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COMMON-SENSE (FEDERAL) COMMON LAW
ADRIFT IN A STATUTORY SEA, OR WHY
GROKSTER WAS A UNANIMOUS DECISION

Jay Dratler, Jr.†

I. INTRODUCTION: THE TWO MISTAKES

The very day the Supreme Court rendered its decision in Grokster,¹ commentators on the Lehrer News Hour pondered an interesting puzzle: why a unanimous decision?² Grokster was one of the very last decisions the Court announced in its 2004-2005 term, and the Court usually decides the hardest cases last. Why, if the case were so simple as to promote unanimity, were there dozens of briefs from a gold-plated list of amici, including several groups of law professors, the State of Utah, two United States Senators, and the Solicitor General?³ How did one of the most controversial and contentious cases in copyright history produce a unanimous opinion?

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3. The Supreme Court’s docket lists sixty-one amicus briefs filed on behalf of such amici as the United States, the State of Utah, U.S. Senators Patrick Leahy and Orrin Hatch (erstwhile Chairmen of the Senate Judiciary Committee), Intel Corp., the Commissioner of Baseball, the performing rights societies ASCAP and SESAC, Inc., various groups of law, computer science and media studies professors, and such trade associations as the National Academy of Recording Arts & Sciences, the National Association of Recording Merchandisers, the Intellectual Property Owners Association, the National Association of Broadcasters, the American Federation of Musicians of the United States and Canada, the National Venture Capital Association, the Consumer Electronics Association, Emerging Technology Companies, International Rights Owners, the Computer and Communications Industry Association, the Internet Archive, the
I'd like to begin by posing a provocative answer to these questions. In my view, the entire *Grokster* litigation on appeal, with all its *Sturm und Drang* and many *amicus* briefs, was based on two mistakes. Once the Supreme Court had recognized those mistakes, it was easy to correct them, and to do so unanimously. Doing what the parties and most *amici* so desperately wanted the Court to do—revisit its 1984 decision in *Sony*—was unnecessary and probably unwise.4

So what were the two mistakes? The first was procedural. Early in the litigation, the parties made cross-motions for summary judgment restricted to defendants’ present and future activities, ignoring past actions and past versions of their software.5 The parties’ precise motivations for this agreement remained unclear, and indeed appeared to mutate, up to and during oral argument before the Supreme Court.6 One thing was clear throughout, however: both parties apparently viewed *Sony* as the heart of the case and wanted the appellate courts to modify or clarify it.7

Whatever their reasons at the time, the parties agreed to frame their summary judgment motions in this limited way, and the district
court did not object. Perhaps it should have. What resulted was a summary judgment not on a claim or cause of action, but on a legal theory or set of facts. At oral argument, the defendants insisted that an inducement-to-infringe theory was not before the Supreme Court but remained for adjudication below, regardless of remand. The plaintiffs, beginning to understand that reliance on Sony might be risky, vigorously objected. Justice Souter described this state of affairs as "bizarre." Chief Justice Rehnquist overcame his intubation to ask whether the summary judgment motion had asked for dismissal of a claim but never got a satisfactory answer.

Thus the parties, by trying so hard to arrange for a "test case" for revisiting Sony, neglected a basic principle of civil procedure: that judgments are on claims or causes of action, not legal theories or sets

8. See Grokster, at 2774 ("The District Court limited its consideration to the asserted liability of [defendants] for distributing the current versions of their software, leaving aside whether either was liable 'for damages arising from past versions of their software, or from other past activities.'" (quoting district court in Metro-Goldwin-Mayer Studios, Inc. v. Grokster, Ltd. 259 F. Supp. 2d 1029, 1033 (C.D. Cal. 2003)).

9. See Grokster Oral Argument, supra note 6, at 30, lines 4-8 (defendants' counsel argued that the inducement theory was "not here, because [it] was explicitly part of the [defendants'] past activities, removed from the District Court decision" and not a subject of the interlocutory appeal); id. at 30, lines 22-25 (arguing that plaintiffs remained "entitled to argue [the inducement theory], back in the District Court, without a remand, because that issue remains in the District Court"); id. at 41, lines 3-9, at 42-43 (to same effect).

10. The plaintiffs' apparently had agreed to this "bizarre" division of the cause of action in both courts below. Yet their disagreement at oral argument before the Supreme Court is quite clear. See id. at 50-51 (plaintiffs' rebuttal). Apparently plaintiffs feared that an inducement theory, if limited to defendants' past acts and software, could not support injunctive relief against defendants' continuing facilitation of their customers' massive infringement—relief that was patently plaintiffs' chief goal in the litigation:

[The [defendants'] position here is that we can sue for specific infringements that we can show were induced by these specific acts, such as e-mail support. Our position on inducement is that we are entitled to injunctive relief against the continued operation of this gigantic infringement machine, which was built by the inducement.

Id. at 51, lines 1-7 (plaintiff's counsel).

11. Id. at 45, line 3. See also id. at 30 at 15-16 (observing that granting summary judgment on an inducement theory would be implausible to a non worldly degree). See also id. at 42, lines 1-2 (Justice Stevens stating, "I'm still a little puzzled about the posture of the case").

12. See id. at 47, lines 13-15; id. at 47-49. Justice Rehnquist asked the defendant's counsel whether the district court's summary judgment had dismissed a particular legal claim; counsel answered "no," in essence, explaining that the "claim" at issue had been split into fragments based on (1) present and future facts and software and (2) past facts and software, apparently by agreement of the parties and with the district court's acquiescence. See id. at 48, lines 2-5 ("The other side eventually agreed that [the 'claim' subject to summary judgment] was distinct and severable from their claim of secondary liability as to past acts and as to past versions of the software.").
of facts. The ghastly confusion in terminology in this field perhaps aided and abetted this error. In any event, the Court unanimously rejected their "test case" ploy and decided the case based on the theory that the defendants had tried at least temporarily to ignore: inducement to infringe.

The second error was related but more fundamental. Both parties and two courts—the district court and Ninth Circuit—apparently forgot that secondary liability in copyright law is a matter of federal common law. They applied the rule of Sony as if it were a statutory prescription, rather than a common-law construct based on a particular set of facts. That is, they tried to construe Sony as an invariable rule of immunity from secondary liability, which applies whenever the defendant provides something capable of substantial noninfringing use.

The Court readily recognized this error. Sony, it noted, had nothing to do with inducement to infringe and therefore was inapplicable to a theory of inducement, which is a separately cognizable theory of secondary liability at federal common law. In

14. See discussion infra Part IV(A).
15. Because Sony did not displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on [plaintiffs'] inducement claim, we do not revisit Sony further, as [plaintiff] 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. It is enough to note that the Ninth Circuit's judgment rested on an erroneous understanding of Sony and to leave further consideration of the Sony rule for a day when that may be required.

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

See also id. at 2770 ("We hold 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."). See also infra note 83.

