Inducement as Contributory Copyright Infringement: Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.

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I. Introduction

Until fairly recently, the mass distribution of sound and video recordings has proceeded unimpeded by parallel developments in the ability to make inexpensive (and unauthorized) copies of that content. Before the digital age, copying (such as the use of a cassette recorder to make copies of music played over the radio) posed little threat to the market for such recordings because those copies were highly imperfect, took considerable time to create,


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and were difficult to distribute widely without great effort. As a result, such copying was, at least implicitly, treated as fair use and in many cases should have been seen as unobjectionable in any event. With the prevalence of media in digital form, and the adoption of broadband technologies that enable communications over the internet in fractions of a second, the impact on distribution from copying has ceased to be a latent concern. Because copies of digital content are virtually indistinguishable from the original, and distribution can take place both broadly and quickly, content owners now have a more robust—although as yet unproven—claim that such distribution will harm traditional markets and distribution models for creative content and therefore cannot be seen as fair use. ¹

Even where copying is unlawful, however, that should not necessarily mean that the distributors of the technology used to engage in such copying should also be liable for infringement. When a copy of protected content is made, some device, software, or other product must be used in the endeavor, whether a cassette recorder, a video tape recorder, or software that enables digital copies. Despite the fact that these technologies are generally agnostic as to the particular nature of their use, content owners have pursued not only wrongful end users for their infringing activities but also the intermediaries who, content owners claim, contribute to and profit from end user infringement by distributing such technologies. Chief among these efforts was litigation brought by the Recording Industry Association of America (RIAA) and others against Napster, a service that enabled end users to locate files and download them from other users across the internet. In a suit that culminated in an appeal before the U.S. Court of Appeals for the Ninth Circuit, Napster was found to be subject to both contributory and vicarious liability for its users' copyright infringement, resulting primarily from the structure of the Napster system, which routed all search queries through a central server maintained and controlled by Napster. ² It was this centralization that led the appeals court to conclude that Napster knowingly contributed to infringement and financially benefited from an activity within its control. ³ As a result, Napster was required, in response to notice from the content owners, to remove access to infringing content listed on its servers or face liability, a task that ultimately ended the service as it then existed. ⁴

The next generation of internet file exchange networks differs in one significant respect from Napster. Rather than relying on a central search index stored on a server controlled by a single entity, the software creating these networks facilitates searches among the computers participating in the network at a particular time, distributing search requests along the transient network until the requested file is found, then enabling a direct link between

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¹ Indeed, it may well be the case that such distribution creates new markets for content by introducing consumers to content with which they were previously unfamiliar.


³ Id. at 1022, 1024.

⁴ See A&M Records, Inc. v. Napster, Inc., 284 F.3d 1091 (9th Cir. 2002).
the requesting computer and the source computer to transmit the file. (These types of networks are typically referred to as “peer-to-peer” (or “P2P”) networks because the exchange takes place directly between two computers at the same organizational level of the network, functioning as both clients and servers (“peers”).)

From a user’s perspective, a peer-to-peer network yields potentially quicker searches and access to a wider array of sources than are available through a Napster-type service (albeit with the concomitant risk of decreased quality control). Because distribution over a peer-to-peer network does not rely on each search request’s passing through a central computer server, there is less of a risk of the network’s failing entirely when one computer fails. From the content provider’s perspective, however, such networks are moving litigation targets because no one entity controls the flow of traffic over the network. The more stable targets, in the content providers’ view, are the distributors of the software that enabled the networks to form, even though the software itself is not designed to distribute any particular type of file. The question for the courts in the case brought against some of those distributors, Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., was whether the distributors maintained a sufficient level of involvement with the infringing activity that took place using their software post-distribution to be deemed liable for that infringement. The case was ultimately heard by the U.S. Supreme Court, which issued its opinion in June 2005. As with the lower courts before it, the Court’s challenge was to provide an answer to this question that remained faithful to the central goal of copyright law: providing copyright protection sufficient to encourage production of creative works without stifling the development of technology.

