

Fixing Through Legislative Fixation: A Call for the Codification and Modernization of the Staple Article of Commerce Doctrine as it Applies to Copyright Law

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INTRODUCTION

In 1979, a district court applied an affirmative defense to secondary patent infringement in a copyright infringement case.¹ The court did so in order to protect a technology developer from copyright liability caused by third parties using the developer's product in an infringing manner.² The court's intention was to avoid quashing a new technology that was capable of many noninfringing uses and, thus, to prevent an inequitable infringement judgment against an innovator solely because individuals, outside the developer's control, used the product illegitimately.³ Over the next twenty-six years, district courts, courts of appeal, and the U.S. Supreme Court have misinterpreted and disagreed with each other's decisions—and even at times with their own decisions—over how to apply relevant principles of patent law in copyright cases, that is, to strike the proper balance between protecting copyright holders' rights without restricting innovation.⁴ As the courts have battled over this issue, billions of dollars of infringement have occurred using new technology mediums, and once promising start-up companies have gone bankrupt because of copyright infringement judgments against them.⁵ As Justice Fortas so wisely said in addressing the new technology of cable television:

[T]he fact that the Copyright Act was written in a different day, for different factual situations, should lead [the judiciary] to tread cautiously here. Our major object, I suggest, should be to *do as little damage as possible to traditional copyright principles* and to business relationships, until the Congress legislates and relieves the embarrassment which we and the interested parties face.⁶

Unfortunately, the courts have not tread with caution and have done much damage to the balance of copyright's competing policies, which has left both copyright owners and technology innovators facing great uncertainty. Accordingly, Congress must step in and combat this

1. See *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429 (C.D. Cal. 1979), *aff'd in part, rev'd in part*, 659 F.2d 963, (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

2. See *id.* at 460–61.

3. See *id.*

4. See, e.g., *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634 (N.D. Ill. 2002), *aff'd*, 334 F.3d 643 (7th Cir. 2003).

5. See Jessica Litman, *The Sony Paradox*, 55 CASE W. RES. L. REV. 917, 920–21, 941, 955–56 (2005).

6. *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 404 (1968) (Fortas, J., dissenting) (emphasis added).

uncertainty by codifying a modern version of the Staple Article of Commerce Doctrine's affirmative defense (Staple Defense) into the Copyright Act.

This Comment discusses the history and common law development of the Staple Defense, this author's legislative proposal, and why such a proposal both clarifies the ambiguities caused by the current judicial doctrine and strikes the proper balance of the competing policies that underlie copyright.

I. THE HISTORY OF THE STAPLE DEFENSE⁷

A. *Early Copyright Cases Tackle Dual-Use Technologies*

1. *Sony*: The Technology of Time-Shifting

a. *The District Court's Opinion: The Staple Defense Sneaks into Copyright Law*

In *Universal Studios, Inc. v. Sony Corp. of America*, the copyright owners of publicly broadcast television shows sued the manufacturer and distributor of a videotape recording device, the corporations that sold and promoted the device, and a home user that operated the device for violations under the Copyright Act.⁸ First, the district court determined that the copyright owners could not establish direct infringement for home users recording publicly broadcast works because the court found "time-shifting" to be a fair use.⁹ Although the court's finding ruled out holding the defendants liable for secondary liability, the district court, in dicta, explored the possibility of secondary liability if the home use was infringing use.¹⁰ In order to explore such possibilities, the district court surveyed the then current state of secondary liability.¹¹ Because the Copyright Act was silent on secondary liability, the district court noted two cases that addressed contributory

7. It is instructive to note that patent law's development of the Staple Defense is omitted from this Comment because it is irrelevant to implementing a practical application of the Defense in copyright law. *See, e.g.*, Brief of Professor Peter S. Menell et al. as Amici Curiae in Support of Petitioners at 10–11, *Grokster*, 545 U.S. 913 (No. 04-480). In particular, the patent law defense arose out of the patent misuse doctrine in order to balance contributory liability and antitrust limitations on the patentee's rights. *See id.* By enacting § 271(c) of the Patent Act, Congress "immuniz[ed] the sale of staple articles of commerce from contributory liability" and, thus, "precluded patentees from leveraging their patents into the sale of unprotected technologies." *See id.* at 11.

8. *See Sony*, 480 F. Supp. at 432–33.

9. *See id.* at 456.

10. *See id.* at 457 (dicta).

11. *See id.* at 460.

liability for copyright infringement and distinguished them from the facts before the court.¹² Specifically, the district court stated the following:

Plaintiffs' claims are unprecedented. Unlike the defendant in *Gershwin*, defendants here do not arrange for and direct the programming for the infringing activity. Unlike the defendants in *Screen Gems I* and *II*, defendants here do not sell or advertise the infringing work. Plaintiffs sue defendants because they manufacture, distribute, advertise and sell a product capable of a variety of uses, some of them allegedly infringing.

....

Whether or not patent law has precedential value for copyright law and the *Betamax* is capable of "substantial" noninfringing use, the underlying rationale for the patent rule is significant. Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they "constructively" knew that some purchasers on some occasions would use their product for a purpose which a court later deemed, as a matter of first impression, to be an infringement.¹³

Finally, the court discussed the defendants' hypothetical vicarious liability¹⁴ by noting they did not sufficiently participate in and benefit from home users recording publicly broadcast works to satisfy the requirements to be held liable under such claims.¹⁵

b. The Ninth Circuit's Opinion

On appeal, the Ninth Circuit took a different stance than the district court by holding that the act of home recording does not qualify as a fair use and thus is a direct infringement.¹⁶ The court found the defendants-appellees to be contributorily liable for the direct infringement carried out by the home recording because they knew their device would be used to reproduce copyrighted works and "there [was] no doubt" they "induc[ed], caus[ed], or materially contribut[ed] to the infringing conduct."¹⁷

12. *See id.*

13. *See id.* at 460–61.

14. It appears as though the district court was not referring to vicarious liability as it is referred to today, but rather contributory infringement. *See id.* at 462.

15. *See id.*

16. *See Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 971–72 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

17. *Id.* at 975–76.

The Ninth Circuit addressed the district court's dicta application of the Staple Defense by stating that "[v]ideotape recorders are manufactured, advertised, and sold for the primary purpose of reproducing television programming. Virtually all television programming is copyrighted material. Therefore, videotape recorders are not 'suitable for substantial noninfringing use.'"¹⁸

c. The Supreme Court's Opinion: Mr. Rogers Sides with Technology and Five Justices Side with Mr. Rogers

The Supreme Court granted certiorari and after a tutorial on copyright policy, the Court embraced secondary liability as implied by the Copyright Act.¹⁹ The Supreme Court carefully presented the principle that finding secondary liability for copyright infringement increases the scope of the copyright holder's monopoly and recognized the need to balance this augmentation so as not to "extend [the copyright holder's] monopoly beyond the limits of [his or her] specific grant."²⁰ Accordingly, the Court cited patent law for the principle to combat this increase by "expressly provid[ing] that the sale of a 'staple article or commodity of commerce suitable for substantial noninfringing use' is not contributory [copyright] infringement."²¹ As the stage was set, the Supreme Court stated that "the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be *capable* of substantial noninfringing uses."²²

Next, the Court jumped right into the deep end and asked whether the device at hand was "capable of commercially significant noninfringing uses."²³ However, in the same paragraph in which it posed that question, it refused to decide "how much use [would be] commercially significant"; instead, the Court found that the "potential use" of home users operating the device for time-shifting purposes met

18. *Id.* at 975 (citation omitted).

19. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984) (5-4 decision) ("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.").

20. *Id.* at 441.

21. *Id.* at 440 (discussing 35 U.S.C. § 271(c)).

22. *Id.* at 442 (emphasis added).

23. *Id.*

the requisite threshold.²⁴ In answering the aforementioned question, the Court found the use to be substantially noninfringing because plaintiffs-respondents had a combined relevant market share of less than ten percent.²⁵ With respect to the other ninety percent of the market share, the Supreme Court cited the district court's injunctive relief findings to establish that "a significant quantity of broadcasting" had authorized time-shifting and "a significant potential for future authorized copying" existed.²⁶ To further support this proposition, the Court cited the testimony of Mr. Rogers²⁷—the defendants-petitioners' star witness—that he encouraged time-shifting by his viewers.²⁸ Consequently, the Court held that copyright owners may not prevail in contributory liability claims unless the relief they request affects solely their copyrights or the copyright owner "speaks for virtually all copyright holders with an interest in the outcome."²⁹

Finally, the Court found that "unauthorized home time-shifting" of publicly broadcast television shows was fair use and thus noninfringing.³⁰ Accordingly, because secondary liability requires a finding of the direct infringement, the Court held defendant-petitioners not liable for contributorily infringing plaintiffs-respondents' copyrights.³¹

i. Justice Stevens's Dicta

Although the Court saw time-shifting for home users as a fair use and thus, technically, the opinion designated almost all use of the device as noninfringing, the Court's alternative reasoning for protecting the defendant-petitioners vis-à-vis the Staple Defense lead to some quantitative reasoning by the Court.³² Specifically, the Court explained that the Betamax was capable of substantial noninfringing uses "*both because [plaintiff-]respondents have no right to prevent other copyright holders from authorizing it for their programs, and . . . because . . . unauthorized home time-shifting . . . [was] legitimate fair*

24. *Id.*

25. *See id.* at 443.

26. *Id.* at 444.

27. Fred Rogers was president of the corporation that produced and owned the copyright to *Mister Rogers' Neighborhood*, the popular children's program in which he starred on the Public Broadcasting Service.

28. *See Sony*, 464 U.S. at 445–46 & n.27.

29. *Id.* at 446.

30. *Id.* at 442.

31. *Id.* at 456.

32. *Id.* at 445.

use.”³³ Moreover, the Court stated that the defendant-petitioners “demonstrated a significant likelihood that *substantial* numbers of copyright holders who license[d] their works for broadcast on free television would not [have] object[ed] to having their broadcasts time-shifted by private viewers.”³⁴ Consequently, this author makes the assumption that even if unauthorized time-shifting were not a fair use, authorized time-shifting was, individually, a substantial enough use of the Betamax to justify applying the Staple Defense. Such reasoning requires some creative accounting on the part of this author to get to a range that approximates the Court’s interpretation of “substantial.”

First, the plaintiffs-respondents had a market share “well below 10%.”³⁵ Disney had “one hour a week of network television and one syndicated series,” whereas Universal had “under 5%” in a major U.S. market.³⁶ That leaves the range of approximately five to ten percent infringing use. Accordingly, analysis continues to determine how much of the ninety to ninety-five percent figure one could categorize as noninfringing use.

John Kenaston, Channel 58’s station manager, testified that out of the 107 programs on his station, “58% authorize[d] some home taping” and “almost 20% authorize[d] unrestricted home taping.”³⁷ Assuming this sample was consistent with the other stations not party to this suit, then such a proposition adds twenty-two percent infringing use to the running total. Moreover, the district court found that the “[d]efendants’ survey showed that 96% of the Betamax owners had used the machine to record programs they otherwise would have missed.”³⁸ Thus, four percent used the Betamax for purposes other than time-shifting, which may have violated the restrictions of fifty-eight percent of the programs on Kenaston’s channel that “authorize *some* home taping.”³⁹ As a result, this author adds another two percent to the running total of infringing uses. In sum, this author calculates a total of approximately twenty-nine to thirty-four percent infringing uses and sixty-six to seventy-one percent noninfringing uses, thus defining a range for the Staple Defense.

33. *Id.* at 442 (emphasis added).

34. *Id.* at 456 (emphasis added).

35. *Id.* at 443.

36. *Id.* at 443 n.22.