16. See discussion infra Part II. See also id. at 2776 (describing two federal-common-law rules discussed infra as "doctrines of secondary liability [that] emerged from common law principles and are well established.").

17. See Grokster, 125 S. Ct. at 2778 ("The Ninth Circuit has 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."); Grokster Oral Argument, supra note 6, at 52, lines 18-20 (plaintiffs' counsel, characterizing defendants' argument as "a rule of immunity").

18. See Grokster, 125 S. Ct. at 2778, ("the Court of Appeals misapplied Sony, which it read as limiting secondary liability quite beyond the circumstances to which the case applied").
an unusually clear and unanimous opinion, it held that there was enough evidence of inducement in the record to overturn summary judgment for the defendants on an inducement theory without even considering *Sony*. It therefore reversed and remanded for a ruling on that theory.

After all the briefing on *Sony*, six concurring justices could not resist giving some guidance on it, but they split three to three. In the end, only three out of nine justices would have made it possible to impose secondary liability under *Sony*, and they would have done so largely on evidentiary and procedural grounds. All nine agreed that

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19. For the same reasons that *Sony* took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding 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. *Id.* at 2780.

20. In its unanimous opinion, the Court found three evidentiary factors “particularly notable.” Metro-Goldwyn-Mayer Studios Inc. v. *Grokster*, Ltd., 125 S. Ct. 2764, 2781-82 (2005). First, each defendant had each “showed itself to be aiming to satisfy a known source of demand for copyright infringement, the market comprising former Napster users.” *Id.* at 2781. Second, “neither [defendant] attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software.” *Id.* at 2782. Third, the defendants’ business model depended on advertising revenue, “the extent of the[ir] software’s use determine[d] the gain to the distributors, [and] the commercial sense of their enterprise turn[ed] on high-volume use, which the record show[ed] infringing.” *Id.* at 2782 (internal citation omitted). The Court cautioned that neither the second nor third factors could support a finding of infringement by itself, but it did not so restrict the first factor. *See id.* at 2781 & n.12. It thus left the impression that deliberately facilitating massive infringement by taking over the customer base of an enterprise built on infringement could, in itself, constitute actionable inducement to infringe. *See id.* at 2780-82. In any event, based on all three factors, it held “[t]he unlawful objective . . . unmistakable.” *See id.* at 2781-82 & n.12.


22. Justice Ginsburg, joined by Chief Justice Rehnquist and Justice Kennedy, saw the evidence of noninfringing use in the record anecdotal and speculative and therefore insufficiently “substantial” to support summary judgment for defendants under the *Sony* standard. *See id.* at 2785-87 (Ginsburg J., concurring, Rehnquist, C.J. & Kennedy, J. joining). Justice Breyer, joined by Justices O’Connor and Stevens, reviewed the very same evidence and found it sufficient to satisfy the *Sony* standard and support summary judgment. *See id.* at 2787-89 (Breyer, O’Connor & Stevens, J.J., concurring). They further opined that the apparent 10% of non-infringing use, while perhaps not sufficient if “fixed for all time,” should “serve[s] as an adequate foundation [for nonliability] where there is a reasonable prospect of expanded legitimate uses over time.” *Id.* at 2789 (internal citation omitted). The latter three justices viewed the “real question” as whether the Court should modify the *Sony* standard or interpret it more strictly, and ultimately answered that question in the negative. *See id.* at 2790-91, 2796.

23. *See id.* at 2786-87 (Ginsburg, J., concurring, Rehnquist, C.J. & Kennedy, J. joining). These Justices concluded only that evidence in the record—that infringement by users was
Sony was irrelevant to the main legal theory on remand: inducement to infringe.\textsuperscript{24} Therefore Sony remains good law, virtually untouched except for better explication of its rationale.\textsuperscript{25}

In pointing out the mistakes made in this litigation, I do not mean to imply any criticism of the parties, their counsel, amici, or the lower courts. This field of law is confusing, and terminological chaos, discussed below, exacerbates the confusion.\textsuperscript{26} Despite teaching these very subjects at least twice per year in different courses, I did not fully appreciate the significance of these mistakes until after reading several briefs, the oral arguments, and the Supreme Court’s decision. But recognizing mistakes—even with the blessing of hindsight—is the beginning of wisdom, and these particular mistakes have much to teach us about secondary liability for copyright infringement. This paper is dedicated to their lessons.

II. MISTAKING FEDERAL COMMON LAW FOR STATUTORY PRESCRIPTIONS

The last lesson—that secondary liability is copyright in a matter of federal common law—is by far the most important. Copyright is an exclusively statutory field,\textsuperscript{27} and Congress has nearly total discretion to shape it at will.\textsuperscript{28} Yet Congress does not always speak—

\begin{itemize}
\item massive and constituted 90% of the actual use of defendants’ technology—was at least sufficient to overturn summary judgment for defendants under Sony standard. \textit{Id.}
\item 24. See supra notes 18, 19. See also \textit{id.} at 2783 (Ginsburg, J., concurring, Rehnquist, C.J. & Kennedy, J. joining) (explicitly concurring with unanimous opinion that inducement is separately cognizable theory); \textit{id.} at 2787 (Breyer, O’Connor & Stevens, JJ., concurring) (explicitly agreeing with unanimous opinion that “the distributor of a dual-use technology may be liable for the infringing activities of third parties where he or she actively seeks to advance the infringement” and that “in light of our holding today, we need not now ‘revisit’ Sony).
\item 25. Justice Breyer’s concurrence, in particular, laid out the rationale of Sony—protecting innocent technology innovators from chilling fear of secondary liability for copyright infringement—in some detail and at some length. See \textit{id.} at 2790-96.
\item 26. See discussion infra Part IV(A).
\item 27. See \textit{Sony Corp. of America v. Universal City Studios, Inc.}, 464 U.S. 417, 431 (1984) (“long before the enactment of the Copyright Act of 1909, 35 Stat. 1075, it was settled that the protection given to copyrights is wholly statutory. . . . The remedies for infringement ‘are only those prescribed by Congress’” (citing Wheaton v. Peters, 8 Pet. 591, 661-62 (1834), and Thompson v. Hubbard, 131 U.S. 123, 151 (1889)).
\item 28. See \textit{Eldred v. Ashcroft}, 537 U.S. 186 (2003) (“it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives” (citation omitted)); \textit{id.} at 208 (Supreme Court is “not at liberty to second-guess” Congress’ “rational enactment”); \textit{id.} at 204 (if the statute does not violate the Copyright Clause’s “limited Times” requirement, it need only be a “rational exercise of the legislative authority conferred by the Copyright Clause”); Sony, 464 U.S. at 429 (“It is Congress that has been assigned the task of defining the scope of [rights] that should be granted to authors or to inventors in order to give the public appropriate access to their work product.”).
\end{itemize}
let alone speak clearly—on every issue. Secondary liability is a prime example; if Congress spoke at all on the subject, it mumbled inaudibly. In contrast to patent law, which explicitly sets out causes of action for inducing infringement, contributory infringement, and related offenses at some length, the copyright statute contains no explicit definition of any form of secondary liability. The closest it comes is a brief exegesis in the House Report on the concept of "authorizing" infringement under Section 106.

