

Copyright and the Internet

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Copyright confers upon its owner the exclusive right to copy. The internet confers upon its many users the ability to quickly and easily provide copies to any other user, although that user may be a complete stranger and located anywhere in the world. Therein lies a conflict.

The drafters of the 1976 Copyright Act did not anticipate the internet. They did, however, anticipate new technologies. They knew that the history of the copyright statute was a history of adaptation to new technologies. As each new technology of reproduction became available, it raised issues for copyright. The printing press. The gramophone. The movie. Television. Cable television. Because copyright laws had been drafted to address specific technologies, each new technology required legislative action. In every case the new technology of reproduction was followed with some delay with copyright to enable creators to control the subsequent distribution of their work. But because that legislative action often came only after the new technology was well developed, the legislative response was affected in idiosyncratic ways in response to the expectations that had built up in the period before the statute was extended to the new technology.

The drafters attempted to address this phenomenon by drafting the statute in a technology neutral way. They defined a copy as “material objects . . . in which a work is fixed by any method now known *or later developed*, and from which the work can be perceived, reproduced,

or otherwise communicated, either directly or with the aid of a machine or device”,¹ and made the exclusive right to copy protean.

The internet is the first significant new copying technology to arise under this post-1978 copyright regime. Congress did not have to make a decision to extend copyright to the internet. The internet was covered from the beginning, literally by definition. That is why copying copyrighted material on the internet is infringement, and illegal. For the first time in the history of copyright, owners and producers of copyrighted material did not have to persuade Congress to extend the statute, rather those who wish to use the internet to copy copyrighted works have to either persuade Congress to limit the statute or simply ignore it.

At the moment millions are ignoring it, copying music and increasingly movies across the internet without the consent of the copyright owner. The owners of copyrights in music and films whose businesses are based on selling or licensing copies of their works to the public think for perfectly plausible reasons that they are financially harmed by this free competition. They want to stop it.

Whether or not they can, the internet has had and will continue to have powerful cultural consequences that have no relationship to the enforceability of copyright on the internet. Newspapers now face competition from websites and blogs as sources of news.² Newspapers and other advertising-dependent media such as broadcast radio and TV now face competition for

¹ 17 U.S.C. § 101, “Copies” (emphasis added).

² Richard Posner, Bad News, New York Times July 31, 2005, speculates that this competition has forced the established media to narrow their audience focus. One can report news on the internet, including news derived from other internet sites and other media, without infringing copyright as long as only facts, as opposed to expression, are taken.

advertising, including classified advertising, distributed over the internet, which in many cases is more targeted, more informative, and more effective. Unknown musicians without commercial backing are no longer confined to a local audience, but can use the internet to directly reach potential audiences throughout the world.³ People in different parts of the country with particular interests can communicate easily with one another. Academics can exchange working papers and ideas about teaching. Consumers in isolated locations can get access to most of the products available for sale in the national economy. The list could go on and on. These are profound and significant changes, changes caused by the development of the internet that are unaffected by issues about copyright.

If the copyright owners cannot stop infringement on the internet, the consequences will be both good and bad. Those dependent on copyright for the generation of revenue will lose. There will be an impact both on tax collections and on the balance of foreign payments experienced by nations such as the U.S. that are net exporters of copyrighted works. But some of the cultural consequences will be beneficial –at least from the perspective of this observer. Because P2P file sharing is time intensive, it will be more heavily used by those with a low marginal cost of time such as the young. As they drop out of the commercial market, the average maturity of the paying cultural consumers will rise, and this may reduce the childishness of much of today's products of popular culture. Because internet file sharing may undermine the

³ Musicians who perform works composed by others rather than by themselves, as most do, can take advantage of the provisions of the “mechanical license” created in 19XX and now codified in 17 U.S.C. § 115. The mechanical license, which enables anyone, upon the payment of a set fee, to use a musical composition in a recording if that composition has been previously recorded was extended to digital copies by P.L. 104-39 § 4 in 1995. That law amended the statute to cover “digital phonorecord delivery”, a term now defined in 17 U.S.C. § 115(d), and which includes delivery of MP3 and other digital music files over the internet.

economics of large corporate cultural production such as \$100,000,000 plus movies, the available cultural product may become more immediate, more individual, more authentic and less polished. Audiences may become more fragmented and more specialized. Others will conclude that all or some of these effects are undesirable.⁴

The structure of copyright has always been shaped by the practicalities of enforcement. Although an exclusive right to read would better match the reader's benefit to the author's ability to charge, there has never been an exclusive right to read in the statute. Although private performances may confer as much or even more benefit than public performances, there is no exclusive right to privately perform.⁵ In these cases the practical difficulties have caused the statute to be limited. There is no practical way to detect each time a reader scans the pages of a book. There is no practical way to detect performances taking place in spaces closed to the public.

If the world were a different place than it is, if each human being had the ability to remember all of each work on first exposure, to store it in his or her brain "RAM" or random access memory, and to pass it on to others by touching fingers, much as portrayed in Michelangelo's painting of the creation of Adam on the ceiling of the Sistine Chapel, then there would be no copyright. Is that exactly what has happened with the internet?⁶ Works can be

⁴ Cass Sunstein, *REPUBLIC.COM* (Princeton Univ. Press, Princeton, N.J. 2001), deplors the fragmentation of the media on the ground that citizens will access only what they want to hear. In a review of the book, Mark S. Nadel, *Customized News Services and Extremist Enclaves in REPUBLIC.COM*, 54 *Stanford L. Rev.* 831 (2002), Sunstein's view is said to be "unnecessarily dark." *Id.* at 886.

⁵ Refer to "publicly perform" requirement of § 106(4).

⁶ Famous Barlow quote fits this pattern.

quickly stored on a hard drive, and from there shared over the earth in their original form with only an electronic “touch.” Has this technological innovation, rather than justifying the scope of copyright as envisaged by the drafters of the 1976 Copyright Act, made it obsolete?

This essay discusses the conflict between copyright and the internet by examining three situations in which the conflict between copyright and the internet has been addressed. The first is the litigation against providers of file sharing software, litigation that led to the Supreme Court decision in *Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*⁷ Second, are proposals in the academic literature to change the copyright statute to adapt copyright to the internet environment through the statutory adoption of compulsory licensing schemes. And third, the efforts to enforce law on the internet and the objections to doing so. In all three situations, arguments are made for internet exceptionalism, arguments that the normal rules and procedures of the legal system should not extend to cyberspace. [This workshop draft contains only the first section. Comments or questions on the second and third topics are welcome.]

I. The file sharing litigation

A. The cases

The recording and movie industries sued providers of software designed to facilitate the sharing of digital files over the internet for secondary copyright infringement. The defendants, providers of software such as Napster, Aimster, Morpheus, Grokster and KaZaa, did not themselves make copies of copyrighted works. Instead, they distributed for free on the internet

⁷ 125 S. Ct. 2764 (June 27, 2005), reversing 380 F.3d 1154 (9th Cir. 2004), which in turn affirmed 259 F. Supp. 2d 1029 (C.D. Cal. 2003).

copies of software that made it easy for users to share copies of copyrighted works with other users. The theory of the lawsuits was not that the software providers had infringed copyright. Rather, it was that they were secondarily liable for the infringement of their users.

This litigation falls into four episodes: (1) The Napster Cases, 1999 - 2002; (2) the *Grokster* case in the lower courts, 2002 - 2004; (3) Mass litigation against the users, 2002 - 2005 and (4) The Supreme Court, argument and decision, 2004 - 2005.

