The Risks of Using Secondary Liability Legislation as a Means of Reducing Digital Copyright Infringement

Julie Erin Land

Follow this and additional works at: https://via.library.depaul.edu/jatip

Recommended Citation
Available at: https://via.library.depaul.edu/jatip/vol15/iss1/6

This Legislative Updates is brought to you for free and open access by the College of Law at Via Sapientiae. It has been accepted for inclusion in DePaul Journal of Art, Technology & Intellectual Property Law by an authorized editor of Via Sapientiae. For more information, please contact digitalservices@depaul.edu.
I. INTRODUCTION

In August 2004, the Court of Appeals for the Ninth Circuit affirmed a district-court holding that the providers of certain peer-to-peer ("p2p") file-sharing software were not secondarily liable for the copying and distribution of copyrighted sound recordings and motion pictures by the users of their software.1 Applying a test set forth by the Supreme Court twenty years ago, the Ninth Circuit found that the software producers were not liable, because their software was capable of substantial noninfringing uses in addition to infringing uses.2

Senator Orrin Hatch (R-UT) responded to this decision by proposing Senate Bill 2560 – The Inducing Infringement of Copyrights Act.3 This Act would give plaintiff copyright holders an additional cause of action under secondary copyright liability.4 A plaintiff, under this Act, would have to establish only one element – intent to induce infringement, which could be based on

2. Grokster, 380 F.3d at 1160 (citing Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984)).
4. See S. 2560, supra note 3.
surrounding circumstances. Secondary liability could be established from this element, regardless of whether the defendant’s product has substantial noninfringing uses and regardless of whether the product promotes, rather than inhibits, the progress of the sciences and useful arts.

In this article, I will first discuss the history of secondary copyright liability, focusing particularly on contributory infringement and its application to traditional defendants, product distributors, and Internet service providers (“ISPs”). I will also briefly explain and discuss the relevance of secondary liability and the Digital Millennium Copyright Act (“DMCA”) safe-harbor provisions. Next, I will explain Senate Bill 2560, Senator Hatch’s purposes in proposing it, the reaction to it by the technology industries, and its potential implications. Finally, I will critique the bill and voice my support for an alternative measure based on public awareness and education.

II. BACKGROUND

Secondary liability for copyright infringement so far has been based largely on case law rather than statute. The Copyright Act of 1976 expressly imposes liability upon only direct infringers. It does not mention, on a general level, whether those who aid, abet, induce, contribute to, encourage, participate in, or benefit from those infringers may also be liable. However, courts have long

5. Id.
6. Id. The bill would be applied as a separate test. Id. Although it does not replace the test in Sony, it disregards it by allowing contributory infringement based on intent even when a plaintiff fails under the Sony test. See id.; Sony, 464 U.S. at 442. The bill is also inconsistent with the purpose of Copyright Law set forth in Article I, Section 8, Clause 8 of the United States Constitution, which grants Congress the power “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” U.S. CONST. art I, § 8, cl. 8.
8. Contributory infringement and vicarious liability doctrines have not been codified. However, there are statutes addressing secondary liability with reference to specific circumstances. See 17 U.S.C. § 1201(a)-(b) (2005)
recognized secondary liability for copyright infringement in certain circumstances. This liability has generally been imposed under a theory of contributory infringement, vicarious liability, or both. Under both of these theories, the secondary infringer cannot be held liable unless there is a showing of direct infringement by someone. Therefore, contribution to conduct that is held to be fair use, for example, does not risk secondary copyright liability.

Although some courts use the terms "contributory infringement" and "vicarious liability" fluidly or even interchangeably, they represent two distinct doctrines in copyright law. When the doctrines are applied appropriately, a defendant can be held liable under one or the other, or both, depending on the specific facts.

(making it unlawful to traffic in devices that facilitate the circumvention of technological measures that control access to a work or protect the rights of a copyright owner); 17 U.S.C. §1002 (2005) (requiring that digital audio recording devices contain the Serial Copy Management System, which precludes digital-to-digital copies of copies, and prohibiting trafficking in devices that facilitate circumvention of the Serial Copy Management System).

9. See Sony, 464 U.S. at 435 ("Vicarious liability is imposed in virtually all areas of law, and the concept of contributory infringement is merely a species of the broader problem of identifying circumstances in which it is just to hold one individually accountable for the actions of another").

10. See Sega Enters. Ltd. v. Maphia, 948 F. Supp. 928, 932 (N.D. Cal. 1996) (holding that the plaintiff Sega "must first establish that the users [of the defendant's BBS] directly infringed Sega's copyright" to impose liability for contributory infringement); Grokster, 380 F.3d at 1164 (listing "direct infringement by a primary party" as an element of vicarious liability for copyright infringement).

11. See, e.g., Sega, 948 F. Supp. at 934 ("If the users' actions constitute fair use, they will not be considered direct infringers. Then Sherman [the defendant] cannot be contributarily liable because contributory infringement requires direct infringement by someone").

12. See, e.g., Sony, 464 U.S. at 437 (using "vicarious liability" and "contributory infringement" in the same sentence to refer to the same concept).


14. See, e.g., RCA/Ariola Int'l, Inc. v. Thomas & Grayston Co., 845 F.2d 773, 777-79, 780 (8th Cir. 1988) (holding that the defendant was not a


A. Contributory Infringement

Contributory copyright infringement generally falls into one of two categories: personal conduct that furthers specific infringement, or the creation and distribution of a product or service that provides the means for infringement.\(^\text{15}\) Cases in the latter category have generally involved new innovations in technology that enhance the ability of the public to infringe and that may or may not have other legitimate functions. These cases have traditionally involved copying equipment, such as the videotape recorder ("VTR"), mechanisms for copying audio cassettes or video games, and the MP3 player. More recently, cases in this category have also involved services that allow for the posting or exchanging of information to the public, such as electronic bulletin boards ("BBS") and p2p file-sharing services.

Because innovations in the copying and exchanging of music, films, photographs, and information have escalated in the past twenty years, most cases in the product category are fairly recent. The precedent relied upon for cases in the product category, therefore, often deals with conduct in the traditional category.\(^\text{16}\) The alleged contributory infringers in product cases had a distant relationship with a large group of direct infringers from the general public\(^\text{17}\) rather than a more personal relationship with a specific

---

\(^{15}\) contributory infringer but was vicariously liable); Ellison v. Robertson, 357 F.3d 1072, 1081 (9th Cir. 2004) (holding that an internet service provider was not vicariously liable, but holding that fact issues existed as to whether it was liable for contributory infringement).


\(^{17}\) See, e.g., *Sony*, 464 U.S. at 438. The court in *Sony* compared the manufacture and distribution of a Betamax video tape recorder (VTR) to the ownership of a chain store in which the employees sold bootleg records and the management of infringing performance artists. *Id.* (citing Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304 (2nd Cir. 1963); Gershwin Pub’g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159 (2nd Cir. 1971)).

direct infringer. Applying contributory infringement to those cases therefore required an expansion and adjustment of the precedent.

Regardless of the category of conduct, the basic elements for contributory infringement are the same. Liability for contributory infringement is established where the defendant, "with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another." This test is broken down into two prongs: the knowledge prong, and the participation prong.

To meet the knowledge prong, the defendant must have either actual knowledge or reason to know of the infringing conduct. This standard is applied objectively. Willful blindness, or actively avoiding the discovery of infringement, constitutes knowledge because the defendant has reason to know of the operation of a bulletin board service on which the public could post infringing material; Nintendo of Am. Inc. v. Computer & Entm't, Inc., No. C96-0187, 1996 WL 511619 (W.D. Wash. May 31, 1996) (involving the sale of videogame duplication devices to the general public); Napster, 239 F.3d 1004 (involving the facilitation of digital file swapping between members of the general public).

18. See generally Shapiro, 316 F.2d 304; Gershwin, 443 F.2d 1159; Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) (involving the operation of a swap meet at which vendors were selling bootleg records).

19. Gershwin, 443 F.2d at 1162 (formulating the test to apply to the manager of infringing concert artists), cited in Netcom, 907 F. Supp 1361 (N.D. Cal. 1995) (applying the test to an internet service provider, which provided the means for users to post material through a Usenet newsgroup); Cherry Auction, 76 F.3d 259 (applying the test to the organizer of a swap meet where vendors sold bootleg records); Playboy Enters., Inc. v. Russ Hardenburgh, Inc., 982 F. Supp. 503 (N.D. Ohio 1997) (applying the test to a computer bulletin board system’s operators when copyrighted adult photographs were posted); Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d 1146 (C.D. Cal. 2002) (applying the test to an internet age verification service, the subscribers of which posted copyrighted adult images on their websites).

20. Gershwin, 443 F.2d at 1162, cited in Netcom, 907 F. Supp. at 1375 (holding that genuine issues of material fact existed as to the knowledge element where the defendant internet service provider received notice from the plaintiff of infringing photographs on the defendant’s Usenet newsgroup and where the works complained of contained copyright notices within them).

conduct.\textsuperscript{22}

The second prong, the participation prong, is a totality of the circumstances test, applied on a case-by-case basis.\textsuperscript{23} The degree of participation or contribution that is required to meet the test, therefore, is often blurred. Some guidelines have been established, but they also can be blurred, and often are. Many courts agree that the degree of participation must be "substantial."\textsuperscript{24} This seemingly strict guideline has been loosely applied, however. Merely providing the site and facilities or other means for known infringing activity has been held to be sufficient to establish the participation prong.\textsuperscript{25} In \textit{Fonovisa v. Cherry Auction},\textsuperscript{26} for example, the court held that the operator of a swap meet "materially contributed" to the sale of bootleg records by vendors by providing the space, utilities, parking, advertising, plumbing, and customers for the swap meet.\textsuperscript{27} Some courts have further suggested that merely encouraging the infringement is sufficient.\textsuperscript{28}

1. The Application of Contributory Infringement to the Manufacture and Sale of Products Capable of Infringing

With the advent of new technologies, the courts are reweighing

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{22} In re Aimster Copyright Litig., 334 F.2d 643, 650 (7th Cir. 2003).
\item \textsuperscript{23} \textit{See}, e.g., \textit{Cherry Auction}, 76 F.3d at 264. The court declined the defendant swap meet operator's request that the court consider its rental of space to the direct infringers on its face. \textit{Id}. Instead, the court considered the defendant's provision of space, utilities, parking, advertising, plumbing, and customers and determined that the defendant's conduct, as a whole, "provide[d] the environment and the market for counterfeit recording sales to thrive," and thus that the defendant substantially participated in the infringement. \textit{Id}.
\item \textsuperscript{25} \textit{Cherry Auction}, 76 F.3d at 264 (citing Columbia Pictures Indus., Inc. v. Aveco, Inc., 800 F.2d 59 (3d Cir. 1986)).
\item \textsuperscript{26} \textit{Id}.
\item \textsuperscript{27} \textit{Id}.
\item \textsuperscript{28} \textit{See Perfect 10}, 213 F. Supp. 2d at 1169 (C.D. Cal. 2002); \textit{Napster}, 239 F.3d at 1019.
\end{itemize}
\end{footnotesize}
the interests of the copyright holders against those of the manufacturers of the technology on a case-by-case, and more particularly a technology-by-technology, basis. This requires revisiting the purposes behind copyright law in general. Copyright law stems from the United States Constitution, which grants Congress the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." By providing incentives for artists to create, copyright law aims to benefit the public as a whole through the availability of arts.

