

# AMERICAN COPYRIGHT ISSUES IN THE PRE-*GROKSTER* LANDSCAPE

*An Introduction to the Spring 2005 NYU Journal of Legislation  
and Public Policy Symposium*

*Alison M. Norris\**

In 1998, Congress enacted the Digital Millennium Copyright Act (DMCA), which served as the United States' formal ratification of the 1996 World Intellectual Property Organization Copyright Treaty.<sup>1</sup> The DMCA brought sweeping changes into federal copyright law. For one, it created safe harbors from infringement liability for online service providers, insulating entities such as America Online from contributory infringement liability.<sup>2</sup> It also prohibited legal owners of a copyrighted work from circumventing the work's anti-piracy measures, and made it a federal offense to manufacture, sell, or distribute code-cracking devices that would be used to illegally copy software.<sup>3</sup> The DMCA explicitly *allowed* certain uses of copyrighted material as well. For example, it condoned certain uses of copyrighted software by third parties so that innovators could circumvent anti-piracy measures to assess products' interoperability and to research new encryption technologies.<sup>4</sup> In addition, as you will learn in this Symposium Issue of the *New York University Journal of Legislation and Public Policy*, it did much more.

Copyright owners saw this extensive re-working of federal copyright law as a much needed development. As technology evolved throughout the 1980s and 1990s, the methods available for copying and distributing works grew exponentially, as did the methods available for protecting works from copying and distributing. One commentator, for instance, noted in 1997 that “[o]nce works are digital, they will become free because anything put in a digital bottle will necessa-

---

\* Candidate for J.D., 2006, New York University School of Law; B.A., University of California, San Diego, 2002.

1. See Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860, 2860 (1998).

2. See *id.* § 202, 112 Stat. at 2877–86.

3. See *id.* § 103, 112 Stat. at 2863–65.

4. See *id.* § 103, 112 Stat. at 2867–68.

rily leak out.”<sup>5</sup> Owing to the evolution of the internet, copyright industries faced a very real threat of wholly uncontrollable infringement from all corners of the world. The owner of a legally obtained DVD, for example, could create an unauthorized copy of the film, and then distribute it via the internet without any restraints, essentially destroying the copyright owner’s opportunity to extract compensation from each individual who accessed the work.

This Introduction highlights two important areas of the DMCA: its anti-circumvention provisions and its exemption from contributory infringement liability for online service providers. It analyzes the ways in which courts have dealt with circumvention and contributory liability and discusses some of the various criticisms of the DMCA. Overall, this Introduction seeks to provide an understanding of the DMCA that will serve the reader of this Symposium Issue of the *New York University Journal of Legislation and Public Policy*.

## I.

### CIRCUMVENTION OF TECHNOLOGICAL “LOCKS” AND THE DMCA’S RESPONSE

As it became easier to freely transfer electronic copies of movies or songs via the internet, copyright holders—who, in this context, were usually corporate entities rather than individual artists—moved further toward encryption and other technological protections to maintain control over such unauthorized copying.<sup>6</sup> By inserting technological “locks” into each copy of a film, for instance, copyright owners could theoretically block legal purchasers from creating innumerable, and free, copies of the film.<sup>7</sup>

Despite the creation of these “locks,” encryption was nevertheless only a temporary, imperfect solution for copyright owners.<sup>8</sup> Although encrypting DVDs and CDs was somewhat effective as a means

---

5. Mark Stefik, *Shifting the Possible: How Trusted Systems and Digital Property Rights Challenge Us to Rethink Digital Publishing*, 12 BERKELEY TECH. L.J. 137, 138 (1997); see also JULIE E. COHEN ET AL., COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 573 (2002) (noting that “over time, technological developments have challenged the copyright balance, typically by enabling new methods of copying and distributing protected works . . .”).

6. Stefik, *supra* note 5, at 153–55, 159.

7. See *id.* at 138 (noting that trusted system technology allows authors and publishers to exert greater control over their work by encoding rights associated with that copyrighted material).

