

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Nos. 03-55894 & 03-56236
METRO-GOLDWYN-MAYER STUDIOS INC., *et al.*,
Plaintiffs-Appellants,
v.
GROKSTER LTD., *et al.*,
Defendants-Appellees.

No. 03-55901
JERRY LEIBER, individually d.b.a. Jerry Leiber Music, *et al.*,
Plaintiffs-Appellants,
v.
GROKSTER LTD., *et al.*,
Defendants-Appellees.

ON APPEAL FROM THE U.S. DISTRICT COURT FOR THE CENTRAL
DISTRICT OF CALIFORNIA

Case Nos. CV-01-08541-SVW & CV-01-09923-SVW
Honorable Stephen V. Wilson, United States District Court Judge

BRIEF OF CONSUMER ELECTRONICS ASSOCIATION AND
HOME RECORDING RIGHTS COALITION
AS AMICI CURIAE SUPPORTING NONE OF THE PARTIES AND URGING
NEITHER AFFIRMANCE NOR REVERSAL

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *amicus curiae* Consumer Electronics Association (“CEA”) states that it is a not-for-profit corporation. CEA does not have any parent corporation, and no publicly held company owns 10% or more of its stock.

Amicus curiae the Home Recording Rights Coalition (“HRRC”) is an unincorporated membership association.

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INTRODUCTION AND INTEREST OF THE *AMICI*

In this brief *amicus curiae*, the Consumer Electronics Association (“CEA”) and the Home Recording Rights Coalition (“HRRC”) offer their views on the “capable of substantial noninfringing use” doctrine (the “*Betamax* doctrine”) enunciated in *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984) (“*Betamax*”), and the doctrine’s importance to the public, the consumer electronics industry, and the continued growth and development of a vital technology sector in the United States. The *Betamax* doctrine stands as the Magna Carta of the technology age. It has permitted the development of manifold technologies and devices ranging from VCRs, to CD and DVD recorders, to personal video recorders such as TiVo, to computers, which operate by making multiple copies of information. It also has facilitated the development of the Internet itself, which, unlike analogous analog transmission technologies, operates by making uncounted copies in the course of every transmission.

The MGM Plaintiffs-Appellants (“MGM Appellants”) and their Professorial *Amici* (“MGM Professors”) urge this Court to eviscerate the *Betamax* doctrine by imposing numerous limitations on it nowhere endorsed by the Supreme Court in *Betamax*. These limitations would, inexorably, extend the copyright monopoly beyond protected expression to include control over technology, impose on manufacturers and technology providers unsustainable obligations to restrict

designs of products and services capable of lawful and valuable uses, and chill the future development of new and exciting technologies. To put it simply, the positions advocated by the MGM Appellants and Professors would cause copyright law to yield exactly the opposite result than that mandated by Article I, Section 8, clause 8 of the Constitution – it would *stifle*, rather than promote, “the Progress of Science and useful Arts.”

These were the results the Supreme Court sought to avoid. As the Supreme Court said, the results sought by Plaintiffs “would enlarge the scope of [Plaintiffs’] statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright privilege is beyond the limits of the grants authorized by Congress.” *Betamax*, 464 U.S. at 421.

In particular, contrary to the arguments of the MGM Appellants and Professors:

- The *Betamax* doctrine protects from secondary liability not merely the sale of products with existing, primary noninfringing uses but the sale of products with potential “substantial” noninfringing uses as well;
- The *Betamax* doctrine is not subject to a duty to include copy protection technology in devices, or otherwise redesign devices to minimize infringement, when those devices are capable of substantial noninfringing use;
- The *Betamax* doctrine is not lost even in the presence of actual knowledge of infringement when the alleged contributory

infringement is based on providing the means to infringe, but those means are capable of substantial noninfringing use; and

- The existence of a continuing service relationship does not preclude application of the *Betamax* doctrine.