II. Contributory Copyright Infringement

U.S. copyright laws give the author of a work a number of exclusive rights; those rights allow the copyright owner to exploit the work in certain ways for a limited time period and to bring suit against those who violate those rights. But it has long been the case that it is not solely the direct infringer

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5 Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2770 (2005); see this issue of IIC at 124. Of course, it is the very lack of centralization that leads to a lack of control over network resources, Id. n.1.


7 Although the content owners sought to hold the software distributors liable both on a theory of contributory copyright infringement and on a theory of vicarious copyright infringement, the U.S. Supreme Court’s decision focused only on contributory infringement. Grokster, 125 S. Ct. at 2776.

8 125 S. Ct. 2764 (2005).

9 See, e.g., 17 U.S.C. § 102 (subject matter of copyright); id. § 106 (exclusive rights of copyright owner); id. § 302 (duration of copyright for works created on or after January 1, 1978); id. § 501 (infringement of copyright). But see 17 U.S.C. § 107 (fair use limitations on exclusive rights).
who is liable for copyright infringement. As in the common law, those who knowingly contribute to another’s copyright infringement can also be held liable for the underlying acts.

The doctrine of contributory copyright infringement was articulated in *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, in which the U.S. Court of Appeals for the Second Circuit set forth a now often cited statement defining when one party can be held liable for contributing to the copyright infringement of another: when the defendant “induces, causes or materially contributes to the infringing conduct” with “knowledge of the infringing activity.” Such conduct generally takes two forms: either personal conduct that furthers the infringement or contribution of the means of infringement. In *Gershwin*, an artist management agency was held to be contributorily liable for infringement caused by the unauthorized performance of copyrighted songs in community concerts it was largely responsible for organizing. Although the agency knew which songs would be performed in advance of the concerts, it made no effort to obtain copyright clearance.

Similarly, in *Fonovisa, Inc. v. Cherry Auction, Inc.*, the owners of a swap meet were held liable for the infringing records sold at many of its booths where the owners had been informed of the infringing activity and continued to provide the support services that allowed the swap meet to operate.

These cases did not answer the question of whether the provider of a product or service that contributed to copyright infringement in some, but not substantially all, instances (or only in connection with some uses) would also be subject to liability. The U.S. Supreme Court gave at least a partial answer to this question in *Sony Corp. of America v. Universal City Studios.* *Sony* involved a contributory copyright infringement suit brought by the owners of the copyright in certain television programs against the manufacturer of video tape recorders. Purchasers of these recorders were engaged in both infringing uses (taping programs to create a personal “library” for home use) and noninfringing uses (“time-shifting” programs by taping them to watch later). Given that the majority concluded that *Sony* did not actively encourage buyers to engage in copyright infringement by, for example, including recommendations to that effect in its advertising or in its instruction manual (although the dissenting justices took some issue with this conclusion), the question before the Court was whether the mere sale of video tape recorders to the general public was a knowing, material contribution to copyright infringement that could give rise to liability. *Sony* knew, the Court con-

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10 443 F.2d 1159 (2d Cir. 1971).
11 Id. at 1162 (footnote omitted).
13 *Gershwin*, 443 F.2d at 1163.
14 76 F.3d 259 (9th Cir. 1996).
15 Id. at 264.
17 Id. at 459 (Blackmun, J., dissenting).
cluded, that some of its customers were using its recorders to make unauthorized copies of copyrighted material, even though not all of the uses constituted copyright infringement and even though it did not have actual knowledge of which consumers were engaged in lawful uses and which were not.

The Court recognized that if it deemed Sony to have the requisite level of knowledge for liability based simply on constructive knowledge – in other words, based on the fact that Sony could assume some of its customers were using the recorder to make copies of protected material – the sale of any technology that had both legal and illegal uses would be highly restricted. The photocopier, the camera, and the computer, to take three examples, would fail under such a standard. As the Court put it, when “a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe . . ., the public interest in access to that article of commerce is necessarily implicated.” 18 If Sony had been liable for the mere act of distributing video tape recorders because some customers used them to engage in infringement, distribution would almost certainly have ceased entirely, thus ending even lawful uses outside the scope of the exclusive rights of the content owners. Thus, the Court held that “the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is . . . capable of substantial noninfringing uses” (or, as the Court also put it, “commercially significant noninfringing uses”). 19 The sale of video tape recorders could continue unimpeded by copyright law. 20