When Congress is mute or unintelligible on an important point in an otherwise comprehensive statutory scheme, it is up to the courts to fill in the gaps. Doing so is neither judicial legislation nor judicial activism. Rather, it is an exercise in developing federal common law, within the interstices of federal statutes, universally recognized as legitimate, notwithstanding *Erie.*

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29. See 35 U.S.C. § 271(b) (cause of action for inducing patent infringement); 35 U.S.C. § 271(c) (defining contributory infringement); 35 U.S.C. §§ 271(d) (defining further acts of contributory infringement and excluding some); § 271(f) (defining as infringement producing components of product or process for assembly or use abroad); § 271(g) (defining as infringement importing or selling product made abroad by patented process). *See also Sony,* 464 U.S. at 434 ("The Copyright Act does not expressly render anyone liable for infringement committed by another"). Since *Sony,* the Digital Millennium Copyright Act has recognized the possibility of vicarious and contributory liability for copyright infringement but has not attempted to define them. See 17 U.S.C. § 1201(c)(2) ("Nothing in this section shall enlarge or diminish vicarious or contributory liability for copyright infringement in connection with any technology, product, service, device, component, or part thereof") (emphasis added).


The exclusive rights accorded to the copyright owner under section 106 are 'to do and to authorize' any of the activities specified in the five [sic: now six] numbered clauses. Use of the phrase 'to authorize' is intended to avoid any questions as to the liability of contributory infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.

*See also Sony,* 464 U.S. at 435 n.17:

The lack of clarity in this area may, in part, be attributable to the fact that an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.

Subject to exceptions, "the owner of copyright... has the exclusive rights to do and to authorize any of the six listed activities with respect to a copyrighted work, namely, reproduction, adaptation (preparing derivatives), distribution, public performance, public display, and digital audio transmission. 17 U.S.C. § 106 (emphasis added).

Problems arise, however, when courts are not conscious of what they are doing. Common-law decision making is inevitably *ad hoc*. It relies on general principles of justice and common sense. Its tools are analogy and distinction based on facts. By using these tools, courts mimic—on a much smaller scale and for a much smaller subset of factual contingencies—the comprehensive factual inquiries that legislatures are supposed to undertake before prescribing more comprehensive and general rules in statutes. In contrast, statutory interpretation is a detailed and specific exegesis of existing rules, aided by logic, deduction, and a detailed "paper trail" of history and legislative intent. In their modes of thinking, procedure and analysis, not to mention sources of legal authority, the two processes are different enough to be characterized as wholly different disciplines.

It is vital for both litigants and the courts to consider under what circumstances each is appropriate. When a statute speaks on a subject and comes close to giving an answer, but requires extrapolation to new or unanticipated circumstances, statutory interpretation is appropriate. In contrast, when the statute is silent and the legislative history suggests a huge open issue, perhaps throwing out a few random examples, federal-common-law analysis is appropriate.

The latter is precisely the case with respect to secondary liability for copyright infringement. The statute contains only three code words—"and to authorize"—and the House Report explains that these words import, among other things, recognition of contributory infringement. The House Report further throws out a quick example of contributory infringement, which is obviously intended to be illustrative, not exhaustive. Today, with the passage of nearly thirty years and the explosive advance of technology, this example appears a bit quaint. Furthermore, as the *Sony* Court itself noted, the law of secondary liability in copyright was not well developed at the time,

33. See id.

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 fact that its customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.

See also id. at 435 (noting "[t]he lack of clarity in this area").
although the bar and Congress had worked assiduously for some decades to rationalize the doctrine of contributory infringement in patent law.\(^3\)

The conclusion was inescapable that Congress invited the courts to fill a huge gap in copyright with federal common law. Yet the courts would have had to step in even without an invitation. For, as the Supreme Court recognized in *Sony*, "vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another."\(^3\) Whether invited by Congress or not, the Supreme Court felt it had a duty to recognize and apply the universal principle of law that there are circumstances under which A may be liable for B's tort.\(^3\)

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35. For an excellent and comprehensive review of the process by which the "staple article" doctrine developed in patent law—a process that took several decades and required congressional intervention—see Dawson Chemical Co. v. Rohm & Haas Co., 448 U.S. 176, 187-223 (1980).


37. Several participants in the conference questioned my conclusion that the *Sony* Court had self-consciously made federal common law, rather than interpreting the copyright statute. Having studied *Sony* off and on for over twenty years, I saw that conclusion as self-evident. There are at least five good reasons for it. First and foremost, the *Sony* Court had no relevant statutory language to interpret. The words "and to authorize" in Section 106—the sole statutory "hook" in the 1976 Act on which to hang secondary liability, see *supra* note 30—hardly applied in their plain meaning to *Sony*’s activities. *Sony* did nothing to "authorize" infringement by users of its video tape recorders. On the contrary, it included a warning against copyright infringement in its instruction manuals. *See infra* note 59.

Second, the *Sony* Court explicitly acknowledged the lack of relevant statutory guidance. It began the key section of its analysis with a flat statement that "[t]he Copyright Act does not expressly render anyone liable for infringement committed by another." *Sony*, 464 U.S. at 434. The Court itself thus recognized that it was writing on a blank slate.

Third, although the Court adverted to the statute’s "and to authorize" language, it mentioned it only in passing (in a footnote), *see supra* note 30, and did not even pretend to interpret it. Instead, the Court launched into a discussion of relevant precedent, *see Sony*, 464 U.S. at 435-38 & n.18, which the *Grokster* Court later explicitly acknowledged as having "emerged from common law principles[.]" *See supra* note 16. Furthermore, all the cases that the Court discussed had been decided under the previous copyright statute (the Copyright Act of 1909), so the Court could hardly have used them to "interpret" the 1976 Act’s language even had they been relevant.

Fourth, the *Sony* Court ultimately distinguished all of the precedent it discussed as irrelevant to the question before it. *See Sony*, 464 U.S. at 435-38 (distinguishing Kalem Co. v. Harper Brothers, 222 U.S. 55, 62-63 (1911)); *Sony*, 464 U.S. at 437-38 & n.18 (distinguishing dance-hall and department-store cases). It thus found the wells of both statutory language and precedent dry. *See id.* at 439.

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 fact that its customers may use that equipment to make unauthorized copies of copyrighted
Problems arise, however, when the courts, in developing federal common law on a case-by-case basis, promulgate rules with the specificity and apparent authority of statutory prescriptions. Then litigants and other courts may be thrown off the scent of common-law analysis and treat the holdings of federal-common-law decisions like statutory text capable only of narrow exegesis in a process akin to statutory interpretation.

