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11
12 UNITED STATES DISTRICT COURT
13 CENTRAL DISTRICT OF CALIFORNIA
14 WESTERN DIVISION

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

16 Plaintiffs,

17 v.

18 GROKSTER, LTD., et al.,

19 Defendants.

Case No. CV 01-08541 SVW (PJWx)

21 JERRY LEIBER, et al.,

22 Plaintiffs,

23 v.

24 GROKSTER, LTD., et al.,

25 Defendants.

Case No. 01-09923 SVW (PJWx)

**DEFENDANT GROKSTER'S
MEMORANDUM IN SUPPORT OF
MOTION FOR SUMMARY JUDGMENT**

Date: December 2, 2002
Time: 1:30 p.m.
Dept: 6

26 AND RELATED COUNTERCLAIMS
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I. INTRODUCTION

Jennifer sits down at her computer. She is a sixteen-year-old music fan. Half of her allowance goes to buying CDs of Britney Spears, 'N Sync, Christine Aguilera, and the Backstreet Boys. She has just purchased a Sony 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.

Jennifer turns on her new Sony Vaio computer. Like millions of other users, Jennifer's family—having been besieged with ads encouraging them to "Mix. Rip. 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. Jennifer then connects to the internet, by launching AOL Version 7.0. Jennifer 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 Jennifer's 3Com modem and connects her to AOL. Once connected to the AOL network, Jennifer uses AOL's instant messaging to ask a friend about music swapping software. The friend points Jennifer to an AOL "message board," where she reads users' comments concerning various software programs. The users' comments teach Jennifer 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 Jennifer 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.

Jennifer 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 Sony MP3 player, using Microsoft and Sony software and

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

6 The plaintiffs in this case contend that what Jennifer has done is illegal, even if she has
7 already bought copies of the songs she has downloaded. The record companies who claim to
8 hold the copyrights in those songs could—if they chose—sue her for infringement. But suing
9 one’s own sixteen-year-old customer, for using the products one’s corporate parent has sold to
10 her, is hardly an inspired business plan.

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

20 This motion—and this case—presents two key issues for decision by this Court: First,
21 under the controlling authority of Sony v. Universal City Studios, 464 U.S. 417 (1984), does the
22 distribution to the general public of a tool—a piece of hardware or software--expose the
23 distributor of that tool to contributory liability when the end user of that tool uses it to infringe
24 the copyrights of others? So long as that tool is capable of noninfringing uses, the answer is
25 plainly “no.” Second, under the controlling authority of A&M Records, Inc. v. Napster, 239
26 F.3d 1004 (2001) and Fonovisa, Inc. v. Cherry Auction, Inc. 76 F.3d 254 (9th Cir. 1996), can the
27 supplier of a piece of software be held vicariously liable for alleged copyright infringements
28 committed by users of that software? When the supplier does not have the ability to control that
conduct, the answer is again plainly “no.”

1 files, or no files whatsoever.

2 Neither does Grokster know, with any degree of certainty, the identities of its users. With
3 earlier versions of the FastTrack software, when a user first installed the software he or she was
4 prompted to register a user name, which along with the user's email address was transmitted to
5 Grokster's registration server. Each subsequent time the application was launched, the user
6 name would be checked against the central registration server.² Subsequent versions of
7 FastTrack, however, dispensed with user registration, apparently because technological advances
8 enabled the FastTrack software to distinguish between redundant user names without requiring a
9 central registration database.³

10 After the authors of the FastTrack software dispensed with the mandatory registration
11 feature, Grokster was left with no way to reach its new users directly, other than posting notices
12 on its "start page" or its website. Grokster, however, regularly publishes a newsletter, designed
13 primarily to inform users of independent musicians and artists who have authorized the
14 distribution of their work via peer-to-peer networks. Accordingly, Grokster continues to
15 encourage its users to register their user names and email addresses with Grokster, and to sign up
16 for the Grokster newsletter. A minority of users do so. As a result, Grokster has the ability to
17 communicate with some, but not all, of its users.