Technologies that allow the public in general to infringe have presented difficult issues for the courts in light of these policies. If courts hold that such technologies do not constitute contributory infringement, they may be depriving the artists of their incentives and thus theoretically depriving the public of the arts. Conversely, if courts hold the sale and distribution of technologies to be contributory infringement, they risk suppressing the development of science and technology and even the development of art through these technologies, which is after all what the Constitution aims to promote. Each new technology, therefore, requires a new balancing of interests and risks.

To respond to the policy issues raised by new technologies, the courts have developed the "substantial noninfringing use" rule. This rule provides that the sale or distribution of a product does not constitute contributory infringement if the product is capable of substantial noninfringing uses, even if it also is capable of infringing uses.

30. See Sony, 464 U.S. at 428-41 for a lengthy discussion of the purposes and policies behind Copyright Law and the interests that must be balanced in setting a test for determining contributory infringement by a product manufacturer. Id.
31. See Sony, 464 U.S. at 442 (holding that contributory infringement doctrine as it is applied to the provision of products "must strike a balance between the copyright holder's legitimate demand for effective . . . protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce).
32. See id. at 440.
33. Id. at 441 ("The sale of copying equipment, like the sale of other articles
The landmark case applying the contributory infringement doctrines to the provision of products and establishing the substantial noninfringing use rule is *Sony Corp. of Am. v. Universal City Studios, Inc.* In *Sony*, the defendant, Sony Corporation of America, manufactured for sale the Betamax VTR, which allowed users to record television programming for later viewing. The Supreme Court held that Sony was not a contributory infringer, even though purchasers of the VTR could potentially use it to infringe the copyrights of television programs, and even though the plaintiffs provided evidence in the form of surveys that such infringement was occurring.

The Court found that the uses of the Betamax VTR fell into three categories: (1) recording a copyrighted television program for later viewing; (2) creating a personal library of copyrighted television programs; and (3) recording, for any purpose, non-copyrighted material or material of which the copyright owners consented to copying. The Court held that, of the three categories, only the second constituted infringement. It referred to the first category as “time-shifting,” because the user is merely choosing a more convenient time to watch the program. It found that the time of day a user chooses to watch a program does not adversely affect the copyright owner and in some cases even benefits the copyright owner by increasing the total viewer audience. Holding this conduct to be infringing would stifle the users’ ability to watch the programming at convenient times and would “frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting.”

---

35. *Id.*
36. *Id.*
37. *Id.*
38. *Id.* at 446, discussed in *Aimster*, 334 F.3d 643 (“The [Sony] Court was unwilling to allow copyright holders to prevent infringement effectuated by
time-shifting in the home constituted a noninfringing use.\textsuperscript{39} It also
found through a survey that, although a substantial number of
interviewees had accumulated a library of tapes, time-shifting was
the primary use of the VTR. The Court therefore held that,
because the VTR was capable of both infringing and substantial
noninfringing uses, its manufacturers were not secondarily liable
for copyright infringement of television programs by its users.\textsuperscript{40}

The principles set forth in \textit{Sony} have been adapted and applied
to other forms of copying equipment. In \textit{Recording Industry
Association of America v. Diamond Multimedia Systems Inc.},\textsuperscript{41}
the Ninth Circuit held the transfer of music from a user’s hard drive to
a portable MP3 player to be fair use because it is merely space-
shifting.\textsuperscript{42} Since space-shifting was the primary use of an MP3
player, the court denied the plaintiff’s motion for a preliminary
injunction.\textsuperscript{43}

In contrast, the court in \textit{Nintendo of America, Inc. v. Computer
and Entertainment, Inc.}\textsuperscript{44} held that the sale of copying devices to
facilitate playing downloaded video games constituted contributory
infringement, because the device’s only realistic purpose was to “supplant the need to purchase genuine Nintendo
videogames.”\textsuperscript{45}

\vspace{1cm}

means of a new technology at the price of possibly denying noninfringing
consumers the benefit of the technology”\textsuperscript{39}).

40. \textit{Id.}
41. 180 F.3d 1072 (9th Cir. 1999).
42. \textit{Id. at 1078}.
43. \textit{Id.} The plaintiff sought to enjoin the manufacture and distribution of the
MP3 player under the Audio Home Recording Act of 1992, which prohibits the
importation, manufacture, or distribution of “any digital audio recording device. . . that does not conform to the Serial Copy Management System.” \textit{Id. at 1075} (quoting 17 U.S.C. § 1002(a)(1)). The court found that the MP3 player
did not qualify as a digital audio recording device because its primary use was
space-shifting, not to make digital audio copied recordings. \textit{Id. at 1078}.
45. \textit{Id. at *3}. The court admitted that it was technically possible to use the
device to modify game play, but it concluded that this was not a realistic use,
because a significantly less expensive device was available for that purpose. \textit{Id.}
2. The Application of Contributory Infringement to Internet Services

The most recent adaptation of these principles has occurred in cases in which the defendant has provided a service allowing members of the public to post or exchange information or files among themselves over the Internet. These defendants include ISPs that provide USENET access to their subscribers, operators of electronic bulletin board services, and operators of p2p file-sharing services. Because file-sharing services are relatively new and their intricacies are continuously changing and developing, the application of contributory infringement principles to operators and providers has varied from case to case, depending on the specific facts.

The landmark case for applying contributory infringement to the operator of an Internet file-sharing service is Religious Technology

46. See generally, e.g., Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc., 907 F. Supp. 1361 (N.D. Cal. 1995) (involving the operation of an electronic bulletin board on which copyrighted literature was posted); Sega Enters. Ltd. v. Maphia, 948 F. Supp. 923 (N.D. Cal. 1996) (involving the operation of an electronic bulletin board on which copyrighted video games were posted); Aimster, 334 F.3d 643 (involving the facilitation of digital music swapping over the Internet).

47. USENET is a worldwide system of discussion groups, called newsgroups, that are organized by topic. See Netcom, 907 F.Supp. at 1366 (citing Daniel P. Dern, The Internet Guide for New Users 16 (1994)). It has its own operators, but access to it is provided either directly through an ISP or through an electronic bulletin board service (BBS), which a user subscribes to. See id. ISPs and BBSs generally have the ability to select which newsgroups its subscribers may have access to and to selectively block access by any of its subscribers. See id. Almost anything can be posted on the USENET, including music, movies, photographs, and text. It is not generally as easy to use, however, as p2p file-sharing services. These file-sharing services are decentralized, in that, with the use of the service, users can exchange files directly, without having to post to a centralized location. See Grokster, 380 F.3d at 1158. The only function of the service is to locate and match the users. See id.

48. See generally Napster, 239 F.3d 1004; Aimster, 334 F.3d 643; Grokster, 380 F.3d 1154.
Center v. Netcom On-line Communication Services, Inc. 49 In Netcom, a user of a BBS posted portions of the plaintiff’s copyrighted literary works to a discussion forum on the USENET through the BBS. 50 The plaintiff filed motions against both the operator of the BBS and the ISP through which the BBS gained access to the Internet. 51 The court denied both defendants’ motions for judgment on the pleadings. 52 It held that a BBS operator would not meet the knowledge prong if it could not reasonably verify a claim of infringement on its service. 53 In this case, however, there was a question as to whether defendants could have verified the claim had they properly investigated it. 54 The defendants, after receiving notice of the infringement, had not even looked at the postings at issue. 55 The court held that the participation prong of the test was met, since “providing a service that allows for the automatic distribution of all USENET postings, infringing and noninfringing, goes well beyond renting a premise to an infringer.” 56 It found that the defendants failed, despite their ability, to “take simple measures to prevent further damage to plaintiffs’ copyrighted works.” 57

The court in Netcom applied the basic contributory infringement test and the substantial noninfringing use rule from Sony to the USENET context. It narrowed the substantial noninfringing use rule, however, holding that, even where a service has both infringing and substantial noninfringing uses, its operator must take action to eliminate infringement of which it knows or has reason to know in order to avoid a contributory infringement

50. Id.
51. Id.
52. Id.
53. Id.
54. Id. at 1374.
56. Id. at 1375. See Fonovisa v. Cherry Auction, Inc., 847 F.Supp. 1492, 1496 (E.D. Cal. 1994) (holding that the provision of a site and facilities for a swap meet in which bootleg records were sold constituted “material contribution”).
3. The Application of Contributory Infringement to Peer-to-Peer File Sharing: Napster and Aimster

The application of contributory infringement liability to p2p file-sharing raises new questions. P2p users exchange files directly, rather than posting them to a central location, as in a BBS. The primary question, therefore, is whether p2p file-sharing should be treated as a product, like the VTR in Sony, or as a service, like the BBS in Netcom. If it is treated as a product, the analysis ends if the product has substantial noninfringing uses. If it is treated as a service, the precedent in Netcom must be followed, and the court must additionally determine: (1) whether the defendant had specific knowledge or reason to know of infringement; and (2) whether the defendant took reasonable action to block or eliminate the infringing materials. The need for this distinction was explained further by the court in Aimster:

the provider of a service, unlike the seller of a product, has a continuing relation with its customers and therefore should be able to prevent, or at least limit, their infringing copyright by monitoring their use of the service and terminating them when it is discovered that they are

58. For examples of cases applying this precedent, see Ellison v. Robertson, 357 F.3d 1072 (9th Cir. 2004) (denying summary judgment for Internet service provider which provided its subscribers access to a USENET newsgroup used primarily to exchange unauthorized digital copies of works by famous authors, had received notice of the infringement through a phone call from a subscriber, and had failed to take action to eliminate the infringing material or block user access to it); Perfect 10, 213 F. Supp. 2d 1146 (holding that a magazine had a strong likelihood of success on a contributory infringement claim against an age-verification service, because the magazine had given notice of infringing material on the website of one of its subscribers, and the service had the ability but failed to eliminate the infringing material).
infringing.\textsuperscript{59}

Three major cases have addressed this issue: \textit{A&M Records, Inc. v. Napster, Inc.},\textsuperscript{60} \textit{In re Aimster Copyright Litigation},\textsuperscript{61} and \textit{Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.}\textsuperscript{62} The Napster service allowed its users to exchange music in the form of MP3 files through the use of software provided by Napster.\textsuperscript{63} After downloading the software free of charge, a user could make music available to other users by logging on to Napster’s server and designating the files to be shared.\textsuperscript{64} Users could then download the music as long as the uploading user (the host) was still connected to the Internet.\textsuperscript{65} Once a user downloaded a copy, it could then become a host and share that copy with other users.\textsuperscript{66} Napster provided a search engine through which a user could type in a specific song title and locate a copy that was available at that given moment.\textsuperscript{67}

This system was a hybrid between a BBS and a pure P2P service with regard to the degree it was centralized. It was less centralized than a BBS because users could not permanently post files to a central location. As soon as the host logged off the Napster server, that specific file was no longer available.\textsuperscript{68} Napster was not technically decentralized either, because it worked by connecting clients (the users) through a central server (Napster).\textsuperscript{69} The server communicated the uploading user’s address to the downloading user’s computer, which the downloading user’s computer would

\textsuperscript{59} \textit{Aimster}, 334 F.3d at 648.
\textsuperscript{60} 239 F.3d 1004 (9th Cir. 2001).
\textsuperscript{61} 334 F.3d 643.
\textsuperscript{62} 380 F.3d 1154 (9th Cir. 2004).
\textsuperscript{63} \textit{Napster}, 239 F.3d at 1010.
\textsuperscript{64} \textit{Id.}
\textsuperscript{65} \textit{Id.} at 1012.
\textsuperscript{66} \textit{Id.}
\textsuperscript{67} \textit{Id.}
\textsuperscript{68} Due to the large number of users, however, multiple copies of any popular song could usually be located at any given time. \textit{See Napster}, 114 F. Supp. 2d at 902.
\textsuperscript{69} \textit{Napster}, 239 F.3d at 1011.
use to connect to the uploading user’s computer and download a copy of the file.\textsuperscript{70} P2p, in the purest sense of the term, does not involve a server at all.\textsuperscript{71} Since Napster was not purely decentralized, it was able to provide technical assistance and to selectively control access to the server.\textsuperscript{72} However, Napster could not actually erase infringing materials, as a BBS operator is able to do, because the files were not posted to a central location.\textsuperscript{73} It could only locate the infringing materials through its own search function and block future access by the providing users.\textsuperscript{74} This would not necessarily solve the problem, however, because popular music was constantly reintroduced by different users.