8. See *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 435 (2d Cir. 2001) (describing as among motivations for DMCA Congress’s perceived need to “back[ ] with legal sanctions the efforts of copyright owners to protect their works from piracy behind digital walls such as encryption codes and password protections.”).

of preventing consumers from making digital copies of copyrighted works, there is a key for every lock. Indeed, no industry could sufficiently prevent computing aficionados from discovering the code with which to “unlock” an encrypted or otherwise technologically protected work. Without additional *legal* protection against “unlocking,” investing in the creation of a protected work would be less lucrative and therefore less desirable. In other words, the value derived from the money, time, and effort devoted to creating and distributing copyrightable works would be “lost” if consumers could access and redistribute such works without compensating the industry and the artist for their contributions.<sup>9</sup> Accordingly, copyright owners and Congress decided that the answer to these developments lay in the law. In passing the DMCA, Congress recognized that the ease with which internet users could copy and distribute digital works was overpowering copyright owners’ capacity to use traditional methods of enforcement to protect their rights.

These arguments for legal intervention were grounded in history—after all, one of the original purposes of federal copyright protection was to ensure that artists, authors, and other creators could protect and control their works.<sup>10</sup> If users all over the world could so easily copy and distribute digital works without facing significant legal repercussions, why would anyone invest the time, money, and labor in creating such a work in the first place? Indeed, in 1984, the Supreme Court wrote that federal copyright law was designed to resolve this exact conflict: “[Copyright protection] is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”<sup>11</sup>

In general, by promising an innovator the right to some degree of control over his creation, the law incentivizes artists to create works in the first place, and to continue creating and sharing those works. Advocates of copyright protection have argued that the digital environment increased the risk that an artist could not control future uses of his or her work, which would make artists less inclined to create such

---

9. See U.S. DEP’T OF COMMERCE, INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS 19–23 (1995), <http://www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf>.

10. See U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have 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 . . .”).

11. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

works or, perhaps, to share them; in turn, the public as a whole would suffer an intangible yet devastating cultural loss.<sup>12</sup> However, some commentators have countered that whether artists need the incentive of a *copyright* in particular to be encouraged toward creativity is an entirely separate question, and that other legal methods may produce the same protections without undermining the incentive to create and share one's works.<sup>13</sup> In the end, the DMCA's anti-circumvention provision responded to the concerns of copyright protection advocates by making it a crime to circumvent a technological measure meant to control access to a protected work.<sup>14</sup>

## II.

### CRITICISMS OF THE DMCA'S ANTI-CIRCUMVENTION PROVISIONS

#### A. *Overly Broad*

Despite the seemingly reasonable protection it offers copyright owners, the DMCA's anti-circumvention provision has still evoked legitimate criticisms. For one, the provision is quite broad—it does not mention fair use, for example, and fair use is perhaps the longest-standing and most widely accepted limitation on copyright infringement protection.<sup>15</sup> Not surprisingly, litigants seeking to protect their

---

12. As the Supreme Court noted in 1954, “[t]he economic philosophy behind the [Copyright] clause . . . is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors.” *Mazer v. Stein*, 347 U.S. 201, 219 (1954). Melville B. Nimmer & David Nimmer rephrased the Court's point: “[T]he authorization to grant to individual authors the limited monopoly of copyright is predicated upon the dual premises that the public benefits from the creative activities of authors, and that the copyright monopoly is a necessary condition to the full realization of such creative activities.” MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 1.03[A] (2005) (footnote omitted).

13. See, e.g., Trotter Hardy, *Property (and Copyright) in Cyberspace*, 1996 U. CHI. LEGAL F. 217, 220–23 (1996).

14. 17 U.S.C. § 1201(a)(1)(A) (2000).

15. The fair use doctrine is a limit on copyright holders' exclusive rights. It permits others to make limited use of copyrighted works without becoming liable for copyright infringement. The doctrine first appeared in American case law in 1841. See *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No. 4901) (“So, it has been decided that a fair and bona fide abridgment of an original work, is not a piracy of the copyright of the author.”). Congress codified the doctrine in 1976, but in doing so, it did not describe or list those uses that would qualify as fair. Instead, the Code lists a series of factors for a court to consider when evaluating fair use as a defense to a copyright infringement action. 17 U.S.C. § 107 (1988). Those factors include:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the

copyrights quickly sought to take advantage of that apparent loophole, suing defendants for uses that may have been considered “fair” before the DMCA, but which might no longer be excused since they violated this anti-circumvention measure. Although fair use remained a defense to *copyright* infringement under 17 U.S.C. § 107, the DMCA criminalized something entirely separate from copyright infringement—circumvention of copyright protections.

