MGM v. GROKSTER

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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

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: nutella 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

• 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?
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)

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

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

### 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

### 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