

Do You Grok?¹ Substantial Certainty in Contributory Copyright Infringement

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Introduction.....	591
I. Contributory Copyright Infringement: Review of the Relevant Case Law	595
A. The Betamax Case	596
B. The Unresolved Circuit Split: <i>Aimster</i> and <i>Grokster</i>	599
1. <i>Aimster</i>	600
2. <i>Grokster</i> : Ninth Circuit to the Supreme Court.....	602
II. Copyrights, Technology and Torts.....	608
III. <i>Sony</i> , Substantial Certainty and the Balance.....	611
A. The Restatement on Intent	612
B. The Substantial Certainty Limitation	615
C. Substantial Certainty Applied to Contributory Copyright Infringement	617
Conclusion	620

INTRODUCTION

The legal theory of contributory copyright infringement requires a balancing of the competing interests of copyright holders and society. When a company distributes a product or service capable of both legal and illegal uses, the copyright holders seek broad enforcement of their rights and the distributors seek absolution based on the public benefits derived from the technological innovation.² The Supreme Court, in an

¹ The term “grok” was coined by the author Robert Heinlein in the science fiction novel *Stranger in a Strange Land*; it means “to understand thoroughly and intuitively.” WEBSTER’S ENCYCLOPEDIA UNABRIDGED DICTIONARY OF THE ENGLISH LANGUAGE 842 (1996).

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² *In re Aimster Copyright Litig.*, 334 F.3d 643, 651 (7th Cir. 2003).

effort to balance these competing interests, has stated that the distributor of a product or service capable of substantial noninfringing uses is not liable as a contributory infringer; however, that seminal decision is laden with cumbersome language.³ In recent years, the Ninth and Seventh Circuits split regarding certain aspects of the *Sony* rule.⁴ Despite the opportunity to clarify the rule and resolve that circuit split, the Supreme Court sidestepped the issue entirely.⁵ Instead, the Court created a new rule that holds companies liable for purposely encouraging infringement.⁶ Already, lower courts have applied the *Grokster* inducement rule.⁷ It is only a matter of time before another case involving new technology requires a clarification of *Sony* in order to strike a balance between the interests of society and copyright holders.

By applying tort law reasoning to the theory of contributory copyright infringement, this comment clarifies the *Sony* rule for the lower courts.⁸ Contributory copyright infringement is a tort; thus, tort law principles should apply.⁹ The Restatement bifurcates the intent requirement in tort law,¹⁰ just as *Sony* and *Grokster* bifurcate the intent requirement for contributory copyright infringement.¹¹ Although the Court's cumbersome language in *Sony* has created a circuit split, it does so in an effort to articulate a substantial certainty limitation.¹² In some instances, such as the one at issue in *Sony*, the Court will limit a company's liability if the product it distributes has substantial noninfringing uses.¹³ The exact definition of the word "substantial" has

³ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

⁴ *Aimster*, 334 F.3d at 649 (citing 2 PAUL GOLDSTEIN, COPYRIGHT § 6.1.2, p. 6:12-1 (2d ed. 2003)); *MGM Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1162 n.9 (9th Cir. 2004) [hereinafter *Grokster I*].

⁵ *MGM Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2778-79 (2005) [hereinafter *Grokster*].

⁶ *Id.* at 2779.

⁷ See *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369 (Fed. Cir. 2005); see also *Monotype Imaging, Inc. v. Bitstream, Inc.*, 376 F. Supp. 2d 877 (N.D. Ill. 2005).

⁸ For further discussion of the application of tort law principles to secondary liability in copyright law, see the works of Professors Yen and Barnes. See David W. Barnes, *An Alternative Torts Model of Secondary Copyright Liability*, 55 CASE. W. RES. 867 (2005); see also Alfred C. Yen, *Law, Technology & the Arts Symposium: "Copyright and Personal Copying: Sony v. Universal Studios Twenty-one Years Later": Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer*, 55 CASE W. RES. L. REV. 815 (2005).

⁹ *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

¹⁰ RESTATEMENT (THIRD) OF TORTS § 1 (Tentative Draft No. 1, 2001).

¹¹ *Grokster*, 125 S. Ct. at 2780; *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

¹² *Sony*, 464 U.S. at 442.

¹³ *Id.*

proved problematic for plaintiffs as well as the lower courts.¹⁴ This comment argues that the Court's language in *Sony* actually incorporates the Restatement's suggestions regarding substantial certainty in intentional torts. In the comments accompanying section one of the Third Restatement, the drafters recommend a balancing test as a limitation on liability despite a substantial certainty that harm will occur.¹⁵ The reasoning behind that recommendation mirrors the language in *Sony*.¹⁶ Thus, an application of the substantial certainty limitation of intentional tort liability to contributory copyright infringement cases will provide the balance between the progress of technology and the rights of copyright holders sought by *Sony* and, ultimately, entrusted to the determination of the lower courts.

Part I provides a detailed review of the relevant case law, particularly the Supreme Court's opinions in both *Sony* and *Grokster*. This section states the governing rules and discusses the diverging circuit court opinions. Part I also highlights the Court's determination to balance the interests of copyright holders against the public's interest in technological innovation. This section provides the background information necessary to understand subsequent sections.

Part II expounds upon the dual objectives of copyright law and discusses its origins in the Constitution. This section also discusses the links between contributory infringement and tort law. That theory "originates in tort law and stems from the notion that one who directly contributes to another's infringement should be held accountable."¹⁷ However, when a product or service is capable of lawful and illegal uses, the "*Sony*[]" rule limits imputing [the] culpable intent" to commit contributory infringement based on product distribution.¹⁸ Since its pronouncement, the *Sony* rule has caused a great deal of difficulty. The circuits have split regarding their interpretation of the *Sony* rule; the Supreme Court refused to provide guidance for the lower courts.¹⁹ The tort law definition of intent provides the much-needed clarity.

Part III clarifies the *Sony* rule. The first sub-section discusses the Restatement's approach to intent in tort law and applies that principle to contributory copyright infringement. In particular, the Restatement explains that "[a] person acts with the intent to produce a consequence if: (a) The person has the purpose of producing that consequence; or (b) The

¹⁴ *Grokster*, 125 S. Ct. at 2778.

¹⁵ See RESTATEMENT (THIRD) OF TORTS § 1 cmt. e (Tentative Draft No. 1, 2001).

¹⁶ *Sony*, 464 U.S. at 442.

¹⁷ *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

¹⁸ *Grokster*, 125 S. Ct. at 2779.

¹⁹ *Id.*

person knows to a substantial certainty that the consequence will ensue from the person's conduct."²⁰ Similarly, *Sony* and *Grokster* provide two situations in which a defendant may possess the intent to commit contributory infringement.²¹ The Restatement also makes many careful qualifications concerning its definition. As evinced by the *Sony* litigation, despite knowledge to a substantial certainty, a defendant "may be engaging in a generally proper activity for generally proper reasons, even though the activity produces harm as an unavoidable but unwanted byproduct."²² In those situations, the Restatement limits liability unless the defendant has a substantial certainty that his conduct will affect a particular victim or those contained in a small class of victims within a localized area.²³ The Restatement also provides specific examples of industries that qualify for the substantial certainty limitation.²⁴

Those industrial examples support the argument that the substantial certainty limitation actually creates a balancing test for the protection and promotion of industries serving the public good. In addition, the limitation is inspired, at least in part, by the Restatement (Second) of Torts' discussion of negligence.²⁵ Prior to the Restatement, the courts considered this balancing test to be good public policy. The courts have applied this test in the context of the railroad industry, an example enumerated in the Restatement. In those instances, the social benefits derived from that industry outweigh the harmful consequences of operating a railroad. Thus, the substantial certainty limitation applies when a defendant's (an industry or software provider) conduct provides a net social benefit despite a substantial certainty of some harmful consequences.

A desire to punish the guilty, rather than the knowing, justifies the substantial certainty limitation. Although companies do not desire their railroads to cause serious bodily injury, such injuries will likely occur regardless. Despite knowledge, the company lacks a subconscious, blameworthy intent. On the other hand, if a company knows to a substantial certainty that its business will cause the serious injury or death of an employee, "a particular victim, or . . . someone within a small class of potential victims within a localized area,"²⁶ that company is liable, because its knowledge is not general but reveals a more blame-

²⁰ RESTATEMENT (THIRD) OF TORTS § 1.

²¹ *Grokster*, 125 S. Ct. at 2780; *Sony*, 464 U.S. at 442.

²² RESTATEMENT (THIRD) OF TORTS § 1 cmt. a.

²³ RESTATEMENT (THIRD) OF TORTS § 1 cmt. e.

²⁴ *Id.*

²⁵ See RESTATEMENT (THIRD) OF TORTS § 1 cmt. e, reporter's notes.

²⁶ RESTATEMENT (THIRD) OF TORTS § 1 cmt. e.

worthy mental state. Thus, the substantial certainty limitation ensures that only those people/entities that demonstrate a clear intent (established by their purpose or knowledge) will face liability.

