

No. 04-480

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IN THE  
**Supreme Court of the United States**

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METRO-GOLDWYN-MAYER STUDIOS INC., *et al.*,  
*Petitioners,*

v.

GROKSTER, LTD., *et al.*,  
*Respondents.*

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ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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**BRIEF OF PROFESSOR LEE A. HOLLAAR AS  
AMICUS CURIAE IN SUPPORT OF NEITHER PARTY**

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**BRIEF OF PROFESSOR LEE A. HOLLAAR  
AS AMICUS CURIAE IN SUPPORT OF  
NEITHER PARTY<sup>1</sup>**

**Interest Of The Amicus Curiae**

Lee A. Hollaar is a professor in the School of Computing at the University of Utah, where he teaches courses in computer and intellectual property law and computer systems and networking. He is the author of the online paper “Sony Revisited: A new look at contributory copyright infringement,”<sup>2</sup> which examines the deliberations that went into this Court’s *Sony* decision and how secondary liability for inducement of copyright infringement has been ignored when looking at *Sony*, which he is bringing to the attention of this Court through this amicus brief.

He is also the author of *Legal Protection of Digital Information*,<sup>3</sup> and was a committee fellow with the Senate Committee on the Judiciary, where he worked on what became the Digital Millennium Copyright Act and patent reform legislation.

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1. In accordance with Supreme Court Rule 37.6, counsel listed on the cover states that this brief was authored by amicus curiae Professor Hollaar and reviewed by counsel, and that counsel to a party did not author this brief in whole or in part. No person other than the amicus curiae and his counsel made a monetary contribution to the preparation or submission of this brief. The consents of the parties are lodged herewith.

2. At <http://digital-law-online.info/papers/lah/sony-revisited.pdf>.

3. BNA Books, also available online at <http://digital-law-online.info>.



## Introduction

For a second time, this Court revisits its opinion in *Sony Corp. of America v. Universal City Studios, Inc.*<sup>4</sup> because a court below narrowly focused on a snippet rather than the full teaching of the opinion.<sup>5</sup>

The Ninth Circuit characterized *Sony* as holding that “it would be sufficient to defeat a claim of contributory copyright infringement if the defendant showed that the product was ‘capable of substantial’ or ‘commercially significant’ noninfringing uses.”<sup>6</sup> Applying this holding immunized *Grokster* from secondary liability for the copyright infringement of its users, because unlike in *Napster*,<sup>7</sup> *Grokster* used a decentralized server architecture to remove its ability to control that infringement.

This has led to the perverse situation where file sharing systems are afraid to implement filtering that would reduce infringement by their users because they are afraid that filtering would indicate some measure of control and subject them to liability as a contributory infringer.

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4. 464 U.S. 417 (1984).

5. *Campbell v. Acuff-Rose Music Inc.* reversed an opinion of the Sixth Circuit that “ostensibly culled from *Sony*, that ‘every commercial use of copyrighted material is presumptively . . . unfair’ and restated “the long common-law tradition of fair use adjudication.” 510 US 569, 583-584 (1994)

6. *MGM. v. Grokster et al.*, 380 F.3d 1154, 1160 (9th Cir. 2004).

7. *A&M Records v Napster*, 239 F.3d 1004, 1022-1023 (9th Cir. 2001).

The Ninth Circuit's characterization of *Sony* ignores the important context of the *Sony* test: that this Court had already held that:

Sony certainly does not “intentionally induce” its customers to make infringing uses of respondents’ copyrights . . .<sup>8</sup>

The courts below made no determination whether the defendants had intentionally induced the widespread copyright infringement by their users. Had those courts considered inducement along with material contribution by the supplying of a device, their decisions would have been more in keeping with traditional secondary liability principles of intellectual property law.

**Using Only The “Capable Of Substantial Noninfringing Uses” Test Immunizes Suppliers Of A Reproduction, Display, or Distribution Device or Computer Program No Matter How Egregious Their Conduct**

It is hard to imagine a device or computer program used to reproduce, display, or distribute a copyrighted work that would not be capable of a substantial noninfringing use under one of the many exceptions to infringement in copyright law.

