

March 2016

The Saga Continues: Secondary Liability for Copyright Infringement Theory, Practice and Predictions

Connie Davis Powell

Please take a moment to share how this work helps you [through this survey](#). Your feedback will be important as we plan further development of our repository.

Follow this and additional works at: <https://ideaexchange.uakron.edu/akronintellectualproperty>



Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Davis Powell, Connie (2009) "The Saga Continues: Secondary Liability for Copyright Infringement Theory, Practice and Predictions," *Akron Intellectual Property Journal*: Vol. 3 : Iss. 1 , Article 7.

Available at: <https://ideaexchange.uakron.edu/akronintellectualproperty/vol3/iss1/7>

This Article is brought to you for free and open access by Akron Law Journals at IdeaExchange@UAkron, the institutional repository of The University of Akron in Akron, Ohio, USA. It has been accepted for inclusion in Akron Intellectual Property Journal by an authorized administrator of IdeaExchange@UAkron. For more information, please contact mjon@uakron.edu, uapress@uakron.edu.

THE SAGA CONTINUES: SECONDARY LIABILITY FOR COPYRIGHT INFRINGEMENT THEORY, PRACTICE AND PREDICTIONS

*Connie Davis Powell**

I. DEVELOPMENT OF SECONDARY LIABILITY THEORY FOR COPYRIGHT.....	190
A. Early Developments.....	191
B. Circuit Court Split Regarding Application of Secondary Liability.....	193
C. Supreme Court's Take On Contributory Liability.....	197
D. Supreme Court's Take On Secondary Liability.....	201
E. Current State of Affairs of Secondary Liability.....	202
II. JUDICIAL ACTIVISM AT ITS FINEST	203
III. PRACTICAL IMPLICATIONS AND FUTURE DIRECTION	206

In the wake of litigation that has provided no assistance in understanding the limits and scope of secondary liability, this paper explores secondary liability's origin in copyright law, comments on its practical application and argues for legislation. Recent cases involving secondary liability for intellectual property infringement have resulted in uncertainty and chaos.¹ The Supreme Court's decision in *MGM Studios v. Grokster, Limited*.² ("Grokster") established a climate of judicial expansion of statutory liability for intellectual property infringement. The Supreme Court's introduction of yet another theory of secondary

* Professor Powell is an Assistant Professor of Law at Baylor University School of Law. She earned a BA in Biology from the University of North Carolina at Chapel Hill and a Juris Doctorate from Indiana University School of Law—Bloomington.

1. See generally *Sony Corp. of Am. v. Universal City Studios, Inc.*, et al., 464 U.S. 417, 435 (1984); *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913, 921 (2005); *A&M Records, Inc. et al. v. Napster, Inc.*, 239 F.3d 1004, 1019 (9th Cir. 2001); *In re Aimster Copyright Litig.*, 334 F.3d 643, 643 (7th Cir. 2003).

2. *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913, 918 (2005).

liability for copyright infringement, “inducement”, in *Grokster* opened the floodgates for intellectual property owners to file infringement actions, which attempt to stretch the limits of the notion of secondary liability.³ This article begins by outlining the development of secondary liability theory for copyrights, followed by a discussion highlighting the overly-active role the judiciary has played in its development, and closes with addressing the future of secondary liability for copyrights based on its potential application in current litigation.

I. DEVELOPMENT OF SECONDARY LIABILITY THEORY FOR COPYRIGHT

Secondary liability for copyright infringement represents a judicially crafted extension of traditional notions of copyright liability. The Copyright Act does not contain explicit language⁴ that allows for third-party liability based upon the infringing acts of another.⁵ However, using principles of common law,⁶ courts have found third-parties vicariously and contributorily liable for the direct infringements of others. Most recently, the Supreme Court has found liability for the active inducement of infringement of copyrights.⁷ The Supreme Court has stated emphatically that in the absence of express language a statute does not preclude the imposition of liability on parties who have not themselves engaged in infringing activities because common law principles such as vicarious liability and contributory infringement have been imposed in virtually all areas of the law.⁸ This section outlines the evolution of secondary liability in copyright law and comments on the judiciary’s willingness to expand copyright liability.

3. *Id.* at 932-34

4. 17 U.S.C. §§ 101-810 (2008) (Unlike the Patent Act which expressly provides for secondary liability, the notions of secondary liability for copyrights and trademarks are judicially crafted.)

5. *Id.*; 15 U.S.C §1051 (2008).

6. *See generally* Richter v. Van Amberg, 97 F.Supp. 2d 1255 (D.N.M. 2000); BBS Norwalk One, Inc. v. Raccolta Inc., 60 F.Supp 2d 123 (S.D.N.Y. 1999); Fromer v. Yogel, 50 F.Supp. 2d 227 (S.D.N.Y. 1999); Aetna Cas. & Sur. Co. v. Leahey Constr. Co., Inc., 22 F.Supp 2d 695 (N.D.Ohio 1988).

7. *Grokster*, 545 U.S. at 935; *A&M Records, Inc., et al. v. Napster, Inc.*, 239 F.3d 1004, 1020-1025 (9th Cir. 2001).

8. *Sony Corp. of Am. v. Universal City Studios, Inc., et al.*, 464 U.S. 417, 435 (1984).

A. *Early Developments*

Secondary liability for copyright infringement dates back to 1911.⁹ In *Kalem Company v. Harper Brothers*, a case decided under the Copyright Act of 1909, The Kalem Company employed an individual to read the book *Ben Hur* and then to write a screen play that would be marketed and sold to jobbers who would produce a motion picture.¹⁰ The Supreme Court found the Kalem Company liable for both the unauthorized dramatization of the book *Ben Hur* and for the sale of the motion picture.¹¹ Justice Holmes, writing for the Court, opined:

In some cases where an ordinary article of commerce is sold nice questions may arise as to the point at which the seller becomes an accomplice in a subsequent illegal use by the buyer. It has been held that mere indifferent supposition or knowledge on the part of the seller that the buyer...contemplating such unlawful use is not enough to connect him with the possible unlawful consequences...but no such niceties are involved here. The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous purpose for which they could be used, and the only one for which especially they were made. If the defendant did not contribute to the infringement, it is impossible to do so except by taking part in the final act. It is liable on principles recognized in every part of the law.¹²

This decision marked the beginning of the development of a body of law that established liability for those that contribute to the infringement of Copyrights. These cases further established that a supplier of the means to infringe that has sufficient knowledge of said infringement (or turns a blind eye) or is in a position to control the use of copyrighted works by others and authorizes the use without permission from owner of the copyright can be held liable for infringement.¹³ The concept of secondary liability can be found in legislative history of the

9. *Kalem Co. v. Harper Bros.*, 222 U.S. 55, 63 (1911).