Under the Sony standard, the “material contribution plus knowledge of the infringing activity” basis of contributory liability cannot be satisfied by the mere sale or distribution of a product or technology used by some customers for infringement with the constructive knowledge that infringing activity is taking place. The standard embodies two important limitations on liability. First, it recognizes the difference between knowledge acquired before the product is distributed and knowledge acquired afterward. The theory behind this standard is that if the product has only infringing uses (or trivial noninfringing ones), then the defendant can be charged with knowledge of the later uses to which its customers will put the product – because all of them are infringing, the defendant knows at the time he distributes the product that he is contributing to copyright infringement. But if the product is capable of substantial noninfringing uses, then the defendant cannot be

18 Id. at 440.
19 Id. at 442. The standard was based on the “staple article of commerce” theory from patent law, pursuant to which the sale of a “staple article or commodity of commerce suitable for substantial noninfringing use” is not contributory patent infringement. See id. at 440; 35 U.S.C. § 271(c).
20 Indeed, the conventional wisdom holds that this was a beneficial loss for the movie-studio plaintiffs, who then were able to take advantage of the market for video tape rentals that later developed.
charged with constructive knowledge of the subsequent uses. Even if the defendant knows that some customers will engage in such uses post-sale, it cannot easily change its activity at the time of the sale to ferret out those uses. And even if the defendant were later to receive information that would enable it easily to distinguish infringing from noninfringing uses, the information would be ineffective because there would be nothing at that point that the defendant could do—the item having already been sold, the defendant cannot retract its contribution to the infringement. In short, the Sony standard recognizes that when the contribution and the knowledge occur at different times, liability is unwarranted.

The second limitation implied in the Sony standard is shown by the Court’s emphasis on the uses that are possible given the product’s design (i.e., “capable of substantial noninfringing uses”), rather than the uses that the plaintiff claims currently exist. In other words, even if most users currently are using a particular technology for infringing uses, there may be other, noninfringing uses for the technology in the future that warrant a finding of no liability today. Thus, in the Sony case, the Court found that even though the amount of noninfringing use of video tape recorders may have been as low as 9 percent at the time of the litigation, that amount demonstrated the product’s ability to be used lawfully. This second limitation allows beneficial technology to develop unhindered by the nature of its initial uses, thereby freeing inventors from the fear that their legal fortunes rise or fall with the intent of early adopters. Notably, the Sony Court did not involve itself in the technology’s design. It did not, for example, consider whether the video tape recorder could have eliminated or modified its recording capabilities in order to reduce the amount of infringing uses. Rather, it assessed the capability of the design as it then existed in the market.

Taken together, these two limitations serve to allow new technology the breathing room necessary for development. The standard conditions liability on the developer’s knowing provision of technology designed for infringement, not the provision of technology designed for copying. The video tape recorder, the cassette recorder, the photocopier, and the computer all easily survive such a standard, as they should.

The Sony standard was at the core of the 2001 case of A&M Records, Inc. v. Napster, Inc. Napster provided a service by which users could trade electronic files over the internet. Users registered with the service and uploaded to Napster’s servers the titles of the files they would make available to share (but not the files themselves). Napster maintained these file titles in a central index; when an end user wanted to locate music, he would use Napster’s

21 See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2788 (2005) (Breyer, J., concurring). The lawful uses consisted of private, noncommercial time-shifting in the home (taping programs to view later), which was authorized by some copyright holders and constituted fair use in any event.
22 239 F.3d 1004 (9th Cir. 2001).
software to search a subset of this central index representing the files available from users currently online. If he found a match, Napster’s servers would send the IP address of the user with the desired file; a direct IP connection between the two users would transmit a copy of the file from one to the other (“peer-to-peer file sharing”). Because the index was the only way to locate files, and because the index was maintained on Napster’s servers, Napster was an integral part of the file transfers. If Napster shut down, the ability to locate files, and thus the ability to transfer them electronically, would go with it.23