This appears to have been precisely what happened in *Grokster*. Indeed, it appears to have been characteristic of the whole field of secondary liability in copyright during the time period leading up to that decision.

For several years now, I have put the following three rules on the blackboard at some point in both my copyright and cyberlaw classes:

Rule 1: Vicarious liability exists where a defendant has the right and ability to control copyright infringement, derives direct financial benefit from the infringement, and does not stop it.

Rule 2: A defendant is liable for contributory infringement when he knows of copyright infringement (actually or constructively) and induces, causes or materially contributes to it.

material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. On this point also the Court saw itself as breaking new ground.

The final reason for concluding that the *Sony* Court was making federal common law was its stated rationale for its decision. It drew the standard for contributory infringement that it ultimately announced, not from the statute it was purporting to interpret (the copyright statute), but from a statute on another subject entirely—patent law. See *id.* (“There is no precedent in the law of copyright for the imposition of vicarious liability on [the asserted] theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.”). Furthermore, in applying patent principles, the *Sony* Court took pains to distinguish trademark law as insufficiently analogous, and ultimately founded its application of patent principles on sound policy. See *id.* at 439 n.19 (“We have consistently rejected the proposition that a similar kinship exists between copyright law and trademark law.”); *id.* at 442 (“The staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.”).

Viewed thus as a whole, the *Sony* Court’s reasoning is impossible to characterize as statutory interpretation, at least if that term has any stable meaning. The Court began with a brooding omnipresence—the general principle of secondary liability “imposed in virtually all areas of the law[.].” See *id.* at 435. Finding no relevant statutory language and relegating the scant legislative history to a footnote, the Court then proceeded to analyze precedent under a prior statute on the same subject, again to no avail. Finally, the Court borrowed a principle from another statute entirely, picking and choosing what statute to borrow from and relying heavily on common sense and good policy as it did so. Any resemblance of this process to statutory interpretation, which normally involves close attention to the text of the statute and the intent of Congress expressed in congressional reports and floor debates, was purely coincidental.
Rule 3: A defendant who supplies a product, service or technology used by others to infringe copyrights is liable for contributory infringement unless what he supplies is capable of substantial non-infringing uses.

Cognoscenti will immediately recognize these three rules as having impeccable pedigrees at federal common law. Rules 1 and 2 derive from the Shapiro and Gershwin cases, as followed and applied in decisions such as Fonovisa, Napster I, and others. Rule 3 is just the relevant holding of Sony, expressed backwards to make it parallel to the other rules in grammatical form. When stated in this manner, these rules appear to have the specificity and authority of

38. Shapiro Bernstein and Co. v. H. L. Green Co., 316 F.2d 304, 307 (2d Cir. 1963) ("When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired... the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation” (citing De Acosta v. Brown, 146 F.2d 408 (2d Cir. 1944), cert. denied sub nom. Hearst Magazines v. De Acosta 325 U.S. 862 (1945))). The Shapiro case is generally considered the origin of the modern doctrine of vicarious liability in copyright. See JAY DRATLER, JR., CYBERLAW: INTELLECTUAL PROPERTY IN THE DIGITAL MILLENNIUM § 6.01[2][b][ii][C] (Law Journal Press, 2000 & Supps.) [hereinafter DRATLER CYBERLAW]. See also Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 261-62 (9th Cir. 1996) (describing Shapiro's development of "[t]he concept of vicarious copyright liability... as an outgrowth of the agency principles of respondeat superior").

Gershwin Publishing Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159, 1162 (2d Cir. 1971) ("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"). The Gershwin case is the origin of the modern doctrine of contributory infringement in copyright. See DRATLER CYBERLAW, supra note 38, at § 6.01[2][b][ii][B]. See also Fonovisa, Inc., 76 F.3d at 264 (describing doctrine as arising out of theories of enterprise liability).

39. Fonovisa, 76 F.3d at 261-64 (describing doctrines of vicarious liability and contributory infringement as arising out of Shapiro and Green cases, cited supra note 38). A&M Records v. Napster, Inc., 239 F.3d 1004, 1022-24 (9th Cir. 2001) (Napster I) (applying doctrines of contributory infringement and vicarious liability in litigation against peer-to-peer file sharing system offering centralized indexing server). There are many other cases following and applying these rules. For those that involve new technology, see, e.g., In re Aimster Copyright Litigation, 334 F.3d 643, 645 (7th Cir. 2003) (Posner, J.), cert. denied, 124 S. Ct. 1069 (2004) (holding provider of peer-to-peer file-sharing software liable for contributory infringement); Religious Technology Center v. Netcom On-line Communication Services, Inc., 907 F. Supp. 1361, 1372-73, 1375, 1377, 1381 (N.D. Cal. 1995) (granting summary judgment refusing to hold Internet service provider directly or vicariously liable for hosting bulletin board system on which infringing material was posted by another, but setting issue of contributory infringement for trial because it depended on disputed evidence of service provider's knowledge); Cable/Home Communication Corp. v. Network Productions, Inc., 902 F.2d 829, 845-46 (11th Cir. 1990) (holding providers of "black box" cable TV decoders secondarily liable). See also Grokster, 125 S. Ct. at 2776 & n.9, (reciting two rules and their origins).

statutory prescriptions. Indeed, Rule 3 and part of Rule 2 have actual statutory counterparts, albeit in other laws.41

Yet statutory prescriptions they are not. For one thing, they have problems of consistency that no competent statutory drafter would let slip by. Rules 2 and 3 describe the same cause of action—contributory infringement—in different terms, and nothing explains their relationship. Is Rule 3 an exception to Rule 2, a special case of Rule 2, or another rule altogether?

This was precisely the issue in Grokster. The Ninth Circuit had decided as if Rule 3 (the holding in Sony) was an exception to Rule 2, providing immunity from contributory infringement liability whenever the defendant’s products are capable of substantial noninfringing use.42 The correct answer, however, is that Rule 3 (Sony) is a special case of Rule 2, applicable only to facts analogous to those of Sony, which did not address inducement to infringe.43 The Grokster Court so ruled unanimously,44 but this conclusion also should have been apparent from Sony itself, which had both recognized and distinguished the precedents on which Rule 2 is based.45

Whoever offers to sell or sells within the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

This is the patent statute from which the Sony Court “borrowed” to create Rule 3. See Sony, 464 U.S. at 440-42, (quoted in part supra note 4). See also 35 U.S.C. § 271(b) (“Whoever actively induces infringement of a patent shall be liable as an infringer”).

42. See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2778 (2005), discussed supra at text accompanying notes 16-17.

43. See id. at 2779 (unanimous opinion; footnote omitted):
[N]othing in Sony requires courts to ignore evidence of intent [to induce infringement] if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law. . . . Thus, where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, Sony’s staple-article rule will not preclude liability.