The last sub-section explains that the substantial certainty limitation provides a point of balance between the interests of copyright owners and the public's interest in technological innovation. When applying the Restatement's theory of intent, as well as its limitations to contributory copyright infringement, two scenarios result in liability. One represents *Grokster* and occurs when an entity purposefully induces copyright infringement. The second scenario represents *Sony* and occurs when an entity distributes a product (or provides a service) capable of infringing and noninfringing uses. In the latter instance, the substantial certainty limitation focuses liability on entities with a culpable state of mind. Application of the substantial certainty limitation requires two steps. First, the court must ask if "the defendant has knowledge to a substantial certainty that [its] conduct will bring about harm to a particular victim, or to someone within a small class of potential victims."²⁷ If the answer is yes, the defendant will face liability based on its intent to cause harm. If the answer is no, the court must balance the social benefits derived from the product against the harm it produces. If the product or service creates a net social benefit, the court should limit liability: society's interest in technological innovation is served. If the product or service does not, the court will impose liability: copyright holders are protected. Thus, the substantial certainty limitation clarifies the *Sony* rule and helps the courts balance artists' and society's competing interests.

I. CONTRIBUTORY COPYRIGHT INFRINGEMENT: REVIEW OF THE RELEVANT CASE LAW

Because the subsequent discussion of contributory copyright infringement requires a detailed understanding of the relevant case law, this section provides a review of the two most influential Supreme Court decisions on the subject as well as a discussion of the current circuit split. In 1984, the Supreme Court faced a challenging issue: when is the distributor of a product capable of both lawful and unlawful uses liable for contributory copyright infringement? A deeply divided Court ruled that the distributor of a product capable of substantial noninfringing uses is not liable.²⁸ The rule proved troublesome as technology advanced. The Seventh and Ninth Circuits split regarding their interpretation of the rule and each issued opinions criticizing the other. Then approximately

²⁷ *Id.*

²⁸ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

twenty years after the Court issued the *Sony* rule, the Supreme Court faced the issue once again. However, rather than clarify the *Sony* rule, the Court issued a new rule: one who purposefully induces infringement is a contributory copyright infringer.²⁹ The Court neither clarified the *Sony* rule nor addressed the contentious circuit split. Subsequent sections of this comment provide a clarification, based on those two rules. Thus, further discussion requires a thorough understanding of contributory copyright infringement jurisprudence.

A. The Betamax Case

When Sony released its Betamax video-recorder (“VCR”) the copyright holders of many television programs, viewed the change as an abrogation of their rights.³⁰ As a result, Universal Studios and other copyright holders (plaintiffs) brought an action for contributory copyright infringement against Sony in a California district court in 1976.³¹ The plaintiffs argued that Sony, because of its product marketing and distribution, was responsible for the direct infringement of its users, who copied their television programs without authorization.³² The district court ruled in favor of Sony, because the company had no direct involvement with the purchasers and the company’s advertising did not induce such infringement.³³ Though “[t]he District Court assumed that Sony had constructive knowledge of the probability that the [VCR] . . . would be used to record copyrighted programs, [it] found that Sony merely sold a ‘product capable of a variety of uses, some of them allegedly infringing.’”³⁴ The plaintiffs appealed the district court’s final judgment.³⁵ Since the VCR was sold for the exclusive purpose of reproducing television programs, which are typically copyrighted, the Ninth Circuit concluded that the VCR did not have substantial noninfringing uses.³⁶ The Ninth Circuit also rejected the district court’s reasoning regarding Sony’s lack of knowledge “because the reproduction

²⁹ *Grokster*, 125 S. Ct. at 2780.

³⁰ *Sony*, 464 U.S. at 457 (Blackmun, J., dissenting).

³¹ *Id.* at 420 (majority opinion).

³² *Id.*

³³ *Id.* at 426.

³⁴ *Id.* (quoting *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 461 (C.D. Cal. 1979)). According to user surveys, most users primarily employed the VCR for “time-shifting,” which “is the practice of recording a program to view it once at a later time, and thereafter erasing it.” *Id.* at 423. However, a substantial number of users also employed the VCR as a means of accumulating libraries of videotaped programming. *Id.* at 423. Sony also warned its customers, by way of the Betamax instruction manual, about videotaping copyrighted material. *Id.* at 426.

³⁵ *Id.* at 427.

³⁶ *Id.* at 428.

of copyrighted materials was either ‘the most conspicuous use’ or ‘the major use’ of the . . . product.”³⁷ The Supreme Court granted a writ of certiorari.³⁸

Justice Stevens’s majority opinion addresses the major concerns of copyright law and offers an equitable conclusion for the *Sony* issue. In particular, Justice Stevens provides a detailed overview of copyright law, its origins and applications, as well as a thoughtful summary of the relationship between copyright law and technology.³⁹ The majority also speaks of policy, specifically “[t]he judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance.”⁴⁰ Of course, the Court issued a caveat: when Congress has not spoken, the courts must balance the competing interests of the copyright holder and the public.⁴¹ *Sony* was such an instance of congressional silence.⁴² Therefore, the Court modified a rule from patent law to reflect the unique concerns of copyright law: “the sale of copying equipment . . . 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*.”⁴³

Once the Court established this new rule, it applied the facts of the case.⁴⁴ First, Justice Stevens explained that authorized time-shifting is noninfringing, fair use of copyrighted material; thus, it “plainly satisfies [the] standard.”⁴⁵ The majority also found that “the evidence concerning ‘sports, religious, educational and other programming’ . . . establish[ed] a significant quantity of broadcasting whose copying is now authorized,

³⁷ *Id.* (quoting *Universal City Studios Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 976 (9th Cir. 1982)).

³⁸ *Id.* at 420.

³⁹ *Id.* at 428-30. Indeed, “[t]he fortunes of the law of copyright have always been closely connected with freedom of expression, on the one hand, and with technological improvements in means of dissemination, on the other.” *Id.* at 430 n.12 (quoting B. KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT* vii-viii (Columbia University Press 1967)).

⁴⁰ *Id.* at 431.

⁴¹ *Id.* at 432.

⁴² *Id.* at 434-35. The Copyright Act does not expressly define contributory infringement. *Id.* at 434.

⁴³ *Id.* at 442 (emphasis added).

⁴⁴ *Id.* The majority opinion becomes confusing once the Court applied the rule to the facts. As Justice Stevens notes, “we need only consider whether on the basis of the facts . . . a *significant* number of [the product’s *potential uses*] would be noninfringing.” *Id.* at 442 (emphasis added). Justice Blackmun articulates similar language in his dissenting opinion: “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.” *Id.* at 491 (Blackmun, J., dissenting) (emphasis added). The subtle differences between the majority and the dissent in *Sony* may have led to the subsequent circuit split as different judges emphasized different language.

⁴⁵ *Id.* at 442-43.

and a significant potential for future authorized copying.”⁴⁶ In light of these facts, the Court ultimately found the VCR capable of substantial noninfringing uses.⁴⁷

Justice Blackmun, with whom Justices Marshall, Powell, and Rehnquist joined, composed a separate dissent.⁴⁸ After a detailed review of copyright law and the doctrine of fair use,⁴⁹ Justice Blackmun considered the claim of contributory copyright infringement.⁵⁰ In response to the lower courts’ rulings, Justice Blackmun noted that “a finding of contributory infringement has never depended on actual knowledge of particular instances of infringement; it is sufficient that the defendant have reason to know that infringement is taking place.”⁵¹ Justice Blackmun explained that indirect evidence that Sony caused, induced, or contributed to the direct infringement of the plaintiffs’ copyrights was sufficient.⁵² Still, the dissent recognized the need to protect certain technology from the chilling effects of over-broad copyright laws.⁵³ Therefore, Justice Blackmun concluded that,

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. If *virtually all* of the product’s use, however, 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. In such a case . . . the manufacturer of such a product contributes to the infringing activities of others and profits directly thereby, while providing no benefit to the public sufficient to justify the infringement.⁵⁴

Below, the Ninth Circuit applied this rule.⁵⁵ However, the district court failed to make factual findings regarding the amount of infringing VCR usage.⁵⁶ Thus, Justice Blackmun, unlike the majority, “would remand the case for further consideration.”⁵⁷

⁴⁶ *Id.* at 444.

⁴⁷ *Id.* at 456.

⁴⁸ *Id.* at 457 (Blackmun, J. dissenting).

⁴⁹ *Id.* at 457-86.

⁵⁰ *Id.* at 486-90.

⁵¹ *Id.* at 487.

⁵² *Id.* at 489-90. “Sony’s advertisements, at various times, have suggested that Betamax users ‘record favorite shows’ or ‘build a library.’” *Id.* at 459.

⁵³ *Id.* at 491.

⁵⁴ *Id.* (emphasis added) (citation omitted).

⁵⁵ *Id.* at 492.

⁵⁶ *Id.*

⁵⁷ *Id.* at 493.

The *Sony* decision is anything but clear. First, a deeply divided Court delivered the *Sony* rule. The majority issued the substantial noninfringing uses test⁵⁸ and the dissent argued for a significant noninfringing uses test.⁵⁹ Then, the majority blurred the line between the two tests when it applied the *Sony* rule and asked whether the VCR had significant noninfringing uses.⁶⁰ Because of this awkward diction, the circuit courts have had difficulty interpreting the rule.

B. The Unresolved Circuit Split: Aimster and Grokster

As technology advanced, the application of the *Sony* rule proved difficult for the lower courts. In *A&M Records, Inc. v. Napster, Inc.*, the record companies sued the notorious Napster for contributory copyright infringement.⁶¹ Napster allowed users to share MP3 music files via peer-to-peer (P2P) software.⁶² In order to access Napster, however, users had to install the Napster software and log into the system with a user name and password.⁶³ When it applied the *Sony* rule, the Ninth Circuit noted that “[t]he record support[ed] the . . . finding that Napster ha[d] actual knowledge that specific infringing material [wa]s available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material.”⁶⁴ After *Napster*, the Seventh and Ninth Circuits’ interpretations of the *Sony* rule diverged. The diverging opinions developed into a contentious circuit split with each circuit criticizing the other. In 2005, approximately twenty years after *Sony*, the Supreme Court faced the issue once again. However, the Court avoided the obvious need to clarify the *Sony* rule and issued a new rule: one who purposefully induces infringement is a contributory copyright infringer.⁶⁵ The Court failed to address the circuit split. Subsequent sections of this comment provide a clarification of

⁵⁸ *Id.* at 442 (majority opinion).