18 Since the inception of this lawsuit, the Plaintiffs have from time to time provided
19 Grokster with notifications of alleged infringements of their copyrighted works. Grokster has at
20 all times cooperated with plaintiffs in responding to those notices, by doing all that is within its
21 power to contact the users in question and convey the Plaintiffs' demands that they cease
22 infringing activities. For example, several of the Plaintiffs retained a company named
23

24 ² Grokster believes that the primary function of the former registration process was to insure that
25 usernames were unique (i.e., that there was only one john.doe@grokster.com); absent unique user
26 names, functions like instant messaging will not work. In the event the user name did not match
27 an entry in the user database (or if the Grokster database server was not functioning), the
28 filesharing portion of the software would continue to operate, but functions such as instant
messaging would not.

³ We say "apparently" because Grokster is not privy to the technical details or source code for
any version of FastTrack. By observation, however, we know (1) that there is no longer a
registration server, but nonetheless (2) instant messaging still works.

1 MediaForce to search for infringing content. MediaForce then began sending literally thousands
2 of individual emails to Grokster, each identifying a single alleged infringer. Grokster voluntarily
3 created an automated program to process those emails, extract the user name, retrieve the
4 corresponding email address from its user database, and send a notice to the user. That notice
5 advised the user that, in the event a second such notice were received, his or her registration
6 would be terminated. Rung Decl. Exh. B. Grokster also advised MediaForce how to continue to
7 format its notices so that the automated process would function, and further instructed
8 MediaForce that, in order to trigger Grokster's "repeat offender" policy, it need only include the
9 words "REPEAT OFFENDER" in the subject line of a notification. Id. MediaForce responded
10 that it would do so. Id.

11 Curiously, however, almost as soon as Grokster had set up this system, MediaForce
12 simply stopped sending notifications. In deposition, MediaForce's president testified that the
13 notifications were terminated at the instruction of the client, but that he had no idea why that
14 instruction had been given. Declaration of Michael H. Page ("Page Decl."), Exh. A. More
15 significantly, in the months in which MediaForce monitored Grokster traffic and sent thousands
16 of "cease and desist" notices, MediaForce never notified Grokster of a single repeat offender.
17 But despite the apparent efficacy of the notices, the Plaintiffs terminated the process. Grokster
18 can only conclude that the abandoned notification process was part of a failed effort to build a
19 litigation record of nonresponsiveness on Grokster's part, rather than a good faith effort to
20 address and discourage alleged infringement.

21 That conclusion is bolstered by the actions of other Plaintiffs. For example, the Harry
22 Fox Agency (which represents the class action Plaintiffs) recently forwarded a series of
23 "summaries" of alleged infringements. In response, Grokster offered to set up an automated
24 notification system similar to those used for notices from the RIAA, the MPAA, and
25 MediaForce, and offered to coordinate the technological details with Harry Fox personnel.⁴ Page
26 Decl., Exh. C. Rather than accept that offer, however, Harry Fox responded that "your offer to

27 _____
28 ⁴ In addition to the MediaForce notifications, Grokster periodically receives notifications from
the RIAA and MPAA. As those notices are in suitable machine-readable formats, Grokster has

1 notify users of the Grokster system and service of their infringing activity is a meaningless
2 gesture. Grokster users who copy and distribute copyrighted music without authorization need
3 no notice that their conduct is unlawful.”⁵ *Id.*, Exh. D. Notwithstanding Harry Fox’s refusal to
4 cooperate, Grokster proceeded to send notices to the users identified by Harry Fox manually.

