

MGM v. GROKSTER

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SIMS 296A(2)

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STRATEGIC MOVE

- G & S moved for partial SJ based on current versions of G & S software
 - Qualify for *Sony* safe harbor as to contributory infringement because capable of SNIUs
 - No control over users, so no vicarious liability
- Benefits:
 - Even if liable as to earlier versions of the software, no injunction as to current versions
 - “Bad” conduct (“next Napster” etc.) pertains to earlier period, so arguably irrelevant

CF. NAPSTER, AIMSTER

- No centralized search & directory functions
- No premium service for “top 40 hits”
- No tutorial demonstrating use of system with copyrighted sound recordings
- No anonymity functionality to disguise who’s copying what
- 9th Cir got reversed in *Sony* before, so likely to follow Court, also bound by Napster (same circuit)
- Critics had questioned the consistency of *Napster* with *Sony* (Goldstein)

MGM v. GROKSTER (9th Cir)

- Distinguish architecture of Grokster cf. Napster
 - Technical mistake: gnutella as protocol
- Contributory infringement
 - G cannot know about infringement at a time when G could do something to prevent it
 - *Kalem*: producer knew film was unauthorized; contributed by funding it; could have stopped infringement
 - Goldstein treatise criticized Napster, as did 40 IP prof brief, for saying no *Sony* defense if knew after the fact about infringement
 - Constructive kn OK if lacking SNIUs, but actual knowledge of specific infringement required if technology has SNIUs

MORE ON 9th MGM DECISION

- Undisputed: G & S software was capable of SNIUs, declarations in record re actual NIUs
 - Makes MGM ballistic (no, we did dispute this)
- Vicarious liability
 - Napster was obliged to filter because it had been determined to be an infringer, but it is quite another matter to say you must filter or you're a vicarious infringer
 - No obligation to alter software to block infringement
 - No contractual/licensing arrangement as in other vicarious cases

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SOME OPEN QUESTIONS

- How substantial do NIUs have to be?
How to measure?
 - Quantitatively (if so, what's the lower bound)?
 - 10% of millions = 100's of 1000s
 - Qualitatively (how significant are NIUs)?
 - Commercially significant or only substantial?
 - Look to patent law?
 - Substantial unless "far-fetched, illusory, impractical"
- Does safe harbor apply to vicarious?

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MORE OPEN ?s

- Was “capable of SNIUs” dicta or part of holding of *Sony*?
- What does “capable” mean?
 - Aren’t all digital technologies capable of copying public domain works?
 - Abstract, hypothetical, implausible?
 - As to untested technologies?
 - Need to have if already in market, need to be capable if not yet marketed?
 - Suitability vs. capability? (patent law)

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MAIN TESTS PROPOSED

- Almost no attention to these open ?s in MGM & amici briefs
- Alternative tests:
 - Primary use
 - Intentional design of product
 - Aimster cost-benefit analysis
 - How costly to avert infringement, how much infringement is likely to be deterred?
 - Business model depends on infringement
 - Active inducement
 - Multi-factor balancing tests

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SOLICITOR GENERAL

- 3 part test:
 - safe harbor if commercially SNIUs are primary (50%) and efficient
 - strict liability if high level of infringement (90%) & business model depends on infringement
 - multi-factor balancing test if in between
 - How technology/service is marketed
 - Steps taken to discourage/limit infringement
 - How efficient is technology for NIUs
- But recommends affirmance on vicarious
 - No duty to build technology to minimize infringement

MENELL ET AL.

- Harm to © owners
- Adverse effects on consumers from loss of SNIUs
- Relative magnitudes, present & future, of infringing and NIUs
- Control exercised by mfrs/distributors
- Intent of mfrs/distributors
- Extent to which NIUs can be continued without technologies at issue
- Extent to which © owners can limit unauthorized uses without undue expense

MENELL ET AL.

- Knowledge by defendants about infringing uses
- Purposeful design of technology to evade liability
- Extent to which infringement affects market
- Cost & efficiency of enforcing vs. direct infringers
- Extent to which © owners trying to get monopoly control over new markets
- Impacts of potential remedies on infringing & NIUs
- Other considerations as appropriate

OTHER AMICUS BRIEFS

- State AGs
- Various Conservative Organizations (e.g., Kids First Coalition, Progress & Freedom Foundation)
- Various Copyright Organizations (print publishers, photographers, broadcasters)
- 2 Other Professor Briefs (Lichtman, Gibson)
- Some Technology Associations
 - Some neutral, some urge active inducement
 - Some from firms making filtering sw
- International Rights-holders

STRONG POINTS FOR MGM?

- High volume of infringing uses
- Impacts on CD sales, lost sales of movies
- Harm to authorized online services (hard to compete with “free”)
- Volume of infringement related to ad revenues
- Ongoing relationship with users (ability to feed them ads, updates of sw)
- Impracticality of suing individual users
- Fairness; “effective” v. “symbolic” protection

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WEAK ARGUMENTS?

- Rhetorical strategy
 - “urgent,” “mind-boggling,” “catastrophic,” “threat to foundations of ©”
 - “radical departure” from “well-established” liability rules
 - “next Napster” (same as “notorious Napster”)
 - Not really a software developer because gives away
- Not being honest about *Sony*
 - Purporting to apply it, when really asking for reversal
- Not really a split in the circuits

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PRIMARY USE

- MGM characterizes *Sony* as a primary use case (time-shift copying = fair use)
 - OK with safe harbor approach when primary use is non-infringing
- Why is primary use good test?
- Why is primary use not a good test?
- Alternative formulations: predominant, most conspicuous, major, ordinary

TECHNICAL DESIGN

- Intentional design to facilitate infringement
- Particular features as infringement-inducing
 - Default: all user files available for upload
- Failure to consider alternative designs
- Cost/benefit analysis: how much would it cost to design and build technology to minimize infringement, cf. how much infringement would be deterred?
- What if altered technology to diminish control?
 - Previously had registration & log-in, now not
 - What if anonymity added?
- Ability to alter code to get more control or to filter infringing copies

BUSINESS MODEL

- Infringement as a “draw” to technology or service
- Proportion of business dependent on infringement
- Revenues derived from infringement cf. NIUs
- More infringement = more profits?
- What if noncommercial technology?

BOTTLENECK THEORY

- Not cost-effective to enforce vs. individuals
 - Too many, too costly (spoon to deal with ocean)
- More efficient to put responsibility intermediary, such as provider of technology or service, which is in a better position than © owners to affect infringing behavior, either making more or less possible
- File-sharing may diminish if firms all found secondarily liable and shut down
 - Or will they move off-shore?
 - How should likelihood of diminishment (or not) affect court decision?

OTHER ISSUES

- Availability of NIUs from other sources
 - Project Gutenberg doesn't need Grokster software to make its public domain repository available to interested parties
- Efficiency of NIUs cf. other ways to achieve same goal
- Technical protection measures/interdiction
- What's really going on here? (tech policy)
- Role of courts and legislators
 - Institutional competence issues
 - Public choice problems

STATUTORY BASIS?

- Both patent and TM law have secondary liability provisions in their statutes
 - Copyright doesn't
 - Closest thing: "to authorize" in 106
 - Safe harbors in 512
- "To authorize" might cover some secondary liability situations (I authorize someone else to infringe), but not technology developers
- "Borrowing" secondary liability rule from patent statute (where capable of SNIUs comes from)
 - "historic kinship"? "closest analog"?
 - Patent caselaw had been a mess before 271