An important aspect of copyright law is the “fair use” doctrine.<sup>9</sup> One of the reasons that this Court found that Sony was not a contributory infringer was that time-shifting a television program was a fair use, and therefore the Sony Betamax recorder had a substantial noninfringing use.<sup>10</sup>

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8. 464 U.S. at 439.

9. The “fair use” doctrine is codified in the Copyright Act of 1976 at 17 U.S.C. §107.

10. This Court also found that there were copyright owners who consented to the recording of their television shows. 464 U.S. at 443-447.

But it is impossible for technology to differentiate between a “fair use” and an infringing use,<sup>11</sup> and so technology will necessarily be capable of both.

Beyond “fair use,” copyright law provides a variety of special exceptions to the exclusive rights of the copyright owner.<sup>12</sup> Libraries can make a single copy of a work in certain circumstances.<sup>13</sup> A computer program can be duplicated to create an archive copy.<sup>14</sup> Works can be performed or displayed in a classroom setting.<sup>15</sup> Judge Posner, in his *Aimster* opinion, noted a variety of possible noninfringing uses for peer-to-peer technology.<sup>16</sup>

As this Court noted in *Sony*, “We recognize there are substantial differences between the patent and copyright laws.”<sup>17</sup> In contrast to copyright, the patent statutes provide only a very limited statutory exception for patent infringement during the required testing of a drug.<sup>18</sup>

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11. For example, the amount of a work that is copied cannot determine whether it is “fair use.” In one case, the copying of about 300 words from a book was not a fair use. *Harper & Row v. Nation Enters*, 471 U.S. 539 (1985). In another case, the copying of a work in its entirety was a fair use. *Sega v. Accolade*, 977 F.2d 1510 (9th Cir. 1992). There is simply no way to mechanize a “fair use” determination, nor should there be to preserve its important principle.

12. See 17 U.S.C. §§ 107-122.

13. 17 U.S.C. § 108(a).

14. 17 U.S.C. § 117(a).

15. 17 U.S.C. § 110(1).

16. *In re Aimster Copyright Litigation*, 334 F.3d 643, 652-53 (7th Cir. 2003).

17. 464 U.S. at 441 n.19.

18. See 37 U.S.C. § 271(e).

In addition, the courts have allowed an “experimental use” defense to a charge of patent infringement, but it is far narrower than copyright’s “fair use” defense, being limited to making or using the patented invention solely “for amusement, to satisfy idle curiosity or for strictly philosophical inquiry.”<sup>19</sup>

### **The “Capable Of Substantial Noninfringing Uses” Test Must Be Preserved**

Nevertheless, there are sound policy reasons for preserving the “capable of substantial noninfringing uses” test in copyright law. As this Court explained:

[T]he contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The 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. Accordingly, 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.<sup>20</sup>

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19. *Roche Products v. Bolar Pharmaceutical*, 733 F.2d 858, 863 (Fed. Cir. 1984). Subsection (e) was added to 37 U.S.C. § 271 in 1984 specifically to provide an exception to this case, but Congress declined to provide a general “fair use” exception to patent infringement.

20. 464 U.S. at 442.

Furthermore, this Court noted that “It seems extraordinary to suggest that the Copyright Act confers upon all copyright owners collectively, much less the two respondents in this case, the exclusive right to distribute VCRs simply because they may be used to infringe copyrights.”<sup>21</sup> Just because a device may be used to infringe a copyright should not sweep the device within the statutory monopoly held by the copyright owner.

### **There Are Two Different Forms Of Contributory Copyright Infringement – Material Contribution And Inducement**

Liability for inducement of copyright infringement has been a part of copyright law since at least 1971, when the Second Circuit held in *Gershwin Publishing v. Columbia Artists Management* that “one who, with knowledge of the infringing activity, *induces*, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”<sup>22</sup>

This Court was well aware of *Gershwin* as it was deliberating *Sony*, recognizing that there were two different forms of contributory infringement – material contribution and inducement.<sup>23</sup> But inducement was not mentioned in

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21. 464 U.S. 441 n.21.

22. *Gershwin Publ’g v. Columbia Artists Mgmt.*, 443 F.2d 1159, 1162 (2d Cir. 1971). (emphasis added.)