5 In each instance, Grokster has responded to notifications of alleged infringement in the
6 same way: by doing everything within its power to dissuade and prevent such conduct,
7 notwithstanding the Plaintiffs’ refusal to cooperate in such efforts. Grokster’s efforts, however,
8 go further. Grokster, like many software companies, provides its users with free user forums,
9 where users can share information concerning its products, such as bug reports, tips on using the
10 software more effectively, and the like. Grokster also, like most software companies, provides
11 an email address to which users may direct technical support questions. Notwithstanding that
12 Grokster has only two active workers, it has undertaken the massive burden of actively
13 monitoring those forums and responding to those questions, manually reviewing each of the
14 thousands of messages before posting, deleting those with inappropriate content (in particular
15 any reference to apparent copyright infringement), and sending appropriate responses.⁶

16 Grokster’s Terms of Service similarly discourage (and in fact forbid) any use of the
17 Grokster software to infringe the copyrights of others. Page Decl., Exh. E. In contrast, Grokster
18 actively promotes and encourages the use of its software for the sharing of authorized content.
19 The Grokster “start page” consists primarily of reviews and promotional material designed to
20 introduce the work of various independent artists who are not among the tiny minority blessed
21 with major label or studio contracts, and are using the growing world of peer-to-peer file
22 exchange software to distribute their work. Declaration of Scott Egbert (“Egbert Decl.”), Exh.

23 also automated the process of forwarding them to users.

24 ⁵ This language echoes the incessant mantra of the Plaintiffs in this matter: the Grokster “system
25 and service . . . system and service . . . system and service . . .” repeated at every turn in hopes
the Court will not notice that all Grokster does is distribute a product.

26 ⁶ As Grokster has only one person to do this work, the review is by necessity cursory, often
27 based solely on the subject line of the message. Thus on occasion a message that by its subject
line appears to seek technical advice will slip through despite reference to a copyrighted work
28 somewhere in the body. The plaintiffs placed remarkable emphasis on these few examples in
Mr. Rung’s deposition, while ignoring the hundreds of successfully blocked messages, and we

1 A. Grokster has entered into partnerships with several groups of independent artists, all of whom
2 expressly authorize distribution of their works via peer-to-peer networks. Grokster partner
3 GigAmerica represents approximately 7000 independent artists, virtually all of whom have
4 authorized distribution of their music via Grokster. Each week, GigAmerica artists are featured
5 on Grokster's start page. Featured GigAmerica artists routinely have their songs downloaded
6 2000 times a week. Egbert Decl. ¶ 4-9. Grokster partner J!VE Media works with content
7 providers to package digitally-protected free content and distribute it via Gnutella and FastTrack
8 networks. Its clients include the Priority Records division of EMI (whose promotional video for
9 recording artist Lil' Romeo was downloaded by 400,000 people, 60% of whom did so via peer-
10 to-peer networks) and Koch International (the world's third-largest independent music label, for
11 whom J!VE Media distributes music videos), among others. Declaration of Sean L. Mayers
12 ("Mayers Decl."). Grokster partner ReelMind promotes its free distribution of independent films
13 via Grokster. Each of Grokster's user newsletters highlights independent artists whose works are
14 available for authorized distribution via peer-to-peer networks.

15 The authorized content created and distributed by Grokster's partners, however, is just
16 the tip of the growing iceberg of authorized, noninfringing uses of peer-to-peer filesharing. The
17 accompanying declaration of Aram Sinnreich provides a broad survey of the exciting potential
18 and actual legitimate uses of distributed file sharing applications. Peer-to-peer filesharing
19 provides dramatic and obvious advantages over traditional means of content distribution.
20 Traditional means of music distribution require huge and inefficient capital-intensive means of
21 production and distribution. Records and CDs must be produced in factories, packaged, and
22 shipped throughout the world. At each stage in the chain, large organizations and facilities—
23 warehouses, trucks, stores, and the like—must exist to support the system. And of course, each
24 player in that capital-intensive chain must extract its costs and profit. As a result, traditional
25 music distribution leaves little if any income for the artists: only those artists who achieve mass
26 success make any money. Declaration of Janis Ian, ¶13.⁷ And as corollary of the capital-

27
28 expect them to do the same in opposition.