Should the fair use defense also be available to people being sued for circumventing anti-piracy measures, or could the DMCA render a defendant liable for violating *its* provisions, even if the underlying infringement would be forgiven as fair use in a traditional copyright infringement action? The District Court for the Southern District of New York faced this question in *Universal City Studios, Inc. v. Reimerdes*.<sup>16</sup> There, eight major U.S. motion picture studios sought to end the distribution of the defendants’ computer program, which decoded plaintiffs’ DVDs such that the underlying films could then be copied and distributed at will.<sup>17</sup> The defendants argued that because its program could be used for purposes that would have qualified as fair use before the DMCA, the Act’s anti-piracy provisions should not render those uses suddenly illegal, even if the program did circumvent the anti-piracy measure plaintiffs purposely embedded in the DVD.<sup>18</sup> The district court was unpersuaded by the defendant’s argument and read Congress’s failure to mention fair use in the DMCA quite literally: “If Congress had meant the fair use defense to apply to [the anti-circumvention provisions], it would have said so.”<sup>19</sup>

On appeal, however, the Court of Appeals for the Second Circuit held that the DMCA does not necessarily prohibit the fair use of information just because that information was obtained in a manner made illegal by the DMCA.<sup>20</sup> In the same holding, the court nevertheless upheld an injunction against the defendants, finding that “the DMCA targets the *circumvention* of digital walls guarding copyrighted material (and trafficking in circumvention tools), but does not concern itself with the *use* of those materials after circumvention has

---

portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

*Id.*

16. 111 F. Supp. 2d 294, 323 (S.D.N.Y. 2000), *aff’d sub nom.*, *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001).

17. 111 F. Supp. 2d at 303.

18. *Id.* at 304.

19. *Id.* at 322.

20. *Corley*, 273 F.3d at 443.

occurred.”<sup>21</sup> The defendants’ claim that circumvention should be excused because it had elicited material that would, in theory, be usable under the fair use doctrine was irrelevant to their attempt to defend against allegations of having violated the DMCA.<sup>22</sup>

### B. *Anti-Competitive*

The DMCA’s anti-circumvention provision has also been criticized as anti-competitive.<sup>23</sup> Often, competitors use circumvention methods to gain a more complete understanding of each other’s products. Yet the DMCA quickly seemed like a tool through which dominant companies could squash their competitors’ attempts to introduce rival products. *Lexmark International, Inc. v. Static Control Components, Inc.*<sup>24</sup> exemplifies such a use of the DMCA by dominant companies.

In 2002, printer manufacturer Lexmark filed a copyright infringement suit against Static Control Components.<sup>25</sup> Lexmark manufactured and sold printers and toner cartridges containing a copyrighted computer program that enabled only Lexmark ink cartridges to be loaded into their printers.<sup>26</sup> Lexmark sought protection from the DMCA when Static Control reverse-engineered a Lexmark ink cartridge, created a chip that could be inserted into non-Lexmark ink cartridges, and sold its reverse-engineered chip to other ink cartridge manufacturers.<sup>27</sup> These third-party manufacturers then created recycled ink cartridges that were fully compatible with Lexmark printers, and sold them to consumers at a lower price than Lexmark’s new cartridges.<sup>28</sup>

---

21. *Id.*

22. *See id.* at 458–59.

23. *See, e.g.,* Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised*, 14 BERKELEY TECH. L.J. 519, 562–63 (1999).

24. 387 F.3d 522 (6th Cir. 2004).

25. *Id.* at 531.

26. *Id.* at 529–30. Lexmark printers contained the Printer Engine Program, and Lexmark toner cartridges contained the company’s Toner Loading Program. *Id.*

27. *Id.* “Reverse engineering may be broadly defined as the process by which an individual disassembles an invention to determine what the components are and how the components interrelate. The individual then recreates the invention in a subtly different way so that it is not an exact copy of the original. . . . Through reverse engineering, software purchasers may decompile a computer program and create a program that is functionally equivalent to the decompiled program.” Nathan Smith, Comment, *The Shrinkwrap Snafu: Untangling the “Extra Element” in Breach of Contract Claims Based on Shrinkwrap Licenses*, 2003 BYU L. REV. 1373, 1387–88 n.62 (2003).

