysis.⁹⁴ To satisfy the knowledge element, if the product at issue was not capable of substantial or commercially significant noninfringing uses, the copyright owner need only show that the product's maker had constructive knowledge of infringement.⁹⁵ However, if the product was capable of such noninfringing or commercially viable uses, then the copyright holder must show that the product's maker had reasonable knowledge of specific infringing files and failed to act on such knowledge to prevent infringement.⁹⁶ The Ninth Circuit treated *Sony* as a threshold issue to the knowledge element of its contributory liability analysis, and thus had to decide whether *Grokster* and *StreamCast's* products were capable of substantial

90. See Phil Kloer, *Internet Music Case to Apply on Grand Scale*, ATLANTA J.-CONST., Mar. 27, 2005, at 1E.

91. See generally *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004). The copyright owners in *Grokster* sought to find the peer-to-peer software makers liable for both contributory and vicarious copyright infringement. *Id.* at 1157. As vicarious liability is beyond the scope of this comment, only the court's analysis of the contributory infringement issue will be discussed.

92. *Grokster*, 259 F. Supp. 2d at 1043.

93. *Grokster*, 380 F.3d at 1060-61.

94. See *id.*

95. *Id.* at 1161.

96. *Id.* (citing *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1027 (9th Cir. 2001)).

noninfringing uses.⁹⁷

Agreeing with the district court, the Ninth Circuit had little difficulty finding that Grokster and StreamCast had made products that were at least capable of such noninfringing uses.⁹⁸ The court noted that the networks were used successfully to distribute public domain works⁹⁹ and licensed music,¹⁰⁰ and thus rejected the copyright owners' argument that the vast majority of activity on such networks was infringing.¹⁰¹ On the contrary, the court stated that the *Sony* standard required only mere *capability* of substantial noninfringing use.¹⁰² Once it found that Grokster and StreamCast came within this broad reading of the *Sony* doctrine, the court determined that the copyright holders would have to meet the higher knowledge standard articulated in *Napster*—actual knowledge of specific infringing activity.¹⁰³

After determining that the copyright owners had not raised sufficient genuine issues of material fact to meet the knowledge standard, the Ninth Circuit found the peer-to-peer network architecture and timing of any actual knowledge acquired dispositive.¹⁰⁴ With respect to timing, the court endorsed the district court's conclusion that any "reasonable knowledge of specific infringement" had to have been

97. *See id.* ("Thus, in order to analyze the required element of knowledge of infringement, we must first determine what level of knowledge to require.").

98. *See id.* at 1161-62 ("Software Distributors have not only shown that their products are capable of substantial noninfringing uses, but that the uses have commercial viability.").

99. While discussing file-sharing capabilities beyond audio recordings, the court noted the use of the networks to share literary works available through Project Gutenberg and historic public domain files from the Prelinger Archive. *Grokster*, 380 F.3d at 1161.

100. The court was particularly impressed by the popular band Wilco, which legally distributed an album over defendants' peer-to-peer networks after its record company declined to release the album. *Id.* The popularity of the album led to widespread interest in the band and resulted in their signing with a new record company. *Id.*

101. *Id.* at 1162.

102. *See id.* ("[I]n order for limitations imposed by *Sony* to apply, a product need only be *capable* of substantial noninfringing uses." (citing *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001)).

103. *Id.* The full test adopted in *Napster* requires that the defendant (1) receive reasonable knowledge of specific infringing act, (2) know or should know that such files are available on the system, and (3) fails to act to prevent viral distribution of the works. *See id.* at 1161 n.7 (citing *Napster*, 239 F.3d at 1027).

104. *Id.* at 1162-63.

acquired “at a time at which they contribute[d] to the infringement”¹⁰⁵ Copyright owners’ notices¹⁰⁶ of infringing content to Grokster and StreamCast were thus determined to be “irrelevant” because “they arrive[d] when Defendants [could] do nothing to facilitate, and [could not] do anything to stop, the alleged infringement.”¹⁰⁷ This conclusion was largely based on the architecture of the Grokster and StreamCast networks, which employed a decentralized indexing system.¹⁰⁸ Unlike the centralized index in *Napster*, the decentralized index used by Grokster and StreamCast prevented the companies from having the ability to control infringing activity once users installed the software.¹⁰⁹ As the court stated, “even if the Software Distributors ‘closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption.”¹¹⁰

Next, the Ninth Circuit turned to the material contribution prong of the analysis and again agreed with the district court’s finding that Grokster and StreamCast did not materially contribute to copyright infringement.¹¹¹ As with the knowledge prong, the court placed considerable emphasis on the architecture of the peer-to-peer networks at issue.¹¹² In comparison to Napster’s network, the court noted that while Napster maintained an “integrated service” that provided the “site and facilities” for infringement, defendants had not.¹¹³ Grokster and StreamCast did not have computers containing infringing messages or indices, nor did they have the ability to restrict infringing users’ access to the network.¹¹⁴ Significantly, the court found that it was the software’s users, not its developers, who created the network

105. *Grokster*, 380 F.3d at 1162 (quoting Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1036 (C.D. Cal. 2003)).

106. Plaintiff copyright owners had provided Grokster and StreamCast with over 12,000 notices informing them of specific infringing content being traded on their networks. *Grokster*, 259 F. Supp. 2d at 1036.

107. *Grokster*, 380 F.3d at 1162 (quoting *Grokster*, 259 F. Supp. 2d at 1037).

108. *Id.* at 1163; see discussion *supra* note 50.

109. See *Grokster*, 380 F.3d at 1163.

110. *Id.* (quoting *Grokster*, 259 F. Supp. 2d at 1041).

