

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 UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Case Nos. 01-08541-SVW & 01-09923-SVW

Honorable Stephen v. Wilson, United States District Court Judge

---

**BRIEF IN SUPPORT OF REVERSAL BY *AMICI CURIAE*  
LAW PROFESSORS AND TREATISE AUTHORS  
NEIL BOORSTYN, JAY DOUGHERTY, JAMES GIBSON,  
ROBERT GORMAN, HUGH HANSEN, DOUGLAS  
LICHTMAN, ROGER MILGRIM, ARTHUR MILLER AND  
ERIC SCHWARTZ**

---

John M. Genga  
John R. Sabatini  
Paul, Hastings, Janofsky & Walker LLP  
515 South Flower Street, 25th Floor  
Los Angeles, California 90071  
(213) 683-6000  
Attorneys for *Amici Curiae*

Table of Contents

	Page
INTRODUCTION AND SUMMARY OF <i>AMICI</i> ISSUES .....	1
I. CONTRIBUTORY AND VICARIOUS INFRINGEMENT DOCTRINES SERVE FUNDAMENTAL COPYRIGHT POLICY INTERESTS .....	5
A. To Protect Copyright Fully, Certain Parties Must Have Liability for “Indirect” Infringement.....	5
B. Courts Have Tailored the Doctrines of Indirect Liability To Meet the Underlying Policy Interests.....	8
C. The Doctrines of Contributory and Vicarious Liability Have Even Greater Importance in the Digital Age .....	11
II. THE DECISION BELOW DEPARTS FROM ESTABLISHED STANDARDS FOR INDIRECT INFRINGEMENT LIABILITY AND HARMS THE POLICY INTERESTS THEY SERVE .....	13
A. The District Court Misapplied the Standard for Contributory Infringement.....	13
1. The knowledge element of contributory infringement is satisfied through evidence of constructive knowledge.....	13
2. Contributory infringement does not require the highly specific, actual knowledge demanded by the district court.....	15
3. The district court misapplied Sony-Betamax to the claim for contributory infringement.....	19
4. The policy interests behind contributory infringement do not and should not require the defendant to “act in concert” with the direct infringer .....	24
B. The District Court Misunderstood the Control Element of Vicarious Infringement.....	26
III. CONCLUSION .....	28

Cases

*A & M Records, Inc. v. Abdallah*,  
 948 F. Supp. 1449 (C.D. Cal. 1996)..... 16, 21

*A&M Records Inc. v. Napster*,  
 284 F.3d 1091 (9th Cir. 2002)....

*A&M Records, Inc. v. Napster, Inc.*,  
 114 F. Supp. 2d 896 (N.D. Cal. 2000) ..... 12

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

*Buck v. Jewell-La Salle Realty Co.*,  
 283 U.S. 191, 51 S. Ct. 410, 75 L. Ed. 971 (1931)..... 6

*C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*,  
 911 F.2d 670 (Fed. Cir.1990).....

*Cable/Home Communication Corp. v. Network Prods., Inc.*,  
 902 F.2d 829 (11th Cir. 1990).....

*Casella v. Morris*,  
 820 F.2d 362 (11th Cir. 1987)..... 18

*Columbia Pictures Industries, Inc. v. Aveco, Inc.*,  
 800 F.2d 59 (3d Cir. 1986).....

*De Acosta v. Brown*,  
 146 F.2d 408 (2d Cir. 1944)..... 9

*Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*,  
 36 F.2d 354 (7th Cir. 1929)..... 6

*Educational Testing Serv. v Simon*,  
 95 F. Supp. 2d 1081 (C.D. Cal. 1999)....

*Fonovisa, Inc. v. Cherry Auction, Inc.*,  
 76 F.3d 259 (9th Cir. 1996)..... passim

*Fortnightly Corp. v. United Artists Television, Inc.*,  
 392 U.S. 390, 88 S. Ct. 2084, 20 L. Ed. 2d 1176 (1968)..... 3

<i>Fromberg, Inc. v. Thornhill</i> , 315 F.2d 407 (5th Cir. 1963).....	22
<i>Gershwin Publ'g. Corp. v. Columbia Artists Mgmt., Inc.</i> , 443 F.2d 1159 (2d. Cir. 1971).....	7, 9, 13, 27
<i>Harper v. Shoppel</i> , 28 F. 613 (S.D.N.Y. 1886).....	6
<i>Hewlett-Packard Co. v. Bausch &amp; Lomb, Inc.</i> , 909 F.2d 1464 (Fed. Cir. 1990).....	22
<i>In re Aimster Copyright Litig.</i> , 252 F. Supp. 2d 634 (N.D. Ill. 2002) .....	11
<i>In re Aimster Copyright Litig.</i> , 334 F.3d 643 (7th Cir. 2003).....	12, 14, 16, 22
<i>Kalem Co. v. Harper Brothers</i> , 222 U.S. 55, 32 S. Ct. 20, 56 L. Ed. 92 (1911).....	6, 17, 18
<i>Kremen v. Cohen</i> , 2003 U.S. App. LEXIS 14830 (9th Cir. 2003).....	3, 4
<i>Mazer v. Stein</i> , 347 U.S. 201, 74 S. Ct. 460, 98 L. Ed. 2d 630 (1954).....	5
<i>Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.</i> , 259 F. Supp. 2d 1029 (C.D. Cal. 2003).....	passim
<i>Perfect 10, Inc. v. Cybernet Ventures, Inc.</i> , 213 F. Supp. 2d 1146 (C.D. Cal. 2002).....	27
<i>Pickholtz v. Rainbow Techs., Inc.</i> , 260 F. Supp. 2d 980 (N.D. Cal. 2003) .....	23
<i>Polygram Int'l. Publ'g., Inc. v. Nevada/TIG, Inc.</i> , 855 F. Supp. 1314 (D. Mass. 1994) .....	10, 1, 26, 27
<i>RCA Records v. All-Fast Sys., Inc.</i> , 594 F. Supp. 335 (S.D.N.Y. 1984).....	23

