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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

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

Plaintiffs,

v.

GROKSTER, LTD., et al.,

Defendants.

[Continued on Next Page]

) Case No. CV 01-09923 SVW (PJWx)
) (Consolidated with CV 01-08541 SVW (PJWx))

) **MEMORANDUM OF POINTS AND**
) **AUTHORITIES OF DEFENDANTS**
) **MUSICCITY.COM, INC. (NOW KNOWN**
) **AS STREAMCAST NETWORKS, INC.)**
) **AND MUSICCITY NETWORKS, INC. IN**
) **SUPPORT OF MOTION FOR PARTIAL**

1 JERRY LEIBER, et al.,
2 Plaintiffs,
3 v.
4 CONSUMER EMPOWERMENT
5 BV a/k/a FASTTRACK, et al.,
6 Defendants.

**SUMMARY JUDGMENT REGARDING
CONTRIBUTORY INFRINGEMENT;
DECLARATIONS OF DARRELL SMITH,
STEVEN GRIBBLE, JANIS IAN,
GREGORY NEWBY, SEAN L. MAYERS,
BREWSTER KAHLE, RICHARD
PRELINGER, PATRICIA HOEKMAN,
COLBERN STUART, ARAM SINNREICH,
CHARLES BAKER AND JOHN BUSHER**

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10 AND COUNTERCLAIMS.

[Notice of Motion and Motion, Statement of
Uncontroverted Facts and Conclusions of Law,
and Compendium of Declarations and Exhibits
filed concurrently herewith]

11
12 Date: December 2, 2002
13 Time: 1:30 p.m.
14 Ctrm: 6 (Spring Street)
Hon. Stephen V. Wilson

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 The StreamCast Defendants¹ (hereafter “StreamCast”) ask that the Court enter
3 partial summary judgment against all Plaintiffs’ claims of contributory copyright
4 infringement arising from the use by members of the public of the Gnutella-based
5 version of the Morpheus software program (Morpheus Preview, 1.9 and 2.0) that
6 StreamCast has been distributing since March 2002.² This motion is filed in
7 conjunction with Defendants’ Motion for Partial Summary Judgment Regarding
8 Vicarious Infringement (hereinafter the “Vicarious Motion”). As the facts relating to
9 both motions overlap substantially, this motion references and incorporates the
10 statement of facts of the Vicarious Motion.

11 **I. INTRODUCTION AND SUMMARY OF ARGUMENT**

12 This case raises a question of critical importance at the border between
13 copyright and innovation: when should the distributor of a multi-purpose tool be held
14 liable for the infringements that may be committed by end-users of the tool?
15 Unsatisfied with the absence of an express answer to this question in the Copyright
16 Act, Plaintiffs here ask this Court to fashion a radical new form of technology
17 regulation from the judicially-created doctrine of contributory copyright
18 infringement. Such a transmogrification of the contributory infringement doctrine,
19 however, is foreclosed by *Sony Corporation of America v. Universal City Studios,*
20 *Inc.*, 464 U.S. 417, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984) (hereafter “*Sony-*
21 *Betamax*”), the landmark Supreme Court decision that was followed and reinforced
22

23 _____
24 ¹ The StreamCast Defendants are StreamCast Networks, Inc. (formerly known
as MusicCity.com, Inc.) and MusicCity Networks, Inc..

25 ² Prior versions of the Morpheus software were based on technology known as
26 “Fastrack” licensed from co-defendant Consumer Empowerment. As a result of
27 technological changes made by Consumer Empowerment after a licensing dispute
with StreamCast, the vast majority of these earlier versions of the Morpheus software
28 are no longer functional, nor can any user of this Fastrack-based software
interoperate with utilizing the Gnutella-based Morpheus software. Smith Decl. at ¶
11.

1 by the Ninth Circuit last year in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004
2 (9th Cir. 2001) (hereafter “*Napster*”). That path is foreclosed for good reason:
3 technological innovation depends upon bright line rules defining when the misuse of
4 a new technology by consumers could expose its creator to liability.

5 In *Sony-Betamax*, the Supreme Court was required to balance the benefits of
6 technological innovation with the risks of copyright infringement made possible by
7 new technology. The Court established the rule on which innovators of all stripes
8 have come to depend that manufacturers and distributors of mass-market technology
9 for a variety of uses (“staple articles of commerce”) may not be subjected to liability
10 for distribution of the products to the general public so long as their products are
11 “merely capable of substantial noninfringing uses.” *Sony-Betamax*, 464 U.S. at 442.
12 The rule applies even if the technology is and may be expected to be used by the
13 public for infringing uses. As the Supreme Court stated:

14 [T]he sale of copying equipment, like the sale of other articles of commerce,
15 does not constitute contributory infringement if the product is widely used for
16 legitimate, unobjectionable purposes. Indeed, *it need merely be capable of*
17 *substantial noninfringing uses.* [¶] The question is thus whether the Betamax
18 is *capable* of commercially significant noninfringing uses.