111. *Id.*

112. See *id.*

113. *Id.*

114. *Id.* (citing *Grokster*, 259 F. Supp. 2d at 1037, 1039-41).

and provided such access.¹¹⁵ Absent control over the infringing files or indices, or the ability to regulate access, the court was unable to find that Grokster or StreamCast materially contributed to copyright infringement.¹¹⁶

2. Grokster in the U.S. Supreme Court

Observers of the lower court proceedings in *Grokster* were surprised by the Ninth Circuit's reading of *Sony* and its refusal to allow the action to proceed to trial.¹¹⁷ Viewing the Ninth Circuit's interpretation of *Sony* in *Napster* as the linchpin of court's decision, parties on both sides of the case anticipated that the U.S. Supreme Court's grant of certiorari indicated an intent to revisit *Sony* and, in the process, resolve the doctrine's inconsistent application between the Seventh and Ninth Circuits.¹¹⁸ The Justices, however, ultimately avoided this review of *Sony* and decided the case on a new theory of liability.

In a unanimous opinion, the Supreme Court vacated the Ninth Circuit decision.¹¹⁹ Rather than ruling on the basis of the contributory or vicarious infringement theories raised in the lower courts, the Court disposed of the case by instead adopting an active inducement theory of liability.¹²⁰ Writing

115. *Grokster*, 380 F.3d at 1163.

116. *Id.* at 1164. The court went on to analyze the plaintiffs' claim that defendants were vicariously liable for their users' infringing activity. *Id.* The two elements required to prove a vicarious liability claim are (1) direct financial benefit as a result of the infringing activity and (2) the right and ability to supervise the infringers. *Id.* (citing *Fonovisa v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996)). That defendants were benefiting financially was not disputed. *Id.* Like the material contribution element of the contributory infringement analysis, the court found that defendants did not meet the "right and ability to supervise" requirement largely because of the architecture of their decentralized file-sharing networks. *See id.* at 1165.

117. *See* John Borland, *Judges Rule File-Sharing Software Legal*, CNET NEWS.COM, Aug. 19, 2004.

118. *See* John Borland, *Supreme Court to Hear P2P Case*, CNET NEWS.COM, Dec. 10, 2004 [hereinafter Borland, *Supreme Court to Hear P2P Case*].

119. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2783 (2005).

120. *See id.* at 2780. Like the Court's adoption of the staple article of commerce doctrine in *Sony*, *see supra* notes 41-42 and accompanying text, the Court in *Grokster* adopted the theory of inducement by borrowing from its codified equivalent in the Patent Act. *See Grokster*, 125 S. Ct. at 2779-80 ("For the same reasons that *Sony* took the staple-article doctrine from patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright."); *see also* 35 U.S.C. § 271(b) (making liable those who induce

for the Court, Justice Souter held that “one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”¹²¹

The Court evaluated *Grokster* and StreamCast’s culpability under the inducement test and identified three types of evidence that were relevant in its application.¹²² First, the Court stated that evidence of a defendant’s aim to satisfy a known market demand for copyright infringement would suggest an intent to induce, and the defendants’ interest in capturing the market of former Napster users met this criterion.¹²³ Second, the Court found that a defendant’s failure to diminish infringing activity also suggests an unlawful objective.¹²⁴ Both Napster and StreamCast had refused, or asserted their inability, to modify their software to filter out known copyrighted files.¹²⁵ Finally, the Court suggested that if a defendant’s profit potential is tied to the volume of infringing use, that too would suggest an unlawful objective.¹²⁶ Such a business model was evident in *Grokster*, as both StreamCast’s and *Grokster*’s revenues and file-sharing volume had proportionally increased.¹²⁷ Using these three factors as non-exclusive guidelines to determine

the infringement of a patent).

Reports about the *Grokster* decision framed the inducement theory as novel and hitherto unknown in copyright law. See, e.g., Tom Zeller, Jr., *The Supreme Court: The File Sharers; Trying to Tame an Unruly Technology*, N.Y. TIMES, June 28, 2005, at C1. What these accounts failed to recognize, however, is that inducement had been an acknowledged theory of liability under the doctrine of contributory liability for over thirty years prior to *Grokster*. See *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (“[O]ne who . . . induces, causes, or materially contributes . . . may be held liable as a ‘contributory’ infringer.” (emphasis added)). One could thus view the Court’s holding in *Grokster* as simply resurrecting a subsumed basis for liability under the contributory liability doctrine and fashioning it as a stand-alone theory.

121. *Grokster*, 125 S. Ct. at 2780.

122. *Id.* at 2781.

123. *Id.*

124. *Id.* Notably, the Court’s discussion of this second factor includes a footnote suggesting that absent other evidence of intent, the failure of a defendant to take affirmative steps to prevent infringement would not alone be sufficient to impose inducement liability. *Id.* at 2781 n.12.

125. See *id.* at 2781.

126. *Id.* at 2781-82.

127. See *Grokster*, 125 S. Ct. at 2782.

whether inducement had occurred, the Court found that MGM raised issues of material fact sufficient to withstand Grokster's motion for summary judgment.¹²⁸

Because it adopted an inducement theory, the opinion of the Court did not discuss how *Sony* would apply to the defendants under a contributory infringement analysis.¹²⁹ Two concurring opinions, however, broached the issue of whether *Sony* would apply to Grokster and StreamCast, absent evidence of intent to induce infringement.

According to Justice Ginsburg, writing on behalf of Chief Justice Rehnquist and Justice Kennedy, Grokster and StreamCast failed to proffer adequate evidence that there was no issue of material fact on the issue of contributory infringement.¹³⁰ Emphasizing that *Sony* was decided with the benefit of a full trial record, Justice Ginsburg criticized the Ninth Circuit for granting summary judgment based largely on the defendants' own declarations.¹³¹ Further, Justice Ginsburg believed that the number of noninfringing files available on the networks was insufficient to bring Grokster and StreamCast within the protection of *Sony* because this proportion was dwarfed by the sheer volume of files shared.¹³² The evidence in support of the motions for summary judgment showed that the products were "overwhelmingly used to infringe," and, thus, Justice Ginsburg stated that triable issues of fact would have to be resolved before defendants could avail themselves of *Sony's* safe harbor.¹³³

On the other hand, Justice Breyer and two other Justices,¹³⁴ found that defendants' evidence of their products'

128. *See id.* at 2782 ("There is substantial evidence in MGM's favor on all elements of inducement, and summary judgment in favor of Grokster and StreamCast was error.").