⁵⁹ *Id.* at 491 (Blackmun, J., dissenting).

⁶⁰ *Id.* at 442 (majority opinion).

⁶¹ 239 F.3d 1004, 1011 (9th Cir. 2001).

⁶² *Id.* As the Ninth Circuit explained:

MPEG-3 [files], abbreviated as “MP3” . . . are created through a process colloquially called “ripping.” Ripping software allows a computer owner to copy an audio compact disk (“audio CD”) directly onto a computer’s hard drive by compressing the audio information on the CD into the MP3 format. The MP3’s compressed format allows for rapid transmission of digital audio files from one computer to another by electronic mail or any other file transfer protocol.

Id.

⁶³ *Id.*

⁶⁴ *Id.* at 1022.

⁶⁵ *Grokster*, 125 S. Ct. at 2780.

contributory copyright infringement based on the two relevant Supreme Court rules. Therefore, this section will address the circuit split, which led to the Supreme Court's holding in *Grokster*.

1. *Aimster*⁶⁶

Although the record companies successfully shut down Napster in 2001, the issue surrounding the *Sony* interpretation lived on.⁶⁷ Other P2P networks picked up where Napster left off and the record companies commenced new litigation. At first glance, *Aimster* appears to be yet another *Napster*-esque case, where the recording industry sued the provider of free music downloading software controlled by a centralized computer server.⁶⁸ However, *Aimster*'s divergence from *Napster* created the circuit split between the Seventh and Ninth Circuits.⁶⁹ Judge Posner delivered the opinion of the court, which eloquently discussed the *Sony* rule as it applied to the *Aimster* software.⁷⁰ In so doing, Judge Posner diverged from the Ninth Circuit's interpretation and qualified the protection offered by the *Sony* rule.⁷¹

In its effort to enjoin *Aimster*, the Seventh Circuit departed from *Napster* and limited *Sony*. The court noted that software providers that utilize a centralized server maintain a (limited) relationship with their

⁶⁶ *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003) (addressing the district court's ruling, which imposed a preliminary injunction against *Aimster*).

⁶⁷ *A&M Records, Inc. v. Napster, Inc.*, No. C 99-0518, 2001 U.S. Dist. LEXIS 2186 (N.D. Cal. Mar. 5, 2001) (enjoining Napster from continuing its operation of copying, transmitting, downloading, uploading, or otherwise distributing copyrighted works).

⁶⁸ *Aimster*, 334 F.3d at 645-46. Judge Posner explains:
The *Aimster* system has the following essential components: proprietary software that can be downloaded free of charge from *Aimster*'s Web site; *Aimster*'s server (a server is a computer that provides services to other computers, in this case personal computers owned or accessed by *Aimster*'s users, over a network), which hosts the Web site and collects and organizes information obtained from the users but does not make copies of the swapped files themselves and that also provides the matching service described below; computerized tutorials instructing users of the software on how to use it for swapping computer files; and "Club *Aimster*," a related Internet service owned by Deep that users of *Aimster*'s software can join for a fee and use to download the "top 40" popular-music files more easily than by using the basic, free service. The "AIM" in "*Aimster*" stands for AOL instant-messaging service.

Id. at 646.

⁶⁹ *Id.* at 649 (citing 2 PAUL GOLDSTEIN, COPYRIGHT § 6.1.2, p. 6:12-1 (2d ed. 2003)). ("We . . . agree with Professor Goldstein that the Ninth Circuit erred in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001), in suggesting that actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer.").

⁷⁰ *Id.* at 647-51.

⁷¹ *Id.* at 648-53.

users, unlike Sony.⁷² Judge Posner reasoned that the continued relationship and the ability to police the habits of users should be a factor in determining contributory liability.⁷³ Similarly, the court held that “[w]illful blindness is knowledge”; thus, Aimster’s effort to avoid actual knowledge (the nail in Napster’s coffin) did not save it from liability.⁷⁴ In addition, the court sought to simplify the *Sony* rule by analogizing contributory infringement to the criminal concept of aiding and abetting.⁷⁵ Judge Posner explained, “To the recording industry, a single known infringing use brands the facilitator as a contributory infringer. To the Aimsters of this world, a single noninfringing use provides complete immunity from liability. Neither is correct.”⁷⁶ In Judge Posner’s view, “[i]t is not enough . . . that a product or service be physically capable . . . of [a] noninfringing use,”⁷⁷ there must be evidence that the product or service is “actually used for . . . the stated non-infringing purposes.”⁷⁸ Aimster failed to provide any evidence of noninfringing uses. Because Aimster could not satisfy the Seventh Circuit’s qualified *Sony* rule, the court upheld the preliminary injunction.⁷⁹

⁷² *Id.* at 648 (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 438 (1984)) (“[T]he video recorder was being used for a mixture of infringing and noninfringing uses and . . . Sony could not demix them because once Sony sold the recorder it lost all control over its use.”).

⁷³ *Id.* at 648.

⁷⁴ *Id.* at 650. Aimster used an encryption device to shield it from actual knowledge of infringement. *Id.*

⁷⁵ *Id.* at 651. Judge Posner noted:

There are analogies in the law of aiding and abetting, the criminal counterpart to contributory infringement. A retailer of slinky dresses is not guilty of aiding and abetting prostitution even if he knows that some of his customers are prostitutes—he may even know which ones are. The extent to which his activities and those of similar sellers actually promote prostitution is likely to be slight relative to the social costs of imposing a risk of prosecution on him. But the owner of a massage parlor who employs women who are capable of giving massages, but in fact as he knows sell only sex and never massages to their customers, is an aider and abettor of prostitution (as well as being guilty of pimping or operating a brothel). The slinky-dress case corresponds to *Sony*, and, like *Sony*, is not inconsistent with imposing liability on the seller of a product or service that, as in the massage-parlor case, is capable of noninfringing uses but in fact is used only to infringe.

Id. (citations omitted).

⁷⁶ *Id.*

⁷⁷ *Id.* at 653.

⁷⁸ *Id.* Judge Posner’s opinion is reminiscent of Judge Blackmun’s opinion in *Sony*. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 491 (1984) (Blackmun, J., dissenting). However, the *Sony* court consistently used the words “capable of.” *Id.* at 442 (majority opinion).

⁷⁹ *Aimster*, 334 F.3d at 653-56.

Judge Posner's opinion created a divergence between the Seventh and Ninth Circuits.⁸⁰ Each court sought to interpret the difficult *Sony* language.⁸¹ Judge Posner quoted the *Sony* majority's contradictory language,⁸² but held in line with the *Sony* dissent.⁸³ Shortly after *Aimster*, the Ninth Circuit faced another contributory copyright infringement case involving P2P software.⁸⁴ In *Grokster*, the Ninth Circuit reaffirmed its previous position contra the Seventh Circuit.⁸⁵ Ultimately, *Grokster*, which was appealed to the Supreme Court, deepened the split between the circuits and provided no clarification of the *Sony* rule.

2. *Grokster*: Ninth Circuit to the Supreme Court⁸⁶

This section discusses the most recent case concerning contributory copyright infringement. *Grokster* is significant because it represents the continuing circuit split as well as the new rule in contributory copyright law. The Ninth Circuit, remaining true to precedent, decided not to join the Seventh Circuit's interpretation of *Sony*.⁸⁷ Plaintiffs appealed the matter to the Supreme Court, which they asked to clarify the *Sony* rule.⁸⁸ The Court, however, refused to revisit the *Sony* rule and failed to address the circuit split.⁸⁹ Instead, the Court issued a new inducement rule that imposes liability on those who purposefully encourage infringement.⁹⁰ Although the Court unanimously agreed with the application of the inducement rule, the concurrences differed in their interpretation of the *Sony* rule.⁹¹ Justice Breyer's concurring opinion gives a particularly insightful discussion of the *Sony* rule.⁹² Thus, any discussion of contributory copyright infringement requires an understanding of the *Grokster* decision.

In an attempt to avoid the pitfalls of *Napster* and *Aimster*, *Grokster* and *StreamCast* (defendants) distributed free software that enabled users to share files by way of P2P networks.⁹³ "A user who downloads and

⁸⁰ *Id.* at 649 (citing 2 PAUL GOLDSTEIN, COPYRIGHT § 6.1.2, p. 6:12-1 (2d ed. 2003)).

⁸¹ *Id.* at 648; *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001).

⁸² *Aimster*, 334 F.3d at 648.

⁸³ *Id.* at 353.

⁸⁴ *Grokster I*, 380 F.3d at 1162 n.9.

⁸⁵ *Id.*

⁸⁶ *Grokster*, 125 S. Ct. at 2764.

⁸⁷ *Grokster I*, 380 F.3d at 1162 n.9.

⁸⁸ *Grokster*, 125 S. Ct. at 2778.

⁸⁹ *Id.*

⁹⁰ *Id.* at 2780.

⁹¹ *Id.* at 2787 (Breyer, J., concurring).