19 *Id.* (emphasis added). Holding that the Betamax video tape recorder was capable of
20 at least two noninfringing uses, taping programs authorized for recording by the
21 copyright owners, and fair use “time shifting” of programs, the Supreme Court
22 upheld a decision in favor of the manufacturer. *See Id.* This decision has since been
23 applied to protect a copying technology that only had a single noninfringing use. *See*
24 *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988).

25 In *Napster*, the Ninth Circuit considered a defendant sued for conducting and
26 operating a central file indexing service that facilitated through its computers
27 (servers) the sharing of commercial musical recordings. In vacating and remanding
28 the district court’s injunction, the court of appeals emphasized a “clear distinction

1 between the *architecture of the Napster system* and Napster's *conduct* in relation to
2 the operational capacity of the system." *Napster*, 239 F.3d at 1020 (emphasis added).
3 It continued, "To enjoin simply because a computer network allows for infringing
4 use would, in our opinion, violate *Sony* and potentially restrict activity unrelated to
5 the infringing use." *Id.* at 1021.

6 In this case, StreamCast's product is exactly the kind of technology that is
7 protected under the *Sony-Betamax*, *Vault* and *Napster* decisions. Like the Betamax,
8 the Morpheus software program has many uses. The Morpheus software program
9 allows users to search for, obtain, and disseminate a wide variety of digital content:
10 software, video, audio, graphics, and documents. Many actual uses of the program
11 are substantial and noninfringing; the potential uses and capabilities are vast and still
12 unfolding. Like Sony, at the time it delivers its product, StreamCast has no
13 particular knowledge, at the time it delivers its product, whether the product will be
14 used by a specific consumer for infringing or noninfringing uses. Like Sony,
15 StreamCast lacks the power to control or stop infringing uses once the product is
16 delivered to a user. Unlike Napster, StreamCast does not operate a centralized
17 service that participates in or can prevent infringing uses of the software product, and
18 it has no ability take effective action against a particular user based on after-acquired
19 knowledge that the user has allegedly used the product for unlawful purposes.

20 Plaintiffs' claims are also barred because they cannot point to evidence
21 sufficient to satisfy the standards imposed by *Napster*: that StreamCast has "*actual*"
22 knowledge that *specific* infringing material is available on its system, that it could
23 block access to its system by suppliers of the infringing material, and that it failed to
24 remove the material. *Id.* at 1022. There is simply no Morpheus "system" of users for
25 StreamCast to control; Morpheus users are part of the Gnutella network, an open,
26 public network comprised of individually owned and controlled computers spanning
27 the globe. As such StreamCast does not own or control a "system" on which
28 "specific infringing material" is available. Moreover, even if these "notices" could

1 satisfy the specificity requirements laid out in *Napster*, they arrive at a time when
2 StreamCast has no ability to act on them. As a consequence, under *Sony-Betamax*
3 and *Napster*, StreamCast cannot be liable for contributory copyright infringement
4 based on distribution of the Morpheus software program to the general public.

5 **II. FACTUAL BACKGROUND**

6 **A. The Morpheus Software**

7 For the sake of brevity, StreamCast incorporates herein Section II A. of its
8 Memorandum of Points and Authorities in Support of its Motion for Partial
9 Summary Judgment Regarding Vicarious Infringement for a detailed description of
10 the Morpheus software product.

11 **B. The Morpheus Software Program’s Undisputed Capability for** 12 **Substantial Noninfringing Uses**

13 As explained further below, the Supreme Court in *Sony-Betamax* made it clear
14 that the *mere capability of substantial noninfringing uses* is all that is required to
15 protect a new technology from an attack grounded on allegations of contributory
16 copyright infringement. *Accord Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255
17 (5th Cir. 1988). As the examples below demonstrate, it is beyond dispute that the
18 Morpheus software program is capable of significant noninfringing uses.

19 **1. Works Authorized for Redistribution**

20 **a) Media Content**

21 Some entertainment rights holders are pleased to have their works attain wide
22 distribution through peer-to-peer software networks. Janis Ian, a songwriter and
23 performer with nine Grammy nominations to her name, welcomes distribution of her
24 works on peer-to-peer networks. She anticipates that peer-to-peer networks and
25 direct file sharing software programs like Morpheus will provide enormous benefit to
26 musicians and authors and will broaden and improve distribution and promotional
27 opportunities for them. Declaration of Jan Ian (“Ian Decl.”) at ¶¶ 11-13. She also
28 credits distribution of her works on peer-to-peer networks with an increase in her

1 visibility and income as an artist. Ian Decl. at ¶¶ 8-10.

