DADDY, ARE WE THERE YET? LOST IN *GROKSTER*-LAND

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Introduction

Late in June 2005, the United States Supreme Court decided *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, finding two companies potentially liable for distributing software that helped millions of users trade digital copies of sound recordings.[1] *Grokster* was the Court's first look at the problem of copying for noncommercial or personal use since it decided *Sony Corp. of America v. Universal City Studios, Inc.*, more than twenty years ago.[2] Over that period both the courts and Congress, not to mention copyright owners, have been trying to adapt to a variety of new technologies that have, in fundamental ways, shifted the landscape of intellectual property and turned the comparatively straight road of copyright protection into a pot-holed, tangled maze of byways that is increasingly difficult for players on all sides to traverse.

Since the first commercial photocopier was introduced in 1959, successive innovations—including tape recorders, video cassette recorders (VCRs), computers, compact disk (CD) burners and iPods—have become commonplaces of the home, office and dormitory room. Unlike the printing press and other earlier technologies of communication that could only be used by pirates whose intent it was to go into commercial competition with copyright owners, the new technologies of communication are aimed at individuals who, with little or no expectation of profit, simply want the convenience of creating quick, accurate copies for themselves or for the enjoyment of friends or colleagues. The first wave of personal copying devices produced serviceable but imperfect copies; however, by the last years of the twentieth century, the widespread availability of digital technology meant that copies could be made that were not only identical to the originals, but also could be multiplied and distributed at virtually no cost to large numbers of people with just a few key strokes.

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1. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764 (2005).
2. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

Because copyright was historically about preventing and punishing commercial copyists, the statutory provisions did not specifically address the legitimacy—or lack of same—of copying solely for personal or noncommercial purposes. Whether it was or was not infringement at all[3] and, if so, whether it was or was not "fair use,"[4] was an esoteric debate that rarely engaged the attention of copyright owners, judges, or scholars. Personal copying technologies changed all that. Although the extent (indeed the existence) of economic effects on copyright owners from private, nonprofit copying has been hotly debated in the forty-five years post-photocopier,[5] the copyright industries have remained convinced that they must be able to get control over the practice or face eventual ruin.

The most straightforward way to do this would be to bring infringement actions against private copyists and then convince the courts that their actions violate the law. But the practical problems with this approach are manifold.[6] First, private copying often takes place out of public view, and finding it requires some form of what might impolitely (but accurately) be called "spying."[7] Second, it is expensive. Although suits against individuals would have some *in terrorem* effect, the extent and duration of that effect is hard to gauge. Thus repeated, frequent litigation would be necessary to enforce the copyright owners' rights. Finally, although they have sometimes done

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3. Some early forms of photographic reproduction were available in the 1930s and led in 1935 to what is known as the "Gentlemen's Agreement" between book publishers and librarians on what was acceptable for individuals to copy for their own use. This seems to be the earliest example of attention paid to private as opposed to commercial copying. REPROGRAPHY AND COPYRIGHT LAW 157 (Lowell H. Hattery & George P. Bush eds., 1964) (reproducing original "Gentlemen's Agreement" of 1935). The agreement recognized that note taking was a customarily permitted form of copying but added that nothing in the existing copyright statute authoritatively decided the question of its legitimacy. *Id*. at 158. Considerable discussion of whether or not copying for private, personal use is prohibited can be found in Justice Blackmun's dissent in *Sony*, 464 U.S. at 464–75 (Blackmun, J., dissenting) (examining and rejecting evidence that copyright legislation did not mean to preclude personal copying).

4. Fair use is a defense to a claim of infringement. *See* 17 U.S.C. § 107 (2000).

5. *See, e.g.*, S. J. LIEBOWITZ, THE IMPACT OF REPROGRAPHY ON THE COPYRIGHT SYSTEM 51 (1981) (study on photocopying prepared for Canadian government); Felix Oberholzer & Koleman Strumpf, The Effect of File Sharing on Record Sales: An Empirical Analysis 24 (March 2004), http://www.unc.edu/~cigar/papers/FileSharing_March2004.pdf [hereinafter Oberholzer & Strumpf] (finding that "file sharing has no statistically significant effect on purchases of the average album").

6. For an up-to-date discussion of this litigation and its fallout, see Peter K. Yu, *P2P and the Future of Private Copying*, 76 U. COLO. L. REV. 653, 659–67, 679–83 (2005).

7. Copyright owners use various kinds of programs to search for illicit copies of works located on servers or offered on peer-to-peer networks. *See, e.g.*, *id*. at 661–62 (discussing use of Web crawlers to identify illegally traded songs).

it,[8] the copyright industries are understandably loath, for public relations reasons, to sue their own customers.

These factors have led owners to look for more efficient ways to proceed. One alternative is bringing suit instead against some type of intermediary who is highly visible yet less sympathetic than a consumer, and who contributes in some palpable way to the creation of the unlicensed private copies. In *Sony*, the chosen intermediary was the maker and distributor of the VCR that enabled its purchasers to record films and other programming as it was broadcast by television stations.[9] In *Grokster*, the targets were the entities who supplied users with the peer-to-peer software that enabled them to search one another's computers, through a network, for music files they wanted to copy.[10]

To sue intermediaries like these, however, the industry had to develop some new and convincing theory of liability, since none was provided for in the copyright statute.[11] Where copying was done by individuals such as employees, the copyright industries had an obvious target in the form of the entities (for example, employers) who had the right to control the activity in question and who also profited quite directly from the infringement.[12] But vicarious liability was not so

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8. The music industry has, in recent years, filed a number of law suits against individuals who are alleged to have traded music files over peer-to-peer systems. Reports of these suits are regularly posted on the Recording Industry Association of America ("RIAA") web site. *See, e.g.*, Press Release, Recording Indus. Ass'n of Am., New Round of Music Industry Lawsuits Targets 754 Internet Thieves (Aug. 31, 2005), http://www.riaa.com/news/newsletter/083105.asp.

9. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 419–20 (1984).

10. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2770 (2005). Normally, someone who goes online to look for a particular type of information will use a search engine. The search engine finds the appropriate website, and the user connects to that site to read, listen to, or even download what she wants. Peer-to-peer systems do not depend on websites to host material. Instead, networks of individual computers are formed, and members of the network can search special directories on one another's hard drives that contain the files that individuals are willing to "share."

11. Section 501 of Title 17, United States Code, limits liability for infringement to "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602. . . ." It says nothing about liability of secondary actors. 17 U.S.C. § 501 (Supp. II 2003); *see also Sony*, 464 U.S. at 430–38.