28. *Lexmark*, 387 F.3d at 530.

As a result of this practice, Lexmark alleged two types of claims against Static Control: first, copyright infringement for reproducing Lexmark's Toner Loading Program on its own chip; and second, two violations of the DMCA's anti-circumvention provisions for selling a product that circumvented a technological measure aimed at controlling access to the (a) ink cartridge loading and (b) printer engine programs.<sup>29</sup> In its defense, Static Control argued that the DMCA was never intended to shield printer manufacturers from competition in the toner cartridges market, and that the reverse-engineering it engaged in should be protected as fair use.<sup>30</sup> After all, the DMCA explicitly exempts reverse-engineering so long as it is lawfully undertaken to achieve interoperability.<sup>31</sup>

The district court disagreed with Static Control and granted Lexmark a preliminary injunction.<sup>32</sup> However, some commentators concluded that Lexmark, and other companies like it, were not using copyright law to prevent piracy of its copyrighted works, but rather to protect its monopoly in the printer cartridge market, and that the court misused copyright law to protect that monopoly.<sup>33</sup> If Lexmark could use the DMCA to prevent the creation of ink cartridges that would eventually compete with Lexmark's own cartridges, the public might end up with fewer choices and higher prices, and one of copyright's original purposes—promoting progress—would arguably be stifled. In October 2004, the Sixth Circuit vacated the preliminary injunction against Static Control,<sup>34</sup> recognizing that although Lexmark was entitled to control over its copyrighted computer code, handing it a victory here would “stifle progress by stamping out competition from manufacturers who may be able to design better or less expensive replacement parts like toner cartridges.”<sup>35</sup>

The Court of Appeals for the Federal Circuit reached a similar result in 2004 in *Chamberlain Group, Inc. v. Skylink Technologies*,

---

29. *Id.* at 529.

30. *See id.* at 537; *see also* *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 253 F. Supp. 2d 943, 960–62 (E.D. Ky. 2003).

31. *See* 17 U.S.C. § 1201(f) (Supp. IV 1998).

32. *Lexmark*, 253 F. Supp. 2d at 974.

33. *See, e.g.*, Stefan Bechtold, *Digital Rights Management in the United States and Europe*, 52 AM. J. COMP. L. 323, 334 (2004); Joshua Schwartz, Essay, *Thinking Outside the Pandora's Box: Why the DMCA is Unconstitutional Under Article I, § 8 of the U.S. Constitution*, 10 J. TECH. L. & POL'Y 93, 115–16 (2004); Robert A. Skitol, *How BC and BCP Can Strengthen Their Respective Policy Missions Through New Uses of Each Other's Authority*, 72 ANTITRUST L.J. 1167, 1177 (2005).

34. *Lexmark*, 387 F.3d at 551.

35. *Id.* at 553 (Merritt, J., concurring).

*Inc.*<sup>36</sup> Chamberlain, a manufacturer of garage door openers, sued Skylink for selling remote control devices that were compatible with Chamberlain's garage door openers.<sup>37</sup> Chamberlain argued that Skylink had violated the DMCA's anti-circumvention measures because the defendant's remote controls thwarted a copyrighted computer program in Chamberlain's garage door opener.<sup>38</sup> Among its defenses, Skylink asserted that consumers should be free to replace their garage door openers with any compatible brand of transmitter that will open their door.<sup>39</sup> The court agreed with Skylink, noting that because Congress codified the fair use doctrine, "[c]opyright law itself authorizes the public to make certain uses of copyrighted materials," and that neither the DMCA nor Chamberlain could revoke that authorization.<sup>40</sup>

### III.

#### CONCERNS OF CONTRIBUTORY INFRINGEMENT AND THE DMCA'S RESPONSE

The circumvention issues discussed above were hardly the only tensions in copyright law during the years leading up to the DMCA's adoption. In the early 1990s, several courts faced the question of whether an online service provider such as America Online or CompuServe could be held liable for contributory infringement when its subscribers used the internet to conduct their own infringing activities.<sup>41</sup> The courts' holdings were mixed on this question and as a result, online service providers faced incredible uncertainties in structuring their businesses. For instance, given the ever-expanding nature of the internet and its growing number of users, how could service providers protect themselves from liability when the potential for an infringement suit was so high? Were contractual solutions pointless, given that even if America Online or Prodigy could get its subscribers to agree to indemnify them, few subscribers would have the funds to do so? Further, given their deep pockets, would service providers become the natural target in every internet-based infringement lawsuit? If they were to stay in business, online service provid-

---

36. 381 F.3d 1178, 1204 (Fed. Cir. 2004).