2 Aram Sinnreich, an expert in media and entertainment industries, has noted
3 that a number of high-profile artists (and countless lesser-known musicians) have
4 found positive business benefits in file sharing. Aram Sinnreich Decl. at ¶¶ 8-20.
5 Mr. Sinnreich also describes the overall positive aspects of file trading using P2P for
6 companies sharing copyrighted material, such as music sharing networks and other
7 commercial platforms. Sinnreich Decl. at ¶¶ 21-34.

8 A number of performers, including Phish, Pearl Jam, the Dave Matthews Band
9 and John Mayer, have specifically authorized the making and sharing of live concert
10 recordings among their fans. Declaration of Patricia Hoekman (hereinafter
11 “Hoekman Decl.”) at ¶ 7. These authorized live recordings can easily be found on
12 the Gnutella network. Hoekman Decl. at ¶ 6.

13 The Morpheus software program also provides a technology for wide and
14 economical distribution of authorized media content. Distributors such as J!VE
15 Media and its media partners (including record labels affiliated with some of the
16 Plaintiffs in this case) have already been using peer-to-peer networks, including the
17 Gnutella network used by Morpheus, to distribute their works. *See* Hoekman Decl.
18 at ¶ 5. P2P networks provide content owners with distinct business advantages over
19 alternate online distribution technologies. By using peer-to-peer file-sharing
20 networks, content owners are able to rely almost entirely on users to provide the
21 most costly computing resources involved in digital distribution such as hard disk
22 storage and “bandwidth.” Declaration of Sean Mayers (“Mayers Decl.”) at ¶¶ 8, 11.
23 J!VE Media represents a variety of content owners and distributes their content using
24 digital rights management technology.³ Mayers Decl. at ¶¶ 5-7, 14-17; see also

25
26 ³ With the advent of “digital rights management” techniques, media content
27 providers have begun to authorize widespread distribution of their content. Those
28 who download the content will be able to enjoy it under certain restrictions, such as
“timeouts” that will allow limited-duration or limited-playback enjoyment of the
content. *See* Richard Klosa, “J!VEMedia White Paper: A New Form of Digital

1 Declaration of Aram Sinnreich (“Sinnreich Decl.”) at ¶¶ 35-40 (describing
2 experimentation by content owners with distribution via P2P networks).

3 All indications are that this form of distribution will continue to gain in
4 popularity as peer-to-peer and digital rights management technologies develop.
5 Already, a number of entertainment companies both large and small (including
6 affiliates of the Plaintiffs) have begun experimenting in this area. Sinnreich Decl. at ¶
7 21-24.

8 **b) Permitted Distribution of Computer Software**

9 Another significant noninfringing use of the Morpheus software program is
10 the authorized distribution of computer software. Many software developers grant
11 express, blanket authorizations for redistribution of their software. This is true for
12 several categories of software developers: (1) developers of “freeware” who are
13 happy for their works to have wide distribution; (2) developers of “ad-ware”
14 software products, where advertising is embedded in entertaining content intended
15 for widespread distribution; and (3) developers of software that rely upon
16 distribution of “evaluation,” “shareware” or “demo” versions that is distributed for
17 free on a trial basis to stimulate sales of full-featured software. *See* Sinnreich Decl. at
18 ¶ 33, 34.

19 One example is Acoustica, a small software company that promotes its
20 software through the distribution of free “trialware” over P2P networks (including
21 the Gnutella network). See Declaration of John Busher (“Busher Decl.”) at ¶¶ 1-6.
22 Their use of P2P networks has not only increased Acoustica’s sales but has also
23 decreased their bandwidth costs and reduced software piracy. Busher Decl. at ¶¶ 8-
24 12.

25 Another example is WinZip, one of the most popular software titles in the
26
27 Distribution”, <http://www.jivemediatechnologies.com/white_papers.asp> (visited
28 Jan. 17, 2002).

1 world. Sinnreich Decl. at ¶ 34. WinZip is available from users of the Morpheus
2 software program, and redistribution is expressly authorized by the WinZip license
3 agreement. Hoekman Decl. at ¶ 8. Other examples of the distribution of computer
4 software over P2P networks are given in Mr. Sinnreich's declaration. Sinnreich Decl.
5 at ¶¶ 33, 34.