1. The Napster Cases, 1999 to 2002. Napster was the first high profile music file-sharing software. The program was first distributed in mid-1999, the litigation followed in December.⁸ After two appeals to the Ninth Circuit, the litigation was resolved against Napster in 2002,⁹ and Napster shut down and went into bankruptcy.¹⁰ In 2001, a case was brought against a different software system, Aimster, which was designed to facilitate file sharing by users of the AOL instant messaging system.¹¹ This case was decided against Aimster in 2003, and the decision was affirmed by the Seventh Circuit.¹²

⁸ Complaint in *A&M Records, Inc. v. Napster, Inc.*, Case No. 3:99-CV-0518399-CV-05183 (N.D. Cal. 1999), filed December 6, 1999.

⁹ The penultimate decision was *A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002), affirming 2001 WL 227083 (N.D. Cal. 2001), on remand from 239 F. 3d 1004 (9th Cir. 2001), affirming in part and remanding in part 2000 WL 1170106 (N.D. Cal. 2000).

¹⁰ The trademark “Napster” was purchased from the bankruptcy estate, and Napster has emerged as a licensed commercial service. It now offers unlimited licensed downloads for \$14.95 a month. <http://www.napster.com/>.

¹¹ In re: Aimster Copyright Litigation, Complaint filed Nov. 21, 2001, Case No. 1:01-CV-08933 (N.D. Ill.).

¹² In re Aimster Copyright Litigation, 334 F. 3d 643, 650-53 (7th Cir. 2003), affirming 252 F. Supp. 634 (N.D. Ill. 2002), cert. den. *Deep v. Recording Industry Ass’n of America, Inc.*, 540 U.S. 1107 (2004).

2. The *Grokster* Case in the Lower Courts, 2002 - 2005

As Napster was losing the courts, others developed new software, designed to take the Ninth Circuit's analysis in the *Napster* case into account. The Ninth Circuit reached the conclusion that Napster was engaging in contributory and vicarious copyright infringement because the Napster system used centralized index files on servers controlled by Napster. The operators could learn from these index files what works were being distributed through the Napster system, and could drop files from the system by deleting the work from the index system. The court required Napster to remove files when notified by copyright owners that they were infringing. Because Napster was unable to do this and thus to operate in conformity with the injunction, it had to shut down.

The new generation of software was designed without any such centralized index. That generation, widely distributed under names such as Morpheus, Grokster and KaZaa, simply enabled one user of the software to directly identify files on other users' machines and download them to their own machine.

The case against Morpheus, Grokster and KaZaa began with a legal victory for file sharing.¹³ The Ninth Circuit affirmed.¹⁴ The lower courts relied on the different design of the software to distinguish the *Grokster* case from *Napster*. The plaintiffs then sought certiorari from the United States Supreme Court.¹⁵

¹³ MGM, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029 (C.D. Cal. April 25, 2003).

¹⁴ MGM v. Grokster, Ltd., 380 F.3d 1154 (9th Cir. 2004).

¹⁵ Filed Oct. 8, 2004, Case No. 04-480. The Supreme Court issued its opinion, favorable to the copyright plaintiffs, on June 27, 2005. The court, however, simply reversed the grant of summary judgment to the defendants and did not provide any relief. The case is now back at the District Court. One of the defendants (Grokster) has now settled with an agreement to pay

3. Mass litigation against the users, 2002 - 2005.

Once they had lost in the District Court, the music and movie industries were faced with the possibility that if they waited until the resolution of the case on appeal and did not proceed immediately to enforce their rights directly, they would lose their rights under the doctrine of laches.¹⁶ Shortly after the District Court decision, hundreds of individual lawsuits were brought against individual computer users who were offering copyrighted works for download . Some have criticized these lawsuits,¹⁷ in sharp distinction to the usual view that the courts are the appropriate and civilized way to assert one's claimed rights. These lawsuits resulted in settlements in which the defendants admitted liability, agreed to pay some money, and agreed not to repeat the conduct.

5. The Supreme Court, 2004 - 2005. The Supreme Court granted certiorari in *M.G.M. v. Grokster* on December 10, 1964.¹⁸ The case was argued on March 29 and decided on June 27, 2005.¹⁹

\$50,000,000. Wall Street Journal, Nov. 8, 2005. Whether the amount is symbolic, or will actually be paid, it is impossible to determine from news sources. Kazaa has also settled, July 25, 2006.

¹⁶ Laches is the doctrine that a rights owner who fails to enforce its rights for an unreasonably long period of time will lose those rights. Need cites.

¹⁷ EFF web site. Also Netanal.

¹⁸ 543 U.S. 1032 (2004).

¹⁹ 125 S.Ct. 2764 (2005). The Supreme Court issued its opinion, favorable to the copyright plaintiffs, on June 27, 2005. The court, however, simply reversed the grant of summary judgment to the defendants and did not provide any relief. The case was remanded to the Ninth Circuit, which in turn remanded it to the District Court. 419 F.3d 1005 (9th Cir. 2005). The case is now back at the District Court. One of the defendants (Grokster) has now settled with an agreement to pay \$50,000,000. Wall Street Journal, Nov. 8, 2005. Whether the amount is symbolic, or will actually be paid, it is impossible to determine from news sources. Kazaa has

The Supreme Court unanimously decided that the defendants were liable on a ground not discussed in the opinions below. The Court held that the defendants were liable because they had intentionally built their business by seeking out users who desired to obtain unauthorized copies of copyrighted works.²⁰ The Court pointed out that the defendants had developed their software for the express purpose of exploiting the demand of users frustrated by the fact that the courts had shut Napster down. It concluded: “The unlawful objective is unmistakable.”²¹

B. The Counter Offensive by Direct Action

In addition to pursuing litigation, both against the software providers and the individual computer users, the copyright owners appear to have done what owners of property often do when legal assistance is not available to protect their property. They resorted to self help. The fact that the file sharing systems were open to anyone made them easy to infiltrate. This was done by introducing bogus files that appeared to be files which contained a desired musical work, but were in fact defective or contained messages about the illegality of copyright infringement and information as to where the work could be properly acquired. These bogus files would be offered on the system just like a legitimate file, and as they were uploaded and then made available by others they would spread through the system. The presence of these files

settled for \$115,000,000. This apparently will be paid, the \$115,000,000 coming from the authors of the file-sharing software. They had used the Kazaa technology to develop Skype, an internet telephony system. After all, both involve the exchange of digital audio files. Skype was sold to Ebay for 2.6 billion dollars in September 2005. Eric Pfanner, Music Industry Announces Settlement with Kazaa, New York Times, July 27, 2006, Sarah McBride, After Settling, Kazaa Promises A Legal Format, Wall Street Journal, July 28, 2006

²⁰ 125 S.Ct. 2780-2782.

²¹ 125 S.Ct. 2782.

made the experience for the user of file-sharing software less rewarding and more frustrating because they increased the chances that efforts to download and listen to a particular song would prove unsuccessful.²²

These direct action stratagems were, unlike the litigation, pursued by individual copyright owners rather than industry-wide organizations such as the RIAA. This was probably because intentionally taking action designed to injure someone else's business is actionable. The chances of a successful action are increased if the action is taken by firms acting in concert, or conspiring. The defense to such an action (and none has been brought) was that the business being undermined by direct action was illegal. The successful assertion of copyright against computer users offering files for download buttressed a possible defense of an action for conducting direct action with the objective of interfering with the file sharing business.

C. The Sony VCR Litigation

The file sharing litigation unfolded in the shadow of the United States Supreme Court decision in *Sony Corp. v. Universal City Studios*.²³ In that case movie studios sued Sony seeking to enjoin its sale of the then newly introduced Sony Betamax VCR, on the grounds that it could be used to make copies of the studios' copyrighted movies and television programs when they were broadcast. The movie studios lost in the district court, won in the Ninth Circuit Court of Appeals, and lost in the Supreme Court by a vote of 5 to 4.