129. *See id.* at 2776 n.9, 2778.

130. *See id.* at 2783 (Ginsburg, J., concurring).

131. *Id.* at 2785 (Ginsburg, J., concurring). Justice Ginsburg pointed out that the Ninth Circuit's reliance on these declarations was faulty, as some included inadmissible hearsay. *See id.*

132. *See id.* at 2786 ("Even if the absolute number of noninfringing files copied using the Grokster and StreamCast software is large, it does not follow that the products are therefore put to substantial noninfringing uses and are thus immune from liability. The number of noninfringing copies may be reflective of, and dwarfed by, the huge total volume of files shared.") (Ginsburg, J., concurring).

133. *See Grokster*, 125 S. Ct. at 2786 (Ginsburg, J., concurring).

134. Both Justice Stevens and Justice O'Connor joined in Justice Breyer's

uses would be sufficient to implicate the protections of *Sony*.¹³⁵ Comparing the evidence before the Court in *Sony* to that before the district court in *Grokster*, Justice Breyer noted that in both cases witnesses had failed to quantify the number of noninfringing uses, yet in *Sony* the evidence was sufficient to absolve the product manufacturer of liability.¹³⁶ Similarly, Justice Breyer reasoned that the quantities of lawful use by *Grokster* and *StreamCast* roughly approximated those in *Sony* and, at the very least, the plaintiffs had failed to offer sufficient contradictory evidence.¹³⁷ On balance, Justice Breyer concluded that *Grokster's* and *StreamCast's* products were indeed "capable of substantial and commercially significant noninfringing uses."¹³⁸

III. THE NINTH CIRCUIT'S PROBLEMATIC CONTRIBUTORY LIABILITY ANALYSIS AFTER *GROKSTER*

The Ninth Circuit's *Napster* decision interpreted *Sony* to require consideration of a product's capability for noninfringing uses as a threshold issue to a prima facie case for contributory copyright infringement.¹³⁹ In virtually every case, this would require proving actual knowledge of specific infringing acts at a time when the defendant could prevent the direct infringement.¹⁴⁰ Protection under *Sony* in the Ninth Circuit was thus invariably linked to a plaintiff's inability to prove actual knowledge.

When the Supreme Court vacated the Ninth Circuit's decision in *Grokster* and rejected its interpretation of *Sony*, the Court failed to provide guidance on the relevance of a defendant's actual knowledge of infringement, particularly in cases that lack the evidence necessary to meet the Court's

concurring opinion. *Id.* at 2787 (Breyer, J., concurring).

135. *See id.* at 2787-88 (Breyer, J., concurring).

136. *Id.* at 2788 (Breyer, J., concurring). Justice Breyer's discussion of witness specificity as to the quantity of noninfringing files is a direct response to Justice Ginsburg's attack on the sufficiency of the defendants' declarations and supporting evidence. *See id.* at 2786 (Ginsburg, J., concurring).

137. *Id.* at 2789 (Breyer, J., concurring).

138. *Id.* at 2788 ("When measured against *Sony's* underlying evidence and analysis, the evidence now before use shows that *Grokster* passes *Sony's* test . . .") (Breyer, J., concurring).

139. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1027 (9th Cir. 2001).

140. *See Feder, supra* note 26, at 895.

newly adopted inducement theory of liability. As a result of *Grokster*, the relevance of a defendant's actual knowledge of infringement and the relationship of that evidence to the scope of *Sony's* protection is called into question. This comment addresses the question of what remains of the Ninth Circuit's contributory copyright infringement test after *Grokster* and, specifically, whether evidence of a defendant's actual knowledge of direct infringement precludes *Sony's* applicability.

IV. ANALYSIS

This part compares the Ninth and Seventh Circuit's pre-*Grokster* applications of *Sony* in the contributory liability framework and places particular emphasis on the *Napster* and *Aimster* opinions.¹⁴¹ Next, this part examines the Supreme Court's *Grokster* opinion, which held that the Ninth Circuit's understanding of *Sony* was flawed, and highlights an unresolved question implicit in the Court's analysis that will become increasingly problematic in future contributory infringement actions.¹⁴² This part then discusses *Perfect 10 v. Google, Inc.*, a case decided after *Grokster* under Ninth Circuit precedent, which illustrates the present dilemma over how evidence of actual knowledge of infringement should be considered by courts when evaluating whether *Sony's* protection applies to a "good faith" innovator.¹⁴³ Finally, this part explains the importance of clarifying the contributory infringement standard and illustrates why litigation over the "inverse *Grokster*" scenario will likely replace file-sharing disputes as the next "copyright" of the participation age.¹⁴⁴

A. Circuit Court Approaches to *Sony* Before *Grokster*

The Ninth Circuit's *Napster* decision began a dispute among the circuit courts over how *Sony* should apply within the contributory liability analysis. Though the Ninth Circuit ultimately affirmed *Napster's* liability because the company possessed both actual and constructive knowledge of its users' infringement and had materially contributed to that

141. See discussion *infra* Part IV.A.

142. See discussion *infra* Part IV.B.

143. See discussion *infra* Part IV.C.

144. See discussion *infra* Part IV.D.

infringement,¹⁴⁵ its interpretation of *Sony* established precedent in the Ninth Circuit that plaintiffs would be required to demonstrate a higher standard of knowledge by defendants for contributory liability to attach if the product at issue is capable of substantial noninfringing uses.¹⁴⁶ That is, evidence that a product can be used for substantial, legitimate purposes provides protection for an accused infringer under the Ninth Circuit's reading of *Sony*. Once a product had met this threshold of capability, constructive knowledge of infringing activity would be insufficient to impose liability, and the copyright owner would have to prove that the accused infringer had actual knowledge of specific infringing activity at a time when such activity could have been prevented.¹⁴⁷ The Ninth Circuit thus determined that to prevent defendants from avoiding liability under *Sony*, plaintiffs must satisfy a greater evidentiary burden with respect to the knowledge element of the contributory infringement analysis.¹⁴⁸

Though a seemingly viable framework for analyzing an accused infringer's liability under *Sony*, the Ninth Circuit's approach was criticized by a sister court¹⁴⁹ and, ultimately, rejected by the Supreme Court in *Grokster*.¹⁵⁰ The Ninth Circuit read *Sony* as requiring only that a device be *capable* of substantial noninfringing use and effectively imposed on the accused infringer an obligation merely to indicate that *some* use of his product *could* be legitimate. While a certain level of deference to technological innovation is essential to prevent expansion of copyright interests beyond their proper scope,¹⁵¹

145. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001).