10. *Id.* at 60-61.

11. *Id.* at 60.

12. *Id.* at 62-63

13. See generally *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d (2d Cir. 1963); *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159 (2d Cir. 1971); *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n., Inc.*, 554 F.2d 1213 (1st Cir. 1977); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996); *KECA Music, Inc. v. Dingus McGee's Co.*, 432 F.Supp. 72 (W.D Mo. 1977).

Copyright Act of 1976.¹⁴ Congress did not explicitly provide language in the Copyright Act of 1976; however, the legislative history suggests that it was the intent of Congress to recognize secondary liability in the Copyright Act by providing copyright owners the exclusive right to “authorize” the rights enumerated by the Act of 1976.¹⁵ While Congress did not specify the details of secondary liability, Congress explained “use of the phrase authorized is intended to avoid any question as to the liability of contributory infringers.”¹⁶

*Sony Corporation of America v. Universal City Studios*¹⁷ (“*Sony*”) provided the Supreme Court the first opportunity to interpret and apply the 1976 Act¹⁸ with respect to secondary liability. *Sony* involved the distribution by Sony of its Video Tape Recorder (VTR), the Betamax, which enabled users to record copyrighted television programming.¹⁹ The purchaser of the Betamax could use the VTR for noninfringing purposes such as recording for viewing at a later time (this use is referred to as “time-shifting”), or the purchaser could use the VTR for infringing purposes such as building libraries of copyrighted programs.²⁰

The question presented to the Court in *Sony* was whether the manufacturer and distributor of the Betamax VTR could be held liable under the doctrine of contributory liability for the infringing actions of the end users of the VTR.²¹ The Court, while recognizing that secondary liability is a fundamental part of copyright law, acknowledged that the facts of *Sony* were vastly different from the previous cases that found secondary liability.²² The *Sony* Court noted that Sony only had constructive knowledge of the fact that the end users of the product may infringe copyright.²³ The *Sony* Court looked to patent law, specifically the doctrine of the “staple article of commerce”²⁴ to provide guidance on how to resolve the issue in *Sony*.²⁵ The “staple article of commerce” doctrine provides that “a staple article or commodity of commerce suitable for substantial noninfringing use” is not subject to contributory

14. H.R. Rep 94-1476, at 61 (1990) (Conf. Rep.).

15. *Id.*

16. *Id.*

17. 464 U.S. 417 (1984).

18. 17 U.S.C. § 101-810 (2008).

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

20. *Id.* at 420.

21. *Id.*

22. *Id.* at 437-38.

23. *Id.* at 439.

24. *Id.* at 440.

25. *Id.*

infringement because patent rights should not extend to control the sale of staple articles in commerce.²⁶ The Court applying this rationale to copyrights explained that “[t]he staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.”²⁷

Sony placed restrictions on the general rule of applicability of contributory liability copyright law.²⁸ The Court explained that “[t]he sale of copying equipment, like the sale of other articles of commerce does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.”²⁹

Thus, *Sony* established a safe harbor for the distributors of technology that enables copying if such technology is “capable of substantial noninfringing uses.”³⁰ The safe harbor established under *Sony* has been the topic of much debate in the legal disputes involving peer-to-peer services³¹ like Napster and successors such as Aimster, Morpheus, Kazaa and Grokster. The courts have struggled with applying *Sony* to peer-to-peer file sharing networks.³² This struggle led to a split between the Ninth Circuit and the Seventh Circuit courts as to how *Sony* should be applied to peer-to-peer file sharing networks.³³

B. Circuit Court Split Regarding Application of Secondary Liability

The Ninth Circuit had the first opportunity to apply *Sony* in copyright litigation involving the peer-to-peer service Napster.³⁴ Napster operated as a typical peer-to-peer network with one addition,³⁵ Napster maintained a centralized server that indexed all the files shared

26. *Id.*

27. *Id.* at 442.

28. *Id.*

29. *Id.*

30. *Id.*

31. Peer-to-peer file transferring refers to networks that allow users to connect with other users in the same network in order to transfer files electronically. Users connect to the networking using specific software such as Napster, Grokster, LimeWire, Aimster, and Morpheus. In *re Aimster Copyright Litig.*, 334 F.3d 645-647 (7th Cir. 2003).

32. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019 (9th Cir. 2001).

33. *See generally id.*; *In re Aimster*, 334 F.3d at 649-50.

34. *Napster*, 239 F.3d at 1011.

35. *Id.* at 1012.

on its network.³⁶ The Ninth Circuit found that Napster met the requirements of contributory infringement and vicarious liability.³⁷ As to the contributory infringement claim,³⁸ the court found that Napster had actual knowledge of the infringing activity made possible on its network and that the software and services Napster provided were the “material contribution” necessary for the infringement.³⁹ As to vicarious liability,⁴⁰ the court found that Napster enjoyed a financial benefit from the infringement because its revenues were generated directly from advertisements placed on its services.⁴¹ Moreover, the court concluded that Napster’s software design and services provided it with the ability to block access to users who were direct infringers.⁴² The Ninth Circuit discussed *Sony* in Napster, finding that *Sony* only applied to contributory infringement.⁴³ The court stated that *Sony* was of “limited assistance to Napster” because Napster had “actual specific knowledge of the direct infringements” that occurred on its network.⁴⁴ The Ninth Circuit viewed *Sony* applicable only when knowledge of infringement was being imputed to the developer of the technology.⁴⁵

The next circuit to address *Sony* and its application to peer-to-peer networks was the Seventh Circuit in *In re Aimster* (“*Aimster*”).⁴⁶ Aimster operated in conjunction with AOL’s Instant Messenger.⁴⁷ When users logged on to AOL to chat they were also capable of sharing files that had been designated in their shared files folder.⁴⁸ The transmissions between Aimster’s users were encrypted such that the developer of the peer-to-peer service did not have any idea of the files that were being shared.⁴⁹ The *Aimster* court only addressed contributory infringement.⁵⁰

36. *Id.* at 1011-1012.