These principles are critically important to CEA and HRRC. CEA is the principal U.S. trade association of the consumer electronics industry, representing more than 1,000 manufacturers of consumer electronics devices, computers, and other technologies. CEA speaks for businesses of all sizes that work to bring new technologies and competitive choices to consumers. CEA's members range from some of the largest information technology companies to family-owned, entrepreneurial businesses that provide a single product or service. These members design, manufacture and sell a wide variety of digital and analog consumer electronic equipment, including devices that may be misused for infringing purposes but, nevertheless, are capable of substantial noninfringing uses.

CEA has consistently advocated the proposition that strong copyright protection does not require the adoption of rules that suffocate the invention and

introduction of new innovations. Since the Supreme Court announced its decision in *Betamax*, CEA's members and other technology companies have relied on the *Betamax* doctrine to have the freedom to design and market innovative products, thereby enhancing the competitive choices available to their customers.

The HRRC is a leading advocacy group dedicated to preserving consumers' rights to use home electronics products for private, noncommercial purposes, including the right to use these products to make lawful fair uses of copyrighted works. The members of HRRC include consumers, retailers, consumer electronics manufacturers, and professional servicers of consumer electronics products. The HRRC was founded in 1981 – shortly after the Ninth Circuit announced the decision ultimately reversed by the Supreme Court in the *Betamax* case.

CEA and HRRC have long familiarity with the *Betamax* doctrine and the potentially devastating impact on consumers, the consumer electronics industry and innovative new technologies if this standard is narrowed, misapplied, or distorted. Were the Court to adopt the analysis offered by the MGM Appellants and Professors, it would establish a damaging precedent that could threaten other technologies that give individuals new control over the information they find, save, and transmit over the Internet, discourage development of new equipment or technology that may be capable of substantial noninfringing use, and impose on manufacturers and providers of such technology unsustainable obligations to police the conduct of third parties.

CEA and HRRC do not take any position on whether the Defendants-Appellees here are or should be held liable for contributory or vicarious infringement on the facts of this case. CEA and HRRC, however, urge this Court,

in reaching its ultimate conclusion, to reject the limitations on the *Betamax* doctrine urged by the MGM Appellants and Professors and to ensure that the *Betamax* doctrine retains the vitality and breadth intended by the Supreme Court, which have served the public so well for so long.

All parties have granted blanket consent to the filing of amicus briefs. Pursuant to Federal Rule of Appellate Procedure 29, CEA and the HRRC are submitting with this brief a motion for leave to file after the time specified in the Rules.

ARGUMENT

I. THE *BETAMAX* DOCTRINE WAS INTENDED BY THE SUPREME COURT TO LIMIT COPYRIGHT MONOPOLY IN ORDER TO PRESERVE THE PUBLIC'S INTEREST IN LEGITIMATE COMMERCE, A RULE WITH PARTICULAR RESONANCE IN THE DIGITAL AGE.

The *Betamax* decision is founded on two fundamental propositions. First, “[t]he limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.” *Betamax*, 464 U.S. at 431-32. Second, consistent with this balance, the copyright owner must not be permitted “to extend his monopoly beyond the limits of his specific grant.” *Id.* at 441. Thus,

the Court observed, “[I]t 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 [products] simply because they may be used to infringe copyrights. That, however, is the logical implication of their claim.” *Id.* at 441 n. 21. As Defendant-Appellee Streamcast noted, the Court properly recognized the critical “importance of not allowing copyright owners to leverage their statutory monopoly into technology markets.” Streamcast Br. at 23.

The principles enunciated in *Betamax* are required by the constitutional purpose of copyright law. The Constitution grants to Congress the power “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. art. I, § 8, cl. 8. Expanding the power of copyright owners over technologies capable of substantial noninfringing uses would have precisely the opposite effect.

In *Betamax*, defendants manufactured and sold videocassette recorders. The defendants knew that their machines would be used to make unauthorized copies of copyrighted works. *See Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 975 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984). Indeed, they were specifically intended to copy television programs, the vast majority of which are copyrighted. *Betamax*, 659 F.2d at 975. However, the recorders also were capable

of substantial noninfringing uses. The Court identified the time-shift copying of television programming, which permits viewing at a time other than the time the program was broadcast, as one such “fair use.” *Betamax*, 464 U.S. at 454-55.