12. Vicarious infringement theory, based on the doctrine of *respondeat superior*, is most often used to hold employers liable for the acts of employees. *See* Lowry's Reports, Inc. v. Legg Mason, Inc., 271 F. Supp. 2d 737, 745–46 (D. Md. 2003). Nevertheless the doctrine has been expanded to cover somewhat analogous situations, for example where the direct infringement was by a performer or a concessionaire but

clearly an option where, as was true in many cases, the connection between the user and the provider was the sale or lease of a product or service. Here the provider may have made money on the transaction but had no right to control how the product or service was subsequently used. The plaintiffs in *Sony* argued that merely supplying the means for infringement should be enough to create a cause of action based on a theory of "contributory liability."[13]

The *Sony* Court accepted the new theory,[14] but subject to a major limitation: the provider of a technology could be contributorily liable only if the technology was incapable of "substantial non-infringing uses."[15] The defendant was able to avoid stumbling on this hurdle, but only with some help from the Court. Sony could show that at least some program providers did not object to off-the-air taping. But, more importantly, the Court decided that those who did object had no legal ground to prevent the copying of their programs as long as the viewer used the tapes to watch the shows at a later time but did not "library" them; recording to time-shift was, the majority concluded, a fair use.[16] The loud and clear message from *Sony* was that the justices were in no hurry to block promising new technological developments unless their sole purpose was to defeat copyrights—or unless Congress demanded that outcome by legislating it.

Because the defendants in *Grokster*, like Sony, were clearly distributing dual-use technology—the software enabled sharing copyrighted and public domain digital files alike—one might have

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the person or entity held responsible was one who controlled the premises and who obtained financial benefit from the infringer's activities. *See, e.g.*, Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304 (2d Cir. 1963) (taking action against concessionaire and his employer); Dreamland Ballroom, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354 (7th Cir. 1929) (holding liable operator of premises where infringement occurred); *see also* Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159 (2d Cir. 1971) (holding management company vicariously liable for infringement due to acts of its performers). For a general discussion of vicarious liability, see Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 261–64 (9th Cir. 1996).

13. *Sony*, 464 U.S. at 439 & n.19. In their brief, respondents had argued that inducement was unnecessary to a finding of liability as long as the defendant's conduct materially contributed to infringement. Brief for Respondents, Universal City Studios, Inc. and Walt Disney Prods., *Sony*, 464 U.S. 417 (No. 81-1687), 1981 U.S. Briefs 1687 (Lexis).

14. The Court borrowed the idea of contributory liability from the Patent Act. *See Sony*, 464 U.S. at 434–35 ("[T]he Patent Act expressly brands anyone who 'actively induces infringement of a patent' as an infringer . . . . The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity.").

15. *Id.* at 442.

16. *Id.* at 451–56.

expected that the Ninth Circuit's decision in favor of Grokster and StreamCast would be upheld. Not so. But why did *Grokster* instead turn out so differently from *Sony*, and what do those differences portend for the inventors, present and prospective, of other dual-use technologies that consumers can put to infringing uses? Those are the questions this Article will try to address.

I.
Background: Sharing Music Files

Of the many uses of the Internet and personal computing technology in recent years, downloading and listening to copyrighted music is one of the most overwhelmingly popular and controversial. The plaintiffs in the *Grokster* litigation estimated that the defendants' programs had been downloaded 100 million times,[17] and also claimed that they had positively identified at least eight million illegal copies of songs resident on those users' computer hard drives.[18] The scope of downloading seems beyond controversy. A recent study by two academic economists estimates, for example, that a billion song tracks a week are traded over the internet worldwide.[19] One suspects that if a teenager has not illegally downloaded at least one or more such files, it is because she does not have access to a computer.

Several interests seem to drive this activity. One is clearly a preference for acquiring music free. But other, arguably legitimate, reasons include wanting music in the form of individual tracks, rather than in albums. Another is the desire to "try" a particular artist's work before acquiring it in the form of a CD. A third is portability: users want to be able to take their favorite music with them in easy-to-transport forms, which might mean burning a variety of pieces they want to hear onto a single blank CD or storing particular tracks on a portable device.[20] Nevertheless, the record industry declined to service these emerging markets even after it became feasible to do so, in large part because of fear of piracy.

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17. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2772 (2005).

18. Brief for Motion Picture Studio and Recording Co. Petitioners at 8, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

19. Oberholzer & Strumpf, *supra* note 5, at 1.

20. The success of Apple's iPod is a good demonstration of the popularity of portability.

A. The Advent of New Services

Not surprisingly, therefore, other entities began springing up to help consumers find and copy what they wanted to hear in the form they wanted to hear it. A wide variety of approaches were tried but most of these came to a bad end. MP3.com, for example, set up a service that offered portability by allowing its members to access music—copies of which the members already owned—from its server via the internet from anywhere in the world.[21] MP3.com did this by buying thousands of CDs, copying them to its server, and then allowing anyone who could prove that she already owned a copy of the relevant CD to listen to it when and where she wished.[22] Although this approach supported sales of CDs, the record industry initially also wanted to control the market for downloads of individual songs to portable devices and opposed even allowing consumers themselves to copy their own CDs onto the devices[23] (a position it has subsequently abandoned).[24] The industry was certainly not pleased with MP3.com offering to do it for them. MP3.com ended up in litigation,[25] paid at least $130 million in damages,[26] and ultimately disappeared from view after a major record company, Vivendi, first purchased and then quickly resold it to a second firm.[27]

B. The Napster Threat

A more dangerous threat to the record industry was posed by Napster. Napster's founder came up with the idea of harnessing peer-to-peer technology to allow individuals with music on their computer hard drives to share it directly with others who wanted a copy. The

21. UMG Recordings, Inc. v. MP3.com, Inc., 92 F. Supp. 2d 349, 350 (S.D.N.Y. 2000).

22. *Id*.

23. When portable MP3 players, onto which users could transfer copies of music they owned in the form of CDs, first became available, the recording industry sued to get the devices off the market. The industry lost the case. Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., Inc., 180 F.3d 1072 (9th Cir. 1999).

24. The industry now claims to have no objection to owners copying their own music onto portable devices for their personal use. *See* Recording Indus. Ass'n of Am., Ask the RIAA: What Is Your Stand on MP3?, http://www.riaa.com/issues/ask/default.asp#stand (last visited September 11, 2005).

25. *MP3.com*, 92 F. Supp. 2d 349.

26. News reports indicated that MP3.com paid more than $50 million in damages to Universal and settled with four other record companies for $20 million a piece. *See, e.g.*, Mike Freeman, *MP3.com Stock Leaps 55% After Universal Accord*, SAN DIEGO UNION-TRIB., Nov. 16, 2000, at C1.