23. For a discussion of the deliberations leading to the *Sony* decision, see Hollaar, “Sony Revisited: A new look at contributory copyright infringement,” <http://digital-law-online.info/papers/lah/sony-revisited.pdf>, and Band and McLaughlin, “The Marshall Papers: A Peek Behind the Scenes at the Making of *Sony v. Universal*,” 17 *Columbia-VLA Journal of Law & the Arts* 427, 443 (Vol. 4, Summer 1993).

*Sony* beyond Footnote 19, because both the district court<sup>24</sup> and this Court<sup>25</sup> held that Sony had not “intentionally induced” the users of the Betamax to infringe copyrights. The “capable of substantial noninfringing uses” test must be read in the context of this Court having already found that there was not inducement of copyright infringement on the part of Sony.

***Liability For Inducement Is Recognized For All Other Forms Of Intellectual Property***

There is no reason to believe that this Court meant to exclude inducement of infringement from indirect infringement of copyright, just that the majority did not feel that it was applicable to Sony’s actions. And there is no reason to believe that Congress, when it adopted the Copyright Act of 1976, intended to overrule or lessen the scope of contributory infringement stated in *Gershwin*, which explicitly included inducement of infringement.

Liability for inducement exists, in some form, for all other types of intellectual property protection. This Court has found inducement liability for trademarks.<sup>26</sup> Inducement is included

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24. “It is also doubtful that these defendants have met the other requirement for contributory infringement: inducement or material contribution to the infringing activity.” *Universal City Studios v. Sony*, 480 F. Supp. 429, 460 (DC CD Cal. 1979).

25. 464 U.S. at 441 n.19.

26. Thus, if a manufacturer or distributor intentionally *induces* another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

*Inwood Labs, Inc. v. Ives Labs, Inc.*, 456 U.S. 844, 854 (1982) (emphasis added.)

in the patent statutes (“Whoever *actively induces* infringement of a patent shall be liable as an infringer.”<sup>27</sup>), the Semiconductor Chip Protection Act (“The owner of a mask work provided protection under this chapter has the exclusive rights to do and to authorize any of the following: . . . (3) to *induce or knowingly cause* another person to do any of the acts described in paragraphs (1) and (2).”<sup>28</sup>) and the Vessel Hull Design Protection Act

A seller or distributor of an infringing article who did not make or import the article shall be deemed to have infringed on a design protected under this chapter only if that person — (1) *induced* or acted in collusion with a manufacturer to make, or an importer to import such article . . .<sup>29</sup>

The Uniform Trade Secrets Act treats inducement as one of the improper means for misappropriating a trade secret (“‘Improper means’ includes theft, bribery, misrepresentation, breach or *inducement* of a breach of duty to maintain secrecy, or espionage through electronic or other means . . . ”<sup>30</sup>).

Defining the metes-and-bounds of secondary liability in intellectual property law has traditionally been the province of the courts. There was no statutory provision dealing with the infringement of patents until 1952, 162 years after the first United States patent act and over eighty years after the

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27. 35 U.S.C. § 271(b) (emphasis added).

28. 17 U.S.C. § 905 (emphasis added).

29. 17 U.S.C. § 1309(b) (emphasis added).

30. Uniform Trade Secrets Act § 1(1) (emphasis added).

first reported case of contributory patent infringement.<sup>31</sup> Even then, Congress did not define inducement but left it up to the courts to interpret the meaning of inducement in the context of the statute. That is also true for the other statutes mentioned above.

With the courts having the ability to develop appropriate tests for secondary liability in copyright infringement, the law will be able to adapt to changing technologies and avoid creating loopholes to be exploited.

***Inducement Looks To The Conduct Of The Party, Not The Capabilities Of A Technology***

This Court has noted the strong kinship of patent and copyright law as it was looking at material contribution to copyright infringement.<sup>32</sup> Therefore, it is reasonable to look to patent law to gain an initial understanding of the nature of inducement of copyright infringement, of course recognizing that there are differences between patents and copyright.

Unlike contributory patent infringement, where the infringer is producing a specially-made component used to

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31. See Giles S. Rich, *Infringement under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. 521, 539 (1953). The author, one of the primary drafters of the Patent Act of 1952 and later a judge on the Court of Customs and Patent Appeals and the Court of Appeals for the Federal Circuit, notes that section 271 was added primarily not to define contributory infringement or inducement, but to stem a trend of not enforcing patents because of an expanding doctrine of “patent misuse” by adding section 271(d).