To ensure that copyright owners were not permitted to “block the wheels of commerce,” *id.* at 441 (internal quotations omitted), the Court refused to impose secondary liability on one who sold “an article which though adapted to an infringing use is also adapted to other and lawful uses,” *id.* Even with respect to equipment specifically intended for the copying of copyrighted works, the court found that secondary liability could not be imposed: “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.*” *Id.* at 442 (emphasis added).

The *Betamax* doctrine resonates with particular volume in the context of digital technologies. These technologies operate by making copies of digital bits, regardless of the content represented by those bits. Thus, computers make copies of bits in RAM, hard drives and diverse removable media. The Internet itself effectuates the transmission of information by reproducing bits in servers, routers and in the devices operated by the recipient. The RIO device discussed in this Court’s *Diamond Multimedia* decision copied bits representing sound recordings,

an operation that this Court found to be “entirely consistent with the [Audio Home Recording] Act’s main purpose – the facilitation of personal use” and therefore not an infringement of copyright. *RIAA v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 1079 (9th Cir. 1999). Without the protection of the *Betamax* doctrine, all such devices could be subject to a claim that they provide the means of copyright infringement.

In this environment, this Court should ensure that its decision preserves the full scope and intent of the *Betamax* decision. The copyright monopoly should not be extended to prohibit the sale of devices or the provision of services that are capable of substantial noninfringing use.

II. THE MGM APPELLANTS AND PROFESSORS SEEK IMPERMISSIBLE NARROWING OF THE *BETAMAX* DOCTRINE AND BROADENING OF VICARIOUS LIABILITY.

A. A TECHNOLOGY NEED ONLY HAVE A POTENTIAL SUBSTANTIAL NONINFRINGING USE – NOT AN ACTUAL OR PRIMARY NONINFRINGING USE, AS THE MGM APPELLANTS CLAIM – FOR ITS SALE TO FALL WITHIN THE PROTECTION OF THE *BETAMAX* DOCTRINE.

The MGM Appellants and Professors impermissibly attempt to expand the copyright monopoly by claiming that accused infringers must adduce evidence of widespread actual noninfringing uses before the *Betamax* doctrine will apply. See MGM Professors’ Br. at 22 (“[T]he district court should have required defendants to demonstrate some reasonable magnitude of actual noninfringing uses.”); MGM

Appellants' Br. at 41-42 (criticizing Defendants for allegedly "not present[ing] any contrary evidence as to the substantiality of claimed noninfringing uses" (emphasis removed)). The MGM Appellants even suggest that the "primary" use of a product must be noninfringing before the seller of the product may benefit from the *Betamax* doctrine. See MGM Appellants' Br. at 38, 40. They are wrong on all counts.

The Supreme Court in *Betamax* made crystal clear that a device manufacturer cannot be liable for contributory infringement based on others' infringing uses of the device at issue so long as the device is "merely ... capable of substantial noninfringing uses." *Betamax*, 464 U.S. at 442 (emphasis added). The device need not be currently "widely used for legitimate, unobjectionable purposes" but rather must simply be capable of substantial, legitimate uses, including uses that may be only future of "potential" uses. *Id.*

In explaining this doctrine, the Court relied upon the doctrine's patent law roots, observing that in the patent infringement context, the rule properly causes courts to "deny the patentee any right to control the distribution of unpatented articles unless they are *unsuited for any commercial noninfringing use*" and that "the *item must almost be uniquely suited as a component of the patented invention*" before contributory liability will be found. *Id.* at 441 (internal citations omitted) (emphasis added). The Court further recognized that the doctrine reflects an

appropriate acknowledgement of “the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant,” (*id.*) a concept that is equally applicable in the realm of copyright.

