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Ryan C. Edwards  
*University of Kentucky*

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# Who Said Nothing in This World is Free? *A&M Records, Inc. v. Napster, Inc.*: Problems Presented, Solutions Explored, and Answers Posed

BY RYAN C. EDWARDS\*

## INTRODUCTION

The Internet is a phenomenon that has slowly but surely begun to touch nearly every aspect of our daily lives. No longer does one have to stand in line at the airline ticket counter, fight the shopping mall crowd around the holidays, or pay long distance charges just to say hello to a friend. It can all be done online. The events of our world are posted on the Internet as quickly as they happen. The days of sitting at home and waiting for the evening news are, to some extent, over. Nearly everything a person could possibly need is all at the click of a button.

Out of this vast expanse called cyberspace came an application, the brainchild of a college dropout, that pushed all the wrong buttons of the Recording Industry Association of America ("RIAA"). An eighteen-year-old computer wizard had devised a way by which music lovers all over the world could share their music with each other. Out of this idea was born a company, Napster, Inc. ("Napster"), which allowed users to access the music libraries and hard drives of other users, all for the sole purpose of swapping music. Nearly every song imaginable was now only a mouse click away. The RIAA's problem with the concept? This new way of swapping music was absolutely free of charge, and use of Napster was spreading like wildfire.

Young people, particularly teenagers and college students, have always had a particular fondness for free music. In the 1960s, the Grateful Dead and other bands from the San Francisco Bay area routinely held free

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concerts for their fans.<sup>1</sup> The Dead, who are perhaps the greatest touring band in the history of music, actually allowed fans to make tapes of their concerts for free.<sup>2</sup> Despite this history of free music in decades past, today one must realize that the artists who create and the labels that produce music are not doing so simply for the love of music. Because artists and labels are interested in making money, both need to have a financial incentive to continue. The RIAA contends that Napster has stolen away this financial incentive—the royalties owed these artists and labels under copyright law. Indeed, Mike Stoller, co-writer of one of the greatest rock songs of all time, Elvis Presley's "Hound Dog," stated that "[e]ach time a Napster user downloads a copy of a song I have composed, I am deprived of the royalty that my work should have earned me."<sup>3</sup>

Due to these financial losses, the RIAA has filed suit against Napster, alleging various copyright infringement claims.<sup>4</sup> Due to the complexity and novelty of the technology involved, the case presents many issues of first impression to any court of law. The purpose of this Note is to encourage those involved to adopt a business model in which Napster users pay a small fee to swap music, as this seems to be the solution that satisfies the concerns of all parties. Part I of this Note focuses on a description of the Napster service and the clones it has spawned, describing in detail the process by which users swap music files.<sup>5</sup> Part II discusses the substantive law and legislative provisions involved in this suit, and touches on problems with each as applied to the Napster service.<sup>6</sup> Part III concentrates on the judicial application of the law discussed in Part II to the Napster case.<sup>7</sup> Part IV explores forums of resolution and alternatives, noting the drawbacks of each, and ultimately presses for the adoption of a "pay-for-play" model for Napster.<sup>8</sup> Again, in light of the difficulties Napster presents to the legal system and other traditional means of resolution, an alternative marketplace solution is proposed. As such, final adjudication of the matter will have little effect on the arguments presented herein.

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<sup>1</sup> John Gibeaut, *Facing the Music*, 86 A.B.A. J., Oct. 2000, at 36, 41.

<sup>2</sup> *Id.*

<sup>3</sup> Mike Stoller, *What Songs Might Never Have Been Written . . . ?*, HOUSTON CHRON., Oct. 12, 2000, at A29.

<sup>4</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff'd in part and rev'd in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>5</sup> See *infra* notes 9-46 and accompanying text.

<sup>6</sup> See *infra* notes 47-169 and accompanying text.

<sup>7</sup> See *infra* notes 170-339 and accompanying text.

<sup>8</sup> See *infra* notes 340-414 and accompanying text.

## I. THE ADVENT OF PEER-TO-PEER FILE SHARING

A. *The Napster Service*

“Shawn Fanning was 18 when he wrote the code that changed the world.”<sup>9</sup> Fanning, a college student, had grown tired of the endless dead web links he came across in searching for MP3 files.<sup>10</sup> He conceived a program which would allow users to connect to each other directly, without having to go through a centralized server. Although the concept had not yet been christened with a name, it has since become, undoubtedly, the “godfather” of the newly created peer-to-peer file sharing revolution. It looks to be not only a musical phenomenon, but an entirely new programming movement.<sup>11</sup> The statement of one commentator, that “Fanning’s program already ranks among the greatest Internet applications ever, up there with e-mail and instant messaging,”<sup>12</sup> illustrates the influence and importance of the Napster code.

But how, exactly, does the Napster service work? To begin, users may download the necessary software from the Napster website for free.<sup>13</sup> Users must then register with Napster by assigning a user name to themselves.<sup>14</sup> The software has a browser interface, and features a search engine, a “hotlist” function,<sup>15</sup> and a chat function.<sup>16</sup> Napster keeps “clusters” of servers that make up its network.<sup>17</sup> Users can communicate, using the

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<sup>9</sup> Karl Taro Greenfeld, *Meet the Napster*, TIME, Oct. 2, 2000, at 60.

<sup>10</sup> Digital music often appears in the MP3 format, short for ISO-MPEG Audio Layer-3, which was developed by the German engineering firm Fraunhofer IIS in the late eighties. *See id.* at 63. Digital compression technology makes MP3s much smaller than other digital music formats; as such, it takes less time to upload and download MP3 files over the Internet. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 901 (N.D. Cal. 2000), *aff’d in part and rev’d in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>11</sup> *See* Greenfeld, *supra* note 9, at 64.

<sup>12</sup> *Id.* at 62.

<sup>13</sup> *See Napster*, 114 F. Supp. 2d at 905.

<sup>14</sup> *Id.* The user need not reveal his/her true identity to the service. *Id.*

<sup>15</sup> *Id.* The “hotlist” tool allows users to compile and store lists of other account holders’ user names. *Id.* This allows one user to obtain files from a particular other known user; phrased more generally, the “hotlist” function allows a user to browse another user’s entire shared library, and permits the initial user to download files directly from that list. *See id.* at 906.

<sup>16</sup> *Id.* at 905.

<sup>17</sup> *Id.*

features listed above, only with those users that are assigned to their "cluster."<sup>18</sup> Users specify where they want their "shared" files to be stored, and the files within the so-called "user library" are available to other users of the service for download.<sup>19</sup>

If the user sets his available uploads to a number greater than zero, all the MP3 files within that user's "library" automatically become available to other Napster users.<sup>20</sup> A user can then use the Napster search engine to find the MP3 files he/she desires by using the featured search engine.<sup>21</sup> The Napster software contains a "file-name index," which tracks all the files available at any given time, as users log on and off the system.<sup>22</sup> A user types search terms relating to the music she desires in the fields provided by the search engine.<sup>23</sup> In seconds, the Napster servers send that user a list of files, compiled of users online at that moment, containing the search terms requested.<sup>24</sup>

Once the user locates a file they desire, she double-clicks on the file, and the software engages in dialogue between that user and the host user.<sup>25</sup> Napster's central servers then obtain the required IP address information from the host, and send that information to the requesting user.<sup>26</sup> This, in essence, allows the host and the requesting computers to communicate with each other.<sup>27</sup> A connection between the two users is established, and the content of the MP3 file is transferred directly between the two users.<sup>28</sup> Although the actual file transfer takes place between the two users themselves, they would not be able to locate and communicate with each other without being signed on to the Napster service.<sup>29</sup>

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<sup>18</sup> *Id.*

<sup>19</sup> *See id.*

<sup>20</sup> *Id.* A user's "library" is only available to others when that user is online. *Id.* Conversely, a user may only search for files among other users who are online at that time. *See id.*

<sup>21</sup> *See id.* at 906.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *See id.*

<sup>25</sup> *See id.* The host user is the user who makes the MP3 available for downloading. *Id.*

<sup>26</sup> *Id.* at 906-07.

<sup>27</sup> *See id.* at 907.

<sup>28</sup> *Id.*

<sup>29</sup> *See id.* The file transfer process is the same for a user whether they use the search engine or the "hotlist" function. *See id.* at 906. The "hotlist" function, as stated earlier, grants a user the capability to look at another user's shared library.

## B. "Gnutella" Type Services

Although Napster presents several novel legal issues, the service is still an entity which can be sued. Due to Napster's use of central servers, the RIAA has a "real party" against which it may defend its copyrights. In the wake of Napster's popularity, however, several clones of the program have appeared.<sup>30</sup> These clones seem to pose an even greater challenge to existing copyright law than Napster itself.<sup>31</sup>

Unlike Napster, which uses central servers to aid in distributing files,<sup>32</sup> neither Gnutella nor Freenet "rely on a central repository of information."<sup>33</sup> By utilizing a system which eschews a central server in favor of a "true" peer-to-peer system,<sup>34</sup> Gnutella and Freenet do not provide a target to be sued.<sup>35</sup> Thus, it would seem that the only way to protect intellectual property rights in light of Gnutella and Freenet would be to sue each individual user.<sup>36</sup> An examination of how Gnutella-based systems work makes the technical differences apparent and illuminates the effect of this difference.

Once Gnutella has been installed on a personal computer, a "hello" message goes out from that system to a computer that is already on the network, "letting them know that the first computer is onboard. They, in turn, forward it to six more [computers], which forward it to five more

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*See id.* The user may then begin the transfer process by selecting a file from that list. *Id.*

<sup>30</sup> See Jane Kaufman Winn & James R. Wrathall, *Who Owns the Customer? The Emerging Law of Commercial Transactions in Electronic Customer Data*, 56 BUS. LAW. 213, 236-37 (2000). Programs such as Gnutella and Freenet are much like Napster, but they are available as open source code. See Andy Oram, *The Value of Gnutella and Freenet*, WEBREVIEW, at [http://www.webreview.com/pi/2000/05\\_12\\_00.shtml](http://www.webreview.com/pi/2000/05_12_00.shtml) (May 12, 2000). Open source code status means that a program is licensed under a GNU general public license, and thus cannot have its open status removed by later developers. *See id.*

<sup>31</sup> See Winn & Wrathall, *supra* note 30, at 237-38; Oram, *supra* note 30, at [http://www.webreview.com/pi/2000/05\\_12\\_00.shtml](http://www.webreview.com/pi/2000/05_12_00.shtml); *What is Gnutella?*, GNUTELLA NEWS, at [http://www.gnutellanews.com/information/what\\_is\\_gnutella.shtml](http://www.gnutellanews.com/information/what_is_gnutella.shtml) (last visited Mar. 25, 2001) (boasting that "Gnutella can withstand a band of hungry lawyers").

<sup>32</sup> See *supra* notes 22-29 and accompanying text.

<sup>33</sup> Winn & Wrathall, *supra* note 30, at 237.

<sup>34</sup> See *infra* notes 37-40 and accompanying text.

<sup>35</sup> Winn & Wrathall, *supra* note 30, at 237.

<sup>36</sup> *See id.*

[computers], and so on."<sup>37</sup> When a particular file request is sent out through an established network, the request continues to percolate until a computer is found that has the file.<sup>38</sup> At that point, the Gnutella software connects the two computers directly, and the file is downloaded.<sup>39</sup> It is important to note the lack of central servers in the Gnutella process,<sup>40</sup> as this appears to be the crucial difference between Napster and its clones.

Shortly after Napster's success became apparent, the code that built Napster was released and rebuilt as Gnutella, and other clones have followed suit.<sup>41</sup> More than one theme appears to be common among all of these services and their users. First, they believe that they cannot be stopped from swapping music, whether pirated or not, over the Internet.<sup>42</sup> Second, many users of peer-to-peer technology feel that music on the Internet should be free in any event.<sup>43</sup> Indeed, many proclaim that copyright law should not come into play at all.<sup>44</sup> Despite these developments, the RIAA is presently focusing on services such as Napster, which it suspects

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<sup>37</sup> Greenfeld, *supra* note 9, at 62.

<sup>38</sup> *See id.*

<sup>39</sup> *Id.*

<sup>40</sup> *See id.* at 63.

<sup>41</sup> *See* Brad Cawn, *The Shape of Things to Come: Will Downloadable Music Force a Massive Overhaul of the Recording Industry?*, UR, Oct. 8-Nov. 4, 2000, at 23, 24. N-tella and Gnotella are examples of Gnutella clones. *Id.*

<sup>42</sup> "We're legitimate, nihilistic media terrorists, as history will no doubt canonize us," boasts Nullsoft's home page." Gibeaut, *supra* note 1, at 37. Nullsoft is an America Online (AOL) subsidiary that developed a search engine that AOL has since removed "amid concern that it could illegally obtain copyrighted music files for users." *Id.* Nullsoft's statement "[echoes] the familiar techno-geek mantra that anarchy rules the Internet," and Freenet's system claims to be "a near perfect anarchy." *Id.* at 37, 41.

<sup>43</sup> A poll of potential jurors in the *Napster* case revealed that 41.3% of those surveyed believed that music over the Internet should be free. Victoria Slind-Flor, *Jurors Polled on Net, IP Law: Many Want to Copy Music, Movies for Free*, NAT'L L.J., Oct. 16, 2000, at A1. The survey found that those aged sixteen to twenty-four were the most likely to say that Internet music should be free. *Id.*; *see also* Robert Kuttner, *O, Freedom*, AM. PROSPECT, Aug. 28, 2000, at 4, 2000 WL 4739388, <http://www.prospect.org/print-friendly/print/V11/19/kuttner-r.html> (stating "[t]he battle cry of the Napster generation is that information is naturally free").

