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Cases of Note — Supremes Vacate 9th Cir on Grokster — Vicarious Liability Is Alive And Well

by **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

Metro-Goldwyn-Mayer Inc., et al., Petitioners v. Grokster, Ltd., et al., Supreme Court of the United States, 125 S. Ct. 2764; 2005 U.S. LEXIS 5212 (2005).

'S'up, Dawg?

Vacated and remanded, that's what's up, dude. Confronted with software that had both legit and illegit uses, those crazed activists on the Ninth Circuit actually declined to make new law via some three prong test. They told Congress to clarify copyright law. Then the Supremes had to muscle in. No more Grokking out. The party's over.

Du-uude. That is so not cool.

As we know, **Grokster** and **StreamCast** have the free software that permits file sharing through peer-to-peer networks. Which is to say, computers talk to one another without a central server. And yes, the use of this for ripping off copyrighted music goes on billions of times per month. And lo and behold, many of these pirates would email **Grokster** asking questions about copyrighted works. And **Grokster** would helpfully send guidance. And **Grokster** advertised itself as a **Napster** alternative since **Napster** had been nailed.

'S'up with that?

Napster had a central index with all the music on it that tattooed, body-pierced teenagers could wish to groove to. And they charged for you to tap in. They were sued for facilitation of copyright infringement, *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (ND Cal. 2000) and shut down big-time.

How do **Grokster** and **StreamCast** make money? By streaming advertising to their users. And of course, the ad rates rise as users multiply.

The District Court gave summary judgment to **Grokster** and the Ninth Circuit affirmed. Their theory was that *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 held a commercial product could not be liable for infringements unless the **Groksters** had actual knowledge of piracy and failed to act. The **Grokster** software had big noninfringing uses and the decentralized nature of the electronic beast kept them ignorant of what was going on.

And what were those noninfringing uses so vital to America's slacker youth? Swapping spring break nude photos, recycled term papers and ... hmmm ... public domain works. That last one ... yes, the college dorms are alive with vibrant youth exchanging favorites from **Project Gutenberg**. Just kidding. It's all about wannabe bands that hand out their music for free wanting it passed around which kids who think and speak in song lyrics willingly do.

Our Supremes held that the promotion of infringement along with distributing a piracy capable device creates liability.

Major bummer.

Ditto that, dudester.

Okay, let's go to the gruesome majority opinion.

And yes, it's written by that wild party animal Justice Souter you've always longed to swap music files with.

He starts with a long to-do about FastTrack and Gnutella technology that is meaningless to anyone but the veriest techie who isn't reading this anyhow. Mainly because he's mastering the next BIG THING which is probably anarchist software with no one trying to make money off it so the Music Titans will be frothing and punching at the air.

Then J. Souter gets to the key fact — **Grokster** and **StreamCast** set out to capture the **Napster** market. They got into business as **Napster** was sued anticipating the big shut-down. **StreamCast** sent out an ad kit boasting of their potential to capture **Napster** users.

"We have put this network in place so that when **Napster** pulls the plug on their free service ... or if the Court orders them shut down prior to that ... we will be positioned to capture the flood of their 32 million users that will be actively looking for an alternative."

StreamCast's Morpheus software was designed to search for "Top 40" songs which of course were always under copyright. A **Grokster** newsletter touted their ability to provide copyrighted material.

The Court actually references the few folks who desire a free Decameron or Shakespeare but says it's small potatoes next to those who want a free latest release by **Modest Mouse**, whoever that might be.

And can't you just see Souter juking to Modest Mouse in his chambers. Sigh. The J. Souter no one knows.

Tension Between Two Values

And what would those be? Supporting creative pursuits thru copyright versus promoting communication technology innovation by limiting liability for copyright violation.

The Court reasoned that the vast number of infringing downloads made it impossible for Music Titans to effectively go after the pirates.

Plus they're penniless and slapping them around creates even more animosity towards the profit bloated music biz that pitches rebellious behavior in the first place.

So practicality pushes them to allowing a suit for secondary liability on a theory of contributory or vicarious infringement. See *In re Aimster Copyright Litigation*, 334 F.3d 643, 645-646 (CA7 2003).