44. See id. at 2770, 2778, 2780, discussed in supra text accompanying notes 15-21. See also supra note 43.

45. See Sony, 464 U.S. at 437-38 & n.18 (outlining facts and holdings of, inter alia, Shapiro and Green, and describing them as cases in which “the ‘contributory’ infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner”); id. 464 U.S. at 437-38 (concluding that “[i]n his case, however, plainly does not fall in that category”). See also supra note 37.
Not only do the three rules as stated have problems of consistency; they also have problems of scope. Are the three rules illustrative or exhaustive? Might there be forms of secondary liability other than vicarious liability and contributory infringement, or does any form of secondary liability have to fit into one of the stated pigeonholes?\textsuperscript{46} Again, the rules by their terms give no answer. The rules’ specificity and air of authority hint that they are exhaustive, but a cautious common-law court might well give a contrary answer, based on common sense and the process of case-by-case adjudication. “These rules,” it might reason, “list all the kinds of secondary liability that we have found so far. We suspect that infinitely fertile human imagination and the advance of technology may create other situations in which it would be just and proper to impose secondary liability, so we decline to declare these three rules exhaustive.” Isn’t that what the common law, whether federal or state, is all about?

I hasten to say that this analysis does not disparage expressing the holdings of cases in abstract form. Nor does it require common-law courts to report decisions on secondary liability as a bare collection of facts and results (secondary liability \textit{vel non}). Attempts to state holdings of cases as legal rules, or to summarize prior developments in the law are not only helpful; they are a tried and true part of the common-law process.

Moreover, stated rules can serve important policy functions. As the defendants and \textit{amici} pointed out,\textsuperscript{47} and as all nine justices in

\textsuperscript{46} Confusion in using these terms, discussed \textit{infra} in Part IV(A), exacerbates the need for clarifying their scope. Even in discussing the Rule 2 cases, the \textit{Sony} Court mixed up the two terms. \textit{See Sony}, 464 U.S. at 437 (“In [previously discussed] cases, as in other situations in which the imposition of \textit{vicarious liability} is manifestly just, the ‘\textit{contributory}’ infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner”) (emphasis added).

\textsuperscript{47} Not surprisingly (since the human and commercial aspects of their case were not particularly attractive), the defendants devoted over half their brief to abstract arguments based on the alleged technological and economic efficiency of peer-to-peer file-sharing, the policy importance of the \textit{Sony} standard in protecting technological innovation from the “chilling effect” of potential copyright liability, and the alleged need to “hold the line” on that standard. \textit{See Brief for Respondents Grokster, Ltd. and StreamCast Networks, Inc. at} 6-8 (discussing P2P efficiencies), 16-18 (explaining practical and economic significance of \textit{Sony}’s rule), 21-33 (applying rule’s protective effect, justifying that effect, and refuting arguments for various possible modifications to rule), 40-50 (arguing that any modification should be left to Congress), Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2754 (2005) (No. 04-480), available \textit{at} http://www.abanet.org/publiced/preview/briefs/home.html (last visited July 4, 2005). \textit{See also id. at} 15 (Summary of Argument) (“This Court could afford petitioners relief only by expanding the general standards of secondary liability, with inevitable collateral harm to numerous industries beyond the present P2P context”). \textit{See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.,} 125 S. Ct. 2764, 2775 (2005) (“[Plaintiffs] and many of the \textit{amici} fault the
Grokster seemed to recognize,\textsuperscript{48} the rule of \textit{Sony} performs an extremely valuable policy function: protecting innocent technological innovators from a "chilling" fear of copyright litigation.\textsuperscript{49} That is no doubt why the entire \textit{Grokster} Court seemed quite happy to leave the \textit{Sony} rule virtually intact.\textsuperscript{50}

What this analysis does suggest is that, notwithstanding the clear expression of abstract rules—which, like those above, can be facially inconsistent and nonexhaustive—courts and litigants should recognize that secondary liability in copyright is quintessentially a matter of federal common law. As such, it requires not just deductive logic, but common-law analysis through analogy and distinction.

Some may think that common-law analysis is far too uncertain and wishy-washy to provide the clarity and certainty that lawyers and businesses need in the digital age. But, perhaps paradoxically, analogy and distinction when properly applied can create greater certainty than application of an abstract rule. In my copyright and cyberlaw classes, I often do an experiment with my students. First, I put the three rules for secondary liability on the blackboard, much as outlined above.\textsuperscript{51} Then I give them the facts of a case they have not yet read. Next, I ask them to apply the abstract rules to the stated facts and to decide whether or not secondary liability is appropriate. Then I ask them to analogize or distinguish the stated facts from precedents they have studied, typically the landlord-tenant cases (no secondary liability),\textsuperscript{52} the department-store cases (liability exists

\textsuperscript{48} See \textit{Grokster}, 125 S. Ct. at 2780 (unanimous opinion) ("We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential.").

\textsuperscript{49} Justice Breyer's concurring opinion contains perhaps the best explanation of this policy function. See \textit{id. at} 2792-96 (Breyer, concurring). See also \textit{id. at} 2791 ("\textit{Sony}'s rule, as I interpret it, has provided entrepreneurs with needed assurance that they will be shielded from copyright liability as they bring valuable new technologies to market.").

\textsuperscript{50} See \textit{supra} text accompanying notes 21-25.

\textsuperscript{51} See \textit{supra} text accompanying notes 37-38.

\textsuperscript{52} See \textit{Shapiro Bernstein and Co. v. H. L. Green Co.}, 316 F.2d 304, 307 (2d Cir. 1963) (where a landlord: les[es] his property at a fixed rental to a tenant who engages in copyright-infringing conduct on the leased premises and . . . . the landlord lets his premises without knowledge of the impending infringement by his tenant, exercises no supervision over him, charges a fixed rental and receives no other benefit from the infringement, and contributes in no way to it, it has been held that the landlord is not liable for his tenant's wrongdoing .
where the store receives a percentage of an infringing concessionaire’s sales) and the dance-hall cases (finding liability when an owner profits from infringing performances even in the absence of knowledge or choice of specific music played). Finally, I ask them to decide again. Invariably, the exercise of analogy or distinction produces greater consensus and more uniform, consistent, thoughtful and ultimately correct results. This experience, oft repeated with the same results, has given me an abiding faith in the accuracy and predictive power of the common-law process as practiced by English and American courts for centuries.