146. *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1161 (9th Cir. 2004) (stating that under *Napster*'s construction of *Sony*, "if substantial noninfringing use [is] shown, the copyright owner would be required to show that the defendant had reasonable knowledge of specific infringing files" (citing *Napster*, 239 F.3d at 1027)).

147. *See Napster*, 239 F.3d at 1027; *see also Grokster*, 380 F.3d at 1161-62.

148. *See Grokster*, 380 F.3d at 1160 ("In *Napster I*, we construed *Sony-Betamax* to apply to the knowledge element of contributory copyright infringement.").

149. *See In re Aimster Copyright Litig.*, 334 F.3d 643, 649 (7th Cir. 2003) (indicating the court's agreement that the Ninth Circuit had erred in its interpretation of *Sony*).

150. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2778-79 (2005).

151. In its discussion of the codified contributory liability doctrine in patent

the requirement of showing just some legitimate use to come within *Sony's* safe harbor was effectively no requirement at all. As Judge Posner indicated in his *Aimster* opinion, “[w]ere that the law, the seller of a product or service used *solely* to facilitate copyright infringement, though it was capable in principle of noninfringing uses, would be immune from liability for contributory infringement.”¹⁵²

The Seventh Circuit, which decided *Aimster* just two years after *Napster*, deviated significantly from the Ninth Circuit’s interpretation of *Sony* in both the evidentiary burden shouldered by the defendant asserting *Sony's* protection and the effect of *Sony's* protection on the contributory liability analysis. While the Ninth Circuit reasoned that an accused infringer could avail himself of *Sony's* protection by merely showing that the product was capable of current or prospective substantial noninfringing uses,¹⁵³ the Seventh Circuit interpreted *Sony's* scope much more narrowly. Judge Posner evaluated the file-sharing system at issue in *Aimster* and found it obvious that the “system *could* be used in noninfringing ways,”¹⁵⁴ but reasoned that *Sony* required more than a physical capability of the product or service to be used for noninfringing purposes.¹⁵⁵ Unlike the Ninth Circuit, which adhered to the literal language of *Sony* and thus required only evidence of a product’s capability of substantial noninfringing uses, the Seventh Circuit’s interpretation of *Sony* required that accused infringers provide evidence that such uses are “probable.”¹⁵⁶

With respect to the varying contributory infringement analyses of the Ninth and Seventh Circuits prior to *Grokster*, most significant was the effect of *Sony's* application to an accused product. Under the Ninth Circuit view, once an

law, the Court in *Sony* explained the reasoning underlying the doctrine and how that reasoning could equally apply in the context of copyright law. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441 (1984) (“Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.”).

152. *Aimster*, 334 F.3d at 651.

153. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001).

154. *Aimster*, 334 F.3d at 651.

155. *Id.* at 653.

156. *Id.*

accused infringer demonstrated that his product was capable of legitimate use, *Sony's* protection was invoked and the copyright owner would have to show a higher level of knowledge by the accused infringer for liability to result.¹⁵⁷ Rather than imposing on the copyright owner the requirement of showing the accused infringer's actual, specific knowledge of infringement, the Seventh Circuit found that *Sony* would absolve the accused infringer of contributory liability entirely, provided that the benefits of the product at issue outweighed the costs in terms of infringing activity.¹⁵⁸ By applying a three-factor balancing test instead of imposing a higher knowledge threshold, the Seventh Circuit evaluated *Sony's* applicability independent of the contributory infringement knowledge element.

B. Unequivocal Equivocation: Questions Answered and Raised by Grokster

The Supreme Court's grant of certiorari in *Grokster* suggested to many that the Court had taken the case to clarify *Sony's* application to digital technologies.¹⁵⁹ Both copyright owners and developers of new technology viewed *Sony's* "capable of commercially significant noninfringing uses" language¹⁶⁰ as the key to resolving the case and, further, to defining the bounds of acceptable, legitimate use of emerging technologies.¹⁶¹ The parties were thus focused on the issue of *whether Sony* applies, not the *effect* of *Sony's* application on the contributory infringement analysis.

To the dismay of observers interested in this "whether" question, the Court ultimately avoided identifying the quantum of use that would or would not be acceptable.¹⁶² However, in its discussion of the Ninth Circuit's erroneous interpretation of *Sony*, the Court did provide some guidance

157. See *Napster*, 239 F.3d at 1027.

158. See *Aimster*, 334 F.3d at 653.

159. See Borland, *Supreme Court to Hear P2P Case*, *supra* note 118.

160. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

161. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2778 (2005).

162. *Id.* ("[W]e do not revisit *Sony* further . . . to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur.").

on the question of *Sony's* effect on the contributory infringement analysis.¹⁶³ Paraphrasing *Sony's* holding, the Court stated that "*Sony* barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement."¹⁶⁴ The Court reasoned that the Ninth Circuit's interpretation of *Sony*, which required that copyright owners show actual knowledge of specific infringing activity, "convert[ed] the case from one about liability resting on imputed intent to one about liability on any theory."¹⁶⁵ It explained further:

[The Ninth Circuit] read the rule as being this broad, even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product, unless the distributors had "specific knowledge of infringement at a time at which they contributed to the infringement, and failed to act upon that information."¹⁶⁶

With respect to the Ninth Circuit's interpretation that *Sony* required a higher standard of knowledge in the case of a product capable of substantial noninfringing uses, the Court thus found the Ninth Circuit analysis inconsistent with *Sony*.¹⁶⁷ However, the Court neglected to specify what effect, if any, evidence of actual knowledge of specific infringing acts would have on *Sony's* limitation of imputed or presumed intent based on product design or distribution.