27. Jennifer Davies, *MP3.com Is Sold; All Content to Be Deleted*, SAN DIEGO UNION-TRIB., Nov. 15, 2003, at C1.

idea was a smash hit, and at its peak close to seventy-five million people were using Napster to trade music files every day.[28]

Napster, however, was not simply a passive intermediary through which would-be music file traders could find one another. Napster functioned like a membership organization, requiring its users to register and to access its system with user names and passwords.[29] It maintained a central server on which was stored the indices of shareable files from each member's hard drive.[30] Napster kept track of which members were on line at a particular moment and made the indices of the active computers available for other network users to search.[31] When the desired music file was found on the server's list of available files, the person who wanted it would be routed to the appropriate member's IP address to download a copy of the file.[32] Napster also supplied its users with technical advice on how to download and operated chat rooms for them.[33]

This degree of involvement—in what the Ninth Circuit found to be massive copyright infringement by Napster users—was enough to bring the wrath of the law down on the company. Although the court agreed that the peer-to-peer software Napster supplied was indeed dual-purpose technology under *Sony*,[34] the way Napster set up the usage of its system was its undoing. By using the central server, Napster gave itself clear, current evidence of exactly what songs its subscribers were trading at a given moment. Napster was also vulnerable to the claim that it provided the site for those trades to take place and that it made no effort (as it had reserved the right to do)[35] to keep abusers of copyright from logging on to and using the system.[36] Not only was Napster potentially on the hook for billions of dollars in damages for the trading that had gone on in the past,[37] but on remand, its entire

28. In its own internal documents, Napster estimated that its subscribers would number seventy-five million by the end of 2000. A&M Records, Inc. v. Napster, Inc., 114 F. Supp. 2d 896, 902 (N.D. Cal. 2000), *aff'd*, 239 F.3d 1004 (9th Cir. 2001).

29. *Napster*, 239 F.3d at 1011–12.

30. *Id*. at 1012.

31. *Id*.

32. *Id*.

33. *Id*. at 1011.

34. *Id*. at 1020–21.

35. *Id*. at 1023.

36. *Id*. at 1021–22.

37. Napster ultimately filed for bankruptcy and began to liquidate after an effort by the German company Bertelsmann, AG, to buy Napster failed. *See* Matt Richtel, *Napster Says It Is Likely to Be Liquidated*, N.Y. TIMES, Sept. 4, 2002, at C2.

operation was shut down when it was unable to exert perfect control over continuing attempts by its users to engage in illicit file sharing.[38]

C. *Evading the Napster Pitfalls*

What happened next was predictable: entrepreneurs saw both the fates of companies like MP3.com and Napster and the size of the potential market for digital copying. From these pieces of evidence, they concluded that, with care, they could tap into this huge demand without tripping up on the law. That hope gave birth to Grokster and StreamCast.[39] They each realized that using a centralized server to track what was being offered on users' hard drives was an invitation to disaster.[40] What they did instead is to supply users with free peer-to-peer software that allowed for decentralized sharing of any kind of digital file, including—but not limited to—music.[41]

Grokster distributed a proprietary program originally developed by KaZaa BV, a Dutch company.[42] The system automatically designates certain computers on the network to act as temporary "supernodes."[43] The supernodes index the files currently available on the network for sharing, and then direct file seekers to the site where the work is available.[44] StreamCast, on the other hand, started with KaZaa but gave it up in favor of an open-source, peer-to-peer system based on Gnutella.[45] Its software allows users to search the hard drives of other network members directly without going through a

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38. *See* A&M Records, Inc. v. Napster, Inc., 284 F.3d 1091, 1096–98 (9th Cir. 2002) (affirming shut down by district court).

39. *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029 (C.D. Cal. 2003), *aff'd*, 380 F.3d 1154 (9th Cir. 2004), *rev'd*, 125 S. Ct. 2764 (2005). Grokster and StreamCast were not alone in trying to tap this market. *See, e.g.*, *In re* Aimster Copyright Litig., 334 F.3d 643, 646–47 (7th Cir. 2003), *cert. denied*, 540 U.S. 1107 (2004) (describing another post-Napster file-sharing company's operations).

40. *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 380 F.3d 1154, 1163 (9th Cir. 2004) (contrasting Grokster's "quasi-decentralized" and StreamCast's decentralized software with infringing software at issue in Napster litigation).

41. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2770–71 (2005).

42. *Grokster*, 380 F.3d at 1159.

43. *Grokster*, 125 S. Ct. at 2771. Computers that can potentially function as supernodes are identified automatically by such characteristics as memory capacity. Brief for Respondents at 3, *Grokster*, 125 S. Ct. 2764 (No. 04-480). No computer is a permanent supernode, and the owner of the selected computers may not even be aware that their equipment is serving as a network supernode at a given time.

44. *Grokster*, 125 S. Ct. at 2771.

45. *Grokster*, 380 F.3d at 1159 (noting that StreamCast's switch was precipitated by licensing problems with KaZaa).

supernode.[46] The plan in each case was for the company to earn its money by requiring its users to accept paid advertising each time they logged onto the network.[47] Neither company required its users to "join" anything,[48] and because they maintained no centralized oversight,[49] they could not, they believed, be faulted the way Napster was for failing to supervise or control what users did with their programs.

The gamble initially paid off, since Grokster and StreamCast were successful before the district court and the court of appeals, when the companies were sued by the film and music industries. At trial, the defendants asked to have the issues in the case bifurcated. They set aside for later consideration the question of whether their initial business practices could be seen as actively encouraging infringement by their customers[50] and asked the court to first decide whether, going forward, if they did nothing other than distribute peer-to-peer software in return for advertising revenues, they would be free from liability for any form of indirect infringement.[51] The trial court granted summary judgment to the defendants on that question, holding that the proposed business plan violated no recognized rule of secondary liability existing in the circuit.[52]

On interlocutory appeal, the court of appeals affirmed.[53] It, too, found that the peer-to-peer software in question was a legitimate dual-use technology and that, as long as the defendants simply supplied the software to users without, as Napster had done, also supplying the "site and facilities" for infringement, they were entitled to rely on the *Sony* privilege.[54] Neither StreamCast nor Grokster, the court noted, could block a user from the network once he or she had the software, and they were not required by law to take affirmative steps to make the software unusable for infringing purposes.[55]

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46. *See id*.
47. *Grokster*, 125 S. Ct. at 2774.
48. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1040 & n.7, 1041 (C.D. Cal. 2003).
49. *See id*. at 1040.
50. *See id*. at 1033. Precedent existed in the Ninth Circuit for finding secondary liability based on making active, material contributions that enable someone else to infringe. *See* Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264 (9th Cir. 1996). The Ninth Circuit had relied on *Fonovisa* to support its finding of liability in *Napster*. *See* A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1022 (9th Cir. 2001).
51. *See Grokster*, 259 F. Supp. 2d at 1033.
52. *Id*. at 1046.
53. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 380 F.3d 1154 (9th Cir. 2004).
54. *Id.* at 1162–63.
55. *Id*. at 1165–66.

