



## Loyola of Los Angeles Entertainment Law Review

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Volume 24  
Number 4 *Symposium: Protecting Content in  
the Digital Environment*

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Article 2

12-1-2004

### Contributory Copyright Liability in Napster versus Grokster: A Distinction without a Difference

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#### Recommended Citation

David Corwin, *Contributory Copyright Liability in Napster versus Grokster: A Distinction without a Difference*, 24 Loy. L.A. Ent. L. Rev. 605 (2004).

Available at: <https://digitalcommons.lmu.edu/elr/vol24/iss4/2>

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# CONTRIBUTORY COPYRIGHT LIABILITY IN *NAPSTER* VERSUS *GROKSTER*: A DISTINCTION WITHOUT A DIFFERENCE\*

David Corwin\*\*

## I. INTRODUCTION

On April 25, 2003, in *MGM v. Grokster*,<sup>1</sup> U.S. District Judge Stephen Wilson granted summary judgment in defendants' favor on a copyright infringement lawsuit brought by a group of movie studios, record companies, and music publishers against Grokster and StreamCast (formerly known as MusicCity Networks), two "peer-to-peer" services that enable their users to illegally copy and distribute copyrighted music and movies over the Internet.<sup>2</sup> The decision engendered particular interest as one of the first decisions to examine the liability of a peer-to-peer service in the wake of the Ninth Circuit's much-publicized decision in *A&M Records, Inc. v. Napster*.<sup>3</sup>

As in the *Napster* decision, the *Grokster* court easily concluded that the users of defendants' services were directly infringing upon plaintiffs' copyrighted works.<sup>4</sup> The crux of the *Grokster* decision, however, was whether the Grokster defendants were secondarily liable for their users' infringement.<sup>5</sup> Specifically, the court examined whether defendants were

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\* On August 19, 2004, the U.S. Court of Appeals for the Ninth Circuit issued its decision in *Metro-Goldwyn-Mayer, Inc. v. Grokster Ltd.*, 380 F.3d 1154 (9th Cir., 2004), affirming the district court's ruling that distributors of peer-to-peer file sharing software such as Morpheus and Grokster do not infringe copyright. This article was written prior to the Ninth Circuit's decision.

\*\* At the time this article was written, David Corwin was Senior Counsel with the Motion Picture Association of America, Worldwide Anti-Piracy.

1. 259 F. Supp. 2d 1029 (C.D. Cal. 2003).

2. *Id.* at 1031; see also *Metro-Goldwyn-Mayer, Inc. v. Grokster Ltd.*, 2003 U.S. Dist. LEXIS 6994 (listing U.S. District Judge Stephen Wilson as granting defendant Grokster's motion for summary judgment and denying plaintiff's motion for summary judgment against defendants Grokster and StreamCast Networks).

3. 239 F.3d 1004 (9th Cir. 2001).

4. *Grokster* at 1034-35.

5. *Id.* at 1031.

liable on either a contributory liability theory or a vicarious liability theory.<sup>6</sup> This article focuses on the contributory liability analysis.

The *Napster* court held that Napster likely was liable for contributory copyright infringement because it knew or had reason to know of its users' infringing activities, and materially contributed to these infringements.<sup>7</sup> The *Grokster* court, however, concluded that the *Grokster* defendants were not liable for contributory infringement as a matter of law.<sup>8</sup> The primary factual distinction between the two systems, and the apparent basis for the court's decision was that, whereas critical communications relating to the unlawful distribution of copyrighted files on Napster were routed through Napster's centralized computers, defendants' systems were engineered so that all such transactions bypassed their computers.<sup>9</sup> This article examines whether the distinction relied upon by the *Grokster* decision warrants a different conclusion on this issue than the Ninth Circuit's holding in *Napster*. It concludes that the distinction relied on by the *Grokster* court is a distinction without a legal difference and that the *Grokster* ruling on this issue was erroneous.

## II. FACTUAL BACKGROUND

### A. Napster

In *Napster*, the Ninth Circuit upheld a preliminary injunction in favor of record company plaintiffs enjoining Napster from "engaging in, or facilitating others in copying, downloading, uploading, transmitting, or distributing plaintiffs' copyrighted musical compositions and sound recordings."<sup>10</sup> The Ninth Circuit concluded that plaintiffs established a likelihood of success that Napster had both contributorily and vicariously infringed upon plaintiffs' copyrights in their music.<sup>11</sup>

Napster was an Internet service that facilitated the transmission of MP3 music files between and among its users.<sup>12</sup> Napster, through software which it provided for free on its Internet website, enabled its users to make music files on the hard drives of their computers available to other Napster users, search for music files on other users' hard drives, and transfer the

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6. *See id.* at 1035-36.