²² It is difficult to determine the full range of direct action that has been, and continues. Users have reported problems with files containing viruses. Denial of service attacks may have been launched.

²³ *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984).

As in the file sharing cases, the movie studios did not argue that Sony infringed their copyrights by building and selling the machine. Rather, they argued that the sale of a machine that Sony knew would be used to make infringing copies of their copyrighted programs made Sony a contributory infringer.

In a passage that was to become important in the subsequent file sharing litigation, the Court said:

[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.²⁴

The key to the Supreme Court's decision in *Sony* was the Court's conclusion that there were substantial non-infringing uses for the Betamax. The most significant non-infringing use that the court found was what it called time shifting. Users would use the Betamax to record television shows in order to watch them at a different time. Because this use seemed likely to increase rather than decrease the television audience (because it made it easier for viewers to watch television shows), and increasing the television audience would benefit the copyright owners, the Court held that this use was fair use.

The Court also relied on findings that owners of some copyrights welcomed the use of the Betamax to time shift. Most notably, the kindly Mr. Rodgers of PBS's acclaimed Mr. Rodgers' Neighborhood, testified that he welcomed this use of the Betamax because it made it easier for families to watch his show at the appropriate time.²⁵

²⁴ *Id.* at 442.

²⁵ *Id.* at 445.

The Supreme Court relied extensively on the findings of the district court as to time shifting. The district court had also addressed the issue of “librarying.” Its findings on this issue were prescient:

. . . Plaintiffs also argue that a Betamax owner who has a copy will not watch the same program when rerun on television or re-released for theater exhibition.

This prediction . . . assumes too much. First, it assumes that a large number of Betamax owners will have both the desire and the income to maintain a library. Each tape costs approximately \$20. An extensive library will be very expensive, and it has not been proven that many persons will “library” to any significant extent. Additionally, prerecorded discs [tapes] of special programs or movies will compete with the Betamax recording. These prerecorded discs [tapes] arguably are more desirable than off-the-air recordings. They have not been edited for television, and they have no commercials. . . . There was testimony at trial that Twentieth Century-Fox has already released fifty titles for software to be used on home videotape recorders.’’²⁶

In the penultimate paragraph of its opinion, the Supreme Court said:

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.²⁷

The relationship of the Sony Betamax to the copying of television programming and the relationship of the file sharing program distributors to the copying of musical and other copyrighted works were quite different. In the first place, the television programs available for copying by the Sony Betamax were available because they were transmitted into the user’s home

²⁶ Universal City Studios v. Sony Corp. of America, 480 F. Supp. 489, 467 (C.D. Cal. 1979).

²⁷ 464 U.S. 456.

with the permission of the copyright owners, while the copies made available by file sharing programs were not authorized. And second, the users of the Betamax were using the machine to enable them to watch the show, increasing the viewership of television programs in general and the copied show in particular. In the file sharing cases, the files are made available to the user without the copyright owner's consent, the files are copied not for purposes of time shifting but in order to build libraries, and the availability of the files reduces, not increases, the demand for purchase of the copyright owner's work.²⁸

Given these distinctions, it may seem surprising that the copyright owners lost their case against the file-sharing program distributors in the lower courts. The file-sharing distributors, like Sony, provide a copying device. But unlike Sony, they knew that their device is used to build libraries of infringing musical works. If the absence of librarying was important to the decision in *Sony*, why wasn't its presence important to the lower courts in *Grokster*?

In *Grokster* the defendants prevailed below by persuading the lower courts that their software had substantial non-infringing purposes because it could be used to copy files containing public domain material or material whose copying had been authorized by the

²⁸ Although it seems obvious that downloaded copies would substitute for sales of copies, it is possible that the availability of free copies for download would increase demand for the copies for sale because the free copies stimulate increased interest in the work. If this is true, the owner of the copyright will have an incentive to make authorized copies available for free in order to increase demand. The defendants in *Grokster* made this argument ("no harm, no foul"), Respondents' *Grokster* Brief pp. 42-46, but there is significant information revealed by the fact that the copyright owners do not choose to make their works available for free on the internet. Owners of valuable copyrights do make snippets of their works available for listening for free in record stores and at online record stores, and sometimes make an entire work—such as a song—available for free on the internet as a promotional device.

copyright owner. They relied on a passage from the Ninth Circuit's penultimate *Napster* opinion, which said in dictum that "The district court improperly confined the use analysis to current uses, ignoring the system's capabilities. . . . Consequently, the district court placed undue weight on the proportion of current infringing use as compared to current and future noninfringing use."²⁹ Second, they persuaded the court that they had no way of knowing which files being transferred with their software are infringing. Both of these defenses are laughable.

Of course it is true that the software could be used to copy files whose content either is not copyrighted or whose copyright owner has consented to the copying. But these are not the programs anyone would use whose objective was to share files with the world. The Electronic Freedom Foundation and the many other organizations that wish to share files with the public put them up on web sites so that they can be viewed with and downloaded by any browser. They do that because the files are more widely available, can be downloaded by any internet user with a standard browser (a standard component of PC operating systems and available for free on the internet) and the files can be offered for downloading without compromising the security of their computers. And internet users seeking files for download prefer this arrangement because they can identify the organization offering the files for download, and have an entity to hold accountable should the files prove defective or harm their computer. Surely, when the court in *Sony* spoke of non-infringing uses, it was referring to uses for which the device was well-suited. The Sony Betamax could be used as a paper weight, or as support for an amplifier, but these uses were not the kind of non-infringing uses that made its manufacture and sale consistent with the

²⁹ *A&M Records v. Napster*, 239 F. 3d 1004, 1021 (9th Cir. 2001), citing, of course, the passage in *Sony* cited *supra* about capability.

copyright laws.³⁰ The reason for using a specialized program to make files available for download is to make them less visible on the internet and to make the degree of accessibility to the user's machine created by the program less salient to the machine owner. By combining the downloading function with the critical uploading function, the designer of these programs made the second seem like a natural consequence of the first.³¹

Second, the claimed ignorance by the distributors of the programs is consciously self-inflicted. All anyone has to do to find out whether infringing copies are being offered on the system created by the software is to download a copy of the program and install it. The program will then tell you what is available for copying.³²

In short, these programs were not created to facilitate file-sharing, they are not advances in some technological field known as P2P. They simply used existing technology to make file-sharing seem more private, unobtrusive and natural.

³⁰ Or as the Court itself put it in *Sony*, "The question is thus whether the Betamax is capable of *commercially significant* noninfringing uses." 464 U.S. 444 (emphasis added). That sentence immediately follows the sentence quoted *supra* pp. 11-12.

³¹ Lior Jacob Strahilevitz, *Charismatic Code, Social Norms, and the Emergence of Cooperation on the File-Swapping Networks*, 89 VA. L. REV. 505 (2003), has a description as to how the first and second generation file-swapping programs encouraged users to make their files available for uploading on the network, partly by creating a false belief on the part of users that most other users were making their files available for sharing. *Id.* at 547-57. A third generation program, Bit-Torrent, integrates the downloading and uploading processes so that the user has no choice but to participate in uploading.

³² Judge Richard Posner made a similar point in *In re Aimster Copyright Litigation*, 334 F. 3d 643, 650-53 (7th Cir. 2003). The defendant argued that because the file sharing software involved in that case automatically encrypted the shared files, the defendant could not know they were infringing. The Seventh Circuit held that encryption did not shield the defendant from liability given that the defendant had reasons to suspect that the software was being used for infringement.