37. *Id.* at 1027.

38. The court held that contributory infringement required the secondary infringer to have 1) knowledge and 2) materially contribute to the infringement. *Id.* at 1019.

39. *Id.* at 1022.

40. The court held that vicarious liability required 1) financial benefit and 2) supervision. *Id.* at 1023.

41. *Id.* at 1023. Napster’s business model provided an incentive for Napster to encourage its users to infringe. The more users, the more advertising, the more money.

42. *Id.* at 1023.

43. *Id.* at 1022.

44. *Id.* at 1020.

45. *Id.*

46. *In re Aimster Copyright Litig.*, 334 F.3d 648-50 (7th Cir. 2003).

47. Not only was Aimster troubled with copyright issues, Aimster had trademark problems and subsequently had to change its name. *Id.* at 646.

48. *Id.*

49. The implementation of encryption to the Aimster service was a direct response to the Ninth Circuit’s opinion in Napster, in which the court stated that Sony provide no assistance

The court held Aimster liable for contributory infringement by finding sufficient evidence that it had actual knowledge of the infringement conducted on its network.⁵¹ Moreover, the court found that the encrypted transmissions did not save Aimster from liability, as willful blindness, constitutes knowledge in the law.⁵²

After finding sufficient knowledge to establish contributory infringement, the court extensively addressed *Sony*.⁵³ Judge Posner writing for the court refused to grant the *Sony* safe harbor to Aimster.⁵⁴ Posner, found that Aimster offered no evidence to support its claim that the software was capable of noninfringing uses and concluded that it is not sufficient to show that “a product or service be capable . . . of a noninfringing use.”⁵⁵ Ultimately, Posner interpreted *Sony* as requiring: (1) substantial noninfringing uses, and (2) evidence that it would be disproportionately costly to eliminate or at least substantially reduced the infringing uses.⁵⁶

The Ninth Circuit had another opportunity to address *Sony* in *Grokster*.⁵⁷ The Ninth Circuit’s decision in *Grokster* highlighted the differences in interpretation of *Sony* as applied to peer-to-peer technology between the Ninth Circuit and the Seventh Circuit.⁵⁸ In contrast to the Ninth Circuit’s decision in *Napster* and the Seventh Circuit’s decision in *Aimster*, the Ninth Circuit found that *Grokster* was not liable for contributory infringement.⁵⁹ The Ninth Circuit established a burden shifting approach to determine liability.⁶⁰ The court held that “if substantial non-infringing use was shown, the copyright owner would be required to show that the defendants had reasonable knowledge of specific infringing files.”⁶¹ The *Grokster* court

because it only addressed technology where the developer had no knowledge of the infringing activities. *Id.*

50. *Id.* at 647.

51. The court noted that Aimster’s software provided a tutorial that highlighted how transfer copyrighted music. Moreover, the existence of an additional premium “Aimster club” which allowed users to pay a monthly fee for quick access to downloading popular music, work which was more than likely to be copyrighted, provided evidence of encouraging infringing use. *Id.* at 646.

52. *Id.* at 650.

53. *Id.* at 651.

54. *Id.*

55. *Id.* at 653.

56. *Id.* at 653.

57. *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 380 F.3d 1154 (9th Cir. 2004), *vacated*, 545 U.S. 913 (2005).

58. *See generally id.*

59. *Id.* at 1162.

60. *Id.*

61. *Id.* at 1161.

focused on the differences in the technology between the Grokster and the Napster software.⁶² The court concluded that Grokster's software was more akin to a staple article of commerce.⁶³ The court reasoned that Grokster had no continued relation to the user once the software was downloaded.⁶⁴ This fact was extremely important because while the appellees in *Grokster* had actual knowledge of the infringing acts occurring across its networks based upon the notices provided by the appellants, the court found that specific knowledge of infringement at the precise moment when appellees had the ability to limit the infringement was necessary to establish contributory infringement.⁶⁵ The court held that the knowledge required under *Sony* was not found in *Grokster*.⁶⁶ Relying on *Sony*, the court found that once the software was downloaded, there was no ability to control or limit the infringing activity of the end users.⁶⁷ Therefore, the court concluded, that any notice served to Grokster by appellants after the software was downloaded was irrelevant.⁶⁸

Finally, the Ninth Circuit found that there was evidence that Grokster was capable of noninfringing uses.⁶⁹ Grokster enumerated several types of files traded using its software that were in fact noninfringing. These files included copies of music by artists such as Wilco, Pearl Jam, Dave Matthews and John Mayer that authorized file sharing⁷⁰; free electronic books and other works from various online publishers, including Project Gutenberg⁷¹; public domain and authorized software, such as WinZip⁷²; and music videos and televisions and movie segments distributed with the permission of the copyright holders.⁷³

While the quantities of the above-listed files available on Grokster were not detailed, the appellants' expert noted that 75% of the files that were available on Grokster were infringing and 15% were "likely infringing"⁷⁴, thus leaving 10% percent of which can be presumed to

62. *Id.* at 1161-64.

63. *See id.* at 1167.

64. *Id.* at 1163-64.

65. *Id.* at 1161-63.

66. *Id.*

67. *Id.* at 1165.

68. *Id.*

69. *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913, 952 (2005).

70. *Id.*

71. *Id.*

72. *Id.* at 953.