*Shapiro, Bernstein & Co. v. H. L. Green & Co.*,  
316 F.2d 304 (2d Cir. 1963).....7, 8, 10, 26

*Sony Corp. of America v. Universal City Studios, Inc.*,  
464 U.S. 417, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984).....passim

*Subafilms, Ltd. v. MGM-Pathe Comm. Co.*,  
24 F.3d 1088 (9th Cir. 1994).....7

*Twentieth Century Music Corp. v. Aiken*,  
422 U.S. 151, 95 S. Ct. 2040, 45 L. Ed. 2d 84 (1975).....5

*Universal City Studios, Inc. v. American Invsco Mgmt, Inc.*,  
217 U.S.P.Q. 1076 (N.D. Ill. 1981).....10, 14

**Statutes**

17 U.S.C. § 1201(c)(2).....7

17 U.S.C. § 512 .....8

7 U.S.C. §106 .....7

35 U.S.C. §271(b) .....22

F.R.A.P. 29(a),(c)(3) .....ii

**Other Authorities**

D. Nimmer, “Brains and Other Paraphernalia of the Digital Age,”  
10 Harv. J. L. & Tech. 1 (1996).....

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 61 (1975),  
*reprinted in* 1976 U.S.C.C.A.N. 5659.....7

**Treatises**

1 N. Boorstyn, BOORSTYN ON COPYRIGHT  
§ 10.06[2] (1994).....9

D. Chisum, CHISUM ON PATENTS, § 17.04[4] (2003 ed.)..

**Constitutional Provisions**

U.S. Const. Art. I, § 8, cl. 8.....5

## INTEREST AND IDENTITY OF *AMICI*

*Amici* are nine law professors and treatise authors on intellectual property and copyright law. They file this brief in support of appellants<sup>1</sup> because of the important constitutional, economic, and public policy interests that depend on the consistent application of our copyright laws.

*Amici* believe that those interests have been threatened by the lower court's opinion granting summary judgment to the defendants,<sup>2</sup> which departed from established principles of contributory and vicarious copyright infringement, misapprehended the policy rationales on which those two doctrines rest, and abandoned to Congress all responsibility for redressing the massive infringement abetted by defendants.

The interest of *amici* goes beyond the academic. As authorities in their field, they train future generations of copyright lawyers and judges, advise copyright holders on how to protect their rights, and assist those who want to respect copyright law in their enterprises. To ensure the continuing ability of copyright to promote creative expression for public good, and the

---

<sup>1</sup> Appellants are the plaintiff copyright owners who filed this action. Appellees are the defendants who obtained summary judgment against them. For the Court's convenience and clarity, we refer to them below, respectively, as "plaintiffs" and "defendants."

<sup>2</sup> *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003).

role of contributory and vicarious copyright liability toward that end, *amici* submit the following legal memorandum supporting reversal of the decision below.<sup>3</sup> *Amici* are:

Neil Boorstyn has more than 45 years of copyright experience. He is the author of BOORSTYN ON COPYRIGHT and editor of the monthly newsletter, "The Copyright Law Journal." He was appointed Special Master in the Napster case, and has taught copyright at Boalt Hall, Hastings College of the Law, University of California, Davis Law School and Golden Gate School of Law.

Jay Dougherty is a professor at Loyola Law School in Los Angeles, where he teaches courses in copyright. He was an adjunct professor for 10 years at the University of Southern California Law Center, and has extensive copyright experience from years of working at leading entertainment law firms and in high-level positions for motion picture studios and production companies.

James Gibson teaches intellectual property and computer law at the University of Richmond School of Law. Before entering academia he was involved as a private practitioner in several prominent cases dealing with the

---

<sup>3</sup> *Amici* understand that all parties have consented to the filing of this brief. F.R.A.P. 29(a),(c)(3).



intersection of copyright law and Internet technology, and served as a law clerk to the Hon. Karen Nelson Moore of the Sixth Circuit.

Robert Gorman is Kenneth W. Gemmill Professor of Law Emeritus, University of Pennsylvania, and has taught copyright law for 37 years. He is co-author of *COPYRIGHT: CASES AND MATERIALS* (6th ed. 2002) and sole author of several copyright articles and a monograph, *COPYRIGHT LAW*, for the Federal Judicial Center (1991). He has been a Trustee of the United States Copyright Society; delivered the Brace, Manges and Meyer annual lectures on copyright; and served as law clerk to the Hon. Irving R. Kaufman of the Second Circuit.

Hugh Hansen is a professor at Fordham University School of Law, where he has taught courses in copyright and trademark law for the last 25 years. He has also worked in private practice, and clerked for Judge Murray I. Gurfein of the Second Circuit and Judge Inzer B. Wyatt of the Southern District of New York.

Douglas Lichtman is a professor at the University of Chicago Law School where he teaches copyright, patent and telecommunications law. He is co-author of the textbook *TELECOMMUNICATIONS LAW AND POLICY*, and sole author of numerous articles on copyright, telecommunications and

intellectual property more generally. Professor Lichtman also has undergraduate degrees in electrical engineering and computer science.

Roger Milgrim, a professor at New York University School of Law for over 25 years, is the author of treatises on trade secrets and intellectual property licensing. Both **MILGRIM ON TRADE SECRETS** and **MILGRIM ON LICENSING** address the interface between copyright and other intellectual property rights. An active practitioner, Mr. Milgrim engages in both transactional and litigation aspects of copyright law.