32. “The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.” *Sony*, 464 U.S. at 439. But, as previously noted, one also needs to consider the differences between patent and copyright law, such as the many exceptions to infringement in the copyright statutes.



infringe the patent, inducement of patent infringement looks at whether the inducer is acting in such a way as to encourage the infringement of the patent by another. In the Revision Notes that accompanied the enactment of section 271 in the Patent Act of 1952, there is this explanation:

One who actively induces infringement as by aiding and abetting the same is liable as an infringer, and so is one who sells a component part of a patented invention or material or apparatus for use therein knowing the same to be especially made or especially adapted for use in the infringement of the patent except in the case of a staple article or commodity of commerce having other uses.<sup>33</sup>

For example, one can be an indirect patent infringer even if one is only supplying technology that has significant noninfringing uses (or no technology at all) if one is “aiding and abetting” the infringement of another, such as providing an environment that encourages the infringement.

In *Aimster*,<sup>34</sup> Judge Posner used an “aiding and abetting” test in determining secondary copyright infringement liability. He discussed why aiding and abetting, a form of inducement, was a more appropriate test than the *Sony* contributory infringement test in the circumstances of the case.

There are analogies in the law of aiding and abetting, the criminal counterpart to contributory

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33. Sen. Rep. No. 82-1979, H.R. Rep. No. 82-1923, 1952 U.S.C.C.A.N. 2394, 2421.

34. *In re Aimster Copyright Litigation*, 334 F.3d 643, 650 (7th Cir. 2003), *cert. denied*, *Deep v. Recording Indus. Ass’n of Am., Inc.*, 540 U.S. 1107 (2004).

infringement. A retailer of slinky dresses is not guilty of aiding and abetting prostitution even if he knows that some of his customers are prostitutes – he may even know which ones are. The extent to which his activities and those of similar sellers actually promote prostitution is likely to be slight relative to the social costs of imposing a risk of prosecution on him. But the owner of a massage parlor who employs women who are capable of giving massages, but in fact as he knows sell only sex and never massages to their customers, is an aider and abettor of prostitution (as well as being guilty of pimping or operating a brothel). The slinky-dress case corresponds to *Sony*, and, like *Sony*, is not inconsistent with imposing liability on the seller of a product or service that, as in the massage-parlor case, is capable of noninfringing uses but in fact is used only to infringe.<sup>35</sup>

**Having Clarified That There Is Secondary Liability For Inducement of Copyright Infringement, This Court Should Indicate How Such Liability Is Determined**

While it is simple to say that there should be secondary liability for inducement, or aiding and abetting, of copyright infringement, the devil is in the details of what should constitute inducement. As in many areas of the law, the use of a term like “inducement” is simply shorthand for a set of principles to be used in determining whether liability should come from particular behavior.

There are few copyright cases that do more than mention inducement, generally treating it as a species of contributory infringement (as in *Gershwin*) rather than a separate form of

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35. *In re Aimster*, 334 F.3d at 651 (citations omitted).

secondary liability.<sup>36</sup> But while it is inviting to look to inducement under patent law and aiding and abetting under criminal law for guidance, one must be careful to recognize the particular nature of copyrights.<sup>37</sup>

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36. In fact, the language of secondary copyright infringement liability is anything but clear, sometimes treating vicarious liability as a synonym for secondary, or indirect, liability, and sometimes as a special form of secondary liability when someone benefits from an infringement and is in a position to control the infringer. *See, for example, Fonovisa Inc. v. Cherry Auction*, 76 F.3d 259, 261 (9th Cir. 1996). As the Ninth Circuit has noted:

The issues of Sony’s liability under the “doctrines of ‘direct infringement’ and ‘vicarious liability’” were not before the Supreme Court, although the Court recognized that the “lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn.” Consequently, when the Sony Court used the term “vicarious liability,” it did so broadly and outside of a technical analysis of the doctrine of vicarious copyright infringement.

*A&M Records v. Napster*, 239 F.3d 1004, 1022-1023 (9th Cir. 2001).