You infringe contributorily by inducing direct infringement. See *Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (CA7 1971). You do it vicariously when you profit from it and do nothing to stop it. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (CA2 1963).

Sony is the only recent case anywhere near on point. Videocassette recorders were sold primarily for "time shifting" which is taping a show and watching it later. *Sony* showed no intent to promote infringing uses and the VCR had significant noninfringing uses. This approach left "breathing

room for innovation." See *Sony Corp.*, *supra*, at 442.

Now mind you, this is despite the fact that Sony advertised "build a library" of favorite shows.

The Ninth Circuit read *Sony* to say that a product capable of noninfringing use can never have secondary liability if it is misused. But *Sony* does not require courts to ignore evidence of intent to promote piracy. "If vicarious 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 potential for infringement." *Sony*, 464 U.S., at 439.

Going beyond the characteristics of a product, it's important whether evidence shows a producer meant to promote infringement.

Inducing or enticing the commission of an infringement would be a classic case of unlawful purpose. Black's Law Dictionary 790 (8th ed. 2004). So if you don't just expect infringement, but invoke it through advertising then you're liable. *Kalem Co. v. Harper Brothers*, 222 U.S., at 62-63.

Advertising an infringing use or giving how-to-do instructions are nice evidence of encouraging direct infringement. *Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F. Supp. 988, 992 (ND Ill. 1988); *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 412-413 (CA5 1963) (demonstrations by sales staff of infringing uses supported liability for inducement).

So there's liability if you distribute a device and by clear expression or other affirmative steps foster infringement. Mere knowledge that the device can be used for infringement is not enough. Neither are standard stuff like offering technical support or product updates. There has to be culpable expression and conduct.

And Some More Facts On Point

Grokster had an electronic newsletter promoting its software capability to access popular and extremely copyrighted music. Anyone could see they were offering the alternative to **Napster** downloads of music. They even named their software "Swaptor."

StreamCast advertised to **Napster** users its "OpenNap" software. A "fact-finder" could easily see they were likewise offering an alternative to **Napster's** massive infringement. And they had those cute ads like "When the lights went off at **Napster** ... where did the users go?"

This 'fact-finder' thing means summary judgment by the 9th Cir. was wrong. The issue of vicarious liability should have gone to a full trial.

Neither company attempted to develop any sort of filter to cut down on the piracy. And since both companies earned money through advertising, high volume use — which really means high volume piracy — upped their revenue.

And now you'll want to return to November 2004 ATG Vol. 16-5 and my insightful analysis (p.72-74) of the Ninth Circuit's opinion including

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Biz of Acq — Collaborative Partnerships: Expanding the Vendor/Librarian Relationship

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Column Editor's Note: *Librarians and vendors interact constantly, and the work of one directly affects the other. Ann Branton recognizes the important contributions vendors make to librarianship, and comments on the extended relationship that exists between librarians and vendors. — AF*

Introduction

From a technical services perspective, specifically in the acquisitions of library materials, one librarian's collaborative partnerships with library book vendors can be applied to all areas of doing business with vendors. These areas include vendor as service provider, vendor as mentor, vendor as collaborator in research and development, and finally vendor as professional supporter.

More often than not, acquisitions librarians are trained by their experiences during the ups and downs of the annual ordering cycle. We learn by our mistakes as much as our successes, rather than in a library science classroom. As a new supervisor over acquisitions during a very hectic book ordering cycle in 2001, I found that the book vendors were often my best teachers. Vendors provide an invaluable service to the library profession when they teach inexperienced librarians responsible for purchasing library materials how the wholesale publishing trade works, and how to master a sharp learning curve in the ordering process.

Vendor as Service Provider

Librarians are more dependent upon professional relationships with vendors than we may realize. The books on our shelves, the spine labels and barcodes we apply on them, and the many services we are able to provide our users are supported in some way by vendors who provide the products and services we in turn provide to our library users. However, for some of the same altruistic rationale that libraries keep their doors open to the communities they serve, vendors too make an ethical commitment in providing direct or indirect access to information resources and services.