7. *Napster* at 1021-22.

8. *Grokster* at 1043.

9. *Id.* at 1040.

10. *A&M Records, Inc. v. Napster*, 239 F.3d 1004, 1011 (9th Cir. 2001).

11. *Id.* at 1024.

12. *Id.* at 1011.

music files from one user to another.<sup>13</sup> Among its other services, Napster provided technical support, maintained a chat room where its users could interact, and provided a directory where artists could provide information about their music.<sup>14</sup>

After downloading the software, first-time users were required to register with the Napster system by creating a “user name” and password for future entrance to the site.<sup>15</sup> Once a user entered a “user name” and password, he could proceed to use the service.<sup>16</sup> To make music files available to other Napster users, the user would first create a “user library” directory on his hard drive, designating each file he wished to share with an identifying file name.<sup>17</sup> The Napster software would then search the user’s hard drive for available files in the proper MP3 format.<sup>18</sup> The software would then upload the file names of all properly formatted files from the user’s hard drive to the Napster computers (also known as “servers”).<sup>19</sup> These file names would then be added to Napster’s “collective directory,”<sup>20</sup> and would be accessible by other Napster users as long as the offering user remained online.<sup>21</sup> Once the offering user logged off the Napster service, the music files obtained from his hard drive would no longer appear on the site, and would no longer remain available to other Napster users.<sup>22</sup>

The primary means to navigate the Napster system for music files was through Napster’s search function.<sup>23</sup> The user, once logged into the Napster system, would access a form made by the software.<sup>24</sup> The user would complete the form by entering either the name of the song or a particular artist.<sup>25</sup> The request would be transmitted to a Napster server and compared to the identifying file names made available by other Napster users on-line at the time.<sup>26</sup> Napster’s server would then compile a list of all instances where the search terms matched the identifying file names provided by other users, and send the resulting file names to the searching

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13. *Id.*

14. *Id.*

15. *Id.*

16. *See Napster* at 1011.

17. *Id.* at 1011–12.

18. *Id.* at 1012.

19. *Id.*

20. *Id.*

21. *Id.*

22. *See Napster* at 1011–12.

23. *Id.* at 1012

24. *Id.*

25. *Id.*

26. *Id.*

user.<sup>27</sup> To download a music file from another user, a user simply would click on the appropriately marked “link” on the computer screen.<sup>28</sup> The Napster servers would then obtain and provide the Internet address of the offering user to the requesting user.<sup>29</sup> The requesting user’s computer used the offering user’s Internet address to establish a connection with the offering user’s computer.<sup>30</sup> Once this connection was established, the music file would be downloaded from the hard drive of the offering user’s computer to the hard drive of the requesting user’s computer.<sup>31</sup>

### B. Grokster

Grokster is a peer-to-peer service that capitalized on Napster’s downfall.<sup>32</sup> Ultimately, millions of Napster’s users migrated to this service.<sup>33</sup> Unlike Napster, however, Grokster’s service allows users to search for and transfer not only music files but media files of all types, including motion pictures.<sup>34</sup>

From a user’s perspective, the experience of using these services is virtually no different from the Napster experience.<sup>35</sup> As with Napster, a user begins by downloading the software offered by Grokster.<sup>36</sup> New users obtain access to the user network, which, in turn, allows users to make available, search for, and transfer files with other users.<sup>37</sup> As with Napster,

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27. *Id.*

28. *See Napster* at 1012.

29. *Id.*

30. *Id.*

31. *See id.*

32. Until March 2002, Grokster and StreamCast (along with a third service, Kazaa) shared a common user network, dubbed the FastTrack network. John Borland, *Morpheus looks to Gnutella for help*, NEWS.COM, at <http://news.com.com/2100-1023-846944.html> (last visited March 8, 2004). Around February and March 2002, Streamcast users were excluded from the FastTrack network. *Id.* StreamCast thereafter made available to its users new software which provided users access to the “Gnutella” network. *Id.* In most respects, StreamCast’s new software—and the “Gnutella” network—enable its users to engage in the same activities as with the FastTrack network: indexing, search capabilities, and the ability to both obtain copyrighted works and to copy and distribute copyrighted works to others. *Id.* Rather than using supernodes like its FastTrack counterpart, however, search requests on “Gnutella” are passed from user to user until a match is found or until the search request expires. *Grokster* at 1041. Due to space constraints, this paper does not analyze StreamCast’s peer-to-peer network considered by the court in the *Grokster* opinion.

