

No. 04-480

In the Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS, INC. ET AL.,
Petitioners,

v.

GROKSTER, LTD., ET AL.,
Respondents.

**On Writ of Certiorari to the
United States Court of Appeals
for the Ninth Circuit**

**BRIEF OF PROFESSORS EDWARD LEE,
PETER SHANE, AND PETER SWIRE AS
AMICI CURIAE IN SUPPORT OF RESPONDENTS**

EDWARD LEE
55 W. 12th Avenue
Columbus, OH 43210
(614) 292-3201

*Counsel of Record
for Amici Curiae*

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES.....	iii
INTEREST OF <i>AMICI CURIAE</i>	1
INTRODUCTION AND SUMMARY OF ARGUMENT.....	2
ARGUMENT	3
I. The <i>Sony</i> Doctrine Establishes a Safe Harbor for the Development of Speech-Facilitating Technologies....	3
A. Speech-Facilitating Technologies, from the Printing Press to p2p Software, Serve Important First Amendment Values	3
B. The <i>Sony</i> Doctrine Provides a First Amendment Safeguard to Copyright Law by Establishing a Safe Harbor for Speech-Facilitating Technology.....	8
1. <i>The Sony doctrine is a First Amendment safeguard within copyright law</i>	8
2. <i>The Sony doctrine strikes the proper balance</i>	10
II. Petitioners’ Proposed Liability Rule Would Create an Unsafe Harbor for Speech-Facilitating Technologies and Raise Serious First Amendment Concerns	11
A. Limiting or Undoing the <i>Sony</i> Safe Harbor as Petitioners Request Would Raise Serious First Amendment Concerns	11
B. Designing Technologies to Fall Within the <i>Sony</i> Safe Harbor Is Not Culpable Conduct.....	13

TABLE OF CONTENTS

	Page
C. Petitioners' Proposed Cost-Benefit Analysis and Primary Use Tests Undermine <i>Sony</i>	15
CONCLUSION	20

TABLE OF AUTHORITIES

Page

Cases

In re: Aimster Copyright Litig., 334 F.3d 643
(7th Cir. 2003) 15

Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913
(2d Cir. 1994) 7

Ashcroft v. ACLU, 535 U.S. 564 (2002)..... 5

Ashcroft v. ACLU, 124 S. Ct. 2783 (2004)..... 19

Denver Area Educ. Telecomms. Consortium, Inc.
v. FCC, 518 U.S. 727 (1996)..... 19

Eldred v. Ashcroft, 537 U.S. 186 (2003) 8, 12

Graham v. John Deere Co., 383 U.S. 1 (1966) 9

Harper & Row Publishers, Inc. v. Nation Enters.,
471 U.S. 539 (1985) 8, 9

Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.,
380 F.3d 1154 (9th Cir. 2004) *passim*

Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.,
259 F. Supp. 2d 1029 (C.D. Cal. 2003), *aff'd*,
380 F.3d 1154 (9th Cir. 2004) *passim*

New York Times Co. v. Sullivan, 376 U.S. 254 (1964) 3, 4

Princeton Univ. Press v. Mich. Doc. Servs., Inc.,
99 F.3d 1381 (6th Cir. 1996)..... 7

TABLE OF AUTHORITIES

	Page
<i>Red Lion Broad. Co. v. FCC</i> , 395 U.S. 367 (1969)	4
<i>Reno v. ACLU</i> , 521 U.S. 844 (1997)	4, 5, 19
<i>Sony Corp. of America v. Universal City Studios, Inc.</i> , 464 U.S. 417 (1984)	<i>passim</i>
<i>Turner Broad. Sys., Inc. v. FCC</i> , 512 U.S. 622 (1994)	4
<i>Twentieth Century Music Corp. v. Aiken</i> , 422 U.S. 151 (1975)	4
<i>Universal City Studios, Inc. v. Sony Corp. of America</i> , 480 F. Supp. 429 (C.D. Cal. 1979)	13
Miscellaneous	
Lisa Bowman, <i>Labels Pay to Settle Price-Fixing Suit</i> , CNET News.com, at http://news.com.com/ 2100-1023-960183.html (Sept. 30, 2002)	6
CLAYTON M. CHRISTENSEN, <i>THE INNOVATOR’S DILEMMA</i> (1997)	19
Frank H. Easterbrook, <i>Cyberspace Versus Property Law?</i> , 4 TEX. REV. L. & POL. 103 (1999)	16
BENJAMIN KAPLAN, <i>AN UNHURRIED VIEW OF COPYRIGHT</i> (1967)	8
Louis Kaplow, <i>Rules Versus Standards: An Economic Analysis of Legal Analysis</i> , 42 DUKE L.J. 557, 613 (1992)	12