6 **2. Public Domain Works**

7 **a) Project Gutenberg and other eBooks**

8 One of the most exciting uses of the Morpheus software program is in
9 furtherance of Project Gutenberg. As described more fully in the Declaration of
10 Gregory Newby ("Newby Decl."), Project Gutenberg seeks to convert to digital
11 form, and widely distribute over the Internet, many different types of documents
12 from the King James Bible to Shakespeare to the CIA World Fact Book. Newby
13 Decl. at ¶ 4. Project Gutenberg prepares and distributes over 5,600 works that are
14 either in the public domain or authorized for distribution by the copyright holders.
15 There are expected to be over 6,000 public domain eBooks available on the Internet
16 by the end of 2002. Newby Decl. at ¶ 6. The Morpheus software program allows
17 more decentralized (and thus less expensive) distribution of Project Gutenberg's
18 eBooks. As a result, the eBooks are readily available through the Morpheus software
19 program and the Gnutella network of Morpheus users. Hoekman Decl. at ¶ 4. As
20 Project Gutenberg's CEO has stated: "Any technology that makes it easier and
21 cheaper for individuals to redistribute eBooks over the Internet helps achieve Project
22 Gutenberg's goals of making public domain information freely available to the
23 general public." Newby Decl. at ¶ 12.

24 **b) Public Domain Content**

25 There is an abundance of public domain material available that may be
26 distributed by users of the Morpheus software program. The public domain material
27 includes material as to which copyright was never obtained or asserted, as well as
28 material as to which copyright protection lapsed or expired. *See generally* Stephen

1 Fishman, *The Public Domain: How to Find & Use Copyright-Free Writings, Music,*
2 *Art & More* (2000); (Notice of Lodgment, Ex. 1).

3 Two *significant* distributors of public domain materials that are delighted with
4 the Morpheus software program’s capability for wide and inexpensive distribution of
5 media are the Internet Archive and Prelinger Archives. As Brewster Kahle, the
6 Internet pioneer and entrepreneur who established the non-profit Internet Archive,
7 has noted: “Peer-to-peer file sharing technologies, like those offered by the
8 Morpheus, Grokster and KaZaA software, overcome many of the limitations of
9 centralized download and streaming technologies and constitute a valuable advance
10 in technology for those seeking to provide universal access to public domain
11 material.” Declaration of Brewster Kahle at ¶14.

12 Prelinger Archives is a for-profit company that has assembled over 48,000
13 advertising, educational, industrial, documentary, and amateur films produced
14 between 1903 and 1990. Approximately 60% of its holdings are in the public
15 domain; it owns the copyright in approximately 5% of its holdings. Prelinger
16 Archives furnishes stock footage for the motion picture industry, television
17 networks, software publishers; educational media producers; advertising agencies;
18 and artists and non-profit organizations. Declaration of Richard Prelinger (“Prelinger
19 Decl.”) at ¶¶ 5-6. Prelinger Archives has furnished over 1000 of its films to the
20 Internet Archive for redistribution. Prelinger Archives profits from providing access
21 to its archives, even when its materials are in the public domain, and it welcomes
22 redistribution by users of the defendants’ software. *See* Prelinger Decl. at ¶¶ 11-18.

23 c) Government Documents

24 Another significant noninfringing use of the Morpheus software program is for
25 the distribution of U.S. government documents, which are not protectible by
26 copyright. *See* 17 U.S.C. § 105. Some government documents are already being
27 made available through Project Gutenberg as noted above. The Morpheus software
28 program allows easy distribution of other government works, including videos of

1 Presidential addresses, NASA photographs, and so forth. *See* Hoekman Decl. at ¶¶ 3,
2 9.

3 **C. Media Companies Effort to Obtain Judge-Made Technology Policy**
4 **Through Secondary Copyright Liability Doctrines**

5 The copyright industries have not been content with the legislative recourse
6 afforded to them under our system of government, nor with the infringement
7 remedies provided by the Copyright Act against direct infringers. Instead, they have
8 asked courts to transform copyright’s secondary liability doctrines, including
9 contributory infringement, into a new form of judicially-fashioned technology
10 regulation. Copyright’s secondary liability doctrines are particularly ill-suited to
11 bearing the weight of this policy-making burden, as they are themselves judicial
12 creations crafted to address concerns far removed from challenges of technology
13 policy. *See Sony*, 464 U.S. at 434 (“The Copyright Act does not expressly render
14 anyone liable for infringement committed by another.”). In the words of the
15 Supreme Court, “[i]n a case like this, in which Congress has not plainly marked our
16 course, [courts] must be circumspect in construing the scope of rights created by a
17 legislative enactment which never contemplated such a calculus of interests.” *Id.* at
18 431. Courts have repeatedly declined the invitation to expand secondary liability
19 theories beyond their traditional limits, as this Court should do in the instant case.

20 In as much this argument is adequately covered in Section II B. of the
21 Memorandum of Points and Authorities filed in support of the Vicarious Motion, for
22 the sake of brevity it will not be repeated herein.