In the courts below, the phrase “capable of substantial non-infringing use” from the *Sony* opinion received considerable attention. The file sharing software defendants argued that their software was capable of a substantial non-infringing use – it could be used, for instance, to copy the Bible.³³

C. The legal context of contributory infringement

The cause of action that the plaintiffs asserted in the *Grokster* litigation was an action for secondary copyright infringement.³⁴ But what is this action, and what are its requirements? Why did the Supreme Court in *Sony* explore the range of uses for the Betamax, while the Supreme Court in *Grokster* was content to rely on evidence of intent to encourage infringement? What is the cause of action for secondary infringement anyways? Why, if it exists, is it not even mentioned in the copyright statute (unlike the patent statute, which has a section explicitly creating an action for contributory infringement³⁵). Why did the Court accept as a given in *Grokster* that the action for secondary copyright infringement exists even though not mentioned in the statute, even though it once held that a civil action for aiding and abetting, a theory of

³³ Respondents’ *Grokster* brief, page 21.

³⁴ This terminology parallels that advocated by Jay Dratler, Jr., *Common-Sense (Federal) Common Law Adrift in a Statutory Sea, or Why Grokster was a Unanimous Decision*, 22 SANTA CLARA COMPUTER & HIGH TECHNOLOGY LAW JOURNAL 413, 437 (2006). Both Dratler and myself understand the controlling law to be federal common law.

³⁵ 35 U.S.C. §§ 271 (b) and 271 (c), codifying and attempting to clarify Supreme Court case law. See Tom Arnold & Louis Riley, *Contributory Infringement and Patent Misuse: The Enactment of § 271 and its Subsequent Amendments*, 76 J. PAT. & TRADEMARK OFF. SOC’Y 357 (1994). The section was passed as part of the 1952 codification of the patent laws, July 19, 1952, c. 950, 66 Stat. 811. The Supreme Court referred to this section in its *Grokster* opinion. 125 S. Ct. 2779, text and note 11.

secondary liability,³⁶ does not exist under the Securities and Exchange Act of 1934 because it is not mentioned?³⁷

The answer to these questions lies not in the language of the Copyright statute, nor even within Intellectual Property Law, but in long established principles relating to the role of the courts in the protection of property rights. The internet is new, but the courts approach cases involving the internet within a framework derived from centuries of practice. To quote Justice Holmes in *Kalem Co. v. Harper Bros.*,³⁸ the foundational Supreme Court contributory copyright infringement case, “It [the defendant who participated in but did not actually engage in acts of copyright infringement] is liable on principles recognized in every part of the law.”³⁹

The first relevant principle is that the copyright statute is not an exclusive codification of all copyright law. That this is the case was clear with the statutes that preceded the 1976 Copyright Act.⁴⁰ Those statutes were fragmentary. That is, they stated some rules that created copyright and defined its scope and remedies for its infringement, but they did not purport on

³⁶ In *In re Aimster Copyright Litigation*, 334 F. 3d 643 at 651 (7th Cir. 2003), Judge Posner refers to aiding and abetting as “the criminal counterpart to contributory infringement.”

³⁷ *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164 (1994), cited by the software respondents in their *Grokster* Supreme Court brief at pages 26 and 39.

³⁸ 222 U.S. 55, 63 (1911).

³⁹ Justice Holmes cited only three patent cases and one copyright case in support of this proposition, which left ambiguous what was met by “every part of the law.” The Brief of the Motion Picture Studio and Recording Company Petitioners in *Grokster* could not resist this quote from Holmes, but it too did not venture to illustrate how these principles were “recognized in every part of the law.” Brief p. 28.

⁴⁰ The first U.S. Copyright statute, the Copyright Act of 1790, 1 Stat. 124, was two pages long, with seven sections.

their face to be an exhaustive statement of all the applicable rules. Congress and the courts both understood that it would be the role of the federal courts to fill out the statute with needed principles derived from the common law. The more systematic structure of the 1976 Copyright Act makes this point less clear, but it too did not eliminate the penumbra of federal common law that fills out the statute.⁴¹

The non-exclusive nature of the copyright statute contrasts with the Court's view of the securities laws that lies behind the *Central Bank* decision. The Court based that decision on the premise that the language of the statute was the exclusive source of the rights it created. Not finding aiding and abetting liability in the text of the statute, it concluded that no such liability existed for violation of its provisions.⁴²

⁴¹ The House Report 94-1476 (1976) on the bill that became the 1976 Act reveals an implicit assumption that secondary copyright liability survives the act in its discussion of the infringement section, 17 U.S.C. § 501, where it asserts that the committee had considered but had decided not to adopt an amendment designed to exempt proprietors of music performance venues from vicarious liability. H.R. 94-1476, p. 159. The Report also asserts that the use of the words "to authorize" in 17 U.S.C. § 106 "is intended to avoid any questions as to the liability of contributory infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance." *Id.* at 61. This language shows that the authors of the House Report assumed that secondary liability would survive the enactment of the new statute. See also *Id.* at 87, addressing 17 U.S.C. § 110(6) relating to agricultural fairs.

17 U.S.C. § 301 which provides that "all legal and equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by this title" addresses the relationship between state and federal law, and not the relationship between the statutory text and doctrines of copyright law previously recognized by the federal courts but not addressed by the statutory text.

⁴² "Our consideration of statutory duties, especially in cases interpreting § 10(b), establishes that the statutory text controls the definition of conduct covered by § 10(b). That bodes ill for respondents, for 'the language of Section 10(b) does not in terms mention aiding and abetting.'" *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 175 (1994). The Court's view of the 1934 Securities and Exchange Act, of which § 10(b) is a part, has been confused. The interpretive approach of *Central Bank* dates only from Ernst &

The federal common law of secondary liability for copyright infringement has developed with little attention to background common law principles partly because jurisdiction to hear copyright (and patent) cases is, atypically, conferred exclusively on the federal courts.⁴³ State courts cannot hear copyright cases. If anyone is to fill in the statutory structure, it has to be the federal courts. Indeed, the federal courts responded in part to this exclusive jurisdiction with the doctrine of pendant jurisdiction, now codified.⁴⁴ Pendant jurisdiction has empowered them to resolve on their own all issues that arise in copyright litigation, including related state causes of action. This exclusive role of the federal courts in patent and copyright has had an important effect on the doctrine. The federal courts have addressed the common law of secondary liability for patent and copyright infringement without attention to the common law itself, they have

Ernst v. Hochfelder, 425 U.S. 185 (1976). Jurisdiction under the 1934 Securities and Exchange Act is, like that arising under the copyright statute, exclusive. 28 U.S.C. § 1338 (copyright); Securities and Exchange Act of 1934 § 27, 15 U.S.C. § 78aa. All of the cases interpreting § 10(b), unlike the precedents involving secondary liability for copyright infringement, arose after *Erie v. Tompkins*, 304 U.S. 64 (1938) and the end of the era of a general federal common law.

⁴³ 28 U.S.C. § 1338. Exclusive federal jurisdiction for copyright (and patent) was adopted in 1873. Act of December 1, 1873 § 711, 43rd Cong., 1st Sess. [Cite from Patry].