Strict Sony-ites swear by the alleged certainty and clarity of the rule in that case, insofar as it protects innocent technological innovators both from losing improper lawsuits and having to bear the expense of defending them. But is the “rule” of Sony really so certain? Sony left important questions unanswered. How much non-infringing use is “substantial” enough to avoid liability for contributory infringement? Parts of Sony suggest that the less-than-
10% of authorized noninfringing use there by itself may be enough.\textsuperscript{56} Yet the Court went on to discuss private, noncommercial time-shifting as fair use, which was by far the most predominant use.\textsuperscript{57} Thus did \textit{Sony} spawn a quantitative controversy that persists to this day.\textsuperscript{58} Yet if one looks at \textit{Sony} as a whole, one sees a case in which the producer was wholly innocent and the vast majority of uses of its product turned out to be fair. That data point certainly does not tell us much about a case like \textit{Grokster}, in which it was undisputed that the vast majority of uses had already been adjudicated as infringing and the defendants’ “innocence” was not even plausible.\textsuperscript{59}

\textsuperscript{56} In addressing noninfringing uses of the VTR there at issue, the \textit{Sony} Court first discussed \textit{permissive} or \textit{authorized} time-shifting, \textit{i.e.}, the recording for later viewing of television programs whose producers either did not mind or actively encouraged that practice. \textit{See} \textit{Sony Corp. of America v. Universal City Studios, Inc.}, 464 U.S. 417, 443-47 (1984). In its summary of the facts, the Court had noted that a survey had found the proportion of such permissive use to be 7.3\% for sports programs alone (whose producers testified they did not mind later viewing). \textit{See id.} at 424. Later, analyzing the legal significance of this and other authorized time-shifting, the Court concluded:

\begin{quote}
\textit{[I]f there are millions of owners of VTR’s who make copies of televised sports events, religious broadcasts, and educational programs such as Mister Rogers’ Neighborhood, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents’ works.}
\textit{Id.} at 446. The Court thus implied that permissive or authorized time-shifting alone (at a level of 7.3\% plus) could constitute the “substantial noninfringing use” sufficient to preclude imposition of contributory liability. \textit{Id.} at 456.
\end{quote}

\textsuperscript{57} \textit{See id.} at 447-55. Since unauthorized time-shifting was by far the predominant use of the equipment at issue, this holding made it easy to rule that the equipment was capable of substantial noninfringing use and therefore that its vendor satisfied the standard for avoiding contributory liability. \textit{See id.} at 456. The Court never explained whether it went on to analyze the larger (unauthorized) category of use because the smaller (authorized) category was insufficient by itself to meet the no-contributory-infringement standard, or whether it did so because the question of users’ potential liability was so burning as to demand departure from the usual practice of deciding cases on the narrowest possible ground. Either view is fairly supported by the text of the Court’s opinion.

\textsuperscript{58} At oral argument in \textit{Grokster}, Justice Ginsburg also doubted that the “rule” of \textit{Sony} is clear. (“There is a statement—one could take it as clear—‘capable of substantial noninfringing use.’ That would be very clear, I agree. But \textit{Sony} goes on for 13 more pages. If the standard were all that clear, it would have stopped there. And usually when you’re interpreting a document, one rule is, you read on, and if you read on, you find we need not give precise content to the question of how much use is commercially significant. That doesn’t sound very clear to me.”).

\textsuperscript{59} In an effort to make the facts of \textit{Grokster} appear closer to those of \textit{Sony}, the defendants’ Supreme Court brief noted that Sony had refused to promulgate an \textit{advertisement} warning of copyright infringement for fear of hampering their marketing of the new VCR technology. \textit{See} Brief for Respondents Grokster, Ltd. and StreamCast Networks, Inc. at 18 n.9, \textit{Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.}, 125 S. Ct. 2764 (2005) (No. 04-480), \textit{available} at \texttt{http://www.abanet.org/publiced/preview/briefs/home.html} (last visited July 4,
The quantitative issue—how much noninfringing use is "substantial"—is not the only point of *Sony* that is unclear and requires further exegesis. What does it mean to say that a technology is "capable" of substantial noninfringing use? Should the courts look at existing uses, nascent uses, probable future uses, possible future uses, or all of the above? The six justices whose separately concurring opinions reached the *Sony* standard split three to three on that very issue, i.e., on whether the record demonstrated sufficient likelihood and magnitude of "capability" to satisfy the standard. Yet in their unanimous opinion, all justices agreed that it was unnecessary to answer these questions to decide the case on an inducement theory.

That reticence was entirely appropriate for an exercise in federal common law. Not only would answering the open quantitative questions have involved matters of fact, prediction and speculation inappropriate for a common-law court; the advance of relevant technology and changes in media businesses are so rapid today that such an exercise likely would be futile even for a legislature. This is why it is preferable to have technology-independent copyright legislation based on broad, general principles with a faint hope of remaining timeless, at least in the medium term. The many briefs in *Grokster*, arguing every aspect of these questions and asking that they be decided finally here and now, amply demonstrate how far the alleged "clear" rule of *Sony* is from being immune to legal dispute.

Yet *Sony*'s instruction manual had contained a clear warning against infringement—a point that the *Sony* majority itself had mentioned. See *Sony*, 464 U.S. at 426: "*Sony*'s advertising was silent on the subject of possible copyright infringement, but its instruction booklet contained the following statement: 'Television programs, films, videotapes and other materials may be copyrighted. Unauthorized recording of such material may be contrary to the provisions of the United States copyright laws.'" (quoting district court's opinion, 480 F. Supp. 429, 436 (C.D. Cal. 1979)).

*Compare Grokster*, 125 S. Ct. at 2775, 2786 n.3 (Ginsburg, J., concurring) (reviewing "motley collection of declarations" and one survey and concluding that it provided only "anecdotal" evidence insufficient to support summary judgment for defendants) with *id.* 125 S. Ct. at 2788-90 (Breyer, J., concurring) (reviewing evidence of existing uses and trends in future use and finding sufficient evidence of substantial noninfringing use to affirm summary judgment for defendant under *Sony* standard alone).

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

*See, e.g., DRATLER CYBERLAW, supra note 38.

For these and other reasons, Justice Scalia advised the defendants' counsel in oral argument that "[t]his Court is certainly not going to decide this case on the basis of *stare decisis*, . . . whatever else is true." *Grokster* Oral Argument, *supra* note 6, at 34 lines 15-17.
III. THE BEAUTY OF FEDERAL COMMON LAW

In contrast, consider how easily the courts might have disposed of Grokster by analogy and distinction. As Grokster was argued before the Supreme Court, its key facts pertained to inducing users to infringe. (For procedural and other reasons, that was not how the case was argued below. The reasons for the discrepancy, which relate to the first mistake discussed above, are peripheral here.) As the Supreme Court saw it unanimously, the Grokster defendants had consciously decided to serve Napster’s old customer base of 50 million infringers.64

Neither the Court nor the parties, however, noted an additional highly significant fact. Once the copyright litigation against Napster had put it out of business, Napster’s customers could no longer infringe musical copyrights.65 The reason was that, as the Ninth Circuit in Grokster had so carefully described, Napster’s system had a centralized index of song file names without which its P2P software was useless.66 By providing Napster’s former users with file-sharing software that did not use or require a centralized index, the Grokster defendants not only took over Napster’s infringing customer base; they also made it possible for those customers to infringe again.