33. Borland, *supra* note 32.

34. *Metro-Goldwin-Mayer Studios, Inc. v. Grokster Ltd.*, 259 F. Supp. 2d 1029, 1032 (C.D. Cal. 2003).

35. *Id.* at 1032.

36. *Id.*

37. *Id.*

all file transfers take place directly between users' computers; the files do not pass through Grokster's computers.<sup>38</sup>

Also like Napster, Grokster's Terms of Service, to which every user is required to agree, explicitly states that Grokster reserves the right to block unlawful content and terminate users who violate Grokster's copyright infringement policy.<sup>39</sup> Plaintiffs also submitted evidence that Grokster is able to filter out or block infringing files from the networks and could filter or block infringing material from being distributed.<sup>40</sup> A primary distinction between Grokster's service and Napster's service is that in Napster, the search function and the index of available files existed on and through Napster's central servers.<sup>41</sup> In Grokster, these functions are performed by users' computers that the network software automatically identified as being sufficiently powerful to carry out these tasks.<sup>42</sup> These users, dubbed "supernodes," become supernodes without any decision or action by the user.<sup>43</sup> Each supernode is typically connected to hundreds of users, as well as other supernodes.<sup>44</sup> Thus, in contrast to Napster, search requests and file transfers run through user computers—the supernodes—rather than through central servers operated by Grokster.<sup>45</sup>

### III. THE DECISIONS

#### *A. The Ninth Circuit Decision in Napster*

The *Napster* case came before the Ninth Circuit on appeal from Judge Patel's ruling in the District Court granting the plaintiffs' request for a preliminary injunction.<sup>46</sup>

The Ninth Circuit's decision focused on the question of whether Napster was liable to the plaintiffs on a secondary copyright infringement theory, specifically on the theories of contributory and vicarious infringement.<sup>47</sup> The Ninth Circuit, noting that "[s]econdary liability for

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38. *See id.* at 1040.

39. *End User License Agreement*, Grokster.com, available at <http://www.grokster.com/us/terms> (last visited March 30, 2004).

40. *Grokster* at 1045.

41. *Id.* at 1039.

42. *See id.* at 1040.

43. *Id.*

44. *See id.*

45. *Id.*

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

47. *Id.* at 1019.

copyright infringement does not exist in the absence of direct infringement by a third party,"<sup>48</sup> first focused on the direct liability of Napster's users.<sup>49</sup> The court quickly and easily affirmed that Napster's users had infringed upon plaintiff's' copyrights, concluding that the users had infringed upon "at least two of the copyright holders' exclusive rights: the rights of reproduction, [section] 106(1); and distribution, [section] 106(3)."<sup>50</sup>

Once the Ninth Circuit concluded that Napster's users were committing infringement, it then turned to the issue of Napster's secondary liability.<sup>51</sup> The court set forth the liability standard for contributory copyright infringement: "[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer."<sup>52</sup> The court noted that "[c]ontributory liability requires that the secondary infringer 'know or have reason to know' of direct infringement."<sup>53</sup> It approved of the lower court's finding that Napster had "both actual and constructive knowledge that its users exchanged copyrighted music"<sup>54</sup> and, while it concluded that Napster had knowledge of specific infringing material, appeared to agree with Judge Patel's conclusion that "the law does not require knowledge of 'specific acts of infringement.'"<sup>55</sup>

The Ninth Circuit also viewed the U.S. Supreme Court case of *Sony Corp. v. Universal City Studios, Inc.*<sup>56</sup> as supporting its conclusion.<sup>57</sup> The Supreme Court in *Sony* declined to hold the manufacturer of VCRs liable for contributory infringement.<sup>58</sup> It stated that if liability "is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material."<sup>59</sup> Liability may not be imposed, the Court stated, simply because the

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48. *Id.* at 1013 n.2.

49. *Id.* at 1014.

50. *Id.*

51. *Id.* at 1019.

52. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

53. *Napster* at 1020 (quoting *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845-846 (11th Cir. 1990)) (*superseded by statute on other grounds in Chew v. Dietrich*, 143 F.3d 24 (2d Cir. 1998)).

54. *Id.* at 1020.

55. *Napster* at 1021-22.

56. *Sony v. Universal City Studios*, 464 U.S. 417 (1984).

57. *See Napster* at 1020-21.

58. *Sony* at 456.

59. *Id.* at 439.

manufactured product may be used to assist infringing activity.<sup>60</sup> The Court added that it was inappropriate to impose liability where the defendant sold equipment capable of both infringing and “substantial noninfringing uses.”<sup>61</sup> Following the standard established in the *Sony* decision, however, the *Napster* court concluded that this defense did not apply—regardless of the relative magnitude of infringing versus noninfringing uses—where, as was the case with Napster, the system at issue “knew or had reason to know of its users’ infringement of plaintiffs’ copyrights.”<sup>62</sup>

The Ninth Circuit had no trouble concluding that Napster materially contributed to its users’ infringements.<sup>63</sup> It agreed with the lower court that “[w]ithout the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts.”<sup>64</sup> Stating that Napster provided “‘the site and facilities’” for the infringement,<sup>65</sup> it held that Napster materially contributed to the direct infringement of its users, and, therefore, that plaintiffs established a likelihood of success on the merits on the contributory infringement claim.<sup>66</sup>

### *B. The District Court’s Decision in Grokster*

The *Grokster* case was litigated in the Central District of California before the Honorable Stephen Wilson.<sup>67</sup> Plaintiffs and Grokster filed cross-motions for summary judgment on liability.<sup>68</sup> Reasoning that plaintiffs “principally seek prospective injunctive relief,”<sup>69</sup> the court addressed only the issue of whether plaintiffs were entitled to injunctive relief against Grokster’s current conduct, and deferred addressing whether Grokster was liable for damages arising out of its past conduct.<sup>70</sup>

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60. *Id.* at 436–37.

61. *Id.* at 442.

62. *Napster* at 1021.

63. *Id.* at 1022.

64. *Id.* (quoting *A&M Records, Inc. v. Napster*, 114 F. Supp. 2d 896, 919-920 (N.D. Cal. 2000)).

65. *Id.*

66. *See id.*

67. *Metro-Goldwyn-Mayer, Inc. v. Grokster Ltd.*, 259 F. Supp. 2d 1029, 1031 (C.D. Cal. 2003); *see also* *Metro-Goldwyn-Mayer, Inc. v. Grokster Ltd.*, 2003 U.S. Dist. LEXIS 6994 (listing U.S. District Judge Stephen Wilson as ruling on the case).

68. *Grokster* at 1031.

69. *Id.* at 1033.

70. *Id.*



Like the Ninth Circuit in *Napster*, the *Grokster* court concluded that the service's end users had directly infringed upon plaintiffs' copyrights.<sup>71</sup> From there, however, the analyses of the two courts diverged. The court commenced its analysis of whether *Grokster* had knowledge of the infringing conduct by finding that *Grokster* was capable of substantial noninfringing current and potential uses.<sup>72</sup>

The court then embarked on an exegesis on the showing necessary to establish the knowledge requirement.<sup>73</sup> The court first examined whether under the *Sony* "staple article of commerce" doctrine<sup>74</sup> there existed "substantial noninfringing uses" for *Grokster*;<sup>75</sup> it concluded that *Grokster*'s software "is being used, and could be used, for substantial noninfringing uses."<sup>76</sup>

Citing *Napster*, the court then postulated that "liability for contributory infringement accrues where a defendant has actual—not merely constructive—knowledge of the infringement at a time during which the defendant materially contributes to that infringement."<sup>77</sup> The court went on to agree with *Grokster* that "in order to be liable under a theory of contributory infringement, [the system] must have actual knowledge of infringement at a time when [it] can use that knowledge to stop the particular infringement."<sup>78</sup> While the court conceded that "[*Grokster* is] generally aware that many of [its] users employ [*Grokster*'s] software to infringe copyrighted works," it ultimately concluded that since *Grokster* only had knowledge of the infringements after they occurred, it did not have the requisite knowledge when it was able to "do something about it."<sup>79</sup>

Turning to the issue of material contribution, the court framed the critical question as whether *Grokster* "[does] anything, aside from distributing software, to actively facilitate—or whether [it] could do anything to stop—[its] users' infringing activity."<sup>80</sup> The court focused on the architectural distinction between *Napster* and *Grokster*—that when users search for and initiate transfers of files using the *Grokster* client, they

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71. *Id.* at 1035.