37. *Id.* at 445.

38. *Id.* at 424 n.4.

39. *Id.* at 445 (emphasis added).

ii. Justice Blackmun's Dissenting Opinion

Justice Blackmun—joined by three other justices—outlined the notion that “[w]hen the use is one that creates no benefit to the public at large, copyright protection should not be denied on the basis that a new technology that may result in harm has not yet done so.”⁴⁰ Following this proposition, the dissenting justices disagreed with the majority that the patent law test “should be imported wholesale into copyright law.”⁴¹ Instead, the dissenting justices proposed a modified test to remove uncertainty in its application. Specifically, “if a *significant* portion of the product’s use is *noninfringing*, the manufacturers and sellers cannot be held contributorily liable for the product’s infringing uses.”⁴² However, “[i]f virtually all of the product’s use . . . is to infringe, contributory liability may be imposed; if no one would buy the product for noninfringing purposes alone, it is clear that the manufacturer is purposely profiting from the infringement, and that liability is appropriately imposed.”⁴³

In critiquing the majority’s “*capable* of substantial noninfringing uses” standard, the dissenting justices suggested that “[o]nly the most unimaginative manufacturer would be unable to demonstrate that a . . . product is ‘capable’ of substantial noninfringing uses.”⁴⁴ Moreover, “[b]ecause of the Court’s conclusion concerning the legality of time-shifting, it never address[ed] the amount of noninfringing use that a manufacturer must show to absolve itself from liability as a contributory infringer.”⁴⁵

2. *RCA Records*: Controlling the Use of Copyrighted Works

In the same year the Supreme Court decided *Sony*, the Southern District of New York applied the principles from *Sony* in a preliminary injunction hearing.⁴⁶ In *RCA Records v. All-Fast Systems, Inc.*, the plaintiffs owned copyrighted sound recordings, which they sold to the public on audiocassette tapes that the plaintiffs manufactured.⁴⁷ The

40. *Id.* at 482 (Blackmun, J., dissenting).

41. *Id.* at 491.

42. *Id.*

43. *Id.*

44. *Id.* at 498.

45. *Id.*

46. *See RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335 (S.D.N.Y. 1984).

47. *See id.* at 336–37.

defendant ran a neighborhood copy center that operated “a ‘Rezound’ cassette-copying machine.”⁴⁸

The plaintiffs established that the defendant’s sales personnel sold blank Rezound-compatible tapes to its customers and then used the Rezound to copy the protected material from the plaintiffs’ cassette tapes to the Rezound tapes for a lesser cost to the customer than the retail purchase price of plaintiffs’ cassette tapes.⁴⁹ Moreover, the district court had no doubt that the sales personnel “were well aware of both the copyrighted nature of the taped copies and the wrongfulness of the copying” because “a decal warning against such copyright was plastered on the machine.”⁵⁰ Accordingly, the district court held that plaintiffs established a “likelihood of success on the merits” for a finding that the defendant directly infringed plaintiffs’ copyrights.⁵¹

In determining the scope and terms of the injunction, the district court noted that the plaintiffs were “entitled” to a preliminary injunction, which prevented any direct infringement of plaintiffs’ copyrighted works and also any contributory infringement involving the defendant’s customers using the Rezound to make copies on their own accord.⁵² Such prevention of contributory infringement would have required the defendant to cease “selling Rezound cassettes—the only type of cassette which [could] be successfully used in [the] Rezound—to customers who the defendants” knew or had a reasonable belief would use the Rezound to copy the plaintiffs’ copyrighted materials.⁵³ In response, the defendants claimed that the Rezound was “capable of substantial noninfringing uses” and, therefore, the injunction could not extend to prevent contributory infringement because it would prevent their legal use of the Rezound.⁵⁴

In its interpretation of *Sony*, the district court held that the Staple Defense “extends protection only to the manufacturer of the infringing machine, not to its operator.”⁵⁵ The district court reasoned that contributory liability had been “traditionally” imposed on “those who were ‘in a position to control the use of copyrighted works by others and

48. *Id.* at 337.

49. *See id.*

50. *Id.*

51. *Id.* at 338.

52. *See id.* at 338–39.

53. *Id.*

54. *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 440 (1984)).

55. *Id.*

had authorized the use without permission from the copyright owner.”⁵⁶ Accordingly, the manufacturer of the Rezound lacked “such control once the machine [was] sold”; however, the defendant was “aware of each use of the machine” and could have “control[led] its customers’ infringing activities.”⁵⁷

The court found—for purposes of the preliminary injunction—that the Rezound was capable of substantial noninfringing uses and “requiring [the] defendant to avoid contributory infringement” would not be “an undue burden on its right to pursue those” noninfringing uses.⁵⁸ In contrast, “[t]he manufacturer of the machine ma[de] but one commercial choice: to sell or not to sell its machine.”⁵⁹ Therefore, the court held that if it found the manufacturer liable for contributory infringement, then it would impose a “substantial burden” because the only way the manufacturer could cease the infringing use would be to halt selling the Rezound.⁶⁰ As a result, although the court enjoined the defendant from directly or contributorily infringing plaintiffs’ copyrighted works, the court refused to seize the machine because such an order would “prevent the legitimate and socially beneficent uses of the Rezound.”⁶¹

The district court later awarded a permanent injunction and statutory damages to the plaintiffs.⁶² The defendant did not file an appeal.

3. *Vault Corp.*: The Defendant Wins One

a. *The District Court’s Decision*

In *Vault Corp. v. Quaid Software Ltd.*, the plaintiff owned the copyright in a software program called “PROLOK,” which had a security measure that prevented users from making working copies of PROLOK.⁶³ The defendant developed a software program called “CopyWrite,” which allowed users to make working copies of

56. *Id.* (quoting *Sony*, 464 U.S. at 440).

57. *Id.*

58. *Id.*

59. *Id.*

60. *Id.*

61. *Id.* at 340.

62. *See* *RCA Records v. All-Fast Sys., Inc.*, No. 84 Civ. 631-CSH, 1985 WL 3059, at *1 (S.D.N.Y. Oct. 9, 1985).

63. *See* *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750, 752 (E.D. La. 1987), *aff’d*, 847 F.2d 255 (5th Cir. 1988).

PROLOK.⁶⁴ The plaintiff moved to preliminarily enjoin the defendant from, inter alia, marketing or selling the portion of CopyWrite, which unlocked the security feature of PROLOK and “infring[ed] or contributorily infrin[ed]” the plaintiff’s copyright in PROLOK.⁶⁵ The owner of the defendant corporation testified at trial that the only function of RAMKEY—that is, the feature in CopyWrite, which actually unlocked PROLOK’s security—was to create copies of material on copy-protected disks.⁶⁶

With respect to direct infringement, the plaintiff claimed (1) that the defendant’s employees made an unauthorized copy of plaintiff’s work in temporary memory every time those employees booted PROLOK in their computers and (2) that RAMKEY was an unauthorized derivative work of PROLOK.⁶⁷ Furthermore, the plaintiff argued the defendant was contributorily liable for CopyWrite users making unauthorized copies of PROLOK.⁶⁸

The district court held that the defendant did not make such unauthorized copies of PROLOK as the plaintiff claimed because § 117 of the Copyright Act exempted such use as an “essential step in the utilization” of PROLOK.⁶⁹ Moreover, the district court held that although the defendant copied thirty characters of code from PROLOK to develop RAMKEY, such use did not substantially incorporate enough of PROLOK to constitute preparing a derivative work.⁷⁰

The district court erroneously held⁷¹ that the plaintiff lacked standing to bring suit for contributory infringement against the defendant, but alternatively found that the defendant would not have been liable for contributory infringement if standing existed because CopyWrite was “cable of ‘commercially significant noninfringing uses,’ such as [(1)] making archival copies of software programs as allowed by Section 117(2) of the Copyright Act,” (2) “mak[ing] copies of *unprotected* software,” and (3) diagnosing “the quality” of software.⁷² Accordingly,

64. *See id.*

65. *Id.* at 757.

66. *See Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 258 (5th Cir. 1988).

67. *Vault Corp.*, 655 F. Supp. at 758.

68. *Id.*

69. *Id.* (quoting 17 U.S.C. § 117).

70. *See id.* at 759.

71. *See Vault Corp.*, 847 F.2d at 262–63.

72. *Vault Corp.*, 655 F. Supp. at 759 (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 440 (1984)).

the district court did not grant the plaintiff's motion for a preliminary injunction against the defendant.⁷³

b. The Fifth Circuit's Decision

The Fifth Circuit affirmed the district court's opinion that the defendant-appellee did not directly infringe the plaintiff-appellant's copyright in PROLOK by making unauthorized copies or preparing unauthorized derivative works of PROLOK.⁷⁴ In addition, the Fifth Circuit agreed with the district court's reasoning regarding such alleged direct infringement.⁷⁵ Although the Fifth Circuit affirmed the district court's finding that the defendant-appellee did not contributorily infringe the plaintiff-appellant's copyright in PROLOK, the Fifth Circuit's reasoning differed from that of the district court.⁷⁶

Contrary to the district court, the Fifth Circuit held that the plaintiff-appellant had standing for contributory infringement claims against the defendant-appellee.⁷⁷ Moreover, because the plaintiff-appellant was only seeking to enjoin the defendant-appellee from advertising the RAMKEY portions of CopyWrite and because RAMKEY was separable from CopyWrite, the issue of whether the defendant-appellee contributorily infringed plaintiff-appellant's copyright hinged on "whether the *RAMKEY feature* ha[d] substantial noninfringing uses."⁷⁸

The Fifth Circuit found that copies of PROLOK made with a non-RAMKEY version of CopyWrite did not allow users to create archives of PROLOK, which were "fully functional" replacements of the original disks.⁷⁹ Specifically, the copies of PROLOK, which a non-RAMKEY version of CopyWrite would create, could not be used without the original PROLOK disks and, thus, could not be used if the originals became corrupt or lost.⁸⁰ However, archival copies of PROLOK that were made with versions of CopyWrite, which had RAMKEY, could be used without the original disks.⁸¹ Accordingly, the Fifth Circuit held that "[b]ecause § 117(2) [of the Copyright Act] permit[ted] the making of fully functional archival copies," RAMKEY was "capable of

73. *See id.* at 764.

74. *See Vault Corp.*, 847 F.2d at 261, 268.

75. *See id.*

76. *See id.* at 261–67.

77. *Id.* at 262–63.

78. *Id.* at 263–64 (emphasis added).

79. *See id.* at 264.

80. *See id.*

81. *See id.*

substantial noninfringing uses”]; thus, the defendant-appellee did not contributorily infringe the plaintiff-appellant’s copyright.⁸²

B. The Next Generation of Infringement: The Peer-to-Peer Network Cases

1. *Napster*: Sampling and Space-Shifting

*a. The District Court’s Decision*⁸³

In *A&M Records, Inc. v. Napster, Inc.*, the defendant distributed a free software program, which allowed Internet users to freely upload and download, inter alia, Moving Pictures Expert Group Layer 3 files, more commonly known by its file extension as MP3 files.⁸⁴ The defendant’s software program uploaded a list of the names of the MP3 files, which were shared on a user’s hard drive, to the defendant’s main server.⁸⁵ Next, this information was shared with the other users on the defendant’s network and those users could then “locate music by their favorite artists in MP3 format.”⁸⁶ Once located, the main server would point the individual user’s software client to the “host” user’s computer—via its Internet Protocol (IP) address—which housed the MP3 file that the individual user requested, so the user could download the file.⁸⁷ In addition, users had the option of “hotlisting” each other so they could browse and download MP3 files directly from each others’ libraries.⁸⁸ In sum, the defendant’s servers only stored a list of names of the songs that each user shared along with each user’s IP address.⁸⁹ The content—that is, the copyright protected work—was transferred over the Internet directly between the users and was not stored on defendant’s servers.⁹⁰ Most impressively, this service had approximately seventy-five million users.⁹¹

82. *Id.* at 267.