23 **III. ARGUMENT**

24 **A. The Standard for Contributory Copyright Infringement**

25 The Ninth Circuit recently summarized the standard for contributory copyright
26 infringement as follows:

27 Traditionally, “one who, with knowledge of the infringing activity, induces,
28 causes or materially contributes to the infringing conduct of another, may be

1 held liable as a ‘contributory’ infringer.” Put differently, liability exists if the
2 defendant engages in “personal conduct that encourages or assists the
3 infringement.” *Napster*, 239 F.3d at 1019 (citations omitted).

4 **B. The Standard for Summary Judgment**

5 In general, a defendant is entitled to summary judgment where it shows “that
6 there is an absence of evidence to support the nonmoving party’s case.” *Celotex*
7 *Corp. v. Catrett*, 477 U.S. 317, 325, 106 S.Ct. 2548, 2554, 91 L.Ed.2d 265 (1986).
8 As this Court has noted, “The parties’ respective burdens on summary judgment are
9 inextricably tied to their burdens of proof at trial. . . . [W]here the burden of proof
10 on an issue would ultimately lie with the non-moving party, the moving party only
11 needs to point to a lack of evidence supporting the non-moving party’s burden. The
12 non-moving party then has the burden to point to evidence from which a reasonable
13 jury could conclude that she has met her burden of proof.” *Nixon-Egli Equipment*
14 *Co. v. John A. Alexander Co.*, 949 F.Supp. 1435, 1441 (C.D. Cal. 1996) (citations
15 omitted). In *Nixon-Egli*, this Court carefully distinguished between an affirmative
16 defense and a statutory exception, holding that the issue in that case was a statutory
17 exception as to which the plaintiff had the burden. *See id.* at 1442-43.

18 In *Sony-Betamax*, the Supreme Court squarely placed the burden on plaintiffs:
19 “To prevail, [plaintiffs] have the burden of proving that users of the Betamax have
20 infringed their copyrights and that Sony should be held responsible for the
21 infringement.” *Sony-Betamax*, 464 U.S. at 434.⁴

22 As applied to this case, the summary judgement and contributory infringement
23 standards *together* mean that, to avoid partial summary judgment on this issue,
24 Plaintiffs must provide evidence that the Morpheus software program is *incapable* of

25
26 ⁴ In the analogous patent-law context, which provided the basis for the Court’s
27 ruling, *see Sony-Betamax*, 464 U.S. at 440 and n.20 (noting patent law analogy), the
28 “substantial non-infringing use” issue is a statutory exception in Section 271 of the
Patent Act, 35 U.S.C. § 271, as to which a plaintiff bears the burden of proof. *See*
Cybiotronics, Ltd. V. Golden Source Electronics, Ltd., 130 F. Supp. 2d 1152 (C.D.
Cal. 2001).

1 substantial noninfringing uses.

2 **C. Under the Supreme Court’s Bright-Line Test for Contributory Copyright**
3 **Infringement Arising from Distribution of Technology to the General**
4 **Public, StreamCast is Entitled to Partial Summary Judgment**

5 The central holding of the Supreme Court’s *Sony-Betamax* decision is that one
6 who distributes technology to the general public will not be liable for contributory
7 copyright infringement merely because the technology may be (and is) used for
8 infringing purposes. The Court stated that, to avoid liability, the technology “need
9 merely be capable of substantial noninfringing uses.” *Id.*, 464 U.S. at 442.

10 The Supreme Court’s analysis started from the principle that contributory
11 copyright infringement depends upon a *knowing* contribution to infringing conduct.
12 It first addressed the district court’s finding that Sony had constructive knowledge of
13 infringing uses of the product: “If vicarious liability is to be imposed on *Sony* in this
14 case, it must rest on the fact that they have sold equipment with constructive
15 knowledge of the fact that its customers may use that equipment to make
16 unauthorized copies of copyrighted material.” *Id.*, 464 U.S. at 439.

17 The Court found no precedent for such a theory in copyright law. *Id.* In fact,
18 the Court expressly noted that such a rule would improperly extend the copyright
19 monopoly to include consumer technologies generally. *Id.* at 441 n.21. (“It seems
20 extraordinary to suggest that the Copyright Act confers upon all copyright owners
21 collectively, much less the two respondents in this case, the exclusive right to
22 distribute VTR’s simply because they may be used to infringe copyrights. That,
23 however, is the logical implication of their claim.”) The Court therefore turned to
24 patent law for an analogy, noting that the Patent “Act expressly provides that the sale
25 of a ‘staple article or commodity of commerce suitable for substantial noninfringing
26 use’ is not contributory infringement.” *Id.* at 440.⁵

27
28

⁵ The Court quoted from 35 U.S.C. § 271, which provides, in part:

1 The Court, continuing the analogy from patent law, explained the rationale for
2 limits upon contributory infringement liability:

3 [I]n contributory infringement cases arising under the patent laws the Court
4 has always recognized the critical importance of not allowing the patentee to
5 extend his monopoly beyond the limits of his specific grant. These cases deny
6 the patentee any right to control the distribution of unpatented articles unless
7 they are “unsuited for any commercial noninfringing use. Unless a
8 commodity “has no use except through practice of the patented method, the
9 patentee has no right to claim that its distribution constitutes contributory
10 infringement. “To form the basis for contributory infringement the item must
11 almost be uniquely suited as a component of the patented invention. [A] sale
12 of an article which though adapted to an infringing use is also adapted to other
13 and lawful uses, is not enough to make the seller a contributory infringer.