<sup>44</sup> *See* Gibeaut, *supra* note 1, at 41. A quote on a Napster website online forum from a user named "Daveld" reads: "[w]hat the hell does copyright law have to do with me, or any other laws of man for that matter? . . . If I don't want to follow a law, I won't." *Id.*

have a motive for profits in the future.<sup>45</sup> The RIAA feels that such services prey on users who believe that music on the Internet should be free.<sup>46</sup>

## II. THE LEGAL BATTLES OVER PEER-TO-PEER FILE SHARING: RELEVANT SUBSTANTIVE LAW

### A. *Substantive Law Background*

#### 1. *The General Problems with Traditional Copyright Law as Applied to Napster*

Among the more interesting aspects of peer-to-peer file sharing are the implications it poses for traditional copyright law.<sup>47</sup> The framers of the Constitution believed copyrights to be of the utmost importance, as illustrated by the power given to Congress to “‘promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.’”<sup>48</sup> As copyright law developed, courts began establishing the doctrine of “fair use,” which allows others to use copyrighted materials without the owner’s consent.<sup>49</sup> In essence, the doctrine allows persons to make a *de minimus* use of copyrighted materials while it prohibits mass production.<sup>50</sup>

The problem with these staples of traditional copyright law is that the Framers never could have imagined “the unprecedented scale of reproduction allowed by increasingly sophisticated computer software that makes the once-dreaded photocopier as benign as a chisel and stone tablet.”<sup>51</sup> Michael Rhodes, the Cooley Godward intellectual property lawyer who is

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<sup>45</sup> *See id.*

<sup>46</sup> *Id.*

<sup>47</sup> *See generally* Ariel Bershadsky, *RIAA v. Napster: A Window Onto the Future of Copyright Law in the Internet Age*, 18 J. MARSHALL J. COMPUTER & INFO. L. 755 (2000) (exploring the ramifications of the Napster controversy on copyright law).

<sup>48</sup> Gibeaut, *supra* note 1, at 39 (quoting U.S. CONST. art. I, § 8, cl. 8).

<sup>49</sup> The beginnings of fair use in the United States are found in *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4, 901).

<sup>50</sup> *See* Gibeaut, *supra* note 1, at 39. For example, quoting from and citing to a copyrighted work in a book review would qualify as fair use. *Id.* On the other hand, making massive amounts of copies of a work and distributing the same would not qualify as fair use. *Id.*

<sup>51</sup> *Id.*



representing MP3.com, Inc.,<sup>52</sup> states that “[t]he premise of copyright is to track and prevent reproduction. . . . What happens with the Internet is that you get the functional equivalent but not a ‘reproduction’ of a particular work.”<sup>53</sup> Similarly, “[t]he challenge that’s raised by the new media is that we are trying to apply some of our conventional rules involving conventional media to the new media.”<sup>54</sup>

## 2. *Contributory Infringement*

The Napster service has been sued for contributory infringement of copyrights by the RIAA.<sup>55</sup> As an initial matter, in order for a plaintiff “[t]o prevail on a contributory . . . infringement claim, [that] plaintiff must show direct infringement by a third party.”<sup>56</sup>

An analysis of direct infringement begins by noting that “the law of copyright protects ‘original works of authorship fixed in any tangible medium of expression.’”<sup>57</sup> The owner of the copyright has a bundle of

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<sup>52</sup> MP3.com, Inc. is a service that was also sued by record labels. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000). Partial summary judgment was granted against MP3.com, Inc. for infringing on copyrights. *Id.* at 353. Damages were set at \$25,000 per CD, or roughly \$118 million. *UMG Recordings, Inc. v. MP3.com, Inc.*, 56 U.S.P.Q.2d (BNA) 1376, 1381 (S.D.N.Y. 2000).

<sup>53</sup> Brenda Sandburg, *Is it Live, or is it the Internet?*, RECORDER (San Francisco), Spring 2000, at S6, WESTLAW, RECORDER-SF Database, 3/2000.

<sup>54</sup> Richard Lee, *Digital Dealings: The Internet is Changing the Way Information is Distributed. Will the Law Manage to Catch Up?*, RECORDER (San Francisco), July 2000, at S4, WESTLAW, RECORDER-SF Database, 7/2000 (presenting an interview with several intellectual property and copyright experts). Traditional copyright infringement is governed by 17 U.S.C. *See generally* 17 U.S.C. (1994 & Supp. IV 1999).

<sup>55</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 900 (N.D. Cal. 2000), *aff'd in part and rev'd in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>56</sup> *Id.* at 911.

<sup>57</sup> Alfred P. Ewert & Irah H. Donner, *Contributory Infringement: Software Architects Beware! What You Don't Know Just Might Hurt You (Part II)*, COMPUTER LAW., May 1994, at 5 (citing 17 U.S.C.A § 102(a) (West Supp. 1993)). Protected works fall into the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;

“exclusive rights”<sup>58</sup> regarding the work, not the copies, which include the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.<sup>59</sup>

A direct infringer of a copyright is one who violates any of the exclusive rights listed above.<sup>60</sup>

“[C]ontributory infringement is a form of secondary liability . . . .”<sup>61</sup>

This form of liability “evolved from the recognition that parties other than the direct infringer often play roles in the infringement.”<sup>62</sup> Once direct infringement is established, a contributory infringer is “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.”<sup>63</sup>

- (6) motion pictures and other audiovisual works;
- (7) sound recordings; and
- (8) architectural works.

17 U.S.C. § 102(a) (1994).

<sup>58</sup> See 17 U.S.C. § 106 (1994 & Supp. IV 1999).

<sup>59</sup> *Id.*

<sup>60</sup> See 17 U.S.C. § 501(a) (Supp. IV 1999).

<sup>61</sup> John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 103 (1994).

<sup>62</sup> *Id.* at 104.

<sup>63</sup> *Gershwin Publ’g Corp. v. Columbia Artists Mgmt.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (footnote omitted). The *Gershwin* court discussed *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399 (S.D.N.Y. 1966), which held that a radio station, along with a participating advertising agency and packaging agent, could be held liable as contributory infringers. See *Gershwin*, 443

For example, in *Fonovisa, Inc. v. Cherry Auction, Inc.*,<sup>64</sup> vendors at a swap meet were selling records without the copyright owner's permission.<sup>65</sup> The court there held that the operators of the swap meet were contributory infringers.<sup>66</sup> It was established, as required, that the vendors were direct infringers.<sup>67</sup> Since the operators provided the site and facilities where the activities took place, they were secondarily liable.<sup>68</sup> Although *Fonovisa* "did not involve the Internet, it has influenced the legal analysis of contributory liability in cyberspace."<sup>69</sup>

### 3. *Vicarious Copyright Infringement*

In addition to contributory copyright infringement, Napster has also been sued by the RIAA under a theory of vicarious copyright infringement.<sup>70</sup> The first important aspect to note about vicarious copyright infringement is that, unlike contributory infringement, knowledge on the part of the defendant is not a required element.<sup>71</sup> The doctrine is "an outgrowth of . . . respondeat superior,"<sup>72</sup> and liability will be found when the defendant "(1) has the right and ability to control the infringer's acts and (2) receives a direct financial benefit from the infringement."<sup>73</sup> Vicarious infringement finds its roots in the " 'dance-hall' cases from the Depression Era, where operators of entertainment venues were held liable for the infringing performances of others because the operators: (1) could

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F.2d at 404-05. Liability was contingent upon an ultimate finding that the radio station had knowledge, or reason to know, that advertisements played on their station were for the sale of infringing records. *See id.* at 405.

<sup>64</sup> *Fonovisa, Inc. v. Cherry Auctions, Inc.* 76 F.3d 259 (9th Cir. 1996).

<sup>65</sup> *Id.* at 261.

<sup>66</sup> *See id.* at 264.

<sup>67</sup> *See id.*

<sup>68</sup> *Id.*

<sup>69</sup> Berschadsky, *supra* note 47, at 766 (citing Timothy L. Skelton, Comment, *Internet Copyright Infringement and Service Providers: The Case for a Negotiated Rulemaking Alternative*, 35 SAN DIEGO L. REV. 219, 252 (1998)).

<sup>70</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 900 (N.D. Cal. 2000), *aff'd in part and rev'd in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>71</sup> *Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995) (citing 3 NIMMER ON COPYRIGHT § 12.04[A][1]).

<sup>72</sup> *Fonovisa*, 76 F.3d at 262.

<sup>73</sup> *Religious Tech.*, 907 F. Supp. at 1375 (citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963)).

control the premises; and (2) obtained a direct financial benefit from the audience, who paid to enjoy the infringing performance.”<sup>74</sup>

As for the first element of vicarious liability, the “control” element, a plaintiff can show that a defendant exercised control by pointing out that the defendant imposed certain rules and regulations on the infringer.<sup>75</sup> The plaintiff may also satisfy the element by showing that the defendant “controlled the access customers had to the activities of the infringer;”<sup>76</sup> “possessed a right to terminate the infringer’s activities;”<sup>77</sup> or “generally promoted the commercial activities on its premises.”<sup>78</sup> As a practical matter, this element appears easily satisfied by the plaintiff. As cases suggest:

[E]ven a nominal indicia of the right and ability to control users—such as a user agreement that contains subjective and arbitrary restrictions on users, or a pattern of disabling users’ accounts or yanking user content—could, when aggregated, lead to a finding that the website has the ‘right and ability to control’ the infringing user.<sup>79</sup>

The real debate comes with proof of the second factor—the “direct financial benefit” by the defendant. Most cases concerning financial benefit center upon whether the defendant receives a “fixed fee” or a fee that varies based on the amount of infringement committed by others, and courts have been sharply divided over this issue.<sup>80</sup> Courts will find vicarious infringement where the fee received by a defendant varies with the amount of infringing activities occurring.<sup>81</sup> Courts have also traditionally found that

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<sup>74</sup> Jonathan A. Friedman & Francis M. Buono, *Using the Digital Millennium Copyright Act to Limit Potential Copyright Liability Online*, 6 RICH. J.L. & TECH. 18, ¶ 25 & n.69 (2000), at <http://www.richmond.edu/jolt/v6i4/article1.html>.

<sup>75</sup> See *id.* ¶ 26 (citing *Polygram Int’l Publ’g, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1329 (D. Mass. 1994)).

<sup>76</sup> *Id.* (citing *Polygram*, 855 F. Supp. at 1329).

<sup>77</sup> *Id.* (citing *Fonovisa*, 76 F.3d at 262).

<sup>78</sup> *Id.* (citing *Polygram*, 855 F. Supp. at 1329).

<sup>79</sup> Eric Goldman, *A Fresh Look at Web Development and Hosting Agreements*, 570 PRACTISING L. INST. PAT. 91, 131 (1999).

<sup>80</sup> Friedman & Buono, *supra* note 74, ¶ 26.

<sup>81</sup> See, e.g., *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307-08 (2d Cir. 1963) (stating that where the amount of rent a landlord received varied based on the amount of infringing sales by a tenant, vicarious infringement will be found).

if a "flat fee" is charged by a defendant, vicarious liability should not be found.<sup>82</sup>

Charging a flat fee, however, will not necessarily save a defendant from vicarious infringement. In *Polygram International Publishing v. Nevada/TIG, Inc.*,<sup>83</sup> for example, the court found that despite the fixed fee charged by a trade show organizer, the organizers benefitted from the performances, which helped make the show a financial success.<sup>84</sup> Similarly, in *Fonovisa, Inc. v. Cherry Auction, Inc.*,<sup>85</sup> the court found that financial benefit could be shown "where infringing performances enhance the attractiveness of the venue to potential customers."<sup>86</sup>

#### 4. Fair Use and Substantial Non-infringing Use

The doctrine of fair use is a defense to a copyright infringement claim, and it strikes a balance of sorts between protecting the copyright owner's exclusive rights and the interest of the public in the free flow of information.<sup>87</sup> While the law is certainly interested in protecting a copyright owner, the primary purpose of a copyright is to promote learning and culture for the public welfare.<sup>88</sup> As such, the public has a limited right to use copyrighted works.<sup>89</sup>

The "black letter" of fair use is found in a combination of case law and statutory provisions. In *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>90</sup> the United States Supreme Court declared that "[a]ny individual may reproduce a copyrighted work for a 'fair use'; the copyright holder does not

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<sup>82</sup> See, e.g., *Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361, 1376-77 (N.D. Cal. 1995) (refusing to find defendant Netcom vicariously liable because it charged its users a fixed fee).

<sup>83</sup> *Polygram*, 855 F. Supp. at 1314.

<sup>84</sup> See *id.* at 1330-33.

<sup>85</sup> *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

<sup>86</sup> *Id.* at 263. These cases are especially noteworthy in the application of the second factor to the Napster case, as Napster charges not a fixed fee or a varying fee, but no fee at all. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 905 (N.D. Cal. 2000), *aff'd in part and rev'd in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>87</sup> Deborah Hartnett, Note, *A New Era for Copyright Law: Reconstituting the Fair Use Doctrine*, 34 N.Y.L. SCH. L. REV. 267, 267 (1989).

<sup>88</sup> See Brandon G. Williams, Note, *James Brown v. In-Frin-Jr: How Moral Rights Can Steal the Groove*, 17 ARIZ. J. INT'L & COMP. L. 651, 655-56 (2000).

<sup>89</sup> See Hartnett, *supra* note 87, at 269.

