

## FROM NAPSTER TO GROKSTER: DECENTRALISED FILE-SHARING NOT COPYRIGHT INFRINGEMENT

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The latest US case about the free exchange and file sharing of copyright music, films and other digital media over the Internet is *MGM Studios Inc and others v Grokster Ltd and others*, decided by the US District Court for the Central District of California on 25 April 2003. The decision of the court, that the organisations providing the file-sharing networks were not liable for infringement of copyright because of the decentralised nature of their networks, makes clear the limitations of the earlier decision in *A & M Records Inc v Napster Inc* 114 F. Supp. 2d 896 (ND Cal 2000).

The plaintiffs in the *Grokster* case were companies in the film and music recording and publishing industries, and sought an injunction against the defendants' contributory and vicarious infringement of copyright. The defendants (Grokster and a number of other companies, including such names as Streamcast and Kazaa BV) distributed software that enabled users to exchange digital media via a peer-to-peer transfer to network. They did this free of charge to users. Streamcast used the Gnutella networking technology and its software was known as Morpheus, but Grokster used a branded version of the Kazaa Media Desktop software operating on Kazaa's FastTrack networking technology. Both systems operated in a manner described by the District Court as "conceptually analogous" to the Napster system enjoined in *Napster*. Multiple transfers to or from other users could occur simultaneously to and from a single user's computer. The defendants argued that they merely provided software to users over whom they had no control, and that they had no liability for copyright infringement; they sought summary judgment for dismissal of the action.

The court held for the defendants. Its discussion began with the question of direct infringement by the end-users of the defendants' systems, without which there could be no contributory or vicarious infringement. That there was such infringing end-use by at least some users was undisputed, so the court turned next to contributory infringement, for which it had to be shown that the defendants knew or had reason to know of the direct infringement, and had materially contributed to it by personal conduct giving encouragement or assistance. But the knowledge had to be of specific acts of infringement; awareness in general that there could be infringement using the technology being provided was not enough, particularly if it was also capable of non-infringing uses now or in the future (*Sony Corporation of America v Universal City Studios Inc* 464 US 417 (1984); *Napster* case). Since Streamcast had evidence that its Morpheus program was regularly used to search for, *inter alia*, public domain and government materials, this requirement was not met. Further, although the plaintiffs could point to a mass of evidence of infringing uses and their notification to the defendants, just as in the *Napster* case, the court held that such notices were irrelevant if they arrived when the defendants were doing nothing to facilitate, and could not do anything to stop, the alleged infringement (*Religious Tech Center v Netcom On-Line Communications Servs Inc* 907 F Supp 1361 (ND Cal, 1995).

This aspect was also linked to the ‘material contribution’ requirement. Did the defendants do anything actively to facilitate – or could they do anything to stop – their users’ infringing activity? So far as Grokster was concerned, it did not operate a centralised file-sharing network like that of Napster. Rather the Grokster system was built around the dynamic use of ‘supernodes’, with groups of users’ computers (‘nodes’) clustered around a single supernode which accumulated information from numerous other nodes. A user’s node might be a supernode one day and not the next. Grokster’s software was preset with a list of ‘root supernodes’, the principal function of which was to direct connecting users to active supernodes. It was undisputed, however, that while Grokster may briefly have had some control over a root supernode, it no longer operated as a supernode, and that the whole process of locating and connecting to a supernode now occurred essentially independently of Grokster. This was therefore a case critically different from that of Napster for the purposes of contributory infringement.

A similar conclusion was reached in relation to Streamcast. The Gnutella peer-to-peer platform was even more decentralised than Grokster’s FastTrack system. A user connected to the Gnutella network by contacting another, already connected, user, generally a process performed automatically after the first user’s computer contacted one of the many publicly available directories of those currently connected to the Gnutella network (none of which were operated by Streamcast). Search requests were passed from user to user until successful; the two users concerned then performed the transfer between themselves. Once again, there were therefore critical differences from the Napster case.

On vicarious infringement, where US law requires for liability that the defendant has the right and ability to supervise the infringing activity, and a direct financial interest in such activities, the court found that, while Grokster and Streamcast provided their software free, they did derive substantial revenue from advertising. “The more individuals who download the software, the more advertising revenue Defendants collect. And because a substantial number of users download the software to acquire copyrighted material, a significant proportion of Defendants’ advertising revenue depends upon the infringement. Defendants thus derive a financial benefit from the infringement.” But once again the decentralised nature of the Grokster and Streamcast networks put what happened on them beyond the control of the two organisations. The infringing conduct took place after the product had passed to the end-users. “The doctrine of vicarious infringement does not contemplate liability based upon the fact that a product could be made such that it is less susceptible to unlawful use, where no control over the *user* of the product exists.”

The judgment concludes with the observation that the court had not been blind to the possibility that the defendants had structured their networks to avoid *Napster* type liability for copyright infringement, and to gain financially from others’ unlawful activities. But the solution was a matter for the legislature; it was not for the courts “to expand existing copyright law beyond its well-drawn boundaries.”

From a UK perspective, the relevant concept is infringement by authorisation of another’s infringement (Copyright, Designs and Patents Act 1988, s. 16(2)). Authorisation has been held to require a sufficient degree of authority, or control, over those actually carrying out the infringement, and this does not extend to those who

manufacture, distribute or supply machinery used for infringing activities, but also capable of legitimate use (*CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013). The reasoning of the District Court, with its focus on the inability of Grokster and Straemcast to control the activities of their users, thus seems equally applicable in UK copyright law.

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