14 Such a rule would block the wheels of commerce.

15 *Id.*, 464 U.S. at 441 (internal quotations and citations omitted). Applying the
16 contributory infringement analogy to copyright law from patent law, the Court
17 concluded that, to avoid liability, the challenged product “need merely be capable of
18 substantial noninfringing uses.” *Id.* at 442.

19 The “capability” standard was at the core of the Supreme Court’s holding, and
20 it creates a bright-line test that is readily amenable to summary judgment. Such a
21 test also secures for innovators a zone of necessary security from the uncertainties of
22 potential copyright litigation. The Court expressly rejected any consideration of the
23 potential for infringing uses, or any measure of the proportions of infringing and
24 noninfringing uses. It was on that very point that the Supreme Court reversed the

25
26 (c) Whoever sells a component of a patented machine, manufacture,
27 combination or composition, or a material or apparatus for use in practicing a
28 patented process, constituting a material part of the invention, knowing the same to
be especially made or especially adapted for use in an infringement of such patent,
and not a staple article or commodity of commerce suitable for substantial
noninfringing use, shall be liable as a contributory infringer.

1 Ninth Circuit. *See id.* at 428 (noting that the Ninth Circuit had erroneously focused
2 on “the major use” of the Betamax); *see also id.* at 498-99 (Blackmun, J.,
3 dissenting).⁶ In fact, the Court specifically held that one “substantial noninfringing
4 use” for the Betamax was to tape programs authorized by copyright owners for
5 recording, notwithstanding the fact that such uses accounted for merely seven
6 percent of all uses. *Id.*, 464 U.S. at 424 (finding that 7.3% of all Betamax use was to
7 record professional sports, and that this use constituted a substantial noninfringing
8 use); *see also id.* at 493-94 & n.45 (dissenters recognizing this holding).

9 The Ninth Circuit’s decision in *Napster* reaffirmed the Supreme Court’s *Sony-*
10 *Betamax* decision. As the Ninth Circuit observed:

11 “We are bound to follow *Sony*, and will not impute the requisite level of
12 knowledge to Napster merely because peer-to-peer file sharing technology
13 may be used to infringe plaintiffs’ copyrights. *See* 464 U.S. at 436 (rejecting
14 argument that merely supplying the “‘means’ to accomplish an infringing
15 activity” leads to imposition of liability).”

16 *Napster*, 239 F.3d at 1020-21 (citations omitted).

17 The Ninth Circuit in *Napster* also underscored the Supreme Court’s bright-line
18 “capabilities” standard. On this point the court of appeals criticized the district
19 court:

20 “We depart from the reasoning of the district court that Napster failed to

21 _____
22 ⁶ This point is made especially clear by comparing the majority opinion with
the dissent. As Justice Blackmun stated for the dissenters:

23 I therefore conclude that if a *significant* portion of the product’s use is
24 *noninfringing*, the manufacturers and sellers cannot be held contributorily
25 liable for the product’s infringing uses. If virtually all of the product’s use,
26 however, is to infringe, contributory liability may be imposed; if no one would
buy the product for noninfringing purposes alone, it is clear that the
manufacturer is purposely profiting from the infringement, and that liability is
appropriately imposed.

27 464 U.S. at 491 (citation omitted) (emphasis in original) (Blackmun, J.,
28 dissenting).

1 demonstrate that its system is capable of commercially significant
2 noninfringing uses. *See A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d
3 896, 916, 917-18 (N.D. Cal. 2000). The district court improperly confined the
4 use analysis to current uses, ignoring the system’s capabilities. *See generally*
5 *Sony*, 464 U.S. at 442-43, 104 S. Ct. 774 (framing inquiry as whether the
6 video tape recorder is “capable of commercially significant noninfringing
7 uses”) (emphasis added). Consequently, the district court placed undue weight
8 on the proportion of current infringing use as compared to current and future
9 noninfringing use. *See generally Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d
10 255, 264-67 (5th Cir. 1988) (single noninfringing use implicated *Sony*).”

11 *Id.*

12 Because the Morpheus software is plainly capable of present and future
13 substantial noninfringing uses, StreamCast cannot be charged with constructive
14 knowledge that the general public may use the software program to infringe upon
15 any copyrights of Plaintiffs.