The defendants therefore not only knew that massive infringement was the primary use of their technology and the result of their “stepping in” after Napster’s demise. Their entire business model, which depended solely on revenue from advertising and therefore on maintaining the broadest possible customer base, would have made no sense if limited to non-infringing users.67 As these facts suggest, the entire enterprise in which the Grokster defendants participated involved, from the outset, massive infringement of copyrights in songs, and that enterprise was the primary, if not the sole, raison d’être of their business. In a glaring contrast to Sony, users’ claims of fair use, when adjudicated,68 were found wanting.69

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64. See Grokster, 125 S. Ct. at 2773, 2780-81.
67. See Grokster, 125 S. Ct. at 2781-82.
68. The timing of this adjudication relative to the defendants’ culpable acts is not entirely clear. The Supreme Court notes only that defendants began operations after Napster was sued for contributing to infringement. See id. at 2772-73 (noting that “[a]fter the notorious file-sharing service, Napster, was sued by copyright holders for facilitating copyright infringement,”
Now compare the facts of *Sony*:70 A foreign manufacturer created an innovative product for recording television programs off both respondents promoted and marketed themselves as Napster alternatives) (emphasis added). But the Napster litigation had been decided, rejecting the fair use defense (at least for purposes of a preliminary injunction), years before the *Grokster* litigation reached the Ninth Circuit, let alone the Supreme Court. See infra notes 69, 75.

69. No court has ever found one-to-many file-sharing of music among consumers fair use. See A&M Records v. Napster, Inc., 239 F.3d 1004, 1015-19 (9th Cir. 2001) (*Napster I*) (for purposes of preliminary injunction, rejecting defense of fair use for users’ file sharing in general, as well as for sampling and “space-shifting”).

The reason should be obvious: unlike time-shifters in *Sony*, who postpone their individual viewing of a freely broadcast television program to a later time, P2P file sharers can (and often do!) share copyrighted songs with their 10,000 closest friends. That sharing not only undermines the chance that any of those friends will ever buy a CD containing a shared song; it also directly creates unauthorized competition with any system for downloading songs that the copyright owners later might set up. It thus severely impacts what the *Nation* Court called the “potential market” for the copyrighted work, and what all nine Justices in that case designated as the most important factor in the fair use calculus. See Harper & Row, Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 568 (1985) (ruling that market effect factor contemplates potential as well as actual markets); *id.* at 566 (“This last [market effect] factor is undoubtedly the single most important element of fair use”) (footnote omitted); *id.* at 602 (opinion dissenting on merits but observing that “[t]he Court correctly notes that the effect on the market ‘is undoubtedly the single most important element of fair use’” (citation omitted)).

One participant at the conference wishfully objected that the *Nation* Court’s unanimous endorsement of market effect as the most important fair use factor was a passing fancy, never repeated. Nothing could be further from the truth. The Supreme Court has decided only one other fair-use case since *Nation*, and there the Court unanimously reiterated the importance of market effect, remanding for a determination of that very issue. See Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 593-94 (1994) (remanding for determination whether rap parody of classic rock song affected market for “legitimate,” nonparody rap version of same song and noting “it is impossible to deal with the fourth [market effect] factor except by recognizing that a silent record on an important factor bearing on fair use disentitled the proponent of the defense . . . to summary judgment.”).

Moreover, theory suggests precisely why the market effect is so important. The doctrine of fair use depends upon balancing the social benefit that otherwise infringing uses may have against copyright’s incentive for creativity, for which a particular copyright owner’s market returns are a proxy. Copyright statutes in civil-law countries, which attempt to encapsulate the federal-common-law doctrine of fair use in explicit statutory terms, recognize this balance. For example, the Russian statute, while permitting a number of specific unauthorized uses of a computer program or database, including reverse compiling—in a sort of statutory enumeration of specific fair uses—states that those uses “must not cause unjustified harm to the normal use of the computer program or database and must not impair in an unwarranted way the lawful interests of the author or other owner” thereof. Law on Authors’ Rights of 1993, Article 25(3), reprinted in The Kommersant, No. 18, May 3-9, 1993 at 26. (translated by author). Thus, both fundamental copyright policy (in the form of incentives for creativity) and coordinate foreign law recognize that an adverse impact on the copyright owner’s market (and hence on the incentive to create) is the standard against which any alleged social benefit of fair use must be measured. A social benefit achieved at the cost of undermining the incentive to create is inconsistent with the purpose of copyright.

the air.  

There was no precedent for using that product—inferring or noninfringing—because nothing similar to it had ever before existed. Now contrast these facts to Grokster's situation: willfully taking over a business model (Napster's) that already had been the subject of suit and was later adjudicated as unlawful at both the distributor (secondary) and user (primary) levels! In addition, Sony had been made aware of the risk of copyright infringement and warned users against infringing in its instruction manuals. Its business model had been based solely on sale of its equipment; it did not really know or care what that equipment would be used for. Indeed, it had no way of knowing for sure because the product was unprecedented. Sony's business was not part of a massively and consciously infringing enterprise; on the contrary, the predominant use that ultimately emerged, when challenged in court, was held fair.

Forget, for a moment, about legal theory, i.e., whether to apply the label "contributory infringement" or "inducement to infringe." Think only about secondary liability: is there any question that these two cases are distinguishable on their facts? Moreover, is there any question that liability in Grokster would be fair and appropriate even if liability in Sony were not? Does it really matter, in this context, that Grokster's file index was decentralized?

71. In comparing the facts of Sony with those of Grokster, it is also useful to keep in mind that suit against Sony was filed in 1976. See id. at 419. There is a vast historical and cultural gulf between Sony in the mid 1970s and the savvy, "Silicon Valley" Grokster defendants of 2001. In those days, Japanese firms like Sony were foreign in every sense of the word. Their key executives were virtually all Japanese; they did virtually no domestic manufacturing; they communicated internally almost entirely in the Japanese language; and they knew virtually nothing about the peculiarities of American law, let alone copyright law. For example, Fujitsu's allegedly flagrant copying of IBM's software, apparently oblivious to copyright, resulted in a famous secret arbitration over which Larry Lessig presided. If that case reflected the general state of awareness of Japanese business, it is likely that Sony was completely unaware of the relevance of copyright to its technological advance until so advised by American counsel. What a difference from grabbing (as customers) some 50 million accused infringers left stranded after Napster was forced out of business by copyright litigation!


73. See supra note 59.

74. See Sony, 464 U.S. 417, 454-55 ("When the relevant factors are all weighed in the 'equitable rule of reason' balance, we must conclude that this record amply supports the District Court's conclusion that home time-shifting is fair use.").

75. See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 380 F.3d 1154, 1162-63 (9th Cir. 2004) (holding that defendants lacked sufficient knowledge of infringement to be
Now make an analogy to Aimster, in which the Seventh Circuit upheld a finding of secondary liability. There, as in Grokster, the defendant apparently sought to exploit the same customer base of infringers left homeless after Napster's litigation-induced demise. There, as in Grokster, the defendant explained how to use its technology to infringe. There, as in Grokster, the defendant had a business model dependent on infringement for its revenue. Indeed, Aimster got revenue in part from a "club," with dues of $4.95 per month, to whose members it gave links to the most-shared hits, virtually all copyrighted music. Is there any doubt that the facts of Grokster are, as a whole, incomparably closer to those of Aimster than to those of Sony? Interestingly, Aimster's P2P system, like the Grokster defendants' but unlike Napster's, appears to have been decentralized, but the Seventh Circuit did not even mention that

contributorily liable because their systems' decentralized file indexes prevented them from knowing, even in theory, what song copyrights their users were infringing), vacated and remanded by Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764 (2005).