TABLE OF AUTHORITIES

	Page
WILLIAM LANDES & RICHARD POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY (2003).....	16
Edward Lee, <i>The Ethics of Innovation: p2p Software Developers and Designing Substantial Noninfringing Uses Under the Sony Doctrine</i> , J. BUS. ETHICS (forthcoming 2005), at http://www.elee.cc/ethics2.1.05.pdf	14
Edward Lee, <i>Rules and Standards for Cyberspace</i> , 77 NOTRE DAME L. REV. 1275 (2002).....	12
Douglas Lichtman & William Landes, <i>Indirect Liability for Copyright Infringement: An Economic Perspective</i> , 16 HARV. J.L. & TECH. 395 (2003)	15
Ian Lynch, <i>Napster Shut Down, By Order</i> , vnunet.com, at http://www.vnunet.com/news/ 1123874 (July 12, 2001).....	17
MEREDITH L. MCGILL, AMERICAN LITERATURE AND THE CULTURE OF REPRINTING, 1834-1853 (2003)	3
David McGowan, <i>Copyright Nonconsequentialism</i> , 69 MO. L. REV. 1 (2004).....	8, 15, 17
Antonin Scalia, <i>The Rule of Law as a Law of Rules</i> , 56 U. CHI. L. REV. 1175 (1985)	12
John Soeder, <i>Stepping Out</i> , THE PLAIN DEALER, Feb. 25, 2005 (Friday section).....	6

TABLE OF AUTHORITIES

	Page
Cass R. Sunstein, <i>Incommensurability and Valuation in the Law</i> , 92 MICH. L. REV. 779 (1994).....	16, 17
John Tehranian, <i>All Rights Reserved? Reassessing Copyright and Patent Enforcement in the Digital Age</i> , 72 UNIV. OF CIN. L. REV. 44 (2003)	20
Bill Werde, <i>Payola Probe Heating Up</i> , RollingStone.com, at http://rollingstone.com/news/story/_/id/6590977?pageid=rs.Home&pageregion=single1&rnd=1109526650468&has-player=true&version=6.0.12 . 1040 (Nov. 1, 2004)	6
Peter K. Yu, <i>The Copyright Divide</i> , 25 CARDOZO L. REV. 331 (2003)	7

INTEREST OF THE *AMICI CURIAE*¹

Amici curiae are law professors whose scholarship, teaching, and practice focus on how the law should regulate new technologies, especially the many revolutionary technologies of the Internet.

Edward Lee is a professor of copyright, intellectual property, and Internet law at The Ohio State University Moritz College of Law. He is the co-author of a forthcoming casebook on International Intellectual Property (West), and has devoted his attention, both in scholarship and *pro bono* cases, to copyright's intersection with the First Amendment.

Peter Shane is Professor of Law and the Director of the Center for Interdisciplinary Law and Policy Studies at the Moritz College of Law, and also founding director of Carnegie Mellon University's Institute for the Study of Information Technology and Society. He has taught constitutional and administrative law since 1981, and his research focuses on the uses of the Internet to strengthen democratic practice.

Peter P. Swire is Professor of Law and John Glenn Professor of Public Policy Research at the Moritz College of Law. He has written extensively on issues of cyberspace law and privacy, is Co-Editor of the Cyberspace Law Abstracts of the Social Science Research Network, and served as Chief Counselor for Privacy in the U.S. Office of Management and Budget from 1999 until early 2001.

¹ The parties' letters of consent to the filing of *amici* briefs have been lodged with the Clerk. Pursuant to Rule 37.6 of the Rules of the Court, *amici curiae* state that no counsel for a party has written this brief in whole or in part and that no person or entity, other than *amici*, their members, or their counsel, has made a monetary contribution for preparing or submitting this brief.

Amici submit this brief to highlight the First Amendment underpinnings of the Court's ruling in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

INTRODUCTION AND SUMMARY OF ARGUMENT

This case is not just about copyright, or principles of secondary liability. It is also about speech. More specifically, a technology that facilitates the widespread dissemination of speech. Petitioners seek to bar the public distribution of this speech-facilitating technology, peer-to-peer (p2p) software, even though it enables people to disseminate speech on the Internet, outside the control of concentrated industries and with substantial noninfringing uses as determined by the courts below.

Under copyright law, speech-facilitating technologies are protected under the *Sony* doctrine as long as they are capable of substantial noninfringing uses. The *Sony* doctrine serves as an important First Amendment safeguard built within copyright law. Just as the fair use and idea-expression doctrines ameliorate copyright's restrictions on the public's use of copyrighted material, the *Sony* doctrine ameliorates copyright's restrictions on developers' creation of speech-facilitating technologies. These First Amendment safeguards in copyright law are essential to democracy and the goal of furthering the widespread dissemination of speech. A court can no more ignore the First Amendment concerns raised by claims to ban p2p software than it could ignore the First Amendment concerns that would be raised by requests to shut down the manufacture of the printing press.