37. *Id.* at 1183.

38. *Id.*

39. *See id.* at 1186-87.

40. *Id.* at 1202.

41. *See, e.g.,* Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc., 907 F. Supp. 1361, 1365 (N.D. Cal. 1995); Sega Enters. Ltd. v. Maphia, 857 F. Supp. 679, 681-85 (N.D. Cal. 1994); Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552, 1554-56 (M.D. Fla. 1993).



ers needed both greater certainty and limited liability with respect to contributory copyright infringement.

Congress conceded, and by enacting section 202 of the DMCA, eliminated the risk of a secondary liability judgment against online service providers in particular.<sup>42</sup> To qualify for section 202's liability exemption, online service providers must meet a variety of criteria. For example, they cannot have knowledge of a user's infringing activity or, if they do have such knowledge, they must act expeditiously to resolve the infringement. They also cannot benefit financially from the infringing activity. Moreover, they must provide proper notice of copyright policies to their users, and must maintain a "designated agent" to receive infringement complaints.<sup>43</sup>

While this provision of the DMCA was clearly a boon to online service providers, the DMCA did not offer any similar clarity or protection from contributory infringement for other entities. For non-online service providers such as digital file sharing networks, the extent of their liability remained unclear. The following subsections discuss several notable cases dealing with the contributory liability of those entities both falling inside and outside the DMCA's domain.

#### A. *Sony v. Universal Studios*

Despite the extensive changes introduced by the DMCA in 1998, a 1984 Supreme Court opinion remained the "last word" on secondary liability for copyright infringement committed by entities who do *not* qualify for the DMCA's online service provider exemption.<sup>44</sup> In that case, the defendant, Sony, manufactured and sold Betamax home video cassette recorders (VCRs).<sup>45</sup> Copyright owners such as Walt Disney and Universal City Studios claimed that Betamax owners were using the product to duplicate copyrighted movies and other materials when such materials were shown on television, and that this use infringed the plaintiffs' copyrights.<sup>46</sup> Instead of suing Betamax home users, which would have been both unpopular and impractical, the plaintiffs argued that Sony was contributorily liable—after all, without Sony's cassette recorders, consumers would not have the means to

---

42. 17 U.S.C. § 512(c) (Supp. IV 1998). *See also* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 435 (1984) ("For 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 the circumstances in which it is just to hold one individual accountable for the actions of another.").

43. 17 U.S.C. § 512(c).

44. *See Sony*, 464 U.S. 417.

45. *Id.* at 422.

46. *Id.* at 420.

make unauthorized personal copies of the plaintiffs' films.<sup>47</sup> The court disagreed, holding that Sony was not liable for contributory infringement because "time-shifting," the practice of recording a film or TV show to watch at another time, was considered a fair use under copyright law.<sup>48</sup> The court also noted that the product was capable of substantial non-infringing uses, and therefore should not be made unavailable as a whole.<sup>49</sup> In the end, Sony seemingly escaped contributory infringement liability because it had no control over infringing uses by VCR purchasers, nor did it have knowledge of such infringing uses.<sup>50</sup>

### B. *A&M Records v. Napster*

While this analysis of contributory infringement has previously worked in Sony's defense, it became problematic in the digital age. By the early twenty-first century, the recording and movie industries initiated efforts to stop unauthorized file sharing by relying on the issues discussed in *Sony*, such as whether a defendant service provider could control its users' infringing activity, as well as the newly enacted DMCA.<sup>51</sup> In the Ninth Circuit, A&M Records launched a copyright infringement suit against Napster, whose software was one of the first to facilitate MP3 file exchanges.<sup>52</sup> Users loaded the software onto their personal computers and used it to search for MP3 files; once those MP3 files were found, the program sent the data to Napster's centralized database.<sup>53</sup> Users had to log onto Napster's server to download the files they wanted, and the software then facilitated a peer-to-peer file transfer between personal computers.<sup>54</sup>

Napster argued that peer-to-peer file transfers should be excused as fair use, pointing to three non-infringing uses for its program: (1) Napster users were just "sampling" the available songs, making temporary copies of a work before buying their own copies; (2) Napster users were simply accessing digital copies of songs they already owned in compact disc format; and (3) some artists had authorized

---

47. *Id.*

48. *Id.* at 442.