⁹² *Id.*

⁹³ *Id.* at 2770 (majority opinion).

installs either [defendant's] software possesses the protocol to send requests for files directly to the computers of others using [compatible] software"⁹⁴ P2P networks are more secure, less costly, and more efficient than other networks, because they operate without a central server.⁹⁵ These benefits have not gone unnoticed; in addition to the defendants' patrons, universities, governmental agencies, corporations, and libraries utilize such networks.⁹⁶ Although P2P networks are cost-effective, the lack of a central server makes it difficult to monitor the shared information and intercept the potentially illegal behavior of users.⁹⁷ As a result, the defendants' users allegedly employed the P2P networks for the unauthorized sharing of copyrighted music and video files.⁹⁸

A group of copyright holders (plaintiffs) sued the defendants for contributory copyright infringement.⁹⁹ The district court found that software users who downloaded protected files directly infringed the plaintiffs' copyrights.¹⁰⁰ Nevertheless, the court granted the defendants' motion for summary judgment as to liability for contributory infringement.¹⁰¹ The district court held that the distribution of the P2P software "did not provide the distributors with actual knowledge of specific acts of infringement."¹⁰² On appeal, the Ninth Circuit affirmed.¹⁰³ It read *Sony* "as holding that distribution of a commercial product capable of substantial noninfringing uses could not give rise to contributory liability for infringement unless the distributor had actual

⁹⁴ *Id.* at 2771.

⁹⁵ *Id.* at 2770. Unlike Grokster, Napster and Aimster did not operate with true P2P software; both companies operated with a central server. *In re Aimster Copyright Litig.*, 334 F.3d 643, 648 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (9th Cir. 2001).

⁹⁶ *Grokster*, 125 S. Ct. at 2770.

⁹⁷ *Id.* at 2770 n.1.

⁹⁸ *Id.* at 2770-71.

⁹⁹ *Id.* at 2771. Despite the lack of an omniscient central server, the plaintiffs provided impressive evidence, which showed that copyrighted material accounted for approximately 90% of the files available on the defendants' P2P networks. *Id.* at 2772. The defendants, relying heavily on *Sony*, argued that P2P networks have substantial noninfringing uses, including, but not limited to, the free distribution of musical works to wider audiences as well as the free file sharing of unprotected works, like Shakespeare and Supreme Court Case Briefs. *Id.* Furthermore, some copyright holders, such as Wilco, authorized the file sharing of their work. *Id.* at 2784 (Ginsburg, J., concurring); *Id.* at 2772 (majority opinion). The defendants' revenue did not come from users of the free software, but rather from the sale of advertisements streamed to users employing the software: infringement was not their business. *Id.* at 2774.

¹⁰⁰ *Id.* at 2774.

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.* at 2774.

knowledge of specific instances of infringement and failed to act on that knowledge.”¹⁰⁴ The Ninth Circuit’s ruling differed dramatically from Judge Posner’s Seventh Circuit opinion¹⁰⁵ and, thus, deepened the split between the circuits.¹⁰⁶ The Supreme Court certified the question: “under what circumstances [is] the distributor of a product capable of both lawful and unlawful use . . . liable for acts of copyright infringement by third parties using the product.”¹⁰⁷

Justice Souter’s majority opinion began with a reaffirmation of the Court’s duty to balance the interests of copyright owners against the public’s interest in technological innovation.¹⁰⁸ The Court then explained that *Sony* “absolves the . . . conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one’s products will be misused.”¹⁰⁹ Despite the plaintiffs’ argument that a clear definition of the term “substantial” was the key to the case, the Supreme Court sidestepped the entire issue.¹¹⁰ “[T]he Court of Appeals misapplied *Sony*,” the majority explained, because “[the] Ninth Circuit . . . read *Sony*’s limitation to mean that whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties’ infringing use of it.”¹¹¹ Justice Souter opined, “[i]t is enough to note that the Ninth Circuit’s judgment rested on an erroneous understanding of *Sony* and to leave further consideration of the

¹⁰⁴ *Id.* at 2774-75.

¹⁰⁵ The Ninth Circuit addressed this divergence directly: “[w]e are mindful that the Seventh Circuit has read *Sony*’s substantial noninfringing use standard differently Even if we were free to do so, we do not read [*Sony*]’s holding as narrowly as does the Seventh Circuit.” *Grokster I*, 380 F.3d at 1162 n.9.

¹⁰⁶ The circuits diverged regarding two aspects of contributory infringement as outlined by *Sony*: knowledge and noninfringing uses. In *Aimster*, Judge Posner disagreed with the Ninth Circuit’s rule that actual knowledge of specific acts of infringement was necessary for liability. *In re Aimster Copyright Litig.*, 334 F.3d 643, 649 (7th Cir. 2003) (citing 2 PAUL GOLDSTEIN, COPYRIGHT § 6.1.2, p. 6:12-1 (2d ed. 2003)). Instead, the court held that constructive knowledge was adequate to establish liability. *Id.* at 650. The Seventh Circuit also held that “[i]t is not enough . . . that a product or service be physically capable . . . of noninfringing use,” there must be evidence that the product or service is “actually used for . . . the stated non-infringing purposes.” *Id.* at 653. In contrast, the Ninth Circuit held that the *Sony* rule absolved distributors of liability whenever their product or service was capable of substantial noninfringing use. *Grokster*, 125 S. Ct. at 2778.

¹⁰⁷ *Grokster*, 125 S. Ct. at 2770.

¹⁰⁸ *Id.* at 2775.

¹⁰⁹ *Id.* at 2777-78.

¹¹⁰ *Id.* at 2778; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 457 (1984) (Blackmun, J., dissenting) (“The Court has tended to evade the hard issues when they arise in the area of copyright law.”).

¹¹¹ *Grokster*, 125 S. Ct. at 2778. The Supreme Court did not expressly uphold the Seventh Circuit’s standard nor did it note the circuit split.

Sony rule for a day when that may be required.”¹¹² The majority then focused on the inducement claim and “[did] not revisit *Sony* further.”¹¹³

Once again, the Supreme Court looked to patent law for guidance on a copyright case.¹¹⁴ The majority held 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.”¹¹⁵

[M]ere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The inducement rule, instead, premises liability on *purposeful, culpable expression and conduct*, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.¹¹⁶

Applying this inducement rule to the facts presented, the majority held that “summary judgment in favor of [the defendants] was error.”¹¹⁷ The Court vacated the Ninth Circuit’s judgment and remanded the matter for further proceedings.¹¹⁸

Justice Ginsburg, joined by Chief Justice Rehnquist and Justice Kennedy, imparted the concurring opinion that summary judgment was inappropriate based on the software distribution as well as the active inducement of infringement.¹¹⁹ Justice Ginsburg explained that distributors may be liable as contributory infringers if their product lacks “‘substantial’ or ‘commercially significant’ noninfringing uses.”¹²⁰ However, “there was no need in *Sony* to ‘give precise content to the question of how much [actual or potential] use is commercially significant.’”¹²¹ In *Sony*, Justice Ginsburg argued, the evidence of

¹¹² *Id.* at 2778-79. Thus, the circuit split has not been resolved. Not only did the Supreme Court fail to clarify the *Sony* rule, but it also failed to adopt the Seventh Circuit’s position. *Id.* at 2778-80. Justice Souter’s opinion notes the Ninth Circuit’s position on actual knowledge, but does not directly address it. *Id.* at 2774-75. Instead, the Court simply stated that the Ninth Circuit misapplied *Sony*. *Id.* at 2778-79.

¹¹³ *Id.*

¹¹⁴ *Id.* at 2779.

¹¹⁵ *Id.* at 2780.

¹¹⁶ *Id.* (emphasis added).

¹¹⁷ *Id.* at 2782.

¹¹⁸ *Id.* at 2783.

¹¹⁹ *Id.* at 2783 (Ginsburg, J., concurring).

¹²⁰ *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984)).

¹²¹ *Id.* at 2784 (quoting *Sony*, 464 U.S. at 442).

noninfringing uses was far greater than that presented in this case.¹²² The Ninth Circuit erred because it relied heavily on declarations of substantial noninfringing uses supplied by the defendants.¹²³ Thus, Justice Ginsburg concurred with the majority, finding summary judgment inappropriate.¹²⁴

In response to Justice Ginsburg's concurrence, Justice Breyer, with whom Justices Stevens and O'Connor joined, penned a separate concurring opinion.¹²⁵ Specifically, Justice Breyer disagreed with Justice Ginsburg's opinion that summary judgment was inappropriate based on the P2P network's capability of substantial noninfringing use.¹²⁶ Though Justice Breyer agreed with Justice Ginsburg's discussion of the *Sony* rule, "the record evidence . . . convince[d] [him] that the Court of Appeals' conclusion ha[d] adequate legal support."¹²⁷

Justice Breyer noted that "[t]he [*Sony*] Court found that the magnitude of authorized programming [a mere 9% of all television programming] was 'significant.'"¹²⁸ Furthermore, Justice Breyer explained, the *Sony* Court "also noted the 'significant *potential for future authorized copying*.'"¹²⁹ "The [*Sony*] Court, in using the key word 'substantial,' indicated that [the authorized programming] constituted a sufficient basis for rejecting the imposition of secondary liability."¹³⁰ With that in mind, Justice Breyer compared the facts in *Sony* to those presented in *Grokster*.¹³¹ The number of files authorized for

¹²² *Id.* at 2785. The plaintiffs provided impressive evidence, which showed that copyrighted material accounted for approximately 90% of the files available on the defendants' P2P networks. *Id.* at 2772 (majority opinion). The defendants disputed the means of determining this finding as well as the implication. *Id.* To their detriment, the defendants "concede[d] [to] infringement in most downloads." *Id.* The defendants e-mailed directions, which outlined acts of direct infringement, to users. *Id.* The defendants also seemed to encourage infringement through their advertising campaigns, which targeted former Napster users with a penchant for copyright infringement. *Id.* at 2773. The defendants made no effort to filter copyrighted material from users' downloads, but "aimed to have a larger number of copyrighted songs [such as Top 40 tracks] available on their networks than other file-sharing networks." *Id.* They sent e-mails to warn users about copyright infringement, but never blocked anyone presumed to make illegal use of their software. *Id.* at 2774.