The court in \textit{Napster} found that the Napster system was likely at least capable of substantial noninfringing uses.\textsuperscript{75} However, the court applied the precedent set in \textit{Netcom} and held that the plaintiffs demonstrated a likelihood of success on the merits of a contributory infringement claim, even if substantial noninfringing uses were found.\textsuperscript{76} The court found that Napster had received specific knowledge of infringement through complaints, and it had failed to appropriately rid the system of the material.\textsuperscript{77} This was sufficient to constitute contributory infringement under the \textit{Netcom} test.\textsuperscript{78} The court admitted that to hold a computer system liable for contributory infringement “merely because the structure of the system allows for the exchange of copyrighted material” would violate \textit{Sony}.\textsuperscript{79} However, it found that the facts in this case were more similar to those in \textit{Netcom} than to those in \textit{Sony}, because Napster had “actual knowledge that specific infringing material

\textsuperscript{70} \textit{Id.} at 1012.

\textsuperscript{71} \textit{See Grokster}, 380 F.3d at 1158. The p2p distribution networks at issue in \textit{Grokster}, unlike Napster, allowed each user’s computer to be both a server and a client and therefore did not maintain a central server. \textit{Id.}

\textsuperscript{72} \textit{Napster}, 239 F.3d at 1011, 1023.

\textsuperscript{73} \textit{See id.} at 1011.

\textsuperscript{74} \textit{Id.} at 1023.

\textsuperscript{75} \textit{Id.} at 1021.

\textsuperscript{76} \textit{Id.}

\textsuperscript{77} \textit{Id.}

\textsuperscript{78} \textit{Napster}, 239 F.3d at 1021. \textit{See Religious Tech.}, 907 F. Supp. at 1375.

\textsuperscript{79} \textit{Napster}, 239 F.3d at 1021.
[was] available using the system,” it “could block access to the system by suppliers of the infringing material,” and “it failed to remove the material.” The court therefore evaluated Napster as providing a service, like the BBS in Netcom, rather than as a product, like the VTR in Sony.

The Aimster system, like the Napster system, included a server that provided service to clients, the users. Aimster hosted the website, collected and organized information obtained by the users, and matched host users with downloading users. Also like the Napster system, the Aimster system did not actually make or store the copies, but rather facilitated the exchange of copies between users. Unlike the Napster system, however, Aimster users could exchange files only while both were connected to a chat room enabled by an instant-messaging service. The users could designate specific “buddies” to chat and exchange files with, or they could designate all users of the system as buddies, allowing a user to chat and exchange files with anyone else connected. All communications between buddies, including files swapped between them, were encrypted. This encryption prevented anyone else, including Aimster, from viewing what was said or swapped between the buddies.

The Aimster court, unlike the court in Napster, found that the Aimster service was unlikely to facilitate any substantial noninfringing uses. It admitted that the service was capable of fair uses, such as the transfer of noncopyrighted works, but it held that “the question is how probable they are,” not merely whether the product is capable of such uses. It found that Aimster had “failed to produce any evidence that its service has ever been used

80. Id.
81. Aimster, 334 F.3d at 646.
82. Id.
83. Id.
84. Id.
85. Id.
86. Id.
87. Aimster, 334 F.3d at 653.
88. Id.
for a noninfringing use, let alone evidence concerning the
frequency of such uses.” 89 The court held that this evidentiary
absence alone was sufficient for the plaintiff to prevail. 90

The court went further to hold that even if Aimster was capable
of noninfringing uses, it would still be held liable for contributory
infringement because it could have attempted to prevent the
infringing uses at little cost. 91 This holding added an additional
factor to the Netcom test – the cost and burden to the defendant of
preventing infringement on its service. It held that the provider of
a service that has knowledge of specific infringing uses and the
ability to prevent its customers from infringing can still avoid
liability if it shows that “it would have been disproportionately
costly . . . to eliminate or at least reduce substantially the infringing
uses.” 92

The court found that the knowledge prong was met, even though
the encryption in the service prevented Aimster from having actual
knowledge of specific infringement, because it exhibited willful
ignorance. 93 It held, “a service provider that would otherwise be a
contributory infringer does not obtain immunity by using
encryption to shield itself from actual knowledge. . . .” 94 The court
found that Aimster would have had the ability to track and prevent
infringement if it had not allowed the encryption. 95 The court
admitted that encryption against other users had a social benefit of
providing privacy. 96 It concluded, however, that Aimster had
failed to show that there was any value to the encryption against
the service provider itself, and accordingly that removing the
encryption to prevent infringement would not have been
burdensome or costly for Aimster. 97 Therefore, despite the

89. Id.
90. Id.
91. Id.
92. Id.
93. Aimster, 334 F.3d at 650.
94. Id. at 651.
95. Id. at 653.
96. Id. at 650.
97. Id.
encryption that prevented Aimster from having knowledge and control over potential infringement, Aimster was still treated as a service rather than a product. The service was found to be liable for contributory infringement, regardless of whether it had substantial noninfringing uses.

The *Aimster* court both narrowed and broadened the contributory infringement doctrine. It narrowed it as applied to services with substantial noninfringing uses by adding analysis of the cost and burden of preventing infringement. It made it more difficult for a service to qualify as a service with substantial noninfringing uses, however, by making it a question of probability, rather than mere capability, thus broadening the test. It further broadened the test by precluding the defense of lack of knowledge where such ignorance was willful.

4. The Application of Contributory Infringement to Completely Decentralized Peer-to-Peer File-Sharing in Grokster

The most recent case on p2p file-sharing involved two software distributors, Grokster, Ltd. and StreamCast Networks, Inc. Grokster allows for swapping of MP3 music files, and StreamCast allows for the swapping of motion picture files. Unlike Napster and Aimster, Grokster and StreamCast (the software distributors) do not function using a central server. They merely distribute the software. Beyond that, they are not involved in locating and matching users or indexing and facilitating the exchange of files. The StreamCast software offers purely decentralized p2p file-sharing by making each user's computer a server or a client, depending on whether it is uploading or downloading a file.

98. *See id.* at 648.
99. *See Aimster*, 334 F.3d at 653.
100. *See id.* at 650-51.
102. *Id.* at 1159.
103. *Id.* at 1158.
104. *Id.*
105. *Id.* at 1159.
Rather than searching a central index of all available files, each user maintains its own index of files it wishes to make available and broadcasts a request to the indices of other users when seeking a specific file. The software facilitates this process. The Grokster software is slightly different in that it designates specific available computers in the network to be indexing servers, rather than making every uploading user’s computer a server. These indexing servers are called supernodes. The supernodes can change from moment to moment, and any user’s computer with sufficient speed can be designated a supernode. Both Grokster and StreamCast are completely decentralized p2p programs. The plaintiff copyright owners found that ninety percent of the file sharing using these programs is illegal, and the remaining ten percent is either authorized or of non-copyrighted material.

Distinguishing Napster and Aimster, the court in Grokster found that the software distributors were not liable under a theory of contributory infringement. The court clearly defined the following requirements that had been developing since Sony:

If the product at issue is not capable of substantial or commercially significant noninfringing uses, then the copyright owner need only show that the defendant had constructive knowledge of the infringement. On the other hand, if the product at issue is capable of substantial or commercially significant noninfringing uses, then the copyright owner must demonstrate that the defendant had reasonable knowledge of specific infringing files and failed to act on that knowledge to prevent infringement.

In determining substantial noninfringing uses, the court rejected

106. Id.
107. Grokster, 380 F.3d at 1159.
108. Id. at 1158.
109. Id. at 1162-63.
110. Id. at 1161.
the proposition in *Aimster* that the probability of the uses must be a consideration.\textsuperscript{111} The court in *Grokster* returned to the holding in *Sony* that, "a product need only be capable of substantial noninfringing uses."\textsuperscript{112} The court agreed with the extension in *Netcom*, *Napster* and *Aimster* that a defendant service provider that has an ability to prevent infringement and knowledge of specific infringing files, and that nevertheless fails to prevent infringement, constitutes a contributory infringer, even if the service has substantial noninfringing uses.\textsuperscript{113} It emphasized that the defendant’s knowledge of specific infringing files must have occurred at a time in which it had the ability to act on it. In other words, once a defendant’s product is found to have substantial noninfringing uses, contributory infringement can only be found if the plaintiffs gave the defendants notice of specific infringement, and the defendants had the control and ability, at the time of the notice, to prevent the infringement.\textsuperscript{114} This requirement cannot be met by an ability to control that existed before the notice, but that no longer exists at the time of the notice.\textsuperscript{115}

In applying these standards to the software distributors, the court first found that the software was capable of substantial noninfringing commercially viable uses.\textsuperscript{116} This was evidenced by the copyright owners’ admission that about ten percent of the file-swapping was either authorized or of non-copyrighted works.\textsuperscript{117} The court found that this translated into “hundreds of thousands of legitimate file exchanges,” which the court held to be significant.\textsuperscript{118} In the final part of the analysis, the court found that although the plaintiffs had given the defendants notice of specific infringing files, the notice was given too late for the defendants to respond to

\textsuperscript{111} Id. at 1162. *See also Aimster*, 334 F.3d at 653.

\textsuperscript{112} *Grokster*, 380 F.3d at 1162 (citing *Napster*, 239 F.3d at 1021).

\textsuperscript{113} Id. at 1161. *See also Napster*, 239 F.3d at 1022, 1027 (citing *Religious Tech.*, 907 F. Supp. at 1374-75).

\textsuperscript{114} *Grokster*, 380 F.3d at 1160.

\textsuperscript{115} Id.

\textsuperscript{116} Id. at 1162.

\textsuperscript{117} Id.

\textsuperscript{118} Id.
The defendants had already distributed the software, thus they no longer had any control over what the consumers did with it. Since the defendants did not have sufficient reasonable knowledge of specific infringing files, the court did not apply the Netcom test. Therefore, the court treated the software as a product, like the VTR in Sony, rather than as a service, like the BBS in Netcom and the file-sharing services in Napster and Aimster.