⁴⁴ *Hurn v. Osler*, 289 U.S. 238 (1933); 28 U.S.C. § 1338(b), adopted June 25, 1948, c. 646, 62 Stat. 931. Because jurisdiction to enforce copyright is exclusively in the federal courts, it is not possible to join a copyright claim with related state claims in a case filed in state courts. Absent the doctrine of pendant jurisdiction, it would not be possible to join all of the claims in federal court in the absence of diversity jurisdiction. For a case which illustrates how the federal common law and state law can be overlapping grounds for secondary liability for copyright infringement see *Astor-Honor, Inc. v. Grosset & Dunlap, Inc.*, 441 F.2d 627 (2d Cir. 1971) (opinion by Friendly, J.). In that copyright case the court said that the district court could also hear as a pendant claim a state law cause of action for conspiracy to commit copyright infringement.

discussed it as if there is a free standing and autonomous field of secondary liability for patent and copyright infringement.⁴⁵

The standard exposition of secondary liability for copyright infringement begins with the proposition that there are two doctrines: Contributory infringement and vicarious infringement.

Contributory infringement occurs when one assists or participates in the infringement.⁴⁶

Vicarious infringement “exists when two elements are present. First, the defendant must possess the right and ability to supervise the infringing conduct. Second the defendant must have an ‘obvious and direct financial interest in the exploitation of copyrighted materials.’”⁴⁷

Whether or not it is useful to think of secondary liability in terms of two or more doctrines is debateable.⁴⁸ The Supreme Court quoted with approval the observation of the

⁴⁵ Secondary liability for copyright infringement arose in the Nineteenth century, long before *Erie v. Tompkins*, 304 U.S. 64 (1938) made the issue of the power of the federal courts to create common law salient. In this earlier era of a general common law developed and expounded by the federal courts, there was no need for the courts to pause over the source of their authority to create the doctrine, and they treat its availability and application as straightforward. An early copyright case is *Harper v. Shoppell*, 28 F. 613 (C.C.S.D.N.Y. 1886), citing a patent case, *Wallace v. Holmes*, 9 Blatchf. 65 (C.C. Conn. 1871).

⁴⁶ Nimmer says that contributory infringement is in turn of two types. First, “personal conduct that forms part of or furthers the infringement” and second, “contribution of machinery or goods that provide the means to infringe.” Nimmer, § 12.04[A][3], p. 12-84.

⁴⁷ Nimmer § 12.04[A][2], p. 12-77. The quote is from *Shapiro, Bernstein & C. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

⁴⁸ And Nimmer suggests four, or perhaps even five doctrines. (1) Liability of corporate agents for acts of the corporation, (2) Contributory infringement by participation, (3) Contributory infringement by contribution of means, (4) Vicarious liability, and (5) Intentional inducement of infringement (i.e. *Grokster*). Whether or not slicing the doctrine so finely improves understanding or accuracy is in part a matter of taste. As the text reflects, I share with Jay Dratler, Jr. skepticism about the value of multiplying the doctrinal categories. “If it were up to me, I would junk all the terms ‘inducement,’ ‘vicarious liability’ and ‘contributory infringement’ in referring to a legal cause of action and use a single, consistent term—‘secondary liability’ for all claims of this kind. I would then relegate the terms . . . to factual theories of

District Court in *Sony* that “the lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn. . . .”⁴⁹ Somewhat unhelpfully, the Court itself observed that “vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”⁵⁰

It is clear, however, that the doctrine of secondary liability for copyright infringement based on vicarious liability recognized in the cases has nothing to do with the vicarious liability that arises from the relationship of master and servant under the doctrine of *respondeat superior*.⁵¹ The paradigm case of vicarious liability for copyright infringement is the owner of a

liability, not claims or causes of action.” Dratler, *supra* note X, p. 437. But Nimmer says without explanation that “the distinction between them [the categories] should be drawn when possible.” 4 Nimmer § 12.04[A][1], page 12-76.

⁴⁹ *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 435 n. 17 (1984), quoting 480 F. Supp. at 457-458.

⁵⁰ *Ibid.*

⁵¹ The Nimmer treatise recognizes this. “Some have attempted to explain liability under these circumstances as an application of the principle that a master is civilly liable for the wrongful acts of his servant performed within the scope of his employment, even if such acts are done without express authority or contrary to orders.” 4 Nimmer § 12.04[A][2], pages 12-80 to 12-81. The same point is made in Restatement of Torts 2nd § 875, page 314, in relation to contributing tortfeasors. *Respondeat superior* applies in copyright (and patent cases), resulting in vicarious (meaning liability imposed on one person for the acts of another) liability, but this is not the distinctive doctrine of secondary, vicarious liability for copyright infringement. Paul Goldstein erroneously states that “the roots of vicarious liability lie in the doctrine of *respondeat superior*, which holds employers liable for the acts of their agents.” Paul Goldstein, II Goldstein on Copyright § 8.2, pages 8:17 to 8:18. He cites *Wihitol v. Crow*, 309 F.2d 777, 782 (8th Cir. 1962), where the court held that a church was liable for copyright infringement of a choral director whom the court held to be an employee of the church. The notion that the two are connected may have originated with *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307-309 (2d Cir. 1963). An employer, of course, is liable for acts of copyright infringement committed by an employee within the scope of the employment, but that is the result of the doctrine of *respondeat superior*, generally applicable to federal statutes, not of the doctrine of

dance hall or other music performance venue who has rented it out to a performing group which is an independent contractor, not an employee. Even though the owner of the performance venue is not an employer (or master under the classic agency terminology), the owner is held liable for copyright infringement if the group performs infringing music. This is, say the courts, because the venue owner could have insisted that only licensed or non-infringing music be performed, and because the owner benefits from the rental payment. These cases have been extended to a concessionaire in a department stores,⁵² and to the owner of premises used for a swap meet, where some of the participants offer infringing recordings for sale.⁵³

Examples of contributory infringement include an advertising agency that places advertisements for the sale of infringing records or a packaging agency that ships the infringing material.

Not surprisingly, the plaintiffs in the file-sharing cases asserted that the providers of file-sharing software were liable under both branches of the secondary liability doctrine. Napster and its successors, they argued, were liable for contributory infringement because they knowingly provided the means by which the infringing copies were made.⁵⁴ Napster, they argued, was vicariously liable because it could control the infringing behavior through its

secondary liability for copyright infringement.

⁵² Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304 (2d Cir. 1963).

⁵³ Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).

⁵⁴ A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1020-1022 (9th Cir. 2001), Brief for Motion Picture Studio and Recording Company Petitioners, MGM, Inc. v. Grokster, Ltd., Case No. 04-480, Supreme Court of the United States, Jan. 24, 2005, pages 23-26.

centralized servers,⁵⁵ and Grokster et. al. were vicariously liable, they argued, because they could build their software with filters that would block unauthorized files.⁵⁶ Grokster financially benefitted from the infringements (and Napster planned to financially benefit) by using their web sites and software to place paid advertisements on the user's screen.⁵⁷

The federal courts did not invent these doctrines of secondary copyright infringement out of whole cloth. They were adapted from longstanding common law precedents and judicial practice. These involve two areas of the law. First, the liability of contributing tortfeasors, the analog to contributory copyright infringement. And second, liability of property owners to neighbors for harm caused by the activities of third parties on their property, the analog to vicarious liability for copyright infringement.

The contributing tortfeasor cases are based on two doctrines: liability for civil conspiracy and liability for aiding and abetting. The Restatement of Torts groups these together in § 876, "Persons Acting in Concert." It provides:

"For harm resulting to a third person from the tortious conduct of another, one is subject to liability if he

(a) does a tortious act in concert with the other or pursuant to a common design with him, or

(b) knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself"⁵⁸

⁵⁵ A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1023-1024 (9th Cir. 2001).

⁵⁶ Brief for Motion Picture Studio and Recording Company Petitioners, MGM, Inc. v. Grokster, Ltd., Case No. 04-480, Supreme Court of the United States, Jan. 24, 2005, page 48.