⁷ Ms. Ian's declaration was submitted with Defendant Streamcast Networks' motions for

1 intensive nature of the industry, record companies are by nature conservative: when it takes
2 millions of dollars of development and marketing to create a successful product, companies will
3 by necessity stick to “safe” bets that can be depended on to sell to millions. The economics of the
4 industry move inevitably to the lowest common denominator.

5 By contrast, peer-to-peer distribution is a near-perfect system: it reduces “transaction
6 costs” (i.e., the costs of distribution unrelated to the creative process) essentially to nothing.
7 Once a work is created and made available on the internet, the incremental cost of each copy is
8 effectively zero. Not only is there no need for stores, trucks, and plastic boxes; there is not even
9 a need for large banks of servers feeding copies to each user; the consumers become the
10 distributors, propagating content among themselves at no cost to the artist. When combined with
11 digital rights management systems already available, the result is a marketplace with no “middle
12 men,” where the fruits of the artist’s labor fall to the artist, not the manufacturer and distributor.
13 Great for artists, but not so good for middle men. Thus it is no surprise that it is the middle men,
14 not the artists, who resist.

15 The experience of the band Wilco provides a dramatic example of the legitimate power
16 and use of free internet distribution of content. Wilco was a moderately successful artist on AOL
17 Time Warner’s Reprise Records. When Wilco delivered its new album, Yankee Hotel Foxtrot,
18 Reprise declined to release it, feeling it had no commercial potential, and Wilco repurchased the
19 work from Reprise for far less than it had cost to record. Wilco then decided to release the entire
20 album for free downloading. In the first month alone, their website received 200,000 unique
21 visitors, and all of the songs are now widely and legally available on the FastTrack network.
22 This widespread interest prompted bids from various record labels, and Wilco was signed to a
23 new contract by Nonesuch Records—another AOL Time Warner label. Nonesuch released the
24 album, which debuted at #13 on the Billboard charts. The album has now sold in excess of
25 300,000 units, and is Wilco’s best selling album ever. Thus a record rejected by one AOL Time
26 Warner label as having no commercial potential became, as a result of free internet distribution,
27 a hit record for another AOL Time Warner label. Sinnreich Decl., ¶¶ 9-13.

28

summary judgment, filed concurrently herewith.

1 Other record companies have also discovered—belatedly—the value of peer-to-peer
2 distribution. For example, Lava/Atlantic Records—a division of Plaintiff Atlantic—is currently
3 distributing, for free, songs from the current albums of a number of its artists (including a Simple
4 Plan and Grade 8) via GigAmerica and Grokster. Egbert Decl., ¶10. and Exh. A. Other
5 examples of noninfringing uses of peer-to-peer software abound. As set forth in greater detail in
6 the accompanying declarations of Aram Sinnreich, Sean L. Mayers, Janis Ian, and Scott Egbert,
7 noninfringing uses of peer-to-peer networks are widespread and growing. Thousands of musical
8 groups authorize free distribution of their music. Independent filmmakers distribute their works
9 via peer-to-peer. Video game manufacturers have distributed millions of copies of their games.
10 Project Gutenberg has released thousands of public domain literary works for free sharing.
11 Distributed networking initiatives, market research companies, advertisers, record companies
12 distributing samples of albums, individuals sharing all manner of graphic and text files, software
13 vendors giving away freeware and shareware programs, and established artists authorizing
14 sharing of live recordings are but a few of the exciting uses to which peer-to-peer networks have
15 already been put, even in the infancy of this new technology.