<sup>90</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

possess the exclusive right to such a use.”<sup>91</sup> Or, as one commentator phrased it: “Fair use is the privilege to use copyrighted material in a reasonable manner without consent.”<sup>92</sup> Specifically, 17 U.S.C. § 107 lists six different circumstances “in which use might be considered ‘fair’: criticism; comment; news reporting; teaching; scholarship or research; and parody.”<sup>93</sup> It should be noted that the infringement defendant has “the burden of proving [the] affirmative defenses [of fair use].”<sup>94</sup>

In addition, § 107 provides a list of factors to be considered in determining if a use is a fair one:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>95</sup>

The § 107 fair use factors find their roots in Justice Story’s now famous opinion in *Folsom v. Marsh*,<sup>96</sup> which courts today frequently cite as the first American case to recognize the doctrine.<sup>97</sup> In *Folsom*, the plaintiffs owned the copyrights of over seven thousand pages of President George Washington’s writings, which they compiled into a twelve volume set.<sup>98</sup> The defendant had taken several excerpts from the plaintiffs’ protected works, and had inserted them into his work verbatim.<sup>99</sup> The court found that, in

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<sup>91</sup> *Id.* at 433.

<sup>92</sup> Robert G. Krupka, *Copyright Infringement Litigation Basics 2000*, 599 PRACTISING L. INST. PAT. 455, 466 (Lindsay E. Dinn ed., 2000).

<sup>93</sup> *Id.*; see also 17 U.S.C. § 107 (1994).

<sup>94</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 912 (N.D. Cal. 2000), *aff’d in part and rev’d in part*, 239 F.3d 1004 (9th Cir. 2001); see also *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1542 n.22 (11th Cir. 1996) (stating that “it is clear that the burden of proving fair use is always on the putative infringer”).

<sup>95</sup> 17 U.S.C. § 107.

<sup>96</sup> *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4, 901).

<sup>97</sup> See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 475 n.27 (1984) (Blackmun, J., dissenting).

<sup>98</sup> See *Folsom*, 9 F. Cas. at 345.

<sup>99</sup> *Id.*

total, some one-third of defendant's work—over three hundred and fifty pages—was directly taken from the plaintiffs' works.<sup>100</sup>

Justice Story began by making a clear distinction between two different types of uses of copyrighted material. In the first type, a reviewer of a work "may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism."<sup>101</sup> Conversely, the second type of use involves citing "the most important parts of [a] work, . . . not to criticise, but to supercede the use of the original work, and substitute the review for it."<sup>102</sup> It is with this latter type of use that copyright piracy is found.<sup>103</sup>

The quantity of the material taken, Justice Story believed, was a poor way to decide whether a copyright had indeed been infringed upon.<sup>104</sup> Instead, courts should examine the value of the excerpted material.<sup>105</sup> He stated:

[I]n deciding questions of this sort, [we must] look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supercede the objects, of the original work. Many mixed ingredients enter into the discussion of such questions.<sup>106</sup>

A quick comparison reveals that Justice Story's factors are the precursors of § 107's factors.<sup>107</sup>

Indeed, nearly one hundred thirty-five years after the *Folsom* decision, in 1976, Congress adopted the § 107 fair use factors employed by courts today, using *Folsom* as its guide.<sup>108</sup> Congress made it clear that it did not intend to change fair use in any way, stating that "the legislature only intended to recognize the privilege statutorily, to 'restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.'"<sup>109</sup> After the promulgation of § 107, courts, in facing a wide array of

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<sup>100</sup> *Id.*

<sup>101</sup> *Id.* at 344.

<sup>102</sup> *Id.* at 344-45.

<sup>103</sup> *Id.*

<sup>104</sup> *See id.* at 348.

<sup>105</sup> *Id.*

<sup>106</sup> *Id.*

<sup>107</sup> Compare *Folsom*, 9 F. Cas. at 348, with 17 U.S.C. § 107 (1994).

<sup>108</sup> See Pub. L. No. 94-553, § 107, 90 Stat. 2546 (1976) (codified as amended at 17 U.S.C. § 107 (1994)).

<sup>109</sup> Sonia Das, Note, *The Availability of the Fair Use Defense in Music Piracy and Internet Technology*, 52 FED. COMM. L.J. 727, 734 (2000) (citing H.R. REP.

fair use claims, have continued to apply the doctrine on a case-by-case basis, with each factor weighing differently in any given dispute.<sup>110</sup>

A deeper discussion of each fair use factor is useful in understanding the arguments made by Napster under the doctrine. The first factor is “the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit education purposes.”<sup>111</sup> The ultimate question with regard to the first factor is “whether the secondary and primary uses are so similar in nature that one can serve as a substitute for the other.”<sup>112</sup>

One should look to how each use is being employed; for example, if the primary use and the secondary use are both for educational purposes, substitution is more likely to occur.<sup>113</sup> If a defendant’s use of a work is found to be equivalent to a market substitution, then the copying is infringing, and the fair use defense should fail.<sup>114</sup>

In addition to substitution, the issue of transformation “lies at the heart of fair use.”<sup>115</sup> When deciding whether a work has been “transformed,” one should look to whether “the new work merely supplants the original ‘or instead, adds something new with a different purpose or a different character.’”<sup>116</sup> A finding of significant transformation can be of great help to infringement defendants, as it “eclipse[s] the significance of commercialism in making a fair use determination.”<sup>117</sup>

The second factor is the “nature of the copyrighted work.”<sup>118</sup> Generally, a work that is factual in nature will receive less protection than one that is more creative in nature.<sup>119</sup> The second factor thus looks at how much creativity went into the work.<sup>120</sup> One commentator has summed up the

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No. 94-1476, at 66 (1976)).

<sup>110</sup> *See id.*

<sup>111</sup> 17 U.S.C. § 107(1).

<sup>112</sup> Michael G. Anderson & Paul F. Brown, *The Economics Behind Copyright Fair Use: A Principled and Predictable Body of Law*, 24 LOY. U. CHI. L.J. 143, 166 (1993).

<sup>113</sup> *Id.*

<sup>114</sup> *See* Michael G. Anderson et al., *Market Substitution and Copyrights: Predicting Fair Use Case Law*, 10 U. MIAMI ENT. & SPORTS L. REV. 33, 40 (1993).

<sup>115</sup> Ruth Okediji, *Givers, Takers, and Other Kinds of Users: A Fair Use Doctrine for Cyberspace*, 53 FLA. L. REV. 107, 162 (2001) (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994)).

<sup>116</sup> *Id.* (citing *Acuff-Rose*, 510 U.S. at 579).

<sup>117</sup> *Id.* (citing *Acuff-Rose*, 510 U.S. at 579).

<sup>118</sup> 17 U.S.C. § 107(2) (1994).

<sup>119</sup> *See* Anderson & Brown, *supra* note 112, at 168-69.

<sup>120</sup> *See* Okediji, *supra* note 115, at 165.



sliding scale of protection based on creativity thusly: creative works such as novels, dramas, paintings, sonatas and poems receive plenary protection; compilations, such as directories or anthologies, receive limited protection; derivative works, such as motion pictures based on novels, also receive limited protection.<sup>121</sup>

The third factor is the "amount and substantiality of the portion used in relation to the copyrighted work as a whole."<sup>122</sup> As Justice Story noted in *Folsom*, the quantity of the work used by the alleged infringer cannot be the sole inquiry of fair use; however, he recognized that it should be at least a factor in the equation.<sup>123</sup> One question that mediates this balancing of quantity is whether the alleged infringer took no more than the amount needed to make his/her use of the protected work.<sup>124</sup> "The larger the volume . . . of the portion copied, the more likely it is that the secondary use will be found to infringe."<sup>125</sup> In looking at the quantity copied, the court in essence asks whether the secondary use could be a substitute for the primary one.<sup>126</sup> For example, in *Marcus v. Rowley*,<sup>127</sup> the plaintiff had made a cookbook for use in his class, and the defendant had made a copy of just under half of the book.<sup>128</sup> The record showed that the defendant's copy was "such an effective substitute for plaintiff's original work that one student who enrolled in the plaintiff's cooking class, and who had a copy of defendant's [cookbook] packet, actually refused to purchase the original cookbook."<sup>129</sup> This finding of full substitution weighed heavily in the court's denial of fair use to the defendant in *Rowley*.<sup>130</sup>

The fourth factor is "the effect of the use upon the potential market for or value of the copyrighted work."<sup>131</sup> The market effect factor is "the final, most important, and most obvious way to examine the problem of market substitution for an original work."<sup>132</sup> Indeed, the market effect factor is

<sup>121</sup> See L. Ray Patterson, *Regents Guide to Understanding Copyright and Educational Fair Use*, 5 J. INTELL. PROP. L. 243, 256 (1997).

<sup>122</sup> 17 U.S.C. § 107(3).

<sup>123</sup> *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4, 901).

<sup>124</sup> See Okediji, *supra* note 115, at 166.

<sup>125</sup> Anderson & Brown, *supra* note 112, at 171.

<sup>126</sup> See *id.* at 171-72.

<sup>127</sup> *Marcus v. Rowley*, 695 F.2d 1171 (9th Cir. 1983).

<sup>128</sup> See *id.* at 1173.

<sup>129</sup> Anderson & Brown, *supra* note 112, at 171 (citing *Rowley*, 695 F.2d at 1177).

<sup>130</sup> See *Rowley*, 695 F.2d at 1179.

<sup>131</sup> 17 U.S.C. § 107(4) (1997).

<sup>132</sup> Anderson & Brown, *supra* note 112, at 174.

closely related to the substitution concept considered in the quantity factor, because “a decrease in the demand for a product is often a direct result of a substitute product being introduced.”<sup>133</sup> Although the burden of persuasion lies with an alleged infringer when fair use is pled,<sup>134</sup> as an initial matter, copyright owners must “establish ‘with reasonable probability’ a causal connection between the infringement and the alleged harm.”<sup>135</sup> Examples of sufficient proof would be actual loss of revenue, impairment of the potential market for original or derivative works, and the effect on the value of the copyright for adaptation purposes and the like.<sup>136</sup> The copyright owner need only establish that the secondary use could affect the potential market for the primary use; the burden then shifts to the defendant to show that the harm alleged would have occurred even in the absence of the copying.<sup>137</sup>

The doctrine of “substantial non-infringing use” was first applied to copyright law in the landmark Supreme Court case of *Sony Corp. of America v. Universal City Studios, Inc.*<sup>138</sup> The Court explained that in the area of patent law many cases have denied “patentee[s] any right to control the distribution of unpatented articles unless they are ‘unsuited for any commercial noninfringing use.’”<sup>139</sup> It followed, then, in the Court’s opinion, that “[a] sale of an article which though adapted to infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce.”<sup>140</sup> The doctrine has also become known, due to the language

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<sup>133</sup> *Id.* (citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1982)).

<sup>134</sup> *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1542 n.22 (11th Cir. 1996).

<sup>135</sup> Vincent H. Peppe, *Fair Use of Unpublished Materials in the Second Circuit: The Letters of the Law*, 54 BROOK. L. REV. 417, 442 (1988) (citing *Harper & Row*, 471 U.S. at 567).

<sup>136</sup> *See id.* (citing *Harper & Row*, 471 U.S. at 567).

<sup>137</sup> *See id.* at 443 (citing *Harper & Row*, 471 U.S. at 567).

<sup>138</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441 (1984). The court acknowledged that the doctrine was one usually invoked in patent law, but found patent and copyright law similar enough to apply same to copyright law. *Id.* at 441-42.

<sup>139</sup> *Id.* at 441 (citing *Dawson Chem. Co. v. Rohm & Hass Co.*, 448 U.S. 176, 198 (1980)).

<sup>140</sup> *Id.* (quoting *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912), *overruled on other grounds*, *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917)).

above, as the "staple article of commerce doctrine."<sup>141</sup> At the outset, it must be recognized that the staple article of commerce doctrine only provides a defense to contributory infringement, not vicarious infringement.<sup>142</sup>

*Sony* came about in the wake of the introduction of the Betamax video recording system.<sup>143</sup> The copyright holders of certain television programs filed suit against the Sony Corporation, as manufacturer of the Betamax recording device, and alleged that it should be held contributorily liable for the copying and recording of the programs by consumers.<sup>144</sup> After setting forth and discussing the staple article of commerce doctrine, the Court stated that it "need not explore *all* the different potential uses of the machine [to] determine whether or not they would constitute infringement."<sup>145</sup> Rather, the Court found that the activity of "time shifting"<sup>146</sup> was one that was both substantial and non-infringing.<sup>147</sup>

*Sony* also clearly explained that the result would likely be different if the Betamax machine was used to make copies that were sold for commercial and/or profit making purposes.<sup>148</sup> As the facts stood, however, it was clear that time shifting was a "noncommercial, nonprofit activity."<sup>149</sup>

The staple article of commerce doctrine, as applied to copyright, is an interesting notion, and some situations that might otherwise seem troublesome fit neatly under the doctrine.<sup>150</sup> A library, for example, that allows public use photocopier machines on the premises could be found contributorily liable for infringement if patrons are illicitly copying materials.<sup>151</sup> Since a photocopier has substantial non-infringing uses,

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<sup>141</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 912 (N.D. Cal. 2000), *aff'd in part and rev'd in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>142</sup> *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022-23 (9th Cir. 2001).

<sup>143</sup> *See Sony*, 464 U.S. at 419-20.

<sup>144</sup> *Id.* at 420.