73. *Id.*

74. *Id.* at 952.

include those listed as noninfringing by *Grokster*.⁷⁵ The Ninth Circuit concluded that in light of the evidence presented by *Grokster* and the appellants; and its review of the evidence in *Sony*, which cited a similar figure for time-shifting; and with 9% of use deemed noninfringing, *Grokster* met the requirements of the *Sony* safe harbor.⁷⁶

C. *Supreme Court's Take On Contributory Liability*

After receiving the major loss in the Ninth Circuit, the appellants petitioned the Supreme Court's review of the case in *Grokster* based upon the differences in the interpretation of *Sony* by the Ninth and Seventh Circuits. The question presented was as follows: "[u]nder what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties [sic]."⁷⁷

The Supreme Court's review of the Ninth Circuit's opinion in *Grokster* attempted to balance the interest of intellectual property rights holders and technology developers.⁷⁸ The Court noted that "the subject of [the] case" was the conflict between the two principles of copyright law: "supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement."⁷⁹ While the Court was somewhat fractured in its opinion regarding the application of *Sony*, the Court unanimously upheld the ruling in *Sony*.⁸⁰ The Court explained:

We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly, just as *Sony* did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe . . . mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering

75. *Id.*

76. *Id.*

77. *Id.* at 918.

78. *Id.* at 930.

79. *Id.* at 928.

80. *Id.* at 937.

customers technical support or product update, support liability in themselves.⁸¹

The Court, in its opinion, however, did not clarify the long-standing confusion with respect to *Sony's* application to new technology—specifically the criteria necessary to qualify for the *Sony* “safe harbor.”⁸² This issue was addressed in the two concurring opinions authored by Justice Ginsburg⁸³ and Justice Breyer⁸⁴.

Justice Ginsburg notes prominently at the beginning of her opinion that the Court of Appeals for the Ninth Circuit misperceived and misapplied the Court's holding in *Sony*.⁸⁵ Justice Ginsburg found the evidence submitted by Grokster in support of a *Sony* safe harbor unpersuasive, characterizing it as “little beyond anecdotal.”⁸⁶ Justice Ginsburg argued that the evidence submitted on behalf of Grokster could not support a motion for summary judgment.⁸⁷ This argument is seemingly one of procedure, which concludes that the Ninth Circuit erred in granting summary judgment.⁸⁸ Justice Ginsburg, notes that “[i]n *Sony*, the Court considered Sony's liability for selling the Betamax video cassette recorder...enlightened by a full trial record.”⁸⁹ Justice Ginsburg endeavors to explain why the evidence submitted by Grokster could not support a grant of summary judgment.⁹⁰ First, Justice Ginsburg explains that the Ninth Circuit applied a burden shifting test that was established in *Napster*.⁹¹ Specifically, the Ninth Circuit found that if there is a showing of substantial noninfringing uses of the

81. *Id.* at 937.

82. Brief for Grokster, Ltd. et al. as Amici Curiae Supporting Respondents, *MGM v. Grokster Ltd.*, 545 U.S. 913 (2005). The briefs submitted by amici in *Grokster* proposed five basic interpretations of *Sony*: (1) Plain Language—if there exists a reasonable possibility that there will be substantial current or future use of a technology for noninfringing activities, the provider of the technology is not liable; (2) Primary Use—the *Sony* safe harbor only applies if lawful uses predominate; (3) Aimster—liability attaches if there are substantial infringing uses and the developer of the technology fails to implement technology that is not disproportionately costly to prevent infringement; (4) Willful Blindness—the *Sony* safe harbor should not be available if the developer of the technology was willfully blind to the infringing activity; and (5) Sliding Scale—*Sony* would be available depending upon the amount of infringement.

83. Justices Renquist and Kennedy joined the concurrence of Justice Ginsburg. *MGM v. Grokster, Ltd.* 545 U.S. 913, 941 (2005).

84. Justice O'Connor joined the concurrence of Justice Breyer. *Id.* at 949.

85. *Id.* at 942.

86. *Id.*

87. *Id.*

88. *Id.* at 941-49.

89. *Id.* at 942.

90. *Id.* at 943-44.

91. *Id.* at 944.

technology, then the burden would shift to the copyright holder to establish that the developer of the technology had reasonable knowledge of specific infringing files.⁹² Justice Ginsburg notes that the evidence reviewed by the Ninth Circuit was that of the musical band Wilco, which in making one of its albums available for download, authorized free distribution of their music and to public domain literary works and films available through Grokster's software; and further comments that *Grokster* "differs markedly from *Sony*".⁹³ Justice Ginsburg argues that unlike *Sony*, there was no finding by a court of uses that could be classified as fair use and there is nothing more than anecdotal evidence of noninfringing uses.⁹⁴ In fact, Justice Ginsburg comments, both the District Court and the Ninth Circuit relied on declarations submitted by Grokster, many of which, Justice Ginsburg notes, could be classified as hearsay.⁹⁵ Notwithstanding, Justice Ginsburg concluded that even if the noninfringing files shared on Grokster were large, it does not follow that the product is put to substantial noninfringing uses particularly when there was evidence that Grokster's software was used overwhelmingly to infringe.⁹⁶ Because there were no findings in this case, Justice Ginsburg concluded that the evidence proffered was "insufficient to demonstrate, beyond genuine debate, a reasonable prospect that substantial or commercially significant noninfringing uses were likely to develop over time."⁹⁷

Justice Breyer, to the contrary, argues that the conclusion reached by the Ninth Circuit in *Grokster* has adequate legal support in view of the evidence in the record and the Court's opinion in *Sony*.⁹⁸ Justice Breyer first begins by reviewing the *Sony* standard. Justice Breyer writes:

...[T]he court recognized the need for the law, in fixing *secondary* copyright liability, to "strike a balance between a copyright holder's legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce." (citation omitted).

92. *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 380 F.3d 1154, 1161 (9th Cir. 2004), vacated, 545 U.S. 913 (2005).

93. *Id.* at 945 (Ginsburg, R., concurring).

94. *Id.*

95. *Id.*

96. *Id.* at 948.

97. *Id.*

98. *Id.* at 949.