II.
AT THE SUPREME COURT

A. What Was at Stake

What made the grant of certiorari in *Grokster* so upsetting for a broad spectrum of developers of new communications and replication technologies was the recognition that the defendants were widely perceived as "bad guys" who built their businesses on the hope and expectation that billions of downloads of music, most of it copyrighted,[56] would occur. These other enterprises—computer manufacturers, designers of operating systems, and inventors of various aspects of the internet, to name a few—whose activities were undertaken in reliance on the premise that *Sony*'s safe harbor fully protected dual-use technologies worried that the Supreme Court would feel compelled to punish Grokster and StreamCast and would do so by recasting and weakening the *Sony* defense.

Their fear was realistic. A vast number of briefs were filed in the case,[57] many offering suggestions to modify, or even abandon, the *Sony* rule. Although no one disagreed that peer-to-peer file sharing had both legitimate and illegitimate uses, the assumption that was widely shared on both sides was that, numerically, illicit file sharing greatly outnumbered the sharing of public domain and authorized files. In the case of Grokster and StreamCast, a study indicated that only ten percent of the files shared by users of their software were legitimate.[58] The motion picture and recording industries, appellants in the case, argued that this level of use was insufficient for the *Sony* privilege to apply.[59] They urged the Court instead to adopt a predominant use rule that would deny reliance on *Sony* where, as here, the main use to which the technology in question was put was one that infringed copyrights.[60]

Various other alternatives were also suggested. The United States argued for a somewhat more modest variant of the principal use rule. It wanted the Court to limit *Sony* to situations where, within the context of a particular defendant's current business, it could safely be said that a dual-purpose technology either currently does or is substan-

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56. The plaintiffs in the case alleged that at least ninety percent of the files exchanged over the defendants' networks were copyrighted material. *Id*. at 1158.
57. In addition to the briefs filed by the parties, sixty-five amicus briefs were filed.
58. *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2772 (2005).
59. *See* Brief for the Motion Picture Studio and Recording Co. Petitioners at 26, *Grokster*, 125 S. Ct. 2764 (No. 04-480).
60. *See id*. at 18–19.

tially likely within the foreseeable future to serve "commercially significant" non-infringing purposes.[61] Some amici went so far as to urge that the Court abandon *Sony* as a general rule for copyright cases altogether.[62] A number of them wanted the Court to require that distributors of dual-use technologies modify their devices or software, whenever possible, to prevent consumers from using them to make illegal copies—in this case, by incorporating filtering technology.[63]

These arguments were strenuously opposed by the high technology amici, most of whom supported the defendant appellees. Even the Business Software Alliance, which filed a brief in support of the petitioners and has also had its fair share of problems with infringement of its copyrights,[64] urged the Court not to modify the *Sony* rule in any way.[65] Opponents of the entertainment industry saw the arguments in favor of weakening *Sony* as thinly-disguised claims that the interests of copyright owners were more important than those of inventors of new technologies, and the rancor generated by that perception reverberated throughout the briefs. The so-called "internet amici," including Sun Microsystems, argued dismissively that "[c]opyright owners always employ ominous rhetoric (more suited to a mystery novel than

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61. Brief for the United States as Amicus Curiae Supporting Petitioners at 5–6, *Grokster*, 125 S. Ct. 2764 (No. 04-480) [hereinafter Brief for the United States]. The approach taken in the United States' brief owes much to an opinion in another music file-sharing case, this one written by Judge Richard Posner. *See In re* Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003). Judge Posner advocated a multi-factorial, business-specific balancing test that would take into account the relative importance to the business of the non-infringing, as opposed to the infringing, uses of a technology: how the defendant markets his business, and how the benefits from the non-infringing uses weigh against the harm caused to copyright owners by the infringing uses. *Id. Aimster* is cited frequently throughout the United States' brief. *See* Brief for the United States at 13, 16, 18, 29.

62. *See* Brief of Professors Peter S. Menell et al. as Amici Curiae in Support of Petitioners at 1–4, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

63. *See, e.g.*, Brief of the American Federation of Musicians of the United States and Canada et al. as Amici Curiae in Support of Petitioners at 18–19, *Grokster*, 125 S. Ct. 2764 (No. 04-480). Interestingly, a second group of appellants expressed the hope that a finding of liability would result in the respondents not only using filtering, but also taking other steps that would allow them to follow what their users were doing, including maintaining a central server and requiring registration—effectively recreating the Napster model but with affirmative duties to protect copyright. *See* Brief for Songwriter and Music Publisher Petitioners at 19, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

64. Their brief noted that the losses to makers of business software from illegal copying amounts to an estimated $29 billion annually, worldwide, while entertainment software owners suffer another $3 billion in losses. Brief of the Business Software Alliance as Amicus Curiae Supporting Petitioners at 3 n.4, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

65. *Id.* at 2.

a legal brief) to describe the supposed threat created by advances in distribution technology."[66] The electronics industry painted a picture of a paranoid content industry in open warfare with technological progress.[67] Computer scientists complained that the movie industry was determined to strangle off such extremely promising innovations as BitTorrent.[68]

That the Justices understood the tension between copyrights and new technologies and were sympathetic with the concerns of the technology innovators was apparent not only in the final outcome but also throughout the colloquy between them and the lawyers at oral argument.[69] Several, including Justices Breyer,[70] Kennedy,[71] Scalia,[72] and Souter,[73] asked numerous questions about the possible impact of a modified *Sony* rule, with its prospect of crushing liability, on inventors' willingness to release new products that they recognized were capable of infringing uses. What about inventors who cannot predict in advance what the most likely and most profitable applications of their invention will turn out to be?[74] Should the modified rule allow a window of opportunity to test and develop the product before the inventor and her assigns could be sued?[75] If so, for how long?[76] Would the threat of future litigation, de facto, serve as an anti-competitive device?[77]

The concern was predictable. As noted earlier, *Sony* came about in the first place because a majority of the Justices believed that courts were not the right forum in which to weigh complicated questions about the proper balance between conflicting claims of inventors and

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66. Brief of Internet Amici: Cellular Telecommunications & Internet Ass'n. et al. at 11, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

67. *See* Brief of Amici Curiae The Consumer Electronics Ass'n et al. at 10–12, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

68. *See* Brief Amici Curiae of Computer Science Professors Harold Abelson et al. at 11–14, *Grokster*, 125 S. Ct. 2764 (No. 04-480) [hereinafter Computer Science Professors]. BitTorrent allows rapid peer-to-peer sharing of very large files by allowing multiple computers that contain the file in question to share in transmitting it to someone who wants a copy. *Id.* at 11–12.