<sup>145</sup> *Id.* at 442.

<sup>146</sup> Time shifting, the Court explained, was "the practice of recording a program to view it . . . at a later time." *See id.* at 423. The Court stated that a viewer might choose to time shift because they were not at home, doing other things, or watching another program that happened to be on at the same time. *Id.*

<sup>147</sup> *See id.* at 446-47 & 446 n.28.

<sup>148</sup> *See id.* at 449.

<sup>149</sup> *Id.*

<sup>150</sup> *See Edward A. Cavazos & Coe F. Miles, Copyright on the WWW: Linking and Liability*, 4 RICH. J.L. & TECH. 3, ¶ 32 (1997), at <http://www.richmond.edu/jolt/v4i2/cavazos.html>.

<sup>151</sup> *Id.*

however, the library is saved from infringement liability.<sup>152</sup> Napster, as will be seen, is not so easily saved under the doctrine. This is because peer-to-peer file sharing is a concept that was, simply put, unimaginable at the time of *Sony*.

### B. *The Digital Millennium Copyright Act*<sup>153</sup>

With the Internet becoming a mainstay in the lives of the American public, and with the attendant newfound ease in downloading pictures, music, and all types of software, copyright law appeared to be in trouble. Online service providers,<sup>154</sup> also known as “OSPs” or “ISPs,” came knocking on Congress’s door for answers to the following question: “Should a company that provides Internet access . . . be held directly liable for the copyright infringing acts of a customer?”<sup>155</sup> The providers also wanted to know what the answer might be if they had no idea that copyright infringement was occurring,<sup>156</sup> largely due to the fact that they might “easily commit copyright-infringing acts with little or no knowledge of the action.”<sup>157</sup>

Due in large part to the ISPs’ concerns, Congress enacted the Digital Millennium Copyright Act (“DMCA”)<sup>158</sup> in October of 1998.<sup>159</sup> The DMCA added Chapter 12 to Title 17 of the United States Code, and gave copyright owners new protection—“causes of action that are different than

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<sup>152</sup> See *id.* (citing 17 U.S.C.A. § 108(f)(1) (West 1996)). Applying that section, the library probably need not worry about this type of liability, as the photocopy machine is likely being operated unsupervised, and a notice would likely be posted warning potential infringers. See 17 U.S.C. § 108(f)(1) (1994).

<sup>153</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in scattered sections of 17 U.S.C.).

<sup>154</sup> ISPs are entities that provide servers that give millions of users access to the Internet. See Justin Williamson, Note, *Online Service Provider Copyright Liability: Is the Digital Millennium Copyright Act the Answer?*, 88 KY. L.J. 987, 993-94 (2000). For example, a web page designer who wishes to create a new page will need to obtain access to the Internet through an ISP, such as America Online. See *id.*

<sup>155</sup> Christian C.M. Beams, *The Copyright Dilemma Involving Online Service Providers: Problem Solved . . . for Now*, 51 FED. COMM. L.J. 823, 824 (1999).

<sup>156</sup> See *id.*

<sup>157</sup> Williamson, *supra* note 154, at 984.

<sup>158</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in scattered sections of 17 U.S.C.).

<sup>159</sup> *Id.*

those traditionally litigated.”<sup>160</sup> Additionally, the DMCA gives ISPs more certainty in the area of copyright infringement and, if they qualify, may also give them immunity from copyright infringement.<sup>161</sup> These defenses are contained in the “safe harbor” provisions of the DMCA,<sup>162</sup> which Napster has attempted—to this point unsuccessfully—to use in its current suit.<sup>163</sup> The “safe harbors” are generally divided into four categories.<sup>164</sup>

The transitory digital network communications safe harbor<sup>165</sup> comes into play when “the OSP acts as nothing more than a conduit. Nothing is stored for any length of time . . . .”<sup>166</sup> As an initial matter, in order to invoke the protection of § 512(a), a defendant must prove that it is a service provider “transmitting, routing or providing connections for, material through a system or network controlled or operated by or for the service provider.”<sup>167</sup> After establishing this, the provider must further prove that:

- (1) the transmission of the material was initiated by or at the direction of a person other than the service provider;
- (2) the transmission, routing, provision of connections, or storage is carried out through an automated technical process without selection of the material by the service provider;
- (3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;
- (4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period of time than is reasonably necessary for the transmission, routing, or provision of connections; and

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<sup>160</sup> Brian R. Socolow & James R. Guerette, *Digital Millennium Copyright Interpreted*, N.Y. L.J., July 24, 2000, at S7.

<sup>161</sup> *See id.*

<sup>162</sup> *See* 17 U.S.C. § 512 (Supp. IV 1999).

<sup>163</sup> *See infra* notes 255-80 and accompanying text.

<sup>164</sup> The four categories are: (a) transitory digital network communications, (b) system caching, (c) information residing on systems or networks at the direction of users, and (d) information location tools or “links.” 17 U.S.C. § 512(a)-(d). For the purposes of this Note, only § 512(a) is relevant.

<sup>165</sup> *See id.* § 512(a).

<sup>166</sup> Beams, *supra* note 155, at 841.

<sup>167</sup> 17 U.S.C. § 512(a).

(5) the material is transmitted through the system or network without modification of its content.<sup>168</sup>

The five elements an ISP must meet appear to be a “brainstorm” of all the different ways that that same ISP could become aware that copyrighted material was being illegally passed through it.<sup>169</sup> Again, an understanding of this provision is crucial to an understanding of a substantial part of Napster’s defense.

### III. APPLICATION OF THE LAW IN *A&M RECORDS, INC. V. NAPSTER, INC.*<sup>170</sup>

#### A. *The District Court Opinion*

##### 1. *Contributory Infringement*

Judge Marilyn Hall Patel was called upon to decide whether an injunction should be issued against Napster enjoining it from “engaging in or assisting others in copying, downloading, uploading, transmitting, or distributing copyrighted music without the express permission of the rights owner.”<sup>171</sup> In order to issue this preliminary injunction, Judge Patel needed to find that the plaintiffs had either shown “(1) a combination of probable success on the merits and the possibility of irreparable harm, or (2) that serious questions are raised and the balance of hardship tips in [their] favor.”<sup>172</sup> Patel began by considering the RIAA’s success on its contributory infringement claim.

As discussed above, a claim of contributory infringement has two elements: (1) knowledge on the part of the defendant of direct infringement, and (2) material contribution to the infringement by the defendant.<sup>173</sup> The court found direct infringement by Napster users early in the opinion, noting that “virtually all Napster users engage in the unauthorized downloading . . . of copyrighted music; as much as eighty-seven percent of

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<sup>168</sup> *Id.* § 512 (a)(1)-(5).

<sup>169</sup> See Beams, *supra* note 155, at 842.

<sup>170</sup> *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff’d in part and rev’d in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>171</sup> *Id.* at 900.

<sup>172</sup> *Id.* at 911 (citing *Prudential Real Estate Affiliates, Inc. v. PPR Realty, Inc.*, 204 F.3d 867, 874 (9th Cir. 2000)).

<sup>173</sup> See *supra* notes 61-63 and accompanying text.

the files available on Napster may be copyrighted, and more than seventy percent may be owned . . . by the plaintiffs.”<sup>174</sup> After this finding, Judge Patel needed to find knowledge on the part of Napster of the infringement.

The RIAA presented evidence that swayed Judge Patel into finding actual knowledge on the part of Napster, the most notable of which was a document authored by Napster co-founder Sean Parker.<sup>175</sup> That document stated that Napster users “are exchanging *pirated* music,”<sup>176</sup> and that “[Napster is] not just making *pirated* music available but also pushing demand.”<sup>177</sup> The RIAA also explicitly informed Napster at one point that there were more than twelve thousand infringing files on the service.<sup>178</sup> Armed with this information, the court found actual knowledge on the part of Napster.<sup>179</sup>

As for material contribution, the court analogized the Napster software with the swap meet in *Fosnovia, Inc. v. Cherry Auction, Inc.*<sup>180</sup> “The swap meet provided support services like parking, booth space, advertising and clientele.”<sup>181</sup> Similarly, the court reasoned, Napster supplies the software, search engines, central servers “and means of establishing a connection between users’ computers. Without [these] support services . . . Napster users could not find and download the music they want with the ease of which defendant boasts.”<sup>182</sup> Faced with this analogy, Napster cited more contemporary cases in which website operators were held not to materially contribute by posting links that led to infringing material.<sup>183</sup> The court

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<sup>174</sup> *Napster*, 114 F. Supp. 2d at 911.

<sup>175</sup> *See id.* at 918.

<sup>176</sup> *Id.*

<sup>177</sup> *Id.*

<sup>178</sup> *Id.* The court also found constructive knowledge on the part of Napster, as its executives had recording industry experience. *Id.* at 919. Napster did not dispute that it “possessed enough sophistication about intellectual property laws to sue a rock band that copied its logo.” *Id.* Finally, Napster’s executives promoted the website with screenshots listing infringing files. *Id.*

<sup>179</sup> *See id.* at 918.

<sup>180</sup> *See id.* at 919-20 (citing *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996)).

<sup>181</sup> *Id.* at 920 (citing *Fonovisa*, 76 F.3d at 264).

<sup>182</sup> *Id.*

<sup>183</sup> *See id.* Napster cited *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry*, 75 F. Supp. 2d 1290, 1293 (D. Utah 1999) (holding that posting links to infringing websites did not materially contribute to infringement by website operators), and *Bernstein v. JC Penney, Inc.*, 50 U.S.P.Q.2d (BNA) 1063 (C.D. Cal. 1998), available at 1998 WL 906644 (stating that multiple linking does not constitute

rejected this analogy, stating that “Napster provides its users with much more than hyperlinking [to other websites]; Napster is an integrated service designed to enable users to locate and download MP3 music files.”<sup>184</sup> As such, the court found Napster was materially contributing to unlawful conduct.<sup>185</sup> With both elements of contributory infringement satisfied, the court held that the plaintiffs would likely prevail on the claim.<sup>186</sup>

## 2. Vicarious Infringement

A plaintiff in a vicarious infringement claim must show that a defendant (1) has control over users committing direct infringement and (2) is obtaining a direct financial benefit from the infringement.<sup>187</sup> As for the control element, Napster argued to the court that it was “technologically difficult, and perhaps infeasible,”<sup>188</sup> for it to distinguish between legal and illegal file swapping.<sup>189</sup> The plaintiffs countered by arguing that Napster did in fact supervise its users and the court agreed, stating that Napster had taken “pains to inform the court of its improved methods of blocking users about whom rights holders complain.”<sup>190</sup> The court found that these arguments amounted to an admission by Napster that it “can, and sometimes does, police its service,”<sup>191</sup> and found that Napster had “the right and ability to supervise its users’ infringing conduct.”<sup>192</sup>

The plaintiffs attempted to prove the direct financial benefit element of vicarious liability by citing to several cases in which courts found the element satisfied even when defendant made no profit from its activities.<sup>193</sup>

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substantial participation in any infringement where the linking website does not mention the fact that Internet users could, by following the links, find infringing material on another website). *Napster*, 114 F. Supp. 2d at 920.

<sup>184</sup> *Napster*, 114 F. Supp. 2d at 920.

<sup>185</sup> *See id.*

<sup>186</sup> *Id.*

<sup>187</sup> *See supra* notes 70-86 and accompanying text.

<sup>188</sup> *Napster*, 114 F. Supp. 2d at 920.

<sup>189</sup> *Id.*

<sup>190</sup> *Id.*

<sup>191</sup> *See id.* at 921.

<sup>192</sup> *See id.*

<sup>193</sup> *See id.* The RIAA cited *Walden Music, Inc. v. C.H.W., Inc.*, No. 95-4023-SAC, 1996 WL 254654, at \*5 (D. Kan. Apr. 19, 1996) (stating that the fact that defendants’ entrepreneurial enterprise was not making a profit was no defense to copyright infringement allegations), *Major Bob Music v. Stubbs*, 851 F. Supp. 475, 480 (S.D. Ga. 1994) (holding that a bar received financial benefit from perfor-



The court agreed with the rationale of these cases, reasoning that by offering more and more music for free, Napster would increase its user base.<sup>194</sup> Further, Napster had plans to monetize its service by deriving revenue from its user base, “through one of several . . . revenue models.”<sup>195</sup> Judge Patel went on to find that Napster did benefit financially from the infringement, and having found the first factor of vicarious liability satisfied as well, held that the RIAA had shown a reasonable likelihood of success on its claim.<sup>196</sup>

### 3. *The Defenses of Fair Use and Substantial Non-infringing Use*

Fair use and substantial non-infringing use are defenses to a claim of copyright infringement.<sup>197</sup> Judge Patel determined that “all four ‘fair use’ factors<sup>198</sup> set forth in the Copyright Act” were in favor of the plaintiffs.<sup>199</sup> Under the first factor—the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit education purposes—Judge Patel acknowledged that “downloading MP3 files does not transform the copyrighted music,”<sup>200</sup> but stated that the court was bound under *Campbell v. Acuff-Rose Music*<sup>201</sup> to determine whether the use was commercial.<sup>202</sup> Judge Patel stated that while downloading and uploading music via MP3s was not a “paradigmatic commercial activity,” it wasn’t “personal use in the traditional sense” either.<sup>203</sup>

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mances on its premises, and that “an enterprise is considered to be ‘profit making’ even if it never actually yields a profit”), and *Broadcast Music, Inc. v. Hobi, Inc.*, CIV.A. Nos. 92-228-B, 92-657-B, 1993 WL 404152, at \*3 (M.D. La. June 24, 1993) (holding defendant vicariously liable because, even though it did not make a profit, it aspired to make one), *aff’d*, 20 F.3d 1171 (5th Cir. 1994). *Napster*, 114 F. Supp. 2d at 921.