83. The district court made other rulings before ruling on the preliminary injunction; however, Judge Patel’s opinion regarding the preliminary injunction is the only such ruling that is within the scope of this Comment.

84. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 900 (N.D. Cal. 2000), *aff’d in part, rev’d in part*, 239 F.3d 1004 (9th Cir. 2001).

85. *Id.* at 901.

86. *Id.* (citation omitted).

87. *Id.* at 905.

88. *Id.*

89. *See id.*

90. *See id.* at 907.

91. *See id.* at 902.

The plaintiffs, made up of eighteen record companies, moved for a preliminary injunction against the defendant's peer-to-peer software service to enjoin it "from engaging in or assisting others in copying, downloading, uploading, transmitting, or distributing copyrighted music without the express permission of the rights owner."⁹² To support their motion, the plaintiffs' expert witness calculated that eighty-seven percent of the files transferred using the defendant's software were copyrighted, and counsel for the Recording Industry Association of America (RIAA) determined that the plaintiffs collectively owned the copyrights of approximately seventy percent of the files transferred.⁹³

In the district court's vicarious and contributory liability analysis, it found that users of the defendant's service directly infringed the plaintiffs' copyrights by partaking in unauthorized distribution and reproduction of plaintiffs' works.⁹⁴ Next, the district court addressed the defendant's Staple Defense.⁹⁵ The district court stated that "*Sony* stands for the rule that a manufacturer is not liable for selling a 'staple article of commerce' that is 'capable of commercially significant noninfringing uses.'"⁹⁶ The defendant argued what it felt were three noninfringing uses that its peer-to-peer software network was capable of achieving: "sampling, space-shifting, and the authorized distribution of new artists' work."⁹⁷

The district court found that sampling and space-shifting⁹⁸ were clearly infringement under the Copyright Act unless such activities were found to be fair uses.⁹⁹ The court then held both types of activities not to be fair uses.¹⁰⁰ Specifically, the court found sampling not to be a fair use because, inter alia, a "user who downloads a copy of a song to her

92. *Id.* at 900.

93. *Id.* at 903. Counsel for the RIAA used the data sample from the plaintiffs' expert witness to make that determination. *See id.*

94. *See id.* at 911.

95. *See id.* at 912.

96. *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984)).

97. *Id.* at 913. This same language is included in the "New Artists Program," which the defendant launched after the plaintiffs filed suit in this case. Although the injunction did not seek to enjoin this feature of the program, the court dismissed it as "not a major aspect of the Napster business plan[;] . . . bona fide new artists constituted a very small percentage of music available on Napster." *Id.* at 917.

98. Space-shifting consisted of the act of a user accessing a sound recording through the defendant's service, which the user legitimately owned in another format.

99. *Napster*, 114 F. Supp. 2d at 913.

100. *See id.*

hard drive may make that song available to millions of other individuals, even if she eventually chooses to purchase the CD”; that is, the court feared that “[s]o-called sampling on Napster may quickly facilitate unauthorized distribution at an exponential rate.”¹⁰¹ With respect to space-shifting, the court further entertained the idea that even if it was a fair use, as time-shifting was found to be in *Sony*, space-shifting did not represent enough of a use; in particular, such use was the “occasional use” of the defendants’ software program.¹⁰² The court further declined to extend the Staple Defense because the defendant “maintain[ed] and supervise[d]” the “system that users must access to upload or download files.”¹⁰³ In other words, the court refused to extend the doctrine in a situation where “the defendant continue[d] to exercise control over the device’s use.”¹⁰⁴

As a result, the district court held that the plaintiffs showed a “reasonable likelihood of success” on their contributory and vicarious liability claims and granted their preliminary injunction motion against the defendant.¹⁰⁵

b. Chief Judge Patel’s Dicta

Confident with its decision, the district court dovetailed its reasoning with both the plaintiffs’ and defendant’s expert data by stating, in dicta, that “even if space-shifting [was] a fair-use it [was] not *substantial* enough to preclude liability under the” Staple Defense.¹⁰⁶ In particular, the court noted that the defendant’s expert testified that seventy percent of its users “at least sometimes engage in space-shifting.”¹⁰⁷ However, the defendant’s expert’s report stated that “more than a third of Napster users (36.3%) always or frequently use[d] Napster to download digital music files of songs that they had previously purchased in another format” and “[a]nother 34.6% sometimes engage[d] in this practice of space[-]shifting.”¹⁰⁸ Although “sometimes” is a vague quantity, the survey shows that space-shifting comprises between 36.3% and 70.9% of

101. *Id.*

102. *Id.* at 916.

103. *Id.* at 917.

104. *Id.*

105. *Id.* at 920, 922, 927.

106. *Id.* at 916 (dicta) (emphasis added).

107. *Id.* (dicta).

108. Expert Report of Peter S. Fader, Ph.D. ¶ 77, *Napster*, 114 F. Supp. 2d 896 (Nos. C 99-5183 MHP, C 00-0074 MHP), available at http://fl1.findlaw.com/news.findlaw.com/hdocs/docs/napster/napster/fader_070300.pdf.

the use.¹⁰⁹ It is instructive to note, of course, that the word “sometimes” would greatly decrease the 34.6% value and, thus, the space-shifting use was likely much closer to 36.3% than 70.9%.¹¹⁰ In contrast, the plaintiffs’ expert report allowed this author to extract a range of approximately 17.8% to 32.9% of college students surveyed who space-shifted.¹¹¹ Because the court was confident that it was correct under both experts’ analyses, the court, by inference, stated that even if a device has 36.3%¹¹² noninfringing uses, that was not enough to be “substantial” under the Staple Defense.¹¹³

c. The Ninth Circuit’s Opinion

The Ninth Circuit affirmed the district court on all issues but one: its interpretation of the Staple Defense.¹¹⁴ Like the court in *Sony* and this district court, the Ninth Circuit refused to attach a quantitative value to the Staple Defense.¹¹⁵ However, the Ninth Circuit disagreed with the district court that the defendant-appellant “failed to demonstrate that its system [was] capable of commercially significant uses” because “[t]he

109. *See id.*

110. *See id.*

111. Report of E. Deborah Jay, Ph.D. at 10, 21, *Napster*, 114 F. Supp. 2d 896 (Nos. C 99-5183 MHP, C 00-0074 MHP), 2000 WL 34744110. The total number of students surveyed was 500. *See id.* According to Table 7, 48.3% already owned less than 10% of the songs they downloaded; 17.2% already owned between 10 and 25% of the songs they downloaded; 15.6% already owned between 26 and 50% of the songs they downloaded; 10.6% already owned between 51 and 75% of the songs they downloaded; 3.4% already owned between 76 and 99% of the songs they downloaded; 2.4% already owned 100% of the songs they downloaded; and 2.2% were unsure how many of the songs they downloaded were songs they already owned. *See id.* at 21.

This author then converted these figures into raw numbers—that is, multiplying each percent by 500 (the sample size). *See id.* Next, this author multiplied each raw number by the floor and ceiling of its respective range. *See id.* For example, of the 48.3% that already owned less than 10% of the songs they downloaded, this author converted 48.3% into the raw number 243 and multiplied 243 by the floor of the range, which is 0%, and the ceiling of the range, which is 10%. *See id.* This author gave the unsure subjects a floor of 0% and a ceiling of 100%. *See id.* Next, this author added up the floor values and divided the aggregate floor value by the sample size. *See id.* The resulting value is the floor of the range referenced in the text of this Comment. Last, this author added up the ceiling values and divided the aggregate ceiling value by the sample size. *See id.* The resulting value is the ceiling of the range referenced in the text of this Comment. *See id.*

112. This is the floor value and, thus, does not take into account the additional 34.6% of users who “sometimes” space-shift because of the arbitrary decision that this author would have to make to include said additional value.

113. *See Napster*, 114 F. Supp. 2d at 916 (by implication).

114. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001).

115. *See id.*

district court improperly confined the use analysis to current uses, ignoring the system's *capabilities*."¹¹⁶ Accordingly, the Ninth Circuit criticized the district court for failing to give weight "to current and future noninfringing use."¹¹⁷

Notwithstanding the district court's erroneous interpretation of the Staple Defense, the Ninth Circuit agreed with the district court's decision that "plaintiffs[-appellees] would likely prevail in establishing that" the defendant-appellant "knew or had reason to know of its users' infringement of plaintiffs' copyrights."¹¹⁸ Analogizing to the pre-Digital Millennium Copyright Act (DMCA) case *Religious Technology Center v. Netcom On-line Communication Services, Inc.*, the Ninth Circuit held that "if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringing."¹¹⁹ Accordingly, the Ninth Circuit noted that "absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material."¹²⁰

Finally, the court went on to conclude that the defendant-appellant had "*actual* knowledge that *specific* infringing material [was] available using its system" and had the ability to deny access to infringers but decided not to take such action.¹²¹ Therefore, the Ninth Circuit affirmed the district court's finding regarding contributory infringement.¹²² In its affirmation of the district court's vicarious liability ruling, the Ninth Circuit explained that a proper interpretation of *Sony* led the court to the conclusion that the Staple Defense was only for contributory infringement and not for vicarious liability.¹²³

116. *Id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 433 (1984)) (emphasis added).

117. *Id.* (citing *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 258 (5th Cir. 1988)).

118. *Id.*

119. *Id.* (citing *Religious Tech. Ctr. v. Netcom On-line Commc'n Servs., Inc.*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995)).

120. *Id.* (citing *Sony*, 464 U.S. at 436, 442-43).

121. *Id.* at 1022 (citing *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 920-21 (N.D. Cal. 2000)).

122. *Id.* at 1021-22.

123. *Id.* at 1022 (citing *Sony*, 464 U.S. at 434-35; 3 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 12.04[A][2], [2][b] (2000)).

As a result, the defendant-appellant settled the suit for thirty-six million dollars, and with a fifty million dollar loan, it restructured to implement a new business model of distributing authorized music on its system.¹²⁴ The defendant-appellant received access to over 700,000 songs from various major recording labels to legitimately distribute through a modified electronic system.¹²⁵

2. *In re Aimster*: The Mere Potential for Noninfringing Use

a. *The District Court's Opinion*

In the case of *In re Aimster Copyright Litigation*, the plaintiffs owned the copyrights in the sound recordings and underlying compositions of almost all of the popular music in America.¹²⁶ The defendants developed, operated, and maintained a peer-to-peer file-sharing service called "Aimster," which allowed users with an Internet connection to share any file they had access to on their personal computers.¹²⁷ Accordingly, the plaintiffs sought to preliminarily enjoin the defendants from contributorily and vicariously infringing the plaintiffs' copyrighted works.¹²⁸

The district court described the defendants' system in detail.¹²⁹ First, Internet users went to Aimster's Web site and downloaded the Aimster software for free or "Club Aimster" software for a membership charge of \$4.95 each month.¹³⁰ After downloading the software, the users were then able to install the Aimster software on their personal computers.¹³¹

When the user ran Aimster, the software would "piggyback" on America Online's instant messaging network, using the network as the server, which connected all Aimster users to each other.¹³² The user had to enter a login and password, which he or she had to register with the Aimster service before being able to browse other users' files.¹³³

124. Brad King, *Napster Settles, Eyes Relaunch*, WIRED NEWS, Sept. 24, 2001, available at <http://www.wired.com/news/mp3/1,47075-0.html>.