69. *See* Transcript of Oral Argument, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

70. *See, e.g.*, *id*. at 10–11 (asking whether, under tests proposed by appellants, Xerox machine, VCR, iPod, or printing press would ever have seen light of day).

71. *Id*. at 13 (suggesting that inventors may not invent if what they want to work on threatens copyright problems).

72. *Id*. at 13–14 (asking about Xerox machine).

73. *Id*. at 14 (suggesting that things like iPod might not be invented without strong safe harbor).

74. *Id*. at 12 (per Justice Scalia); *id*. at 14, 15 (per Justice Souter).

75. *Id*. at 26 (per Justice Scalia); *id*. at 27 (per Justice Souter).

76. *Id*. at 26 (per Justice Scalia).

77. *Id.* at 10–11 (per Justice Breyer); *id.* at 13 (per Justice Kennedy).

copyright owners.[78] As Justice Breyer put it in his *Grokster* concurrence, "The [*Sony*] rule deliberately makes it difficult to find secondary liability where new technology is at issue."[79] Indeed, the experience with VCRs in the years following *Sony* provided the justices with even more reason to defer to the market or to Congress in these situations. Although the movie industry had wanted the Court to stop distribution of the VCR in 1984, the device turned out in the long run to open up for film makers and television producers a highly profitable new avenue for the marketing of their creations to the viewing audience.[80]

B. The Opinion

The Court's unanimous decision, written by Justice Souter, not surprisingly concluded, therefore, that "further consideration of the *Sony* rule" should be left for another day.[81] Instead, the Court turned to a second theory of indirect liability: inducement. If a party distributes "a device," Justice Souter wrote, "with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps," liability can exist even though the *Sony* test is otherwise satisfied.[82] Since the Court clearly believed that the defendants in the case were purposefully trying to game the *Napster* decision with the aim of profiting from massive amounts of infringing activity by their customers, the Justices' willingness to find some ground for liability was understandable. Inducement was probably their only realistic choice, but it carried with it plenty of its own problems.

First of all, the posture of the case was one in which the only question before the Court involved future, not past conduct. As already noted, the defendants had sought summary judgment on whether, going forward, mere distribution of the software—using a business model that depended on advertising to earn an economic return—would violate copyright law.[83] The lower courts' opinions on

78. *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429–31 (1984).

79. *Grokster*, 125 S. Ct. at 2791 (Breyer, J., concurring).

80. The Respondents brief cited to studies showing that the VCR (and now the DVD player) has turned out to be a bonanza for copyright owners. Not only did ticket sales not diminish as a result of the new technology, but, today, sales and rentals of video offerings bring in at least $24 billion a year in additional income. Brief for Respondents at 42–43, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

81. *Grokster*, 125 S. Ct. at 2779. Concurrences by Justice Ginsburg, *id*. at 2783–87, and Justice Breyer, *id*. at 2787–90, however, presented strongly expressed arguments for and against modifying *Sony* by the addition of a quantitative test.

82. *Id*. at 2780 (majority opinion).

83. *See supra* notes 50–51 and accompanying text.

this point actually seem quite reasonable, since it is not evident why simply distributing dual use software in return for a stream of advertising revenue would constitute "clear expression or other affirmative steps" to induce infringement.[84] Presumably, if inducement was involved here, it had already occurred and thus might reasonably seem irrelevant to the proposed conduct which was the only subject before the courts. The Justices were undeterred by this complication, however. In a footnote, Justice Souter adopted an "infection" theory of liability, holding that once inducement is shown, even future distribution with no further encouragement to infringe constitutes a breach of the law.[85] This suggests that once a party is found to be a "bad actor" of this kind at any point in the life of its business, subsequent rehabilitation may simply be impossible.

The second problem was that copyright law does not expressly recognize anything but actual infringement as actionable.[86] When *Sony* was decided, the Court had to borrow its secondary liability rule from the so-called "staple article of commerce" doctrine in patent law.[87] In doing so, it cautioned that, since the remedies for violation of copyright are purely statutory,[88] courts are appropriately reluctant to "expand the protections afforded by the copyright without explicit legislative guidance."[89] Inducement, too, is an express ground for liability found in the patent[90] but not the copyright statute. Nevertheless, the Court, again relying largely on precedent drawn from patent cases,[91] adapted the principle to copyrights as well.

The task before the Court, once it had settled on a theory of liability, was to point out the kinds of activity that, if proven at trial, might lead to the conclusion that either or both Grokster and StreamCast had induced their users to engage in infringing activity. Because the case came before the Court on a motion for summary judgment, the actual facts had yet to be fully developed below, so the Court

84. *Grokster*, 125 S. Ct. at 2780.
85. *See Grokster*, 125 S. Ct. at 2782 n.13.
86. The Copyright Act of 1976 creates civil and criminal liability only for acts of infringement themselves. It does not speak to forms of secondary liability. *See* 17 U.S.C. § 501(a) (Supp. II 2003) (addressing liability generally); 17 U.S.C. § 506(a) (2000) (addressing criminal liability).
87. *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 434–42 (1984). The doctrine is codified in the Patent Act, 35 U.S.C. § 271(c) (2000).
88. *Sony*, 464 U.S. at 431.
89. *Id*.
90. 35 U.S.C. § 271(b) (2000).
91. The only two copyright cases that the Court cited were *Sony* itself, 464 U.S. 417, and Kalem Co. v. Harper Bros., 222 U.S. 55 (1911). *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2779–80 (2005).

necessarily had to speak in somewhat general and tentative terms. The clearest evidence of inducement, the Court suggested, would be a showing of actual product advertising that promoted infringing uses or instructed consumers about how to infringe.[92] While this observation might seem unexceptional, the odd thing is that in *Sony* itself the manufacturer actually did advertise its product as a device that could be used to "build a library" of favorite television shows and movie classics, without also warning that such conduct was likely to constitute copyright infringement.[93] Even with this evidence before it, the majority in that case exempted the manufacturer from secondary liability. Justice Souter blandly passed over the inconsistency by saying that Sony's advertisements were of no importance because neither using the VCR to time-shift nor to create a library of tapes "was necessarily infringing."[94] Since up to the time of the *Sony* decision, no court had ever found the copying of an entire work for personal or commercial use to be permissible,[95] and because the fair use part of *Sony* continues to be the most controversial aspect of that decision,[96] that conclusion is, to say the least, puzzling.