¹²³ *Id.* at 2785 (Ginsburg, J., concurring).

¹²⁴ *Id.* at 2785-86.

¹²⁵ *Id.* 2787-96 (Breyer, J., concurring). Notably, Justice Stevens, who authored the *Sony* opinion, joined Justice Breyer's opinion.

¹²⁶ *Id.* at 2787.

¹²⁷ *Id.*

¹²⁸ *Id.* at 2788 (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 444 (1984)).

¹²⁹ *Id.* (emphasis added).

¹³⁰ *Id.* at 2788.

¹³¹ *Id.*

downloading, according to the plaintiffs' expert, was 10%, a figure remarkably similar to the amount of authorized programming in *Sony*.¹³² Thus, Justice Breyer opined, "it is reasonable to infer quantities of current lawful use roughly approximate to those at issue in *Sony*."¹³³

In addition, Justice Breyer explained, "[*Sony*'s] . . . language . . . suggest[s] that a figure like 10%, if fixed for all time, might well prove insufficient, but that such a figure serves as an adequate foundation where there is a reasonable prospect of expanded legitimate uses over time."¹³⁴ Justice Breyer then provided a lengthy discussion of the P2P software's future noninfringing uses.¹³⁵ "As more and more uncopyrighted information is stored in swappable form, it seems a likely inference that lawful [P2P] sharing will become increasingly prevalent."¹³⁶ Justice Breyer included a laundry list of up-and-coming legitimate noninfringing uses for P2P software,¹³⁷ but noted "[t]here may be other now-unforeseen noninfringing uses that develop for [P2P] software, just as the home-video rental industry (unmentioned in *Sony*) developed for the VCR."¹³⁸ Granted, "[the defendants] may not want to

¹³² *Id.* at 2788-89. The defendants submitted evidence of free electronic books (from project Gutenberg); authorized music downloads (from artists like Wilco, Pearl Jam, Dave Matthews, and John Mayer); authorized clips from music videos as well as software in the public domain in order to establish its current noninfringing uses. *Id.* Sony proffered evidence from professional sports league officials, religious broadcasting representatives, and Mr. Rogers to establish its current noninfringing uses. *Sony*, 464 U.S. at 445-46.

¹³³ *Grokster*, 125 S. Ct. at 2789 (Breyer, J., concurring).

¹³⁴ *Id.* (citation omitted).

¹³⁵ *Id.*

¹³⁶ *Id.* at 2789-90.

¹³⁷ Justice Breyer expounded:

[L]egitimate noninfringing uses are coming to include the swapping of: *research information* (the initial purpose of many peer-to-peer networks); *public domain films* (e.g., those owned by the Prelinger Archive); *historical recordings and digital educational materials* (e.g., those stored on the Internet Archive); *digital photos* (OurPictures, for example, is starting a P2P photo-swapping service); "*shareware*" and "*freeware*" (e.g., Linux and certain Windows software); *secure licensed music and movie files* (Intent MediaWorks, for example, protects licensed content sent across P2P networks); *news broadcasts past and present* (the BBC Creative Archive lets users "rip, mix and share the BBC"); *user-created audio and video files* (including "podcasts" that may be distributed through P2P software); and *all manner of free "open content" works collected by Creative Commons* (one can search for Creative Commons material on StreamCast). [Citation omitted.] I can find nothing in the record that suggests that this course of events will *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.

Id. at 2790.

¹³⁸ *Id.*

develop these other noninfringing uses. But *Sony*'s standard seeks to protect not the Groksters of this world . . . , but the development of technology more generally."¹³⁹

Grokster is important, because the Court refused to revisit the *Sony* rule.¹⁴⁰ Instead, the Court established the inducement rule, which, unlike the *Sony* rule, penalizes purposeful conduct resulting in infringement.¹⁴¹ Although the Court unanimously applied the inducement rule to the defendants, the concurrences differed in their interpretation of the *Sony* rule.¹⁴² Justice Breyer, joined by Justice Stevens, the author of the *Sony* rule, wrote a concurring opinion that carefully discussed the *Sony* rule and provided explanation regarding the rule.¹⁴³ Justice Breyer's discussion of the social benefits of P2P software is particularly important to this comment.

II. COPYRIGHTS, TECHNOLOGY AND TORTS

This section develops copyright law's dual objectives as well as its origins in the Constitution. This section also establishes the links between contributory copyright infringement and tort law. The theory of contributory copyright liability "originates in tort law and stems from the notion that one who directly contributes to another's infringement should be held accountable."¹⁴⁴ However, when a product or service is capable of lawful and illegal uses, the "*Sony*[]" rule limits imputing culpable intent" to contribute to copyright infringement based on product distribution.¹⁴⁵ Just as the *Sony* Court was divided, the circuits split regarding the application of the *Sony* rule.¹⁴⁶ Recently, the Supreme Court refused to provide guidance for the lower courts,¹⁴⁷ and the concurrences reveal a still divided Court.¹⁴⁸ Thus, when another case requires clarification of the *Sony* rule, the lower courts should look to tort law for an explanation.

The United States Constitution explicitly grants Congress the power: "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right

¹³⁹ *Id.*

¹⁴⁰ *Id.* at 2778 (majority opinion).

¹⁴¹ *Id.* at 2780.

¹⁴² *Id.* at 2787 (Breyer, J., concurring).

¹⁴³ *Id.*

¹⁴⁴ *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

¹⁴⁵ *Grokster*, 125 S. Ct. at 2779.

¹⁴⁶ *In re Aimster Copyright Litig.*, 334 F.3d 643, 649 (7th Cir. 2003).

¹⁴⁷ *Grokster*, 125 S. Ct. at 2779.

¹⁴⁸ *Id.* at 2787 (Breyer, J., concurring).

to their respective Writings and Discoveries.”¹⁴⁹ Copyright serves both the private interests of the authors as well as the public interests of American society. Although the monopoly granted by the Constitution to authors provides a special reward, the goal is to enable others access to this protected expression for inspiration in creating their own expression and, thereby, promote knowledge.¹⁵⁰ Because of these dual objectives, “copyright protection has enjoyed a revered place in our national legal system and in the development of the arts, sciences, the economy, and industrialization of our nation.”¹⁵¹ The still-nascent Congress first enacted copyright legislation in 1790.¹⁵² However, copyright law is not an American invention; rather it is a constantly evolving descendent of the British censorship laws.¹⁵³ From the time of Guttenberg’s printing press up to today, copyright law has developed hand in hand with the advance of technology.¹⁵⁴

Copyright law’s dual objectives require review whenever technological innovation leaves the Copyright Act behind.¹⁵⁵ The *Sony* court aptly described this process as striking a “difficult balance between the interests of authors . . . and society’s competing interest.”¹⁵⁶ Although Congress is the body empowered by the Constitution to enact copyright legislation, the Supreme Court, through its power of interpretation, has made the most recent adjustments to copyright law in the *Grokster* opinion. The Court has been left with the task of striking the “difficult

¹⁴⁹ U.S. CONST. art. I, § 8, cl. 8.

¹⁵⁰ *CCC Information Services, Inc. v. MacLean Hunter Market Reports, Inc.*, 44 F.3d 61, 68 (2d Cir. 1994) (citing *Mazer v. Stein*, 347 U.S. 201 (1953)) (“The economic philosophy behind the clause empowering Congress to grant patents and copyrights 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.”); see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 443 (1984)).

¹⁵¹ *Dun & Bradstreet Software Serv., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 206 (3d Cir. 2002).

¹⁵² *Id.*

¹⁵³ *Sony*, 464 U.S. at 430 n.12 (citing Foreword to B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT vii-viii (1967)) (“Copyright protection became necessary with the invention of the printing press and had its early beginnings in the British censorship laws.”); see also Transcript of Oral Argument at 9, *MGM Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005) (No. 04-480) (Justice Breyer noted, “[F]or all I know, the monks had a fit when Gutenberg made his press.”).

¹⁵⁴ See *Sony*, 464 U.S. at 430 n.12 (citing Foreword to B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT vii-viii (1967)).

¹⁵⁵ *Id.* at 432 (citing *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)).