16 **D. Plaintiffs’ Cannot Establish that StreamCast has Obtained the Requisite**
17 **Level of Actual Knowledge for a Finding of Contributory Liability**

18 In previous papers filed in this lawsuit, Plaintiffs have claimed that the shield
19 of *Sony-Betamax* is not available to StreamCast because it has actual knowledge of
20 infringing activities.⁷ Plaintiffs are wrong, for the *Napster* court never made such a
21 ruling.⁸ Instead, after deciding that the district court had placed too much weight on

22
23 ⁷ Plaintiffs also contend that *Sony-Betamax* is inapplicable based on
24 StreamCast’s general knowledge, gleaned from press accounts and other sources,
25 that the Morpheus software is being used for infringement. This contention is plainly
26 foreclosed by the *Sony-Betamax* case itself, where Sony was admittedly in
27 possession of general knowledge regarding the infringing uses of the Betamax. See
28 also *Napster*, 239 F.3d at 1020 (imposing contributory liability based on Napster’s
actual knowledge of specific infringing materials included in Napster’s centralized
file index, not based on generalized knowledge of infringing uses).

⁸ Nor has any court. In fact, in the case of *Vault Corp. v. Quaid Software Ltd.*,
847 F.2d 255 (5th Cir. 1988), the Fifth Circuit allowed the invocation of the *Sony-*
Betamax defense despite actual knowledge.

1 current infringing uses, the Ninth Circuit held that in an online context, evidence of
2 actual knowledge of *specific acts* of infringement is required to hold one liable for
3 contributory copyright infringement. *See id.*, 239 at 1021. In order to establish such
4 actual knowledge, a copyright holder must not only provide the necessary
5 documentation to show the existence of likely infringement (i.e., that there is specific
6 infringing material on the defendant’s systems), the copyright holder must also show
7 that the defendant, after learning of the alleged infringement, had the ability to
8 remove the offending material from its system and failed to do so. *See id.* at 1021.
9 Thus, not only must one have the ability to block access to their “system,”
10 knowledge of the alleged infringement acquired too late (i.e., at a time when it
11 *cannot be acted upon*) cannot constitute actual knowledge for purposes of
12 contributory infringement. Here, the “actual knowledge” relied upon by Plaintiffs
13 falls well short of that required under *Napster*, since the only “knowledge” of
14 infringement comes at a time when StreamCast cannot prevent further infringement.

15 Since StreamCast began distributing the Morpheus software based on the
16 Gnutella platform, Plaintiffs have sent several “infringement notices” to StreamCast
17 purporting to identify files “that are or have been available for copying
18 (downloading) and distribution on the MusicCity system and service.” *See*
19 Declaration of Charles Baker at ¶ 3. These letters, which the Plaintiffs will attempt
20 to use to prove “actual” knowledge, have enclosed lists that, without exception,
21 identify no more than the titles of allegedly copyrighted files existing on the
22 “Morpheus System”, the IP address of the connection that the computer containing
23 the allegedly copyrighted files was using, and the date the search was conducted. At
24 most, Plaintiffs “notice” letters identify files in shared folders of computers
25 connected to the Gnutella network at a given moment in time. Plaintiffs’ notices
26 even fail to identify whether the connected computer is running a Morpheus client
27 (i.e., a Morpheus user) or one of the many other clients compatible with the Gnutella
28 protocol. Indeed, Plaintiffs’ “notices” tell StreamCast no more than the fact that one

1 of Plaintiffs’ detectives running a version of Morpheus was able to locate allegedly
2 infringing content in a shared folder on a computer then-connected to the Gnutella
3 network.

4 Even if these notice letters could satisfy the *Napster* requirement that they
5 identify specific infringements by specific end users, they by necessity arrive after
6 the distribution of the Morpheus program, at a time when StreamCast has no ability
7 to act upon the notices. Gribble Decl. at ¶¶ 13, 18, 21, 27, 32 and 34. Moreover,
8 StreamCast neither possesses the legal right to repossess the software, nor the
9 technical ability to disable it, just as Sony lacks the ability to repossess or disable a
10 VCR after distributing it to the public. Gribble Decl. at ¶¶ 39-40; Smith Decl. at ¶ 37.