Moreover, the volume of noninfringing use of the product at the time of the case does not determine the applicability of the *Betamax* defense, and *Betamax* certainly did not require that the “primary” use of a product be noninfringing. Indeed, the very Ninth Circuit decision that the *Betamax* Supreme Court reversed erroneously had found that Sony had knowledge of the homeowners’ infringing activity because the reproduction of copyrighted materials was “the most conspicuous use” and “the major use” of the *Betamax* product. *Betamax*, 659 F.2d at 975. The *Betamax* Supreme Court expressly stated that “we need not give precise content to the question of how much use is commercially significant” and endorsed the district court’s rejection of any analysis of whether “infringing uses outweigh noninfringing uses” and any attempt to foresee “the future percentage of legal versus illegal home-use recording.” *Betamax*, 464 U.S. at 442, 444 (internal citations omitted). Under *Betamax*, it is enough, in a contributory infringement context, that an accused technology have a potential, substantial noninfringing use. *Id.* at 442.

Other courts of appeals agree. For example, the Fifth Circuit found that a defendant who advertised and sold software designed to defeat the plaintiff’s copy

protection software was not liable for contributory infringement because the defendant's RAMKEY software (a component of its CopyWrite application) could legitimately be used to make archival copies of the program protected by the plaintiff's software. *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 256-57, 267 (5th Cir. 1988). The Court reached this conclusion despite the fact that "the only purpose served by RAMKEY is to facilitate the duplication of programs placed on copy-protected diskettes" and "that without the RAMKEY feature, CopyWrite would have no commercial value." *Id.* at 258. The court did not engage in any quantitative comparison of the volume of infringing versus noninfringing uses. Thus, a court should not perform solely a quantitative inquiry, which implicitly measures only past or current usage but fails to account for potential future uses. Moreover, a pure quantitative analysis ignores the public interests underlying copyright law and in affording the public access to the means of engaging in noninfringing conduct, both of which interests were central to the holding of the *Betamax* case.

This Court's decision in the recent *Napster* case is also clear on this issue. First, the Court ruled that the lower court "improperly confined the use analysis to current uses, ignoring the system's capabilities." *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001). Second, the Court held that the lower

court “placed undue weight on the proportion of current infringing use as compared to current and future noninfringing use.” *Id.*¹

In sum, assessment of the applicability of the *Betamax* doctrine to a technology requires an analysis of both its current, actual uses and potential, future uses. This includes examination not only of the potential for expansion of current, legitimate uses but also the potential emergence of new noninfringing uses. Even a small but socially valuable noninfringing use should be considered both for its current intrinsic importance and its potential impact should such use become widespread. Application of the *Betamax* doctrine is mandated where those potential uses include commercially significant noninfringing uses. *Betamax*, 464 U.S. at 442. This Court should therefore disregard the MGM Appellants’ and Professors’ contrary suggestions and apply the *Betamax* doctrine to the full extent envisioned by the Supreme Court – *i.e.*, to encompass potential substantial noninfringing uses.

¹ To the extent that the Seventh Circuit in *In re Aimster Copyright Litigation*, 334 F.3d 643, 653 (7th Cir. 2003), required the defendant to produce evidence showing current, actual noninfringing use of a product before applying the *Betamax* doctrine, that court contravened the Supreme Court’s explicit mandate in *Betamax*, confirmed by this Court in *Napster*.

B. CONTRARY TO THE MGM APPELLANTS' AND PROFESSORS' CLAIMS, VICARIOUS LIABILITY MAY NOT BE BASED ON A DUTY TO REDESIGN PRODUCTS TO MINIMIZE INFRINGING USES.

In its *amicus curiae* brief below (at 12-13), CEA urged the District Court to reject the suggestion made by Plaintiffs that Defendants were under an obligation to design their technology so as to avoid the possibility of infringing uses and thus the possibility of vicarious copyright liability. The district court correctly rejected this proposed notion, stating that:

The doctrine of vicarious infringement does not contemplate liability based upon the fact that a product could be made such that it is less susceptible to unlawful use, where no control over the *user* of the product exists.

Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1045-46 (C.D. Cal. 2003).