It pointed to patent law's "staple article of commerce" doctrine, under which a distributor of a product is not liable for patent infringement by its customers unless that product is "unsuited for any commercial noninfringing use." (citation omitted) The court wrote that the sale of copying equipment, "like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. *Indeed, it need merely be capable of substantial noninfringing uses.*"⁹⁹

In *Sony*, Justice Breyer writes, "[t]he Court ultimately characterized the legal 'question'...as 'whether Sony's VCR is capable of commercially significant noninfringing uses' (while declining to give 'precise content' to these terms)."¹⁰⁰ When applying this standard, Justice Breyer notes that the Court in *Sony* had before it evidence that only 9% of the total uses of the VTR was authorized.¹⁰¹ The Court in *Sony*, in addition to the survey commissioned by the District Court, reviewed testimony from officials of professional sports leagues and religious broadcasting organization to support its findings.¹⁰² While the record in *Grokster* was composed of affidavits and or declarations, Justice Breyer nevertheless argues that *Grokster* passes the *Sony* test.¹⁰³ Specifically, Justice Breyer opines that to meet the standard, *Grokster's* product needs to be capable of substantial or commercially significant noninfringing uses.¹⁰⁴ Justice Breyer buttresses his position that *Grokster* has meet the standard established in *Sony* by comparing the record in *Grokster* to the record in *Sony*.¹⁰⁵ Justice Breyer points to MGM's expert declaration which indicated some 10% of files shared using *Grokster* were noninfringing, a figure that Justice Breyer labels "very similar" to the percentage of authorized copying in *Sony*.¹⁰⁶ Justice Breyer's review of declarations submitted in *Grokster* and the testimony of record in *Sony* confirms the position that one can reasonably infer lawful uses analogous to those at issue in *Sony*.¹⁰⁷

99. *Id.* at 950.

100. *Id.* at 950.

101. *Id.* at 951.

102. *Id.*

103. *Id.* at 952.

104. *Id.*

105. *Id.* at 952-53.

106. *Id.* at 952.

107. *Id.* at 952-53.

Further, Justice Breyer notes that MGM did not put forth any evidence “sufficient to survive judgment.”¹⁰⁸

Finally, Justice Breyer comments that the real question at issue is not whether *Grokster* satisfied the standard set forth by the Court in *Sony*. Indeed, Justice Breyer opines that *Grokster* has, but rather is whether the standard in *Sony* needs to be modified or more strictly interpreted as advocated by Justice Ginsburg.¹⁰⁹ Justice Breyer answers these questions in the negative, commenting that the rule in *Sony* as he interprets it provides technology developers the needed protections for the introduction of new technology without being subjected to massive copyright liability and that a more strict interpretation would undercut the protections *Sony* provides to technology developers.¹¹⁰

The two concurring opinions provide some insight into the minds of the Court with respect to the question that was actually presented in *Grokster*. Justice Ginsburg argues that summary judgment was inappropriate because of the lack of testimony or any trial court findings and calls for a denial of summary judgment.¹¹¹ Justice Breyer however, conducts a comparison of the evidentiary records of both *Sony* and *Grokster* to determine that indeed, the Ninth Circuit’s decision with respect to *Grokster* was grounded legally.¹¹² Notwithstanding the concurring opinions regarding the limitations of contributory liability and the application of the *Sony* safe harbor, the Court did not review *Sony*, and a unanimous opinion of the Court found *Grokster* liable to the copyright holders.¹¹³

D. Supreme Court’s Take On Secondary Liability

Rather than provide any clarity on the limits of contributory liability, the Court in *Grokster* announced a new theory of liability—

108. *Id.* at 953.

109. *Id.* at 955.

110. *Id.* at 955-56.

111. It is important to note that Justice Ginsburg does not make any conclusion as to whether if there is a trial, that there could be a showing sufficient to satisfy *Sony*, but simply contends that summary judgment was not appropriate for this case. *Id.* at 942.

112. It should be noted that Justice Breyer’s concurring opinion, in combination with the opinion of the Court, provides a comprehensive answer to the question actually presented. The concurring opinion first resolves the split in the circuits, holding that a technology need only be capable of significant or substantial noninfringing uses to avoid liability for contributory liability. Second, the opinion of the Court provides the basis for another form of liability that can be found even in the absence of contributory liability to which the *Sony* safe harbor is not applicable. *Id.* at 950-66.

113. *See id.*

inducement, which it described as “[o]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement is liable for the resulting acts of infringement by third parties.”¹¹⁴

The Court concluded that *Sony* does not require courts to ignore other theories of law under which the developer of a technology may be liable.¹¹⁵ The Court rationalized that the behavior of the developers of the *Grokster* software could not escape a finding of liability based upon their active inducement of users to infringe copyrights.¹¹⁶ The new “inducement” theory of liability seeks to separate the technology from the behavior of the developers.¹¹⁷ As the Court explained, “[t]he inducement rule, instead, premises liability on purposeful, culpable expression and conduct.”¹¹⁸ This delineation is artificial at best and is arguably an intentional diversion by the Supreme Court of the issue regarding the split in the circuit courts of the meaning of *Sony*.¹¹⁹ The conflicting concurring opinions in *Grokster*, indicate that, like lawyers and intellectual property scholars, the Supreme Court itself is unsure of the application of *Sony*.¹²⁰ Never reaching the ultimate question presented, the Court, like in *Sony*, borrowed the theory of inducement from the Patent Act, declaring that theory to be a “sensible one for copyright.”¹²¹

E. Current State of Affairs of Secondary Liability

So what is the inducement rule? The Court in *Grokster* did not articulate a set of factors for application to subsequent cases, but rather looked at the specific facts presented in *Grokster*.¹²² The Court in *Grokster* found that the “unlawful objective [was] unmistakable”¹²³ from

114. *Id.* at 914.

115. *Id.* at 914-916.

116. *Id.* at 915.

117. *See generally id.* The Court noted that there was overlap in the contributory liability and inducement; however, “they captured different culpable behavior.”

118. *Id.* at 937.

119. The Seventh Circuit and Ninth Circuit have profound differences in determining when the safe harbor of *Sony* applies to developers of technology. The Seventh Circuit in *Aimster* applied a primary purpose rule, whereas the Ninth Circuit in *Grokster* applied the precise language of *Sony*, requiring mere capability of non-infringing use. *Compare* *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003) with *MGM Studios, Inc., et al. v. Grokster, Ltd., et al.*, 380 F.3d 1154, 1160 (9th Cir. 2004).

120. *See generally* *MGM Studios Inc., et al, v. Grokster, Ltd., et al.*, 545 U.S. 913 (2005).