125. *See id.*

126. *See In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 639 (N.D. Ill. 2002), *aff'd*, 334 F.3d 643 (7th Cir. 2003).

127. *See id.* at 638.

128. *See id.* at 646.

129. *See id.* at 634–46.

130. *Id.* at 642, 645. At the time of the litigation, the defendants required users to join "Club Aimster" in order to use the software. *Id.* at 645.

131. *See id.* at 642.

132. *See id.*

133. *See id.*

Aimster acted like anabolic steroids for the file transfer functions of America Online's instant messenger services.¹³⁴ First, the user would designate the files to which he or she had access and that he or she wanted to share with other Aimster users.¹³⁵ Next, the Aimster software would communicate this information to a database index on Aimster's server.¹³⁶ Finally, the Aimster software gave each of its users, without any restrictions, the ability to, *inter alia*,¹³⁷ search for any file that any specific Aimster user or all Aimster users had available for sharing at that point in time and the ability to directly download the files that were available.¹³⁸

The Aimster server was in constant communication with the Aimster software to facilitate the searches; however, each user stored his or her own files on his or her own personal computer and the actual transfer of the files occurred directly between the computers of Aimster users.¹³⁹ The Aimster software encrypted the files for such direct transfers and then decrypted the files once the transferee completed the download.¹⁴⁰ Moreover, although any person with the Aimster software could view the files each Aimster user designated as available for distribution, the encryption scheme prevented any individuals from conclusively determining that any specific material had actually transferred between two Aimster users.¹⁴¹ Nonetheless, the plaintiffs' agents were able to download "every single recording on the November 3, 2001 Billboard Hot 100," and "every single Top 10 recording from the period between November 5, 2000 and November 3, 2001."¹⁴² Moreover, the defendants' Aimster Web site linked to a tutorial called "Guardian" (Guardian Tutorial) that detailed how one would go about downloading copyrighted works using the Aimster software;¹⁴³ users posted messages on Aimster message boards, *inter alia*, requesting or offering copyrighted works and bad mouthing the recording industry; and the Aimster software presented Club Aimster users with links to download

134. *See id.*

135. *See id.* at 641.

136. *See id.*

137. In addition, Aimster users could instant message each other. *Id.*

138. *See id.* at 642.

139. *See id.* at 643.

140. *See id.*

141. *See id.*

142. *Id.* at 646.

143. *Id.* at 643.

the forty “most frequently downloaded” songs, the copyrights of which happened to be owned by the plaintiffs.¹⁴⁴

The court commenced its liability analysis by exploring the direct infringement of the Aimster users as a necessary first ingredient for any secondary liability.¹⁴⁵ The defendants did not dispute “the existence of direct infringement by Aimster’s users,” but instead argued that the Audio Home Recording Act of 1992 shielded the Aimster users from liability.¹⁴⁶ The court rejected the defendants’ argument and continued to analyze the defendants’ secondary liability for the Aimster users’ direct infringement.¹⁴⁷

The district court found that the plaintiffs “demonstrated a likelihood of success on the merits for” defendants to be contributory infringers.¹⁴⁸ With respect to the requisite knowledge, the district court found that the (1) letters from the RIAA to the defendants demonstrating the availability of copyrighted works on Aimster, (2) Guardian Tutorial, (3) message boards discussing the availability of—and requests for—copyrighted materials and anti-copyright messages, and (4) defendants’ “operation of Club Aimster all demonstrate . . . [their] actual knowledge of the infringing activity.”¹⁴⁹ Furthermore, the court conceded that although “the actual transfers between users are unknown to [d]efendants due to Aimster’s encryption scheme,” the encryption did “not prevent [d]efendants from having constructive knowledge.”¹⁵⁰ With respect to the requisite contribution, the district court held that the defendants provided “the support services necessary for individual Aimster users to connect with each other,” thus providing the services necessary for the users to distribute copyrighted materials.¹⁵¹ Moreover, Club Aimster provided an interface for users to point-and-click their way to downloading the plaintiffs’ most popular copyrighted works.¹⁵² The court noted that the “[d]efendants manage[d] to do everything but actually steal the music off the store shelf and hand it to Aimster’s users.”¹⁵³

144. *Id.*

145. *See id.* at 648.

146. *Id.*

147. *See id.* at 649.

148. *Id.* at 654.

149. *Id.* at 650.

150. *Id.* at 651.

151. *Id.* at 652.

152. *See id.*

153. *Id.*

The defendants claimed, *inter alia*, that they could not be held liable for contributory infringement because Aimster was “capable of substantial non-infringing uses.”¹⁵⁴ The defendants argued such uses included the following: (1) “the ability of Aimster users to transfer . . . non-copyrighted files and messages to other users”; (2) “the ability of users to identify other users with similar interests, share information, and develop clubs”; and (3) the ability of “businesses without a network administrator . . . to exchange business records securely and efficiently.”¹⁵⁵

First, the district court rejected this defense because of its very narrow interpretation of *Sony* to mean that in order for the defendants to take safe harbor under the Staple Defense, the defendants had to show that the noninfringing use of their device was the “primary use” because in *Sony*, time-shifting was the “principal use” of the Betamax.¹⁵⁶ The district court noted that even if the defendants presented evidence that the Aimster users used the service for legitimate and noninfringing purposes, “the mere inclusion of such evidence would not suffice unless [the evidence] tended to show that such use constituted Aimster’s primary use.”¹⁵⁷ Second, the district court noted that “*Sony* only applied to a ‘staple article of commerce,’” that is, an item distributed to “customers who thereafter use the machine as they see fit.”¹⁵⁸ Accordingly, the district court described Aimster as a “*service*” that “involve[d] an ongoing relationship between the direct infringers (the users) and the contributory infringers (the [d]efendants),” and, therefore, the district court held that Aimster was not a staple article of commerce.¹⁵⁹ Third, the district court found “that Aimster [was] a service specifically designed to aid the infringing activities of its users and, on that basis alone, should not be eligible for *Sony*’s protections.”¹⁶⁰ Finally, the district court found that the Supreme Court in *Sony* placed great emphasis on “the district court’s finding that Sony had not ‘influenced or encouraged’ the unlawful copies.”¹⁶¹ Consequently, the

154. *Id.* at 653 (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984)).

155. *Id.*

156. *Id.*

157. *Id.*

158. *Id.*

159. *Id.*

160. *Id.* at 654.

161. *Id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 438 (1984)).

court held that the defendants in the case at bar went “to great lengths to both influence and encourage the direct infringement among its users” and, thus, listed the final grounds for rejecting the Staple Defense.¹⁶²

Furthermore, the district court found that even if the plaintiffs failed to demonstrate “a likelihood of success on the contributory infringement claim,” the court would have found “a likelihood of success on the vicarious infringement claim.”¹⁶³ Specifically, the defendants “control[led] the access of Aimster’s users” and, thus, could have terminated such access when users hosted infringing material.¹⁶⁴ Although, the defendants argued that their encryption scheme prevented them from knowing users’ Internet protocol addresses, the court held that the “right and ability to control” does not “require . . . such precise identifying knowledge.”¹⁶⁵ In addition, the district court identified the defendants’ direct financial interest in the underlying infringing activity as including: (1) the monthly fee it received for Club Aimster membership, (2) the donations it received for fighting the recording industry, and (3) the sales from merchandise on Aimster’s Web site.¹⁶⁶

The district court went on to discuss the defendants’ eligibility for the liability safe harbors in the DMCA.¹⁶⁷ First, the district court stated that Aimster qualifies as a “service provider” under the DMCA.¹⁶⁸ Second, the court noted that the defendants adopted a “repeat infringer policy”; however, the defendants never implemented the policy because they claimed the encryption scheme kept them from discovering users who actually transferred copyrighted files.¹⁶⁹ Nevertheless, the court found that knowing a particular user’s Internet protocol address is not necessary; “[r]ather, the statute merely provides that the service provider implement a policy that provides for the termination of access to repeat infringers in ‘appropriate circumstances.’”¹⁷⁰ Accordingly, the

162. *Id.*

163. *Id.*

164. *Id.* at 655.

165. *Id.*

166. *See id.*

167. *See id.* at 656.

168. *Id.* at 657.

169. *Id.* at 659.

170. *Id.* (citing 17 U.S.C. § 512(i)).

district court held that the DMCA did not provide a safe harbor for the defendants.¹⁷¹

The district court concluded by granting the plaintiffs' motion for a preliminary injunction; however, it requested that the plaintiffs draft such injunctive language only to restrict the defendants' contributorily infringing activities, but not any noninfringing uses.¹⁷² Nevertheless, according to the Seventh Circuit, "[t]he district judge entered a broad preliminary injunction, which had the effect of shutting down the Aimster service."¹⁷³

b. The Seventh Circuit's Opinion

The Seventh Circuit affirmed the district court's order granting the preliminary injunction to the plaintiffs-appellees.¹⁷⁴ Even so, the Seventh Circuit detailed its position on, *inter alia*, applying the Staple Defense to contributory copyright liability.¹⁷⁵

The Seventh Circuit stated that "the producer of a product that has substantial noninfringing uses is not a contributory infringer merely because some of the uses actually made of the product are infringing."¹⁷⁶ To illustrate, the court turned to *Sony* where, in that case, the Betamax had three principal uses involving copying: (1) time-shifting, (2) "library building," and (3) commercial skipping.¹⁷⁷ The Seventh Circuit noted that the *Sony* Court held that the first use was a fair use; however, the second and third uses were, according to the Seventh Circuit, "unquestionably infringing to the extent that the programs copied were under copyright and the taping of them was not authorized."¹⁷⁸ As a result, customers were using the Betamax "for a mixture of infringing and noninfringing uses and the [Supreme] Court thought that Sony could not demix them because once Sony sold the [Betamax] it lost all control over its use."¹⁷⁹

Even though the majority in *Sony* did not discuss that Sony could have developed the Betamax in a way that would have allowed

171. *See id.*

172. *See id.* at 666.

173. *In re Aimster Copyright Litig.*, 334 F.3d 643, 645 (7th Cir. 2003).

174. *See id.* at 656.

175. *See id.* at 648.

176. *Id.* at 647 (citations omitted).

177. *Id.*

178. *Id.*

179. *Id.* at 648 (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 438 (1984)).

broadcasters to “scrambl[e] their signals to disable the Betamax from recording their programs,” the Seventh Circuit noted that the court would factor “the ability of a service provider to prevent its customers from infringing” in determining contributory liability.¹⁸⁰ Still, the Seventh Circuit stated that it would not be “a controlling factor.”¹⁸¹ For instance, “[i]f a service facilitate[d] both infringing and noninfringing uses . . . and the detection and prevention of the infringing uses would be highly burdensome,” then recognizing the mere ability to prevent infringement as a dispositive factor for denying application of the Staple Defense would “result in the shutting down of the service.”¹⁸²

The Seventh Circuit noted that the majority in *Sony* “acknowledged that 25 percent of Betamax users were fast forwarding through commercials,” that is, the Betamax users were preparing infringing derivative works.¹⁸³ Accordingly, the Seventh Circuit rejected the plaintiffs-appellants’ claim that the Staple Defense does not apply to alleged contributory infringers when there is “more than a mere showing that a product may be used for infringing purposes.”¹⁸⁴ In addition, the court rejected the Ninth Circuit’s holding in *Napster* “that actual knowledge of specific infringing uses [was] a sufficient condition for deeming a facilitator a contributory infringer.”¹⁸⁵

The court addressed the defendant-appellant’s argument that it lacked sufficient knowledge for contributory infringement because Aimster’s encryption scheme prevented the defendant-appellant from actually knowing the content of any file transfer between the Aimster users.¹⁸⁶ The court rejected this argument by stating that “[w]illful blindness is knowledge, in copyright law . . . as it is in the law generally.”¹⁸⁷ The court was careful to avoid holding that a service’s use of encryption would prohibit application of the Staple Defense, but that “using encryption to shield itself from actual knowledge of the unlawful purposes for which the service [was] being used” would prohibit such an application.¹⁸⁸

180. *Id.*

181. *Id.*

182. *Id.* at 648–49.