Nonetheless, the MGM Appellants (at 58-62) and Professors (at 26-28) would have this Court impose such a duty on Defendants-Appellees – and potentially consumer electronics, information technology, and telecommunications companies as well – by turning the law of vicarious copyright liability into a more generalized duty on the part of these companies to have the interests of copyright owners rather than consumers uppermost in their minds when making design decisions. To CEA's and HRRC's knowledge, no other court has relied upon such a theory to impose vicarious liability, including the district court in the underlying

Betamax decision, which rejected imposing such a burden on a device manufacturer. See *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 462-69 (C.D. Cal. 1979) (rejecting demand that Sony be required to redesign the Betamax to eliminate its television tuner to preclude recording of television programs for later viewing), *aff'd in part & rev'd in part*, 659 F.2d 963, 975 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).²

Imposing the MGM Appellants' and Professors' proposed design obligation on device manufacturers would chill technological innovation to the detriment of society as a whole. Such a radical departure from well-settled principles should

² There is no support in the *Betamax* decision for the remarkable proposition advanced by the MGM Professors (at 23) that the central holding of the case “should not apply where the infringing activity can be avoided while permitting alleged noninfringing uses to continue.” Nor, contrary to their arguments (at 26-28), should the incorporation or use of some filtering technology (*e.g.*, for pornography) generally impose a duty to address possible copyright infringement (which typically requires more discerning analysis), as such a rule would create a perverse incentive. The district court rejected the MGM Professors' legal theory below, as should this Court. See *MGM*, 259 F. Supp. 2d at 1045.

In an analogous context, Congress has expressly provided that “No provider or user of an interactive computer service shall be held liable on account of – (A) any action voluntarily taken in good faith to restrict access to or availability of material that the provider or user considers to be obscene, lewd, lascivious, filthy, excessively violent, harassing, or otherwise objectionable, whether or not such material is constitutionally protected” 47 U.S.C. § 230(c)(2). Although Section 230 does not affect intellectual property laws (47 U.S.C. § 230(e)(2)), its policy underpinnings – *i.e.*, “to remove disincentives for the development of blocking and filtering technologies” that limit access to offensive material – are applicable here. 47 U.S.C. § 230(b).

occur only if deemed necessary by Congress to protect the interests of copyright owners.

To date, Congress has rejected efforts by copyright owners to force manufacturers to redesign their devices to implement undefined copy protection systems. *See* S. 2048, 107th Cong. (2002). Despite numerous hearings on the operation and use of peer-to-peer networks, Congress has not adopted legislation that would require peer-to-peer software developers to design their software to operate in a particular way to suit the interests of copyright owners.³

In fact, the last time Congress passed major copyright legislation, the Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1998), it specifically included a provision relieving manufacturers from any burden

³ *See, e.g., Pornography, Technology, and Process: Problems and Solutions on Peer-to-Peer Networks: Hearing Before the Senate Comm. on the Judiciary*, 108th Cong. (Sept. 9, 2003), available at <http://www.senate.gov/~judiciary/hearing.cfm?id=902>; *Peer-to-Peer Piracy on University Campuses: Hearing Before the Subcommittee on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary*, 108th Cong. (Feb. 26, 2003), available at http://commdocs.house.gov/committees/judiciary/hju85286.000/hju85286_of.htm; *Piracy of Intellectual Property on Peer-to-Peer Networks: Hearing Before the Subcommittee on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary*, 107th Cong. (Sept. 26, 2002), available at http://commdocs.house.gov/committees/judiciary/hju81896.000/hju81896_of.htm; *Music on the Internet: Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary*, 107th Cong. (May 17, 2001), available at <http://www.house.gov/judiciary/72613.pdf>; *Music on the Internet: Is There an Upside to Downloading?: Hearing before the Senate Comm. on the Judiciary*, 106th Cong. (July 11, 2000), available at <http://www.senate.gov/~judiciary/hearing.cfm?id=195>.

to design their products to respond to any copyright protection schemes that copyright owners might unilaterally employ in an effort to protect against unlawful copying and redistribution of their works. The “no mandate” provision says:

(3) Nothing in this section shall require that the design of, or design and selection of parts and components for, a consumer electronics, telecommunications, or computing product provide for a response to any particular technological measure, so long as such part or component, or the product in which such part or component is integrated, does not otherwise fall within the prohibitions of [17 U.S.C. § 1201] (a)(2) or (b)(1).

17 U.S.C. § 1201(c)(3).⁴ This legislation was passed with the support of Plaintiffs-Appellants and other copyright owners.