¹⁵⁶ *Id.* at 429; see also *Grokster*, 125 S. Ct. at 2775 (“The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the trade off.”).

balance,” because those seeking swift relief and enforcement of their rights often commence copyright infringement actions before Congress can respond¹⁵⁷ or as an alternative to congressional action.¹⁵⁸

An owner of a valid copyright may sue a direct infringer for copyright infringement if that infringer has copied elements of the copyright holder’s work without permission.¹⁵⁹ Direct infringers are those persons who actually copied the original elements of a copyright holder’s work without permission.¹⁶⁰ It seems simple, but modern technology continues to complicate matters. Today, Americans have VCRs, DVRs, DVD burners, CD burners, and P2P networks at their disposal. Thus, millions of unauthorized people can access and reproduce copyrighted material with the greatest of ease; “it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory . . . infringement.”¹⁶¹

Despite the Supreme Court’s use of this theory, Congress did not include contributory liability in the language of the Copyright Act.¹⁶² Instead, the *Sony* Court looked to patent law, which finds its beginnings in the same constitutional clause as copyright law, to establish the theory. Contributory infringement, however, is not a creation of patent law, but tort law.¹⁶³ “Contributory infringement *originates in tort law* and stems

¹⁵⁷ *Sony*, 464 U.S. at 429.

¹⁵⁸ The inducement standard adopted in *Grokster* as well as the Court’s refusal to revisit *Sony* may have been the Court’s effort to “split the baby” in light of the defeat of the Inducing Infringements of Copyright Act, S. 2560, 108th Cong., 2d Sess. (2004). See Christine Pope, iBrief, *Unfinished Business: Are Today’s P2P Networks Liable for Copyright Infringement?*, 22 DUKE L. & TECH. REV. ¶33 (2005), <http://www.law.duke.edu/journals/dltr/articles/PDF/2005DLTR0022.pdf>.

¹⁵⁹ *Dun & Bradstreet Software Serv., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 206 (3d Cir. 2002) (citing *Whelan Assoc. v. Jaslow Dental Lab.*, 797 F.2d 1222, 1231 (3d Cir. 1986); *Gates Rubber Co. v. Bando Chem. Indus.*, 9 F.3d 823, 831 (10th Cir.1993)) (“To establish a claim of copyright infringement [against a direct infringer], a plaintiff must establish: (1) ownership of a valid copyright; and (2) unauthorized copying of original elements of the plaintiff’s work.”).

¹⁶⁰ *Sony*, 464 U.S. at 433 (citing 17 U.S.C. § 501(a)) (“[A]nyone who trespasses into [the copyright holder’s] exclusive domain by using . . . the copyrighted work . . . ‘is an infringer of the copyright.’”); *In re Aimster Copyright Litig.*, 334 F.3d 643, 645 (7th Cir. 2003) (“[People] like to swap computer files containing popular music. If the music is copyrighted, such swapping, which involves making and transmitting a digital copy of the music, infringes copyright. The swappers . . . are the direct infringers.”).

¹⁶¹ *Grokster*, 125 S. Ct. at 2776.

¹⁶² *Id.* (citing *Sony*, 464 U.S. at 434).

¹⁶³ See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996); see also *In re Magnavox Co.*, 627 F.2d 803, 805 (7th Cir. 1980) (“[P]atent infringement is generally considered to be a tort.”).

from the notion that one who *directly contributes to another's infringement* should be held accountable.”¹⁶⁴ Accordingly, “one 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.”¹⁶⁵

As evinced by *Sony*, plaintiffs may reasonably believe that the marketing and distribution of a product with some infringing uses are means of contributing to direct infringement. The Supreme Court disagreed and, as the Court elucidates in *Grokster*, the “*Sony*[] rule *limits* imputing culpable intent”¹⁶⁶ to contributorily infringe based on product distribution, if a product (such as the VCR or P2P software) has substantial noninfringing uses.¹⁶⁷ Since its pronouncement, the *Sony* rule has caused some difficulty. Though the Court reversed the Ninth Circuit’s holding, the *Grokster* Court refused to further clarify the *Sony* rule or even address the circuit split between the Seventh and Ninth Circuits.¹⁶⁸ Instead, the Court introduced a new rule and left the lingering questions surrounding substantiality of noninfringing uses for another day.¹⁶⁹ The lower courts must now distill the murky waters: what is the meaning of “substantial?” The tort law definition of intent provides some much needed clarity.

III. *SONY*, SUBSTANTIAL CERTAINTY AND THE BALANCE

This section uses tort law to clarify the *Sony* rule. First, this section provides a detailed discussion of the Restatement’s definition of intent. Just as the Restatement bifurcates intent in tort law,¹⁷⁰ *Sony* and *Grokster* provide two situations in which a defendant may possess the intent to contribute to direct infringement.¹⁷¹ The comments accompanying the Restatement’s definition limit its scope.¹⁷² In certain situations,

¹⁶⁴ *Fonovisa*, 76 F.3d at 264 (emphasis added).

¹⁶⁵ *Id.*

¹⁶⁶ *Grokster*, 125 S. Ct. at 2779 (emphasis added).

¹⁶⁷ See Christopher Norgaard, *The Supreme Court Shares its Intent: Grokster’s Misplaced Pronouncements on Secondary Liability for Copyright Infringement*, 70 PAT., TRADEMARK, & COPYRIGHT J. 545 (2005) (“A product’s capability of noninfringing use . . . is relevant only when there is no direct evidence of inducement or encouragement. In other words, when a product’s only realistic and reasonable use is for infringement . . . the . . . distribution of the product induces and encourages the infringement.”).

¹⁶⁸ *Grokster*, 125 S. Ct. at 2778-79.

¹⁶⁹ *Id.* at 2780.

¹⁷⁰ RESTATEMENT (THIRD) OF TORTS § 1 (Tentative Draft No. 1, 2001).

¹⁷¹ *Grokster*, 125 S. Ct. at 2780; *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

¹⁷² RESTATEMENT (THIRD) OF TORTS § 1 cmt. e

illustrated by the examples listed in the comments,¹⁷³ a defendant “may be engaging in a generally proper activity for generally proper reasons, even though the activity produces harm as an unavoidable but unwanted byproduct.”¹⁷⁴ In such instances, the Restatement limits those defendants’ liability unless their conduct will affect a particular victim or a small class of victims in a localized area.¹⁷⁵ This limitation focuses liability on those who evince a blameworthy intent.¹⁷⁶ In addition, the substantial certainty limitation creates a balancing test akin to tort law’s negligence standard.¹⁷⁷ Thus, the Restatement suggests that, if a defendant’s conduct provides a net social benefit despite a substantial certainty of some harmful consequences, liability should be limited.¹⁷⁸ This limitation, when applied to contributory copyright infringement, will balance the interests of copyright holders and society.

A. The Restatement on Intent

Section one of the Restatement (Third) of Torts¹⁷⁹ explains that “[a] person acts with the intent to produce a consequence if: (a) The person has the *purpose* of producing that consequence; or (b) The person *knows to a substantial certainty* that the consequence will ensue from the person’s conduct.”¹⁸⁰ Although this is not a new concept, the Restatement (Third) of Torts clearly bifurcates the intent requirement for intentional torts.¹⁸¹ Similarly, the Supreme Court decisions in both *Sony* and *Grokster* provide two situations in which a manufacturer/software provider may possess the culpable intent for contributory infringement.¹⁸² *Grokster* imposes liability on those who induce

¹⁷³ *Id.*

¹⁷⁴ RESTATEMENT (THIRD) OF TORTS § 1 cmt. a.

¹⁷⁵ RESTATEMENT (THIRD) OF TORTS § 1 cmt. e.

¹⁷⁶ *See* RESTATEMENT (THIRD) OF TORTS § 1 cmt. e, reporter’s notes.

¹⁷⁷ *See id.*

¹⁷⁸ *See* RESTATEMENT (THIRD) OF TORTS § 1 cmt. e.

¹⁷⁹ The Restatement is a publication of the American Law Institute (ALI), which is an organization comprised of prominent members of the legal profession. ARTHUR BEST & DAVID W. BARNES, BASIC TORT LAW: CASES, STATUTES, AND PROBLEMS 18 (Aspen Publishers 2003). It is not binding law, but a model designed to standardize state laws across the country. *Id.* Though the Restatement (Third) of Torts is still a draft, it carries the weight of the ALI’s prestige; thus, it is highly persuasive. *Id.*

¹⁸⁰ RESTATEMENT (THIRD) OF TORTS § 1 (emphasis added).

¹⁸¹ *See* RESTATEMENT (SECOND) OF TORTS § 8A (1965) (defining a similar, yet blended, definition of intent that focuses on two mind states).

¹⁸² The Supreme Court is not the only body to adopt a seemingly bifurcated definition of intent in the copyright context. In 1998, Congress passed the Digital Millennium Copyright Act (DMCA), which provides a variety of additional protections for certain copyright holders, who utilize protective technological devices. As outlined by the

infringement or distribute their product for the purpose of promoting infringement.¹⁸³ The language of the rule calls to mind the Restatement's first intent prong: purpose/desire. On the other hand, the distribution of a product, if a company knows to a substantial certainty that infringement will ensue from that distribution, results in contributory liability.¹⁸⁴ This section will show that *Sony*, despite its rather cumbersome language, represents the second intent prong.¹⁸⁵

In addition to defining intent, the Restatement makes many careful qualifications concerning that definition. The drafters specifically note the obvious differences between desire and substantial certainty.¹⁸⁶ The drafters also argue that actions taken with the purpose to produce a harmful consequence evince a culpable desire state.¹⁸⁷ However, substantial certainty is a grey area. Just because one has substantial

additional violations under DMCA, Congress also employs a two-pronged intent standard:

(1) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in technology, product, service, device, component, or part thereof, that

(A) is primarily designed or produced for the purpose of circumventing [encryption and protective devices used by the copyright holders to protect their work];

(B) has only limited commercially significant purpose or use other than to circumvent [encryption and protective devices used by the copyright holders to protect their work]

17 U.S.C. § 1201(b)(1)(A)-(B) (2000 & Supp. 2005). The language of subsection A implicates those with a guilty mind and the language of sub-section B is remarkably similar to the *Sony* rule and its focus on "substantial noninfringing uses."