183. *Id.* at 649 (citing *Sony*, 464 U.S. at 452 n.36).

184. *Id.*

185. *Id.* (citing *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 1020 (N.D. Cal. 2000)).

186. *Id.* at 650.

187. *Id.* (citing *Louis Vuitton S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989)).

188. *Id.* at 650–51.

With respect to the showing necessary for the Staple Defense, the Seventh Circuit stated that the mere potential of noninfringing uses would not satisfy the test; otherwise, almost all alleged contributory infringers eligible for the Staple Defense “would be immune from liability for contributory infringement.”¹⁸⁹ The Seventh Circuit articulated that if such reasoning was inaccurate, the Supreme Court would not “have thought it important to say that the Betamax was used ‘principally’ for time shifting.”¹⁹⁰

The court then listed the affirmative steps the defendant-appellant took to invite copyright infringement of plaintiffs-appellees’ works, including, for instance, the Guardian Tutorial and Club Aimster.¹⁹¹ The court stated that such evidence is not dispositive toward rejecting the Staple Defense; however, the defendant-appellant would bear the “burden of production . . . to demonstrate that its service has substantial noninfringing uses.”¹⁹² Although the Seventh Circuit listed five potential noninfringing uses of Aimster, it rephrased the issue as to how “probable” the occurrence of such uses would be.¹⁹³ Consequently, the defendant-appellant did not present any evidence to the aforementioned issue because its encryption scheme prevented the gathering of such evidence.¹⁹⁴ As a result, the Seventh Circuit assumed there was no evidence and, thus, held that the district court was correct in its contributory infringement analysis.¹⁹⁵

c. Judge Posner’s Dicta

In dicta, the Seventh Circuit proposed a cost-benefit analysis to summarize its discussion regarding the applicability of liability immunity for “file-sharing service[s].”¹⁹⁶ Specifically, “[e]ven where there are noninfringing uses, . . . if the infringing uses are substantial, then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses.”¹⁹⁷

189. *Id.* at 651.

190. *Id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 421 (1984)).

191. *See id.* at 652.

192. *Id.* (citations omitted).

193. *See id.* at 653.

194. *Id.*

195. *See id.*

196. *Id.* (dicta).

197. *Id.* (dicta).

3. *Grokster*: Promoting Use for Infringement

a. The District Court's Opinion

In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, the plaintiffs owned the copyrights in much of the popular American musical recordings and compositions.¹⁹⁸ The defendants provided two distinct software programs for connecting users via peer-to-peer networks.¹⁹⁹ Because the parties did not dispute any material facts, both parties moved for summary judgment.²⁰⁰ The plaintiffs claimed that defendants contributorily and vicariously infringed their copyrights and the defendants denied that they were eligible for such liabilities.²⁰¹

Both technologies had inherent similarities.²⁰² For instance, Internet users could freely download either software program—StreamCast or Grokster—from the Web site of the defendant that developed the particular software program.²⁰³ The users would then install the program that they downloaded and would designate which files they wanted to share with other users.²⁰⁴ Next, the users would execute the software program and “automatically connect[] to a peer-to-peer network (FastTrack in Grokster’s case; Gnutella in the case of Morpheus).”²⁰⁵ All files that the users designated for sharing would be available to all other users connected to the respective peer-to-peer network.²⁰⁶ The users were able to search for specific files that “match[ed] the search criteria” and then “click on a specific listing to initiate a direct transfer from the source computer to the requesting user’s computer.”²⁰⁷ Once downloaded, an identical replica of the original file existed on the requesting user’s computer.²⁰⁸

Moreover, “[m]ultiple . . . uploads . . . or . . . downloads . . . [could] occur simultaneously to and from a single user’s computer.”²⁰⁹ Furthermore, neither StreamCast nor Grokster “operate[d] a

198. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, 1031–32 (C.D. Cal. 2003), *aff’d*, 380 F.3d 1154 (9th Cir. 2004), *vacated*, 545 U.S. 913 (2005).

199. *See id.*

200. *See id.* at 1031.

201. *See id.*

202. *See id.* at 1031–33, 1039–41.

203. *See id.* at 1032.

204. *See id.*

205. *Id.*

206. *Id.*

207. *Id.*

208. *Id.*

209. *Id.* at 1032–33.

centralized file-sharing [or indexing] network.”²¹⁰ That is, when users searched for or transferred files with either a Grokster or StreamCast client, no data traveled through any computers or servers under the defendants’ control or ownership.²¹¹ In addition, both software programs had additional features for “organizing, viewing and playing media files, and for communicating with other users.”²¹²

The technologies, however, had many differences.²¹³ For instance, Grokster licensed a proprietary software technology and did not have access to the source code; therefore, it lacked the means to “alter it in any way.”²¹⁴ Grokster did have the ability to change the “start page” of the software client “and provide advertising automatically received by the Grokster client software.”²¹⁵ In contrast, StreamCast “owned and controlled” its proprietary software program and, thus, “has access to the source code . . . to modify the software at will.”²¹⁶ Moreover, Grokster’s peer-to-peer technology operated through “a two-tiered organizational structure, with groups of nodes²¹⁷ clustered around a single supernode”²¹⁸ to enable network access.²¹⁹ A user who ran Grokster would immediately be connected to the network via a supernode and all search requests and results would be “relayed among supernodes, maximizing the breadth of the search pool and minimizing redundancy in search traffic.”²²⁰ Grokster was “preset with a list of ‘root supernodes’ While Grokster may briefly have had some control over a root supernode, [p]laintiffs [did] not dispute that Grokster no longer operate[d] such a supernode.”²²¹ In contrast, StreamCast operated through a one-tiered organizational structure whereby StreamCast clients would bounce search requests “from user to user until a match [was] found or the search request expire[d].”²²²

210. *Id.* at 1039.

211. *Id.* at 1040–41.

212. *Id.* at 1033.

213. *See id.* at 1039–41.

214. *Id.* at 1039.

215. *Id.*

216. *Id.* at 1041.

217. The term “node” means “an end-point on the Internet, typically a user’s computer.” *Id.* at 1040.

218. The term “supernode” means “a node that has a heightened function, accumulating information from numerous other nodes.” *Id.*

219. *Id.*

220. *Id.*

221. *Id.*

222. *Id.* at 1041.

To commence its infringement analysis, the district court noted that it was “undisputed” that “at least some” users of both the defendants’ software programs distributed and reproduced the plaintiffs’ copyrighted works; therefore, the requisite underlying direct infringement existed for continuing its secondary liability analysis.²²³ For contributory infringement, the court rephrased the knowledge inquiry as requiring the defendants to have had “*actual knowledge of specific infringement* [not the general occurrence of infringement] . . . at a time when either [d]efendant materially contribute[d] to the alleged infringement, and [could] therefore do something about it.”²²⁴ The district court reasoned that Grokster and StreamCast had “substantial noninfringing uses,” such as:

distributing movie trailers, free songs or other non-copyrighted works; using the software in countries where it is legal; . . . sharing the works of Shakespeare[; and] . . . search[ing] for public domain materials, government documents, media content for which distribution is authorized, . . . and computer software for which distribution is permitted.²²⁵

Thus, by following the Ninth Circuit’s language in *Napster*, the district court concluded that “[a]bsent any specific information which identifies infringing activity, a computer system operator cannot be held liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material.”²²⁶ Accordingly, the district court’s analysis continued to address “whether Grokster and StreamCast [did] anything, aside from distributing software, to actively facilitate—or whether they could [have done] anything to stop—their users’ infringing activity.”²²⁷ The district court concluded that defendants did not contribute to any of their users’ infringing activity because neither defendant provided any centralized server for facilitating any searches or transfers of data on the peer-to-peer networks.²²⁸ In short, “[if] either [d]efendant closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption.”²²⁹ Moreover,

223. *Id.* at 1034.

224. *Id.* at 1038.

225. *Id.* at 1035–36.

226. *Id.* at 1036 (quoting *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001)).

227. *Id.* at 1039.

228. *Id.* at 1041.

229. *Id.*

whether the defendants had the ability to “communicate” with and “provide updates” to their users “says nothing about whether [d]efendants facilitate[d] or enable[d] the exchange of copyrighted files at issue in these cases.”²³⁰

For vicarious liability, although the court concluded that the defendants both received financial benefits through advertising money as a result of users flocking to their software programs, “there [was] no admissible evidence before the [c]ourt [that] indicat[ed] that [[d]efendants [had] the ability to supervise and control the infring[ing] conduct (all of which occur[ed] *after* the product has passed to end users).”²³¹ Therefore, the district court held that the defendants were not vicariously liable.²³²

b. The Ninth Circuit’s Opinion

The Ninth Circuit affirmed the district court’s judgment, which granted the defendants’ motions for summary judgment and denied the plaintiffs’ motions for summary judgment.²³³ The Ninth Circuit accepted all of the district court’s reasoning.²³⁴

c. The Supreme Court’s Opinion

i. The Majority’s Opinion

The Supreme Court granted certiorari and after much discussion of the case’s history, the majority opinion focused in on *Sony*.²³⁵ The majority noted that, “[a]lthough Sony’s advertisements urged consumers to buy the [Betamax] to ‘record favorite shows’ or ‘build a library’ of recorded programs, . . . neither of these uses was necessarily infringing.”²³⁶ Accordingly, “with no evidence of stated or indicated intent to promote infringing uses, the only conceivable basis for imposing liability was on a theory of contributory infringement” finding that Sony had “knowledge that some would use [the Betamax] to

230. *Id.* at 1042.

231. *Id.* at 1043–45.

232. *See id.* at 1046.

233. *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2003), *vacated*, 545 U.S. 913 (2005).

234. *See id.*

235. *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 931 (2005).

236. *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 459 (1984) (Blackmun, J., dissenting)); *see Sony*, 464 U.S. at 424, 454–55.

infringe.”²³⁷ However, the majority noted that the Court in *Sony* did not find Sony liable because the Betamax “was ‘capable of commercially significant noninfringing uses.’”²³⁸

The majority then criticized the Ninth Circuit’s and district court’s views of *Sony*, describing them as “error” and holding that it was incorrect “to grant summary judgment to the [defendants-respondents] on [plaintiffs-petitioners’] inducement claim.”²³⁹ Moreover, the majority refused “to add a more quantified description” of the Staple Defense.²⁴⁰ However, the majority did state that “where evidence goes beyond” a product’s characteristics or the knowledge that it may be put to infringing uses and shows statements or actions directed to promoting infringement—that is, taking “active steps . . . to encourage direct infringement”—*Sony*’s Staple Defense will not preclude liability.²⁴¹ Such promotion of infringement may be evidenced, for instance, by “advertising an infringing use, . . . instructing how to engage in an infringing use,” or “show[ing] an affirmative intent that the product be used to infringe [or] that infringement was encouraged.”²⁴² As a result, the majority reasoned that it brought “the inducement rule” into copyright law “[f]or the same reasons that *Sony* took the staple-article doctrine [from] patent law.”²⁴³

The majority reinforced its new stance by “holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”²⁴⁴ Furthermore, the majority explained that “mere knowledge of infringing potential or of actual infringing uses would not be enough [in this case] to subject a distributor to liability.”²⁴⁵ The majority was careful to list acts that were “incident[al] to product distribution,” for example, “offering customers technical support or

237. *Id.* (citing *Sony*, 464 U.S. at 439).