As the legislative history makes clear, Congress intended to ensure that manufacturers of technology products would not be under any obligation to design their devices in any particular way. As Senator, now Attorney General, John Ashcroft, who was instrumental in the development of Section 1201(c)(3) said, manufacturers:

are otherwise subject to a single, very limited, and carefully defined mandate to design certain analog videocassette recorders to respond to existing analog protection measures. Quite importantly from my perspective, this provision is limited so as not to impair the reasonable and accustomed home taping practices of consumers recognized in the Supreme Court’s Betamax decision.

It thus should be about as clear as can be to a judge or jury that,

⁴ The only exception to this rule was a very narrow, specific mandate applicable to analog videocassette recorders set forth in Section 1201(k).

unless otherwise specified, nothing in this legislation should be interpreted to limit manufacturers of legitimate products with substantial noninfringing uses – such as VCRs and personal computers – in making fundamental design decision or revisions, whether in selecting certain components over others or in choosing particular combinations of parts.

144 Cong. Rec. S11887-88 (daily ed. Oct. 8, 1998) (statement of Sen. Ashcroft).

Similar sentiments were expressed in the House of Representatives – “spelling out this single, specific limitation will provide manufacturers, particularly those working on innovative digital products, the certainty they need to design their products to respond to market conditions, not the threat of lawsuits.” 144 Cong. Rec. H10621 (daily ed. Oct. 12, 1998) (statement of Rep. Klug); *see also* 144 Cong. Rec. E2166 (daily ed. Oct. 14, 1998) (statement of Rep. Boucher); 144 Cong. Rec. E2144 (daily ed. Oct 13, 1998) (statement of Rep. Tauzin); 144 Cong. Rec. H7094-95 (daily ed. Aug. 4, 1998) (statement of Rep. Bliley); 144 Cong. Rec. E2315 (daily ed. Nov. 12, 1998) (statement of Rep. Berman) (“The no mandate provision means what it says, and what it says is this: there is no design mandate in this legislation, other than the negative mandate to avoid designing a product primarily for the purpose of circumventing an effective technological measure.”).

Just as peer-to-peer networks today may be seen by copyright owners as a threat to established business models, so, too, was the videocassette recorder in the late 1970s and early 1980s. Fortunately, the Supreme Court rejected the demand of the motion picture studios to take the product off the market or force the

redesign of a product capable of substantial noninfringing uses. As the Supreme Court said then, “[i]t may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written.” *Betamax*, 464 U.S. at 456.

Developments in the deployment and home networking of consumer electronics, information technology, and communications devices since the Supreme Court’s *Betamax* holding have confirmed the wisdom of the Court’s conclusion that it must be up to Congress to determine whether to impose new technological obligations on devices in response to their enhanced capabilities. Only Congress can deal with the many technological, policy, and business factors involved in establishing any regime that balances the rights and interests of copyright owners against the need to maintain technological progress and to deal fairly with consumers, according to their reasonable and customary expectations. *See id.* at 431.

C. WHEN CONTRIBUTORY INFRINGEMENT IS BASED ON THE SALE OF A STAPLE ARTICLE OF COMMERCE PROVIDING MEANS TO INFRINGE, KNOWLEDGE DOES NOT VITIATE THE *BETAMAX* DEFENSE.

As the MGM Appellants recognize, there are two types of contributory infringement – “personal conduct that forms part of or furthers the infringement, and contribution of machinery or goods that provide the means to infringe.” MGM

Appellants' Br. at 45 (quoting M. & D. Nimmer, *Nimmer On Copyright* § 12.04[A][2][a] at 2-78 (emphasis removed)). As the *Betamax* case demonstrates, when contributory infringement is premised upon the defendant's sale of a staple article of commerce that provides the means to infringe, even actual knowledge of such infringement does not strip the defendant of the protection of the *Betamax* doctrine articulated in that case.

In *Betamax*, there was evidence that Sony actually knew that some users would use, and in fact were using, the video tape recorders at issue to copy copyrighted television programs without authorization from the copyright owners.