⁵⁷ Napster was not yet generating revenue at the time of the District Court decision. 114 F. Supp. 2d 921-922. Brief for Motion Picture Studio and Recording Company Petitioners, MGM, Inc. v. Grokster, Ltd., Case No. 04-480, Supreme Court of the United States, Jan. 24, 2005, page 43.

⁵⁸ American Law Institute, Restatement of Torts 2nd § 876.

A 1972 Texas case shows the operation of this principle in the context of trespass, the real property law analog to copyright infringement. In that case one defendant had entered the plaintiff's land and cut down and removed timber. A second defendant did not enter the plaintiff's land at all, but paid the first defendant and turned around and sold the timber to a pulp mill. A timber deed showed the second defendant as both the grantor and the buyer of the timber, but the second defendant claimed that he had not known of the document. The jury was instructed that "To be a joint trespass there must be a command, advice, or encouragement to the actual trespasser"⁵⁹ The jury found against the second defendant, and the appellate court affirmed.

A striking case which illustrates the operation of aiding and abetting liability involved a damage claim by the wife whose husband had been murdered by the burglar in the course of a burglary of the couple's home.⁶⁰ The lawsuit sought damages for the wrongful death on behalf of the deceased's estate, the wife and their two children. It was not against the burglar, who was apprehended and convicted, but against the burglar's live-in companion for nearly five years. The evidence showed that the burglar was a professional thief, who regularly left his home around 5:00 or 5:30 in the evening and returned around 9:00 or 9:30. He had no job. At the time the burglar and his live-in companion met, he told her that "he bought estates and invested in coins, jewelry stores, and real estate."⁶¹ Their income three years after they met exceeded \$1,000,000 a year. The live-in companion herself helped maintain the records of her husband's

⁵⁹ Parker v. Kangerga, 482 S.W. 2d 43, 44 n.1 (Ct. of Civil Appeals, Tex 1972).

⁶⁰ Halberstam v. Welch, 705 F.2d 472 (D.C. Cir. 1983).

⁶¹ *Id.* at 475.

purportedly successful antiques business, although the records never showed how the antiques he sold were obtained. The live-in companion reported gross receipts from the “business” on her income tax return of \$647,569.21 in 1978 and \$491,762.16 in 1979. These receipts were offset on the return by “cost of goods sold and/or operations” of \$498,770.87 and \$360,000 respectively. She had no documentary evidence of these expenses. The wife and her burglar husband enjoyed a rich lifestyle, including purchase of a \$1,000,000 home. The court entered a verdict against her in the amount of \$5,715,188.05, and the District of Columbia Circuit Court of Appeals affirmed. The Court affirmed the verdict both on the theory of civil conspiracy (Restatement of Torts 2nd § 876 (a)) and aiding and abetting (§ 876 (b)).

Comment d to § 876 suggests this limiting principle: “The assistance of or participation by the defendant may be so slight that he is not liable for the act of the other. In determining this, the nature of the act encouraged, the amount of assistance give by the defendant, his presence or absence at the time of the tort, his relation to the other and his state of mind are all considered.”⁶² The last consideration means that courts will be more likely to impose liability on persons who have intentionally provided assistance to the commission of the tort.⁶³

The role of intent in these cases, or in the language of the codification in the patent statute, active inducement,⁶⁴ is important. Its role is consistent with the repeatedly demonstrated

⁶² Vol. 4 Restatement of Torts 2nd, § 876 Comment d, page 317.

⁶³ But there is nothing in the RESTATEMENT to suggest that intent is required. Negligence or even less may be sufficient. Section 876 is followed by a caveat: “The Institute takes no position on whether the rules stated in this Section are applicable when the conduct of either the actor or the other is free from intent to do harm or negligence but involves strict liability for the resulting harm.” 4 RESTATEMENT OF TORTS 2nd at pages 315-316. For a nineteenth century case that requires knowing and intentional encouragement, see *Bird v. Lynn*, 49 Ky. 422 (1850).

⁶⁴ 35 U.S.C. § 271(b).

instinct of English and American common law judges to impose liability on defendants who intentionally harm others for no apparent good reason.⁶⁵ But giving intent an important role creates challenging problems of proof. How will plaintiffs prove intent to harm? Absent an express admission by the alleged infringer, either in testimony, documents obtained by the plaintiff, or in advertising and promotional materials, they prove intent by introducing evidence of actions which support an inference of intent, but what are such actions and when are they persuasive?

Cases imposing liability on property owners to neighbors for harm caused by the activities of independent third parties on their property fit the pattern of vicarious liability for copyright infringement, with its origin in cases involving owners of performance venues. In these cases, a trespasser or an independent contractor takes possession of the property and engages in acts which harm the neighbor. The neighbor sues not the actor, but the property owner.

The Restatement of Torts section that most closely covers these cases is § 838: “A possessor of land upon which a third person carried on an activity that causes a nuisance is subject to liability for the nuisance if it is otherwise actionable, and (a) the possessor knows or has reason to know that the activity is being carried on and that it is causing or will involve an unreasonable risk of causing the nuisance, and (b) he consents to the activity or fails to exercise reasonable care to prevent the nuisance.”⁶⁶

⁶⁵ Tuttle, fraud case, prima facie tort, Restatement of Torts § 370.

⁶⁶ American Law Institute Restatement of Torts 2nd § 838 (1979).

Many of the reported cases involve baseball, in either recreational or professional form. In the recreational cases, persons gather at a park or vacant lot and play the game. In the professional cases, the team rents a field and plays the game. In both types of cases the players hit balls that enter the plaintiff's property, which the players then retrieve; flowers are trampled, there is noise, and if the field is lighted for play at night, sleep is disrupted. The incursion of the ball and the entry to recover it are trespass, the noise and light a nuisance. The property owner whose property adjoins the field asks a court⁶⁷ to intervene to protect against this harm, not by issuing an order against the persons who use the property in a way that causes the harm, but against the property owner. American courts have long heard these cases. They weigh the competing claims, and have always been ready to provide relief based on their judgment as to the reasonableness of the activities on the defendant's land.⁶⁸

The "dance hall" copyright cases in which the doctrine of vicarious liability for copyright infringement developed illustrate the connection between the common law and the copyright doctrines. In the "dance hall" cases the defendant is the owner of a performance venue who has let the hall to a performing group. The group is in control of the program, including the selection of the works to be performed. Some or all of the works are copyrighted, and the public performances infringe the copyright owner's exclusive right to publicly perform. The copyright

⁶⁷ Historically often an equity court.

⁶⁸ Most of these cases are either pre-zoning or take place in areas without zoning, to judge from the fact that zoning is never mentioned. The rise of systematic zoning systems has reduced the role of the nuisance action as a way to regulate land use. In a more explicit way, legislative provisions addressing specific applications of secondary liability in copyright override the common law doctrines. See, e.g., 17 U.S.C. 108, *Limitations on exclusive rights: Reproduction by libraries and archives* 17 U.S.C. § 512, *Limitations on liability relating to material online*.

owner sues not the group that performed the work, but the owner of the hall. The owner defends on the ground that the owner did not engage in the public performance. This is just like the owner of property arguing that “we are not the people who hit baseballs into your yard.” These cases can be analogized to the situation presented by file sharing if one thinks of the providers of file sharing software as making their property available to the users, who then use it to infringe (trespass on) the rights of the copyright owners.