¹⁸³ *Grokster*, 125 S. Ct. at 2780.

¹⁸⁴ The Court specifically states, "*Sony's* rule limits imputing culpable intent," which calls to mind the language of the Restatement's discussion of intent. *Grokster*, 125 S. Ct. at 2779; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) ("[T]he sale of copying equipment . . . 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."); see also Norgaard, *supra* note 167. With regard to the circuit split, the Restatement only requires "knowledge." RESTATEMENT (THIRD) OF TORTS § 1 (Tentative Draft No. 1, 2001). Given *Sony's* silence on the issue and the *Grokster* ruling against the Ninth Circuit, it may be safe to say that constructive knowledge is adequate.

¹⁸⁵ The Court's language seems to incorporate both the substantial certainty theory as well as its limitation in one rule, which makes it difficult to decipher without the aid of the Restatement. This difficulty may have led to the circuit split as well as the Court's reluctance to revisit the rule.

¹⁸⁶ RESTATEMENT (THIRD) OF TORTS § 1 cmt. a. ("There are obvious differences between the actor who acts with the desire to cause harm and the actor who engages in conduct knowing that harm is substantially certain to happen. There is a clear element of wrongfulness in conduct whose very purpose is to cause harm").

¹⁸⁷ *Id.* ("When an actor chooses to engage in conduct with knowledge that harm is certain to follow, this choice, with its known consequence, provides a distinctive argument in favor of liability.").

certainty that his actions will produce a harmful consequence does not necessarily mean that he has the culpable desire to produce those results.¹⁸⁸ In fact, despite his substantial certainty, “the actor . . . may be engaging in a *generally proper activity for generally proper reasons*, even though the activity produces harm as an *unavoidable but unwanted byproduct*.”¹⁸⁹ Such a proper activity may be the operation of a railroad¹⁹⁰ or the construction of a high rise building.¹⁹¹ Thus, the drafters limit the application of the substantial certainty standard when the victims are not contained in a small class or within a localized area or when the period between cause and effect becomes too great.¹⁹²

¹⁸⁸ *Id.* (“[T]here are complications in considering the liability implications of harms that are intentional only in the sense that the actor who engages in conduct knows that harm is substantially certain to result.”).

¹⁸⁹ *Id.* (emphasis added); see also RESTATEMENT (THIRD) OF TORTS § 1 cmt. c (“[A] mere showing that harm is substantially certain to result from the actor’s conduct is not sufficient to prove intent; it must also be shown that the actor is aware of this.”).

¹⁹⁰ See RESTATEMENT (THIRD) OF TORTS § 1 cmt. e, reporter’s notes (citing RESTATEMENT (SECOND) OF TORTS § 292, cmt a (1965)) (“[D]espite the inevitability of serious injuries caused by railroads, a railroad company is not negligent for merely running the railroad.”).

¹⁹¹ Section One comment e states:

[I]n many situations a defendant’s knowledge of substantially certain harms is entirely consistent with the absence of any liability in tort. For example, an owner of land, arranging for the construction of a high-rise building, can confidently predict that some number of workers will be seriously injured in the course of the construction project; the company that runs a railroad can be sure that railroad operations will over time result in a significant number of serious personal injuries; the manufacturer of knives can easily predict that a certain number of person’s using its knives will inadvertently cut themselves. Despite their knowledge, these actors do not intentionally cause the injuries that result. Moreover, despite their knowledge, none of the companies – absent further facts – can ever be found guilty of negligence . . .

RESTATEMENT (THIRD) OF TORTS § 1 cmt. e.

¹⁹² In addition,

The application[] of the substantial certainty test should be limited to situations in which the defendant has knowledge to a substantial certainty that the conduct will bring about harm to a particular victim, or to someone within a small class of potential victims within a localized area. The test loses its persuasiveness when the identity of potential victims becomes vaguer, and when in a related way the time frame involving the actor’s conduct expands and the causal sequence connecting conduct and harm becomes more complex . . .

Id.

B. The Substantial Certainty Limitation

The substantial certainty limitation creates a balancing test for the protection and promotion of industries serving the public good.¹⁹³ Although the Restatement does not expressly state it as such, the industrial examples support this theory.¹⁹⁴ Furthermore, the substantial certainty limitation seems inspired, at least in part, by the Restatement (Second) of Torts' discussion of negligence.¹⁹⁵ For example, the Restatement explains that "[t]he operation of railways and other public utilities, no matter how carefully carried on, produces accidents which . . . harm many people but the risk involved in the operation is more than counterbalanced by the service which they render the public."¹⁹⁶ Thus, the Restatement weighs the harm substantially certain to occur against the public benefits derived from that industry's operation.

Even prior to the Restatement, the courts considered such a limitation on liability to be sound public policy. For instance, in *Beatty v. Central Iowa Railroad*, the Iowa Supreme Court affirmed a lower court decision that absolved the railroad of guilt for the wrongful death of the plaintiff, whose horse spooked along a highway parallel to the railroad tracks.¹⁹⁷ The court found that the construction of railroad tracks near a major roadway was not an act of negligence, because the public interest in the progress of technology and the promotion of intercommunication outweighed the other factors in favor of liability.¹⁹⁸ Similarly, the Supreme Court of Nebraska provided a lengthy policy discussion in a turntable (attractive nuisance) case.¹⁹⁹ The Nebraska Supreme Court opined:

The business of life is better carried forward by the use of dangerous machinery; hence the public good demands its use, although occasionally such use results in the loss of life or limb. It does so because the danger is insignificant, when weighed against the benefits resulting from the use of such machinery, and

¹⁹³ The Restatement limits liability for certain industries "because it is believed that the whole community benefits by it." RESTATEMENT (SECOND) OF TORTS § 292, cmt. a (1965).

¹⁹⁴ See RESTATEMENT (THIRD) OF TORTS § 1 cmt. e.

¹⁹⁵ See RESTATEMENT (THIRD) OF TORTS § 1 cmt. e, reporter's notes.

¹⁹⁶ RESTATEMENT (SECOND) OF TORTS § 292, cmt. a (1965).

¹⁹⁷ 12 N.W. 332 (Iowa 1882).

¹⁹⁸ *Id.* at 334 ("Railways, if constructed at all, must of necessity, cross over highways. . . . All persons must accept the advantages of this mode of intercommunication with the danger and inconveniences which necessarily attend it; the price of progress cannot be withheld.").

¹⁹⁹ *Chicago, Burlington & Quincy R.R. v. Krayenbuhl*, 91 N.W. 880, 882 (Neb. 1902) ("[T]he business of life must go forward; the means by which it is carried forward cannot be rendered absolutely safe.").

for the same reason demands its reasonable, most effective and unrestricted use, up to the point where the benefits resulting from such use no longer outweigh the danger to be anticipated from it. At that point the public good demands restrictions.²⁰⁰

Both of these courts balance the costs and benefits of operating a railroad in order to determine negligence: the cost of operating a railroad is outweighed by the social benefits derived from that industry. The ALR found this analysis persuasive when drafting the Restatement (Third) and, consequently, adopted it as the substantial certainty limitation. Thus, when a defendant's (an industry or software provider) conduct provides a net social benefit despite a substantial certainty of some harmful consequences, the courts should limit the defendant's liability.

Another justification for the substantial certainty limitation is the argument that "[d]esire-states . . . usually express culpability much more directly than belief-states do [W]hen belief is blameworthy, it is usually because the belief is strong evidence of some blameworthy desire-state."²⁰¹ For example, companies do not desire their railroads to cause serious bodily injury; they operate for the profitable purpose of transporting people and goods. Serious injury does not advance those goals. In addition, a subconscious desire to cause personal injury does not form the foundation of that certainty, rather the company's pragmatism results in a general understanding that personal injury is likely to result from the operation of a railroad.²⁰² On the other hand, assume an entity engages in conduct it knows to a substantial certainty will cause the serious injury or death of an employee, "a particular victim, or . . . someone within a small class of potential victims within a localized area."²⁰³ That company/person is liable, because their

²⁰⁰ *Id.* at 882-83.

²⁰¹ Kenneth W. Simons, *Rethinking Mental States*, 72 B.U. L. REV. 463, 496 (1992); see RESTATEMENT (THIRD) OF TORTS § 1 cmt. a (Tentative Draft No. 1, 2001) ("There are obvious differences between the actor who acts with the desire to cause harm and the actor who engages in conduct knowing that harm is substantially certain to happen. There is a clear element of wrongfulness in conduct whose very purpose is to cause harm . . .").

²⁰² See RESTATEMENT (SECOND) OF TORTS § 292, cmt. a (1965); See generally *Shaw v. Brown & Williamson Tobacco Corp.*, 973 F. Supp. 539, 548 (D. Md. 1997) ("While [a tobacco company] may have had knowledge that second-hand smoke would reach some non-smokers, the Court finds that such generalized knowledge is insufficient to satisfy the intent requirement for battery."); see also *Pechan v. DynaPro, Inc.*, 622 N.E.2d 108, 117-18 (Ill. App. Ct. 1993) ("[T]he act of smoking is not performed generally with the intent to 'touch' nonsmokers with second-hand smoke.").