ARGUMENT

I. The *Sony* Doctrine Establishes a Safe Harbor for the Development of Speech-Facilitating Technologies

A. Speech-Facilitating Technologies, from the Printing Press to p2p Software, Serve Important First Amendment Values

Lost amid the briefing of petitioners and their *amici* is an important fact: this case involves a technology, peer-to-peer (p2p) software, which facilitates the widespread dissemination of speech. As a speech-facilitating technology, p2p software implicates important First Amendment interests that must be considered when applying copyright doctrine to the technology.

The importance of speech-facilitating technologies to our Republic cannot be disputed. The printing press was, for example, a revolutionary technology because it enabled mass publications in printed form. From the start of the Republic, publishers in the U.S. used this technology to print and disseminate a vast amount of material that could not have been distributed in such numbers without the printing press. *See generally* MEREDITH L. MCGILL, *AMERICAN LITERATURE AND THE CULTURE OF REPRINTING, 1834-1853*, at 45-75 (2003). The primary value of the printing press was not that it enabled copyright holders to sell a greater number of works for greater profits (which it did). Instead, the overriding value of the printing press was – and still is today – that it facilitates the widespread dissemination of speech.

Speech-facilitating technologies are essential to our democracy because they further the First Amendment goal of promoting “the widest possible dissemination of information from diverse and antagonistic sources.” *New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964) (internal quotations

omitted). This First Amendment goal complements the aim of the Copyright Clause, in “promoting broad public availability of literature, music, and the other arts.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). Without speech-facilitating technologies, neither constitutional goal can be met.

For this reason, the Court has been solicitous of the development of and the public’s access to speech-facilitating technologies. For example, in *New York Times v. Sullivan*, the Court recognized First Amendment protection for individuals’ paid newspaper advertisements. First Amendment protection was necessary, in this Court’s view, to avoid “shutt[ing] off an important outlet for the promulgation of information and ideas by persons who do not themselves have access to publishing facilities – who wish to exercise their freedom of speech even though they are not members of the press.” *Sullivan*, 376 U.S. at 266.

This same concern for the public’s access to technologies of speech recurs throughout this Court’s First Amendment jurisprudence, particularly for new and developing technologies. *See, e.g., Reno v. ACLU*, 521 U.S. 844, 870 (1997) (Internet allows public “relatively unlimited, low-cost capacity for communication of all kinds” to millions of people); *Turner Broad. Sys., Inc. v. FCC*, 512 U.S. 622, 639 (1994) (cable may eventually offer “no practical limitation on the number of speakers who may use the cable medium”); *Red Lion Broad. Co. v. FCC*, 395 U.S. 367, 390 (1969) (“the people as a whole retain their interest in free speech by radio and their collective right to have the medium function consistently with the ends and purposes of the First Amendment”).

Today, the Internet has overtaken the printing press as the revolutionary technology for speech dissemination. As this Court has recognized, “[t]he Internet...offer[s] a forum of

true diversity of political discourse, unique opportunities for cultural development, and myriad avenues for intellectual activity.” *Ashcroft v. ACLU*, 535 U.S. 564, 566 (2002) (internal quotations omitted). Not only does the Internet offer “a vast library including millions of readily available and indexed publications and a sprawling mall offering goods and services,” it also allows “[a]ny person...with a computer connected to the Internet...[to] ‘publish’ information.” *Reno*, 521 U.S. at 853.

p2p software is one of the new, developing technologies on the Internet. It, like the printing press, facilitates the mass publication of materials to the public. p2p software, however, does the printing press one better: unlike the printing press, p2p software allows virtually anyone to be a publisher, at minimal cost and outside the control of the concentrated industries. Thus, instead of a select few publishers or companies who control the presses, p2p software enables ordinary people to do their own publication and distribution of lawful content. As the Ninth Circuit recognized in *Grokster* based on the district court’s undisputed finding of fact, p2p technology “significantly reduc[es] the distribution costs of public domain and permissively shared art and speech, as well as reduc[es] the centralized control of that distribution.” *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1164 (9th Cir. 2004).

The decentralized nature of peer-to-peer technology as a means of communications has profound implications for the First Amendment. As the district court found, respondents’ p2p software is “regularly used to facilitate and search for public domain materials, government documents, media content for which distribution is authorized, media content as to which the rights owners do not object to distribution, and computer software for which distribution is permitted.” *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 259 F.