In these cases, courts will not issue relief if the activities do not amount to a nuisance or trespass, and even if they do, are less likely to provide relief if the landowner has not consented to the activities (the kids simply play on a vacant lot) and if the activities are not for profit (for instance, a baseball diamond in a public park). They are more likely to provide relief if the owner has invited the activities onto his property, and if the activity is for profit (for instance, a baseball facility used by a professional baseball team).⁶⁹

Here is a baseball case where the court provided relief. Furman University owns an athletic field, which it leases to the Greenville Baseball Association, which sponsors a professional baseball team. A neighbor sues Furman claiming that as a result of baseball games and other activities at the field his yard is trampled by attendees and his house damaged by flying balls. Furman claims that it has no responsibility because it does not operate the property and did not engage in any of the activities. The South Carolina Supreme Court holds over a dissent that Furman is liable for the activities because it knew at the time of the lease the field

⁶⁹ In *Peden v. Furman Univ.*, 151 S.E. 907 (S.C. 1930), the defendant Furman was a non-profit educational institution which rented the premises to a professional baseball club. Cf. *Seastream v. New Jersey Exhibition Co.*, 67 N.J. Eq. 178, 58 A. 532 (1904). In *Seastream* the defendant both owned the baseball team and the premises. The court’s opinion emphasized the importance of the fact that the defendant was operating for profit as a factor supporting relief.

was too small for baseball games and that it had the right as lessor to enter the property and do such things as erect fences which would prevent the harm to the plaintiff neighbor.⁷⁰

But these principles are by no means limited to baseball. Here are other examples.

A not-for-profit corporation purchases a small tract of land outside a college town as a location for social events for one of the fraternities at the college. A shelter with electricity is erected on the property. Sometime later the plaintiff purchases adjacent property and takes up residence in a house located 65 feet from the property line. The fraternity holds numerous events on the property, including an event called “mulestock” to which other fraternity and sororities are invited, which attracted 600 or more people. Bus service to the property was provided and the party lasted into the early morning hours. This and other activities disrupted the sleep of the plaintiffs. Their property was occasionally littered with trash.

The neighbors sued not the local fraternity or any of the party goers, but the corporation that owned the property. The trial court found the activities constituted a nuisance and issued an injunction requiring among other things the erection of a fence with gates, keeping the gates

⁷⁰ Peden v. Furman Univ., 151 S.E. 907 (S.C. 1930). Iowa has three baseball cases: Ness v. Independent School Dist. of Sioux City, 298 N.W. 855 (Iowa 1941) (award of damages for nuisance affirmed, injunction reversed); Casteel v. Town of Afton, 287 N.W. 245 (Iowa 1939) (denial of injunction affirmed based on evidence that showed games were not a nuisance); Spiker v. Eikenberry, 110 N.W. 457 (Iowa 1907) (grant of injunction reversed on ground that defendant landowner did not give permission for games). Other baseball cases are: Pease v. Parsons, 156 N.E. 4 (Mass. 1927) (grant of demurrer for defendant reversed for action to enforce easement condition, easement providing access to private land held in trust as park where baseball was played, cause of action for balls hit onto plaintiff’s property denied); Hennessy v. City of Boston, 164 N.E. 470 (Mass. 1929) (trial court dismisses request for injunction to require erection of fence after city erects fence, appellate court reverses grant of damages); Hansen v. Independent School Dist., 98 P.2d 959 (Idaho 1940) (trial court to determine ending time for professional night baseball on premises leased from defendant school district).

closed in the early morning, and limiting the hours of use of the property. The appellate court affirmed.⁷¹

A neighbor sues a country club for an injunction and damages caused by golf balls entering his adjoining residential property. The balls were hit by persons playing on the course. The court enjoins the country club from operating its golf course in a way that results in golf balls entering the plaintiff's land, and awards damages for a broken window and disturbance of the plaintiff's home.⁷²

The state owns a beach front park, which it permits to be used for nude bathing. The nude bathing attracts a crowd, some of whose members trespass on adjoining property. The owner of adjoining property sues the state for an injunction to require the state to take steps to reduce the impact on the plaintiff. Injunction granted and affirmed.⁷³

A homeowner erects elaborate Christmas decorations on his home and lot. Over time the decorations become "massive" and attract viewers from other areas. The viewers crowd the residential street, block traffic, get out of their cars and trespass on the neighbors' property. The neighbors sue the homeowner and the court issues an injunction barring the homeowner "from

⁷¹ *Edmunds v. Sigma Chapter of Alpha Kappa Lambda Fraternity, Inc.*, 87 S.W. 3d 21 (Mo. Ct. Of Appeals, W.D. 2002).

⁷² *Fentron v. Quaboag Country Club*, 233 N.E. 2d 216 (Mass. 1968). In *Mishu v. Elks Country Club*, 35 Pa. D. & C. 3d 435 (1983), the court required the country club to erect netting to shield the plaintiff's home from golf balls.

⁷³ *Mark v. State of Oregon*, 84 P. 3d 155 (Ore. Appeals 2004).

placing massive Christmas light displays on and about their home that are calculated to and do attract an unusually large number of visitors to the neighborhood.”⁷⁴

It would be incorrect to conclude from these cases that courts always provide a remedy in situations of this type.⁷⁵ The decisions are highly context specific, and depend on an evaluation by the court of the magnitude and nature of the harm and the costs of remedial action. What is clear is that when a property owner lets third parties use its property in ways that inflict injury on third parties, the courts are willing to regulate the owner’s conduct by injunction, and to impose damages on the owner for the harm caused if they think the owner’s conduct has been unreasonable. Although the legal standard is vague, and requires the exercise of context specific judgment by the courts, the courts assume that it is their role to adjudicate the relative rights of the owner and the plaintiff that claims injury, and have no hesitation to provide relief if they conclude that the defendant has unreasonably exposed the plaintiff to harm.

In these cases intent plays less of a role than in concert of action cases. The courts do not ask whether the defendant intended to invade the rights of the plaintiff. The defendant has done what the defendant has done, and the only question is whether the resulting activities are an actionable invasion of the rights of the defendant. Similarly, in the copyright vicarious

⁷⁴ Osborne v. Power, 318 Ark. 858, 866, 890 S.W. 2d 570, 574 (1994). See also Rodrigue v. Copeland, 475 So. 2d 1071 (La. 1985), where a similar injunction was issued against a Christmas display.

⁷⁵ A remedy was denied to the plaintiff in Weishner v. Washington County Golf and Country Club, 11 Pa. D. & C. 3d 458 (Penn. 1979) (golf course); Malouf v. Dallas Athletic Country Club, 837 S.W. 2d 674 (Tex. 1992) (golf); Paul v. 370 Lex, 2005 WL 638020 (N.Y. 2005) (intrusion of cigarette smoke from neighboring office in rental building).

infringement cases, the fact that the defendant has specifically prohibited the performance of copyrighted works is no defense.⁷⁶

D. The “Sony Defense”

This background helps one to understand the *Sony* opinion, and particularly the “Sony” defense –“capable of a non-infringing use”-- that played such a central role in the *Grokster* litigation. In *Sony*, there was no evidence that Sony had designed and marketed the VCR for the purpose of encouraging its users to infringe copies. It had been developed as a consumer version of a higher priced professional device that had proven useful in editing and storing programming for later broadcast.⁷⁷ The only possible evidence of an intent to induce infringement was the design of the machine itself. The design of a machine can be proof of such an intent. If a product that can be used only to infringe is sold, it is reasonable to infer that the person who sells it knows that it is being used to infringe. This is the idea codified, in the case of patents, in 35 U.S.C. § 271. “Whoever offers to sell or sells within the United States . . . [a device] knowing the same to be especially made . . . for use in an infringement of . . . [a] patent, and not a staple

⁷⁶ See cases cited 4 Nimmer on Copyright § 12..04[A]2 note 60, pages 12-78 to 12-79. Are there patent cases analogous to the vicarious infringement theory? Renting a factory to firm that infringes? I think not. Interesting. Could difference be that industrial firms are not judgment proof, whereas performance groups are hard to pin down, and probably judgment proof?