72. *Id.*

73. *Id.*

74. *Sony* at 491 n.41.

75. *Grokster* at 1035.

76. *Id.* at 1036.

77. *Id.*

78. *Id.* at 1037.

79. *See id.* at 1038.

80. *Id.* at 1039.

do so “without any information being transmitted to or through any computers owned or controlled by Grokster.”<sup>81</sup> As a result, it noted, while Napster had “perfect knowledge and complete control over the infringing activity of its users,”<sup>82</sup> Grokster did not, and therefore Grokster did not provide the “‘site and facilities’” for the alleged infringement.<sup>83</sup> The court examined the technical assistance provided by Grokster to its users, and its ongoing communications with its users, and dismissed these factors as “irrelevant” as to whether Grokster materially contributed to its users’ infringement.<sup>84</sup>

In its conclusion, the court stated that it “is not blind to the possibility that [Grokster] may have intentionally structured [its] businesses to avoid secondary liability for copyright infringement, while benefiting financially from the illicit draw of [its] wares.”<sup>85</sup> The court added that “additional legislative guidance may be well-counseled.”<sup>86</sup>

#### IV. THE ANALYSIS

Both the *Napster* and *Grokster* courts agree that “one is liable for contributory infringement if with knowledge of the infringing activity, [she] induces, causes or materially contributes to the infringing conduct of another.”<sup>87</sup> The issue in question is how each court applies this test.

##### *A. Standard of Knowledge Required to Establish Contributory Copyright Infringement*

The *Grokster* decision’s analysis of the knowledge standard for contributory infringement cannot be reconciled with the *Napster* decision. The *Grokster* court requires a contributory copyright infringement plaintiff to establish that a defendant has actual knowledge of specific acts of infringement.<sup>88</sup> To reach this conclusion, the *Grokster* decision focuses on *Napster*’s conclusion that “[t]he record supports the district court’s finding that Napster has *actual* knowledge that *specific* infringing material is available using its system, that it could block access to the system by

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81. *Grokster* at 1040.

82. *Id.* at 1041.

83. *Id.*

84. *Id.* at 1042.

85. *Id.* at 1046.

86. *Id.*

87. *Metro-Goldwyn-Mayer, Inc. v. Grokster Ltd.*, 259 F. Supp. 2d 1029, 1035 (C.D. Cal. 2003) (quoting *A&M Records, Inc. v. Napster*, 239 F.3d 1004, 1019 (9th Cir. 2001)).

88. *Grokster* at 1035.

suppliers of the infringing material, and that it failed to remove the material.”<sup>89</sup> In fact, however, *Napster* does nothing more than hold that a showing of actual knowledge meets the knowledge requirement necessary to establish liability.<sup>90</sup> *Napster* does not limit the showing required to establish liability to actual knowledge of specific infringements; it adheres to the traditional formulation of the test that requires “that the secondary infringer ‘know or have reason to know’ of direct infringement.”<sup>91</sup> Thus, by requiring the plaintiffs to show actual knowledge, the *Grokster* court’s analysis marks a departure from the previously established standard.

Also problematic is the *Grokster* court’s pronouncement that to be liable for contributory infringement, a defendant “must have actual knowledge of infringement at a time when they can use that knowledge to stop the particular infringement.”<sup>92</sup> This holding also is at odds with the *Napster* ruling. Nowhere does *Napster* or any other controlling authority suggest that where a defendant knows that infringing activity has been, and will continue to be, taking place, the knowledge necessary for contributory infringement must be obtained prior to the infringement. In fact, existing case law in addition to *Napster* supports that a defendant’s knowledge need not occur prior to the infringements.<sup>93</sup>

The difficulty in squaring *Grokster* with *Napster* is evident when comparing the state of knowledge among the defendants in each case. With respect to the defendants’ state of knowledge, the facts of *Napster* and *Grokster* are virtually identical. Among other evidence of knowledge, both defendants were informed of the many infringing files on their systems and subsequently the titles remained available;<sup>94</sup> executives from both systems either downloaded or searched for copyrighted works on their respective systems;<sup>95</sup> and defendants could not definitively know of an infringement until after it occurred.<sup>96</sup> Faced with this evidence, the *Napster* court

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89. See *id.* at 1035; see also *Napster* at 1022.