Supp. 2d 1029, 1035 (C.D. Cal. 2003), *aff'd*, 380 F.3d 1154 (9th Cir. 2004). The actual noninfringing uses include, for example, “sharing the works of Shakespeare.” *Id.*

And for the music industry in particular, p2p software may yield greater diversity of works by loosening the major recording studios’ control over what music the public receives.² As the *Grokster* court highlighted, numerous musicians and bands have embraced peer-to-peer technology as a way to promote their music. 380 F.3d at 1161. The band Wilco’s huge success in using p2p provides a perfect example of how decentralized distribution can increase the public’s access to new material. After a record company denied publishing Wilco’s album because the company believed the album “had no commercial potential,” *id.*, Wilco bought back the rights to the album and released it for free downloading and sharing. Wilco gained huge popularity as a result. Its current album, *A Ghost Is Born*, was awarded two Grammy’s this year. John Soeder, *Stepping Out*, THE PLAIN DEALER, Feb. 25, 2005, at 4 (Friday section).

² Recent investigations have called into question the business practices of the recording industry in controlling the distribution of music. In 2002, the recording industry settled a price-fixing lawsuit brought by 43 states. The major recording studios agreed to pay over \$140 million in cash and CDs. Lisa Bowman, *Labels Pay to Settle Price-Fixing Suit*, CNET News.com, at <http://news.com.com/2100-1023-960183.html> (Sept. 30, 2002). Currently, the State of New York is investigating a possible illegal “payola” scheme in which the studios may have used independent promoters to make undisclosed payments to radio stations to play the studios’ selected songs. Bill Werde, *Payola Probe Heating Up*, RollingStone.com, at http://rollingstone.com/news/story/_/id/6590977?pageid=rs.Hom&pageregion=single1&rnd=1109526650has-player=true&version=6.0.12.1040 (Nov. 1, 2004).

Of course, p2p software can also be used by people who copy or use content without authorization of the authors. However, the same can be said of every speech-facilitating technology starting with the printing press. One can use the printing press, copy machine, radio, television, video recorder, fax machine, computer, email, and Internet for multiple uses, including ways that flout the approval of authors. For much of our early Republic, publishers routinely used the printing press to “pirate” works of English literature, against their authors’ wishes. *See* Peter K. Yu, *The Copyright Divide*, 25 CARDOZO L. REV. 331, 341-54 (2003). And, today, there can be little doubt that people routinely use the copy machine in ways that infringe copyrights on a daily basis. *See, e.g., Princeton Univ. Press v. Mich. Doc. Servs., Inc.*, 99 F.3d 1381, 1383 (6th Cir. 1996); *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 915 (2d Cir. 1994).

But the printing press, photocopier, and other speech-facilitating technologies do not lose their important First Amendment value simply because some people use them for unauthorized or even unlawful purposes. For example, over the years, the copy machine must have facilitated millions of pages of infringing activity. But that unlawful conduct does not diminish the role the copy machine plays in facilitating the lawful dissemination of speech. Without the copy machine, ordinary citizens could not easily copy materials for distribution to others. The value in speech-facilitating technologies lies in their capability for enabling greater dissemination of speech, in substantially non-infringing ways. In this case, even petitioners concede that p2p software “can be used for *lawful* exchanges of digital files.” Pet. Br. 2 (emphasis added).

B. The *Sony* Doctrine Provides a First Amendment Safeguard to Copyright Law by Establishing a Safe Harbor for Speech-Facilitating Technology

1. The Sony doctrine is a First Amendment safeguard within copyright law

In *Sony*, this Court held that secondary copyright liability cannot arise based merely on the design, sale, and supply of a technology that is “capable of substantial noninfringing uses.” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984). The *Sony* doctrine, as it is now known, establishes an important First Amendment safeguard for copyright law.

A First Amendment safeguard is a doctrine designed to ameliorate the restrictions on speech copyright law may effectuate. *See Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560 (1985) (discussing “First Amendment protections” in fair use and idea-expression doctrines); *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003) (discussing “built-in First Amendment accommodations” or “safeguards”). These First Amendment safeguards are necessary for copyright law because they are designed to keep copyright law from unduly restricting speech. As safeguards within copyright law, they obviate the need for applying First Amendment scrutiny to copyright law in most cases. *Eldred*, 537 U.S. at 221.

Although the *Sony* Court did not expressly characterize the *Sony* doctrine as a First Amendment safeguard, that is the necessary implication of the Court’s ruling. *See* David McGowan, *Copyright Nonconsequentialism*, 69 MO. L. REV. 1, 13-14 (2004) (*Sony* doctrine is designed to further goal of maximizing expression). It is clear from the *Sony* opinion that the substantial noninfringing use of the video recorder (i.e., home recording for time shifting purposes) served

important First Amendment interests. As this Court noted, the video recorder “served the public interest in increasing access to television programming, an interest that is consistent with the First Amendment policy of providing the fullest possible access to information through public airwaves.” *Sony*, 464 U.S. at 425 (internal quotations omitted); *see id.* at 421 (“‘time shifting’[] enlarges the television viewing audience”); *id.* at 454 (“public interest in making television broadcasting more available”). The Court recognized that copyright law has “always been closely connected with freedom of expression, on the one hand, and with technological improvements in means of dissemination, on the other.” *Id.* at 430 n.12 (quoting Foreword to B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT vii-viii (1967)).