B. Vicarious Liability

The second form of secondary liability for copyright infringement is vicarious liability. This concept was developed from the agency principles of respondeat superior, which imposes liability on an employer for the actions of an employee in the course of his employment. The courts have extended this doctrine in the area of copyright infringement to impose liability upon "a defendant whose economic interests were intertwined with the direct infringer's, but who did not actually employ the direct infringer." To maintain a cause of action for vicarious liability, a plaintiff must prove that the defendant had (1) the right and ability to control the infringing activity; and (2) a direct financial interest in such activities.

119. Id.
120. Grokster, 380 F.3d at 1163.
121. Id. See Sony, 464 U.S. 417; Religious Tech., 907 F. Supp. 1361; Napster, 239 F.3d 1004; Aimster, 334 F.3d 643.
122. Fonovisa, 76 F.3d at 262 (citing Shapiro, Bernstein and Co. v. H.L. Green Co., 316 F.2d 304 (2d Cir. 1963). See also Aimster, 334 F.3d at 653.

One of the principal rationales of vicarious liability, namely the difficulty of obtaining effective relief against an [employee], who is likely to be impecunious, . . . has been extended in the copyright area to cases in which the only effective relief is obtainable from someone who bears a relation to the direct infringers that is analogous to the relation of [an employer to an employee].

Id.
123. Gershwin Publ'g. v. Columbia Artists, 443 F.2d 1159, 1162 (2d Cir. 1971) (citing Shapiro, 316 F.2d at 307). See, e.g., RCA/Ariola Int'l., Inc. v.
To explain the requirements, the court in Shapiro, Bernstein & Co., Inc. v. H.L. Green Company, Inc.124 compared the situation of a landlord to that of a dance-hall operator.125 A landlord who lacks knowledge of infringing acts of its tenant and who exercises no control over the leased premises is not liable for infringing sales by its tenant.126 On the other hand, the operator of an entertainment venue is liable for the infringing performances if the operator can control the premises and obtains a direct financial benefit from the audience, who paid to enjoy the infringing performance.127 The court in Shapiro applied this logic to find the owner of a chain of department stores vicariously liable for the counterfeit recordings of one of its concessionaires.128 It found that the relationship between the store owner and the concessionaire was closer to the dance-hall model than to the landlord-tenant model; the owner had retained the ultimate right of supervision over the conduct of the concessionaire and its employees, and it had reserved for itself a proportionate share of the gross receipts from the concessionaire’s sales.129 It therefore had both control over the infringement and a direct financial benefit from it.130

Thomas & Grayston Co., 845 F.2d 773, 781 (8th Cir. 1988) (holding a manufacture of a specialized tape machine that allowed persons to record from one cassette tape to another to be vicariously liable for copyright infringement because of its issuance of directives to retailers, whose employees actually helped customers violate copyright laws, its claim of policing the retailers, and its profiting by tapes sales). But see Aitken, Hazen, Miller P.C. v. Empire Constr Co., 542 F. Supp. 252, 262 (D.C. Neb. 1982) (holding that a building supply dealer and engineer, who approved building plans copied from plans prepared by architects and engineers without notice of the source of the plans, were not liable as vicarious infringers).

124. Shapiro, 316 F.2d 304.
125. Id. at 307.
126. Id.
127. Id.
128. Id. at 308.
129. Id.
130. Shapiro, 316 F.2d at 308.
1. The Control Prong

To meet the control prong of the test, it is sufficient if the defendant had the ability to police the conduct, even if it did not actually do so. In Shapiro, for example, the owner did not actually supervise the infringing sales, and, furthermore, he did not even know about them. However, he still met the control requirement; he had required the employees to observe all regulations set by him, and he had reserved “unreviewable discretion” to discharge them.

The control prong is also met if the defendant promoted or induced the infringing acts. In Gershwin Publishing Corp. v. Columbia Artists, a manager of concert artists sponsored the creation of local concert associations to provide audiences for its artists, knowing that the artists included copyrighted compositions in their performances without permission. The court held that, because the defendant promoted the infringing activity, he sufficiently controlled it.

2. The Direct Financial Benefit Prong

The defendant does not have to benefit through direct sales of the infringing products to meet the direct financial benefit prong. It is sufficient if the infringement enhances the attractiveness of the defendant’s business to potential customers. For example, in

131. Id. See also Fonovisa, 76 F.3d at 261 (holding that the operator of a swap meet where bootleg records were sold met the control prong, because he “had the right to terminate vendors for any reason whatsoever and through that right had the ability to control the activities of vendors on the premises”).
132. Shapiro, 316 F.2d at 306.
133. Id.
134. Gershwin, 443 F.2d at 1162.
135. Id.
136. Id. at 1160.
137. Id. at 1163.
138. Fonovisa, 76 F.3d at 263 (9th Cir. 1996).
139. Id. But see Banff Ltd. v. Limited, Inc., 869 F. Supp. 1103, 1110 (S.D.N.Y. 1994) (holding that the test does not apply to parent corporations).
SECONDARY LIABILITY LEGISLATION

*Fonovisa, Inc. v. Cherry Auction, Inc.*., the court held that the sale of pirated records at defendant’s swap meet met the direct financial benefit prong, because it was a draw for customers.140

Although the requirements for vicarious liability and contributory infringement are different and have produced different outcomes in some cases, the theories have so far produced parallel outcomes in p2p files-sharing cases.141 In *Napster*,142 the court held that the plaintiffs demonstrated a likelihood of success on the merits under both theories.143 It found that, since Napster’s future revenue was directly dependent upon increases in its user base, and the infringing works likely enhanced the attractiveness of the service, the plaintiffs were likely to establish that Napster had a direct financial interest in the infringing activity.144 In *Aimster*,145 the court also found that the plaintiffs were likely to succeed.146 It held that, “by eliminating the encryption feature and monitoring the use being made of its system, Aimster could...have limited the amount of infringement,” which, it implied, could meet the control prong of the vicarious liability test.147 In *Grokster*,148 the court affirmed summary judgment for the defendants on both counts.149 It found that the defendant software distributors did not have the ability to block access to the individual users, thus they did not have the supervisory relationship necessary to meet the control prong.150

140. *Id.*
141. See *Napster*, 239 F.3d 1004; *Aimster*, 334 F.3d 643; *Grokster*, 380 F.3d 1154.
142. *Napster*, 239 F.3d 1004.
143. *Id.*
144. *Id.* at 1023.
146. *Id.* at 653, 655.
147. *Id.* at 654. The court did not go into further analysis of vicarious liability, because the defendants were appealing the grant of a preliminary injunction, and the court had already affirmed it based on the contributory infringement count. *Id.* at 655.
149. *Id.* at 1157.
150. *Id.* at 1165.
Although the court did find that the direct financial relationship prong was met, it concluded that the defendants were not vicarious infringers, as both prongs were not met. In all three cases, the primary focus of the analysis was on the contributory infringement claim, not the vicarious liability claim. Therefore, although the theories have different elements, and there have been cases where a defendant has been found to be liable under one theory and not the other, it can be assumed that the concepts are fairly fluid, especially in the p2p file-swapping context.

C. Digital Millennium Copyright Act Safe Harbors

In 1998, Congress passed the DMCA, part of which limits the relief available to copyright owners against an ISP where it implemented a reasonable policy to prevent the use of its service by repeat infringers. An ISP, as defined in the Act, is “a provider of online services or network access, or the operator of facilities therefore.” The conduct of a service provider must also fall into one of four categories for the limitation to apply: transitory digital network communications, system caching, storage at the direction of the user of material on a system or network controlled or operated by or for the service provider, or linking users to an online location containing infringing material. If an ISP qualifies, the DMCA will protect it “from liability for all monetary relief for direct, vicarious, and contributory

151. Id.
152. See Ellison, 357 F.3d at 1074 (holding that fact issues existed as to whether an internet service provider was liable for contributory infringement, but it was not liable under vicarious liability); RCA/Ariola, 845 F.2d at 777, 781 (holding that the defendant was not a contributory infringer, but it was vicariously liable).
153. See Melville B. Nimmer & David Nimmer, Nimmer on Copyright §12.04[A] (admitting that “the boundaries between [the] two categories are often fluid,” but noting that “the distinction between them should be drawn when possible”).
infringement.”\textsuperscript{157} In essence, the DMCA ensures that a service provider will not be held liable for the infringing conduct of its users, where it is taking all reasonable action to track, control, and stop infringement of which it receives notice.

The DMCA was enacted after \textit{Netcom}\textsuperscript{158} but before \textit{Napster},\textsuperscript{159} \textit{Aimster},\textsuperscript{160} and \textit{Grokster}.\textsuperscript{161} The court in \textit{Netcom} required that a service provider with knowledge of infringement take “simple measures to prevent further damage to..copyrighted works,” where it is able, to avoid contributory infringement.\textsuperscript{162} The DMCA safe harbor provisions, therefore, merely codify and clarify the essential holding in \textit{Netcom}.\textsuperscript{163} \textit{Napster}, \textit{Aimster}, and \textit{Grokster} did not overturn \textit{Netcom}, but merely built on it and applied it to different technology and different facts. If anything, the DMCA requires a more stringent prevention policy than the contributory infringement doctrine.\textsuperscript{164} In the p2p file-sharing context, therefore, if the contributory infringement doctrine is applied appropriately, the DMCA safe-harbor provisions will not apply.

The holdings in \textit{Napster}, \textit{Aimster}, and \textit{Grokster}, with regard to

\textsuperscript{157} S. REP. NO. 105-190, at 40 (1998), \textit{quoted in Napster}, 239 F.3d at (holding that defendant’s potential liability for contributory and vicarious infringement did not render the DMCA inapplicable per se, but that plaintiffs had raised serious questions as to whether the defendant qualified).

\textsuperscript{158} Religious Tech., 907 F. Supp. 1361.

\textsuperscript{159} Napster, 239 F.3d 1004.

\textsuperscript{160} Aimster, 334 F.3d 643.

\textsuperscript{161} Grokster, 380 F.3d 1154.

\textsuperscript{162} Netcom, 907 F.Supp at 1375.

\textsuperscript{163} See Ellison, 239 F.3d at 1081 (“Congress intended the relevant language of § 512(a) to codify the result of \textit{Netcom}

\textsuperscript{164} See 17 U.S.C. § 512(i)(1)(A) (requiring that a service provider “has adopted and reasonably implemented, and informs subscribers and account holders of the service provider’s system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network who are repeat infringers”). Compare with Aimster, 334 F.3d at 653 (implying that a service provider can avoid a contributory infringement claim by establishing either that it takes action to “eliminate or at least reduce substantially the infringing uses”, that it does not have the ability to take such action, or that “it would have been disproportionately costly” to take such action).
the application of safe harbors, are consistent with this reasoning. The court in *Napster*, which held that the plaintiffs established a likelihood of success on the merits of a contributory infringement claim, found that the scales also tipped in the plaintiffs' favor regarding the application of the DMCA safe harbors.\textsuperscript{165} It found that the plaintiffs had raised significant questions about its application, including whether Napster had established and implemented the requisite copyright compliance policy.\textsuperscript{166} The court in *Aimster*, which also found that the plaintiffs were likely to prevail on a contributory infringement claim, held that the service did not qualify under the safe-harbor provisions. It gave the following explanation:

> Far from doing anything to discourage repeat infringers of the plaintiffs' copyrights, Aimster invited them to do so, showed them how they could do so with ease using its system, and by teaching its users how to encrypt their unlawful distribution of copyrighted materials disabled itself from doing anything to prevent infringement.\textsuperscript{167}

This explanation exemplifies a court's mutually-exclusive determination that a service does not meet the strict requirements for DMCA safe harbors once the court has already determined that the service failed to take the simple measures required to avoid a contributory infringement claim. The court in *Grokster* did not need to address the application of the safe-harbor provisions, since it affirmed summary judgment in favor of the defendants on contributory infringement and vicarious liability claims.\textsuperscript{168} The primary means for applying secondary liability to p2p file-sharing software or services, therefore, is through contributory infringement doctrine.