The U.S. Court of Appeals for the Ninth Circuit found not only that Napster met the material contribution part of the analysis but also that it satisfied the knowledge requirement.24 In reaching this conclusion, the Ninth Circuit emphasized that it was clearly distinguishing “the architecture of the Napster system,” which by itself could not provide a basis for liability, from “Napster’s conduct in relation to the operational capacity of the system.”25 Thus, following Sony, the Ninth Circuit held that Napster did not have the requisite level of knowledge merely from the constructive knowledge that “peer-to-peer file sharing technology may be used to infringe plaintiffs’ copyrights,”26 given that the technology was capable of substantial noninfringing uses (trading noncopyrighted documents, or documents where trading is authorized, such as the use of the technology among various offices in a company). However, the Ninth Circuit concluded that Napster had actual knowledge of the infringing conduct as a result of notices from the RIAA of infringing material being traded using the Napster search index,27 and that Napster’s continued participation in that infringement – in other words, its failure to remove those song titles from the index – was a knowing, material contribution to any future acts of infringement.28 In each such case, therefore, Napster was (in the court’s view) knowingly providing technology for the purpose of infringement.

The U.S. Court of Appeals for the Seventh Circuit took a different approach to the constructive knowledge issue in a case called In re Aimster Copyright Litigation.29 Rather than simply concluding that the service at issue (a file-trading service that piggybacked on a popular instant messaging service) had substantial noninfringing uses, the court conducted a cost-benefit analysis that aimed to determine an “estimate of the respective magnitudes of these uses.”30 It is not enough, the Seventh Circuit concluded, that the system at issue be theoretically capable of noninfringing uses, since only a failure of
post-hoc litigation creativity would defeat the operator of such a system. Rather, the court noted, the focus should be on whether those uses are both likely and cost-justified; in other words, "if the infringing uses are substantial, then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses." The Seventh Circuit thus indicated a willingness to become involved in technology design that was absent from both the Sony and the Napster decisions.

It was against this backdrop of cases that the U.S. Supreme Court considered the technology at issue in Grokster.

III. Background of the Case

Grokster began when a number of motion picture studios, recording companies, songwriters, and music publishers (referred to collectively here with the name of the lead plaintiff, Metro-Goldwyn-Mayer Studios Inc. (MGM)), brought suit against three defendants: StreamCast Networks, Inc., Grokster, Ltd., and Kazaa BV. All three defendants, at the time the complaint was filed, distributed peer-to-peer software free of charge via download to end users. The software, once launched from the end user's computer, connected to other online users employing the same technology and enabled the end user to share certain designated files on his computer with those other users, creating, in effect, a network of users. Although many of the files shared were likely to be music files, the technology did not differentiate among the types of files transmitted and could be used to share text documents, video files, or software applications.

The technology also provided a way for users to search for a particular file within the network of users who were currently online – for example, by name or by file type. A user could then initiate a direct connection between his computer and the computer on which the desired file was stored that would transfer a copy of that file to his computer. Significantly, neither the search nor the file transfer involved use of the defendants' computer servers; once the end user had downloaded the requisite software, the defendants' participation was no longer required.

31 Id. at 653.
32 Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1032 (C.D. Cal. 2003), aff'd, 380 F.3d 1154 (9th Cir. 2004), vacated, 125 S. Ct. 2764 (2005). Initially, the software distributed by the three defendants, although distributed under different brands, consisted of the same technology (called "FastTrack"), which the defendants obtained via license from its developer. StreamCast then moved to using nonproprietary peer-to-peer technology (termed "Gnutella") under a separate brand. After the case was filed, Sharmant Networks took over the distribution from Kazaa BV, which defaulted in the case. Id.
33 Id.
34 Id.
MGM argued that the defendants were liable both for contributory copyright infringement and for vicarious copyright infringement. After discovery developed the facts related above, both parties moved for summary judgment, thus leaving the only issue before the court one of law: whether the defendants' conduct gave rise to liability for copyright infringement. The district court found, with little discussion, that many users of the software were engaged in direct copyright infringement by downloading works to which MGM held the copyright. It then concluded, however, that because "substantial non-infringing uses" for the software existed (the current and future distribution of, for example, noncopyrighted works or other works for which the copyright owner authorized distribution), constructive knowledge of end users' infringement alone could not provide a basis for liability. Moreover, because the defendants did not have actual knowledge of the end users' copyright infringement at a time when they could take action based upon that knowledge (for example, by withholding further assistance to such infringers), the defendants could not be contributorily liable for their end users' infringement. Similarly, the district court found that, although the defendants derived a financial benefit from the users' infringing activities (in that an increased user base increased the defendants' advertising revenue), the defendants did not maintain a system that allowed them to monitor and control the network and so could not be held vicariously liable for end users' copyright infringement. Accordingly, the district court granted the defendants' motion for summary judgment, and, on appeal, the U.S. Court of Appeals for the Ninth Circuit affirmed, concluding that the technology at issue "has numerous other uses [besides infringement], significantly reducing the distribution costs of public domain and permissively shared art and speech, as well as reducing the centralized control of that distribution." The U.S. Supreme Court agreed to review the Ninth Circuit's decision on December 10, 2004.