<sup>194</sup> See *Napster*, 114 F. Supp. 2d at 921.

<sup>195</sup> *Id.*

<sup>196</sup> See *id.* at 921-22.

<sup>197</sup> See *supra* notes 87-152 and accompanying text.

<sup>198</sup> See 17 U.S.C. § 107 (1994); *supra* note 95 and accompanying text.

<sup>199</sup> *Judge Patel Issues Written Ruling Explaining Napster Decision*, ANDREWS INTELL. PROP. LITIG. REP., Aug. 16, 2000, at 3, WESTLAW, ANIPLR database.

<sup>200</sup> *Napster*, 114 F. Supp. 2d at 912.

<sup>201</sup> *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). The Court held that finding out whether the new work transforms the copyrighted work is the main goal of the first factor. *Id.* at 579. The Court further held that a finding of commercial use weighs against, but does not preclude, a finding of fair use. See *id.* at 584; see also *Napster*, 114 F. Supp. 2d at 912.

<sup>202</sup> See *Napster*, 114 F. Supp. 2d at 912.

<sup>203</sup> *Id.*

The activities that occurred on the Napster service were not sales or profit-motivated activities, but “[a]t the very least, a host user sending a file cannot be said to engage in a personal use when distributing that file to an anonymous requester.”<sup>204</sup> Citing *Sega Enterprises, Ltd. v MAPHIA*,<sup>205</sup> Judge Patel stated that the fact that a Napster user gets something for free that they would normally have to pay for suggests commercial activity.<sup>206</sup> As for the second factor of the fair use test—the nature of the copyrighted work—the court found that copyrighted musical compositions were “creative in nature, . . . which cuts against a finding of fair use under the second factor.”<sup>207</sup>

Regarding the third factor—the amount and substantiality of the portion used in relation to the copyrighted work as a whole—the court noted that “it is undisputed that downloading or uploading MP3 music files involves copying the entirety of the copyrighted work.”<sup>208</sup> Before *Sony*, the Ninth Circuit held that “such ‘wholesale copying of copyrighted material precludes application of the fair use doctrine.’”<sup>209</sup> Despite this, after *Sony* (which addressed copying for private home use), such copying “tips the fair use analysis in the plaintiff’s favor, if [the] copying is likely to adversely affect the market for the copyrighted material.”<sup>210</sup>

As for the fourth factor, the court found that the MP3 copying by Napster users would, in fact, have an adverse effect on the market for copyrighted music.<sup>211</sup> The court was correct here in considering the relatedness of the substitution consideration of the third factor with the market effect of the fourth.<sup>212</sup> The court found that Napster use harms the market by reducing CD sales among college students, presumably because the MP3s downloaded by college students were being used as a substitute for CDs.<sup>213</sup> The court also found that Napster use hampers the RIAA’s efforts to enter the digital music download business.<sup>214</sup> Again, after an

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<sup>204</sup> *Id.*

<sup>205</sup> *Sega Enters., Ltd. v. MAPHIA*, 857 F. Supp. 679, 687 (N.D. Cal. 1994). (holding that copying to save users expense of purchasing authorized copies has commercial character and thus weighs against a finding of fair use).

<sup>206</sup> *See Napster*, 114 F. Supp. 2d at 912.

<sup>207</sup> *Id.* at 913 (citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985)).

<sup>208</sup> *Id.*

<sup>209</sup> *Id.* (quoting *Marcus v. Rowley*, 695 F.2d 1171, 1176 (9th Cir. 1983)).

<sup>210</sup> *Id.*

<sup>211</sup> *See id.*

<sup>212</sup> *See supra* note 133 and accompanying text.

<sup>213</sup> *See Napster*, 114 F. Supp. 2d at 913.

<sup>214</sup> *Id.*

analysis of these four factors, Judge Patel found that each favored the plaintiff recording industry.<sup>215</sup>

In response, Napster asserted that its service was capable of several fair uses, as defined in *Sony*,<sup>216</sup> “including sampling, space-shifting, and the authorized distribution of new artists’ work.”<sup>217</sup> As for sampling,<sup>218</sup> Judge Patel began by noting that “[s]ampling on Napster is not a personal use in the traditional sense . . . [which is] copying which occurs within the household and does not confer any financial benefit on the user.”<sup>219</sup>

The sampling that occurs on Napster, Judge Patel continued, is fundamentally different than the “time-shifting” argument accepted by the Supreme Court in *Sony*.<sup>220</sup> In *Sony*, the programs viewed were, in essence, free of charge to the viewer.<sup>221</sup> However, the record companies “almost always charge for their music—even if it is downloaded song by song. They only make promotional downloads available on a highly restricted basis.”<sup>222</sup> Even when the RIAA allows websites to stream samples of their songs, they still earn royalties.<sup>223</sup>

Judge Patel found additional reasons why the sampling on Napster was not akin to the time shifting in *Sony*. The viewers in *Sony*, she stated, “did not distribute taped television broadcasts, but merely enjoyed them at home.”<sup>224</sup> Napster users, on the other hand, have the potential to broadcast the songs they have sampled to millions of other users.<sup>225</sup> Sampling, it followed, “may quickly facilitate unauthorized distribution at an exponential rate.”<sup>226</sup> Similarly, Napster argued that the sampling on their service was analogous to listening to songs playing in a record store, or on a retail website.<sup>227</sup> Judge Patel thought the crucial difference between the types of sampling is that with Napster, “users can *keep* the music they download.”<sup>228</sup>

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<sup>215</sup> *Judge Patel Issues Written Ruling Explaining Napster Decision*, *supra* note 199, at 3.

<sup>216</sup> *See supra* notes 138-52 and accompanying text.

<sup>217</sup> *Napster*, 114 F. Supp. 2d at 913.

<sup>218</sup> Napster argued that the sampling its users participated in was an “initial listen” to a song before the decision to purchase an entire album. *See id.* at 913-14.

<sup>219</sup> *Id.* at 913.

<sup>220</sup> *See id.*

<sup>221</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.* 464 U.S. 417, 449 (1984).

<sup>222</sup> *Napster*, 114 F. Supp. 2d at 913 (citations omitted).

<sup>223</sup> *See id.*

<sup>224</sup> *Id.*

<sup>225</sup> *See id.*

<sup>226</sup> *Id.*

<sup>227</sup> *Id.*

<sup>228</sup> *Id.* at 914.

For these reasons, Judge Patel rejected Napster's sampling fair use argument.<sup>229</sup> Napster was not even saved by its contention that sampling on its service actually stimulates CD sales, as "[a]ny potential enhancement of plaintiffs' sales due to sampling would not tip the fair use analysis conclusively in favor of [the] defendant."<sup>230</sup>

Napster attempted to promote "space-shifting" as a fair use,<sup>231</sup> as it believed that "space-shifting" was sufficiently analogous to the time-shifting in *Sony* to invoke protection.<sup>232</sup> Napster cited to the Fader report,<sup>233</sup> which allegedly revealed that at least seventy percent of Napster users sometimes engaged in space-shifting.<sup>234</sup> In contrast, the RIAA cited to the Jay Report, which opined that forty-nine percent of survey respondents previously owned less than ten percent of the music they obtained from Napster.<sup>235</sup> Judge Patel held that neither of these statistics mattered in truth, as the argument was easily distinguishable from the *Sony* case.<sup>236</sup> *Sony* applied when the time-shifting was the *principal* use of the VCR, implying that no matter which report one might rely on, space-shifting was not a *principal* use of Napster, thus defeating Napster's argument.<sup>237</sup>

Napster attempted a "bootstrapping" argument of sorts, reasoning that if space-shifting was found to be a fair use, then it was protected by the

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<sup>229</sup> *See id.*

<sup>230</sup> *Id.*

<sup>231</sup> *Id.* at 915. The "space-shifting" argument was borrowed from *Recording Industry Ass'n of America v. Diamond Multimedia Systems, Inc.*, 180 F.3d 1072, 1079 (9th Cir. 1999) (holding that the "Rio Player," a portable MP3 player, was not protected by the Audio Home Recording Act ("AHRA") of 1992). *Napster*, 114 F. Supp. 2d at 915 & n.19. In *Diamond Multimedia*, the court stated that making copies with the Rio player to "space-shift, or make portable, files already on a user's hard drive" was a non-commercial personal use. *Id.* at 915 n.19 (citing *Diamond Multimedia*, 180 F.3d at 1079). Applied here, it would seem to imply that Napster users were simply shifting music they already owned to the hard drive of their computers. Judge Patel dismissed this dicta as having limited relevance, due largely to the fact that the AHRA did not apply to Napster's circumstances. *See id.*

<sup>232</sup> *See Napster*, 114 F. Supp. 2d at 916.

<sup>233</sup> The Fader Report, relied on by Napster, and the Jay report, relied on by the RIAA, contain statistical analysis on the various effects of the Napster service on consumers and music sales. *See id.* Although the reports were used respectively by both parties in support of numerous arguments, the court made no qualms that it gave greater credence to the Jay report. *See id.*

<sup>234</sup> *Id.*

<sup>235</sup> *Id.*

<sup>236</sup> *Id.*

<sup>237</sup> *See id.*

substantial non-infringing use, or staple article of commerce, doctrine of *Sony*.<sup>238</sup> The court quickly pointed out that Napster had failed, in the first place, to “show that space-shifting constitutes a commercially significant use of [the service].”<sup>239</sup> The huge growth of Napster was not substantially due to users space-shifting music they already owned; rather, it was due to the “vast array of free MP3 files offered by other users.”<sup>240</sup> Thus, the court continued, even if it found space-shifting to be a fair use, it was not substantial enough to be saved by the staple article of commerce doctrine of *Sony*.<sup>241</sup>

Further, for the purposes of the staple article of commerce doctrine, the court thought it of great import that Napster exercised ongoing control over its service.<sup>242</sup> As Judge Patel noted, in *Sony*, the “ ‘only contact between Sony and the users of the Betamax . . . occurred at the moment of sale.’ ”<sup>243</sup> In contrast, Napster has central servers that users must access to swap files.<sup>244</sup> Judge Patel noted that while courts have protected defendants for the manufacture and sale of devices under *Sony*, that same protection has generally not been extended to cover situations in which “the defendant continues to exercise control of the device’s use.”<sup>245</sup> In sum, the court declined to extend the staple article of commerce doctrine of *Sony* to Napster, as its activities “smack[ed] of contributory infringement.”<sup>246</sup>

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<sup>238</sup> *See id.*

<sup>239</sup> *Id.*

<sup>240</sup> *Id.*

<sup>241</sup> *Id.* (citing *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 846 (11th Cir. 1990) (affirming finding of contributory infringement where defendant primarily promoted devices capable of descrambling pay-TV broadcasts as infringement aids); *A&M Records, Inc. v. Gen. Audio Video Cassettes, Inc.*, 948 F. Supp. 1449, 1456 (C.D. Cal. 1996) (rejecting *Sony* defense because counterfeiting was chief purpose of time-loaded cassettes that defendant sold)).

<sup>242</sup> *Id.*

<sup>243</sup> *Id.* at 916-17 (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 438 (1984)).

<sup>244</sup> *See id.* at 907.

<sup>245</sup> *Id.* at 917 (citing *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59, 62 & n.3 (3d Cir. 1986) (holding that business that rented rooms in which public viewed copyrighted video cassettes engaged in contributory infringement, even when the business was not the source of cassettes); *General Audio Video*, 948 F. Supp. at 1456-57 (finding *Sony* inapplicable to a seller of blank tapes who “acted as a contact between his customers and suppliers of other materials necessary for counterfeiting”); *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 339 (S.D.N.Y. 1984) (holding that defendant in position to control cassette-copying machine could not claim protection under *Sony*)).

<sup>246</sup> *Id.*

Napster's last fair use argument was that it engaged in "the authorized promotion of independent artists, ninety-eight percent of whom are not represented by the record company plaintiffs."<sup>247</sup> The court doubted Napster's contention, believing that major recording stars were Napster's main priority.<sup>248</sup> In fact, the court stated that discovery revealed that former Napster CEO Eileen Richardson had no fewer than five Madonna files obtained from Napster on her own hard drive.<sup>249</sup> Judge Patel also implied that Napster was "covering itself" regarding the New Artist Program, as it wasn't instituted until *after* RIAA filed suit.<sup>250</sup> Indeed, the percentage of new artists found on the service remained small even at the time of the court's decision.<sup>251</sup> As the court found that "Napster's primary role of facilitating the unauthorized copying and distribution established [sic] artists' songs renders Sony inapplicable,"<sup>252</sup> the defenses of fair use and substantial non-infringing use wholly failed Napster.<sup>253</sup> After having found that the plaintiffs would likely be successful on both the contributory and vicarious infringement claims and that the defenses of fair use and substantial non-infringing uses were of no avail, Judge Patel granted the RIAA's request for an injunction of Napster's activities.<sup>254</sup>

#### 4. *The Digital Millennium Copyright Act*

Defendant Napster moved for summary judgment early in the proceedings, arguing that it fell within safe harbor provision 17 U.S.C. § 512(a) of the DMCA.<sup>255</sup> If this motion had been successful, the plaintiff record companies would have been prevented from obtaining both monetary damages and injunctive relief.<sup>256</sup> Due to the novelty of the DMCA, there was virtually no precedent for the court to follow in the

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<sup>247</sup> *Id.*

<sup>248</sup> *See id.*

<sup>249</sup> *Id.*

<sup>250</sup> *See id.*

<sup>251</sup> *See id.*

<sup>252</sup> *Id.* (citing *A&M Records, Inc. v. Gen. Audio Video Cassettes, Inc.*, 948 F. Supp. 1449, 1456-57 (C.D. Cal. 1996); *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 339 (S.D.N.Y. 1984)).