Recognition of this close relationship among speech-facilitating technologies, the First Amendment, and copyright law underlies the *Sony* doctrine. The doctrine strikes a balance between copyright holders’ interest in securing monetary reward for their work and the public’s First Amendment interest in technologies that enhance the widespread dissemination of speech. Borrowing upon patent law, this Court adopted the *Sony* doctrine to protect “the public interest in access” to technologies that are capable of substantial noninfringing use. *Id.* at 440. These technologies are not the run-of-the-mill “article of commerce,” such as the plow shank analyzed under patent law. *Cf. Graham v. John Deere Co.*, 383 U.S. 1, 4 (1966). The technologies at issue under *Sony* all relate to the dissemination of speech.

Thus, just as the fair use and idea-expression doctrines act as First Amendment safeguards by ameliorating copyright’s restriction on the public’s use of copyrighted works, *Harper & Row*, 471 U.S. at 560, the *Sony* doctrine acts as a First Amendment safeguard by diminishing copyright law’s restriction on the development of speech-

facilitating technologies. The *Sony* doctrine complements fair use (and idea-expression) by encouraging the development of technologies that make such legitimate uses of speech even possible. In *Sony*, the American viewing public would not have been able to make any fair use recordings for “time shifting,” without the video recorder’s invention.

In this respect, the *Sony* safe harbor is an even stronger First Amendment protection than fair use and idea-expression because *Sony* has a dual speech-enhancing function. Not only does *Sony* allow developers to create new speech-facilitating technologies, in so doing it enables the public to benefit from greater uses of speech with the new technology, often in ways unimagined before.

2. *The Sony doctrine strikes the proper balance*

The *Sony* doctrine strikes the proper balance between protecting the copyright holder’s interest in stopping infringement and the public’s interest in the development of speech-facilitating technologies. The *Sony* doctrine establishes a two-part inquiry. The safe harbor protects (i) the design, development, manufacture, supply, and sale of technologies that are capable of substantial noninfringing uses. It does not protect, however, (ii) other conduct that falls outside of the design, development, manufacture, supply, and sale of the technology. Such other conduct, if allegedly infringing, is analyzed under the traditional standards of secondary liability.

Under this approach, technology developers are given the necessary freedom to innovate and design new technologies that are capable of substantial noninfringing uses. Developers have the assurance that their design features will not be second guessed by a court as long as the technology is capable of substantial noninfringing uses. If it does possess

such capability, the technology's design, development, manufacture, supply, and sale are protected under the *Sony* safe harbor. On the other hand, developers are put on notice that other conduct that goes beyond the design, development, manufacture, supply, and sale of the technology may give rise to liability if it meets the traditional standards of secondary liability.

II. Petitioners' Proposed Liability Rule Would Create an Unsafe Harbor for Speech-Facilitating Technologies and Raise Serious First Amendment Concerns

Petitioners offer two different alternative tests to replace the *Sony* doctrine, both of which are centered on second-guessing the design features of respondents' p2p software – regardless of whether it has substantial noninfringing uses. First, petitioners ask this Court to find liability based in part on the purported changes Grokster and Streamcast made to their software specifically to avoid copyright liability. Second, they ask this Court to find liability based on the potential changes Grokster and Streamcast could have made to reduce copyright infringement. Neither of petitioners' tests is consistent with *Sony*. Both would eviscerate the *Sony* doctrine as a First Amendment safeguard.

A. Limiting or Undoing the *Sony* Safe Harbor as Petitioners Request Would Raise Serious First Amendment Concerns

To begin, petitioners' and their *amici*'s request to jettison the *Sony* safe harbor in favor of speculative cost-benefit and primary use analysis, or a nebulous multi-factor balancing tests, would raise serious First Amendment concerns.

The *Sony* doctrine functions as a safe harbor, or bright-line rule, so that developers of speech-facilitating technologies will not be chilled from developing in this area.

This clear safe harbor allows developers to plan their conduct and development of technologies to fall within its protections. *Cf.* Antonin Scalia, *The Rule of Law as a Law of Rules*, 56 U. CHI. L. REV. 1175, 1179 (1985); Louis Kaplow, *Rules Versus Standards: An Economic Analysis of Legal Analysis*, 42 DUKE L.J. 557, 613 (1992). And, specifically where speech interests are concerned, a clear rule, such as the *Sony* doctrine, helps to avoid chilling speech-related activities by reducing the likelihood that people will be deterred from legitimate activities due to the lack of clarity in balancing tests and case-by-case analysis. *Cf.* Edward Lee, *Rules and Standards for Cyberspace*, 77 NOTRE DAME L. REV. 1275, 1312-13 (2002). A safe harbor that is subject to the kind of case-by-case analysis proposed by petitioners is not a safe harbor at all.