121. *Id.* at 936.

122. *Id.* at 934-941.

123. *Id.* at 939.

the record before it. In so finding, the Court's analysis provided minimal guidance on what might be considered inducement.¹²⁴ Because the analysis was so fact-specific, one can only deduce that inducement will be found if the developer of technology: (1) developed the technology with the intent that it be used to infringe; (2) aimed the technology towards known infringers; and (3) received a financial benefit from the infringing activities.¹²⁵ These factors coincide with the Court's dichotomy between the technology itself and the behavior of the developers.¹²⁶ The Court however, looked to the technology to impute behavior.¹²⁷ Indeed, the Court found three characteristics of the technology notable—the software's compatibility with Napster, the software's capability of directing advertisements to its users and the failure to design or implement technology that would prevent improper use of its software.¹²⁸

The Court in *Grokster* seemingly placed some limitations on the inducement rule.¹²⁹ The Court stated that there must be affirmative evidence of culpable intent and one cannot impute such intent to the developer of the technology by virtue of the uses of the product.¹³⁰ Nor can the failure to incorporate devices which restricts infringement standing alone be sufficient to establish inducement.¹³¹ In addition, the Court explained that the remedies for inducement should be tailored appropriately to avoid interfering with the distribution of technology in the marketplace.¹³²

II. JUDICIAL ACTIVISM AT ITS FINEST

Article 1 Section 8 of the Constitution provides “[t]he Congress shall have Power . . . To Promote the Progress of Science and useful

124. See generally *id.* at 934-41.

125. *Grokster* used digital codes in their website related to Napster, in an effort to capture the Napster market when Napster received an unfavorable court ruling. StreamCast developed software called OpenNap, which allowed Napster users to connect to StreamCast's network. Both *Grokster* and StreamCast derived revenues from advertisements, thereby providing them an incentive to encourage greater user activity.

126. *Id.* at 936.

127. *Id.* at 934-41.

128. *Id.*

129. *Id.* at 936.

130. *Id.* at 934.

131. *Id.* at 936-37.

132. *Id.*

Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writing and Discoveries.”¹³³

The text of the Constitution is clear. It is Congress that has been delegated the task of defining the scope of the limited monopoly granted to artists and inventors.¹³⁴ It is important to note that from its inception, the Copyright Act has developed in response to changes in technology.¹³⁵ Indeed, before the enactment of the Copyright Act of 1909,¹³⁶ it was settled that only Congress could fashion remedies for copyright.¹³⁷ In *Sony*, the Court stated that “[s]ound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.”¹³⁸

To the contrary, the Supreme Court in *Grokster* did not exercise the type of judicial restraint exercised by the *Sony* Court.¹³⁹ The *Grokster* Court, in fact did not rule on the questions that were presented before the Court.¹⁴⁰ The Court fashioned its opinion based upon the “bad acts” of the developer.¹⁴¹ But, how does this Court escape the facts of *Sony*?¹⁴² As stated in the Respondents’ brief in *Sony*:

[P]etitioners’ advertisements, brochures and instruction manuals unquestionably cause, urge, encourage and aid VTR purchasers to infringe respondents’ copyrights, petitioners are liable by analogy to [patent law] notwithstanding their claim that VTRs are staple articles of commerce.

....

. . . . [P]etitioners’ advertisements “exhort” Betamax purchasers to record “favorite shows,” “movies,” “classic

133. U.S. CONST. art. I, § 8.

134. See generally *Wheaton v. Peters*, 8 Pet. 591 (1834); *Thompson v. Hubbard*, 131 U.S. 123 (1889).

135. See generally *White-Smith Music Publ. v. Apollo Co.*, 209 U.S. 1 (1908) (Copyright Act of 1909); *Fortnightly Corp., v. United Artists Television*, 392 U.S. 390 (1968); *Teleprompter Corp. v. Columbia Broad. Sys.*, 415 U.S. 394 (1974); *E. Microwave, Inc. v. Doubleday Sports*, 691 F.2d 125 (2d Cir. 1982).

136. Priv. L. No. 60-349, 35 Stat. 1075 (1909).

137. See generally *Wheaton v. Peters*, 8 Pet. 591 (1834); *Thompson v. Hubbard*, 131 U.S. 123 (1889).

138. *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 431 (1984).

139. See generally *Sony*, 464 U.S. at 417.

140. See generally *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913 (2005).

141. See *id.* at 934-941.

142. *Sony*, 464 U.S. at 421-25.

movies” and “novels for television” and to “build a library.”¹⁴³

With the overwhelming factual similarities between *Sony* and *Grokster*¹⁴⁴ upon which the *Grokster* Court finds the basis of its ruling, the *Sony* Court could have easily imported the inducement doctrine to find Sony liable. However, the *Sony* Court most judiciously and cautiously limited the scope of a common-law doctrine that as applied would have expanded the copyright grant well beyond the reach that was intended by Congress.¹⁴⁵

It is important to note the distinction between how the Court in *Sony* used the Patent Act to justify its ruling versus how the Court in *Grokster* used the Patent Act to justify its ruling.¹⁴⁶ The Court in *Grokster* abandoned long-standing canons of using analogous statutes to limit the scope of common law doctrines. The Court in *Grokster* looked to the Patent Act to expand the scope of the Copyright Act. In fact, the Court’s ruling in *Grokster* is a direct circumvention of the role of Congress to determine the scope of the monopoly for copyrights by the Constitution.¹⁴⁷ The history of the Copyright Act, and the development of technology that enables copying, clearly shows that when a technology has been introduced that challenges the rights granted under the Copyright Act, Congress has acted.¹⁴⁸ Indeed, Congress has continued to draft and implement legislation that is a response to technology development.¹⁴⁹ In 1998, Congress passed the Digital Millennium Copyright Act (“DMCA”)¹⁵⁰ which responded to a line of cases in which courts were split on whether internet service providers (ISPs) were liable for the copyright infringements conducted on the ISP’s systems.¹⁵¹ In so doing, Congress created a safe harbor for ISPs and made criminal the production and dissemination of technology,

143. Brief of Respondent-Appellee at 70, 79, *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984) (No. 81-1687).

144. *See supra* note 14.