Arthur Miller is Bruce Bromley Professor of Law at Harvard Law School. He has taught copyright law for over 40 years, and was appointed by President Ford to serve on the National Commission on New Technological Uses of Copyrighted Works (CONTU). He is co-author of **INTELLECTUAL PROPERTY: PATENTS, TRADEMARKS AND COPYRIGHT IN A NUTSHELL**, and has written extensively on technology and copyright.

Eric Schwartz has been an adjunct professor at Georgetown University Law Center since 1998. He is the author of the U.S. Copyright Law chapter in the Geller & Nimmer treatise **INTERNATIONAL COPYRIGHT LAW AND PRACTICE**, and numerous articles on copyright law. He is a former Acting General Counsel of the U.S. Copyright Office, and has been a Trustee of the United States Copyright Society.

## INTRODUCTION AND SUMMARY OF *AMICI* ISSUES

This Court confirmed in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), that the copyright law doctrines of contributory and vicarious infringement apply with full force on the Internet. This Court affirmed a preliminary injunction against the Napster file-sharing network based on showings that Napster was facilitating copyright infringement by its users, and knew or had reason to know of that infringement (the two elements of contributory infringement), and was profiting from that infringement while possessing the ability to supervise or control it (the two elements of vicarious infringement).

Holding Napster liable satisfied the policy interests of indirect liability—particularly for online infringement, where locating, suing, enjoining and recovering from millions of direct infringers is extremely difficult and inefficient. Those doctrines, which have evolved over decades, stem from the concept that in copyright, as in “virtually all areas of the law,” there are “circumstances in which it is just to hold one individual accountable for the actions of another.” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984) (“*Sony-Betamax*”).

When the court closed the door on Napster, it gave notice that the law would not tolerate those seeking to profit from such enterprises. However, it also represented a challenge to some to devise an online file copying network that, like Napster, facilitated free access to a huge selection of copyrighted works, but attempted to claim some technical legal exception to insulate its owners from liability. Despite the basic and overwhelming similarities between Napster and defendants' networks, the district court here reached a result contrary to *Napster*. It made dispositive errors in applying the law of contributory and vicarious liability, and failed to recognize the policy interests those doctrines effectuate.

In Section I of this brief, *amici* explain the historical and policy rationales behind contributory and vicarious copyright infringement and their elements. In Section II, we describe how the district court overlooked those rationales and either grafted new and unjustifiable limitations onto existing elements of liability, conflated the elements of one theory of liability with those of another, or otherwise misapplied prior decisions, including *Sony-Betamax* and its treatment of patent law's "staple article of commerce" doctrine in copyright cases.

As Internet "entrepreneurs" concoct new methods of doing business to skirt responsibility for causing infringement, courts adapt indirect liability

principles to safeguard the constitutional underpinnings of copyright. The Supreme Court has cautioned that copyright “statutes should not be ... so narrowly construed as to permit their evasion because of changing habits due to new inventions and discoveries.” *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 395 n.16, 88 S. Ct. 2084, 20 L. Ed. 2d 1176 (1968) (citation omitted). The district court failed to heed this admonition. By misjudging the elements of contributory and vicarious liability, it has created a gaping technological loophole that jeopardizes the ability of long-standing copyright principles to redress viral online infringement.

Indeed, the district court admitted as much. Although “not blind to the possibility that Defendants may have intentionally structured their businesses to avoid indirect liability for copyright infringement, while benefiting financially from the illicit draw of their wares,” the court felt it was being asked “to expand existing copyright law beyond its well-drawn boundaries,” and suggested that, instead, “additional legislative guidance may be well-counseled.” 259 F. Supp. 2d at 1046. Such an abdication was not justified. As this Court recently stated in *Kremen v. Cohen*, 2003 U.S. App. LEXIS 14830 (9th Cir. 2003), a case involving the misappropriation of an Internet domain name:

The district court thought there were “methods better suited to regulate the vagaries of domain names” and left it “to the

legislature to fashion an appropriate statutory scheme.” The legislature, of course, is always free (within constitutional bounds) to refashion the system that courts come up with. But that doesn’t mean we should throw up our hands and let private relations degenerate into a free-for-all in the meantime. We apply the common law until the legislature tells us otherwise. And the common law does not stand idle while people give away the property of others. The evidence supported a claim for conversion, and the district court should not have rejected it.

*Id.* at 31-32 (citation omitted).

Here, too, no “legislative guidance” was needed to subject the defendants to liability for operating businesses that depend for their livelihood on giving away someone else’s creative works to millions of users. In *Napster*, in *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996), and in other cases, this Court had already established the “well-drawn boundaries” the district court failed to discern.

Although *amici* leave for plaintiffs to address the record and whether it permits entry of judgment in their favor, the district court’s legal errors alone suffice to warrant reversal. *Amici* respectfully urge this result to maintain coherence in the law of contributory and vicarious infringement, and to further the interests those doctrines serve.

## LEGAL DISCUSSION

### **I. CONTRIBUTORY AND VICARIOUS INFRINGEMENT DOCTRINES SERVE FUNDAMENTAL COPYRIGHT POLICY INTERESTS**

#### **A. To Protect Copyright Fully, Certain Parties Must Have Liability for “Indirect” Infringement.**

The core purpose of copyright is “[t]o 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. “The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors *Mazer v. Stein*, 347 U.S. 201, 219, 74 S. Ct. 460, 98 L. Ed. 2d 630 (1954). “The immediate effect of our copyright law is to secure a fair return for an author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 & n.6, 95 S. Ct. 2040, 45 L. Ed. 2d 84 (1975).