The Court's restatement of the *Sony* doctrine and its discussion of the Ninth Circuit's error raise two questions about *Sony's* effect on the contributory liability analysis. First, if an accused infringer has no actual knowledge of specific acts of infringement, but there is "evidence independent of design and distribution of the product"¹⁶⁸ suggesting a purpose to cause infringement, does contributory liability result? Second, if there is no such evidence independent of design and distribution that suggests a

163. *See id.*

164. *Id.*

165. *Id.*

166. *Id.* (quoting *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1162 (9th Cir. 2004)).

167. *Grokster*, 125 S. Ct. at 2778.

168. *Id.*

purpose to infringe copyrights, but the accused infringer has actual knowledge of specific infringing acts, how does this evidence impact the accused infringer's liability under *Sony*?

The Court clearly answered the first question in the affirmative by adopting the active inducement theory.¹⁶⁹ Both *Grokster* and *StreamCast* designed file-sharing software that functioned without a central server, thereby preventing them from acquiring actual knowledge of specific unlawful uses of their software.¹⁷⁰ But unlike *Sony*, the defendants in *Grokster* went beyond the mere design or distribution of the software. The *Grokster* defendants had marketed their products to take advantage of a demand for illegal file-sharing services, neglected to act to prevent future infringement once notified of illegal activity, and tied their business revenues to the volume of downloads on their networks.¹⁷¹ The Court used these factors to craft the inducement theory of liability, which makes clear that contributory liability will attach in the absence of actual knowledge if other evidence suggests a purpose to cause infringement.¹⁷²

The second question raised by the Court's discussion of *Sony* remains unanswered. This is the inverse situation of that raised in *Grokster*, whereby a product developer, without intent to induce or to otherwise cause infringement, makes and distributes a product after acquiring actual knowledge of specific acts of infringement. *Grokster* is silent on the effect of such actual knowledge of a good-faith innovator under *Sony* in this "inverse *Grokster*" scenario.

Though *Sony* clearly does not mandate proof of the accused infringer's actual knowledge of infringement after *Grokster*,¹⁷³ the question of whether such knowledge completely eliminates a safe harbor under *Sony* is critically important under the Ninth Circuit's analysis. The Ninth Circuit has applied *Sony* to the knowledge element of the contributory liability analysis since *Napster*,¹⁷⁴ and the

169. *See id.* at 2779-80.

170. *Id.* at 2770-74 (describing the *Grokster* and *StreamCast* software).

171. *Id.* at 2781-82 (discussing the three indicia of culpable intent under the inducement theory).

172. *Id.* at 2781-82 & n.13.

173. *Grokster*, 125 S. Ct. at 2778.

174. *See A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1027 (9th Cir. 2001).

Supreme Court never expressly rejected this approach in *Grokster*. The Court did, however, reject the Ninth Circuit's requirement that a copyright owner show actual knowledge of specific infringing acts once a product is found capable of substantial noninfringing uses.¹⁷⁵ After *Grokster*, the *Sony* rule clearly seems to establish that for a product capable of substantial noninfringing uses, constructive knowledge alone (i.e., knowledge imputed or presumed from mere design or distribution) is insufficient to support a claim for contributory infringement.¹⁷⁶ What remains unclear is whether actual knowledge of specific infringing acts, which was the required showing in the Ninth Circuit's analysis under *Napster*, is sufficient after *Grokster* to deprive a non-inducing, good-faith innovator of *Sony*'s protection.

C. *The Ninth Circuit's Sony Analysis After Grokster:*
Perfect 10 v. Google, Inc.

The Ninth Circuit has yet to clarify how actual knowledge will impact its contributory infringement analysis of a good-faith innovator under the "inverse *Grokster*" scenario. One recent published district court decision illustrates the void that currently exists in the Ninth Circuit's contributory liability analysis because of this question left lingering after *Grokster*.

*Perfect 10 v. Google, Inc.*¹⁷⁷ involved a dispute between the popular Internet search engine Google and the publisher of an adult magazine that maintains a subscription website containing copyrighted images.¹⁷⁸ At issue was Google's "Google Images" feature, which uses the Google search technology to scour the Internet for images that depict the query inputted by a user into the Google website.¹⁷⁹ The results of the search are returned as a grid of "thumbnail" images, which in turn link the user to the particular website from which the picture was copied and reduced to "thumbnail" size.¹⁸⁰ Among the images searchable by Google were those belonging to Perfect 10 that had been reproduced

175. See *Grokster*, 125 S. Ct. at 2778.

176. See *id.*

177. *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006).

178. *Id.* at 831-32.

179. *Id.* at 832-33.

180. *Id.* at 833.

by direct infringers in violation of its copyrights and posted to third-party websites unaffiliated with Perfect 10.¹⁸¹ Perfect 10 sought to hold Google liable for, among other theories, contributory infringement.¹⁸² Google defended by claiming that it could not be held liable as a contributory infringer under *Sony*.¹⁸³

The *Perfect 10* decision was the first time since *Grokster* that a district court within the Ninth Circuit had considered *Sony's* application to the contributory liability analysis. Importantly, this case involved the “inverse *Grokster*” scenario discussed above: a good-faith innovator (Google), without intent to induce or cause infringement, designed and distributed a product capable of substantial noninfringing uses with actual knowledge of specific acts of infringement (direct infringement of Perfect 10’s copyrighted images by third parties).¹⁸⁴

The court’s decision was representative of the uncertainty over how the “inverse *Grokster*” set of facts should be decided under the Ninth Circuit’s traditional contributory liability analysis. The court evaluated Google’s defense under *Sony* and determined that Google could not be charged with constructive knowledge of the infringing activity because its search engine was capable of noninfringing uses.¹⁸⁵ Noting the *Grokster* Court’s admonition that *Sony* would not bar liability “where evidence goes beyond a product’s characteristics . . . and shows statements or actions directed to promoting infringement,”¹⁸⁶ the court then quoted key language from the Ninth Circuit’s *Napster* decision, stating that “actual, specific knowledge of direct infringement renders *Sony's* holding of limited assistance’ to a defendant seeking to avoid contributory liability.”¹⁸⁷

181. *See id.* at 831.