145. *See generally* *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984).

146. *See generally id.*; *MGM Studios Inc., et al. v. Grokster, Ltd. et al.*, 545 U.S. 913 (2005).

147. *See Grokster*, 545 U.S. at 948..

148. *See MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 380 F.3d 1154, 1161 (9th Cir. 2004), *vacated*, 545 U.S. 913 (2005).

149. 17 U.S.C. § 512 (1998).

150. *Id.*

151. *See generally* *Playboy Enter. v. Frena*, 839 F. Supp 1552 (C.D. Flo. 1993) (ISP found liable for copyright infringement after a subscriber uploaded infringing materials using the ISP’s system); *Religious Tech. Ctr. v. Netcom Online Comm’n Servs. Inc.*, 907 F. Supp 1361 (N.D. Ca. 1995) (finding ISP to be a mere passive conduit for content).

devices or other services intended to circumvent measures that control access to copyrighted works.¹⁵²

However, the *Grokster* Court overlooked the DMCA, a specific act of Congress as well as pending legislation—Senate Bill S. 2560, the Intentional Inducement of Copyright Infringements Act of 2004,¹⁵³ to find that the rule articulated in *Sony* did not displace other theories of secondary liability, including inducement of infringement.¹⁵⁴

III. PRACTICAL IMPLICATIONS AND FUTURE DIRECTION

The practical application of secondary liability for copyright infringement ultimately turns on two questions: (1) what does *Sony* mean and (2) what behavior is culpable under the inducement rule.¹⁵⁵ The Court in *Grokster* left both of these questions unanswered.¹⁵⁶ *Arista Records LLC, et al. v. LimeWire* (“*LimeWire*”),¹⁵⁷ is among the first cases that will apply the holding in *Grokster* to the developers of technology.¹⁵⁸ While there was an attempt in *Perfect 10, Inc. v. Visa International Service Association*¹⁵⁹ to test the limits of *Grokster*, the

152. 17 U.S.C. § 512.

153. Intentional Inducement of Copyright Act of 2004, S. 2560, 108th Cong. (2004). The text of the proposed legislation is as follows:

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘Inducing Infringement of Copyrights Act of 2004’.

SEC. 2. INTENTIONAL INDUCEMENT OF COPYRIGHT INFRINGEMENT.

Section 501 of title 17, United States Code, is amended by adding at the end the following:

(g)(1) In this subsection, the term ‘intentionally induces’ means intentionally aids, abets, induces, or procures, and intent may be shown by acts from which a reasonable person would find intent to induce infringement based upon all relevant information about such acts then reasonably available to the actor, including whether the activity relies on infringement for its commercial viability.

(2) Whoever intentionally induces any violation identified in subsection (a) shall be liable as an infringer.

(3) Nothing in this subsection shall enlarge or diminish the doctrines of vicarious and contributory liability for copyright infringement or require any court to unjustly withhold or impose any secondary liability for copyright infringement.’

154. See generally *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913 (2005).

155. See generally *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984).

156. See generally *Grokster*, 545 U.S. at 913.

157. *Arista Records LLC, et al. v. LimeWire*, No. 06-CV. 5936 (S.D.N.Y. filed August 4, 2006).

158. See generally *Grokster*, 545 U.S. at 913.

159. *Perfect 10, Inc. v. Visa Int’l Serv. Ass’n*, 494 F.3d 788 (9th Cir. 2007).

case was easily dismissed for failure to have the appropriate nexus between the technology and the ongoing copyright infringement.¹⁶⁰

The *LimeWire* case will certainly test the application of *Sony* and *Grokster*.¹⁶¹ In the recording industry's motion for summary judgment, the industry alleges that:

LimeWire has aggressively targeted the known infringing userbases of Napster, Grokster, Morpheus and Kazaa . . . Lime Wire's business model depends on massive infringing use of the LimeWire client . . . Lime Wire has failed to undertake genuine efforts to filter copyrighted materials from users' downloads or otherwise reduce infringement . . . Lime Wire ensured that its technology had infringing capabilities . . . and LimeWire assisted and did not discourage infringement by LimeWire's users.¹⁶²

While there are no easily discernable differences between the technology and uses of the LimeWire software from that of Grokster, LimeWire rests its entire case on being able to differentiate the facts of its case from the facts that allowed to the finding of inducement in *Grokster*.¹⁶³ The following facts are most notable:

1. LimeWire did not create a program like OpenNap with the intent to capture the Napster market, like the defendants in *Grokster*.¹⁶⁴
2. LimeWire made efforts to work with the plaintiff's in order to reduce infringement; however, such efforts were futile based on lack of cooperation by the plaintiffs.¹⁶⁵

160. The Ninth Circuit held that credit card companies were not contributory or vicariously liable for infringement of users of their credit cards. Specifically, the court held the link was far too attenuated to place liability on credit card companies for infringement by their customers. *See generally id.*

161. *See generally Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984); *Grokster*, 545 U.S. at 913.

162. Memorandum of Law in Support of Plaintiff's Motion for Partial Summary Judgment at 9, *Arista Records LLC, et al. v. LimeWire*, No. 06-CV. 5936 (S.D.N.Y. filed July 18, 2008).

163. *See generally* Memorandum of Law in Support of Defendant's Response In Opposition to Plaintiff's Motion for Partial Summary Judgment, *Arista Records LLC, et al. v. LimeWire*, No. 06-CV. 5936 (S.D.N.Y. filed September 26, 2008); *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913 (2005).

164. Memorandum of Law in Support of Plaintiff's Motion for Partial Summary Judgment at 17, *Arista Records LLC, et al. v. LimeWire*, No. 06-CV. 5936 (S.D.N.Y. filed July 18, 2008).

165. *Id.* at 30.