90. See *Napster* at 1021–22.

91. *Id.* at 1020 (quoting *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845–846 (11th Cir. 1990)).

92. *Grokster* at 1037.

93. See, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (finding knowledge element met against swap meet owners based on prior seizures of counterfeit recordings and notice of prior infringements where infringing vendors left the swap meet and were replaced by new infringing vendors).

94. See *Grokster* at 1036–37; see also *Napster* at 1020 n.5.

95. See *Grokster* at 1036; see also *Napster* at 1020 n.5.

96. See *Grokster* at 1045; see generally *Napster* at 1027 (finding potential liability based on *Napster*’s knowledge of infringing uses).

concluded that the knowledge element had been met.<sup>97</sup> The *Grokster* court concluded that the knowledge element had *not* been met, even though the *Grokster* defendants had no less knowledge of infringements “at a time when they can use that knowledge to stop the particular infringement” than did Napster.<sup>98</sup>

That defendants cannot know of an infringement until after it takes place highlights the practical problem with the *Grokster* court’s standard. Napster and Grokster’s directories of works available for distribution were fluid; the directories only housed titles available in real time.<sup>99</sup> To require a plaintiff to show that a defendant have knowledge of an infringement at a time when the defendant can “use that knowledge to stop the particular infringement”<sup>100</sup> is not, therefore, practical in this context.

### *B. Commercially Significant Non-Infringing Uses*

The *Grokster* decision also is at odds with *Napster* on the “staple article of commerce” doctrine. The Supreme Court in *Sony* held that manufacturers and retailers of videotape recorders that have commercially significant noninfringing uses should not be found to have the knowledge required for contributory infringement imputed to them solely because they manufactured or sold the product with knowledge that consumers may use the product for infringement.<sup>101</sup>

The *Sony* court observed that the “staple article of commerce” doctrine applies to the simple sale of a product to a customer—in *Sony*’s case, the sale of videocassette recorders.<sup>102</sup> According to the Ninth Circuit, however, the doctrine is inapplicable where the system at issue involves ongoing interaction between seller and buyer.<sup>103</sup> The Ninth Circuit distinguished Napster’s servers from the videocassette recorder at issue in *Sony* where “[t]he only contact between Sony and the users of the Betamax occurred at the moment of sale.”<sup>104</sup> The *Grokster* court, contrary to *Napster*’s reasoning, applied the language from *Sony* to immunize conduct in the context of an ongoing relationship between the provider and the end

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97. *Napster* at 1022.

98. *Grokster* at 1037.

99. *Id.* at 1032; *see also Napster* at 1012.

100. *Grokster* at 1037.

101. *Sony Corp. v. Universal City Studios*, 464 U.S. 417 at 442.

102. *Id.* at 426-27.

103. *See Napster* at 1019 (rejecting the claim that “space shifting” is fair use since it exposes the copyrighted material to distribution).

104. *Sony* at 438; *see also Napster* at 1020 (discussing contributory liability for Napster and its conduct within the architecture of the file-sharing system).

user.<sup>105</sup>

Moreover, the *Grokster* court failed to analyze a pivotal part of the “staple article of commerce” test. Specifically, the court did not explore whether *Grokster* was capable of *commercially significant* noninfringing uses.<sup>106</sup> The *Napster* court framed the issue in accordance with *Sony*, seeking to determine whether the *Napster* system “is capable of commercially significant noninfringing uses.”<sup>107</sup> The *Grokster* opinion did not mention that the noninfringing uses must be “commercially significant,” much less analyze whether the noninfringing uses set forth by the *Grokster* defendants meet this standard.<sup>108</sup>

The significance of not applying this element of the *Sony* doctrine is evident when comparing the product or service at issue in *Sony* and in *Grokster*. Whereas the doctrine was used in *Sony* to insulate a product that was primarily used for noncommercial purposes, the doctrine is used in *Grokster* to immunize a service that is primarily used for commercial infringement on a massive scale. This distinction highlights the importance of including the “commercially significant” element in applying this test.