It would be helpful for further discussion of copyright infringement liability if this Court would establish a taxonomy for secondary copyright infringement liability, treating vicarious infringement, contributory infringement, and inducement of infringement as separate species of indirect infringement, each with their own body of law and tests, much as Congress did in the Patent Act of 1952 when it codified a variety of court decisions on contributory infringement into the separate concepts of contributory infringement in section 271(c) and inducement in section 271(b).

37. For example, as noted previously, virtually all reproduction, display, or distribution technologies can have a substantial noninfringing use because of the multitude of exceptions to copyright infringement.

In determining inducement, one looks at whether what is being aided and abetted is a direct infringement. It does not matter that noninfringing acts are also aided by the alleged inducer. This is in contrast to the *Sony* exception to contributory infringement, where one looks to see if there is any substantial noninfringing use being enabled. Inducement concerns how the technology is being promoted or configured, not the uses of the technology.

One of the concerns during the deliberation of *Sony* was what an appropriate remedy would be if Sony were a contributory infringer.<sup>38</sup> An injunction to stop the contributory infringement would result in a ban on the VCR since its infringing uses could not be separated from its noninfringing uses. Monetary damages would essentially be a mandated royalty scheme, without any authorization from Congress. Neither was a satisfactory result.

In contrast, an injunction stemming from a finding of inducement would be focused on prohibiting the inducing acts.

***Inducement Should Be Intentional And Knowing For Liability To Result***

In Footnote 19 of *Sony*, this Court stated:

Sony certainly does not “intentionally induce” its customers to make infringing uses of respondents’ copyrights, nor does it supply its products to identified individuals known by it to be engaging in continuing infringement of respondents’ copyrights.<sup>39</sup>

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38. See Hollaar, “Sony Revisited: A new look at contributory copyright infringement,” <http://digital-law-online.info/papers/lah/sony-revisited.pdf>.

39. 464 U.S. at 439 n.19.

This is in concert with the law on inducement of patent infringement, which provides a good starting point for understanding the extent of secondary liability for inducing the infringement of copyrights.

Secondary liability for inducement of patent infringement must be both “intentional” and “knowing,” although both can be established through circumstantial evidence.<sup>40</sup> “Inducement” and “aiding and abetting” are active concepts.<sup>41</sup> The inducement must also be tied to a direct infringement related to the inducement.<sup>42</sup> But beyond those requirements, inducement has a broad sweep.<sup>43</sup>

Knowledge can be of the inducement of particular users to infringe particular works, or of an entire class of users infringing copyrighted works in general.<sup>44</sup>

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40. “While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice.” *Water Technologies v. Calco*, 850 F.2d 660, 668 (Fed. Cir. 1988).

41. “Of course inducement has connotations of active steps knowingly taken – knowingly at least in the sense of purposeful, intentional as distinguished from accidental or inadvertent.” *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 411 (5th Cir. 1963).

42. “Absent direct infringement of the patent claims, there can be neither contributory infringement nor inducement of infringement.” *Met-Coil Systems v. Korners Unlimited*, 803 F.2d 684, 687 (Fed. Cir. 1986).

43. “[Inducement] is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent.” *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 411 (5th Cir. 1963).

44. “Plaintiffs who identify individual acts of direct infringement must restrict their theories of vicarious liability – and tie their claims for damages or injunctive relief – to the identified  
(Cont’d)

Constructive knowledge of direct infringement should be enough if the infringement is widespread and generally known. Addressing the argument that the encryption feature of Aimster's service prevented Aimster from knowing what songs were being copied by the users of the system, so it lacked the knowledge of infringing uses that liability for contributory infringement requires, Judge Posner noted:

Willful blindness is knowledge, in copyright law (where indeed it may be enough that the defendant *should* have known of the direct infringement), as it is in the law generally. One who, knowing or strongly suspecting that he is involved in shady dealings, takes steps to make sure that he does not acquire full or exact knowledge of the nature and extent of those dealings is held to have a criminal intent, because a deliberate effort to avoid guilty knowledge is all that the law requires to establish a guilty state of mind.<sup>45</sup>

As noted previously, this Court held that Sony did not “supply its products to identified individuals known by it to be engaging in continuing infringement of respondents’

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act” but “Plaintiffs who identify an entire category of infringers (for example, the defendant’s customers) may cast their theories of vicarious liability more broadly, and may consequently seek damages or injunctions across the entire category.” *Dynacore Holdings v. U.S. Phillips*, 363 F.3d 1263, 1274-1275 (Fed. Cir. 2004). Expanding the doctrine to cover the infringement of copyrighted works in general recognizes that patent infringement generally involved one, or a small number of patents, but copyright infringement in today’s environment often covers all popular music.