IV. The Decision in the U.S. Supreme Court

Before the Court released its opinion in the case, the conventional wisdom was that the case turned on whether the technology at issue was more like
the video tape recorder – a technology ignorant of the uses to which it would eventually be put – or more like Napster – a service run by a company that had actual knowledge about the unlawful activities of its customers. Indeed, it might have been the case that much of the decision would turn on whether the Court viewed the defendants’ technology as software over which the defendants had little post-sale control (as did the Ninth Circuit) or as a service that allowed continuing contact with customers.42 Had this been the analytical conceit, the decision that the defendants’ offering constituted software would, one might expect, have led the Court to an analysis of whether that product was capable of “significant noninfringing uses” such that mere constructive knowledge of unlawful activity would be insufficient to result in liability.

The focus of the Court’s opinion, however, was on a variant of contributorily infringing activity noted in the Gershwin standard but ignored in the Ninth Circuit’s opinion: inducement of infringement. By focusing on the defendants’ behavior rather than on the nature of the technology, this approach found support from all nine members of the Court. In an opinion by Justice Souter, the Court vacated the Ninth Circuit’s opinion affirming the grant of summary judgment in favor of the defendants and remanded for reconsideration of MGM’s own motion for summary judgment. Although prognosticators had expected Grokster to turn on an interpretation of Sony, the Court put that question to one side, noting that Sony was of little value because the Court was focusing here on the defendants’ activity in inducing infringement, and there was “no evidence of stated or indicated intent to promote infringing uses” on Sony’s part.43 In other words, given the difference in their facts, Sony did not have to reach the issue of inducement, and Grokster did not have to reach the issues of knowledge and material contribution.

The Court concluded, therefore, that the Ninth Circuit’s analysis had gone astray because the Ninth Circuit had interpreted Sony as having reached, and eliminated, this additional basis of liability. In the Court’s view, the Ninth Circuit had inaccurately construed Sony to mean that “whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties’ infringing use of it” even when “an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product.”44 This was not an entirely accurate

42 Although, as the Seventh Circuit noted in Aimster, denominated an offering as a “service” is not dispositive of the liability question, Aimster, 334 F.3d at 648, the defendant’s degree of control over future uses underlies the “material contribution” prong of the standard.

43 Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2777 (2005). This conclusion is somewhat debatable given that, as Justice Blackmun noted in dissent, Sony’s promotional materials did encourage users to use their video tape recorders to “record favorite shows” or “build a library.” Sony, 464 U.S. at 459 (Blackmun, J., dissenting). The Grokster Court concluded that neither of these uses was necessarily infringing.” Grokster, 125 S. Ct. at 2777.

44 Grokster, 125 S. Ct. at 2778.
description of the Ninth Circuit's opinion, which misguidedely ignored, rather than eliminated, the inducement aspect of Gershwin's formulation. But by resurrecting the inducement theory of secondary liability, and thus targeting the defendants' particular activities apart from the mere distribution of technology, the Court successfully avoided the conceptual conflation that lurked at the heart of the case: the failure to distinguish between peer-to-peer technology generally (which almost certainly could not have been held to be unlawful) and any entity's particular use or distribution of such technology (the lawfulness of which would be an inherently fact-bound determination). Because the Ninth Circuit had not focused on other theories of secondary liability apart from the distribution of a particular product design with knowledge of its possible infringing uses, the Supreme Court was free to leave any further consideration of the Sony standard—such as how substantial noninfringing uses must be before they qualify—for another day.