182. *See id.*

183. *Perfect 10*, 416 F. Supp. 2d at 853.

184. *See generally id.* at 853-56.

185. *Id.* at 853. Notably, the court found that Google’s product had come within *Sony's* safe harbor without any discussion of the quantity of infringing versus noninfringing image files available through the image search. *Cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2786 (2005) (Ginsburg, J., concurring) (emphasizing the importance of weighing the relative number of infringing and noninfringing files made available).

186. *Perfect 10*, 416 F. Supp. 2d at 853 (quoting *Grokster*, 125 S. Ct. at 2779).

187. *Id.* (quoting *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001)).

Interestingly, after evaluating evidence of Google's actual knowledge of the direct infringement, the court declined to decide the issue of whether Google had such knowledge; instead, it assumed that such knowledge existed so that it could proceed to the material contribution prong of the contributory liability analysis.¹⁸⁸ In the process, the court seemingly disregarded any obligation to discuss how Google's actual knowledge of specific infringement would impact its claim of non-liability under *Sony*.

The *Perfect 10* court's reference to the *Napster* language of "actual, specific knowledge"¹⁸⁹ as limiting *Sony*'s assistance suggests that even if actual knowledge is found, it may not preclude *Sony*'s protection. If Ninth Circuit courts interpret the effect of actual knowledge in this manner, then the permissive nature of the "actual knowledge factor" suggests the use of a balancing test to determine whether the degree of knowledge, in combination with other factors, outweighs the policy interests for protection under *Sony*.

D. Copyrights to Come: Implications of the "Inverse Grokster" Scenario

The most recent copyright culminated in the defeat of illicit file-sharing networks in *Grokster*, and *Perfect 10* suggests that the next great battleground will be over technologies characterized by the "inverse *Grokster*" scenario. These disputes will pit content owners against legitimate organizations seeking to capitalize on the demand for interactivity, rather than overt peddlers of technologies intended to deliver pirated works. They will involve consumer-oriented technology companies, such as Google, MySpace,¹⁹⁰ and YouTube,¹⁹¹ that conduct their businesses

188. *Id.* at 854. The court likely avoided a discussion of the actual knowledge prong of the contributory infringement analysis because the material contribution prong was so decidedly in Google's favor. *See id.* As both prongs must be met to establish liability, the court likely thought it best to avoid the legal uncertainty of the knowledge issue and instead base its rejection of *Perfect 10*'s claim on less-disputed material contribution grounds.

189. *Id.* at 853.

190. MySpace is a social networking website that bills itself as an "online community that lets you meet your friends' friends." About Us—MySpace.com, <http://www.myspace.com/Modules/Common/Pages/AboutUs.aspx> (last visited Aug. 31, 2006). Members can post messages and multimedia content, including copyrighted photos and videos, on their homepages, which are visible to other

without the apparent evidence of “statements or actions directed to promote infringement,” yet admittedly maintain day-to-day operations with varying degrees of actual knowledge of direct infringement by users of their services.¹⁹² As Justice Breyer aptly stated in his concurring opinion in *Grokster*: “Sony’s standard seeks to protect not the Groksters of this world . . . , but the development of technology more generally. And Grokster’s desires in this respect are beside the point.”¹⁹³

Because of the interests at stake in this future area of debate over Sony’s application, it will be important to fill the ongoing void in the Ninth Circuit’s contributory liability. Since the Supreme Court declined to elaborate on the relevance of actual knowledge of specific infringing acts in the case of a good-faith innovator, the Ninth Circuit must reconcile its jurisprudence under *Napster* with the Supreme Court’s guidance in *Grokster* on the proper role of Sony in the contributory liability analysis. With its interpretation of the mandated actual knowledge standard expressly rejected by the Court, the Ninth Circuit must consider whether a balancing test, similar to that developed by the Seventh Circuit in *Aimster*, comports with Sony and better weighs evidence of actual knowledge in the contributory liability analysis.

members and the public. See Old Mogul, New Media, THE ECONOMIST, Jan. 21, 2006, at 68 (discussing MySpace in the context of the company’s acquisition by Rupert Murdoch’s News Corporation).

191. YouTube is a website that allows “people to watch and share original videos worldwide through a Web experience.” About YouTube, <http://www.youtube.com/t/about> (last visited Aug. 31, 2006). While many videos on the site are home-made and submitted legally by copyright-owner-creators, a significant number are user-captured television or movie clips that are uploaded without the copyright owner’s authorization.

192. See Chmielewski, *supra* note 9, at C1 (discussing YouTube’s aggressive use policy aimed at keeping pirated videos off the site, but noting YouTube’s clear benefit from increased traffic to the site when a popular video is posted in violation of copyright). Recently, a lawsuit was filed against YouTube by a journalist claiming that his video documenting the 1992 Los Angeles riots had been posted to YouTube and viewed more than 1,000 times without his permission. See Xenia P. Kobylarz, *Watching the Whirlwind*, THE RECORDER, Aug. 9, 2006. The case raises the question of what level of responsibility YouTube has to police its own site for infringing material. See *id.* This case typifies the “inverse *Grokster*” dilemma and will likely be only the first of many similar suits to be filed in this new type of copyright.

193. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2790 (2005) (Breyer, J., concurring).