49. *See id.* at 456.

50. *See* Michael Albert & Liza Vertinsky, *From Sony to Napster—And Back?: Copyright Law Implications of Decentralized File-Sharing Technology*, 48 BOSTON B.J. 10, 10–11 (Jan./Feb. 2004).

51. *See id.* at 11.

52. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001).

53. *Id.* at 1011–12.

54. *Id.* at 1012.

Napster users' distribution of their songs.<sup>55</sup> However, the court found that these uses did not qualify as "fair" using the multi-factor balancing analysis demanded under section 107: (1) the purpose and character of file-sharing was not to create new or transformative works but simply to utilize the existing songs; (2) the files being transferred were creative in nature, and creative works are more likely to be entitled to protection; (3) the songs were being used in their entirety; and (4) the file-sharing materially impaired the existing marketability of the underlying copyrighted songs.<sup>56</sup>

The court's conclusion was surprising, as Napster seemed to have a promising legal argument under *Sony*. Napster argued that its program simply enabled "space-shifting," so that users could obtain digital copies of songs they already owned in hard-copy format.<sup>57</sup> In *Sony*, after all, the defendant's tape recorders simply enabled "time-shifting" so that users could obtain personal taped copies of movies being shown on television, and the court had held that "time-shifting" qualified as fair use.<sup>58</sup> Not only did Napster's fair use defense fail, but the court also held that a peer-to-peer network such as Napster did not qualify for the DMCA's liability exemption for online service providers, because it did not meet the statute's definition of "service provider." Accordingly, the court held Napster contributorily liable. Napster had knowledge of specific instances of infringement which it had failed to prevent and unlike Sony, which could never control use of its VCRs, Napster's centralized list of songs and servers meant that it *was* contributing to each specific incident of infringement.<sup>59</sup>

The *Napster* rule may have undeservedly chilled innovation and falsely constrained consumer choice. Clearly, there was a demand for Napster, and its use was widespread. Yet, in a world where the innovator is liable for copyright infringement, the development of file-sharing technologies is risky and undesirable, and consumers will have fewer choices—if they have any at all—of file-sharing programs. Moreover, Napster was arguably performing a function that its individual users could never achieve on their own, in that it would be too difficult for the program's individual users to seek out the copyright owners of every work in order to request permission to exchange songs.

---

55. *Id.* at 1014.

56. *Id.* at 1014–17.

57. *Id.* at 1019.

58. *Id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 423 (1984)); see also Albert & Vertinsky, *supra* note 50, at 10.

59. *A&M Records*, 239 F.3d at 1020–22.

However, imposing liability on Napster may have been the right decision. If Napster is required to pay for the damage caused to copyright owners, the costs of that damage will be passed on to Napster's users and distributed among all who benefit from the program, rather than being imposed on the individual infringers the recording industry decides to sue. Moreover, it may also be the case that *Napster* merely exemplifies the problems with applying *Sony* to file-transfer software: whether a defendant can "control" how its product is used is an entirely different question where computer servers and the internet are involved, and perhaps the *Sony* test is too easily met in the context of file-transfer software.

### C. *In re Aimster Copyright Litigation*

These *Napster* issues resurfaced in 2003, when the Seventh Circuit imposed contributory liability on the network provider Aimster, which was similar to Napster in its function and purpose but contained one key structural difference.<sup>60</sup> Aimster, unlike Napster, designed its program such that the information transmitted between users was encrypted.<sup>61</sup> On appeal, Aimster therefore argued that it had no knowledge of what information and files users were exchanging and that without that knowledge, it could not be liable for its users' infringing activity.<sup>62</sup> Although the court accepted that Aimster should be entitled to the DMCA's liability exemption for online service providers, it also noted that Aimster had failed to do *anything* to prevent its users from repeated infringing activity.<sup>63</sup> The court held that Aimster had willfully blinded itself to its users' infringing activity.<sup>64</sup> As a result, the knowledge requirement was met,<sup>65</sup> and the preliminary injunction against Aimster was allowed to stand.<sup>66</sup>

### D. *Grokster*

Finally, the Ninth Circuit had another opportunity to analyze the issues of contributory and vicarious liability in *Grokster*. *Grokster*, like Aimster, distributed software that enabled users to share computer files, including digital copies of musical works and films.<sup>67</sup> In Octo-

---

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

61. *Id.* at 646.