Accordingly, although the notion of inducement as a basis for contributory copyright infringement already existed in the common law, the Court set forth the principle specifically: "[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties."^{45} With the question posed as "Did these defendants induce copyright infringement by end users in ways other than simply distributing the technology?" the question became easy for the Court to answer. Indeed, "the classic case" of contributory infringement, the Court noted, occurs when one induces, entices, or persuades another to commit infringement (for example, in advertising or instruction manuals).^{46}

In this case, the Court concluded, there was considerable evidence of intent to induce copyright infringement. The Court was willing to accept from the evidence in the record that "the vast majority of users' downloads are acts of infringement" and that "the probable scope of copyright infringement is staggering."^{47} The key fact was that, in the Court's view, the defendants were not "merely passive recipients of information [from the plaintiffs] about [such] infringing use."^{48} Rather, the Court noted, there was abundant evidence that both defendants, from the first moment of distribution, "clearly voiced the objective that recipients use it to download copyrighted works, and each took active steps to encourage infringement."^{49} Such evidence, in the Court's view, was of three types. First, the defendants attempted to capture the user market left when Napster ceased operations, such as by creating Napster-compatible software to harvest e-mail addresses of likely users of peer-to-peer networking software; using metatags reading "Napster" and "free filesharing" in their websites to attract users inputting those terms

\[\text{45 Id. at 2780.}\]
\[\text{46 Id. at 2779.}\]
\[\text{47 Id. at 2772.}\]
\[\text{48 Id.}\]
\[\text{49 Id.}\]
into search engines; creating promotional materials that referenced particular copyrighted material (such as “Top 40 music”) that would be available via the network; and — in Grokster’s case — choosing a name that was “an apparent derivative of Napster.” Second, the defendants’ business models, which depended on advertising revenue for viability, anticipated an increasing user base, which in turn depended on “free access to copyrighted work.” And, finally, the defendants took no action to filter or otherwise restrict access to copyrighted works via the network.

What this meant for the defendants at the time was clear from the Court’s opinion. (As a procedural matter, the case was remanded either for trial or for a consideration of MGM’s motion for summary judgment; Grokster settled in November 2005, but Streamcast is, as of this writing, still a party to the litigation.) What this means for developers of technology in the future is less clear. The Court offered some examples of acts on the outer boundaries of its declared standard: “mere knowledge of infringing potential or of actual infringing uses” is insufficient, as are, standing alone, “ordinary acts incident to product distribution, such as offering customers technical support or product updates.” To the contrary, the Court reassured, only “purposeful, culpable expression and conduct” would suffice, leaving further elaboration of this test to future cases and future courts. Thus, it is uncertain, for example, to what extent a competitor marketing in the same general field of commerce as an infringer can attempt to attract that infringer’s customers without being seen as inducing those customers to infringe. (It might be possible, for example, that a competitor seeks to draw such customers by offering them a legitimate product.) Similarly, the Court’s focus on the defendants’ failure to develop means to filter or otherwise restrict infringing activity on the network seems to embed the Court in questions of product design that not only are unwise from an institutional competence standpoint but also seem to run afoul of the standard stated in Sony and reaffirmed in Grokster: that design alone is not a basis of liability unless there can be no other purpose for the design but infringement. Indeed, in a footnote that is likely to be the focus of future litigation, the Court noted:

Of course, in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses. Such a holding would tread too close to the Sony safe harbor.

50 Id. at 2773–74; see also id. at 2781 (“Grokster and StreamCast’s efforts to supply services to former Napster users, deprived of a mechanism to copy and distribute what were overwhelmingly infringing files, indicate a principal, if not exclusive, intent on the part of each to bring about infringement.”).

51 Id. at 2774.

52 Id.

53 Id. at 2780.

54 Id.

55 Id. at 2781 n.12.
And finally, it seems overly broad to suggest that a service that depends wholly on advertising revenue for its support can thereby be seen as encouraging infringement rather than simply hoping for an expanded user base. To say that desire for an expanded user base is proof that infringing activity is intended is to put the cart before the horse.