\textsuperscript{165} *Napster*, 239 F.3d at 1025.  
\textsuperscript{166} Id.  
\textsuperscript{167} *Aimster*, 334 F.3d at 654.  
\textsuperscript{168} See *Grokster*, 380 F.3d at 1157.
II. PROPOSED LEGISLATION

The test applied to determine contributory infringement currently varies depending on the defendant's conduct. Under the traditional contributory infringement doctrine, not involving the distribution of a product or service, a cause of action for contributory infringement exists if the defendant had knowledge of infringing activity and induced, caused, or materially contributed to it.\textsuperscript{169} This test is still the basic structure of the contributory infringement test. The analysis within this structure, however, has been altered to adapt it to the distribution of products and services.

A plaintiff filing a claim against a product must establish (1) that the product does not have substantial noninfringing uses and (2) that the defendant has constructive knowledge of the infringement.\textsuperscript{170} This doctrine was established in \textit{Sony} and has remained largely unchanged.\textsuperscript{171} It increased the difficulty of establishing a contributory infringement action against a product distributor than against a traditional contributory infringement defendant.

A plaintiff filing a claim against a service also has a cause of action if it establishes the aforementioned elements established in \textit{Sony}.\textsuperscript{172} \textit{Netcom} suggested an additional test for services,\textsuperscript{173}

\begin{itemize}
\item 169. See, e.g., \textit{Gershwin Publ'g}, 443 F.2d at 1162.
\item 170. See \textit{Sony}, 464 U.S. 417 (holding that a VTR was not liable for contributory infringement, because it had substantial noninfringing uses).
\item 171. See, e.g., \textit{Grokster}, 380 F.3d 1154 (holding that the distributors of file-sharing software were not liable for contributory infringement, because the software had substantial noninfringing uses, and it was a product, making it impossible for the distributors to control infringement after its distribution).
\item 172. See \textit{Aimster}, 334 F.3d at 653. The Seventh Circuit held that the district court was justified in holding that the recording industry (the plaintiff) was likely to prevail based on the defendant p2p file-sharing service's failure "to show that its service [had] ever been used for any purpose other than to infringe the plaintiffs' copyrights." \textit{Id}.
\item 173. See \textit{Religious Tech.}, 907 F. Supp. at 1374-75. The court does not clearly define the test, but it suggests it by holding that the electronic bulletin board at issue was a contributor infringer, because it had "knowledge of infringing postings" and the ability "to take simple measures to prevent further
\end{itemize}
however, that was developed and applied in *Napster*\(^{174}\) and *Aimster*.\(^{175}\) Under the most recent version of this test, if a plaintiff claiming contributory infringement against a service fails to establish the *Sony* elements, it may still have a cause of action by establishing (1) the defendant had specific knowledge of infringement, (2) it would not have been costly or burdensome for it to eliminate or reduce further infringement, and (3) it failed to take action toward such elimination or reduction.\(^{176}\) *Netcom, Napster,* and *Aimster* therefore made it easier to establish a contributory infringement action against a service than against a product.

In *Grokster*, the court treated the p2p file-sharing software at issue as a product rather than as a service, because the defendants did not maintain a central server as in *Netcom, Napster,* and *Aimster*.\(^{177}\) This made it more difficult for the plaintiff to establish

---

\(^{174}\) *Napster*, 239 F.3d at 1021. The court held that, even though Napster was likely at least capable of substantial non-infringing uses, the plaintiff was still likely to prevail, because Napster “had actual knowledge that specific infringing material [was] available using its system . . . it could block access to the system by suppliers of the infringing material, and . . . it failed to remove the material.” *Id.*

\(^{175}\) *Aimster*, 334 F.3d at 653.

\(^{176}\) See *id.* The court held that the plaintiff was likely to prevail, even if Aimster had substantial non-infringing uses, because Aimster had received notice of the infringement, it had failed to reduce further infringement, and the encryption which prevented it reducing infringement would not have been costly to remove. *Id.*

\(^{177}\) *Grokster*, 380 F.3d at 1163. The court exhibited this distinction by explaining “while material contribution can be established through provision of site and facilities for infringement, followed by a failure to stop specific instances of infringement once knowledge of those infringements is acquired, the Software Distributors have not provided the site and facilities for infringement in the first place.” *Id.* (citing *Fonovisa*, 76 F.3d at 264 (holding that the operator of a swap meet where bootleg records were sold materially contributed to the infringement, because he provided the site and facilities for the infringement)). The court in *Grokster* distinguished the *Aimster* and *Napster* services by analogizing them to the *Cherry Auction* swap meet operator, because all of them were service providers that had the ability to control the infringement at their “facilities.” *Id.* The court suggested, however, that
a cause of action. Applying the Sony test, the court found that the defendant’s product had substantial noninfringing uses.\footnote{178} Because defendants had no control over the software once it was distributed and did not have reasonable knowledge of specific infringing files before the software was distributed, the court ended the analysis there. It treated the software as a product and therefore did not give the plaintiff the further option of establishing a cause of action under the Netcom test.\footnote{179} The defendants in Grokster therefore defeated the cause of action under a pure Sony analysis.

\textit{A. Senator Hatch’s Reaction to Grokster}

Senator Hatch (R-UT), disturbed by the outcome in Grokster, responded by proposing Senate Bill 2560, the Inducing Infringement of Copyrights Act of 2004.\footnote{180} This bill would add an additional test to every contributory infringement action, regardless of whether the defendant was a traditional defendant or the distributor of a product or service. This test would have one element – intent to induce infringement.\footnote{181} The bill, if passed, would add to the end of Section 501 of title 17, the following:

\begin{quote}
(g)(1) In this subsection, the term ‘intentionally induces’ means intentionally aids, abets, induces, or procures, and intent may be shown by acts from which a reasonable person would find intent to induce infringement based upon all relevant information about such acts then reasonably available to the actor, including whether the activity relies on infringement for its commercial viability.
\end{quote}

\footnote{product distributors, unlike services providers, do not provide the site and facilities sufficient to establish material contribution and that the Netcom test need not be applied to products on that basis. \textit{Id.}}

\footnote{178. \textit{Id.} at 1162.}
\footnote{179. \textit{Id.} at 1163.}
\footnote{180. \textit{See S.} 2560, \textit{supra} note 3. \textit{See also} Hatch, \textit{supra} note 3.}
\footnote{181. \textit{See S.} 2560, \textit{supra} note 3. \textit{See also} Hatch, \textit{supra} note 3.}
(2) Whoever intentionally induces any violation identified in subsection (a) shall be liable as an infringer.

(3) Nothing in this subsection shall enlarge or diminish the doctrines of vicarious and contributory liability for copyright infringement or require any court to unjustly withhold or impose any secondary liability for copyright infringement.\(^\text{182}\)

The purpose of the bill, as stated by Senator Hatch, is to "confirm that creative artists can sue corporations that profit by encouraging... others to commit illegal or criminal acts of copyright infringement."\(^\text{183}\) Hatch expressed his concern that, as a result of Grokster, distributors of p2p software will legally be able to "profit by inducing children to steal," luring them "with false promises of 'free music.'"\(^\text{184}\)

Hatch claimed that the courts in Napster\(^\text{185}\) and Grokster\(^\text{186}\) misinterpreted the substantial noninfringing use rule in Sony\(^\text{187}\) by placing too much focus on whether the defendant has the ability to control infringement.\(^\text{188}\) Hatch proposed instead that "secondary liability should focus on intent to use indirect means to achieve illegal ends."\(^\text{189}\)

Therefore, Senate Bill 2560 would add an additional method for plaintiffs to impose secondary liability on products, services, and traditional defendants. There would be only one element in this test: intent to induce infringement.

---

182. S. 2560, supra note 3.
183. Hatch, supra note 3.
184. Id.
185. Napster, 239 F.3d 1004.
186. Grokster, 380 F.3d 1154.
187. Sony, 464 U.S. at 442 (1984) ("[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").
188. Hatch, supra note 3.
189. Id.
Secondary liability would be imposed if this element is met, regardless of the extent of the defendant’s contribution to the infringement, and regardless of whether there is substantial noninfringing use, knowledge of specific infringement, or ability to control the infringement. In determining “intent to induce”, Hatch implied that courts should borrow from criminal intent.\(^{190}\)

Hatch did suggest some limits to this test. First, the bill would merely restore the secondary liability doctrine as it existed before Grokster.\(^{191}\) Second, the savings clause in the bill would make the law serve as guidance for the courts, “not an iron-clad rule of decision for all possible future cases.”\(^ {192}\) Hatch stressed the importance of having flexibility to analyze the facts of each case.\(^ {193}\) Finally, Hatch expressed clearly his intent to preserve the holding in Sony regarding “copies made and used within an individual’s home environment.”\(^ {194}\) He reported the following:

> this bill is about the intentional inducement of global distribution of billions of infringing copies of works at the prodding and instigation of sophisticated corporations that appear to want to profit from piracy...and try to shield themselves from secondary liability by inducing others to infringe and then disclaiming control over those individuals.\(^ {195}\)

According to those who opposed it, however, the bill could have implications on a much greater scale.

**B. Reaction to the Bill**

The bill was introduced on June 25, 2004 and was heard by the

\(^{190}\) *Id.*  
\(^{191}\) *Id.*  
\(^{192}\) *Id.*  
\(^{193}\) *Id.*  
\(^{194}\) Hatch, *supra*, note 3.  
\(^{195}\) *Id.*
Senate Committee on the Judiciary on July 22, 2004. Following the bill’s introduction, individuals and organizations, especially from the technical industries, expressed their opposition and concern. They feared that the broad law would apply to unintended parties, such as manufacturers of products, and even journalists, if their products and influence unintentionally induced infringement. Senator Hatch responded that he intended to move ahead with the bill, but he invited criticism and suggestions.