Historically, courts rather than legislatures addressed copyright liability for the infringing acts of others. Despite the absence of express statutory language, federal courts recognized long ago that it was “just” to

hold certain parties liable for copyright infringement that they themselves did not commit. For example, in *Harper v. Shoppel*, 28 F. 613 (S.D.N.Y. 1886), the defendant was held liable for selling a newspaper's printing plate to a third party knowing that the buyer would use it to copy the plaintiffs' copyrighted newspaper; the defendant "is to be regarded as having sanctioned the appropriation of the plaintiffs' copyrighted matter, . . . and is responsible . . . as a joint tort-feasor." *Id.* at 615

The concepts of contributory and vicarious liability quickly became part of copyright jurisprudence. Thus, when the Supreme Court decided *Kalem Co. v. Harper Brothers*, 222 U.S. 55, 32 S. Ct. 20, 56 L. Ed. 92 (1911), it could confirm that where the defendant "contribute[d]" to the infringement, he is "liable on principles recognized in every part of the law." *Id.* at 63

Similarly, a line of cases attributed vicarious liability to dance hall operators whose bands played infringing music since, even absent knowledge of infringement or despite instructions not to infringe, the proprietors hired the musical acts and profited from the clientele they drew to the establishment. *See, e.g., Buck v. Jewell-La Salle Realty Co.*, 283 U.S. 191, 198-99, 51 S. Ct. 410, 75 L. Ed. 971 (1931); *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929). Federal



courts expanded the rationale of these “dance hall” cases to department stores that permitted concessionaires to sell counterfeit recordings, *Shapiro, Bernstein & Co. v. H. L. Green & Co.*, 316 F.2d 304, 308-09 (2d Cir. 1963), and to a concert organizer’s oversight of the infringing activities of local community concert associations. *Gershwin Publ’g. Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162-63 (2d. Cir. 1971).

In 1976, Congress amended the Copyright Act to voice support for contributory and vicarious liability. The phrase “to authorize” in the Act’s listing of the copyright holder’s exclusive rights “was intended to avoid any questions as to the liability of contributory infringers.” 17 U.S.C. §106; H.R. Rep. No. 1476. 94th Cong., 2d Sess. 61 (1975), *reprinted in* 1976 U.S.C.C.A.N. at 5659, 5674; *see also Subafilms, Ltd. v. MGM-Pathe Comm. Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994) (“‘to authorize’ appears best understood as merely clarifying that the Act contemplates liability for contributory infringement”). Congress then again recognized the doctrines of contributory and vicarious liability in the Digital Millennium Copyright Act (“DMCA”). *See* 17 U.S.C. § 1201(c)(2) (“Nothing in this section shall enlarge or diminish vicarious or contributory liability for copyright

infringement in connection with any technology, product, service, device, component or part thereof.”).<sup>4</sup>

Underlying the willingness of Congress and the courts to interpret concepts of “indirect” liability broadly is the principle that “the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of [the unauthorized] exploitation.” *Shapiro*, 316 F.2d at 307.

**B. Courts Have Tailored the Doctrines of Indirect Liability to Meet Underlying Policy Interests.**

Contributory and vicarious infringement are distinct. Each has its own elements and policy justifications. While they spring, respectively, from tort law and the doctrine of *respondeat superior*, the Supreme Court may have best described their origins as follows.

The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringement on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of *the*

---

<sup>4</sup> Also, in 17 U.S.C. § 512, Congress exempted Internet service providers from liability upon expeditious removal of infringing materials after statutory notice. Congress need not have fashioned this exception had such parties not otherwise faced liability as contributory infringers.

*broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.*

*Sony-Betamax*, 464 U.S. at 435 (emphasis added) (footnote omitted).

Consistent with its tort law origins, contributory infringement is predicated on “the notion that one who directly contributes to another’s infringement should be held accountable.” *Fonovisa*, 73 F.3d at 264, citing *Sony-Betamax*, 464 U.S. at 417, and 1 N. Boorstyn, BOORSTYN ON COPYRIGHT § 10.06[2], at 10-21 (1994); see also *Gershwin*, 443 F.2d at 1162. The doctrine incentivizes parties to refrain from conduct that they know or suspect contributes to copyright infringement.

Both contributory and vicarious liability theories comport with the principle of strict liability within copyright law generally. See *Educational Testing Serv. v Simon*, 95 F. Supp. 2d 1081, 1087 (C.D. Cal. 1999).

Liability may be imposed even where unauthorized exploitation of a copyrighted work occurs without intent to infringe, since “the protection accorded literary property would be of little value if it did not go against third persons, or if ... insulation from payment or damages could be secured

by merely refraining from making inquiry.” *De Acosta v. Brown*, 146 F.2d 408, 412 (2d Cir. 1944).

Vicarious liability attaches to those who profit from and can supervise or prevent infringing activity. This provides proper incentives to take appropriate steps to prevent infringement. “When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials – even in the absence of actual knowledge that the copyright monopoly is being impaired – the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.” *Shapiro*, 316 F.2d at 307 (citations omitted). See also *Universal City Studios, Inc. v. American InvSCO Mgmt, Inc.*, 217 U.S.P.Q. 1076, 1078-79 (N.D. Ill. 1981) (not subjecting to liability all parties who benefit from the pirating of copyrighted works would “increase the incentives impelling those who might most effectively police the copyright laws to greet the likelihood of infringement with a wink and a nod”).

More recently, Judge Keeton of the District of Massachusetts wrote in *Polygram Int’l. Publ’g., Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314 (D. Mass. 1994) – an opinion which this Court later described in *Fonovisa*, 76 F.3d at 262, as “the most ...comprehensive discussion of the evolution of the doctrine of vicarious liability for copyright infringement” – as follows:

When an individual seeks to profit from an enterprise in which identifiable types of losses are expected to occur, it is ordinarily

fair and reasonable to place responsibility for those losses on the person who profits, even if that person makes arrangements for others to perform the acts that foreseeably cause the losses. The law of vicarious liability treats the expected losses as simply another cost of doing business. The enterprise and the person profiting from it are better able than either the innocent injured plaintiff or the person whose act caused the loss to distribute the costs and to shift them to others who have profited from the enterprise. In addition, placing responsibility for the loss on the enterprise has the added benefit of creating a greater incentive for the enterprise to police its operations carefully to avoid unnecessary losses.

