

APPEAL NO. 03-55894 AND 03-55901

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IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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METRO-GOLDWYN-MAYER STUDIOS, INC., et al.,  
Appellants,

v.

GROKSTER, LTD., et al.  
Appellees.

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JERRY LEIBER, et al.,  
Appellants,

v.

MUSICCITY.COM, INC., et al.  
Appellees.

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On Appeal from UNITED STATES DISTRICT COURT, CENTRAL  
DISTRICT OF CALIFORNIA, METRO-GOLDWYN-MAYER STUDIOS  
INC., et al. v. GROKSTER, LTD., et al., Case No. 01-08541 SVW (PJWx)  
(Consolidated with CV 01-09923 SVW (PJWx))  
HONORABLE STEPHEN V. WILSON

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**APPELLEE GROKSTER, LTD.'S  
BRIEF**

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**CORPORATE DISCLOSURE STATEMENT**

Pursuant to Federal Rule of Appellate Procedure 26.1, Appellee Grokster, Ltd. makes the following disclosure:

No publicly held company owns 10% or more of the stock of Grokster, Ltd..

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## I. JURISDICTIONAL STATEMENT

Appellants' statement of jurisdiction is incorrect. The MGM Plaintiff-Appellants' Brief ("MGM Brief") claims jurisdiction based on 28 U.S.C. §1291(a)(1), which does not exist. Assuming Appellants intended to refer to §1292(a)(1), they are mistaken. Appellants initially purported to appeal by authority of §1292(a)(1), claiming that the order below was a denial of a motion for injunctive relief. It was not. This Court ordered Appellants to show cause why that appeal should not be dismissed. While that issue was pending, the district court at Appellants' request amended its Order to enter Fed. R. Civ. P. 54(b) partial summary judgment as regards the "current versions" of Grokster's and Streamcast's software, while retaining jurisdiction and expressly not reaching "the question whether either Defendant is liable for damages arising from past versions of their software, or for other past activities." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*, 259 F. Supp. 2d 1029, 1033, JER7652 (cited herein as "Order") at 6; JER7707. In the alternative, the district court certified its order for interlocutory appeal under 28 U.S.C. §1292(b). Accordingly, this Court dismissed the pending briefing regarding §1292(a) jurisdiction as moot, and granted leave for interlocutory appeal under §1292(b).

## II. QUESTIONS PRESENTED ON APPEAL

This appeal presents two questions for decision by this Court:

First, under the controlling authority of *Sony v. Universal City Studios*, 464 U.S. 417 (1984) (“*Sony*”), does the distribution to the general public of a tool—a piece of hardware or software—expose the distributor of that tool to contributory liability when the end user of that tool uses it to infringe the copyrights of others? So long as that tool is capable of noninfringing uses, the answer is plainly “no.”

Second, under the controlling authority of *A&M Records, Inc. v. Napster*, 239 F.3d 1004 (2001) (“*Napster*”) and *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 254 (9<sup>th</sup> Cir. 1996) (“*Fonovisa*”), can the supplier of a piece of software be held vicariously liable for alleged copyright infringements committed by users of that software? When the supplier does not have the ability to control that conduct, the answer is again plainly “no.”

### III. INTRODUCTION

*Twelve-year-old Brianna sits down at her computer. Half of her allowance goes to buying CDs of Britney Spears, The Dixie Chicks, Christine Aguilera, and Jennifer Lopez. She has just purchased a Panasonic MP3 player: a tiny device that allows her to carry around dozens of her favorite songs on a tiny microchip. But first she needs to load those songs into the device, in the popular MP3 compressed audio format. She could “rip” them from the CDs she already owns (a process of translating the digital files on her CDs into the ten-times more compact MP3 format), but that process is complicated and confusing. Instead, she decides to download MP3 versions of those songs.*

*Brianna turns on her family’s new Sony Vaio computer. Like millions of other users, Brianna’s family—having been besieged with ads encouraging them to “Rip. Mix. Burn.”—purchased a computer with a built-in CD burner, modem, and audio and video recording and playback software. The computer first loads the Microsoft Windows operating system. Brianna then connects to the internet, by launching AOL Version 8.0. Brianna is an AOL subscriber, and AOL has recently automatically sent her an update to the current version. The AOL software, along with the Microsoft operating system, activates Brianna’s 3Com modem and connects her to AOL. Once connected to the AOL network, Brianna uses AOL’s instant messaging to ask a friend about music swapping software. The friend points Brianna to an AOL “message board,” where she reads users’ comments concerning various software programs. The users’ comments teach Brianna that it is best to use a broadband connection, through network providers such as AT&T Broadband, Time Warner cable,*

*or her local phone company, but those connections are more expensive, so she sticks with her AOL dialup account. The message boards also explain to Brianna that she can find any song she wants simply by using any search engine (such as Yahoo or AltaVista) within her Microsoft or AOL browser. She can also share files via her AOL Instant Messenger. But she also learns that file-sharing software such as Morpheus, Grokster, or Kazaa is easier to use.*

*Brianna uses her browser to download a copy of Grokster, which is then stored on her computer's hard drive. She then starts her copy of Grokster, and she enters search terms for the songs she wants. Without any involvement of any computer or server operated by Grokster, her software searches the computers of other Grokster, Kazaa, and iMesh users and finds copies of the songs she wants. She downloads those songs from other users, routed to her through various commercial internet service providers. In the process, she notices an ad on the Grokster site for a new band, MaddWest. She clicks on the ad to download a copy of their new song. When she goes to play it, she notices that it is digitally protected by Microsoft's digital rights management software, but that she has been given a 30-day free license to play the song. After 30 days, if she likes the song, she will need to buy a license. She then shuts down her copy of Grokster.*