In response to Hatch’s invitation, associations, coalitions and other groups joined in opposition to Senate Bill 2560 and presented Senator Hatch and other sponsors of the bill with suggestions and proposed drafts for an alternative version. In September, 2004, a discussion draft was proposed by the U.S. Copyright Office. This draft defined “induce” as committing “one or more affirmative, overt acts that are reasonably expected

197. Id.
198. Id.
to cause or persuade another person or persons to commit any infringement under subsection (a) of this section.\(^\text{201}\) It then listed several specific actions that could constitute an "overt act"\(^\text{202}\) and several specific actions that would not constitute "overt acts."\(^\text{203}\)

\[201. \text{Id.}
\]
\[202. \text{Id. It listed the following actions as constituting overt acts:}
\]
\[\begin{align*}
(A) & \text{ distributing any dissemination technology that, when used as intended, automatically causes the user of the technology to infringe copyrighted works without the user making a specific, informed decision, for each copyrighted work at issue, about whether to engage in such infringement;} \\
(B) & \text{ actively interfering with copyright holders' efforts to detect infringing uses of dissemination technology and enforce their copyright against those uses;} \\
(C) & \text{ offering an incentive to users of dissemination technology to make infringing use of the technology, such as providing improved performance of the technology in exchange for infringing distribution of copyrighted works;} \\
(D) & \text{ failing to take reasonably available corrective measures to prevent any continuing acts of infringement resulting from overt acts described in subparagraphs (A)-(C) of this subsection (2) that were committed before the effective date of this subsection; or}
\end{align*}\]
\[\begin{align*}
(E) & \text{ distributing a dissemination technology as part of an enterprise that substantially relies on the infringing acts of others for its commercial viability or the revenues of which are predominantly derived from the infringing acts of others.}
\end{align*}\]
\[\text{Id.}
\]
\[203. \text{Id. It listed the following as acts that do not constitute overt acts:}
\]
\[\begin{align*}
(A) & \text{ distributing any dissemination technology capable of substantial noninfringing uses knowing that it can be used for infringing purposes, so long as that technology is not designed to be used for infringing purposes;} \\
(B) & \text{ distributing any dissemination technology that incorporates reasonably effective measures to prevent or halt dissemination that constitutes infringement within the}
\end{align*}\]
This draft was also met with opposition, however. 204 Interested parties also met with the sponsors of the bill to work on creating a bill that meets Senator Hatch's stated goals, without harming legitimate technology industries. 205 The meetings were

meaning of this subsection;

(C) advertising, marketing, or promoting a dissemination technology that does not specifically encourage the use of that technology for infringing purposes;

(D) the providing of information on the use of a dissemination technology by the creator or distributor of that dissemination technology when the information does not specifically encourage the use of that technology for infringing purposes, including through instruction manuals, handbooks, user guides or customer support services;

(E) the providing of information on the use of a dissemination technology by a person not affiliated with the creator or distributor of that dissemination technology in the context of commentary, criticism, or reviews of the dissemination technology; or

(F) providing products or services to a distributor of dissemination technology in the same manner that such products or services are provided to other members of the public, including but not limited to financial services, delivery services, advertising services, product reviews or evaluations, library services, real estate services, customer-support services for users of computer software or hardware, utilities and telecommunications services.

Id.


unsuccessful in reaching this aim however, and technology industries continued to oppose S. 2560.\textsuperscript{206} Despite these draft proposals and suggestions, Senator Hatch did not officially amend his version of the bill. No further action has been taken on the bill.

\textbf{IV. Analysis}

Senate Bill 2560 is a full attack on \textit{Sony} and its substantial noninfringing use rule. If it is passed, it will affect twenty years of precedent. Senator Hatch’s statements make clear, however, that the sole purpose of the bill is to prevent p2p file-sharing services like the defendants in \textit{Grokster} from providing easy and enticing means for the unaware public to violate copyright laws. Senate Bill 2560 is therefore a very broad sweeping law intended to address a very narrow issue. In this analysis section, I will first demonstrate that Senator Hatch’s bill would affect the holding in \textit{Sony}, despite his statements that it will affect the holdings in \textit{Napster} and \textit{Grokster} while preserving the holding in \textit{Sony}. I will then critique Senate Bill 2560 both on its face and in the context of promoting Senator Hatch’s concerns and the Constitutional purposes of Copyright Law. Finally, I will voice my support for an educational public campaign in place of Senate Bill 2560.

A. The Bill’s Effect on the Law

Despite Senator Hatch’s statements to the contrary, Senate Bill 2560 will affect not only the precedents in Napster and Grokster but also the last twenty years of contributory infringement doctrine initiated by the U.S. Supreme Court in Sony.

1. Senator Hatch Expressed That S. 2560 Would Affect the Holding in Grokster

Senator Hatch’s expressed concern is with the factual determinations made in one case — Grokster. He disagrees with the outcome in favor of the defendants. He explained, “[t]his bill will protect American artists, children and taxpayers by restoring the privately funded civil remedy crippled by the Grokster ruling.”207 His concern is that Napster imposed liability upon a distributor of copying devices, and Grokster did not.208

2. If S. 2560 Affects Napster and Grokster, It Also Affects Sony

Senator Hatch stated that “this bill will…preserve the Sony ruling without reversing, abrogating or limiting it.”209 However, Grokster, which Senator Hatch claimed to be affecting, merely applied the substantial noninfringing use rule in Sony.210 Senator Hatch attempted to explain this inconsistency by stating, “in cases like Napster and Grokster, lower courts misapplied the substantial noninfringing use limitation. These cases forgot about the ‘balance’ and held that this limitation radically alters secondary liability. These cases retained secondary liability’s control prong but collapsed its inducement prong.”211

These statements are inaccurate, however. First, if any court collapsed the traditional contributory infringement test, it was

207. See Hatch, supra note 3.
208. Id.
209. Id.
210. See Grokster, 380 F.3d at 1162-64.
211. Hatch, supra note 3.
Sony. Under the traditional test, the two prongs are the knowledge prong and the substantial participation prong, not the control prong and the inducement prong. A plaintiff can establish the participation prong by showing that the defendant induced, caused, or materially contributed to the infringement. Sony, not Napster and Grokster, introduced the substantial noninfringing use rule, altering the traditional test to make it more difficult to establish a cause of action against a product distributor than against a traditional defendant. It was also Sony that radically altered the application of secondary liability to a product by holding that the manufacture of the VTR did not constitute contributory infringement because it had substantial noninfringing uses. The Supreme Court ended the analysis there. It did not go on to explicitly consider whether Sony had constructive or actual knowledge of infringement or whether Sony substantially participated in infringement.

Even Sony did not completely collapse the traditional test, however. It simply adapted it in cases involving products and services in light of the fact that these cases involved a multitude of users from the general public who were not all using the products and services for the same purpose. Essentially, the substantial noninfringing use rule is a means to determine knowledge and to balance it with a public interest in preserving legitimate noninfringing use. If the traditional test were applied to products and services without a substantial noninfringing use rule, any product or service that provided the means to infringe would constitute contributory infringement, regardless of whether it also

213. Id.
214. Sony, 464 U.S. at 442.
215. Id. at 456.
216. See generally Sony, 464 U.S. 417.
217. Id. The Court explained that the contributory infringement doctrine in the context of products that make duplication possible “must strike a balance between a copyright holder’s legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.” Id.
had legitimate functions. This could include any product or service that allowed for the copying, distribution, performance or display of literature, music, art, or any other work protected by Copyright law.\(^{218}\)

Second, the court in \textit{Napster} not only maintained the balance that Senator Hatch claims it forgot about, but it also helped to tip the balance in favor of the plaintiff. If the traditional structure of contributory infringement analysis was lost in \textit{Sony}, it was reintroduced in \textit{Netcom} and \textit{Napster}.\(^{219}\) \textit{Netcom} and \textit{Napster} suggested that the \textit{Sony} substantial noninfringing use rule is used

\begin{footnotesize}
\begin{enumerate}
\item See 17 U.S.C \S\ 106 (2005).
\end{enumerate}
\end{footnotesize}
to determine whether a plaintiff must show constructive or actual knowledge to satisfy the knowledge prong.\footnote{220} If an Internet service is found to have substantial noninfringing uses and actual knowledge of specific infringing files, the \textit{Netcom} test is used to determine substantial participation.\footnote{221}

By allowing a cause of action under either the \textit{Sony} test or the \textit{Netcom} test, \textit{Netcom} and \textit{Napster} also made it easier for a plaintiff to establish contributory infringement. \textit{Napster} upheld \textit{Sony}’s substantial noninfringing use rule and applied it to find that the Napster service was likely at least capable of substantial noninfringing uses.\footnote{222} Under a pure \textit{Sony} analysis, this finding would have ended the analysis. The court in \textit{Napster}, however, applied the \textit{Netcom} test,\footnote{223} which provided an additional means for a plaintiff to establish contributory infringement against a service.\footnote{224} Under the \textit{Netcom} test, even if a service is found to

\footnote{220} See \textit{Netcom}, 907 F. Supp. at 1374 (holding that “it is beyond the ability of a BBS operator to quickly and fairly determine when a use is not infringement where there is at least a colorable claim of fair use” and therefore that “where a BBS operator cannot reasonably verify a claim of infringement ... the operator’s lack of knowledge will be found reasonable”); \textit{Napster}, 239 F.3d at 1020-21.

We are bound to follow \textit{Sony}, and will not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs’ copyrights... [E]vidence of actual knowledge of specific acts of infringement is required to hold a computer system operator liable for contributory copyright infringement.

\textit{Id.}

\footnote{221} See \textit{Netcom}, 907 F. Supp. at 1374 (“If plaintiffs can prove the knowledge element, Netcom will be liable for contributory infringement since its failure to simply cancel [the] infringing message ... constitutes substantial participation”); \textit{Napster}, 239 F.3d at 1021 (“If a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement”).

\footnote{222} \textit{Napster}, 239 F.3d at 1021.
\footnote{223} \textit{Id.} at 1021.
\footnote{224} See \textit{Religious Tech.}, 907 F. Supp. at 1374-75.
have substantial noninfringing uses, a plaintiff can still establish contributory infringement if the service operator had knowledge of specific infringement and the ability to prevent or reduce the infringement, and it failed to do so. The Netcom test only applies to services with substantial noninfringing uses and actual knowledge of specific infringing files; it does not preclude or affect in any way a holding of contributory infringement against a product or service with no substantial noninfringing uses under the Sony test.

Grokster also upheld and followed the Sony precedent. Grokster produced the outcome it did for two factual reasons: first, it was found to have substantial noninfringing uses; and second, it was found to be a product of which the defendant had no control once it was distributed, like the VTR in Sony. Grokster did not significantly change contributory infringement law. It merely applied the test set forth in Sony that the distribution of a product will not be found to be contributory infringement if the product has substantial noninfringing uses. The court in Grokster found that the software at issue had substantial noninfringing uses, and therefore it dismissed the action.

3. How Senate Bill 2560 Would Affect the Holding in Sony

Contrary to his statements, Senate Bill 2560 is a full attack on the contributory infringement precedent set in Sony and followed for the last twenty years. The bill would erase the distinctions

225. Id. See also Napster, 239 F.3d at 1021. The court in Napster clearly defined the test that was implied in Netcom, holding “if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.” Id.

226. See, e.g., Aimster, 334 F.3d at 653 (holding that the plaintiff was likely to prevail against Aimster, a service, because the defendant failed to demonstrate substantial noninfringing use).