As the Ninth Circuit held in that case:

The corporate appellees "know" that the *Betamax* will be used to reproduce copyrighted materials. In fact, that is the most conspicuous use of the product. That use is intended, expected, encouraged, and the source of the product's consumer appeal. The record establishes that appellees knew and expected that *Betamax*'s major use would be to record copyrighted programs off-the-air.

Betamax, 659 F.2d at 975. Moreover, Sony had conducted a survey in 1978 that revealed that "a substantial number of interviewees had accumulated libraries of tapes" by copying programming with their recorders. *See Betamax*, 464 U.S. at 423.

The Supreme Court, in articulating the *Betamax* doctrine, did not condition the applicability of that doctrine on whether a claim of contributory infringement

was premised on actual knowledge or constructive knowledge. Rather, it stated flatly that

the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

Id. at 442; *accord Vault*, 847 F.2d at 262, 267 (applying *Betamax* doctrine to defeat claim of contributory infringement despite defendant's express concession "that it has actual knowledge that its product is used to make unauthorized copies of copyrighted material"); *In re Aimster Copyright Litig.*, 334 F.3d 643, 649 (7th Cir. 2003) (rejecting proposition that "actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer"); 2 Paul Goldstein, *Copyright* § 6.1.2, at 6:12-1 (Supp. 2002) ("The substantial noninfringing use doctrine serves a purpose entirely separate from the knowledge requirement . . ."). Nor does the doctrine of contributory infringement itself differentiate between actual and constructive knowledge. *See A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001). There is simply nothing in the *Betamax* decision or in the doctrine of contributory infringement itself that suggests, at least in cases involving claims of contributory infringement based on the provision of the means by which to infringe, as was the case in *Betamax*, that an assertion of actual knowledge of infringing activity – as opposed to constructive knowledge – renders the *Betamax* doctrine inapplicable.

This Court's prior decision in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001), should not be considered to be to the contrary. That case involved a defendant who not only provided the means by which users could infringe others' copyrights but who also "exercise[d] ongoing control over its service" by, *inter alia*, "maintain[ing] and supervis[ing] an integrated system that users must access to upload or download files," including by providing a directory search service that actively facilitated users' infringement. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 916-17 (N.D. Cal. 2000), *aff'd*, 239 F.3d 1004 (9th Cir. 2001). Indeed, the district court in *Napster* expressly distinguished Napster's pervasive, ongoing control over the conduct of the direct infringers from the manufacture and sale of a device that enabled users to infringe:

Courts have distinguished the protection *Sony* offers to the manufacture and sale of a device from scenarios in which the defendant continues to exercise control over the device's use.

Napster, 114 F. Supp. 2d at 917.⁵ Thus, where a claim of contributory infringement is based on providing the means by which to infringe, and that means

⁵ The Court should be wary of bright lines between devices and services, as the two are converging, and are now often bundled. "Staple" services that do not involve pervasive ongoing involvement and control of infringing conduct and are reasonably offered in a way that makes it impractical to police (*e.g.*, Internet access, or general recording functionality, as in TiVo) should not be subjected to a different rule than that applicable to devices.

is capable of substantial noninfringing uses, the *Betamax* doctrine applies with full force even where the defendant may have actual knowledge of infringing activity.⁶

D. CONTRARY TO THE MGM APPELLANTS' CLAIM, A CONTINUING "SERVICE" RELATIONSHIP DOES NOT VITIATE THE *BETAMAX* DEFENSE.

The MGM Appellants claim (at 40) that the mere existence of an ongoing relationship between a direct infringer and the provider of a product that offers the means of infringement precludes assertion of the *Betamax* defense. That, too, is wrong. Rather, such a result may be appropriate only where the defendant exercises pervasive control over the direct infringer and where the defendant's actions directly and affirmatively contribute to the infringement. *See Betamax*, 464 U.S. at 437 (observing that in cases where contributory infringement is imposed based on "ongoing relationship" between accused contributory infringer and direct infringer, accused contributory infringer is "in a position to control the use of