*Next, she wants to organize those songs into a playlist, and listen to them on her computer. Again using her AOL or Microsoft browser, she downloads one of the most popular MP3 "players," WinAmp, from its AOL-owned author and distributor. Using WinAmp, she listens to her favorites songs, and decides on a sequence. She then copies those songs into her MP3 player, using Microsoft and Sony software and hardware. She also decides to make a CD of her selections. Using MusicMatch*

*software that came free with her Sony computer (software that also would have allowed her to “rip” the songs from her CDs in the first place and share them with others), she inserts a Memorex writable CD into her computer’s drive, and creates a new CD with dozens of her favorite songs, in the order she has chosen.*

Appellants contend that what Brianna has done is illegal, although she has already bought copies of the songs she has downloaded. The record companies who claim to hold the copyrights in those songs could sue her for infringement. They recently have begun doing just that, filing suits against hundreds of individual filesharers around the nation. But suing one’s own twelve-year-old customer, for using the products one’s corporate parent has sold to her, is hardly an inspired business plan.

So who can the record companies sue? Why not sue anyone who sold or gave Brianna any of the tools she used? After all, Brianna could not have committed her crimes without the aid of a host of co-conspirators, each of whom are aware that there are millions of Briannas involved in this massive international crime spree. Sony, AOL-Time Warner, Microsoft, AT&T Broadcom, Memorex, MusicMatch, WinAmp, Yahoo, 3Com, the chip makers, the drive manufacturers—and Grokster—all provide tools that enable Brianna to commit her crimes, all profit (or hope to someday) from providing those tools, and all know that a major use of their products is the massive piracy alleged in this lawsuit. By Appellants’

logic, all of these co-conspirators are culpable.

The district court's opinion rejecting that proposition is not—as Appellants style it—an “abdication” of copyright law: the district court neither “sharply departed from the law of this Circuit” nor “dramatically redrew the law of secondary infringement.” Rather, the opinion below is a straightforward application of controlling law to the facts of *this* case. Appellants struggled mightily below to reprise *Napster*, repeating the “this case is just like *Napster*” refrain at every turn. But as the district court correctly decided, *Grokster* is *not* *Napster*. There is no conflict between this Court's *Napster* opinion and the holding in this case. As this Court held in *Napster*, “To enjoin simply because a computer network allows for infringing use would, in our opinion, violate *Sony* and potentially restrict activity unrelated to infringing use.” *Napster*, 239 F.3d at 1021. In so holding, this Court followed the established authority of *Sony*: there is no contributory liability for distributing a product if that product is “capable of substantial noninfringing uses.” *Sony*, 464 U.S. at 442.

This is the law, regardless whether it serves Appellants' commercial interests. Liability attached in *Napster* *not* because of the inherent capabilities of the software, but because of *Napster*'s ongoing ability to control the activities of individuals using that software. And by the same principle, liability does not attach to *Grokster*. Just as *Sony* had no ability to dictate what its customers did with the VCRs *Sony* sold them, *Grokster* has no ability to control what users do

with the Grokster software.

Appellants understandably dislike *Sony*. It requires them to sue people who actually infringe their rights, rather than simply tagging whatever convenient supplier of tools they choose (and they of course choose to sue only those suppliers they do not themselves own or do business with). Recognizing that the opinion below correctly applied *Sony* as written, Appellants therefore try to rewrite the Supreme Court's opinion, urging upon this Court a series of invented "exceptions" to *Sony*. As the district court held below, and as the Seventh Circuit has already held in response to Appellants' same assertion of those purported *Sony* exceptions in *In re Aimster*, 334 F.3d 643 (7<sup>th</sup> Cir. 2003) ("*Aimster*"), none of those "exceptions" are to be found in *Sony*: indeed, most of them were expressly rejected by the Supreme Court nearly twenty years ago.

What Appellants really seek here is legislation. Under the guise of "tweaking" *Sony* a bit, they ask this Court to legislate the shape of technological innovation. Appellants want a very different allocation of liability, and thus a very different allocation of the burden of policing their own copyrights, than current law provides. Under Appellants' view, creators and distributors of content-neutral tools are deputized to police the copyrights of every content creator in the world, under penalty of liability for the acts of unknown and uncontrolled others. Creators and distributors of technology are also required to design and implement their inventions in whatever manner best suits Appellants' view of what that

technology *could* do to deter infringement, and would be required in the process to guess as to the nature and proportions of future uses of their products.

But Appellants' version of secondary liability was expressly urged on the Supreme Court in *Sony*, and expressly rejected: the minority opinion championed that theory, but the majority rejected it, holding that Sony's secondary liability was to be judged on the basis of the product it actually created and sold, not by reference to a product it might have built more to the plaintiffs' liking.

Undeterred, Appellants now ask this Court to ignore the Supreme Court's directive on this point, arguing that because "defendants" could have shouldered the burden of policing Appellants' copyrights by designing a product for that purpose, they should therefore be held liable for the uses to which the actual product was put. This argument is squarely foreclosed by both *Sony* and *Napster*.

#### IV. STATEMENT OF THE CASE

There is no material factual dispute in this case, particularly as to Grokster. What Grokster and its software does and does not do is straightforward and undisputed. And there is no dispute that peer-to-peer filesharing software is widely used for both infringing and noninfringing purposes. That record, however, is persistently clouded by Appellants, in two significant ways. *First*, Appellants continue a tactic employed below, indiscriminately ascribing facts and allegations to "Defendants" generically, regardless whether the cited evidence concerns