### C. Material Contribution

The *Grokster* court framed the inquiry of material contribution as “whether [defendants] do anything, aside from distributing software, to actively facilitate—or whether they could do anything to stop—their users’ infringing activity.”<sup>109</sup> The court also relied on dicta from a district court case that the primary and secondary infringers must have “acted in concert” with each other.<sup>110</sup> The court concluded that defendants were not liable because its users “connect to the respective networks, select which files to share, send and receive searches, and download files, all with no material involvement of Defendants.”<sup>111</sup>

Preliminarily, the court’s conclusion that distributing software alone does not constitute contributory infringement appears incorrect. It is generally accepted law that contributing machinery or goods that provide the means to infringe may be sufficient to confer liability for contributory

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105. See *Grokster* at 1043.

106. See *id.* at 1035–36 (discussing noninfringing uses of the *Grokster* system).

107. *Napster* at 1021.

108. See *Grokster* at 1035–36 (discussing noninfringing uses of the *Grokster* system).

109. *Id.* at 1039.

110. *Marvullo v. Gruner & Jahr*, 105 F. Supp. 2d 225, 230 (S.D.N.Y. 2000) (quoting *Livnat v. Shai Bar Lavi*, 1998 WL 43221, \*3 (S.D.N.Y. 1998)).

111. *Grokster* at 1041.

infringement.<sup>112</sup> Moreover, in *Sony*, there was no dispute that Sony's role in marketing the videotape recorders was a material contribution to its users' infringement; the only reason Sony avoided liability was because the Court found the recorder to be a staple article of commerce that was capable of commercially significant noninfringing uses.<sup>113</sup>

In addition, to the extent the *Grokster* decision is based on the requirement that the primary and secondary infringer must have "acted in concert,"<sup>114</sup> it is inconsistent with *Napster*. Despite there being no more evidence of collaboration in *Napster* than in *Grokster*, the *Napster* court concluded that *Napster* could be a contributory infringer.<sup>115</sup>

Ultimately, however, the *Grokster* court bases its ruling on the issue of contribution on the primary distinction between the two systems, concluding that *Grokster* does not provide "the 'site and facilities' for direct infringement."<sup>116</sup> Instead, *Grokster* users "connect to the respective networks, select which files to share, send and receive searches, and download files, all with no material involvement of Defendants."<sup>117</sup> The court's focus on the distinctions between the two systems obscures the ways in which *Grokster* *does* contribute to its users' infringements. Most visibly, the *Grokster* defendants have provided the "site and facilities" for direct infringement by creating the *Grokster* system. They have provided the software, the search engine, and the means to connect to other *Grokster* users to copy, distribute and receive infringing works. In short, they have provided the infrastructure necessary for its users' infringements to take place.

The court also ignores or glosses over other ways in which the *Grokster* defendants contribute to their users' infringements. For example, the record indicates that the *Grokster* defendants, like *Napster*, initially created means for users' registration and login; initially operated centralized supernodes which indexed available files and then processed user search requests; encrypted many of the communications between their users to ensure users' anonymity; and provided technical assistance to its users.<sup>118</sup> In addition to those elements of contribution they shared with

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112. See, e.g., MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04[A][2][b] (2003).

113. *Sony* at 442.

114. *Grokster* at 1042 (quoting *Marvullo v. Gruner & Jahr*, 105 F. Supp. 2d 225, 230 (S.D.N.Y. 2000)).

115. *Napster* at 1022.

116. *Grokster* at 1040.

117. *Id.* at 1041.

118. *Id.* at 1032–33.

Napster, the *Grokster* defendants also contributed to their users' infringements by informing the users that software updates were available, providing users with upgrades and updates to the software, and providing, and updating, Internet addresses of supernodes to facilitate obtaining works from other users.<sup>119</sup> In sum, despite the distinction between the two systems, the many means by which the *Grokster* defendants materially contributed to their users' infringements belie the District Court's conclusion of no material infringement.

## V. CONCLUSION

Plaintiffs appealed the District Court's ruling to the Ninth Circuit Court of Appeals.<sup>120</sup> The Ninth Circuit heard arguments on the appeal on February 3, 2004.<sup>121</sup> At the date of this writing, the Ninth Circuit has not issued its ruling.

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119. *Id.* at 1042-43.

120. Jon Healey, *Morpheus Maker Upping the Ante*, L.A. TIMES, Feb. 4, 2004, at C1.

121. *Id.*