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92. *See Grokster*, 125 S. Ct. at 2780.

93. *Sony*, 464 U.S. at 459, 489–90 (Blackmun, J., dissenting). The only acknowledgment of the possible violation of copyright appeared in the instruction booklet that came with the Betamax. *Id*. at 459.

94. *Grokster*, 125 S. Ct. at 2777 (citations omitted).

95. In *Wihtol v. Crow*, 309 F.2d 777, 780 (8th Cir. 1962), the court, in a case involving the adaptation of music for use by a church choir, rejected a defense of fair use: "Whatever may be the breadth of the doctrine of 'fair use,' it is not conceivable to us that the copying of all, or substantially all, of a copyrighted song can be held to be a 'fair use' merely because the infringer had no intent to infringe." *See also* Marcus v. Rowley, 695 F.2d 1171, 1176 (9th Cir. 1982) ("[T]his court has long maintained the view that wholesale copying of copyrighted material precludes application of the fair use doctrine.").

96. Ten years ago, the Second Circuit, in a fair use case involving photocopying of journal articles, commented tartly:

> Indeed, if the issue were open, we would seriously question whether the fair use analysis that has developed with respect to works of authorship alleged to use portions of copyrighted material is precisely applicable to copies produced by mechanical means. The traditional fair use analysis, now codified in section 107, developed in an effort to adjust the competing interests of authors—the author of the original copyrighted work and the author of the secondary work that 'copies' a portion of the original work in the course of producing what is claimed to be a new work. Mechanical 'copying' of an entire document, made readily feasible and economical by the advent of xerography . . . is obviously an activity entirely different from creating a work of authorship. Whatever social utility copying of this sort achieves, it is not concerned with creative authorship.

Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 917 (2d Cir. 1994) (citations omitted).

In any event, it is unclear that either Grokster or StreamCast did anything as open and obvious to convey their intentions as Sony did in its advertisements. Much of the behavior cited in *Grokster* as raising triable questions of fact with regard to inducement is quite ambiguous, and some of it would create troublesome precedent if it were actually relied on as probative.

Both companies certainly took various steps to reach out to Napster registrants, who they logically saw as forming a prospective customer base (to look at the evidence in its most positive light, Napster registrants were a group of potential customers who already had demonstrated an interest in having the capacity to share files with other computer users). But neither Grokster nor StreamCast, according to the evidence cited by the Court, put out feelers to this audience that directly communicated their expectation that the software would be used for illicit ends.[97] While it might be reasonable to guess that there was such an intent in this case, hidden behind an exceedingly thin veneer of public propriety, the fact remains that encouraging courts to interpret the "true" meaning of advertising rather than its literal words could prove problematic in future cases.

The Court also found the names used by the companies to be suspect. They offered their customers a program that StreamCast called "OpenNap" and Grokster called "Swaptor"—the names of both, the Court said, conveying a message to the public about their expected use.[98] Even the company name adopted by Grokster, Justice Souter suggested, could be interpreted as a play on the familiar name "Napster."[99] Finally, in the case of StreamCast, the Court referred to internal memoranda as well as to plans for advertising campaigns that seem never to have been run, and concluded that these, too, were usable evidence of intent, even if none of it was ever communicated to

97. Most of the examples of StreamCast's bad behavior were from internal memoranda and advertising campaigns that seem never to have run. The company did suggest to some users of Napster-compatible software that they adopt its OpenNap program instead, but there is no indication in the opinion that StreamCast actually said that OpenNap was a tool to share copyrighted material. *Grokster*, 125 S. Ct. at 2773. The Court found even less evidence of direct communications to users by Grokster. The one factor cited was that Grokster inserted digital codes into its web site so that search engines looking for Napster would also turn up the Grokster site. *Id*.

98. *Id.* at 2780–81. On the other hand, because the software was intended to be used for peer-to-peer file sharing, the name "Swaptor," at least, could have been intended to convey something entirely innocent or at least neutral.

99. *See id.* at 2781. The opinion also mentioned other factors, such as Grokster's distribution of a newsletter "promoting its ability to provide particular, popular copyrighted materials." *Id.* at 2774.

the public.[100] In what seems to be a version of the unclean hands doctrine, Justice Souter explained that proof of subjective intent, standing alone, was sufficient to deny a secondary offender the opportunity to defend itself effectively against an inducement claim.[101]

To clinch the case that sufficient evidence of inducement existed to defeat summary judgment, the Court added two additional factors that, it said, counted against the defendants by underscoring "Grokster's and StreamCast's intentional facilitation of their users' infringement."[102] One was the failure to utilize tools, such as filtering, that would have reduced the software's potential for misuse.[103] The other was the business model pursued by the defendants, whereby their income was positively correlated with the amount of use to which consumers put the software.[104] In other words, infringement by users led to more profit for the defendants.

That the first of these considerations was recognized as sensitive by the Court was emphasized by a footnote adding that, absent other evidence of intent, failure to develop or utilize ameliorative technologies alone could not be used as evidence of inducement because "[s]uch a holding would tread too close to the *Sony* safe harbor."[105] This is undoubtedly true, and thus it is troubling that the Court thought it appropriate even to raise it.

Including a failure to utilize ameliorative tools as a factor presents a number of problems. For one thing, adapting software to add new features is often simply not an option for a distributor. Grokster, for example, used someone else's proprietary software and neither had access to the underlying code nor permission to change it to make a derivative work.[106] Furthermore, as Justice Breyer pointed out in his concurrence, judges are not in a position to determine whether filtering software is available and effective or is, as others

100. *Id*. at 2773.
101. *See id*. at 2781.
102. *Id*.
103. *Id*.
104. *Id*. at 2782.
105. *Id*. at 2781 n.12.
106. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1039 (C.D. Cal. 2003). A discussion in the Ninth Circuit opinion in *Grokster* demonstrates that owners of proprietary software are not always willing to accommodate licensees. StreamCast stopped using the FastTrack peer-to-peer software distributed by Grokster when it had a licensing dispute with the copyright owner, KaZaa BV, and its users were denied a software upgrade that would have allowed them to communicate with persons whose software came through either Grokster or directly from KaZaa. *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 380 F.3d 1154, 1159–60 (9th Cir. 2004).

claim, nothing more than useless "vaporware."[107] Nor can judges resolve the dispute over whether or not filtering, even if it works, is an efficient solution or one that would create a new and more significant set of problems.[108] If the Court were to require dual use technologies to be modified to eliminate or reduce infringement, it might open a veritable Pandora's box of questions about feasibility, design, and negative effects that could enmesh courts in disputes comparable to those that have bedeviled design defect litigation in products liability.[109]

The choice of business model was also an unfortunate factor to include in the inducement analysis. It is true that the incomes of both Grokster and StreamCast went up as use of the software they distributed increased, meaning that they were necessarily better off as an economic matter by virtue of their customers' infringing uses. This would, however, be the case to some degree with any dual use technology distributed by a profit-making entity. It would be surprising, for example, if Apple did not sell more iPods because some people

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107. *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2792 (2005) (Breyer, J., concurring). A brief filed by several computer scientists at major universities claimed that filtering software is "vaporware"—i.e., something that exists only in the imaginations of software designers, not in reality. Computer Science Professors, *supra* note 68, at 17.