45. *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003), *cert. denied*, *Deep v. Recording Indus. Ass’n of Am., Inc.*, 540 U.S. 1107 (2004) (citations omitted, emphasis in the original).

copyrights.”<sup>46</sup> This is not because Sony did not know that people were using their VCRs to tape copyrighted television shows, but that it had a good faith reason to believe that conduct such as time-shifting was a permissible fair use under copyright law.<sup>47</sup>

### **Determining Whether There Has Been Inducement Of Copyright Infringement**

If the inducement relates to an entire class of users infringing copyrighted works in general, one should look to whether a reasonable person, based on all relevant information about the acts of the alleged inducer, would find an intent to induce copyright infringement and would have

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46. 464 U.S. at 439.

47. That belief was later confirmed by the district court and this Court. As noted by the district court:

Plaintiffs assert, however, that these defendants knew it was likely that people would use the Betamax to record copyrighted works and that this constitutes constructive knowledge. Even assuming that such probability were both accurate and sufficient to create “constructive knowledge” of the recording of copyrighted works, these defendants could not know that this was an infringing activity. Unlike the management agency which knew that the artists would not get a copyright license or the advertising agency whose employee knew that records were being made without paying a compulsory license fee, defendants here could not know what copyright law required. Before this lawsuit, that issue had not been determined. As discussed above, this court finds that home use recording is not an infringement. Even if this finding were incorrect, defendants could not be held responsible for knowing otherwise.

*Universal City Studios v. Sony*, 480 F. Supp. 429, 460 (DC CD Cal. 1979).

knowledge of the infringement. As with patent law, “While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice.”<sup>48</sup>

Little or no weight should be given to whether the system being provided by the alleged inducer is capable of substantial noninfringing uses. As noted above, virtually every reproduction, display, or distribution technology is capable of some substantial noninfringing use because of the exceptions such as “fair use” in the copyright laws.

In patent law, mere sale of a lawful product with lawful uses is not inducement of infringement even though it is known that the product will be used for patent infringement.<sup>49</sup> Such a principle should be preserved in copyright law to protect distributors and others whose only act is to sell a product produced by another without any encouragement of its use for copyright infringement. But that exception should not go beyond mere distribution.

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48. *Water Technologies v. Calco*, 850 F.2d 660, 668 (Fed. Cir. 1988).

49. See note 6 in *Dynacore Holdings v. U.S. Phillips*, 363 F.3d 1263, 1276 (Fed. Cir. 2004), noting that the “sale of a lawful product by lawful means, with the knowledge that an unaffiliated, third party may infringe, cannot, in and of itself, constitute inducement of infringement.’ We agree with this view of inducement.” That exception likely does not go beyond the mere sale, without more, of a staple article of commerce.

There is no reason to construe paragraph (c) as in any way a limitation on paragraph (b), which stands by itself. There have been recent cases of active inducement wherein the thing sold had non-infringing uses but acts additional to the mere sale resulted in active inducement and liability for infringement.

Giles S. Rich, *Infringement under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. 521, 539 (1953).



***Circumstantial Evidence From Past Cases***

Circumstantial evidence that has been considered in contributory infringement cases, and that may be particularly applicable to determining inducement, includes –

**Reliance on infringement for commercial viability.**

There is a strong presumption that a system operator who is depending on the infringement of others for the success of a commercial venture (such as being able to attract a large number of users to the file sharing system because of the infringing works present on the system to be able to get sufficient advertising revenue) will be acting to encourage that infringement.<sup>50</sup>

**Providing examples to users on how to use a system for copyright infringement.** In *Aimster*, the defendant was found to have aided and abetted the copyright infringement of its users by supplying a tutorial giving “as its *only* examples of file sharing the sharing of copyrighted music, including copyrighted music that the recording industry had notified Aimster was being infringed by Aimster’s users.”<sup>51</sup>