V. RESOLVING THE “INVERSE GROKSTER” DILEMMA: A
PROPOSED TEST FOR CONTRIBUTORY INFRINGEMENT IN THE
NINTH CIRCUIT

This comment proposes that the Ninth Circuit recast its contributory infringement analysis under *Sony* by setting forth a balancing test to ascertain the liability of a good-faith innovator who has actual knowledge of specific acts of direct infringement—what this comment refers to as the “inverse *Grokster*” scenario. Modeled after the balancing test developed by Judge Posner in *Aimster*,¹⁹⁴ the proposed balancing test modifies the Seventh Circuit approach by removing or lessening the significance of factors subsumed within the inducement theory of liability announced in *Grokster*.¹⁹⁵

Like the Seventh Circuit approach, the proposed test begins with *Sony*'s standard inquiry of whether the accused product is “capable of commercially significant noninfringing uses.”¹⁹⁶ Unlike the Seventh Circuit, however, capability would be judged more leniently to take into account uses that develop over time.¹⁹⁷ This flexible capability standard would be consistent with Ninth Circuit precedent and the approach advocated by Justice Breyer's concurring opinion in *Grokster*.¹⁹⁸

194. See *supra* text accompanying notes 84-85.

195. These inducement-oriented factors are intended to probe the innovator's activities that might be seen as encouraging infringement. See, e.g., *Monotype Imaging, Inc. v. Bitstream Inc.*, 376 F. Supp. 2d 877, 888 (N.D. Ill. 2005); see also *Grokster*, 125 S. Ct. at 2781-82.

196. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

197. This is contrasted with the more rigorous “probable uses” standard announced by the Seventh Circuit in *Aimster*. See *In re Aimster Copyright Litig.*, 334 F.3d 643, 653 (7th Cir. 2003). After *Grokster*, it is questionable whether probable use is consistent with *Sony*, as the Court's majority opinion made repeated reference to the “capability” language of *Sony*, even when rephrasing that case's holding, and never suggested that capability should be read more narrowly. *Grokster*, 125 S. Ct. at 2778. Justice Breyer's concurring opinion, joined by Justices Stevens and O'Connor, went so far as to state expressly that the Seventh Circuit had interpreted *Sony* more strictly than he would have. *Id.* at 2790 (Breyer, J., concurring).

198. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001) (noting the lower court's error in improperly confining the use analysis to current uses, as compared to the current and future noninfringing uses); *Grokster*, 125 S. Ct. 2764, 2789 (Breyer, J., concurring) (“Importantly, *Sony* also used the word ‘capable,’ when asking whether the product is ‘capable of substantial noninfringing uses.’”).

An accused third-party infringer would not be presumed liable if it could provide evidence demonstrating substantial current or future noninfringing uses. Unlike the Ninth Circuit's reading of *Sony* in *Napster*,¹⁹⁹ once a product is deemed to fall within *Sony*'s safe harbor under the proposed test, the presumption of non-liability would arise as to the charge of contributory infringement generally, not just as to the element of knowledge. By removing the *Sony* analysis from the knowledge element, the Ninth Circuit's analysis would be more consistent with the Seventh Circuit's *Aimster* approach, which evaluates *Sony* independent of the elements of contributory infringement.²⁰⁰

The proposed test is also similar to the Seventh Circuit's approach in that upon showing that the product is capable of substantial noninfringing uses, it would require that the court balance four factors to determine whether the presumption of non-liability is overcome by other evidence.²⁰¹ The court should consider the following factors: (1) the accused third-party infringer's actual knowledge of specific acts of infringement concurrent with the sale of the product or service, (2) the respective magnitudes of infringing and noninfringing uses, (3) the accused infringer's efforts to eliminate or reduce infringement, and (4) the public's interest in the product or service giving rise to the infringing conduct.²⁰²

The first factor is relevant to the evidentiary standard a plaintiff must meet under *Napster*'s interpretation of *Sony*: whether the accused infringer had knowledge of specific infringing acts at a time when he could have acted to prevent such infringement.²⁰³ In *Napster*, the Ninth Circuit suggested

199. See *supra* text accompanying notes 55-59.

200. See generally *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003).

201. See *id.* at 649 ("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.").

202. Two of these factors are derived from the Seventh Circuit's balancing test set forth in *Aimster*: the respective magnitudes of infringing and noninfringing use and the efforts of the accused infringer to eliminate or reduce infringement. See *Monotype Imaging, Inc. v. Bitstream Inc.*, 376 F. Supp. 2d 877, 887-88 (N.D. Ill. 2005) (enumerating the factors set forth in *Aimster*, 334 F.3d at 649-51).

203. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1027 (9th Cir. 2001).

that a finding of actual knowledge rendered *Sony* of limited assistance, but it did not rule out the possibility that such knowledge could be overcome by other considerations. This makes evidence of knowledge particularly useful in a balancing test that seeks to weigh not just an accused infringer's awareness of unlawful activity, but also the countervailing benefits of the underlying technology.

Like the *Aimster* court's balancing test, the proposed second factor addresses the respective magnitudes of infringing and noninfringing uses. The magnitude-of-use factor seeks to weigh the volume of infringing versus noninfringing uses of the product and considers the amount of such allegedly infringing use that might constitute fair use.²⁰⁴ This factor allows a court to consider trends in the use of the technology and recognize new primary uses that are legitimate.²⁰⁵

Similar to the second factor, the proposed third factor, the accused infringer's efforts to eliminate or reduce infringement, derives from the Seventh Circuit's balancing test.²⁰⁶ This factor complements the first factor's consideration of actual knowledge, wherein it potentially mitigates a finding of actual knowledge if the accused infringer had policies or systems in place to prevent infringement upon the acquisition of such knowledge. This factor also serves to reinforce the accused infringer's status as a good-faith innovator where evidence of disregard of infringing activity would otherwise suggest bad faith, though not necessarily to the level of inducement.²⁰⁷

204. Fair use under copyright law requires courts to balance four factors between the alleged infringer and the party asserting fair use: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount of the work used in relation to the copyrighted work as a whole, and (4) the effect of the use upon the potential market for the copyrighted work. 17 U.S.C. § 107 (2000); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994); see also *Field v. Google*, 412 F. Supp. 2d 1106 (D. Nev. 2006) (applying the § 107 fair use test to Google's website caching technology).

205. For example, the *Aimster* court noted that the cost-benefit analysis in *Sony* seemed prescient once the home video rental market emerged following widespread consumer adoption of the VCR, the technology at issue in *Sony*. See *Aimster*, 334 F.3d at 649-50.