108. Designers of "protective" software argued in their amicus brief that technologies such as filtering are readily available and effective. *See, e.g.*, Brief Amici Curiae of Audible Magic Corp. et al. in Support of Neither Party, *Grokster*, 125 S. Ct. 2764 (No. 04-480); Brief of Amicus Curiae Bridgemar Services, Ltd. d/b/a iMesh.com in Support of Neither Party, *Grokster*, 125 S. Ct. 2764 (No. 04-480). The brief of the university computer scientists disagreed. They pointed out, first, that filters needed to be installed on the users' computers, and neither Grokster nor Streamcast could require users to keep the filtering software up to date. Furthermore, they argued, filters have not proven themselves, and are so easy to defeat that requiring them would set off an "arms race" between designers and the public. Computer Science Professors, *supra* note 68, at 14–18.

109. Michael J. Tõke, Note, *Restatement (Third) of Torts and Design Defectiveness in American Products Liability Law*, 5 CORNELL J.L. & PUB. POL'Y 239, 241 (1996).

> Traditionally, determining design fitness has presented the most "agitated and controversial" problems in products liability law. Unlike cases involving manufacturing flaws, where courts can evaluate the challenged product against the manufacturer's own production standards as manifested by other units in the production line, cases of alleged design defect, where the product is in its intended condition, do not provide a built-in objective standard of comparison. In design cases the courts themselves must provide an external standard or norm of defectiveness, which requires them to weigh various engineering, marketing, and financial factors.

Id.; *see also* Richard A. Epstein, *Product Liability: The Search for Middle Ground*, 56 N.C. L. REV. 643, 649–51 (1978) (describing problems in design defect determinations).

value them as wonderful tools for the illicit downloading of music, rather than merely as a way to download from legal channels.

Although both Grokster and StreamCast relied on advertising, with the rates tied to usage, to earn their profits, that fact in itself is also hardly suspect. Obtaining this sort of revenue from advertising, rather than earning profits directly from the sale of a product or service, is a standard way to finance businesses on the Internet, as it has long been for broadcast radio and television. Here, too, the opinion was qualified by a caveat that "[t]his evidence alone would not justify an inference of unlawful intent."[110] But that cautionary note, again, does not remove the question of why the Court would choose to factor in an ordinary business model as support, in the "context of the entire record,"[111] of unlawful intent.

III.
Going Forward

It is not clear at the end of the day how important a decision *Grokster* will ultimately be. For one, the case must now go back to be tried on its merits, and it is not even certain that either or both the defendants will be found, when the actual facts of the case are determined, to be contributory infringers—although, given the tenor of the Supreme Court's opinion, the odds on a finding of no liability are poor.[112]

Leaving aside the final outcome in this specific litigation, is *Grokster* a signpost to lead us out of the tangle that mixing copyright with the Internet has created? Will it provide meaningful future relief for the content industry? Will it enable technological progress to coexist with the interests of copyright holders? Some years will have to pass before these questions can be definitively answered, but there are two distinct and quite different possibilities to consider—both of which are certain to disappoint one side or the other.

One possibility is that the decision will turn out in the long run to be nothing more than a toothless tiger. In this scenario, the only bite it will have is for the current generation of neo-Napsters before rapidly fading into irrelevance. The second, quite different, scenario is one in which, despite the Court's best efforts to avoid it, *Grokster* indirectly but efficiently eviscerates the protection technology innovators have

110. *Grokster*, 125 S. Ct. at 2782.
111. *Id*.
112. At the end of its discussion of the factors indicative of intent, the opinion concludes: "The unlawful objective is unmistakable." *Id*.

enjoyed under *Sony*, thereby retarding the emergence of desirable new technologies for years to come.

A. A Toothless Tiger?

The toothless tiger version holds that *Grokster* will simply be a teaching manual for future iterations of *Napster/Grokster* on how to avoid liability—just as Grokster and StreamCast learned from *Napster* about mistakes not to make. As Justice Scalia suggested during the *Grokster* oral argument, if the next generation of peer-to-peer developers and distributors simply sell or give away their software, without saying or doing anything publicly or behind the scenes about their hopes that illicit file-sharers will be attracted to their wares, liability for inducement will evaporate, but the problems for the content industry will persist.[113] For one thing, the outcome of *Grokster* has no direct effect on the companies' existing user base. Those users are not parties in the case, and the Court's decision does not mean that they must stop using the peer-to-peer technology they already have on their personal computers. Once the software has been downloaded to millions of personal computers, Grokster and StreamCast cannot get it back.

Furthermore, it is unclear that future users of peer-to-peer technology will even need businesses like Grokster and StreamCast, or their colleagues like Napster and Aimster, to acquire and learn how to operate peer-to-peer software. The version circulated by StreamCast is freely available open-source technology, and users themselves are quite capable of continuing to share it with their friends and of passing on whatever learning they have acquired on how to use the software. What is more, it may become increasingly difficult for content providers to monitor what is shared on these systems or to interfere with them technologically. The kind of networks created by Napster, Grokster, and StreamCast are "open" in the sense that anyone can join them: what happens on them is also readily susceptible to monitoring by copyright owners. But developers are already hard at work perfecting "darknet" peer-to-peer software for use on "trusted" networks where users themselves control who can and cannot join and exchanges are secure from non-member "eavesdroppers."[114] Although developers admit that the public is likely to use these systems to share

113. Transcript of Oral Argument at 25, *Grokster*, 125 S. Ct. 2764 (No. 04-480).

114. *See, e.g.*, John Markoff, *File Sharers Anonymous: Building a Net That's Private*, N.Y. Times, Aug. 1, 2005, at C1 (discussing next generation of closed peer-to-peer networks and interest of software designers in perfecting methods of preserving anonymity among users of internet).

copyrighted music and movie files, they claim that their objective is to defeat monitoring so that free speech and political protest will prosper throughout the world. They will argue, presumably, that this objective, coupled with the absence of any positive indicia of encouragement of infringement, shelters them from liability for inducement.