Petitioners' approach would change *Sony* from a safe harbor for technology companies into an opportunity for them to be sued. Under petitioners' proposed test, developers of speech-facilitating technologies would be required to justify their technology designs in court, subject to speculative cost-benefit analysis or multi-factor balancing tests. Such a gutting of the *Sony* doctrine would harm innovation. Many tech companies may leave the market for speech technologies rather than face the uncertain prospect of having to justify their technology's design in expensive litigation. This would, in turn, chill the speech activities of all the technology's prospective users.

As a First Amendment safeguard built within copyright law, the *Sony* doctrine cannot be diminished without First Amendment scrutiny. Just as this Court could not get rid of the First Amendment safeguards embodied in the fair use and idea-expression doctrines without First Amendment review of the effects of such a ruling, this Court could not undo the *Sony* doctrine without examining the effects such a ruling would have on speech. *Cf. Eldred*, 537 U.S. at 220-21. As

explained below, petitioners' proposed tests are wholly inadequate to protect speech. If adopted, they would transform *Sony* into an *unsafe* harbor that would chill the development of speech-facilitating technologies and commandeer courts to sit as Technology Review Boards.

That alarming prospect was rejected by *Sony*. See *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 442 (C.D. Cal. 1979) (“[a] court reviewing the limited claims of specified parties in a particular factual setting cannot and should not undertake the role of a government commission or legislative body exploring and evaluating all the uses and consequences of the videotape recorder”). It should be rejected again.

B. Designing Technologies to Fall Within the *Sony* Safe Harbor Is Not Culpable Conduct

Petitioners attempt to assail the district court's decision by focusing on alleged changes that Grokster and Streamcast made to the design of their software to make it more decentralized, specifically to avoid liability. Pet. Br. 9-11, 16, 20, 39-41, 47. Contrary to petitioners' argument, the law does not impose liability for designing a technology to fall within the *Sony* safe harbor.

The district court left examination of any prior design features of the software for further proceedings, limiting the scope of its summary judgment to the current design features due to the nature of the injunctive relief sought. *Grokster*, 259 F. Supp. 2d at 1033. In analyzing the current design of the software, the courts below found: “even if the Software Distributors ‘closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption.”” *Grokster*, 380 F.3d at 1163. Based on Grokster's and Streamcast's lack of material contribution to the actual transmission of any

infringing files, the courts below found no contributory infringement. *Id.* at 1164 (“No infringing files or lists of infringing files are hosted by defendants, and the defendants do not regulate or provide access.”).

Even assuming that respondents intentionally changed a prior software design to the current one to avoid liability, petitioners’ claim fails. Such design changes are not evidence of contributory infringement. Indeed, the whole purpose of the *Sony* safe harbor – or any safe harbor, for that matter – is to encourage conduct that complies with the safe harbor. There is nothing untoward about designing around liability: businesses, in fact, do this all the time.

For example, manufacturers of automobiles, guns, and inventions routinely attempt to “design around” liability, by including or removing certain design features to avoid liability. See Edward Lee, *The Ethics of Innovation: p2p Software Developers and Designing Substantial Noninfringing Uses Under the Sony Doctrine*, J. BUS. ETHICS (forthcoming 2005), at <http://www.elee.cc/ethics2.1.05.pdf> (manuscript at 30 & nn. 76-77). Just as in those cases, intentionally designing a technology to avoid liability under the *Sony* doctrine is not evidence of illegal enterprise or contributory infringement. Compliance with a safe harbor, in other words, cannot be culpable conduct.

The opposite rule proposed by petitioners would wreak havoc on the business world. If a developer’s efforts to change a technology design to fall within the *Sony* safe harbor were deemed culpable conduct, businesses would likely be chilled from developing any technology in this area out of fear of liability. Conduct that businesses had undertaken to comply with the *Sony* safe harbor would become the “smoking gun” evidence of contributory infringement. That is an absurd result, which would be disastrous for innovation.

C. Petitioners' Proposed Cost-Benefit Analysis and Primary Use Tests Undermine *Sony*

Petitioners offer a second alternative test to replace *Sony*, asking this Court to undo the safe harbor and impose liability when “the primary uses [of a technology] are infringing and can be readily blocked without significantly affecting lawful uses.” Pet. Br. 33. Petitioners base their argument on Judge Posner’s suggested approach of using cost-benefit analysis in *In re: Aimster Copyright Litig.*, 334 F.3d 643, 653 (7th Cir. 2003), an approach shared by Professors Lichtman and Landes, who advocate a law-and-economics approach. Pet. Br. 33.