3. LimeWire created a filtering device which does attempt to prevent copyright infringement.¹⁶⁶
4. LimeWire's business model does not depend upon massive infringement. LimeWire's revenues are mostly obtained by the sale of its LimeWire Pro software.¹⁶⁷
5. LimeWire requires users who download the software to agree to comply with copyright laws.¹⁶⁸

The factors highlighted by the Court in *Grokster* to determine when a developer can be held liable for inducement to infringe copyrights are simply not found in *LimeWire*.¹⁶⁹ The Court in *Grokster* looked to three elements probative of intent: (1) whether the technology was developed with the intent that it be used to infringe, (2) whether the developer aimed the technology towards known infringers and (3) whether the developer received a financial benefit from the infringing activities conducted with its technology.¹⁷⁰ As noted in the facts above, the three elements enunciated are not easily demonstrated in the facts of *LimeWire*.¹⁷¹ Indeed, the Court's discussion regarding failure of the software developer to implement technology that would prevent infringement falls short in *LimeWire*.¹⁷² LimeWire attempted to work with the music recording industry to design a tool to balance the interests of both the music industry and the technology developer.¹⁷³ However, the music industry chose not to cooperate with LimeWire.¹⁷⁴ Notwithstanding the lack of cooperation by the music industry, LimeWire nevertheless implemented a tool that, while not perfect, attempts to filter out copyrighted material.¹⁷⁵

While the facts of *LimeWire* with respect to the usage of the technology and the technology itself is undeniably similar to *Grokster*, the facts in *LimeWire* simply do not fit the adage "if it walks like a duck,

166. *Id.* at 31.

167. *Id.* at 25.

168. *Id.* at 36-37.

169. *See generally id.*

170. *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913, 934-41 (2005).

171. *Arista Records LLC, et al., v. LimeWire, No. 06-CV. 5936* (S.D.N.Y. filed August 4, 2006).

172. *Grokster*, 545 U.S. at 939.

173. *See id.* at 936-37.

174. *Id.*

175. *See MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 380 F.3d 1154, 1161 (9th Cir. 2004), *vacated*, 545 U.S. 913 (2005).

quacks like a duck, it is a duck” or in Supreme Court parlance, “I know it when I see it” test.¹⁷⁶ LimeWire is more accurately classified as “it has feathers, lives by the pond, but doesn’t quite quack” or “I think I might recognize it but I am not so sure.”¹⁷⁷ Accordingly, the court should find that inducement to infringe copyright is not applicable in *LimeWire* and proceed to conduct an analysis under *Sony*.¹⁷⁸

The uncertainty created by the Supreme Court’s decision in *Grokster*, with respect to *Sony*, will be a challenge for the *LimeWire* court. As previously noted, the Court in *Grokster* did not address the question presented: “[U]nder what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties.”¹⁷⁹

The court should look to Justice Breyer’s concurring opinion for guidance on *Sony*.¹⁸⁰ Justice Breyer, in his opinion compared the facts of *Sony* to those in *Grokster* and determined that *Sony* was applied appropriately by the Ninth Circuit.¹⁸¹ Justice Breyer artfully noted that while *Grokster* involved sharing music through a peer-to-peer network, other lawful uses of peer-to-peer file sharing would suffer from a narrow interpretation of *Sony*.¹⁸² Breyer’s opinion envisioned a new marketplace in which lawful uses of peer-to-peer software will flourish and develop with a finding consistent with the Ninth Circuit’s application of *Sony* to *Grokster*.¹⁸³ In reviewing *LimeWire* in this context, the court cannot hold and should not hold *LimeWire* liable for contributory infringement. A holding in favor of *LimeWire* will force the music industry and technology developers to lobby Congress for guidance on when *Sony* is applicable and what factors are determinative for inducement.¹⁸⁴ Congress, the appropriate body, will be able to hold hearings to balance the interest of the copyright holder and the developers of technology.

176. Compare *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913, 921-22 (2005) with *Arista Records LLC, et al. v. LimeWire*, No. 06-CV. 5936 (S.D.N.Y. filed August 4, 2006).

177. *Id.*

178. See generally *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984).

179. *Grokster*, 545 U.S. at 918.

180. There were two concurring opinions in *Grokster*. Justice Breyer’s concurring opinion looks to the application of the *Sony* test to *Grokster* while, the opinion of Justice Ginsburg complains about the evidence that the Ninth Circuit relied on in *Grokster* and spends pages discussing the primary purpose without reviewing *Sony*. *Id.* at 941-65.

181. See generally *id.* at 913.

182. *Id.* at 950.

183. *Id.* at 960.

184. See generally *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984).

While lobbying for clarity on the secondary liability standards for copyright infringement will prove to be a most valuable tool for developers and their lawyers, legislation similar to the Audio Home Recording Act of 1992 (“AHRA”)¹⁸⁵ is undoubtedly the best solution to end the plethora of infringement lawsuits. The AHRA established a royalty tax of up to \$8 per new digital recording machine and 3% of the price of all digital audiotapes and discs that are collectable from the manufacturers of digital devices.¹⁸⁶ This royalty is subsequently distributed to the copyright owners who, in consideration of payment of the tax, waive all claims of copyright infringement against consumers using the technology.¹⁸⁷ Legislation that would provide a similar royalty tax on technology that enables copying via the Internet would strike the appropriate balance between the interest of the copyright owner, the developer of the technology and the consumer. Whether Congress chooses to amend the AHRA¹⁸⁸ or to introduce new legislation, a royalty tax based upon the revenues received by the technology developer and waiver of all claims of direct infringement by the end users of such technology is the appropriate remedy to the peer-to-peer technology conundrum.

It is clear, from the Supreme Court’s decision in *Grokster*, that litigation is not the answer to resolve the dilemma faced by the developer of technology.¹⁸⁹ The courts are not equipped to conduct the delicate balance that considers both parties. Bright line rules along with a measurable tax on the revenues of such technology will ultimately balance the copyright holder’s interest against that of the developer of technology. Clearly, there is a marketplace for peer-to-peer technology and it is arguable that without such technology the creation of music download would not have evolved. Congress, the music industry and technology developers should look to previous successful resolutions in balancing the competing interests of copyright holders and technology developers, and look to the AHRA to create legislation that will support the development of new technology while continuing to provide the incentive for artists to create.

185. 17 U.S.C. § 1001 (1990).

186. *Id.*

187. *Id.*

188. *Id.*

189. *MGM Studios Inc., et al. v. Grokster, Ltd., et al.*, 545 U.S. 913, 914-17, 921-22 (2005).