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50. See, for example, *A&M Records v. Napster*, 114 F. Supp. 2d 896, 901 (N.D. Cal. 2000). (“Defendant eventually plans to ‘monetize’ its user base. Potential revenue sources include targeted email; advertising; commissions from links to commercial websites; and direct marketing of CDs, Napster products, and CD burners and rippers.”);

See also *In re Aimster Copyright Litig.*, 334 F.3d 643, 651-652 (7th Cir. 2003), *cert. denied*, *Deep v. Recording Indus. Ass’n of Am., Inc.*, 540 U.S.1107 (2004). “Because Aimster’s software is made available free of charge and Aimster does not sell paid advertising on its Web site, Club Aimster’s monthly fee is the only means by which Aimster is financed and so the club cannot be separated from the provision of the free software.”

51. *In re Aimster*, 334 F.3d at 651 (emphasis in the original).

**Adding features to a system to conceal the infringement.**

With the Napster system, it was relatively simple for copyright owners to determine who was infringing by distributing their works to the world.<sup>52</sup> A successor service providing a method to conceal the identity of the infringer to make itself more attractive to users would clearly be aiding and abetting those users' infringement by making it difficult or impossible to sue them as direct infringers.

***Additional Relevant Circumstantial Evidence***

In addition, courts should consider one form of circumstantial evidence that may be particularly relevant to this case.

**Replacing a system that has been found to be contributing to, or inducing, copyright infringement by its users.** It is sometimes difficult to determine whether users of a system or device are infringing copyrights. In *Sony*, the district court felt that time-shifting was a permissible fair use, the Ninth Circuit felt it wasn't, and this Court split 5-to-4 on the issue.

But after a court has found that the users of a system like Napster are direct infringers and shut down that system because its operators were contributory infringers, there should be no question that replacing that system with a new one that provides the same capabilities for the users is aiding and abetting their continuing infringement.

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52. The copyright owners could determine the user name or Internet Protocol address of the user making a song available. Under the provisions of the DMCA, 17 U.S.C. § 512(h), or as part of an infringement suit, the actual name of the user corresponding to that information could be obtained from the service provider supplying their Internet connection.

However, if the new service has taken steps to stop or reduce the infringement of its users, that is a strong indication that it is not inducing the infringement of those users, even if some infringement remains.

For example, a number of file-sharing systems are now looking at the use of filters based on digital summaries for copyrighted works to block the transfer of unlicensed works on their system. The Ninth Circuit's reading of *Sony*, when *Napster* and *Grokster* are compared, provides a negative incentive to such good behavior,<sup>53</sup> because any attempt to control illegal user behavior might make a file-sharing service liable as a contributory infringer if it is not completely successful.

One needs only to consider that negative incentive to see how perverse the Ninth Circuit's mistaken reading of *Sony* is and why this Court should vacate and remand the decision in this case.

**With Inducement Playing Its Rightful Role, The  
“Capable Of Substantial Noninfringing Use”  
Test Should Not Be Changed To A  
“Primary Purpose” Test**

An alternative to the “substantial noninfringing use” test might be a “primary purpose” test, much like the one in the Digital Millennium Copyright Act (DMCA).<sup>54</sup> A primary

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53. There is already a negative economic incentive to implementing filters, because users who wish to continue “sharing” copyrighted works that might be stopped by the filters will go to services that do not filter.

54. The provision for “circumvention to access” is:

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that

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purpose test may have been reasonable for Congress to adopt for devices used to circumvent a copy or access protection mechanism. Congress viewed demonstrable harm caused by the trafficking in such devices as greatly outweighing the speculative harm that may result from the banning of such devices.

However, a primary purpose test will cause problems when applied to general reproduction, display, or distribution technologies. The primary purpose may be one thing at the time of its introduction and another over time. Judge Posner notes in *Aimster* that although there was little demand for prerecorded video tapes at the time of the introduction of the Betamax, the widespread availability of such machines led to a substantial new market for the film industry.<sup>55</sup> As user preferences for prerecorded movies have shifted to

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(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

17 U.S.C. § 1201(a)(2). Section 1201(b) is similar, but for "circumvention to infringe." 17 U.S.C. § 1201(b).

55. *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003), cert. denied, *Deep v. Recording Indus. Ass'n of Am., Inc.*, 540 U.S. 1107 (2004).