238. *Id.* (quoting *Sony*, 464 U.S. at 442).

239. *Id.* at 934.

240. *See id.*

241. *Id.* at 935–36 (quoting *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 992 (N.D. Ill. 1998)).

242. *Id.*

243. *Id.*

244. *Id.* at 936–37.

245. *Id.* at 937.

product updates,” and not steps of inducement—that is “purposeful, culpable expression and conduct.”²⁴⁶

Next, the majority listed the affirmative steps that the defendants-respondents took to induce users to infringe the plaintiffs-petitioners’ copyrights.²⁴⁷ Specifically, the majority found that Grokster did the following: (1) “distributed an electronic newsletter containing links to articles promoting its software’s ability to access popular copyrighted music”; (2) released a program called “Swaptor,” which made Napster software compatible with its peer-to-peer networks; (3) edited the meta tags in its Web site’s html code to attract Web surfers searching for “Napster” vis-à-vis search engines; and (4) “Grokster’s name . . . [was] apparently derived from Napster.”²⁴⁸ Likewise, StreamCast (1) advertised “OpenNap,” which was its version of “Swaptor”; and (2) sent internal memorandums expressing their intentions to snag Napster’s users.²⁴⁹ In addition, the majority found that the defendants-respondents’ failure to implement tools, which prevented infringement, “underscore[d] . . . [their] intentional facilitation of their users’ infringement.”²⁵⁰

Moreover, the majority gave credence to the fact that the defendants-respondents’ business model depended on revenues from “high-volume use,” which was directly caused by infringing use.²⁵¹ The majority noted that this factor alone was insufficient to find inducement, “but viewed in the context of the entire record its import [was] clear.”²⁵² In particular, it showed that the defendants-respondents had an “unlawful objective.”²⁵³

ii. Justice Ginsburg’s Concurring Opinion

Justices Rehnquist and Kennedy joined Justice Ginsburg in her concurring opinion.²⁵⁴ Justice Ginsburg made the point that “the evidence was insufficient to demonstrate . . . a reasonable prospect that substantial or commercially significant noninfringing uses were likely to

246. *Id.*

247. *See id.* at 937–40.

248. *Id.* at 938–39.

249. *Id.* at 939.

250. *Id.*

251. *Id.*

252. *Id.*

253. *Id.*

254. *See id.* at 942 (Ginsburg, J., concurring).

develop over time.”²⁵⁵ Accordingly, Justice Ginsburg stated that the Ninth Circuit’s and district court’s finding that Grokster and StreamCast were capable of substantial noninfringing uses was incorrect.²⁵⁶

iii. Justice Breyer’s Concurring Opinion

Justices Stevens and O’Connor joined Justice Breyer in his concurring opinion.²⁵⁷ First, Justice Breyer agreed with the majority that active inducement was enough to find “the distributor of a dual-use technology” liable.²⁵⁸ Next, Justice Breyer addressed *Sony*.²⁵⁹ He noted that “of all the taping actually done by Sony’s customers, only around 9% was of the sort the Court referred to as authorized.”²⁶⁰ Likewise, Justice Breyer found that the “10% [of uses] that apparently [were] noninfringing [were] very similar to the 9% or so of authorized time-shifting uses of the” Betamax.²⁶¹

Moreover, in giving weight to the word “capable,” Justice Breyer stated “that a figure like 10%, if fixed for all time, might well prove insufficient, but that such a figure serve[d] as an adequate foundation where there [was] a reasonable prospect of expanded legitimate uses over time.”²⁶² Next, he listed many of Grokster’s and SteamCast’s “legitimate noninfringing uses,” and Justice Breyer could “find nothing in the record that suggest[ed] that this course of events would *not* continue to flow naturally as a consequence of the character of the software taken together with the foreseeable development of the Internet and of information technology.”²⁶³ Furthermore, Justice Breyer concluded that “the foreseeable development of such uses, when taken together with an estimated 10% noninfringing material, [was] sufficient to meet *Sony*’s standard.”²⁶⁴ Finally, Justice Breyer noted that the Court should not alter the Staple Defense.²⁶⁵

255. *Id.* at 948.

256. *Id.* at 948–49.

257. *See id.* at 949 (Breyer, J., concurring).

258. *Id.*

259. *See id.*

260. *Id.* at 951.

261. *Id.* at 952.

262. *Id.* at 953.

263. *Id.* at 954–55.

264. *Id.*

265. *Id.* at 965.

II. A LEGISLATIVE PROPOSAL

A. *Text of This Author's Proposed Bill*

A BILL

To amend chapter 5 of title 17, United States Code, relating to the Staple Article of Commerce Doctrine of copyright law, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Innovation Promotion and Copyright Protection Act of 2007."

SEC. 2. THE STAPLE DEFENSE.

Section 501 of title 17, United States Code, is amended by adding at the end the following:

(g) One who sells or distributes a product or service shall avoid secondary copyright liability if, after ninety days of distribution or sale of said product or service, sixty-six percent or more of the alleged secondarily infringing product's or service's uses are noninfringing.

(h) One who sells or distributes a product or service shall be presumed to avoid secondary copyright liability if, after ninety days of distribution or sale of said product or service, ten percent or more of the alleged secondarily infringing product's or service's uses are noninfringing and one demonstrates that within six years, sixty-six percent or more of the alleged secondarily infringing product's or service's uses will be noninfringing.

(1) This presumption shall be rebutted by a copyright owner if said copyright owner makes a showing that

(i) after three years of the product's or service's sale or distribution, more than sixty-seven percent of the product's or service's uses are infringing; or

(ii) after six years of the product's or service's sale or distribution, more than thirty-four percent of the product's or service's uses are infringing.

(i) The statute of limitations for all actions under the Copyright Act shall toll during this six-year period for copyright actions where the alleged infringer affirms the Staple Defense any time within the six-year period aforementioned in subsection (h).

(j) This affirmative defense shall not be available to any seller or distributor of a product or service who invites others to infringe copyright protection vis-à-vis said seller's or distributor's product or service.

(1) One invites others to infringe by advertising an infringing use, instructing how to engage in an infringing use, or showing an affirmative intent that the product be used to infringe.

(k) If a court grants an alleged secondary infringer safe harbor under subsection (h) and, in a later action, said alleged secondary infringer is found liable for secondary liability because the copyright owner rebutted the presumption to avoid liability in the prior action under subsection (h)(1), then statutory damages for said liability shall be trebled.

(l) In this section, the terms "secondary copyright liability" and "secondary liability" mean contributory infringement or vicarious liability in copyright law as described by the current judicial doctrine.

B. Legislative Intent of Proposed Bill

After twenty-six years of case law, the current state of the Staple Defense is still uncertain and, more importantly, its future is unclear. First, the *Sony* Court, in a five to four decision, presented the broad principle, which was the initial embodiment of the Staple Defense.²⁶⁶ In unambiguous cases such as *Vault Corp.*, where all current uses were found to be legal uses, applying the broad principle in *Sony* was frictionless.²⁶⁷ However, in cases where potential uses were present, but current infringement rates were high, the judiciary has struggled with applying the broad *Sony* principle on its own and, accordingly, has added its own ingredients into the recipe.²⁶⁸ The Supreme Court should have followed its own advice: "Sound policy, as well as history, supports our consistent deference to Congress when major technological

266. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984) (5-4 decision).

267. See *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 258 (5th Cir. 1988).

268. See, e.g., *Grokster*, 545 U.S. 913 (adding an inducement exception to the Staple Defense); *id.* at 947-48 (Ginsburg, J., concurring) (advocating to retain a case-by-case application of the broad *Sony* principle); *id.* at 952-53 (Breyer, J., concurring) (stating that a rate of ten percent in current noninfringing uses plus the reasonable prospect of more legitimate uses over time was sufficient to satisfy the *Sony* principle); *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634 (N.D. Ill. 2002), *aff'd*, 334 F.3d 643 (7th Cir. 2003) (dicta) (adding a cost-benefit analysis to *Sony's* Staple Defense).

innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.²⁶⁹ The proposed legislation intends to avoid the aforementioned uncertainty by passing a bright-line rule that balances the copyright law's policies, while maintaining the prospective viewpoint the Staple Defense currently embodies by implementing specific benchmarks for blossoming technologies to reach. Moreover, the proposed Innovation Promotion and Copyright Protection Act of 2007 (IPCP Act) does not overlap with proposed legislation and perpetuates a consistent approach for judicial application of the Staple Defense.

1. Bright-Line Rules Are Better than Uncertain Broad Principles

Bright-line rules "are fairer than standards [in] that rules require decisionmakers to act consistently, treating like cases alike."²⁷⁰ In particular, "rules reduce the danger of official arbitrariness or bias by preventing decisionmakers from factoring the parties' particular attractive or unattractive qualities into the decisionmaking calculus."²⁷¹ Moreover, "rules afford certainty and predictability to private actors, enabling them to order their affairs productively."²⁷² In contrast, "[s]tandards produce uncertainty, thereby chilling socially productive behavior."²⁷³ Standards do, however, allow decisionmakers great flexibility in rendering their decisions and thus standards "spare individuals from being sacrificed on the altar of rules."²⁷⁴

Professor Lawrence Lessig best answered the conundrum of whether the courts should continue to decide the fate of the peer-to-peer technology or whether Congress should pass decisive rules to make the determinations:

If the answer is Congress, then innovators at least know their enemy. Wars about liability get voted on; any resulting liability is usually prospective. But if the answer is the courts, then innovators are forever at the mercy of enterprising lawyers. It

269. *Sony*, 464 U.S. at 431.

270. Kathleen M. Sullivan, *The Justices of Rules and Standards*, 106 HARV. L. REV. 22, 62 (1992); see also Renée Lettow Lerner, *The Worldwide Popular Revolt Against Proportionality in Self-Defense Law*, 2 J.L. ECON. & POL'Y (forthcoming 2007).

271. Sullivan, *supra* note 270, at 62.

272. *Id.*

273. *Id.*

274. *Id.* at 66.

takes nothing to ensnarl a startup in death-inducing legal bills, at least when the legal standard is uncertain.²⁷⁵

2. Balancing the Policies of Copyright Law

Copyright legislation causes more harm than good if it does not properly balance the competing policies that copyright law is intended to serve. Accordingly, this Comment explores both the traditional copyright law policies and those policies that have been molded out of technology's entrance into the copyright realm.

The U.S. Constitution gives "Congress . . . [the] Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."²⁷⁶ The drafters clearly implemented an economic basis for copyright protection that was in great contrast to the European view that authors had an inherent, inalienable, personal right to their works.²⁷⁷ In fact,

[t]he economic philosophy behind the 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 in 'Science and useful Arts.' Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.²⁷⁸

Although the first purpose of the clause—and, thus, copyright law—is to “foster the creation and dissemination of intellectual works for the public welfare,” the secondary goal is “[t]o give authors the reward due them for their contribution to society.”²⁷⁹ Therefore, “the interests of authors must yield to the public welfare where they conflict.”²⁸⁰ Furthermore, “[i]n enacting a copyright law, Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public, and second, how much will the monopoly granted be detrimental to the public?”²⁸¹

275. Lawrence Lessig, *A Rotten Ruling*, WIRED MAG., Sept. 1, 2005, at 7, available at <http://www.wired.com/wired/archive/13.09/posts.html?pg=7>.

276. U.S. CONST. art. I, § 8, cls. 1, 8.

277. See Viktor Mayer-Schönberger, *In Search of the Story: Narratives of Intellectual Property*, 10 VA. J.L. & TECH. 11, ¶ 15 (2005).