Of course, the Court was not considering any of these activities on their own, and this is what makes it difficult to gain guidance from the opinion as to what other collections of activities risk liability for copyright infringement. Indeed, one might argue that Sony met each of these elements with regard to the video tape recorder: the advertising materials encouraged users to “build a library” (although the Sony Court was able to minimize this fact by noting that not all uses of the video tape recorder were infringing); there was no evidence that Sony had taken any action to limit the infringing potential of the video tape recorder (by, for example, enabling the product only to play and not to record); and there was no suggestion that Sony did not desire a broad user base for its product that depended, at least in part, on the ability to record copyrighted content. In addition, none of the three types of evidence identified by the Court necessarily requires any communication whatsoever with end users, suggesting that mere intent to induce could be sufficient. Finally, it seems that the Court was influenced to some degree by the size of the problem in this case and not merely by satisfaction of an existing standard. Although the Court acknowledged the need to balance copyright protection with the development of technology, it also acknowledged a strong pull toward liability in this case given the scope of infringement and the difficulties in effective enforcement given the size of the user base. Thus, a collection of bad facts may well have resulted in rather opaque law.

Two concurrences, one authored by Justice Ginsburg and one by Justice Breyer, offered opposite views on the question the majority opinion did not address: how the Sony issue should be resolved. Justice Ginsburg (joined by Chief Justice Rehnquist and Justice Kennedy) concluded, based on the record, that the use of the defendants’ software for infringement was “overwhelming” and that there was insufficient evidence to demonstrate, “beyond genuine debate, a reasonable prospect that substantial or commercially significant noninfringing uses were likely to develop over time” – an echo of the Seventh Circuit’s analysis in Aimster. Justice Breyer, by contrast (joined by Justice Stevens and Justice O’Connor), noted that the evidence before the lower court indicated that approximately 10 percent of files traded on Grokster’s network were noninfringing, a figure that qualified as “substantial

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56 See, e.g., id. at 2784 (Ginsburg, J., concurring) (describing the Sony Court’s conclusion that “private noncommercial time-shifting of television programs in the home” was either authorized or legitimate fair use).
57 Id. at 2776.
58 Id. at 2786 (Ginsburg, J., concurring).
59 Id. (Ginsburg, J., concurring).
noninfringing use” in Sony. Justice Breyer also noted the Sony standard’s emphasis on whether the product is “capable of” substantial noninfringing uses and suggested that while a 10 percent figure would not qualify as substantial if maintained over a period of years, it might serve as a baseline from which reasonably anticipated noninfringing uses could develop.

Of the two, Justice Breyer’s concurrence is more faithful to the values underlying Sony. By phrasing the Sony question as whether the defendants’ software products were capable of substantial noninfringing uses, Justice Ginsburg merged the product with the particular use of the product. The point of Sony, however, is that the two are separate. Distribution of peer-to-peer technology generally cannot form the basis of secondary liability, just as the distribution of e-mail technology, instant messaging technology, the photocopier, and the video tape recorder cannot, even though all are technologies that permit end users to commit some—and perhaps a significant amount of—copyright infringement. Justice Breyer recognized this when he noted that the record showed “a significant future market for noninfringing uses of Grokster-type peer-to-peer software.” Indeed, he noted, quite rightly, that the standard in Sony “seeks to protect not the Groksters of this world... but the development of technology more generally. And Grokster’s desires in this respect are beside the point.” Maintaining this distinction is crucial to enabling the Sony standard to strike the right balance between copyright protection and technology development, providing clear guidance to developers, reducing uncertainty, and looking toward the future, rather than relying on a “static snapshot of a product’s current uses.”

Justice Ginsburg, by contrast, muddied the conceptual waters when she faulted the lower courts for not “sharply distinguish[ing] between uses of Grokster’s and StreamCast’s software products (which this case is about) and uses of peer-to-peer technology generally (which this case is not about).” While this is true insofar as the failure to make this distinction led the lower courts to ignore an inducement-based theory of contributory copyright infringement, it is not clear how this statement can be reconciled with Justice Ginsburg’s earlier statement that there was insufficient evidence to demonstrate that commercially significant noninfringing uses would develop over time, a conclusion that is erroneous given the record with respect to peer-to-peer technology generally. If, in her view, “Grokster’s and StreamCast’s software products” are something different from “peer-to-peer tech-