If the toothless tiger scenario is a realistic one, then copyright owners will necessarily have to rely less on the law and on courts to defend their interests and more on various forms of self-help. The most positive outcome of the scenario would be the development by the entertainment industry of creative new business models capable of sustaining the content industry even where copyright protection is comparatively ineffective. This is not a perfect outcome from the copyright owners' perspective but neither is it a wildly untenable one. After all, some sectors of the copyright industries have long since learned how to survive in the face of copying they simply could not control. The makers of business and personal use software are one example. Journal publishers, who have weathered the advent of the photocopier, are another.[115] Or, perhaps, legislative changes will solve the problem.[116]

The other likely outcome of a toothless tiger scenario would be an increased emphasis on self-help technologies like encryption, digital watermarking and fingerprinting—and even on digital spying—to control through design or dirty tricks what individuals can do with material they access. This approach could solve the content industry's enforcement problems, although it would be a mixed blessing at best, carrying with it the distinct possibility that the content industries will overreach and tamper with such legitimate consumer interests as fair use and first sale rights that positive copyright law has long protected.[117]

115. Although journal publishers have long claimed that unrestrained photocopying of articles would destroy their industry, the evidence of actual harm remains at most highly speculative. *See, e.g.*, Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 936–37 (2d Cir. 1994) (Jacobs, J., dissenting); *see also* LIEBOWITZ, *supra* note 5, at 54–57 (finding that studies demonstrate increases in journal subscription prices and no evidence of "precipitous drops" in journal subscription pages per potential reader).

116. Several scholars have recently suggested possibilities that could form the basis for such a solution. *See, e.g.*, Jessica Litman, *Sharing and Stealing*, 27 HASTINGS COMM. & ENT. L.J. 1, 39–50 (2004); WILLIAM W. FISHER III, PROMISES TO KEEP 199–258 (2004), *available at* http://cyber.law.harvard.edu/people/tfisher/PTKChapter6.pdf; Neil Weinstock Netanel, *Impose a Noncommercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 HARV. J.L. & TECH. 1, 35–83 (2003).

117. For examples of criticisms of self-help technologies, see Ryan Roemer, *Trusted Computing, Digital Rights Management, and the Fight for Copyright Control on Your Computer*, 2003 UCLA J.L. & TECH. 8 (2003), http://www.lawtechjournal.com/arti-

B. *Or the Death—by Stealth—of* Sony*?*

The alternate scenario—the death-by-indirection of *Sony*—could come about if the vague, varied and fact- and context-specific criteria for inducement discussed in the Supreme Court's opinion encourage prospective plaintiffs to turn to expensive, time-consuming litigation as a way to discourage developers and purveyors of dual-use technologies from bringing their wares to market. While some technology developers—Microsoft immediately comes to mind—have resources for defending themselves that are at least comparable to those the entertainment industry can bring to bear on the other side, many new technologies come from thinly capitalized start-up companies who may decide to give up rather than risk becoming enmeshed in chronic litigation.[118] From the analysis engaged in by the Court in *Grokster*, one could easily imagine future cases where plaintiffs' strategy would include a lengthy process of discovery involving minute searches through corporate e-mails and staff in-house memoranda, searching for incriminating evidence among the hopes, expectations, and even idle chatter of corporate insiders, even where none of those hopes or that chatter was ever communicated to the public. An examination of how the defendants developed their customer base (and who their customers are) might also become routine. In *Grokster*, after all, a factor counting against the two companies was that they built their businesses in part through efforts to attract the former clients of a contributory infringer. And now that the issue has been raised of whether or not the defendants could have used additional technology to prevent the misuse of their software, one could also expect uncertain and costly battles over design choices.[119]

All of this adds considerable uncertainty to the process of raising capital for new enterprises and for bringing new products on line.[120] It is not surprising, then, that shortly after the decision was announced, predictions began to appear that small companies would cease to invest in technologies if those technologies carry any risk of bringing them into conflict with the large players in the entertainment industry. An executive of one legal music delivery service described the deci-

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cles/2003/08_040223_roemer.pdf; Julie E. Cohen, *Copyright and the Jurisprudence of Self-Help*, 13 BERKELEY TECH. L.J. 1089 (1998).

118. *See* Brief of the National Venture Capital Association as Amicus Curiae in Support of Respondents at 3–4, *Grokster*, 125 S. Ct. 2764 (No. 04-480) (emphasizing importance to entrepreneurs in high technology arena of "bright-line" rules that allow development to occur without constant threat of litigation) [hereinafter Venture Capital Brief].

119. *See supra* note 109 and accompanying text.

120. *See* Venture Capital Brief, *supra* note 118, at 3–4, 6–9.

sion as putting "a cloud over development activities" because the company was not sure about the circumstances that would expose it to liability if it introduced new features that could be misused by consumers.[121]

Thus, although the Court purported to be setting aside for some future date the question of whether or not to consider modifying the *Sony* rule, the *Grokster*-as-litigation-weapon could turn out to so upset the balance established by the earlier decision that revisiting *Sony* may occur sooner rather than later. If so, it seems likely that either the Court or Congress would ultimately feel compelled to step in and restore that balance. There are several reasons for this prediction. First of all, copyright owners often react negatively to the perceived threat of a new technology even though, over time, it may turn out either to have no negative effect on them or may even open new opportunities for exploiting their copyrights (as the VCR did for the film industry post-*Sony*). Second, however important the copyright industries are to the nation's economy and as contributors of intellectual capital, experience suggests that emerging technologies may prove even more valuable in economic and social terms, so that few will want to take the risk of suppressing them, even at the cost of some degree of peripheral damage to the interests of content providers.

In the long run, therefore, it seems likeliest that, whichever scenario plays out—whether the toothless tiger or death-by-stealth of *Sony*—*Grokster* will turn out to be more a whimper than a bang, more a detour than a way out of the copying controversy. If it merely provides a set of rules that, followed scrupulously, allow new technologies to emerge unimpeded, not much will have been gained by copyright owners. And if *Grokster* invites the spate of litigation some predict, someone—legislature or judge—is likely to step back in again and whittle away at the decision until it is limited to the point where it is capable of discouraging only the worst of the bad guys while leaving a wide safety zone for research and development. Hopefully, not too much mischief will be done in the interim. But those seeking salvation from *Grokster* are not going to be pleased.

121. Antony Bruno, *Tech Questions*, BILLBOARD, July 9, 2005, at 30.