The Court should reject petitioners’ alternative test. As even Judge Posner acknowledged, the proposed test of examining the costs and benefits of potential design changes to the technology in question is *not* the test of this Court in *Sony*. *Aimster*, 334 F.3d at 648 (“the majority did not discuss these possibilities”). Indeed, in proposing a similar cost-benefit test, Professors Lichtman and Landes heavily attack this Court’s ruling in *Sony* as a mistake. *See* Douglas Lichtman & William Landes, *Indirect Liability for Copyright Infringement: An Economic Perspective*, 16 HARV. J.L. & TECH. 395, 400 (2003) (“there is much to criticize in the Court’s analysis” in *Sony* – “the Court *erred*”) (emphasis added). Petitioners’ proposed test is, in fact, closer to the *Sony* dissent’s, which considered different possible designs for the betamax. *Sony*, 464 U.S. at 494 (Blackmun, J., dissenting); *see also* McGowan, *supra*, at 14 (*Sony* doctrine rejected cost-benefit analysis).

More fundamentally, the kind of cost-benefit analysis proposed by petitioners is inherently flawed and judicially unmanageable. First, it grossly undervalues, if not ignores, the First Amendment interests at stake. Indeed, petitioners all but ignore the undisputed evidence of lawful current uses

of respondents' p2p software, disparaging them as "incidental." Pet. Br. 3 n.3; *see Grokster*, 259 F. Supp. 2d at 1035-36. In their brief, petitioners conveniently stack the deck, not only leaving out any actual numbers for cost-benefit analysis, but failing to even recognize the dissemination of speech as a value at all. Pet. Br. 23-41.

Ultimately, petitioners' approach is doomed to failure. The value of speech and technologies that facilitate its dissemination are not reducible to cost-benefit analysis, to be compared like an ordinary market commodity. As Professor Sunstein elegantly stated, "If we value speech either as an intrinsic good or because it is instrumental to a well-functioning deliberative process, we will value it in a quite different way from toasters." Cass R. Sunstein, *Incommensurability and Valuation in the Law*, 92 MICH. L. REV. 779, 829-31 (1994). The value of speech and speech-facilitating technologies are qualitative, not quantitative: they are fundamental to learning, deliberation, and a free and open society.

Inevitably, courts lack the judicial competence to make a cost-benefit analysis of speech-facilitating technologies. As even Judge Posner and other scholars acknowledge, economic analysis of issues raised by intellectual property law and technology are often indeterminate and speculative. *See* WILLIAM LANDES & RICHARD POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY* 10 (2003) ("The complexity of the subject and the degree to which economic analysis of intellectual property remains inconclusive, if not indeterminate, should warn the reader[.]"); Frank H. Easterbrook, *Cyberspace Versus Property Law?*, 4 TEX. REV. L. & POL. 103, 104 (1999) ("Ignorance [in economic analysis of intellectual property] thus should lead us to leave well enough alone."). Not even the *amici* brief of several leading economists and law-and-economics professors can come up with any empirical data or numbers, or offer analysis based

on something more than impressionistic judgments. *See* Brief of *Amici Curiae* Kenneth J. Arrow *et al.* 1-13. Indeed, as Professor McGowan has noted, the practical difficulty of obtaining empirical data in this area makes cost-benefit analysis a “legal endgame” in which “[w]hoever has to prove the unprovable facts is likely to lose.” McGowan, *supra*, at 2.

Even if speech could somehow be valued in quantitative terms, the cost of an alternative design feature and the value of speech-related activity that might be impaired by its adoption are inherently incommensurable. *See* Sunstein, *supra*, at 832-34. For example, to borrow Judge Posner’s own example (which has no actual figures), the benefits of having encryption on software for users’ privacy versus the costs of reducing copyright infringement cannot be compared on the same metric. *Aimster*, 334 F.3d at 650-51. Privacy and copyrights are apples and oranges. Asking courts to strike the balance between the two would be no better than asking courts what fruit they prefer.

Petitioners’ suggestion that respondents can be made to change their software to adopt filtering techniques is a Trojan horse. Pet. Br. 32, 48. A filtering requirement is precisely what ended the business of Napster. *See* Ian Lynch, *Napster Shut Down, By Order*, vnunet.com, at <http://www.vnunet.com/news/1123874> (July 12, 2001). Petitioners’ proposed rule would create an untenable Catch-22 for technology companies: (i) they would be held liable if they did not incorporate filtering techniques to stop copyright infringement, but (ii) if they *do* incorporate such filtering techniques, they would be exposing themselves to *even greater* potential liability and future lawsuits for vicarious infringement (given the ability to control infringing activity through filtering). Either way, technology companies could not avoid liability. They would have no safe harbor.