Certainly, they have remained steadfast during a period of almost universal economic downturns in our library funding for the past five years. In spite of tight budgets, we enjoy excellent service from our book vendors, and good discounts in spite of a lower volume of orders each fiscal year; I have not seen lower standards in customer services.

Until my professional duties were expanded over three years ago, direct communication with vendor representatives was minimal, and I was not aware of them as collaborators or potential partners in my more academic view of librarianship. Before putting faces to names, before my business and professional interactions with a single sales representative, vendors were just the **Books-a-Millions**, the **Wal-Marts**, the **Office Depots** of the library world. Vendors were large, impersonal warehouses of products I required

to fulfill the mission of my library, to perform my responsibilities in support of that mission and to serve the information needs of my community of library users. Since meeting, talking and working more directly with library vendors, however, I have learned that they have been engaged in meeting the expectations of changing library environments, and in anticipating the information needs of libraries and library users, for more than a lifetime.

Many companies, both large and small, have dealt with libraries for decades: **Baker & Taylor**, **Ingram**, **Blackwell North American**, **Midwest**, **Ambassador Book Services**, and **EBSCO**, to name a few. Libraries and traditional vendor services have, in essence, grown up together and are familiar, indispensable resources in fulfilling our professional responsibilities. Others are relatively new to the modern library scene as advances in technology introduced new products and services to libraries: **OCLC**, **Sirsi**, **Auto-Graphics**, and **Ovid/SilverPlatter** are examples. These companies did not exist until the last quarter of the 20th century, yet we can hardly imagine our professional world without them.

Vendor as Mentor

In 2001, I was appointed head of the bibliographic services department at **The University of Southern Mississippi Libraries** due to my years of experience as head of cataloging, and related administrative duties, managing and supervising people, activities and projects. However, my knowledge of acquisitions was marginal. All I knew about acquisitions was through the ordering workflow in which cataloging staff selected the **MARC** record that was added to the **OPAC**, and, in turn, used by the acquisitions staff to generate an order record. The acquisitions personnel, who were more senior in experience with the ordering-receiving cycle, are to be commended for rising to the occasion and adapting to an environment of organizational change and a relatively inexperienced manager of acquisitions.

That same year, I had the opportunity to attend the **Charleston Conference** in Charleston, SC in the fall of 2001, to learn as much as I could in a few days about the issues and concerns related to collection development, the acquisition of books and serials by libraries, and the impact of the publishing trade on libraries.

Among the attendees was a representative from **Book House, Inc.**, a vendor that we used at **USM Libraries**. **Peter Bence** was just about the only vendor representative I had met at that time and he made me feel comfortable with the fact that I was new to acquisitions librarianship. During the conference, I asked **Peter** to be my mentor, for the short term, to educate me about the many aspects of ordering books. Our arrangement was very informal but it provided a friendly contact for me to ask questions about the business aspects of book ordering from the vendor's perspective. Little did I know that every ordering cycle has its unique challenges!

Peter took time to explain my options in ordering academic or trade publications, and how to evaluate a vendor profile and set up special ser-

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their wry quip about old markets always being roiled by new technology.

And this raises two thoughts. (1) If the T.V. moguls had prevailed on Sony, the cost of a VCR would have become prohibitively expensive. No movie rentals. (2) Given that America's youth has been totally trained to steal music, the next **Grokster** that comes along will not have to foster infringement. Everyone will know exactly what to do without being told. Which will put them outside this ruling. So why are the Supremos wasting our time with this?

Party on, dude.

Questions & Answers from page 63

fees to the **American Society of Composers, Authors and Publishers (ASCAP)** and **Broadcast Music Inc. (BMI)** to cover the public performance of music. These royalties go to the composer. In recent years Web casting royalties were added to radio broadcasts that are also transmitted over the Web; these royalties are paid to the record companies and performers through Sound Exchange. So, sound bytes played on the radio are covered under these licenses as is the playing of the entire song.

As to whether this applies to education, it depends on what is meant by this part of the question. If by "education" this means college and high school radio stations, the answer is yes. They also pay annual blanket royalties but the amount is considerably less than for commercial radio. If the question is focused on general educational uses of music, the answer is no. There may be exemptions in the Copyright Act that cover those specific uses, but there is no blanket license for education.