62. *Id.* at 650.

63. *Id.* at 655.

64. *Id.* at 650.

65. *Id.* at 650–51.

66. *Id.* at 656.

67. *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1158 (9th Cir. 2004), *vacated*, 125 S. Ct. 2764 (2005).

ber 2001, the movie and recording industries filed suit against Grokster, alleging that over ninety percent of the files exchanged through this file-sharing system were copyrighted material.<sup>68</sup> Although the Ninth Circuit analyzed the plaintiffs' claims under theories of both contributory and vicarious liability, as the Seventh Circuit did in *Aimster*, the court noted at the outset that Grokster's software was distinguishable from Napster's because its system—like Aimster's—did not involve use of a central server.<sup>69</sup> Instead, each user's computer functioned as both a server and a client, and the program simply facilitated users' ability to connect to one another.

The Ninth Circuit relied on the analytical framework set forth in its *Napster* decision, which had drawn on *Sony*'s reasoning: contributory copyright infringement claims must examine whether the product at issue is capable of commercially significant non-infringing uses. In *Sony*, constructive knowledge of infringing activity could not be imputed to the defendant simply because Sony was aware that its VCRs *could* be used for infringement.<sup>70</sup> Similarly, the court found Grokster's software to be capable of substantial non-infringing use and as such, the defendants could not be liable for having *constructive* knowledge of infringement.<sup>71</sup> However, the court then turned to the question of whether the defendants had *reasonable* knowledge of specific infringement.<sup>72</sup> To answer that inquiry, the court returned to the system's design: under the decentralized network at issue, no central index or server is maintained. Even if the defendants "closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption."<sup>73</sup> Accordingly, the court held that the software distributors did not have the requisite level of knowledge to be contributorily liable.<sup>74</sup>

The various issues recurring in *Napster*, *Aimster*, and *Grokster* finally reached the Supreme Court in 2005 via *Grokster*.<sup>75</sup> The court's decision to grant certiorari meant that a handful of unresolved issues would, perhaps, finally come to a resolution. Was it true that

---

68. *Id.*

69. *Id.* at 1162–63.

70. *Id.* at 1160 (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984)).

71. *Id.* at 1162.

72. *Id.* at 1162–63.

73. *Id.* at 1163 (quoting *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 259 F. Supp. 2d 1029, 1041 (C.D. Cal. 2003)).

74. *Id.*

75. *See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005).

Grokster was capable of substantial, non-infringing use, or would the software be considered purely a vehicle for infringement? Would the defendants' apparent lack of actual knowledge bar a finding of contributory liability?

#### CONCLUSION

The Supreme Court's recent handling of the *Grokster* case—which was ultimately remanded for reconsideration—is beyond the scope of this introduction to the pre-*Grokster* lay of the land. The pieces within this Symposium Issue of the *New York University Journal of Legislation and Public Policy* discuss that decision and serve as a timely introduction to the multitude of questions that lay ahead. Courts have responded to the DMCA and the digital climate in a variety of ways. Some have refused to twist copyright law into a tool with which dominant market players can maintain their superiority, and some have remained respectful of reverse-engineering that falls within the parameters condoned by the DMCA. Other courts have allowed peer-to-peer networks to stay in business, so long as the court was sufficiently convinced that the entity orchestrating the network had no actual knowledge of infringing behavior. Meanwhile, other courts have characterized the attempt to avoid that knowledge as “willful blindness,” issuing and upholding injunctions that put an end to presumably high levels of infringing activity, and, most likely, to some amount of non-infringing fair use. Indeed, perhaps the only clear, short-term result of the DMCA—and the wide variety of judicial responses it has evoked—is that copyright is now, more than ever, a thoroughly unsettled area of the law.