855 F. Supp at 1325. A defendant is vicariously liable for the acts of another if it benefits from those acts and is able, or has sufficient incentive, to control them.

**C. The Doctrines of Contributory and Vicarious Liability Have Even Greater Importance in the Digital Age.**

Save for the opinion below, courts have had little difficulty applying the doctrines of contributory and vicarious infringement to the online environment. In *Fonovisa*, the Ninth Circuit held that an operator of a swap meet could be both contributorily and vicariously liable for the sales of counterfeit recordings by vendors on its premises. Courts and commentators quickly appreciated that *Fonovisa*'s rationale had direct application to the Internet.<sup>5</sup> This Court confirmed those prognostications by incorporating the

---

<sup>5</sup> See, e.g., *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 653 (N.D. Ill. 2002) (describing Aimster online network as an "Internet swap meet"); *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 919-20 (N.D. Cal. (footnote continues on next page)

*Fonovisa* analysis in *Napster*, holding that “[t]he district court correctly applied the reasoning of *Fonovisa*, and properly found that Napster materially contributes to direct infringement.” 239 F.2d at 1022.

The economic and policy justifications for contributory and vicarious liability – that they shift responsibility to those who knowingly facilitate, or profit from and can control, infringing conduct – resonate strongly in the online environment. Clearly, plaintiffs cannot efficiently or effectively control all of the millions of infringements that occur *daily* on defendants’ networks. Defendants, by contrast, can, if properly motivated. 259 F. Supp. 2d at 1045 (summarizing modifications defendants could make to their networks to control users’ ability to share copyrighted works). From a policy perspective, it would be better to permit copyright owners to protect their rights through actions like this one, instead of in a multitude of individual suits against direct infringers, to obtain the most effective relief against those whose “infringement factories” are at stake. *See In re Aimster Copyright Litig.*, 334 F.3d 643, 645 (7th Cir. 2003) (“Recognizing the impracticability or futility of a copyright owner’s suing a multitude of

---

2000) (describing Napster as an “internet swap meet”); D. Nimmer, “Brains and Other Paraphernalia of the Digital Age,” 10 Harv. J. L. & Tech. 1, 34 (1996) (*Fonovisa* “portends a liberalization of the standards for vicarious liability in cyberspace”).

individual infringers, the law allows a copyright holder to sue a contributor to the infringement instead”) (citation omitted).

**II.  
THE DECISION BELOW DEPARTS FROM ESTABLISHED  
STANDARDS FOR INDIRECT INFRINGEMENT LIABILITY AND  
HARMS THE POLICY INTERESTS THEY SERVE**

**A. The District Court Misapplied the Standard for Contributory Infringement.**

1. The knowledge element of contributory infringement is satisfied through evidence of constructive knowledge.

A contributory infringer is “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another ....” *Gershwin*, 443 F.2d at 162 (quoted in *Napster*, 239 F.3d at 1019, and *Fonovisa*, 76 F.3d at 264). The district court interpreted that standard to mean defendants’ *actual* knowledge of their users’ direct infringements, regardless of their *constructive* knowledge of such conduct. See 259 F. Supp. 2d at 1035. That has never been the law, nor should it be.

Historically, to satisfy the “knowledge” element of contributory infringement, a defendant must either “know *or* have reason to know” of the direct infringement. *Napster*, 239 F.3d at 1020 (emphasis added);

---

<sup>6</sup> Of course, contributory or vicarious liability “does not exist in the absence of direct infringement by a third party.” *Napster*, 239 F.3d at 1013 n.2. Here, the district court found direct infringement by defendants’ end-users. 259 F. Supp. 2d at 1034-35.

*Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 & 846 n.29 (11th Cir. 1990). The disjunctive means that constructive knowledge suffices. See *Napster*, 239 F.2d at 1020 & n.5 (“It is apparent from the record that Napster has knowledge, both actual and constructive, of direct infringement.”); *id.* at 1021 (“[T]he evidentiary record supported the district court’s finding that plaintiffs would likely prevail in establishing that Napster knew or had reason to know of its users’ infringement of plaintiffs’ copyrights.”) (emphasis added).<sup>7</sup>

The district court’s refusal in this case to consider comparable constructive knowledge evidence ignores not only the law, but also the important policy rationale for imposing liability based on constructive knowledge: to hold otherwise would encourage willful blindness on the part of one who materially contributes to direct infringement. See, e.g., *Aimster*, 334 F.3d at 650 (“Willful blindness is knowledge, in copyright law”); *Universal City Studios, Inc.*, 217 U.S.P.Q. at 1078 (denying summary judgment sought by defendants, where an issue of fact existed as to whether defendants knew or should have known of infringing activity at facility they

---

<sup>7</sup> In *Napster*, the copyright owners established constructive knowledge by showing: (a) Napster’s executives had experience in the recording industry; (b) they had enforced intellectual property rights in other instances; (c) they had downloaded copyrighted content from the system; and (d) they promoted the network with listings of infringing files. *Id.* at 1020 n.5.



owned and managed). Given the nature of what this Court deemed in *Napster* to be “constructive knowledge” (*see* fn 7, *supra*), ignoring such evidence would immunize a defendant who has substantial knowledge of its users’ unlawful conduct. Such an outcome contradicts contributory infringement policy.