278. *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

279. STAFF OF H. COMM. ON THE JUDICIARY, 87TH CONG., COPYRIGHT LAW REVISION: REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 3–6 (1961) [hereinafter COPYRIGHT LAW REVISION REPORT].

280. *Id.*

281. *Id.*

These policies have been more narrowly defined in the contexts of secondary liability and the application of the Staple Defense. Specifically, “a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.”²⁸² The Staple Defense, a legal device that shrinks the reach of the copyright holder’s protection, “must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.”²⁸³ The Supreme Court folded “[t]he inducement rule” into the Staple Defense because such a rule “premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.”²⁸⁴ In sum, protecting authors’ rights must be balanced with allowing new technologies to flourish, whereas too much protection would result in a “chilling effect” on innovation and too little protection would diminish the incentive for authors to create new works.²⁸⁵

Accordingly, this Comment addresses how the IPCP Act balances the aforementioned policy issues. First, the IPCP Act offers added bonuses to authors.²⁸⁶ In particular, a copyright owner may claim triple the damages that he or she could claim today if a manufacturer of a new technology takes safe harbor within the IPCP Act, but does not meet future noninfringement benchmarks within the three and six-year periods. In addition, if the manufacturer invites others to infringe vis-à-vis its technology, then that manufacturer waives its ability to affirm the codified Staple Defense. These additions to the copyright owner’s rights will not extend the copyright owner’s monopoly to a point where it is detrimental to the public because the IPCP Act will stall litigation against new technologies, allowing the new technology to flourish, unless the amount of infringement is unreasonable—as defined by set infringement to noninfringement ratios. If the new technology turns into a bastion of piracy, then triple damages compensate the copyright owner for his or her patience. If the new technology develops into a

282. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441 (1984) (5-4 decision).

283. *Id.* at 442.

284. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005).

285. See Dan Pontes, *Rewinding Sony: Can the Supreme Court and Big Media Grok P2P?*, 9 *INTELL. PROP. L. BULL.* 159, 160 (2005).

286. For purposes of policy analysis, this Comment shall refer to authors and copyright owners interchangeably.

legitimately used one, then the technology developer benefits by having a lucrative asset and the copyright owner benefits by having a new technological medium to legitimately disseminate or reproduce his or her works.

Likewise, manufacturers of new technologies receive added incentives. Specifically, the IPCP Act offers an affirmative defense to vicarious liability, whereas, before the IPCP Act, the Staple Defense only applied to contributory infringement claims. Furthermore, the IPCP Act offers set grace periods for technology to develop; however, during these periods there are limitations on the proportion of infringement that may occur. These limits shrink over time so as to minimize the harm to copyright owners. From a financial perspective, the flow of venture capital will increase into these technologies because careful business and technical planning can ensure that the technology keeps infringement within the lawful limits and, therefore, will make technologies such as peer-to-peer networking more attractive to potential financiers.

Although the manufacturers of new technologies may come out slightly ahead of the copyright owners in the benefits they receive from the IPCP Act, “the interests of authors must yield to the public welfare where they conflict.”²⁸⁷ The public demands new technologies—as the authors do to disseminate their own works—and these demands must be met in a way that does as little damage as possible to copyright owners. Consequently, these added benefits to technology developers do not devalue the authors’ copyrights because direct infringement claims are still available to copyright owners and the DMCA grants copyright owners a windfall by remaining a powerful tool for them to use technology to protect their works by denying unauthorized access to third parties even if said third parties were attempting to execute a fair use of such works. Finally, it should not be discounted that both the copyright owners and the technology developers will benefit from a more predictable and certain legal standard. Accordingly, the copyright owners’ legal counsels will be able to more easily gauge when it is proper to bring litigation for secondary liability and the technology developers’ business planners will be able to ensure that safeguards exist in the technology to prevent widespread illegitimate uses.

287. COPYRIGHT LAW REVISION REPORT, *supra* note 279, at 3–6.

3. The Proposed Legislation Does Not Abandon the Weight Given to Potential Uses

The proposed legislation takes into account the potential uses new technologies may have by slowly increasing the safe harbor requirements—the infringement to noninfringement ratio benchmarks—over a six-year period. The intent behind this six-year period was that it was a long enough duration for society to realize whether the technology will become desirable—that is, have significant noninfringing uses. At the outset, society will be willing to accept more infringement, but as time progresses to the close of the six-year period, society’s patience lessens; specifically, it will only bear thirty-four percent infringing uses. Furthermore, the intent behind the infringement to noninfringement ratios is to maintain some consistency with the twenty-six years of judicial doctrine.

The first safe harbor—that after ninety days of distribution or sale, at least sixty-six percent of uses must be noninfringing—stems from Justice Stevens’s reasoning in *Sony* that authorized time-shifting was a substantial enough use to justify applying the Staple Defense.²⁸⁸ As aforementioned, the floor of the range of authorized time-shifting was approximately sixty-six percent and the amount of authorized time-shifting—although not expressly calculated by the majority—was sufficient to satisfy the Staple Defense on its own without any other legitimate uses of the device.²⁸⁹ There was no consideration of whether the amount of television programs that authorized time-shifting would increase over time, rather the Court found that the defendants-petitioners established a substantial likelihood that a “substantial” amount of copyright owners “would not object to having their broadcasts time-shifted by private reviewers.”²⁹⁰ Consequently, the IPCP Act sets the benchmark for its most accommodating safe harbor to technologies that have at least sixty-six percent noninfringing uses. The author concedes that most infringement to noninfringement ratios will be somewhat arbitrary; however, this rate is consistent with *Sony* and it seems that technologies that have legitimate uses equal to approximately two-thirds of their total uses are the types of technologies that the Supreme Court contemplated the Staple Defense to protect.²⁹¹ After all, if the bar is raised much higher, the need and application for

288. See *Sony*, 464 U.S. at 442.

289. See *id.*

290. *Id.* at 456.

291. See *id.* at 440–41.

such an affirmative defense would restrict the evolution of new technologies. Moreover, because the IPCP Act does not apply the Staple Defense to technologies that innovators invite third parties to use to infringe copyrights, the probability that individuals would form Napster-like businesses with safeguards to ensure that only thirty-three percent of content is copyright protected would be very low. That is, at a minimum those individuals would have to advertise this fact to third parties in order to make their technology popular for such purposes, and those individuals would have internal memoranda and business plans reflecting such nefarious goals.

The second safe harbor—that after ninety days of distribution of sale, at least ten percent of uses must be noninfringing—accepts Justice Breyer’s reasoning in *Grokster* that “the foreseeable development of [noninfringing] uses, when taken together with an estimated 10% noninfringing material, is sufficient to meet *Sony*’s standard.”²⁹² This safe harbor also requires that the alleged secondary infringer put forth evidence, such as business plans and market research reports, that he or she will reach the final infringement to noninfringement ratio at the end of six years. This requirement ensures that Justice Breyer’s test of the current infringement rate is proper to use as a benchmark to measure a technology’s potential. After all, a technology that has only ten percent noninfringing uses and no plan to improve that rate—or other evidence that the rate will improve—is not socially desirable. This is not the end of the story, however, because after three years, the safe harbor will only remain available to technologies that have thirty-three percent noninfringing uses, and after six years, the safe harbor will only remain available to technologies that have sixty-six percent noninfringing uses. The intent behind the required ratio after six years is the same as that of the first safe harbor. The thirty-three percent noninfringing uses after three years is merely the halfway benchmark to the requirements after six years.

The aggregate effect of such safe harbors is in harmony with the policy behind the Staple Defense as evidenced by a consistency in the *Sony* and *Grokster* decisions, which emphasized the potential of a device.²⁹³ The case law could have developed in a much different

292. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 955 (2005) (Breyer, J., concurring).

293. *See id.* at 931 (majority opinion) (quoting *Sony*, 464 U.S. at 441); *Sony*, 464 U.S. at 441 (determining whether the device was “capable of commercially significant noninfringing uses”).

direction if the four dissenting justices in *Sony* had prevailed.²⁹⁴ In particular, the dissent called for a modified Staple Defense, which only takes into account current uses of the allegedly infringing device.²⁹⁵ Although this would greatly simplify the judiciary's analysis, the test that the dissenting justices advocated for would suppress many new technologies.

Often new technologies are developed for one use, but, over time, become commercially successful for alternate uses. In fact, many products have become commercially successful because of newly discovered uses for those already existing products.²⁹⁶ Above all, copyright law had its own immaculate reception: *Sony*—although it was the work of the Supreme Court and not Franco Harris and Terry Bradshaw.²⁹⁷ Specifically, the Court noted that the Betamax technology would spawn a time-shifting revolution and because such use—also its principal use—was fair, the Staple Defense would protect said technology.²⁹⁸ At the time the Court decided the case, “the industry was unsure how great the demand would be for prerecorded tapes compared to time shifting” so the “Betamax played one-hour tapes,” which were “long enough for most television broadcasts but too short for a feature film.”²⁹⁹ The Betamax's competition distributed VHS technology, which had a “longer playing time” and “contributed to VHS's eventual displacement of Betamax.”³⁰⁰ This opened up an entirely new market for the motion picture industry, which emphasizes why it is important to give credence to “potential” noninfringing uses.³⁰¹ Moreover, if the Court had found time-shifting to be infringement—that is, not a fair use—then an entire domestic industry's progression could have been slowed or hindered. Accordingly, the IPCP Act is written to protect, for example, the start-up company's software program that the company developed for a legitimate use, but that became popular and widely disseminated for third-parties' illegitimate uses, provided that the

294. See *Sony*, 464 U.S. at 491 (Blackmun, J., dissenting).

295. See *id.*

296. See, e.g., George J. Annas, *Faith (Healing), Hope and Charity at the FDA: The Politics of AIDS Drug Trials*, 34 *VILL. L. REV.* 771, 788 n.57 (1989) (noting that Zidovudine was an ineffective cancer drug that many years later became the first federally approved AIDS drug).

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

298. See *id.* at 421.

299. *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003).

300. *Id.*

301. *Id.*

company then took steps to ensure that the legitimate uses govern and dominate. In sum, the IPCP Act is not only for the businesses that intend legitimate uses for their products and put safeguards into their devices or systems to prevent infringement; it also serves to protect the devices or systems that, by chance, become popular for infringing uses as long as the technology developer then ensures that legitimate uses become substantial—that is, reach the infringement ratio benchmarks over the six-year period after the product’s initial release.

4. Specific Times, Limits, and Infringement Ratios Define Whether or Not Technologies Are Socially Desirable

The Supreme Court found justification for importing secondary liability into copyright law by applying broad principles often used to settle similarly fashioned disputes in most other areas of tort law.³⁰² This author looks to other areas of the law for justifying liability against manufacturers of products, which may have some legitimate uses, but those uses are far outweighed by socially undesirable uses.

Traditional tort law has long punished the manufacturers of products that had some socially desirable uses, but were “unreasonably dangerous” to consumers.³⁰³ For instance, section 402A of the Restatement (Second) of Torts states:

- (1) One who sells any product in a defective condition unreasonably dangerous to the user or consumer or to his property is subject to liability for physical harm thereby caused to the ultimate user or consumer, or to his property, if
 - (a) the seller is engaged in the business of selling such a product, and
 - (b) it is expected to and does reach the user or consumer without substantial change in the condition in which it is sold.
- (2) The rule stated in Subsection (1) applies although
 - (a) the seller has exercised all possible care in the preparation and sale of his product, and

302. See *Sony*, 464 U.S. at 435 (citing *Kalem Co. v. Harper Bros.*, 222 U.S. 55, 63 (1911) (holding the defendant liable on principles recognized in every part of the law)) (noting that vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of when to hold one individual accountable for the actions of another).