60 Id. at 2788-89 (Breyer, J., concurring).
61 Id. at 2789 (Breyer, J., concurring) (listing development of many noninfringing uses, such as exchange of research information, photos, and “shareware”).
62 Id. (Breyer, J., concurring) (emphasis added). Similarly, Justice Breyer referred to the focus of the case as “[s]ervices like Grokster.” Id. at 2794 (Breyer, J., concurring) (emphasis added).
63 Id. at 2790 (Breyer, J., concurring).
64 Id. at 2791-92 (Breyer, J., concurring).
65 Id. at 2786 (Ginsburg, J., concurring).
nology generally," and if there is not any significant technological difference between the technology the defendants offered and other types of peer-to-peer technology, then what are "Grokster's and StreamCast's software products"? Justice Ginsburg's exhortation suggests two possibilities: "Grokster's and StreamCast's software products" are defined as peer-to-peer technology at a particular point in time (such that the product is unlawful now given the kinds of use but may not be later if the percentage of lawful uses grows), or peer-to-peer technology promoted in a particular way. Because the latter was the basis for the Court's inducement theory, Justice Ginsburg seems to suggest that - for purposes of the Sony standard - "Grokster's and StreamCast's software products" are the former. But if whether the technology is lawful or unlawful is based on the kinds and numbers of uses as of the time of the litigation (and not on future use), then Sony's focus on potential uses has vanished, leaving in its place a requirement that early innovators are subject to liability, while later distributors of the same technology (assuming any exist) can benefit from the variety of uses that have appeared over time. This is not what the Court in Sony intended.

V. Conclusion

What guidance can technology developers take from the Grokster decision? The answer is not at all clear. While the decision might suggest that avoiding future enforcement efforts is as simple as limiting the claims made in one's marketing materials or by one's customer service representatives and refraining from activities designed to expand one's user base, this is unlikely to prove to be useful advice. As a matter of pure corporate governance, there will almost certainly be times when the exuberance of marketing teams or other customer contacts will outpace the restraint urged by legal counsel; even when developers are cautious, the opinion offers little in the way of particulars as to what other types of activity might constitute inducement. Relatedly, an instruction to eliminate any statements from marketing materials and instruction manuals that might be construed as encouraging users to make copies of protected content might thwart legitimate and truthful descriptions of technology that would seem to meet the Sony standard, such as photocopiers and digital cameras.

In addition, the dueling concurrences, each of which garnered three votes, leaves the question of the future application of the Sony standard entirely open. 66 While the Supreme Court vacated the decision of the Ninth Circuit, it did not offer a direct rebuke to the circuit court's reading of the knowledge requirement of the Sony standard, instead noting that the Ninth Circuit focused on Sony to the exclusion of the traditional inducement theory of contributory infringement. Thus, the question of how much of a technology's use must be noninfringing to qualify, and at what point in time, remains unanswered.

66 This is particularly true in light of the subsequent death of Justice Rehnquist (who joined Justice Ginsburg's concurrence) and retirement of Justice O'Connor (who joined Justice Breyer's concurrence).
As Grokster begins to be applied in the lower courts, what will emerge will be a series of highly fact-dependent rulings that— one hopes— will outline the contours of what activity constitutes inducement. In the only copyright infringement opinion to have been issued by a federal district court since Grokster, as of this writing, the court found, after a full bench trial, that no indicia of inducement on the part of the defendant were present.\textsuperscript{67} As for the parties to Grokster, while the case was a loss for the defendants, it was equally a loss for the copyright owners, who are now faced with a series of fact-specific actions against an endless stream of software developers. The real question— how Sony should be adapted for the digital age— will have to wait for another year.

\textsuperscript{67} Monotype Imaging, Inc. v. Bitstream Inc., 376 F. Supp. 2d 877 (N.D. Ill. 2005) (no liability where defendant did not target audience seeking copyrighted material; took steps to avoid infringement; and did not have business model predicated on infringement). In MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369 (2005), the U.S. Court of Appeals for the Federal Circuit cited Grokster as authority in determining whether inducement of patent infringement had occurred. \textit{Id.} at 1379-80.

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