<sup>253</sup> *See id.*

<sup>254</sup> *Id.* at 927.

<sup>255</sup> *A&M Records, Inc. v. Napster, Inc.*, 54 U.S.P.Q.2d (BNA) 1746-47 (N.D. Cal. 2000). For a discussion of the requirements of the safe harbor in 17 U.S.C. § 512(a) of the DMCA, *see supra* notes 165-69 and accompanying text.

<sup>256</sup> *See Napster*, 54 U.S.P.Q.2d (BNA) at 1746.

disposition of the issue.<sup>257</sup> Indeed, the court noted that interpretation of any of the § 512 safe harbors “appears to be an issue of first impression.”<sup>258</sup> The principal issue at hand was whether Napster was a service provider that, for the purposes of § 512(a), “transmit[ted], rout[ed] or provid[ed] connections for, material *through a system or network* controlled or operated by or for the service provider.”<sup>259</sup>

The first issue the court dealt with was whether information actually passed *through* the Napster system. It would have been a much easier argument for Napster if the MP3 files had actually passed through its servers, as this would obviously seem to satisfy the “through a system” requirement. Napster, however, expressly denied that this happened.<sup>260</sup> Napster contended that the files were transmitted “ ‘from the Host user’s hard drive and Napster browser, *through the Internet* to the recipient’s Napster browser and hard drive.’ ”<sup>261</sup> Judge Patel noted, however, that the Internet cannot be considered “a system or network controlled or operated by or for the service provider.”<sup>262</sup>

In an attempt to avoid this finding, Napster argued that both its servers and the browsers on users’ computers were included in the composition of Napster’s overall system.<sup>263</sup> The court found that even if this were true, the transmissions still occurred over the Internet, bypassing the Napster servers in their entirety.<sup>264</sup> That meant, according to the court, that “even if each user’s Napster browser is part of the system, the transmission goes *from* one part of the system *to* another, or *between* parts of the system, but not ‘through’ the system.”<sup>265</sup> For the safe harbor of § 512 to apply, the legis-

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<sup>257</sup> *Id.* at 1747.

<sup>258</sup> *Id.* at 1748.

<sup>259</sup> *Id.* (emphasis added). It is important in this analysis to remember that the Napster system keeps file lists on its servers. It also provides the IP address necessary for a transfer to take place between two users, but that transfer occurs through the computers of the users, *not* Napster’s central system. *See supra* notes 9-29 and accompanying text.

<sup>260</sup> *See Napster*, 54 U.S.P.Q.2d (BNA) at 1751. Indeed, “if Napster were doing more to facilitate the transfer of music files by providing connections through its own system rather than users’ and hosts’ systems, the safe harbor provision might apply.” David P. Miranda, *Safe Harbor Provisions of DMCA Denied in Napster Copyright Infringement Case*, INTELL.PROP.L. NEWSL. (Am. Bar Ass’n), Summer 2000, at 30.

<sup>261</sup> *Napster*, 54 U.S.P.Q.2d (BNA) at 1751 (quoting Def. Reply Br. at 3).

<sup>262</sup> *Id.* (quoting 17 U.S.C. § 512(a) (Supp. IV 1999)).

<sup>263</sup> *Id.*

<sup>264</sup> *See id.*

<sup>265</sup> *Id.*

lative history shows that the service provider must “ [play] the role of a “conduit” for the communications of others.’ ”<sup>266</sup> Napster, Judge Patel held, was not a “conduit” as required by § 512; while it may have enabled users to connect with each other, those connections do not pass through its system as required by the provision.<sup>267</sup>

The different ways to invoke § 512(a) were held by the court to be independent of each other.<sup>268</sup> Thus, although Napster failed the “through the system” test, analysis of the “routing” and “providing connections” safe harbors of § 512(a) were still required.<sup>269</sup> The court began this next phase by noting that Napster had failed to adequately distinguish between “routing” and “providing connections” in its brief.<sup>270</sup> It doubted that Congress would have used the two different terms if it had, in fact, intended for them to have the same meaning.<sup>271</sup> Nevertheless, it was held that the “route of the allegedly infringing material goes through the Internet from the host to the requesting user, not through the Napster server.”<sup>272</sup> This route is the same path found in the “through the system analysis.”<sup>273</sup> Since the files were routed through the Internet, and not the Napster system, § 512(a) was inapplicable.<sup>274</sup>

Even assuming that the court had found the requirements of § 512 satisfied, there are further requirements for protection under the DMCA. A service such as Napster must show that it has adopted and implemented a “Copyright Compliance Policy”<sup>275</sup> as required by § 512(i).<sup>276</sup> Judge Patel

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<sup>266</sup> *Id.* at 1752 (quoting H.R. REP. NO. 105-551(II), 105th Cong., 2d Sess. (1998), 1998 WL 414916, at \*130).

<sup>267</sup> *See id.*

<sup>268</sup> *Id.* at 1750.

<sup>269</sup> *See id.* at 1750-51.

<sup>270</sup> *See id.* at 1752.

<sup>271</sup> *Id.*

<sup>272</sup> *Id.*

<sup>273</sup> *Compare id.* at 1750, *with id.* at 1752.

<sup>274</sup> *Id.* at 1752.

<sup>275</sup> *Id.*

<sup>276</sup> 17 U.S.C. § 512(i) (Supp. IV 1999). The provision in its entirety states: The limitations on liability established by this section shall apply to a service provider only if the service provider—

(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider’s system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network who are repeat infringers; and



found that Napster did, in fact, have in effect a policy by which it would block a copyright infringer's password so that password could not be used to log onto the service.<sup>277</sup> The "block," however, did not bar the infringer's IP address from the system, thus allowing the infringer to sign up under another password.<sup>278</sup> There was also evidence that Napster did not put its policy in writing for their users to inspect until two months after the lawsuit was filed.<sup>279</sup> The court found that there was a genuine issue of material fact as to whether Napster had adopted a "reasonable" policy for terminating repeat infringers; as such, it refused to grant defendant Napster's motion for summary judgment.<sup>280</sup> To put it lightly, all of Napster's arguments under the DMCA appeared to fail miserably.

## B. *The Ninth Circuit Court of Appeals*

### 1. *Addressing the District Court's Substantive Law Analysis*

Napster appealed the district court's grant of a preliminary injunction in favor of the RIAA to the Court of Appeals for the Ninth Circuit.<sup>281</sup> The court began by noting that it "review[s] a grant or denial of a preliminary injunction for abuse of discretion,"<sup>282</sup> and that "[a]pplication of erroneous legal principles represents an abuse of discretion by the district court."<sup>283</sup> With these principles in mind, the court addressed each of the district court's substantive law findings in turn.

The court agreed with the district court's findings of direct infringement by Napster users.<sup>284</sup> It noted that the RIAA had demonstrated

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(B) accommodates and does not interfere with standard technical measures.

*Id.*

<sup>277</sup> *Napster*, 54 U.S.P.Q.2d (BNA) at 1755.

<sup>278</sup> *See id.* There was also evidence that even in the face of Napster's policy, a "banned" user could manipulate the system into believing that it had never seen either the banned user or that user's computer before, once again allowing access. *Id.* The parties disputed whether blocking the IP address entirely would even be possible. *Id.*

<sup>279</sup> *See id.*

<sup>280</sup> *See id.* at 1753.

<sup>281</sup> *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (9th Cir. 2001).

<sup>282</sup> *Id.* at 1013 (citing *Gorbach v. Reno*, 219 F.3d 1087, 1091 (9th Cir. 2000) (en banc)).

<sup>283</sup> *Id.* (citing *Rucker v. Davis*, 237 F.3d 1113, 1118-19 (9th Cir. 2001) (en banc)).

<sup>284</sup> *See id.* at 1014.

ownership, and that Napster users infringed on “at least two of the copyright holders’ exclusive rights: the rights of reproduction, [17 U.S.C.] § 106(1); and distribution, [17 U.S.C.] § 106(3).”<sup>285</sup> In truth, the court only briefly touched on the issue, as Napster had not appealed the direct infringement finding.<sup>286</sup> After the finding of direct infringement, the court turned to Napster’s fair use arguments.

The court analyzed Judge Patel’s findings under each of the § 107 factors<sup>287</sup> and found that the district court had neither abused its discretion nor erroneously applied the facts to the fair use factors.<sup>288</sup> It also agreed with Judge Patel’s exclusion of sampling<sup>289</sup> and space-shifting<sup>290</sup> as fair uses. The RIAA did not attempt to counter Napster’s fair use argument under Napster’s new artist program; as such, it was a non-issue on appeal.<sup>291</sup> In sum, the court found no error in Judge Patel’s finding that Napster did not have an effective fair use defense.<sup>292</sup>

The court turned next to the district court’s finding that the plaintiffs would likely succeed on their contributory infringement claim. The court broke the claim down into its two separate elements: knowledge and material contribution.<sup>293</sup> Judge Patel’s finding of actual knowledge was not disturbed,<sup>294</sup> but the court thought it necessary to make several points regarding the knowledge requirement.<sup>295</sup> The court stated that it would not, due to the principles of *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>296</sup> “impute the requisite level of knowledge where the defendants made and sold equipment capable of both infringing and ‘substantial noninfringing uses.’”<sup>297</sup>

Following that rationale, the court would “not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs’ copyrights.”<sup>298</sup> The court departed

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<sup>285</sup> *Id.*

<sup>286</sup> *See id.*

<sup>287</sup> *See id.* at 1014-17.

<sup>288</sup> *Id.* at 1017.

<sup>289</sup> *Id.* at 1019.

<sup>290</sup> *Id.*

<sup>291</sup> *Id.*

<sup>292</sup> *Id.*

<sup>293</sup> *Id.* at 1020, 1022.

<sup>294</sup> *See id.* at 1020.

<sup>295</sup> *See id.* at 1020-22.

<sup>296</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

<sup>297</sup> *Napster*, 239 F.2d at 1020 (citing *Sony*, 464 U.S. at 442).

<sup>298</sup> *Id.* at 1020-21 (citing *Sony*, 464 U.S. at 436 (rejecting argument that merely supplying the “means” to accomplish an infringing activity leads to the imposition

from the district court's finding "that Napster failed to demonstrate that its system [is] capable of commercially significant substantial non-infringing uses."<sup>299</sup> It believed that Judge Patel had erroneously "confined the use analysis to current uses, ignoring the systems capabilities."<sup>300</sup> *Sony* directed that a court should consider whether the product or service is *capable* of commercially significant non-infringing uses; the district court had placed too much emphasis on *current* infringing uses.<sup>301</sup>

The significance of this departure from the district court's reasoning may at first seem elusive. In essence, it means that if the district court, on remand, finds that Napster has substantial non-infringing uses, it must find *actual knowledge* on the part of the service before it may find them to be a contributory infringer. The court explained this concept more clearly by stating that, "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."<sup>302</sup> This sidebar of the court, however, did not prevent the RIAA's demonstration of a likelihood of success on a contributory infringement claim.<sup>303</sup> The court agreed with the district court that Napster had actual knowledge.<sup>304</sup> This, coupled with the court's endorsement of Judge Patel's finding of material contribution, led to agreement with the district court that the plaintiffs would likely succeed on their contributory infringement claim.<sup>305</sup> Although the court did not disturb the district court's findings, the *Sony* discussion was undoubtedly a factor in its decision to limit the injunction.<sup>306</sup>

The court continued and addressed the vicarious infringement claim. As discussed earlier, vicarious infringement has two elements: financial benefit and control.<sup>307</sup> The court agreed with the district court's finding that the RIAA had shown it would likely succeed in establishing Napster's financial benefit.<sup>308</sup> The court concurred with Judge Patel that, like the swap meet in *Fonovisa, Inc. v. Cherry Auction, Inc.*, the infringement

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of liability").

<sup>299</sup> *Id.* at 1021.

<sup>300</sup> *Id.*

<sup>301</sup> *See id.* (citing *Sony*, 464 U.S. at 442-43).

<sup>302</sup> *Id.* (emphasis added) (citing *Sony*, 464 U.S. at 436, 442-43).

<sup>303</sup> *See id.* at 1022.

<sup>304</sup> *Id.*

<sup>305</sup> *See id.*

<sup>306</sup> *See infra* notes 324-34 and accompanying text.

<sup>307</sup> *See supra* notes 70-86 and accompanying text.