11 Comparing StreamCast’s position with Napster’s makes the distinction plain.
12 Unlike StreamCast, Napster not only had knowledge of specific infringements by
13 specific Napster users with specific files but most importantly, *it was also in a*
14 *position to act on that knowledge*. As noted above, the court of appeals stated that
15 “Napster’s actual, specific knowledge of direct infringement renders *Sony*’s holding
16 of limited assistance to Napster. We are compelled to make a clear distinction
17 between the *architecture of the Napster system* and Napster’s *conduct* in relation to
18 the operational capacity of the system.” *Id.* at 1020 (emphasis added). It was
19 Napster’s failure to act, within the architecture of its system, that cost it the
20 protection of the *Sony-Betamax* defense: “We agree that if a computer *system*
21 *operator* learns of specific infringing material available on his system and fails to
22 purge such material from the system, the *operator* knows of and contributes to direct
23 infringement.” *Id.* at 1021 (emphasis added).⁹

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26 _____
27 ⁹ Indeed, by directing the district court on remand to restrict its injunction to
28 specific infringing files indexed on the Napster index after plaintiffs gave Napster
notice of those infringing files, *see Napster*, 239 F.3d at 1020-21, the Ninth Circuit
indicated how specific the relevant knowledge must be before even ongoing conduct
(not at issue here) can be challenged.

1 In contrast to Napster, StreamCast does not “operate” any user network or
2 “system,” and it does not operate a file-indexing service. Users of the Morpheus
3 software program take advantage of the program’s full file-sharing functionality
4 without StreamCast’s continuing involvement. Users join the network, select which
5 files to share, send and receive searches, and download files, all without the
6 involvement of *any* StreamCast servers. *StreamCast could shut its doors completely*
7 *and eliminate all of its servers, and Morpheus user would continue to be able to join*
8 *the user network, search for, and share files.* Gribble Decl. at ¶¶ 7,13,18,21,23,27,32
9 and 34. Once the user has downloaded the Morpheus software product, *StreamCast*
10 has no ability to repossess it or otherwise interfere with a the users’ file-sharing
11 activities, just as Sony could not interfere with the Betamax users’ activities.

12 The Supreme Court has also made it clear that, where distribution of a multi-
13 purpose tool is concerned, there can be no contributory liability unless knowledge
14 arrives at a time when the distributor is in a position to do something about the
15 alleged infringement. The Court in *Sony-Betamax* emphasized that contributory
16 infringement depends on the demonstration of an “ongoing relationship between the
17 direct infringer and the contributory infringer at the time the infringing conduct
18 occurred,” such that “the contributory infringer was in a position to control the use of
19 the copyrighted works by others and had authorized the use without permission from
20 the copyright owners.” 464 U.S. at 437. With respect to the Betamax, Sony did not
21 have any knowledge of infringement on the part of Betamax purchasers at the time
22 of purchase, which in turn was the last time when Sony was in a position to control
23 the use of the device. Similarly, *StreamCast* has no knowledge of infringement on
24 the part of those who download Morpheus at the time of distribution, which is the
25 last moment when *StreamCast* exercises any control whatsoever over the file-sharing
26 capabilities of the Morpheus software product.

27 The imposition of contributory infringement liability on a technology vendor
28 on the basis of actual knowledge delivered *after* the accused product has moved

1 beyond the vendor’s ability to control its use would create a bizarre form of
2 “springing” copyright liability that would undermine the rationale of the *Sony-*
3 *Betamax* case and imperil innovators generally. On Plaintiffs’ view, the movie
4 studios could today gather evidence of copyright infringement by owners of Sony
5 VCRs, deliver this information to Sony, and then re-file a contributory infringement
6 action based on the “actual knowledge” thereby manufactured. For that matter, any
7 copyright owner could gather evidence of infringement by the users of any software
8 or device, deliver “notice” of such infringement to the technology vendor, and thus
9 conjure contributory infringement liability weeks, months, or years after the device
10 or software had left the hands of the technology vendor. It was precisely this
11 intrusion of judge-made secondary liability principles into the realm of commerce
12 that the Court meant to foreclose in *Sony-Betamax*.

13 **IV. CONCLUSION**

14 When faced with claims of contributory copyright infringement by media
15 interests against new technologies capable of noninfringing uses, the Supreme Court
16 and the Ninth Circuit have taught that the answer is not to interpret this judge-made
17 doctrine to bestow on copyright owners a roving veto right over the technologies.
18 Infringing users of those technologies remain subject to direct liability for their
19 conduct, so copyright owners do not lack for remedy. If new remedies are needed,
20 that is a role for Congress. *See Sony*, 464 U.S. 431 (“Sound policy, as well as history,
21 supports our consistent deference to Congress when major technological innovations
22 alter the market for copyrighted works.”)

23 Because Plaintiffs cannot show that there is a genuine dispute regarding the
24 Morpheus software program’s capability of substantial noninfringing uses, or that
25 StreamCast has insufficient knowledge at the time when the software is distributed
26 that it will be used for infringing activities, the Court should grant partial summary
27 judgment to the StreamCast defendants with respect to the distribution of Gnutella-
28 based versions of the Morpheus software program to the general public.

1 Dated: September 9, 2002

Respectfully submitted,

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3
4 By _____
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7 known as StreamCast Networks, Inc.) and MusicCity
8 Networks, Inc.

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