16 III. ARGUMENT

17 A. The Supreme Court's Sony Opinion Precludes Imposition of Contributory 18 Copyright Infringement Liability

19 1. The Provider of a Product Capable of Substantial Noninfringing Uses 20 Cannot Be Contributorily Liable

21 This Court's analysis of contributory copyright infringement is controlled by the
22 Supreme Court's landmark decision in Sony. In that case, various holders of copyrights in
23 motion pictures and programs broadcast on commercial television filed suit against Sony,
24 seeking to enjoin the manufacture and distribution of the Sony Betamax video cassette recorder
25 ("VCR") on the ground that a substantial use of those VCRs was the creation of infringing copies
26 of the plaintiffs' works. It was undisputed that such use occurred, and the trial court, in denying
27 an injunction, "assumed that Sony had constructive knowledge of the probability that the
28 Betamax machine would be used to record copyrighted programs." Id. at 426. The Supreme
Court, however, agreed that generalized constructive knowledge that customers were infringing

1 copyrights was not sufficient to make Sony a contributory infringer. Rather, the Supreme Court
2 held that, in order to avoid liability for contributory infringement, the product in question “need
3 merely be capable of substantial noninfringing uses.” Id. at 442.

4 In so holding, the Court expressly rejected the plaintiffs’ contention (a contention
5 repeated in this case) that, where a substantial proportion of the alleged use is infringing,
6 contributory liability should attach. In Sony, the respondents (both of whom are plaintiffs here
7 as well) argued that non-infringing uses of the Betamax VCR were dwarfed by the allegedly
8 infringing uses, and thus that the staple article of commerce doctrine should not apply. The
9 dissent in Sony agreed, noting that the evidence of non-infringing use was at best only 7% of all
10 use, and urged a decision based upon the proportions of infringing and non-infringing use. Sony,
11 464 U.S. at 493-94. The majority, however, disagreed, and held that—in order to avoid
12 contributory liability—a new technology “need merely be capable of substantial noninfringing
13 uses.” Sony, 464 U.S. at 442.⁸ The Ninth Circuit in Napster agreed, applying the Sony rule to
14 filesharing software: “To enjoin simply because a computer network allows for infringing use
15 would, in our opinion, violate Sony and potentially restrict activity unrelated to infringing use.”
16 Napster at 1021.

17 The Sony and Napster courts also recognized the second flaw in Plaintiffs’ position here:
18 the courts cannot decide the fate of a new and useful technology based upon the usage of that
19 technology in its infancy. Rather, courts must look to the capability of future non-infringing use
20 as well as the initial uses to which the technology is put. At the time the Sony case was decided,
21 Hollywood was decrying the advent of video tape recorders as the end of civilization as we know
22 it. The predominant use of video tape recorders was for home copying of copyrighted works,
23 and Hollywood had not yet understood the vast potential market for pre-recorded tapes—a
24 market that today dwarfs the studios’ income from first-run theaters. Had the Sony court based

25 _____
26 ⁸ In so holding, the Sony court recognized that—just as here—not all copyright holders might
27 choose to deny authorization for copying of their works: “It is not the role of the courts to tell
28 copyright holders the best way for them to exploit their copyrights: even if respondent’s
competitors were ill-advised in authorizing home videotaping, that would not change the fact that
they have created a substantial market for a paradigmatic noninfringing use of Sony’s product.”
Sony, 464 U.S. at 447.

1 its decision solely on the current state of the market, rather than looking to potential uses,
2 Hollywood would have succeeded in banning a technology that today is its biggest market. This
3 is hardly an isolated instance: indeed, virtually every new technology, from piano rolls to vinyl
4 records to radio to cassette tapes to cable television to digital audio tapes to mp3 players, has
5 initially been met with desperate predictions of doom and concerted efforts to ban those
6 technologies in the courts and in Congress. And in each instance, at the time of those initial
7 efforts, the legal and profitable ways to exploit the new technology were not apparent to the
8 movie and recording industries. Only as the technologies matured (and only because the courts
9 declined to ban them in their infancy) did the substantial noninfringing uses of those
10 technologies develop and come to dominate.