<sup>308</sup> *See Napster*, 239 F.3d at 1004, 1023.

occurring on Napster acted as a “draw” to attract more users.<sup>309</sup> It agreed only in part, however, with Judge Patel’s finding that Napster exercised control over its users.<sup>310</sup>

The appellate court affirmed the district court’s finding that Napster had the right to control its users, as it has an express reservation of rights policy on its website stating that “it expressly reserves the ‘right to refuse service and terminate accounts in [its] discretion, including, but not limited to, if Napster believes that user conduct violates applicable law . . . or for any reason in Napster’s sole discretion, with or without cause.’”<sup>311</sup> In addition to finding that Napster had the right to control its users, the district court also found that Napster had “failed to exercise that right to prevent the exchange of copyrighted material.”<sup>312</sup> The problem with this latter finding, the appellate court reasoned, was that it “fail[s] to recognize that the boundaries of the premises that Napster ‘controls and patrols’ are limited.”<sup>313</sup> The court cited several cases in which, in addition to having the right to exclude persons, a defendant actually controlled and patrolled its premises.<sup>314</sup> The problem with Napster’s reservation of the right to police is that its ability to actually do so was restricted by the structure of the system.<sup>315</sup> The Napster system only checked to see if files were in the proper MP3 format; it did not read them to see if they contained copyrighted material.<sup>316</sup> The court did note, however, that Napster could use the search engines it provided to find infringing material just the same as its users could.<sup>317</sup> As such, the court found that Napster’s file name indices were within the “premises” that Napster had the ability to police.<sup>318</sup> Although this finding did not lead the court to disturb the district court’s

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<sup>309</sup> *See id.* (citing *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996)).

<sup>310</sup> *Id.*

<sup>311</sup> *Id.* (alteration in original).

<sup>312</sup> *Id.*

<sup>313</sup> *Id.*

<sup>314</sup> *See id.* (citing *Fonovisa*, 76 F.3d at 262-63 (stating that in addition to having the right to exclude vendors, defendant “controlled and patrolled” the premises); *Polygram Int’l Publ’g, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1328-29 (D. Mass. 1994) (noting that in addition to having the contractual right to remove exhibitors, trade show operator not only reserved the right to police, but actually had employees walk the aisles to ensure compliance)).

<sup>315</sup> *See id.* at 1024.

<sup>316</sup> *See id.*

<sup>317</sup> *See id.*

<sup>318</sup> *Id.*

findings regarding vicarious infringement,<sup>319</sup> it greatly affected the court's finding that the injunction was overbroad.<sup>320</sup>

With regard to the DMCA, the court did not feel it necessary to make a finding on the merits.<sup>321</sup> Nonetheless, the court disagreed with the notion "that Napster's potential liability for contributory and vicarious infringement renders the Digital Millennium Copyright Act inapplicable per se."<sup>322</sup> The court thought that the issue would be more fully developed at trial and that, for the time being, the balance of hardship tipped in the RIAA's favor, supporting the issuance of the preliminary injunction.<sup>323</sup>

## 2. *Addressing the District Court's Issuance of a Preliminary Injunction*

The Ninth Circuit believed that, in light of its opinion, the preliminary injunction ordered by Judge Patel was overbroad.<sup>324</sup> It reiterated that Napster could only be deemed a contributory infringer if it: "(1) receive[d] reasonable knowledge of specific infringing files with copyrighted musical compositions and sound recordings; (2) [knew] or should [have known] that such files [were] available on the Napster system; and (3) fail[ed] to act to prevent viral distribution of the works."<sup>325</sup> As dictated by *Sony*, contributory infringement should not be found unless Napster received actual notice of infringing files and then failed to remove that material.<sup>326</sup> As for vicarious infringement, Napster "may be vicariously liable when it fails to affirmatively use its ability to patrol its system and preclude access to potentially infringing files listed in its search index."<sup>327</sup> Napster had the ability to use its search engine to find infringing material and to ban users who possessed it.<sup>328</sup>

In light of these findings, the court concluded that the injunction was overbroad because it placed the burden wholly on Napster to ensure "that no 'copying, downloading, uploading, transmitting, or distributing' of

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<sup>319</sup> *See id.*

<sup>320</sup> *See infra* notes 324-34 and accompanying text.

<sup>321</sup> *See Napster*, 239 F.3d at 1025.

<sup>322</sup> *Id.*

<sup>323</sup> *See id.*

<sup>324</sup> *See id.* at 1027.

<sup>325</sup> *Id.*

<sup>326</sup> *See id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442-43 (1984)).

<sup>327</sup> *Id.*

<sup>328</sup> *Id.*

plaintiffs' works occur on the system."<sup>329</sup> Since the court held that *Sony* demanded actual knowledge on the part of Napster, it shifted the burden to the RIAA to inform Napster of infringing files on its service.<sup>330</sup> It was only after being informed by plaintiffs that Napster would have a duty to prohibit access to infringing users.<sup>331</sup> But the court still demanded that Napster police its system to the extent possible.<sup>332</sup> The court recognized that the process of policing was not an "exact science," due largely in part to the fact that it was users who named the files, making it possible to conceal infringing material from Napster.<sup>333</sup> On remand, the district court was ordered to "recognize that Napster's system does not currently appear to allow . . . access to users' MP3 files."<sup>334</sup>

Despite the remand for injunction modification, it is difficult to dispute that the appellate review was more than a small victory for the RIAA. The court agreed with the findings in the plaintiff's favor on nearly every substantive issue.<sup>335</sup> Indeed, Hilary Rosen, president and chief executive officer of the RIAA, stated that it was "a clear victory."<sup>336</sup> Nonetheless, Napster has vowed to pursue every legal avenue available before giving up, beginning with a request that the Ninth Circuit reconsider its decision.<sup>337</sup> Sean Fanning, founder of Napster, promised that they would find a way to keep the Napster community growing, stating that this is not the first time that the system had faced adversity.<sup>338</sup> When the system first started, he says, people said that it would never work; now, it is the method by which more than fifty million people get the music they want.<sup>339</sup>

#### IV. FORUMS OF RESOLUTION AND ALTERNATIVES EXPLORED

##### A. *Traditional Means: The Courts and the Legislature*

The RIAA, in response to the Napster phenomenon, ran straight to the courts to straighten out the mess in which it found itself. This certainly

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<sup>329</sup> *Id.*

<sup>330</sup> *See id.*

<sup>331</sup> *See id.*

<sup>332</sup> *Id.*

<sup>333</sup> *See id.*

<sup>334</sup> *Id.*

<sup>335</sup> *See supra* notes 284-320 and accompanying text.

<sup>336</sup> *Napster Says it Will Appeal Ruling*, at <http://www.cnn.com/2001/LAW/02/12/napster.decision.04/index.html> (Feb. 12, 2001).

<sup>337</sup> *Id.*

<sup>338</sup> *Id.*

<sup>339</sup> *Id.*

sounds rational; if a person is being harmed by another, he takes his problems to the judiciary. That may have been the most logical means to solve problems such as this in the past. Here, however, even if the RIAA is successful in its suit, it is still staring the peer-to-peer file sharing revolution squarely in the face. The hectic pace of technological change, as compared to the speed of judicial and legislative responses, incites doubt in courts' and legislatures' ability to provide timely solutions.

As an initial matter, it is sometimes difficult for judges and justices, some of whom have sat on the bench for decades, to understand the technology involved in a case such as the Napster suit. "[S]ince we have courts trying to make decisions that have significant ramifications based on a less than a sophisticated understanding of the technology they're addressing, the problems are going to get worse before they get better."<sup>340</sup> Perhaps the largest problem with a court-mandated solution is that every time decisional law is propounded for a particular technology, that technology changes again, weakening the precedential force of decisions regarding that technology.<sup>341</sup>

Such a problem has never been more evident than in the Napster case. The RIAA has made Napster its target, while in the meantime programs such as Gnutella and Freenet have come about which have taken the concept to an entirely different level.<sup>342</sup> Even "if a judge enjoins Napster, there are five or six more companies that have already launched similar products."<sup>343</sup> Further, the Internet is an application that is not held in check by traditional boundaries; even conceding an RIAA victory against Napster, clones are already being set up in other countries around the world to circumvent the ruling.<sup>344</sup>

Due in large part to the aforementioned problems with a judicially-mandated solution, many "stakeholders are looking for legislated solutions."<sup>345</sup> At least one commentator believes that the problem will be solved "in large part through legislation,"<sup>346</sup> while another has noted that the courts

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<sup>340</sup> Lee, *supra* note 54.

<sup>341</sup> See *id.*

<sup>342</sup> See *supra* notes 30-46 and accompanying text.

<sup>343</sup> J. William Gurley, *Want to Stop Napster? Forget it—It's Too Late*, FORTUNE, May 1, 2000, at 326.

<sup>344</sup> Benyamin Cohen, *And the Band Played On*, FULTON COUNTY DAILY REP. (Am. Lawyer Media), Sept. 29, 2000, at 7, WESTLAW, FULTONDAILY Database.

<sup>345</sup> Lee, *supra* note 54.

<sup>346</sup> *Id.*

will be stuck in the role of “devising the game plan”<sup>347</sup> while the legislatures watch, learn, and “figure out who has what rights.”<sup>348</sup> Although Congress has yet to take any real action regarding peer-to-peer file sharing, it has already felt the pressure radiating from the controversy.

Indeed, in July of 2000, the Senate Judiciary Committee held a media circus of a hearing which involved Lars Ulrich of Metallica<sup>349</sup> and Napster CEO Hank Barry.<sup>350</sup> While Senator Orrin Hatch (R-Utah) emphasized his desire for a marketplace solution to the Napster problem,<sup>351</sup> he warned that if that does not happen, the legislature will act.<sup>352</sup> Members appeared to be wrestling with the issue, as Representative Zoe Lofgren (D-San Jose) asked: “Is it like a kid lending a CD to a friend, or like a kid going into a warehouse and pocketing as many CDs as possible?”<sup>353</sup> After the hearing, Hatch and Senator Patrick Leahy (D-Vt.), ranking minority member on the Judiciary Committee, were bombarded with more than “40,000 e-mails from Napster users, expressing support for Napster and thanking the senators for holding a fair hearing.”<sup>354</sup> The Napster case has become a huge issue, and Jeanne Lopatto, spokeswoman for the committee, admitted that “[i]t was pretty taxing on the Senate system.”<sup>355</sup>

Assuming that Congress does decide to act, it certainly will not be a resolution that is problem-free. As an initial matter, our legislature, even if it makes Napster-type servers illegal, has very little control over the clones launched in other countries. To totally shut down the revolution would

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<sup>347</sup> *Id.*

<sup>348</sup> *Id.*

<sup>349</sup> The rock group Metallica has been at the forefront of artists speaking out against Napster, with member Lars Ulrich thrusting himself into the center of the controversy. See Patrick Thibodeau, *Napster Users Create Legal Gray Area for Employers*, at <http://www.cnn.com/2000/TECH/computing/07/17/napster.liability.idg/index.html> (July 17, 2000). Metallica is one of several artists who have filed its own suit against Napster asserting copyright infringement. See *Internet Music Debate Moves to Washington*, at <http://www.cnn.com/2000/LAW/05/24/mp3.napster.suit/index.html> (May 24, 2000). Rapper Dr. Dre has filed suit as well. *Id.*

<sup>350</sup> Tatiana Boncompagni, *Copyright Haves, Have-Nots Take Fight to Hill*, RECORDER (San Francisco), Aug. 18, 2000, at 3, WESTLAW, RECORDER-SF Database.

<sup>351</sup> See *infra* notes 382-414 and accompanying text.

<sup>352</sup> See Boncompagni, *supra* note 350, at 3.

<sup>353</sup> *Id.*

<sup>354</sup> *Id.* (emphasis added).

<sup>355</sup> *Id.*



“require the Internet equivalent of wiretapping, which would send privacy advocates into a frenzy.”<sup>356</sup>

Moreover, there is a concern that Congress faces the same problems as the judiciary; despite the fact that it can act much more swiftly, technology is changing at an even quicker pace. One need look no further than the DMCA<sup>357</sup> for an example. The DMCA was enacted for copyright management information protection, as well as protection for online service providers.<sup>358</sup> In the author’s opinion, the reason that Napster does not qualify under the DMCA is not truly because it fails to satisfy § 512(a). Rather, it is because the DMCA, enacted *only two years ago* by Congress, in all likelihood could not imagine a service like Napster. It would seem, then, that the legislature, like the courts, cannot move quickly enough to respond to technological change.

### B. Copyright Protection Technology

The Napster suit involves, as discussed earlier, the complaint by the RIAA that copyrighted material is being distributed without royalties being paid to the appropriate parties.<sup>359</sup> One solution that is being explored by the RIAA and other interested parties involves looking into various ways to protect copyrighted material through the use of technologically-advanced copyright protection.<sup>360</sup> The term coined for this protection effort by the RIAA is “digital rights management,” and through it the copyright owners would control whether a user could download a song for free.<sup>361</sup> These efforts to protect copyrighted works have taken two paths: protection by (1) “marking” the copyrighted file itself, and (2) building copyright protection right into the media player.<sup>362</sup>

The RIAA certainly has not kept its efforts a secret, announcing in late 2000 that it was “developing a standardized system to identify digital files of songs, much like the way bar codes identify physical CDs in stores.”<sup>363</sup>

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<sup>356</sup> Gurley, *supra* note 343, at 326.

<sup>357</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in scattered sections of 17 U.S.C.).

<sup>358</sup> See Socolow & Guerette, *supra* note 160.

<sup>359</sup> A&M Records, Inc. v. Napster, Inc., 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff’d in part and rev’d in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>360</sup> See Steven Fyffe, *Napster Wars: Will it Hurt MP3?*, ELECTRONIC NEWS, Aug. 21, 2000, 2000 WL 9580955.

<sup>361</sup> *Id.*

<sup>362</sup> See *id.*

<sup>363</sup> *ID Code in Development for Digital Music*, TORONTO STAR, Oct. 13, 2000, 2000 WL 28195540.