227. Grokster, 380 F.3d at 1161-63.

228. Sony, 464 U.S. at 442.

229. Grokster, 380 F.3d at 1162, 1164.

230. Id. at 1162.
made between traditional defendants, products, and services in *Sony*, *Netcom*, and *Napster*. It would eliminate the balancing test created and applied in *Sony* to preserve the interests in legitimate uses of products and services. It would create an additional means for a plaintiff to establish contributory infringement, to be applied when the plaintiff fails under all of the other tests. And, despite Senator Hatch's statements, this test is not limited to specific technology, specific circumstances, or specific extremes. The text of the law does not define its boundaries. Contributory infringement is applied across the board to any traditional defendant, product or service that exemplifies one element – intent to induce infringement – regardless of whether the defendant also exemplifies intent to induce other legitimate noninfringing uses.231 It is Senator Hatch, not the courts, who is forgetting the balance. He has no concern for the interests that the Supreme Court sought to preserve in *Sony* by setting the substantial noninfringing use rule.232

**B. The Analogy to Criminal Law**

Senator Hatch promoted the use of intent to establish contributory infringement by making a comparison to criminal law.233 He quoted the following provisions of the Criminal Code:

> Whoever commits an offense against the United States or aids, abets, counsels, commands, induces, or procures its commission, is punishable as a principal . . . . Whoever willfully causes an act to be done which if directly performed by him or another would be an offense against the United States, is


232. *See* Sony, 464 U.S. at 442 (explaining that the purpose of the substantial noninfringing use rule is to “strike a balance between a copyright holder’s legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce”).

punishable as a principal.234

Senator Hatch suggested that Copyright law should not be any different.235 There are flaws with this analogy, however.

First, contrary to Senator Hatch’s statement, even Criminal Law utilizes a rule similar to the substantial noninfringing use rule. Senator Hatch stated that “Laws imposing secondary criminal liability have something in common: Congress codified no exceptions for ‘substantial non-criminal uses.’” Senator Hatch was correct that Congress has not explicitly codified exceptions in criminal complicity or conspiracy for substantial noncriminal uses. However, this factor is often applied by criminal courts to determine whether the alleged conspirator had the requisite intent.236 A California court in People v. Lauria, for example, held that the operator of a telephone answering service used for prostitution was not guilty of conspiracy, even though the operator had knowledge of such use, had assisted in keeping the practice discreet, and had encouraged the activity by promising such discretion to new customers.237 The court’s reasoning in part was that a telephone answering service is not inherently susceptible to illegal use and has other legitimate uses.238 Therefore, although criminal courts do use intent to determine complicity, they apply a test to determine such intent that is similar to that applied in contributory infringement cases. If a test such as that suggested by Senator Hatch were applied in criminal law, manufacturers of

235. Id.
236. See, e.g., People v. Lauria, 59 Cal. Rptr. 628 (Cal Ct. App. 1967); Direct Sales Co. v. United States, 319 U.S. 703 (1943); United States v. Falcone, 109 F.2d 579 (2d Cir.), aff’d, 311 U.S. 205 (1940).
237. Lauria, 59 Cal. Rptr. at 631 (citing Falcone, 311 U.S. 205, in which the Court held that the sale of large quantities of sugar, yeast, and cans to distillers, with knowledge that they were to be used in a moonshining conspiracy, did not constitute participation in the conspiracy).
238. Lauria, 59 Cal. Rptr. at 632 (citing People v. McLaughlin, 111 Cal. App. 2d 781 (1952) (upholding a conspiracy conviction against the suppliers of horse-racing information for bookmaking purposes, because there was no legal use for the information)).

https://via.library.depaul.edu/jatip/vol15/iss1/6
every weapon would be accomplices, regardless of whether those weapons could also be used in self defense, in a recreational sport, as a police enforcement tool, or to carve a Thanksgiving turkey.

Second, and most importantly, criminal law and copyright law exist to serve very different policies. The criminal law serves to punish and prevent conduct that threatens harm to individuals or to the public, to control persons who are disposed to commit crimes, and to do so in a manner that is fair and just.\textsuperscript{239} In passing criminal laws, legislatures must attempt to balance the rights of individuals to be safe against the rights of the accused not to be falsely accused or inappropriately punished. Both sides of the scale are extremely heavy, and tipping it in the wrong direction can have grave consequences. If criminal complicity laws make it too difficult to find a person guilty of aiding or abetting in the commission of a crime, they could cause an increase in the commission of crimes and invade the rights of innocent individuals not to be victims of such crimes. On the other hand, if the scales tip too far against the defendant, innocent individuals may be found to be accomplices of crimes. It is therefore important for criminal courts to look to the intent and specific conduct of the defendant in aiding in the crime as well as the harm or potential harm to victims as a result of the defendant’s conduct.\textsuperscript{240} Although the degree that the defendant’s assistance or service benefits the public can sometimes be a factor, the furtherance of such assistance is not the primary purpose of Criminal Law.

In contrast, the purpose of copyright law is to promote the arts.\textsuperscript{241} The only purposes this must be balanced against are the

\textsuperscript{239} See Model Penal Code § 1.02 (2001).


\textsuperscript{241} See U.S. Const. art. I, § 8 (“The Congress shall have power...to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”). See also Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975). Justice Stewart stated in the majority opinion:

Creative work is to be encouraged and rewarded, but private motivation [in the form of a copyright] must ultimately serve the cause of promoting broad public availability of literature,
promotion of the sciences and other constitutional aims, such as the First Amendment. Congress and the courts therefore do not have to consider harm to artists beyond its effect on the arts and sciences. Unlike criminal law, the primary concern of copyright law does not relate to the rights of the “victims” or the “perpetrators” of copyright infringement. It rather relates to the affect that statutes and holdings in copyright law have on the public’s right to benefit from the arts and sciences. In the context of secondary liability, Congress and the courts should look to the degree that the alleged assistance harms the arts and weigh that against the degree that suppression of the assistance would harm the arts and sciences. Of less importance is the financial harm to the specific plaintiffs and defendants.

A test for secondary copyright liability based purely on intent would place too much focus on the specific defendants and not enough focus on the product or service at issue and its affects on

music, and the other arts... ‘The sole interest of the United States [in granting copyrights] and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.’


242. See Religious Tech., 907 F. Supp. at 1377. The court exemplifies this balance by explaining that “The copyright concepts of the idea/expression dichotomy and the fair use defense balance the important First Amendment rights with the constitutional authority for ‘promot[ing] the progress of science and useful arts.’” It then applies this concept to the context at issue: “If Usenet servers were responsible for screening all messages coming through their systems, this could have a serious chilling effect on what some say may turn out to be the best public forum for free speech yet devised.” Id.

243. See H.R. REP. NO. 2222, 60th Cong., (1909). The judiciary committee of the House of Representatives explained in 1909 that copyright legislation “is not based upon any natural right that the author has in his writings.” Id. It then set forth two questions that Congress must consider in passing laws: “how much will the legislation stimulate the producer and so benefit the public?” and “how much will the monopoly granted be detrimental to the public?” Id., quoted in Sony, 464 U.S. at 429.
the arts and sciences. The tests developed in *Sony*, *Netcom*, *Napster*, *Aimster*, and *Grokster*, however, clearly place more focus on the primary concerns of copyright law. The substantial noninfringing use rule, as it is applied in all of these cases, looks to the degree that the product or service at issue has legitimate uses that promote the progress of science, technology, or the arts. It then weighs this against potential harm to the arts by precluding from consideration any uses that constitute copyright infringement. The additional test applied to services in *Netcom*, *Napster*, and *Aimster* adds further weight to the prevention of harm to the arts by requiring that such services take action to prevent or reduce infringement (harm to the arts), to the extent that they are able to do so, to avoid liability. These tests are clearly more properly focused on the underlying Constitutional policies of Copyright law than Senator Hatch’s proposed test based

244. *Sony*, 464 U.S. 417.
246. *Napster*, 239 F.3d at 1021.
247. *Aimster*, 334 F.3d at 651.
248. *Grokster*, 380 F.3d at 1162.
249. *See Sony*, 464 U.S. at 442.
250. *Id*. The majority opinion justifies the substantial noninfringing use rule by explaining that contributory infringement doctrine, as it is applied to products and activities that make duplication possible, “must strike a balance between a copyright holder’s legitimate demand for effective... protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.” *Id*. It also stresses consideration that the monopoly privileges “are neither unlimited nor primarily designed to provide a special benefit” but rather “a means by which an important public purpose may be achieved.” *Id*.
252. *Napster*, 239 F.3d at 1021.
253. *Aimster*, 334 F.3d at 648-49. The court in this case added the requirement that the cost and burden of the prevention of infringement by the particular defendant be considered before finding contributory infringement under the *Netcom* test. *Id.* at 648. It justified this addition by explaining that requiring a service provider to prevent infringement at all costs could result in the shutting down of legitimate services by the copyright owners “contrary to the clear import of the *Sony* decision.” *Id*.
254. *See id.*
merely on intent.

Therefore, because the purposes of Copyright Law are so different from the purposes of Criminal Law, secondary copyright liability statutes should not be modeled after criminal complicity codes. Despite these differing purposes, however, even Criminal Law uses a substantial noncriminal use test in determining complicity where a product or service is at issue. 255 This is clearly the most effective test to address Copyright Law’s policies in the context of alleged contributory infringement by a product or service, because it focuses on the product’s benefit or harm to the public rather than on the good or bad faith of the alleged contributory infringer.

C. The Problem with Intent

The previous section established that a cause of action for contributory copyright infringement based solely on intent is not the best means to address the underlying policies of copyright law – to promote the arts and sciences. There are additional flaws with the use of intent without other factors to support it, especially in the context of Senator Hatch’s bill. First, an intent test without further guidance encourages abuse and unpredictable outcomes. 256 Senate Bill 2560 states that intent can be found from the surrounding circumstances, even where there is no actual proof of intent to infringe. A fact-finder could therefore find intent based on any number of factors evidencing that the distributor of a product or service may have intended for people to use it to infringe. Such unpredictability encourages frivolous litigation. It would also increase the already-great risk of manufacturing and marketing a new technology. This increased risk could suppress the development of new technology and investment in technology

255. See Lauria, 59 Cal. Rptr. at 635-36.
256. See PROTECTING INNOVATION AND ART WHILE PREVENTING PIRACY: HEARING ON S. 2560 BEFORE THE SENATE COMM. ON THE JUDICIARY, 108th Cong., 2-3 (2004) (statement of Gary Shapiro, President and CEO, Consumer Electronics Associations). Shapiro expressed that the law would be “potentially ruinous to innovation and investment” because of its unpredictability. Id.
that is developed. This suppression again defeats the constitutional purpose to promote the arts and sciences.

The use of intent is also problematic because an entity, especially a large corporation consisting of many minds, may have more than one purpose in creating and distributing a product or service. Senator Hatch did not make clear in his bill whether intent to induce infringement must be the sole intent, or a primary intent, or merely a thought in the back of someone’s mind.\textsuperscript{257} Sony, for example, probably considered that the potential use of its VTR to create libraries of infringing tapes, in addition to its other uses, would help to sell their product.\textsuperscript{258} If this were true, Sony had intent to induce some infringement and intent to induce noninfringing uses.\textsuperscript{259} While the Court’s substantial noninfringing use rule took this into consideration, the fact-finders applying Senator Hatch’s intent test may not. Intent, therefore, is not likely to be a successful test for determining contributory infringement accurately, fairly, and in accordance with the Constitutional purposes of Copyright Law.