11 These earlier examples differ from the current landscape in one way, however: the pace
12 of technological and cultural development has quickened, so that even in its infancy, while
13 litigation is still in the trial courts, peer-to-peer filesharing has already developed myriad
14 noninfringing uses. Scores of artists, and their labels, make use of free distribution of content
15 over the internet in numerous ways. Some artists release some songs for free, in order to
16 stimulate sales of others via traditional channels. Others, ignored by major labels, release all of
17 their current content for free in hopes that the resultant fan base will generate major label
18 attention in the future. The Wilco experience, discussed above, is a classic example: a work
19 rejected by Time Warner as having no commercial potential was later purchased a second time
20 by another Time Warner label because of the popularity created by its widespread free
21 distribution, and became the band's highest selling album ever. Other artists distribute works
22 with digital rights management protection that expires after 30 days, in order to induce listeners
23 to purchase a license at the end of the free period. Independent filmmakers, denied any outlet for
24 their work in theaters or on the airwaves, distribute their works via peer-to-peer networks.
25 Mayers Decl. Other artists expressly authorize distribution of live recordings of their works.
26 Sinnreich Decl., ¶31. The Gutenberg Project makes freely available thousands of classic textual
27 works from the public domain; anyone can in a matter of seconds find and download, for
28 example, the complete works of William Shakespeare, for free. Similarly, thousands of public

1 domain images are available online: If you need a photo of a dog, or a horse, or the Golden Gate
2 Bridge, someone is sharing one.⁹ Id., ¶32. A considerable amount of computer software is
3 similarly distributed as “freeware” or “shareware,” and is widely available on peer-to-peer
4 networks. As but one example, Trymedia uses FastTrack and Gnutella to distribute demo
5 versions of video games from major publishers; they have distributed more than 5 million copies
6 to date. Id., ¶ 33. And the free version WinZip, the well-known file compression utility, is
7 perennially among the most-downloaded files on the internet. Id., ¶34.

8 In short, although peer-to-peer filesharing is in its infancy, scores of substantial
9 noninfringing uses have already appeared. Those examples go far beyond the requisite showing
10 under Sony that the Grokster software be merely capable of noninfringing use. Under the clear
11 and unambiguous dictates of Sony, Grokster cannot be held liable for contributory infringement.

12 Plaintiffs admit as much, although obliquely, when they argue that Defendants should be
13 held liable because they did not create and distribute a different product, designed more to the
14 liking of the major labels and film studios. But the mere speculation that a different product
15 could be designed in a way more to the Plaintiffs’ liking does not render this technology illegal.
16 If it were so, then Sony would have been liable for designing and selling VTRs, because Sony
17 could have designed them to be incapable of making infringing copies. The Supreme Court in
18 Sony, however, rejected precisely this argument, urged by the dissent, that “Sony may be able,
19 for example, to build a VTR that enables broadcasters to scramble the signal of individual
20 programs and ‘jam’ the unauthorized recording of them.” Sony, 464 U.S. at 494 (Blackmun, J.,
21 dissenting). Similarly, there would be no cassette players in the world, because they could have
22 been designed to inhibit rather than facilitate illegal copying. Photocopiers would likewise be
23 taboo, as they were designed and sold with nary a thought to policing the actions of their users.
24 Radios, once considered the death of copyright, would have been banned from the earth long
25 before any artist received a penny of royalties. And of course, there would be no CD’s, and no

26 _____
27 ⁹ As Plaintiffs are fond of pointing out when it suits them, some of the material available on the
28 internet is pornographic. Although such material may be embarrassing or unsavory, much of it is
freely distributed by its owners, and is thus both legal and noninfringing. It is also, we are
informed, substantial.

1 digital audio at all, because no single innovation in the past fifty years has done more to enable
2 the easy creation of multiple, good-as-the-original illegal copies than digital audio. But all of
3 these key technological innovations are legal, notwithstanding the clear degree to which each has
4 facilitated and encouraged massive copyright infringement, because they are each technologies
5 that are also capable of noninfringing uses.