2. Contributory infringement does not require the highly specific, actual knowledge demanded by the district court.

In addition to excluding constructive knowledge, the district court required: (1) *actual* knowledge of *specific* infringements by users; (2) *at a time* when defendants contribute to *and can stop* those infringements. *See* 259 F. Supp. 2d at 1036. Such elements, however, have never comprised of the law of contributory infringement.

To substantiate its test, the district court cited pages 1020-22 of this Court’s opinion in *Napster*. That case provides no support for the district court’s formulations, either on the referenced pages or elsewhere. At most, this Court observed in *Napster*: “We agree that if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.” 239 F.3d at 1021. While that passage may describe knowledge *sufficient* for contributory liability, it does not make such a level of knowledge *necessary*.

In *Napster*, both this Court and the district court held that the “actual” knowledge sufficient for liability consisted of an internal Napster e-mail acknowledging that the company’s users were “exchanging pirated music” without identifying any works involved – and mass notice letters on behalf of the copyright owners. *Id.* at 1020 n.5. If an e-mail that made no mention of a *single* copyrighted work can establish “actual knowledge,” then the district court erred here by requiring defendants to know the specific works that its users were infringing.

Having knowledge “at a time when the defendant contributes to” the infringement is also not an element of contributory infringement. Courts have readily imposed contributory liability on defendants who do not have specific knowledge of the direct infringement when it occurs. *See, e.g., Aimster* 334 F.3d at 650-51 (“a service provider that would otherwise be a contributory infringer does not obtain immunity by using encryption to shield itself from actual knowledge of the unlawful purposed for which the service is being used”); *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1449 (C.D. Cal. 1996) (sale of time-loaded cassettes, knowing generally that they would be used by others to infringe, sufficient for contributory liability); *Columbia Pictures Industries, Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986)

(contributory liability for providing private rooms equipped with VCRs for customers to view works not known to defendant).

Such cases belie a “contemporaneous” knowledge requirement and support the policy objectives of contributory liability. Requiring a defendant to know about specific infringement when it occurs would render contributory liability meaningless online, where the instantaneous nature of the activity makes “real time” knowledge of it virtually impossible. When that actual knowledge comes from notice letters from the copyright owner, the activity has already occurred.

The same history and rationale also negates the district court’s related notion that defendants had to be able to *stop* individual infringements. The Supreme Court long ago rejected immunity for a defendant for infringement occurring after the defendant could prevent it. In *Kalem Co.*, the defendant had created a motion picture interpretation of a novel. The Court held that the public exhibition of the picture infringed plaintiff’s exclusive right, under the copyright statute then in effect, to dramatize the novel. Dismissing the defendant’s contention that it had merely sold its film to jobbers to distribute for exhibition and ought not be held accountable for their post-sale conduct, Justice Holmes stated:

The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That

was the most conspicuous purpose for which they could be used, and the one for which especially they were made. If the defendant did not contribute to the infringement, it is impossible to do so except by taking part in the final act. It is liable on principles recognized in every part of the law.

222 U.S. at 62-63.

In reaching a contrary conclusion in this case, the district court conflated elements from the doctrines of contributory and vicarious liability. The concept of “control” over or ability to prevent the act of direct infringement is an element of *vicarious* liability, “irrelevant to contributory infringement analysis.” *Casella v. Morris*, 820 F.2d 362, 365 n.4 (11th Cir. 1987). *See* Section II(B), below.

The lower court mistakenly believed that the objective of contributory infringement is to force defendants to take on a “copyright enforcement” role, which it felt would be inappropriate unless the defendants had actual, contemporaneous knowledge at a time when they could prevent it. However, contributory infringement exists to induce parties to refrain from *their own* conduct that they know or suspect contributes to copyright infringement. *Fonovisa*, 76 F.3d at 264 (“difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet”); *Abdallah*, 948 F.Supp.2d at 1456 n.4 (“[g]iven the apparent division of labor in the counterfeit recording industry, the

actions of contributory infringers make possible the wide dissemination of the infringing works”). The type of knowledge demanded by the district court is unnecessary to satisfy that objective.

3. The district court misapplied *Sony-Betamax* to the claim for contributory infringement.

The district court read the *Sony-Betamax* decision, as interpreted by this Court in *Napster*, to reinforce its view that plaintiffs had to adduce highly specific evidence of defendants’ actual knowledge of their users’ direct infringement. 259 F. Supp. 2d at 1035-36.<sup>8</sup> The district court’s conclusion, however, is not supported by the Supreme Court’s opinion.

In *Sony-Betamax*, the Supreme Court held that contributory liability for the manufacturers of video tape recorders “must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material.” 464 U.S. at 439. Finding “no precedent in the law of copyright for the imposition of vicarious liability on such a theory,”<sup>9</sup> the

---

<sup>8</sup> The *Sony-Betamax* defense applies only to contributory infringement and not to vicarious infringement. See *Napster*, 239 F.3d at 1022 (“[S]taple article of commerce’ analysis has no application to *Napster*’s potential liability for vicarious copyright infringement.”)

<sup>9</sup> When *Sony-Betamax* was decided in 1984, cases had not clearly segregated the theories of vicarious and contributory liability. However, the Court was clearly addressing contributory infringement only. See 464 U.S. at 435 n.17. The Ninth Circuit so observed in *Napster*: “when the *Sony* Court used the  
(footnote continues on next page)

Court looked to patent law as providing the “closest analogy.” *Id.* Upon doing so, the Court determined that the mere sale of a product that has commercially significant substantial noninfringing uses could not result in contributory liability in the circumstances then present. *Id.* at 442.