\textit{D. Structural Problems}

In addition to the other more substantive problems with Senate Bill 2560, the bill was not very well drafted to meet either the purposes of copyright law or Senator Hatch’s expressed concern. First, it is very vague. It does not establish any guidelines for fact-finders to apply the test and for product distributors to comply with the law.\textsuperscript{260} This again encourages abuse and increased risk due to unpredictability. Senator Hatch merely gave an example as to what could be evidence of intent,\textsuperscript{261} but he did not explicitly

\footnotesize

\textsuperscript{257} See S. 2560, supra note 3.
\textsuperscript{258} See Sony, 464 U.S. 417.
\textsuperscript{259} See id.
\textsuperscript{260} See S. 2560, supra note 3.
\textsuperscript{261} Id. The bill provides that the question of whether a product relies on infringement for its commercial viability can be taken into account in determining intent. Id.
specify a reliable test for determining intent.²⁶²

Second, the law is underinclusive and overinclusive in its relation to both the purposes of Copyright Law and Senator Hatch’s stated purposes. The Constitution granted Congress the right to pass laws to promote the progress of the arts and sciences.²⁶³ Senate Bill 2560 is overinclusive of this aim, however, because a court could find intent to induce infringement where a product or service does not actually harm the promotion of the arts and sciences, or even where it promotes the arts and sciences. The product distributor may exhibit intent to induce infringement, but the infringement does not actually occur, or it occurs in a way that does not harm the arts and sciences. Similarly, the noninfringing uses of the product may potentially benefit the arts and sciences to such a degree that they make up for the harm caused by the infringing uses. The bill is also underinclusive of the constitutional aims, because a product or service may have the effect of harming the promotion of arts and sciences where the distributor did not exhibit intent to induce copyright infringement.

The bill is additionally underinclusive and overinclusive of the purposes Senator Hatch expressed that he intended the bill to meet. He is concerned with the music industry’s tendency to sue the direct infringers, who are sometimes children.²⁶⁴ Senate Bill 2560 does not directly address this issue, however.²⁶⁵ It does nothing to preclude or limit such litigation. Instead, it merely rewards the music industry by giving it another subject of litigation — the distributors of the products and services which the direct infringers use to infringe. The bill is therefore underinclusive, as individual direct infringers may and probably would still be sued for their conduct. There will always be means for individuals to copy and distribute copyrighted material, whether it is through recording devices, electronic bulletin boards, file-sharing services, or an e-mail account. As long as the laws governing direct copyright infringement remain the same, the music and movie industries’

²⁶² See id.
²⁶³ U.S. CONST. art I, § 8.
²⁶⁴ See Hatch, supra note 3.
²⁶⁵ See S. 2560, supra note 3.
ability to sue these individuals will not change.

The bill is also overinclusive to meet the purpose of reducing litigation against individual direct infringers. Senate bill 2560 is not limited to p2p file-sharing services that may have contributed to an increase in litigation of individual direct infringers. It is directed at every contributory infringement defendant, regardless of who the direct infringers are and what assistance they got from the alleged contributory infringer. It would therefore be applied to defendants who have no link to Senator Hatch’s concern.

E. Better Solutions

There are two potential solutions to meet Senator Hatch’s concerns without harming the arts and sciences. First, he could redraft Senate Bill 2560 to include clear, narrow boundaries and limitations more explicitly aimed at the intended conduct. Second, Senator Hatch could yield to the courts and allow them to develop contributory infringement law and its application to new technologies, as they have been doing for the past twenty years. He could then address his concerns directly through one of two avenues: the ability of the music and film industries to sue “innocent” infringers; or the willingness of the public to infringe.

Senate Bill 2560 would be improved if redrafted with an explicit definition of intent and clear guidelines for fact finders on what to look for and how to apply the test. It should also apply only to defendants who are contributing to Senator Hatch’s concerns. However, even these improvements are not advisable because of the inherent problems with using intent as a sole element to determine contributory copyright infringement. If Congress feels that intent should be considered by the courts, intent could be an additional factor in the test for determining contributory infringement.

Although any of these versions would be less harmful than Senate bill 2560 in its current form, the least intrusive action is to leave contributory infringement analysis as it is and to let the

266. Id.
courts decide when it is necessary to adjust it. The courts are better able to adjust to developing technology on a technology-by-technology basis and to change the tests as necessary in accordance with the purposes of Copyright Law. The courts in *Sony*, *Netcom*, and *Napster* made such adjustments. The tests that have come out of these cases may not be the most reliable tests for meeting the policies of promoting the development of the arts and sciences. It is possible that Senator Hatch is correct that *Grokster* should have been decided the other way. But, if this is true, it is merely due to an isolated fact-finding error. The fact-finder may have been incorrect in that case in finding that Grokster has substantial noninfringing uses. Such errors may occasionally occur under the current tests. If *Grokster* misapplied the substantial noninfringing use rule, it is up to the Supreme Court to make that determination.

Despite any minor flaws that the current tests may have, they are far superior to the test proposed by Senator Hatch. Senate Bill 2560 would open the door to potential fact-finding errors and inconsistencies much more significant and prevalent than those under the current tests. It is therefore safer for Congress to leave the current precedent as it is, at least until a better solution comes about.

If Senator Hatch’s primary concern is with the increased lawsuits against innocent direct infringers, he should address that issue directly. Rather than addressing it indirectly through contributory infringement, a better solution is to take action either to reduce such litigation or to reduce the direct infringement.

Litigation against innocent direct infringers could be reduced through a law limiting the ability of copyright owners to sue. Such a law could require plaintiffs in direct infringement cases to establish that the direct infringers had knowledge that they were

267. *See Sony*, 464 U.S. 417; *Religious Tech.*, 907 F. Supp. 1361; *Napster*, 239 F.3d 1004. *See also Aiken*, 422 U.S. at 156. The Court explained that “when technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of [the benefit derived by the public].” *Id.* quoted in *Sony*, 464 U.S. at 431.

268. *See Grokster*, 380 F.3d at 1160.
violating copyright laws or at least that they were copying and distributing copyrighted works. This solution is preferable to Senate Bill 2560 because it at least directly addresses the intended issue without suppressing technology and without affecting defendants who do not contribute to this concern. It is more likely to reduce litigation against individual direct infringers who are unaware of their actions.

This solution does have problems, however. First, it encourages people to willfully avoid knowledge of Copyright Law. Second, like Senate Bill 2560, it does not further the underlying policies of Copyright Law – to promote the arts. If an individual’s actions are harming the arts, they are doing so regardless of whether the individual has knowledge that such actions constitute infringement. Despite these problems, this action is a better and less intrusive solution than Senate bill 2560, because it does not inhibit the Constitutional purpose of promoting the sciences. It may be the right solution, therefore, if Congress feels that the public interest in providing an immediate means of limiting litigation against “innocent” infringers is strong.

The best solution to reducing such litigation, however, is to educate the public. Robert Holleyman, President and CEO of the Business Software Alliance, suggested in his testimony before the Senate judiciary committee that Congress initiate a mass media campaign against copyright infringement as it has done in the past against the use of drugs and tobacco.269 Although this solution could be expensive and could take a while to take effect, it is the best solution to meeting both the Constitutional purposes of promoting the arts and sciences and Senator Hatch’s purposes of reducing litigation against individual direct infringers. If people are aware of the purposes and beneficial effects of Copyright Law, they may be more willing to abide by it. Additionally, if they are aware of what constitutes copyright infringement, they will be more able to prevent unintentionally infringing. This solution is also the least harmful, because it does not risk defeating the

269. See PROTECTING INNOVATION, supra note 256 at 2 (testimony of Robert Holleyman, President, Business Software Alliance).
Constitutional aims by suppressing technology or the arts.

V. CONCLUSION

In 1984, the Supreme Court set the precedent for what constitutes contributory copyright infringement by a product. It established that a product distributor cannot be liable for infringement by its users if the product is capable of substantial noninfringing uses. This test made it more difficult for a plaintiff to establish contributory liability against a product distributor than against a defendant with a more traditional relationship to the direct infringer. In the twenty years since this holding, federal courts have applied this test to varying circumstances. In the context of Internet services, the court in Netcom suggested an additional test under which a defendant could be liable, even where the service has substantial noninfringing uses. This test made it easier for plaintiffs to establish contributory infringement against service providers than against product distributors. Applying this test, the courts in Napster and Aimster found the p2p file-sharing services at issue to be liable for contributory infringement. However, in August of 2004, the Second Circuit held in Grokster that the file-sharing software at issue did not constitute contributory infringement. The court applied the Sony test to find that the software was capable of substantial noninfringing uses and was actually used for such purposes. It ended the analysis there, without applying the additional Netcom test, because it found the software to be a product of which the defendant had no control once it was distributed, rather than a service.

Senator Hatch responded to the outcome in Grokster by proposing Senate Bill 2560, which would allow plaintiffs an additional means for establishing contributory infringement based

270. Sony, 464 U.S. at 440.
272. Grokster, 380 F.3d at 1164.
273. Id. at 1161-62.
solely on intent. Secondary liability could be found based on this test, even where the plaintiff failed to establish secondary liability under the other tests.

This test would disregard twenty years of precedent as well as the Constitutional purposes to promote the progress of the arts and sciences. It would suppress technology by increasing the risk of developing technology capable of infringement. It would also create unpredictable outcomes and an increase in fact-finding error.

Senator Hatch modeled the use of subjective intent after criminal complicity and conspiracy codes. The analogy between secondary copyright liability and criminal complicity does not work, however, because the purposes of the two fields are so different. Intent works better in criminal law, because its purposes focus on individuals – the potential victims and the accused. In contrast, the purposes of Copyright Law focus on the overall benefit to the general public. Therefore, a law which focuses on the intent of the defendant alone, ignoring whether the conduct benefits or harms the public, is inconsistent with the purposes of Copyright Law.

The bill was also poorly drafted. It is vague, which further promotes unpredictability and abuse. It is also both underinclusive and overinclusive to meet the Constitutional purposes of Copyright Law and even Senator Hatch’s purposes in proposing the bill.

If Senator Hatch is concerned with litigation against direct infringers who are unaware of their actions, he should address this problem directly. Addressing it indirectly by changing contributory infringement doctrine is potentially harmful and is not the most effective means for achieving his purpose. Instead, the best solution would be to establish a campaign aimed at making the public aware of the purposes and effects of Copyright Law and the conduct that constitutes infringement. This solution would leave the development of contributory infringement doctrine to the courts, which can be flexible and timely in reacting to a rapidly changing area of law. Most importantly, it would comport with

274. See S. 2560, supra note 3.
the Constitutional purposes to promote the progress of the arts and sciences by encouraging compliance with Copyright laws and respect for the resulting benefits.

*Julie Erin Land*

---

* At the close of the 108th Congress, Senate Bill 2560 had not left the Senate. Therefore, secondary liability law remains unchanged and unaffected by Senator Hatch’s proposals. The tension between the recording and film industries and technology manufacturers continues to exist, however. The Inducing Infringement of Copyrights Act is likely only the beginning of a search by Congress, the courts and interested parties for law and policy that will strike a balance between art and science.