206. See *Aimster*, 334 F.3d at 653.

207. An alleged infringer's failure to act to prevent infringement, while in bad faith, would not be sufficient to impose liability under the inducement standard set forth in *Grokster*. As the Supreme Court indicated, inducement

Finally, the proposed balancing test should include a factor that accounts for the public interest. This factor is especially important for accused third-party infringers who fall into the “inverse *Grokster*” scenario, as these parties are often large-scale innovators that develop products of undoubted public benefit. One need look no further than the products Google develops based on its search technology to appreciate the public benefit that may outweigh other factors suggesting contributory infringement.²⁰⁸ Of course, any court

requires “clear expression or other *affirmative* steps taken to foster infringement” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2770 (2005) (emphasis added). Further, the Court expressly noted that mere failure to take affirmative steps to prevent infringement would not be sufficient to impose contributory liability. *Id.* at 2781.

208. Google’s controversial “Google Book Search” feature is a good example of a situation in which the public’s interest in a promising copying technology should be weighed against a copyright owner’s property right. In conjunction with the University of California, Harvard University, and the New York Public Library, among other institutions, Google has undertaken to scan and index its partners’ entire library collections. Tim O’Reilly, *Search and Rescue*, N.Y. TIMES, Sept. 28, 2005, at A27. The books scanned are fully searchable from Google’s site, which allows Google users to read excerpts of the books containing their search query. *See id.*

While some content owners, most notably the Authors Guild, have steadfastly opposed Google’s plans and have alleged the company of copyright infringement, Google and its supporters view the project as a means of creating a market for obscure works. *See id.* More noteworthy, however, is the potential that these digital libraries have for ground-breaking research in both the arts and sciences that could yield significant benefits for the public at large. *See id.* “In this new world, people will make connections between information and ideas that were hitherto inaccessible, driving the pace of innovation in all areas of life—academic, economic, and civic—and enhancing the use of the world’s great libraries.” Google Book Search Library Partners, <http://books.google.com/googlebooks/partners.html> (quoting Daniel Greenstein, University of California Associate Vice Provost for Scholarly Information and University Librarian).

Google has defended the legality of the Book Search project as a fair use. O’Reilly, *supra*, at A27. A recent district court case, *Field v. Google*, 412 F. Supp. 2d 1106 (D. Nev. 2006), may bolster Google’s argument. Though the case dealt with Google’s website caching technology, not its Book Search program, *Field*’s discussion of fair use suggested that Google’s good faith and the transformative nature of the caching feature were significant in evaluating the statutory four-factor fair use test. *Field*, 412 F. Supp. 2d at 1118-19, 1122-23; *see* discussion *supra* note 204. *Field*’s fair use discussion, hinting at the public benefit of Google’s caching technology and noting Google’s good faith, echoes the contributory infringement analysis for similar “inverse *Grokster*” scenarios proposed by this comment. For a discussion of the *Field* court’s fair use analysis and its applicability to the Google Book Search project, see Dan Cohen, *Impact of Field v. Google on the Google Library Project*, Dan Cohen: Digital Humanities Blog,

that considers the public benefit from a particular technology must also be mindful of the property right conferred on copyright owners, who are entitled to protection.²⁰⁹

VI. CONCLUSION

The common-law doctrine of contributory copyright infringement is a valuable tool for enforcing the exclusive rights guaranteed by copyright. This doctrine has become increasingly important as the development of digital technologies and high-speed telecommunications have made it increasingly costly and inefficient for copyright owners to enforce their rights against infringers directly.²¹⁰ While the doctrine was sufficient to impose liability in early file-sharing cases such as *Napster* and *Aimster*, technological developments soon required the Supreme Court to clarify the bounds of the contributory liability doctrine as set forth in its famous *Sony* decision.

The Court's opinion in *Grokster* affirmatively resolved the question of whether liability would result in the case of an innovator who lacked actual knowledge of infringement, yet who evidenced a purpose and intent to cause infringing activity.²¹¹ Unresolved in the Court's opinion and central to the Ninth Circuit's contributory infringement analysis established in *Napster* is the question of how the "inverse *Grokster*" scenario will fare under *Sony*.²¹² Will an innovator without evidence of inducement or an intent to cause infringement, but who has actual knowledge of infringing

http://www.dancohen.org/blog/posts/impact_of_field_v_google_on_the_google_library_project (last visited Sept. 3, 2006).

209. The court in *Perfect 10* acknowledged these conflicting interests in the context of Google's image-search feature. *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828, 859 (C.D. Cal. 2006) (noting in evaluating the public interest factor for injunctive relief that Google's argument had merit, but so did the public's interest in protecting copyright owners from likely acts of infringement). Copyrights are undoubtedly property interests that are protected by both the U.S. Constitution and federal law. See U.S. CONST. art. I, § 8, cl. 8; 17 U.S.C. § 106 (2000). However, one might argue that a copyright owner's absolute control of his intellectual property should not act to the detriment of the constitutional prescription to promote the progress of science and the useful arts, including progress that builds upon previous creative ventures.

210. See discussion *supra* note 24.

211. See *Grokster*, 125 S. Ct. at 2779.

212. See discussion *supra* Part IV.B.

activity, be able to avoid liability under *Sony's* safe harbor?

This comment suggests that after *Grokster*, the Ninth Circuit should revise its analysis of *Sony* within the contributory liability framework by adopting a balancing test to determine *Sony's* applicability in the "inverse *Grokster*" scenario.²¹³ Based on the Seventh Circuit's test in *Aimster*, this proposed test asks the court to consider the accused infringer's actual knowledge of specific infringement, the respective magnitudes of infringing and noninfringing uses, the accused infringer's efforts to reduce or eliminate infringing activity, and the public's interest in the product or service giving rise to the infringing conduct. By adopting such an approach, the Ninth Circuit will harmonize its precedent in *Napster* with the Supreme Court's view of *Sony* in *Grokster* and set forth an analytical framework for contributory infringement that fairly balances the interests on each side of the increasingly relevant "inverse *Grokster*" scenario.

213. See discussion *supra* Part V.