303. See RESTATEMENT (SECOND) OF TORTS § 402A cmt. b (1965) (historical discussion of such strict liability).

(b) the user or consumer has not bought the product from or entered into any contractual relation with the seller.³⁰⁴

The comment to the Restatement states that where the manufacturer “has reason to anticipate that danger may result from a particular use . . . he may be required to give adequate warning of the danger . . . and a product sold without such warning is in a defective condition.”³⁰⁵ By providing adequate warning, the manufacturer takes affirmative steps to prevent harm caused by its product. Regretfully, a consumer has more incentive to abide by a warning that affects said consumer’s well-being than a consumer who is warned that his or her actions may economically harm a third-party copyright holder. By analogy, a technology developer must safeguard his or her product to prevent its users from infringing via said product in order to retain eligibility in the IPCP Act’s safe harbors. Even if there are minimal noninfringing uses—that is, up to ten percent—at the outset of the development, the developer must either rely on fate or take affirmative steps to ensure that the harm caused to copyright holders does not exceed a minimum point over time—thirty-four percent infringing uses. Proper business and technical planning allows the technology developer to keep control over his or her product to minimize harm to copyright holders. Furthermore, the technology developer needs not to fear asserting such control, as the IPCP Act provides an absolute safe harbor from secondary copyright liability as long as he or she abides by the safe harbor provisions.

To explain the reasonableness of the IPCP Act, analogies must be drawn. For example, if ninety percent of vaccine users died, then the vaccine should be kept around for future development, but only under a watchful eye.³⁰⁶ If after years of research and development, the fatality rate significantly decreases, then it becomes socially desirable. Likewise, if a dog bites its owner as a puppy, it is forgiven; however, when that puppy grows into a dog and it repeats the same behavior, it needs to be put down. Moreover, if that dog bites the neighbors—third parties—then the dog’s social desirability becomes even less. This is the concept that is echoed in the IPCP Act.

304. *Id.* § 402A.

305. *Id.* § 402A cmt. h.

306. Although vaccines may qualify as “[u]navoidably unsafe products,” the Restatement still requires proper warning to parties that may be harmed by the product. *See id.* § 402A cmt. k.

Aside from the aforementioned Restatement provision, courts have subjected manufacturers to liability when their products are chiefly used for nefarious purposes and, thus, were socially undesirable.³⁰⁷ For example, Maryland's highest court held that if "the trier of fact determines that a handgun is a Saturday Night Special, then liability may be imposed against a manufacturer or anyone else in the marketing chain, including the retailer . . . when the plaintiff or plaintiff's decedent suffers injury or death because he is shot with the Saturday Night Special" as part of "a criminal act."³⁰⁸

The term "Saturday Night Special" refers to "a particular category of small, cheap handguns," which are "regularly used in criminal activity."³⁰⁹ An academic wrote that because these guns are "easily concealable and relatively inexpensive," they "pose a great risk of criminal misuse" and, therefore, "any countervailing social usefulness is negligible because the poor quality of their manufacture precludes their use for most legitimate purposes."³¹⁰ Furthermore, alternative guns serve the "legitimate uses, while not posing the same danger of criminal misuse."³¹¹ The court reasoned that "the manufacturer or marketer of a Saturday Night Special knows or ought to know that the chief use of the product is for criminal activity," and "[s]uch criminal use, and the virtual absence of legitimate uses for the product, [were] clearly foreseeable by the manufacturers and sellers of" the product.³¹²

Like the manufacturers of Saturday Night Specials, Napster, Aimster, Grokster, and Streamcast "kn[ew] or ought to [have] know[n] that the chief use of the product[s] [was] for" illegitimate activity.³¹³ Such knowledge was established by, inter alia, actual knowledge of infringement, their advertising campaigns for users to download their software programs to get access to copyrighted works, and internal memoranda.³¹⁴ The difference between these peer-to-peer networks and Saturday Night Specials is the potential for "legitimate uses for the

307. See, e.g., *Kelley v. R.G. Indus., Inc.*, 497 A.2d 1143 (Md. 1985).

308. *Id.* at 1160.

309. *Id.* at 1146.

310. *Id.* at 1158–59 (citations omitted).

311. *Id.* (citations omitted).

312. *Id.* at 1159 (citations omitted).

313. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936–37 (2005); *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (citing *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 918, 920–21 (N.D. Cal. 2000)); *Kelley*, 497 A.2d at 1159.

314. See *Grokster*, 545 U.S. at 936–37; *In re Aimster*, 334 F.3d at 650; *Napster*, 239 F.3d at 1022 (citing *Napster*, 114 F. Supp. 2d at 918, 920–21).

product.”³¹⁵ If the court made a finding that Saturday Night Specials were primarily used by poor individuals and shopkeepers for self-defense and defense of their properties, then the court would likely have overlooked the criminal activity associated with the guns. Accordingly, the IPCP Act allows for technologies, like peer-to-peer networks, to flourish and establish themselves as legitimately used products. In short, the technology developer needs to aim to be more like Colt Firearms Company and less like a Saturday Night Special manufacturer. In particular, society is willing to allow large portions of infringement in the blossoming years of a new technology as long as that technology’s business model is not based on infringement and the technology developer does not advertise its use as a tool of infringement. Then, after a set period of time—three years and six years—and as long as the proportion of legitimate uses to illegitimate uses increases—eventually achieving a proportion of sixty-six percent noninfringing uses to thirty-four percent infringing uses—society will embrace the new technology and will not punish the developer of it because a minority of third parties illegitimately use the technology. This is analogous to society’s embrace of non-Saturday Night Special firearms because of their legitimate uses for hunting, self-defense, and defense of one’s property, even though said firearms are often used by criminals.

5. Other Proposed Legislation Has Not Addressed the Issues Addressed in the Legislation Proposed Here

Senator Orrin Hatch introduced the Inducing Infringement of Copyrights Act of 2004,³¹⁶ but the bill died during that session in committee.³¹⁷ The bill read as follows:

Section 501 of title 17, United States Code, is amended by adding at the end the following:

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

315. See *Kelley*, 497 A.2d at 1159 (citations omitted).

316. Inducing Infringement of Copyrights Act of 2004, S. 2560, 108th Cong. (2004).

317. See 150 CONG. REC. S7174-02 (daily ed. June 22, 2004) (bill proposed by Sen. Hatch).

(2) Whoever intentionally induces any violation identified in subsection (a) shall be liable as an infringer.

(3) Nothing in this subsection shall enlarge or diminish the doctrines of vicarious and contributory liability for copyright infringement or require any court to unjustly withhold or impose any secondary liability for copyright infringement.³¹⁸

First, the Staple Defense would not have applied to infringement under this amendment, so new technologies that would not have fallen under this amendment, but would have been subject to contributory liability would continue to struggle over the uncertainty encumbered by the Staple Defense.³¹⁹ Second, this broadly drafted amendment to the Copyright Act would have increased the secondary liability doctrines in copyright law. It is unclear by how much this amendment would broaden the scope of the copyright holder's monopoly; however, the words "aids" and "abets" could lead to judicial ensnarement of many new technologies.³²⁰ This author questions whether the Betamax would have survived such language because Sony, through its agents, advertised "library building," which was clearly an infringing use of Sony's product.³²¹ Accordingly, such advertisements may have caused copyright owners to argue that Sony aided, abetted, or induced its customers to infringe. Furthermore, because, approximately 44.2% of users owned eleven or more Betamax tapes, a strong argument could have been made that a significant portion of Betamax users operated their Betamaxes for "library building" and, therefore, Sony relied on the infringement for its commercial viability.³²² Whether commercial viability refers to that of the product or that of the enterprise is unclear from the text of the amendment; accordingly, this amendment would have caused more uncertainty in this area of the law. In contrast, the IPCP Act incorporates the concept of inducement as a waiver of the Staple Defense—consistent with the Court's decision in *Grokster* and not as broad as Hatch's proposed amendment—because one who invites infringement becomes ineligible for the Staple Defense.³²³

318. See 150 CONG. REC. S7189-02 (daily ed. June 22, 2004) (statement of Sen. Hatch).

319. See *id.*

320. *Id.*

321. See *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 436 (C.D. Cal. 1979), *aff'd in part, rev'd in part*, 659 F.2d 963, (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

322. See *id.* at 438. When plaintiffs asked interviewees how many cassettes were in their libraries, 55.8% said there were ten or less. *Id.*

323. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936–37

6. The Proposed Legislation Is Consistent with the Aforementioned Case Law

In furtherance of the positive effects caused by creating a more certain and clear rule for technology innovators to follow, the IPCP Act would also dictate consistent outcomes with the important judicial decisions outlined above. First, *Sony* would likely have had the same outcome because it would have reached the first safe harbor's benchmark at the outset of the technology's distribution, or if it had happened to miss the safe harbor, the technology later progressed enough with users watching movies they bought, rented, or made at home to reach the second safe harbor's benchmarks at three and six years.³²⁴ The only point of doubt would be whether the copyright owners presented strong enough evidence that the Betamax was advertised for home users to build libraries and, thus, invited others to infringe.³²⁵ Optimistically speaking, Sony would probably not have allowed such advertisements if the IPCP Act had been passed by Congress. However, advertising to build a library may not have been infringing conduct if Sony argued that it only advertised for its users to build a library consisting of authorized programming. Consequently, under the proposed legislation, *Sony* could have come out the other way if the Court felt that such advertising was sufficient to invite infringement, but it is more likely that the Court would have come out the same way because such conduct may not have been infringement, and the primary business model and advertising campaign relied on time-shifting as the primary use of the product.³²⁶

Second, *RCA Records* would have had the same outcome because the IPCP Act does not protect operators of new technologies, only manufacturers and developers.³²⁷ Next, *Vault Corp.* would have come out the same because all of the technology's uses were legal and were the advertised uses of the technology.³²⁸

Finally, all the peer-to-peer technology cases would have come out the same—that is, against the developer of the technology—because

(2005); *In re Aimster Copyright Litig.*, 334 F.3d 643, 652 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 n.5 (9th Cir. 2001).

324. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984); *In re Aimster*, 334 F.3d at 650.

325. See *Sony*, 480 F. Supp. at 436.

326. See *Sony*, 464 U.S. at 453.

327. See *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 339 (S.D.N.Y. 1984).

328. See *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 267 (5th Cir. 1988).

each of those developers invited third parties to infringe copyrights vis-à-vis their peer-to-peer technologies.³²⁹ Without those bad equities, however, those technology developers likely would have satisfied one of the IPCP Act's safe harbors by having ten percent noninfringing uses after ninety days of distribution and, thus, would have been able to distribute the technology for at least three years. The future of these technologies would have depended on the progressions after the three and six-year periods described in the IPCP Act. However, these technologies may have had much different life cycles if their business models were not based on infringement; so having the three-year grace period would not likely have been as harmful to copyright owners as, for example, letting the Napster of our time operate with *carte blanche* for three years.

CONCLUSION

Unless third parties cease using innovative technologies nefariously—that is, pirating copyrighted works rather than purchasing them—then the courts can anticipate struggling to apply the current version of the Staple Defense. Instead of waiting for new judicial pronouncements, Congress should consider legislation resembling the IPCP Act. Although Congress should institute findings regarding the effects that the benchmarks will have on innovators and authors, the Staple Defense's uncertain progression from *Sony*, a five to four decision, to *Grokster*, a decision with two concurrences reflecting conflicting rationales, is clear evidence of the need for such legislative change.

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329. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936–37 (2005); *In re Aimster*, 334 F.3d at 652; *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 n.5 (9th Cir. 2001).

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