6 Peer-to-peer filesharing is only the latest in this endlessly repeating cycle. It is no
7 surprise that—just as the studios initially resisted video tape rather than releasing prerecorded
8 tapes—the established record and movie companies have resisted opportunities to exploit peer-
9 to-peer technology. When one entirely dominates the existing means of distribution, one tends to
10 resist change. But already some copyright holders have understood and embraced the promise of
11 peer-to-peer technology as an incredibly efficient and entirely cost-free means of distribution.
12 As shown by the examples above, currently available digital rights management techniques¹⁰
13 allow copyright holders to exploit and profit from the enormous potential of peer-to-peer
14 technology. Those noninfringing uses already exist, and will grow in the future. And those uses
15 are sufficient to defeat a finding of contributory infringement. As the Napster court held, it is
16 thus inappropriate to base decisions concerning noninfringing use solely on the present uses of
17 an emerging technology:

18 We depart from the reasoning of the district court that Napster failed to
19 demonstrate that its system is capable of commercially significant noninfringing
20 uses. The district court improperly confined the use analysis to current uses,
21 ignoring the system's capabilities. Consequently, the district court placed undue
22 weight on the proportion of current infringing use as compared to current and
23 future noninfringing use.

24 Napster, 239 F.3d at 1021 (emphasis added; citations omitted).

25 As the Sony court held, the Copyright Act does not confer upon copyright holders the
26 power to ban threatening technology:

27 It seems extraordinary to suggest that the Copyright Act confers upon all

28 ¹⁰ Digital Rights Management, or “DRM”, allows content to be encrypted and then distributed. When a user downloads an encrypted file, she is then free to redistribute copies at will, creating a vast network of “superdistribution” which costs the original publisher nothing. When a recipient goes to play the encrypted file, he or she is first required to transfer electronic payment to the publisher.

1 copyright owners collectively, much less the two respondents in this case, the
2 exclusive right to distribute VTR's simply because they may be used to infringe
3 copyrights. That, however, is the logical implication of their claim. The request
4 for an injunction below indicates that respondents seek, in effect, to declare
5 VTR's contraband. Their suggestion in this Court that a continuing royalty
6 pursuant to a judicially created compulsory license would be an acceptable
7 remedy merely indicates that respondents, for their part, would be willing to
8 license their claimed monopoly interest in VTR's to Sony in return for a royalty.

9 Sony, 464 U.S. at 441 n. 21.

10 **2. Grokster Is Not a "System" or "Service"; It Is A Piece Of Software**

11 In an effort to avoid the clear application of controlling precedent, the Plaintiffs herein
12 heap adjective upon adjective, hyperbole upon hyperbole, in an attempt to portray Grokster's
13 distribution of software as something entirely different from that of any of the other companies
14 who profit from internet file sharing: a "system and service" engaged in a "continual and
15 persistent" joint effort at "massive" copyright infringement via the operation of an "immense"
16 and "infamous" "network" purportedly under its control. Clearly Plaintiffs hope that, if they just
17 describe the Grokster's distribution of a piece of software as a "network" often enough, the Court
18 will not look to the facts underlying that characterization. The "network" at issue here is the
19 internet itself, and Grokster no more controls the actions of its customers than any of the
20 thousands of other companies that provide the hardware and software used in connection with
21 the internet. Each of these companies knows perfectly well that its products are instrumental in
22 "massive" copyright infringement. Some of them are plaintiffs in this case, alleging precisely
23 that. Moreover, each of them has "continual and persistent" relationships with their customers.
24 Software vendors routinely require their users to register their software. They routinely provide
25 frequent upgrades to their software. They routinely maintain websites providing all manner of
26 technical support. Service providers such as AOL and Yahoo host chat rooms in which users
27 routinely trade tips about illegal activity. Similarly, they make money from their infringing
28 users, both directly and through advertising revenue. None of these entirely typical and ancillary
functions, however, contributes in any legal sense to copyright infringement by their customers.
Plaintiffs do not contend that Microsoft is contributorily liable simply because virtually every
music pirate in the world uses Microsoft's software, or that AOL is contributorily liable simply