Under this system, a digital music file would have a number encoded into it that would make it much easier to “monitor sales, usage and royalty payments.”<sup>364</sup> The code could also be changed from application to application; for example, the file could be specially coded if, for promotional purposes, the owner wanted users to be able to download the song for free.<sup>365</sup> Conversely, if the file was one that the owner did not want users to obtain for free, it would be coded appropriately.<sup>366</sup>

The other side of the coin is building protection right into the media player, an idea that has been proposed to the RIAA by Oak Technology, Inc.<sup>367</sup> David Ujita, vice president of corporate marketing for Oak Technology, explains that “[o]ur proposal is right at the chip level. . . . If [the media player] sees a copyright-protected file trying to pass through and a consumer trying to burn a CD, the [installed] chip would disallow that.”<sup>368</sup> While the company admits that the chip would make players more expensive, and that the process will certainly take time, it believes that its proposal will be more resistant to hackers and pirates than a software-based solution would.<sup>369</sup>

These proposals seem to ensure the elimination of the problems created by Napster, but a closer inspection reveals the problems inherent in each proposal. As far as a software-based solution, where the file itself is coded to prevent free use, copyright owners will face serious problems with hackers. The major problem with this solution to piracy is that it allows the music, whether free or not, to be played.<sup>370</sup> Hackers have proven that they have the means to turn a protected file into one that is no longer protected once it is, in fact, played.<sup>371</sup> Indeed, this problem will continue to exist “as long as recorded music can be played.”<sup>372</sup>

For example, users of the Linux operating system, a rival of Windows and Macintosh, cannot watch DVDs on their systems, as they are specially encoded to prevent such a use.<sup>373</sup> Despite this, a *fifteen-year-old* boy in Norway developed a program, called DeCSS, that broke the code.<sup>374</sup> The

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<sup>364</sup> *Id.*

<sup>365</sup> *See id.*

<sup>366</sup> *See id.*

<sup>367</sup> *See* Fyfee, *supra* note 360.

<sup>368</sup> *Id.*

<sup>369</sup> *See id.*

<sup>370</sup> *See* Gurley, *supra* note 343, at 326.

<sup>371</sup> *See id.*

<sup>372</sup> *Id.*

<sup>373</sup> *See* Gibeaut, *supra* note 1, at 40.

<sup>374</sup> *See id.*

code was posted on a website, and in all likelihood was used throughout the world to circumvent the copyright protection technology.<sup>375</sup> The industry is going to have to do better than that if it wants the protection of the law, says one Harvard professor.<sup>376</sup> He believes that if a fifteen-year-old can break the code, the industry simply doesn't deserve to be protected.<sup>377</sup>

The solution of putting a chip directly into the media player is not foolproof either. "Pirates would eventually find some way to thwart the system anyway. . . . It's something that's been tried before multiple times in different forms and there is always a way around it."<sup>378</sup> There is, however, a seemingly larger problem with this solution. Some experts believe that putting a chip such as the one proposed into players "would price MP3 players out of the consumer market. . . . 'The technology that you would have to build into this system would push them far out of the realm of the mass market, and you've killed what you were trying to protect.'"<sup>379</sup> Why, the commentator continues, would you buy a product that would prevent you from copying or listening to protected music, when there are other players out there that would allow you to do so?<sup>380</sup> Such a dichotomy would force copyright owners to sue the manufacturers of the MP3 players that did not comply; this would be a case that would, in all likelihood, prove most difficult to win for the copyright owner.<sup>381</sup>

### C. *The Creation of a New Business Model for the RIAA—"Pay for Play"*

Quite obviously, the RIAA is feeling the pinch of having its music swapped and played for free. Numerous commentators believe that the best way to deal with the problem is not through legal action, but through the adoption of a different business model. Indeed, one commentator has stated that "the solution to invasion by new technology is . . . 'not to frustrate [the] technology, but to leverage it.'"<sup>382</sup> For example, the introduction of home video recorders initially troubled the movie industry; however, today revenue from home video rentals make up a substantial part of total movie

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<sup>375</sup> *See id.*

<sup>376</sup> *See id.*

<sup>377</sup> *Id.*

<sup>378</sup> Fyfee, *supra* note 360, at 34.

<sup>379</sup> *Id.*

<sup>380</sup> *See id.*

<sup>381</sup> *See id.*

<sup>382</sup> Victoria Slind-Flor, *Sky 'Isn't Falling' in Music World*, NAT'L L.J., Aug. 7, 2000, at A1.

studio revenues.<sup>383</sup> Similarly, when radio stations began broadcasting baseball games for free, there was an outcry by those financially involved that the broadcast would hurt ticket sales.<sup>384</sup> Today, the revenue that teams make from television and radio broadcasts “dwarfs that of tickets.”<sup>385</sup> These businesses changed their models as technology advanced. It appears, then, that if the RIAA responds in the right way, it stands to profit from the Napster revolution.

Indeed, the first steps were taken in that direction with a deal struck between Napster founder Shawn Fanning and music giant Bertelsmann, parent company to BMG.<sup>386</sup> The deal, struck in late October of 2000, involved Bertelsmann loaning upwards of fifty million dollars to Napster to develop a new business model that would both protect copyrighted material and pay royalties to the owners of those copyrights.<sup>387</sup> If Napster is successful in creating such a model, Bertelsmann will pull out as a plaintiff in the suit against Napster, and users of the service will have access to the BMG catalog—home to such artists as Carlos Santana, Whitney Houston and Elvis Presley.<sup>388</sup> In exchange, Bertelsmann has the option of owning a stake in Napster.<sup>389</sup>

In essence, Bertelsmann is asking Napster to become a “pay-for-play service,” obtaining royalties from the music downloaded without entirely shutting down the peer-to-peer network. This solution, then, takes care of both sides of the dispute—Napster gets to stay up and running, and the music giants get their royalties. While it is, in the author’s opinion, the best solution, it is not without its problems as well. The first difficulty is a technological one.

In agreeing to create a system that will protect and pay artists and record companies, Napster has in essence taken on the task of creating a membership-based service that prevents infringing material from passing between users.<sup>390</sup> This would require being able to distinguish between infringing and non-infringing material, which Napster has already argued

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<sup>383</sup> See Richard Raysman & Peter Brown, *Napster Threatens Copyright Law*, N.Y. L.J., July 11, 2000, at 3, WESTLAW, NY LJ Database.

<sup>384</sup> *Id.*

<sup>385</sup> *Id.*

<sup>386</sup> See Jenny Eliscu, *Napster Goes Legit*, ROLLING STONE, Dec. 14, 2000, at 43. BMG is one of the record labels involved in the suit against Napster. See *id.*

<sup>387</sup> See *id.*

<sup>388</sup> See *id.*

<sup>389</sup> See *id.*

<sup>390</sup> See Spencer Ante, *Tune In, Turn On, Pay Up*, BUS. WK., Nov. 13, 2000, at 52, 2000 WL 24486402.

in court it is not capable of doing.<sup>391</sup> Commentators say that if Napster wants to succeed, it must overcome this hurdle.<sup>392</sup> This is not, however, a task that is totally infeasible. Bruce Ward, chief technology officer of NetPD (whose software identifies pirated songs based on sound patterns), says that “[i]f Napster wanted to clean up their service, we could help them with that.”<sup>393</sup>

The second problem with the Bertelsmann deal is that it would involve Napster moving away from a model in which music is free to one in which users have to pay a fee. The dispute begins by questions about how much Napster should charge users in the use of its new model.<sup>394</sup> According to Napster CEO Hank Barry, the preliminary price being considered is \$4.95 a month.<sup>395</sup> As discussed earlier, however, file traders are loath to begin paying for something they believe should be free.<sup>396</sup> After the Napster-Bertelsmann deal was struck, “websites all over cyberspace burned furiously . . . as Napster fans threatened to ditch the service if it charged as much as a nickel for music-file access.”<sup>397</sup> Indeed, as Steve Gottlieb, the president of New York indie label TVT states, “[o]nce you take Napster and charge a subscription fee and make it secure, is it really a compelling proposition?”<sup>398</sup>

Why isn't it a compelling proposition? While the Napster deal as it stands right now would allow users access to only those files owned by BMG,<sup>399</sup> if Napster struck deals with the other four major labels, the content of the service would be the same as it is currently. Users can still get the music they want, in the comfort of their homes, from other online music lovers like themselves. This Napster user, for one, believes that \$4.95 a month is a small price to pay to be a member of the service that changed the face of music forever. It is the only sensible solution and, given a choice between a more controlled version of Napster and no version at all, it is certainly the best solution on the table.

One limitation of a pay-for-play Napster is, however, that the choice involves more than the dichotomy of a subscription service and no service at all. As mentioned above, the Napster code has produced fewer lawsuit-

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<sup>391</sup> *See id.*

<sup>392</sup> *Id.*

<sup>393</sup> *Id.*

<sup>394</sup> *See* Frank Gibney, Jr., *Napster Meister*, TIME, Nov. 13, 2000, at 58, 62.

<sup>395</sup> *See id.*

<sup>396</sup> *See supra* notes 42-44 and accompanying text.

<sup>397</sup> Gibney, *supra* note 394, at 62.

<sup>398</sup> Eliscu, *supra* note 386, at 44.

<sup>399</sup> *See id.*

prone clones.<sup>400</sup> This complication injects a costless substitute into the analysis, begging the question: why should a user pay to use Napster when there are programs such as Gnutella and Freenet<sup>401</sup> available that can obtain the same files for free? The answer is that we must provide economic incentive to artists. During the French Revolution, for example, the new National Assembly moved swiftly to eliminate copyright protection.<sup>402</sup> A few years later, only pornography and seditious material were being published, as there was no incentive to create anything of real worth.<sup>403</sup> The French had to revive copyrights in order to provide the incentives necessary to produce works of more substance.<sup>404</sup>

Admittedly, the primary purpose of copyright law is not to make profits for the copyright holders, but to promote and encourage creative expression for the benefit of the public.<sup>405</sup> On the other hand, the United States is a capitalist nation, and by giving copyright owners the exclusive right to copy and distribute works the legal system gives them the power to exploit the work commercially.<sup>406</sup> Much of the intellectual property law rationale is to provide incentives to those who create and innovate, and this argument is no less forceful when applied in cyberspace.<sup>407</sup> If the economic incentive to continue to create disappears, "it is beyond dispute that we will have less artistic and inventive output."<sup>408</sup> If artist compensation is taken away, then those artists will be forced to resort to other means to put food on the table; if that happens, *everyone* in society loses.<sup>409</sup>

One commentator asks readers to put themselves in the shoes of John Lennon, Paul McCartney, George Harrison and Ringo Starr of the Beatles, inferring that their creative output would have been lessened if they had no financial incentive to continue.<sup>410</sup> Another critic of Napster says that he is

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<sup>400</sup> See *supra* notes 30-46 and accompanying text.

<sup>401</sup> See *supra* notes 30-46 and accompanying text.

<sup>402</sup> See Hal R. Varian, *Recording Industry Shaken by New Technology and Economy*, J. REC. (Okla. City), July 31, 2000, 2000 WL 14297249.

<sup>403</sup> See *id.*

<sup>404</sup> See *id.*

<sup>405</sup> See Lateef Mtima et al., *Songs of Love and Arias of Fear: Separating the Napster Hip-Hop from the Hype*, LEGAL TIMES, Oct. 16, 2000, WESTLAW, LEGALTIMES Database.

<sup>406</sup> See *id.*

<sup>407</sup> See Brian Mudge, *Copyright's Not Wrong: If You Want Creativity, You Want Strong IP Law*, LEGAL TIMES, Oct. 16, 2000, WESTLAW, LEGALTIMES Database.

<sup>408</sup> *Id.*

<sup>409</sup> See *id.*

<sup>410</sup> See Lee Benson, *The Napster Isn't Music to My Ears*, DESERET NEWS, Oct. 11, 2000, at B01.

aware that a portion of the public thinks that making music is an art; as such, artists should do it simply for the love of it.<sup>411</sup> Notwithstanding that observation, how free will artists be to create, he continues, if they have to spend all of their free time making a living by other means?<sup>412</sup> Without that luxury time, he continues, no one knows the songs that might never have been written.<sup>413</sup> Of course, there will be artists who will advocate and support Napster's use, believing that their income will be boosted by other elements—live performances, for example. The problem with an absolutely “unfettered Napster . . . [is that it] forces this regime on those artists who do not choose it.”<sup>414</sup> In sum, a total shutdown of the Napster service is an unnecessary suppression of useful technology. With that in mind, however, keeping Napster free removes the necessary incentive for artists to create. Let's face it—nobody wants to work for free, not even musicians.

### CONCLUSION

The future of music (and perhaps the future of computer programming as well) has arrived in Napster, and it has brought a plethora of legal problems along with it. The likes of a peer-to-peer sharing system such as Napster has never been imagined before, and certainly has never been an issue in front of our courts and legislatures. Napster not only poses problems when examined under current copyright law and legislation, it is a technology that is moving and expanding at a rate at which neither will be able to keep pace. As much as lawyers, judges, legislators, and record executives will hate to admit it, peer-to-peer file sharing involves issues that cannot be resolved via traditional means. In the time it will take the Napster case to be finally adjudicated, advances in technology will have created entirely new legal issues to deal with all over again. The author urges the parties involved to continue in the direction they are headed—towards a new business model for the recording industry. It is the only amenable solution when one finally admits the techno-legal and economic problems posed by the inevitable continued use of peer-to-peer file sharing technology.

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<sup>411</sup> See Stoller, *supra* note 3.

<sup>412</sup> See *id.*

<sup>413</sup> *Id.*

<sup>414</sup> Mudge, *supra* note 407.