The court below interpreted this to mean that a defendant must have actual – as opposed to constructive – knowledge of specific acts of infringement to be liable for contributory infringement. 259 F. Supp. 2d at 1036. In *Napster*, however, this Court, after analyzing *Sony-Betamax*, concluded that “plaintiffs would likely prevail in establishing that Napster knew or had reason to know of its users’ infringement of plaintiffs’ copyrights.” 239 F.3d at 1021 (emphasis added).

Even if that were not the case, for several reasons *amici* question the application of the *Sony-Betamax* “staple article of commerce” doctrine – designed to shield otherwise innocent manufacturers of ordinary commercial goods from liability merely because their goods may be used by others to infringe – to this case or others like it. The starkly different facts of *Sony-Betamax*, and the limitations of patent law on which the Supreme Court based its copyright decision, simply do not support the district court’s ruling

---

term ‘vicarious liability,’ it did so broadly and outside of a technical analysis of the doctrine of vicarious copyright infringement.” 239 F.3d at 1022-23.

that defendants can have no liability as a matter of law for contributory copyright infringement.

First, where a defendant intentionally designs its business to depend on the large-scale copyright infringement of others, it would undermine copyright law and policy for the defendant to escape liability merely by pointing to possible commercial uses of its product or service. The staple article of commerce doctrine is intended to “strike a balance between a copyright holder’s legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.” *Sony-Betamax*, 464 U.S. at 442. This balance is inapposite where defendants are not innocents working “in substantially unrelated areas of commerce,” but instead set out to facilitate and promote unlimited copyright infringement.

Recognizing this distinction, the court in *Abdallah*, 948 F. Supp. at 1456, ruled that the protection of *Sony-Betamax* protection could not extend to products specifically manufactured for counterfeiting activity, even if such products have substantial noninfringing uses.” Likewise, in patent law, to which the Court turned in *Sony-Betamax*, liability attaches to conduct *intended* to induce infringement, regardless of whether it involves a “staple

article of commerce” capable of “substantial noninfringing cases.”<sup>10</sup>

Conceding that the defendants had originally intended to become the “next Napster,” the district court should have rejected defendants’ attempt to cloak their conduct with the “staple article of commerce” banner.

Second, the primary (if not overwhelming) use being made of defendants’ networks is to infringe. Instead of accepting unrealized, noninfringing uses for which defendants posited their network was “capable,” the district court should have required defendants to demonstrate some reasonable magnitude of actual noninfringing uses. *See Aimster*, 334 F.3d at 649 (to satisfy *Sony-Betamax*, non-infringing use must be “probable”; when there are infringing and non-infringing uses, “some

---

<sup>10</sup> Instead, Section 271(b) of the Patent Act, 35 U.S.C. §271(b), makes a defendant liable for inducing patent infringement where it intentionally abets another’s infringement. *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990). Acts constituting inducement include conduct much like that of defendants here: designing an infringing item, licensing its use to others, providing instruction on how to use it to infringe, advertising and promotion of infringing capabilities, and repair. *See* D. Chisum, CHISUM ON PATENTS, § 17.04[4] (2003 ed.). Importantly, unlike section 271(c), which the Court employed in *Sony-Betamax*, section 271(b) provides no safe harbor even for a “staple article of commerce” with “substantial noninfringing uses” *See, e.g., Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 413-14 (5th Cir. 1963).



estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement.”).<sup>11</sup>

In this case, the district court never conducted such an analysis. It merely identified the existence of possible noninfringing uses for peer-to-peer systems, 259 F. Supp. 2d at 1035, without regard to the actual uses of defendants’ networks. Instead, the district court improperly absolved the defendants of liability in the face of evidence that the overwhelming use of their systems has been to infringe copyright.

Finally, *Sony-Betamax* should not apply where the infringing activity can be avoided while permitting alleged noninfringing uses to continue. See *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 339 (S.D.N.Y. 1984); cf. *Sony-Betamax*, 464 U.S. at 440-41 & n.21 (finding of contributory

---

<sup>11</sup> The patent law roots of *Sony-Betamax* counsel likewise. The “staple article of commerce” doctrine embodied in section 271(c) “clearly requires a qualitatively significant noninfringing use to be ‘substantial’ before a defendant can be fully absolved from contributory infringement liability. There must [also] be a quantitative element ....” *Pickholtz v. Rainbow Techs., Inc.*, 260 F. Supp. 2d 980, 989 (N.D. Cal. 2003). The Federal Circuit has accepted a “substantial non-infringing use” showing of 40 to 60% as sufficient. *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 674 (Fed. Cir. 1990).

<sup>12</sup> Additionally, operators of online networks customarily have an ongoing relationship with their users through chat rooms, online support, upgrades and the like. Imposing contributory liability in situations “involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred” is “manifestly just.” *Sony-Betamax*, 464 U.S. at 437.

infringement would be “functional equivalent” of completely removing the article from the public). The district court noted that defendants already employ filtering technologies and could upgrade them to curtail unauthorized copying and distribution. 259 F. Supp. 2d at 1045.

4. The policy interests behind contributory infringement do not and should not require the defendant to “act in concert” with the direct infringer.

The district court held that defendants had not provided material contribution to their users’ direct infringements. It framed “the critical question” as “whether [defendants] do anything, aside from distributing software, to actively facilitate – or whether they could do anything to stop – their users’ infringing activity.” *Id.* at 1039.

One might mistakenly assume from the court’s opinion that defendants are mere common carriers, simply delivering “software” from a distributor to an end user. Yet, putting aside any evidence of what defendants do to maintain their networks, assist users, or promote infringement, it appears to *amici* that defendants: (1) designed their software to create a network to make unauthorized copying and distribution of copyrighted works possible; (2) generated advertising revenues from this

conduct;<sup>13</sup> and (3) paid license or development fees to enable their users to continue using that software. *See* 239 F. Supp. 2d at 1043-44, 1046; Appellant's Opening Brief at 16-17, 20. Most importantly, that software created the network on which all of the infringing activity occurred. From a practical and policy perspective, it is hard to imagine *who did more than defendants* to enable the direct infringements at issue.