⁶ The lower court's holding supports this conclusion. The court held that "liability for contributory infringement accrues where a defendant has actual – not merely constructive – knowledge of the infringement at a time during which the defendant *materially contributes* to that infringement." *See MGM*, 259 F. Supp. 2d at 1036 (emphasis added). The court defined such "material contribution" as "active and substantial contribution to the infringement itself" rather than merely supplying the means by which others may infringe. *Id.* at 1043. The court further held that even if defendants "know that their products will be used illegally by some (or even many) users, and may provide support services and refinements that indirectly support such use," that is insufficient to support a claim of contributory infringement. *Id.* Rather, both actual knowledge *and* "active and substantial contribution" are necessary.

copyrighted works by others” and has “authorized the use without permission from the copyright owner”).

In the world of on-line and other digital technologies and the devices used to make these technologies available to consumers, the relationship between a product vendor and the purchaser of that product often does not terminate at the point of sale. Some form of relationship often exists simply to ensure normal maintenance and operation of the product. Even manufacturers of a photocopy machine typically maintain a “service” relationship with the purchaser of that machine to ensure that the device functions in the necessary manner or in a manner consistent with a warranty. That relationship by itself would not make the manufacturer liable if its customer used the photocopier to infringe another person’s copyright.

Similarly, a provider of devices or software used for networking could well maintain an ongoing relationship with its customers, including maintenance of network functionality, to ensure that the software functions as warranted. The presence of such an ongoing relationship proves nothing on its own. As the lower court properly found, “technical assistance and other incidental services are not ‘material’ to the alleged infringement” and therefore cannot alone support contributory infringement liability, nor can a finding that “Defendants can communicate with the users of their software and provide updates.” *See MGM,*

259 F. Supp. 2d at 1042; *see also Napster*, 239 F.3d at 1019 (requiring “personal conduct that encourages and assist the infringement”); *Marvullo v. Gruner & Jahr*, 105 F. Supp. 2d 225, 230 (S.D.N.Y. 2000) (“Participation in the infringement must be substantial. The authorization or assistance must bear a direct relationship to the infringing acts, and the contributory infringer must have acted in concert with the direct infringer.” (internal citation omitted)); *Arista Records, Inc. v. MP3Board, Inc.*, No. 00 CIV. 4660 (SHS), 2002 WL 1997918, at *5 (S.D.N.Y. Aug. 29, 2002) (same).

Likewise, the presence of an “ongoing relationship” between the provider of a product and a customer engaged in direct infringement through the use of that product is not sufficient to demonstrate vicarious infringement. Instead, a plaintiff must show that a defendant will derive a direct financial benefit from the infringement and possesses the real-world right and ability to supervise the infringing activity. *Napster*, 239 F.3d at 1022. An ongoing relationship between a direct infringer and the supplier of the technology that helps make the infringement possible may be necessary to show the right and ability to supervise the infringing activity, but it is by no means sufficient to make that showing. *Cf. Adobe Sys. Inc. v. Canus Prods., Inc.*, 173 F. Supp. 2d 1044, 1053-55 (C.D. Cal. 2001) (refusing to find right and ability to control as matter of law despite defendant’s (1) promotion of trade shows at which infringement occurred; (2) provision of security services

for the shows; (3) control of customer access to the shows; and (4) reservation of contractual right to terminate show vendors).

CONCLUSION

The MGM Appellants and Professors seek to eviscerate a doctrine that has proven an essential ingredient of the dynamic growth of technology over the past two decades. Indeed, it is a doctrine that stands at the heart of the purpose of copyright law – to “promote the Progress of Science and useful Arts.” Where the impact of technological advances on copyright owners’ incentive to continue adding creative works to the public domain suggests that the balance between promoting such technological progress and protecting the rights of copyright owners should be reevaluated, *Betamax* properly recognizes that such line-drawing is not the institutional role of courts:

Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.

Betamax, 464 U.S. at 431.

For the foregoing reasons, CEA and HRRC respectfully urge this Court not to weaken the *Betamax* doctrine or expand the doctrine of vicarious liability in the manner proposed by Plaintiffs-Appellants and their *amici* but instead leave any

alteration in the rules of copyright liability in the hands of Congress, where it properly belongs.

Respectfully submitted,



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