⁷⁷ The Sony Betamax recording devices were a consumer version of a higher priced professional device that had been used to prepare and record shows for later broadcast. The consumer version was made possible by developments in electronics that lowered the cost to the point where the device could be priced for the consumer market. The obvious initial use for the consumer machine was to time-shift broadcast programming.

article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.”

In the *Sony* opinion the discussion of “substantial non-infringing use” occurs immediately after the Court has discussed contributory infringement in patent law, § 271, and the staple article of commerce doctrine. What the court is saying when it says that “the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate unobjectionable purposes”⁷⁸ is that in copyright law, if a product is a staple article of commerce, its sale does not, by itself, demonstrate contributory infringement. It then went on to say, in a sentence that received so much attention in the *Grokster* case, that “Indeed, it need merely be capable of substantial noninfringing uses.”⁷⁹ This is a perfectly sensible qualifier on the previous sentence, for in the case of a new product, as the Sony Betamax was, the product might not yet be “widely used for legitimate unobjectionable purposes,” but it will be as the product is introduced to consumers and they begin to make use of it for the substantial noninfringing use or uses of which it is capable. Indeed, without this qualifying sentence, the previous sentence would have been flatly incorrect, since it implied that a product not yet widely used for legitimate, unobjectionable purposes because the product is new and owned by only a few people would not be entitled to the protection of the staple article of commerce doctrine.

⁷⁸ 464 U.S. 442.

⁷⁹ 464 U.S. 442.

The four dissenters in *Sony* did not disagree with this analysis of contributory infringement. Rather, they found that using the Betamax to time shift was copyright infringement, and the “wide” non-infringing use relied on by the majority disappeared.

In their arguments in *Grokster*, the defendants’ brief took this language from the *Sony* opinion and used it out of context. They argued that “capable of non-infringing use” provided a defense to all forms of secondary liability for copyright infringement.

“Sony establishes a clear rule that no secondary copyright liability attaches to the general distribution of a product (or the normal incidents of such distribution) as long as the product has or is capable of substantial noninfringing uses. That simple rule clearly applies here.”⁸⁰

The reason for this rule, the Brief argued was to protect incentives for innovation.

“Abandonment of the protective Sony rule would threaten innovation in obvious ways--as indicated, e.g., by the already-filed . . . amicus briefs of DiMA, IPO, and the Business Software Alliance (BSA), who represent large segments of the economy. See also IEEE Amicus Br. Innovation is a multi-step process of “invention, entrepreneurship, investment, development, and diffusion.” All of this costs money. The greater the risks and costs of either liability or litigation, the less investment will flow into the costly steps of innovation, to the detriment of future creators and consumers alike. A departure from Sony’s rule would dramatically raise these risks and costs, which cannot be managed by the courts. Cf. *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 189 (1994) (rejecting aiding and abetting 10b-5 cause of action, citing “uncertainty and excessive litigation”).”

The same argument can be made about many causes of action, including that for product liability. Any new product carries with it the risks that may be poorly understood, and if a risk materializes after product introduction, may result in product liability litigation conducted under general and ambiguous standards, with unpredictable results. I am not aware of anyone who has argued that innovations should be subject to legal rules that are different than those applicable to

⁸⁰ Respondent’s Brief, *Grokster*, page 15.

established products. The reason such a difference in treatment would be undesirable is that if an innovative product is unable to compete once it is faced with the costs of the standard legal rules, then why is it desirable that it be introduced at all. Differential rules would lead to wasteful cycling, in which innovations would be introduced because (unlike their existing competitors) they are not subject to the expected costs of say products liability, but once they ceased to be innovations and lost this protection, they would no longer be competitive and would be withdrawn.

Equally questionable is whether or not the P2P file sharing programs are innovations that should receive special protections. Four sentences prior to the passage quoted above, the Brief pointed out that “Protection of product innovation is the central commitment of patent law specifically.” Yet the P2P software involved in *Grokster* was not protected by patent, and should not be under the non-obviousness standard. The P2P software was even more obvious than the notorious Amazon one-click software patent, which simply transferred to the internet environment procedures long practiced in business. If P2P software is not an innovation of sufficient significance to be patented, why should the courts craft a special rule for copyright law to protect that kind of innovation?

Both *Sony* and *Grokster* were decided on reasoning based on the contributory infringement branch of secondary liability for copyright infringement doctrine. But what about vicarious liability, the other branch of secondary liability? What about the suggestion above that the distributor of P2P software could be analogized to the operator of the performance venue in the dance hall cases?

The dance hall cases involve a performance venue which books acts for a public performance in the venue. The operator of the venue hires for a flat fee a performance group to come and perform. The group is hired as an independent contractor whose job is to arrive and engage in a performance of its own design (including the selection of any copyrighted works to be performed). The operator of the venue sells tickets, staffs and manages the facility, and pays the fee required for the performance. The performance group then leaves. The copyright problem arises if the group has performed copyrighted works without a license to do so.

Standard legal analysis of such a situation would suggest that the copyright owner needs to sue the performance group that actually infringed the copyright by publicly performing the copyrighted work. The operator of the performance venue did not itself engage in copyright infringement. Under respondeat superior, the acts of the performance group, an independent contractor, are not imputed to the person or firm that hired them.

In fact, of course, the dance hall cases have enabled the copyright owners to sue the operator of the performance venue. Why? First of all, as explained above, they analogize easily to the long common law practice of placing special responsibilities on the owners of land. Second, the courts could see that limiting the copyright owner to an action against a transient group would make the legal remedy for infringement ineffective. Only after the group had performed would it be possible to prove that there was an infringing performance. By then the group, which might have no legal existence or assets, would have moved on, perhaps to another performance in another jurisdiction. If the operator of the performance venue was not liable, the copyright owner would be left without any remedy. Yet the operator of the performance venue benefitted from the ticket revenues. The operator could do this repeatedly, each time being

careful not to discuss the identify of the works to be performed, and perhaps even inserting into the contract a promise by the performance group that no work performed would infringe copyright.

The special burdens that the the vicarious liability branch of the secondary liability doctrine in copyright places on the owner or leasee-operator of the premises takes advantage of the fact that the owner or operator can be easily identified, is tied to the physical location and thus cannot leave the jurisdiction, and has at least one asset (the fee simple or leasehold in the performance venue itself). The same considerations explain why the common law doctrine placing special responsibilities on the owner of land has been so stable. The owner is put on the spot, and becomes responsible for policing compliance with obligations imposed by the law. In the case of copyright, it has resulted in the willingness of the operators of performance venue to take licenses under the ASCAP licensing system covering all performances at their venue, whether by independent contractors or employees.

Would it make sense to extend the vicarious liability branch of the doctrine to P2P software, or to the internet itself? That is the potential theory that certainly would enable copyright owners to enlist software writers and internet operators as allies in the effort to suppress copyright infringement. But the position of the distributor of software or internet operator is so different from that of a land owner that making the extension as a matter of common law is highly unlikely. For instance, if you look at the distributors of the P2P software, they were everywhere and nowhere. Kazaa operated outside the United States, had a corporate structure so opaque that it might have been created by the Mafia, and did not appear in the litigation. Indeed, if you cut through all the doctrinal clutter in the opinions, it is possible to read

both *Sony* and *Grokster* as saying that the Supreme Court is not going to extend the vicarious liability idea beyond its origin in the special responsibilities of land owners.