²⁰³ RESTATEMENT (THIRD) OF TORTS § 1 cmt. e; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 446 (1984) ("[I]n an action for contributory infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects *only* his programs, or unless he speaks for *virtually all* copyright holders with an interest in the outcome.") (emphasis added).

knowledge is not general but reveals a more blameworthy mental state.²⁰⁴ Thus, the substantial certainty limitation ensures that only those people/entities that demonstrate a clear intent (established by their purpose or knowledge) will face liability.

C. Substantial Certainty Applied to Contributory Copyright Infringement

In *Grokster*, the plaintiffs sought a clarification of the *Sony* rule, but the Court refused to provide one.²⁰⁵ The explanations provided by the Restatement clarify that rule and the substantial certainty limitation provides a point of balance between the interests of copyright owners and the public's interest in technological innovation. For example, if a product has no conceivable use but copyright infringement, the company that markets and produces that product will be held liable.²⁰⁶ At the other extreme, if a product has only noninfringing uses, the company that markets and produces that product will never be liable. The problem, as revealed by the circuit split and the Supreme Court's reluctance to address the issue, comes about when a product or service is capable of both infringing and noninfringing uses. In those cases, the pragmatic software engineer or inventor will know to a substantial certainty that his product will, at some point, be used by another to infringe. However, just as a railroad may escape liability for personal injuries substantially certain to occur, the distributor of such a product may also escape liability by way of the substantial certainty limitation.

The substantial certainty limitation should not be confused with an exemption. Instead, it is a net through which the courts may filter those cases that fall into the gray area between the two extremes. The substantial certainty limitation is a balancing test; if an industry knows to a substantial certainty that its operation could result in harm, the court weighs that knowledge against the public benefits that industry provides. If the industry provides a net social benefit, it should enjoy limited

²⁰⁴ See *Leichtman v. WLW Jacor Comm., Inc.*, 634 N.E.2d 697, 699 (Ohio Ct. App. 1994) (“[W]hen [the defendant] intentionally blew cigar smoke in [the plaintiff]’s face, under Ohio common law, he committed a battery.”).

²⁰⁵ *Grokster*, 125 S. Ct. at 2778 (“[W]e do not revisit *Sony* further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur.”).

²⁰⁶ As the Court notes, “[W]here an article is ‘good for nothing else’ but infringement, there is no legitimate public interest in its unlicensed availability, and there is no injustice in presuming or imputing an intent to infringe.” *Id.* (citing *Canda v. Michigan Malleable Iron Co.*, 124 F. 486, 489 (6th Cir. 1903)). Similarly, such activity is encompassed by the Restatement’s discussion of intent. Certainly one who develops and distributes a product only capable of harmful consequences evinces either a purpose to cause harm or the knowledge to a substantial certainty that such harms will come about.

liability. However, the limitation does not allow all industries to escape liability, nor does it allow all producers of products and services capable of infringement to escape liability as a contributory infringer. The limitation promises that certain software companies may escape liability, while others may not. The difficulty has always been deciding where to draw the line between the interests of copyright holders and the public's interest in technological innovation. The substantial certainty limitation, thus, eases the "difficult balance."²⁰⁷

In some cases, a company, like Sony, or the proprietor of P2P networks, such as BearShare, Limewire, eDonkey, iMesh, eMule, and BitTorrent, may analogize to those industries and instances noted in the Restatement. P2P networks provide a public service. Like the railroad and airline industries, which facilitate the free flow of commerce and communication on a national and global scale, P2P networks facilitate the free flow of trade and ideas on a global scale.²⁰⁸ Many corporations utilize P2P networks.²⁰⁹ Due to reduced transaction costs, entrepreneurs, previously excluded from the global market, now have access.²¹⁰ Justice Breyer's concurring opinion also specifically lists many of P2P networks' uses that promote communication.²¹¹ In addition to the public benefits, copyright owners may profit from this technology. Artists, who otherwise may have had a smaller audience, can now reach an Internet-savvy global community.²¹² Furthermore, as Justice Breyer noted, "[t]here may be other now-unforeseen noninfringing uses that develop for [P2P] software, just as the home-video rental industry (unmentioned in *Sony*) developed for the VCR."²¹³ In light of these social benefits, the proprietors of P2P networks may qualify for the substantial certainty limitation; technological innovation will not be chilled.

Nevertheless, the limitation does not save industries that know to a substantial certainty that their conduct may harm specific victims or

²⁰⁷ *Sony*, 464 U.S. at 429.

²⁰⁸ See Timothy K. Andrews, Comment, *Control Content, Not Innovation: Why Hollywood Should Embrace Peer-to-Peer Technology Despite the MGM v. Grokster Battle*, 25 LOY. L.A. ENT. L. REV. 383, 410 (2004).

²⁰⁹ *Grokster*, 125 S. Ct. at 2770.

²¹⁰ Andrews, *supra* note 208, at 410-11 (citing Brief of Appellee Grokster, Ltd. at 18-20, *MGM Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004) (No. 03-55894 and No. 03-55901)).

²¹¹ *Grokster*, 125 S. Ct. at 2790 (Breyer, J., concurring).

²¹² See *id.* at 2789 (noting Grokster's network included "[a]uthorized copies of music by artists such as Wilco, Janis Ian, Pearl Jam, Dave Matthews, John Mayer, and others"); see also Andrews, *supra* note 208, at 411 ("[W]hen AOL Time Warner's Reprise Records refused to release the album Yankee Hotel Foxtrot by the band Wilco, the band turned to P2P and distributed its album free of charge. . . . Soon after, Wilco signed with Nonesuch Records . . . and the album went gold on May 20, 2003.").

²¹³ *Grokster*, 125 S. Ct. at 2790 (Breyer, J., concurring).

persons in a localized area. This distinction furthers the goals of the substantial certainty limitation. Rather than punishing pragmatism, the limitation focuses liability on those who evince a subconscious, blameworthy desire to cause harm. The proprietors of P2P networks may have knowledge to a substantial certainty that their software will facilitate the infringement of *particular* copyright holders' work. For example, in *Grokster* and *Aimster*, the defendants listed Top 40 tracks for download.²¹⁴ The Napsters, Groksters, and Aimsters of the world are substantially certain, based on the popularity of those songs, that users will download Top 40 songs without thinking of the royalties lost to the copyright holder. Their certainty has a clear element of wrongfulness, unlike that of the railroad industry, Sony, or even other software providers. According to the substantial certainty limitation, those software distributors are thus liable as contributory copyright infringers. Of course, only the particular copyright holders, within that small class of victims, could take action against the software provider. Thus, the interests of the copyright holders counterbalance against the social interest in technological innovation.

Ultimately, when applying the Restatement's theory of intent as well as its limitations to contributory copyright infringement, two scenarios result in liability. One, which should be familiar, occurs when an entity purposefully induces copyright infringement. The Supreme Court provided a laundry list of questionable conduct committed by the defendants in *Grokster*.²¹⁵ Although the Court did not decide the facts of the case, it hinted that such conduct equated to purposeful inducement.²¹⁶ The proprietor of a P2P network, such as Grokster, does not escape liability in that context and the interests of the copyright holders are served. The second scenario comes about when an entity distributes a product (or provides a service) capable of both infringing and noninfringing uses. In the latter instance, the substantial certainty limitation focuses liability on entities with a culpable mind state. First, the question is whether "the defendant has knowledge to a substantial certainty that [its] conduct will bring about harm to a particular victim, or to someone within a small class of potential victims."²¹⁷ If the answer is yes, then the analysis stops and the defendant faces liability based on its intent to cause harm. If the answer is no, the court must balance the social benefits derived from the product against the harm it produces. If

²¹⁴ *Id.* at 2774 (majority opinion); *In re Aimster Copyright Litig.*, 334 F.3d 643, 645-46 (7th Cir. 2003).

²¹⁵ *Grokster*, 125 S. Ct. at 2781-82.

²¹⁶ *Id.* at 2782.

²¹⁷ RESTATEMENT (THIRD) OF TORTS § 1 cmt. e (Tentative Draft No. 1, 2001).

the product or service creates a net social benefit, the court should limit liability: society's interest in technological innovation is served. If the product or service does not, the court must impose liability: copyright holders are protected. Thus, the substantial certainty limitation clarifies the *Sony* rule for the courts entrusted with the duty of balancing artists' and society's competing interests.

CONCLUSION

In the future, when faced with the need to clarify the *Sony* rule, the lower courts should look to tort law and apply the substantial certainty limitation, because it provides the balance between the public's interest in technological innovation and the rights of copyright holders. The Supreme Court has repeatedly emphasized the need to balance those interests and recently entrusted that duty with the lower courts. The substantial certainty limitation does not resolve the split between the Seventh and Ninth Circuits, because only action by Congress or the Supreme Court can correct that divergence. The substantial certainty limitation, however, clarifies the *Sony* rule for the lower courts not bound by precedent. It focuses liability on those who evince a blameworthy intent to cause harm and protects those industries that support the public interest. Applying the substantial certainty limitation, the court should ask two questions. First, the court must ask if "the defendant has knowledge to a substantial certainty that [its] conduct will bring about harm to a particular victim, or to someone within a small class of potential victims."²¹⁸ If the answer is yes, then the defendant is culpable and must face liability. If the answer is no, a court must balance the social benefits derived from the product against the harm it produces. If the product or service creates a net social benefit, a court should limit liability: society's interest in technological innovation should be served. If the product or service does not, the court must impose liability: copyright holders should be protected. Ultimately, the substantial certainty limitation provides the clarification of the *Sony* rule that has been lacking for twenty years.

²¹⁸ *Id.*