The district court also erred by focusing on perceived (but legally insignificant) differences between the defendants' systems and Napster. For example, it placed weight on Napster's centralized file index that it found absent from defendants' networks. Although Napster could prevent infringement because it maintained that index, it makes no difference under the law of contributory infringement whether the defendant can control or prevent the direct infringement. As noted above, that is an element of *vicarious* liability. *Napster* simply held that the defendant's operations, which *included* that function, contributed to direct infringements by third parties, not that something similar is *required* to impose contributory liability.

---

<sup>13</sup> This represents an important distinction from *Sony-Betamax*. A software "distributor," like a product manufacturer, earns money by selling its product. Here, defendants derive their income from the network they set up – *i.e.*, the infringement they facilitated – not from the "software" they "distributed."

Defendants knowingly created a system that is functionally indistinguishable from Napster, so their business could accomplish what Napster did. Whatever marginal changes they made to disable themselves from controlling their networks are both irrelevant to a contributory infringement analysis, and telling: they exalt form over substance, and make clear defendants' effort to flout the law. Because they "directly contribute[] to another's infringement," they "should be held accountable." *Fonovisa*, 76 F.3d at 264.

B. The District Court Misunderstood the Control Element of Vicarious Infringement.

Liability for vicarious copyright infringement attaches where a defendant receives a direct financial benefit from infringing activity and has the right or ability to supervise or control it. *Napster*, 239 F.3d at 1023; *Fonovisa*, 76 F.3d at 262; *Shapiro*, 316 F.2d at 307; *Polygram*, 855 F. Supp. at 1324-25. Defendants fit that standard. They reaped benefits from users' infringements, as the district court correctly found. 259 F. Supp. 2d at 1043-44. The court erred, though, in ruling that defendants lacked the right to either supervise or control those infringements.

The district court based its decision on defendants' assertion that their software lacked features that would enable them to shut down their

networks, and viewed as “immaterial” the evidence that they could install filters to block the copying and distribution of infringing files. *Id.* at 1045.

The law of vicarious infringement never has required that there be the ability to completely eliminate infringement. *See, e.g., A&M Records Inc. v. Napster*, 284 F.3d 1091, 1098 (9th Cir. 2002) (Napster must do everything that is “feasible”). Nor can liability be evaded by the expedient of failing or refusing to exercise the ability to supervise or control. *Napster*, 239 F.3d at 1023 (“[t]urning a blind eye to detectable acts of infringement for the sake of profit gives rise to [vicarious] liability”); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 46, 1173 (C.D. Cal. 2002). Rather, this Court’s precedents, as well as the opinions of other courts applying the doctrine of vicarious liability, envision control being exercised in numerous legal or practical ways. *Fonovisa*, 76 F.3d at 262 (defendant’s right to terminate vendors, promotion of swap meet and control of customer access); *Gershwin*, 443 F.2d at 1161-63 (organization of “community concert associations” and promotion of their events); *Polygram*, 855 F. Supp at 1328 (organizing trade show and ability to supervise or control playing of copyrighted music by exhibitors). The Internet may allow means of supervision or control that did not exist in dancehalls, such as the filtering or blocking technologies the district court deemed “immaterial.” However, it

has not changed the legal definition of that ability or the requirement that it must be exercised “to the fullest extent.”

### III. CONCLUSION

*Amici* law professors respectfully urge this Court to reverse the decision below. Defendants appear quite clearly to have designed an online network dependent for its viability on widespread copyright infringement, but deliberately and artificially purported to remove themselves from the illegal activity that they knew and intended would occur. The well-developed law and policy of the doctrines of contributory and vicarious liability do not countenance such conduct, and courts have the power to correct it. This Court should hold these defendants subject to liability for the countless, unrestrained acts of direct infringement that they knowingly caused and from which they have benefited handsomely.

DATED: August 25, 2003

Respectfully submitted,  
PAUL, HASTINGS, JANOFSKY &  
WALKER LLP

By: \_\_\_\_\_

  
John M. Ganga

Attorneys for *Amici Curiae*  
NEIL BOORSTYN, JAY DOUGHERTY,  
JAMES GIBSON, ROBERT GORMAN,  
HUGH HANSEN, DOUGLAS  
LICHTMAN, ROGER MILGRIM,  
ARTHUR MILLER and ERIC  
SCHWARTZ

-28-

LA/930696.1

**"FORM 6" CERTIFICATE OF COMPLIANCE WITH F.R.A.P. 32(a)**  
**AND CIR. R. 32-1, MADE APPLICABLE TO AMICUS BRIEFS**

**BY F.R.A.P. 29(c) AND (d).**

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B), made applicable to amicus briefs, as modified, by Fed. R. App. P. 29(d), because this brief contains 6,844 words (according to the word processing software program used to prepare the brief), excluding the parts of the brief excluded by Fed. R. App. P. 32(a)(7)(B)(iii).

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6), made applicable to amicus briefs by Fed. R. App. P. 29(c), because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2000 (version 9.0.4402 SR-1) in 14-point Times New Roman font.

DATED: August 25, 2003

PAUL, HASTINGS, JANOFSKY &  
WALKER LLP

By: \_\_\_\_\_



John M. Genga

Attorneys for *Amici Curiae*  
NEIL BOORSTYN, JAY DOUGHERTY,  
JAMES GIBSON, ROBERT GORMAN,  
HUGH HANSEN, DOUGLAS  
LICHTMAN, ROGER MILGRIM,  
ARTHUR MILLER and ERIC  
SCHWARTZ