DVDs, the primary purpose of a VCR may be changing again to time-shifting of broadcast television programs.

The “capable of substantial noninfringing uses” test allows looking both at the current uses and plausible uses in the future to determine whether a substantial noninfringing use exists. Determining whether supplying a device or computer program is a contributory infringement based on its primary purpose at the time of its introduction may inhibit the development of future noninfringing uses for the device.

### **Reviving Secondary Liability For Inducement Will Not Unreasonably “Chill” Technology**

Technologists would like to see bright-line rules for determining when there is liability for direct or indirect copyright infringement, and often claim that any test short of a bright-line rule will chill technological development because of uncertainty.<sup>56</sup> But that viewpoint fails to recognize that there are many aspects of copyright law that are at best shades of gray.<sup>57</sup> Fair use, for example, depends on the consideration of four broadly-worded factors and the combining of the results with no particular weighting specified in the statute.

One should remember why inducement should be considered in the first place – “file sharing” systems have taken advantage of perceived loopholes in copyright law to

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56. That is likely a carry-over from computer programming, where the rules are detailed and precise, and where the possibility of something happening, no matter how remote and improbable, must be considered and action against it taken if it would cause a problem.

57. This is not limited to copyright law. Other areas of the law, such as antitrust, lack bright-line tests, particularly when considering new technologies, and have more devastating consequences for a company than a finding of indirect copyright infringement.

profit from the music of others. Rather than copy and distribute the music itself, Napster encouraged millions of users to infringe music copyrights.<sup>58</sup> When Napster was shut down because the court found contributory and vicarious infringement, the lesson learned by companies like Grokster and Aimster was not that they should avoid aiding and abetting copyright infringement, but that they should configure their system to avoid an appearance of control.

Having bright-line rules for inducement will only make it easier for follow-on companies to avoid liability by exploiting loopholes in those rules.

Revitalizing inducement as a grounds for secondary liability for copyright infringement, three decades after *Gershwin*, may cause some commercial ventures to reevaluate their current activities and perhaps do things differently. It may even cause the withdrawal of some technologies, or delay or stop the introduction of others because it is not clear whether or not there would be liability. That is the result whenever a company is held responsible for its conduct.

While system developers try to limit their responsibility for the consequences of their design decisions, either through clauses in shrink-wrap licenses or by advocating overly-expansive readings of exceptions like the “capable of substantial noninfringing uses” test of *Sony*, the harm being caused by spam, viruses, and widespread copyright infringement shows what can happen when developers ignore the problems their technologies can cause or take no action to limit the potential for harm.

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58. For distributing songs, it makes little technical sense to use poorly-produced files from user computers with slow network connections rather than high-quality versions from fast servers, but this was tried by mp3.com and they were held to infringe. *See UMG Recordings Inc. v. MP3.com*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

Imposing liability for inducement of copyright infringement may have a chilling effect on those ventures whose actions risk classification as inducement. But not imposing such liability definitely stymies those developing and promoting systems that encourage responsible user behavior. As noted in the brief of the new online music systems asking this Court to grant certiorari, it is difficult for royalty-paying suppliers of songs to compete against systems where those same songs are available illegally for free.<sup>59</sup> It is equally difficult for developers of new technologies that attempt to reduce infringement to compete against systems that don't restrict users. Yet those are the very developers that need to be encouraged.

### **Conclusion**

The Ninth Circuit's narrow reading of *Sony* has led to the perverse situation where file sharing systems are afraid to implement filtering that would reduce infringement by their users because they are afraid that filtering would indicate some measure of control and subject them to liability as a contributory infringer.

Rather than change the *Sony* exception for contributory infringement when the device or computer program is capable of a substantial infringing use, this Court should revitalize the inducement prong of contributory infringement that it recognized in *Sony*.

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59. Brief of Roxio, et al. as amicus curiae in support of petitioners.

For the reasons given above, this Court should vacate the decision of the Ninth Circuit in this case and remand for further proceedings to determine if the defendants are secondarily liable for the inducement of the copyright infringements of their users.

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