Indeed, petitioners' proposed rule would wreak havoc on all developers of speech-facilitating technologies, subjecting them to legal challenge for inadequate copyright-control measures. To take one example, today's photocopiers contain no copyright-control features. They do, however, come equipped with digital scanners that store the image of each document copied, thereby avoiding the need for the original document to be repeatedly run through the copier. Xerox and other manufacturers could easily design their copiers to store permanently the digital images of documents copied, in order to allow someone to monitor whether copyrighted materials have been copied. Such a digital "paper trail" might well be considered a reasonable copyright-control measure under petitioners' proposed rule. And, because manufacturers often lease their copiers and have ongoing relationships with users of their machines, petitioners' approach would make Xerox and other manufacturers liable for both contributory and vicarious infringement based on the "inadequate" design of their copiers. Such a rule of liability is untenable.

Finally, this Court should reject petitioners' contention that the *Sony* doctrine should be limited to cases where the developer can prove that the actual "primary use" of a technology is non-infringing. Petitioners' test would effectively cut short the time for a nascent technology to develop, and subject it to legal challenge based on a premature snapshot of the technology's preliminary use. That, however, is not the *Sony* doctrine. As this Court recognized, the key under the *Sony* doctrine is on the "capability" of the technology, including its actual and "potential" uses. *Sony*, 464 U.S. at 789 (emphasis added). This is based on the recognition that technologies are constantly evolving, particularly in their early stages of development. As Professor Christensen explains, when dealing with new technologies, "neither manufacturers nor customers know how or why products will be used, and

hence do not know what specific features of the product will and will not ultimately be valued.” CLAYTON M. CHRISTENSEN, *THE INNOVATOR’S DILEMMA* 131 (1997).

This Court has understood this inherent inability to predict innovation. *See, e.g., Reno*, 521 U.S. at 851 (Internet technologies are “constantly evolving and difficult to categorize”); *Denver Area Educ. Telecomms. Consortium, Inc. v. FCC*, 518 U.S. 727, 776-66 (1996) (Souter, J., concurring) (“[A]s broadcast, cable, and the cybertechnology of the Internet and the World Wide Web approach the day of using a common receiver, we can hardly assume that standards for judging the regulation of one of them will have not have immense, but unknown and unknowable, effects on the others.”). Indeed, this Court has warned against premature conclusions about technology “in any case involving the Internet” because “[t]he technology of the Internet evolves at a rapid pace.” *Ashcroft v. ACLU*, 124 S. Ct. 2783, 2794 (2004). The *Sony* doctrine properly heeds this warning by establishing a technology’s *capability* of uses, including potential uses, as the relevant standard.

The *Grokster* court was faithful to *Sony*. The court found undisputed evidence that respondents’ p2p software has *both* actual and potential noninfringing uses that are substantial and commercially significant. *Grokster*, 259 F. Supp. 2d at 1035-36. Petitioners “submitted no evidence that could contradict” the evidence of noninfringing uses. *Grokster*, 380 F.3d at 1162; *see* 259 F. Supp. 2d at 1036 (“Plaintiffs do not dispute that Defendants’ software is being used, and could be used, for substantial noninfringing purposes.”). Petitioners simply “misapprehend[ed]” *Sony* by trying to prove the primary use of the software. *Id.* That same flaw undermines petitioners’ brief – while conceding that p2p software “can be used for lawful exchanges of digital files,” petitioners insist that infringement is the primary use. Pet. Br. 2, 35. Primary use, however, is not the standard of *Sony*.

One of the abiding lessons of the *Sony* decision is that the *future* uses of a technology may prove to be its most substantial and lasting. Primary uses of a technology can change dramatically. Indeed, back in 1984, the motion picture studios did not foresee that the same video recorders they hoped to ban in *Sony* would spawn their single greatest source of revenue in the sale of copyrighted movies on videocassette. See John Tehranian, *All Rights Reserved? Reassessing Copyright and Patent Enforcement in the Digital Age*, 72 UNIV. OF CIN. L. REV. 44, 92 (2003). What could not be predicted back then was that the video recorder's primary use would later become, not "time-shifting," but the playing of movie rentals. Though the movie studios decried the video recorder as a threat to their very existence, *id.*, it became their biggest boon. Had the studios had their way in *Sony*, no one would know what amazing benefits to society were missed. Therein lies the danger of undoing the *Sony* doctrine as petitioners now request.

CONCLUSION

For the foregoing reasons, the Court should affirm the judgment of the Court of Appeals for the Ninth Circuit.

Respectfully submitted,

EDWARD LEE
55 W. 12th Avenue
Columbus, OH 43210
(614) 292-3201

*Counsel of Record
for Amici Curiae*

MARCH 2005