77. See id. at 645 ("Aimster is one of a number of enterprises (the former Napster is the best known) that have been sued for facilitating the swapping of digital copies of popular music, most of it copyrighted, over the Internet.").

78. The "big picture" of Aimster's modus operandi is best conveyed in Judge Posner's own words:

In explaining how to use the Aimster software, the [defendant's] tutorial gives as its only examples of file sharing the sharing of copyrighted music, including copyrighted music that the recording industry had notified Aimster was being infringed by Aimster's users. The tutorial is the invitation to infringement that the Supreme Court found was missing in Sony. In addition, membership in Club Aimster enables the member for a fee of $4.95 a month to download with a single click the music most often shared by Aimster users, which turns out to be music copyrighted by the plaintiffs. Because Aimster's software is made available free of charge and Aimster does not sell paid advertising on its Web site, Club Aimster's monthly fee is the only means by which Aimster is financed and so the club cannot be separated from the provision of the free software. When a member of the club clicks on 'play' next to the name of a song on the club's Web site, Aimster's server searches through the computers of the Aimster users who are online until it finds one who has listed the song as available for sharing, and it then effects the transmission of the file to the computer of the club member who selected it. Club Aimster lists only the 40 songs that are currently most popular among its members; invariably these are under copyright.

Id. at 651-52.

79. See id.

80. See id.

81. See id. at 646-47.
fact, no doubt because Aimster’s club added a centralized component and because there was extensive evidence of inducement.\textsuperscript{82}

The moral of this story is that secondary liability in copyright is federal common law, and the common-law process works extremely well if only the courts would use it. Had courts and litigants simply compared the facts of \textit{Grokster} to those of previously decided cases, including \textit{Sony}, \textit{Napster I}, and \textit{Aimster}, they would have had little trouble deciding on which side of the line the accused activities in \textit{Grokster} fell. Instead, they got themselves all wound up interpreting an abstract rule from \textit{Sony}, which in the end didn’t even apply.

The reason why the common-law process works well in these cases is that they are nearly always multidimensional. In contrast, an abstract rule like \textit{Sony}’s is unidimensional: what is the relative importance of infringing and non-infringing use? All the \textit{amici}’s ruminations about technological innovation, the need to protect it from chilling copyright litigation, and how strong or clear the \textit{Sony} rule needs be to serve that purpose were beside the point. The essence of \textit{Grokster} was another question entirely: did the defendants consciously build their businesses on massive infringement and encouraging more of it, and, if so, should they be secondarily liable for doing so? The Supreme Court properly answered the second question in the affirmative and sent the first one back down for adjudication.\textsuperscript{83}

There is one other advantage of common-law adjudication that bears mention. For some reason unfathomable to me (who was trained first as a scientist and engineer), the legal mind is drawn to technological details like a moth to a flame. Hence you will find almost all of the Ninth Circuit’s factual discussion in \textit{Grokster} devoted to the defendants’ decentralized indexing systems and their

\begin{itemize}
\item \textsuperscript{82} \textit{See id.} at 651-52.
\item \textsuperscript{83} \textit{See Grokster,} 125 S. Ct. at 2780:
\begin{quote}
For the same reasons that \textit{Sony} took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding 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.
\end{quote}
\textit{See id.} at 2782. Although the Supreme Court remanded the case, its own analysis of the evidence of inducement left little room for doubting that the defendants would be held liable for inducement on remand. \textit{See id.} at 2780-82 (reviewing the evidence); \textit{id.} at 2782 (“The unlawful objective is unmistakable”). Indeed, the Court all but invited the court below to grant plaintiffs summary judgment. \textit{See id.} at 2782 (“There is substantial evidence in [plaintiff]'s favor on all elements of inducement, and summary judgment in favor of [defendants] was error. On remand, reconsideration of [plaintiff]'s motion for summary judgment will be in order.”).
\end{itemize}
distinction from Napster's centralized servers. But these technological details were hardly the essence of Grokster. Rather, the essence of that case was that defendants had deliberately, systematically and quite consciously built their business on users' massive infringement (either contemporaneously or soon to be adjudicated as such). Obsessive focus on technical detail, like obsessive focus on Sony as a rule of immunity, prevented appreciating the big picture virtually until the case was argued in the Supreme Court. (Because the parties purported to reserve the inducement theory for later proceedings, I was unaware that there was a substantial issue of inducement until after reading the oral argument.)

If nothing else, a common-law approach is preferable to a serial focus on abstract rules in cases like this because it intrinsically considers the big picture in making analogies and distinctions, thereby avoiding the colossal waste of judicial resources and amici's effort that this obsessive and counterproductive focus on technical detail entailed.

IV. POSSIBLE DIFFICULTIES WITH FEDERAL COMMON LAW

Of course, no legal approach, even the much-tested common law, is a panacea. There will always be questions and problems. If the law adopts the approach suggested here and focuses on factual analogies and distinctions, rather than abstract rules that may be inconsistent or non-exhaustive, what problems can we expect? In my view, there are three.

A. Terminology and Mistaking Facts for Causes of Action

The first and most immediate problem is one of terminology. As the Grokster Court itself recognized (quoting Sony), the terminology in this field is a mess. It is even more of a mess if one considers all of intellectual property, not just copyright.

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85. See supra Part I.

86. See Grokster, 125 S. Ct. at 2776 n.9 (quoting Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 435 n.17 (1984)):

We stated in [Sony] that "the lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn".... Reasoned analysis of [the Sony plaintiffs' contributory infringement claim] necessarily entails consideration of arguments and case law which may also be forwarded under the other labels, and indeed the parties... rely upon such arguments and authority in support of their respective positions on the issue of contributory infringement.
The primary culprits are the terms "vicarious liability" and "contributory infringement." These two terms imply some sort of exclusivity, which may or may not be accurate.\textsuperscript{87} In addition, as the Supreme Court has recognized, courts use them inconsistently.\textsuperscript{88} Rules 2 and 3 above (i.e., the second of the two "traditional" or "common-law" rules and the rule of \textit{Sony}) use "contributory infringement" inconsistently—the very problem that created the question of immunity in \textit{Grokster}.\textsuperscript{89} The Supreme Court itself, in \textit{Sony}, contributed to the confusion by using "vicarious liability" at times as a generic term for all kinds of secondary liability.\textsuperscript{90} To add to the confusion, inducement in patent law is a separate offense with its own statutory subsection,\textsuperscript{91} while in copyright law it is a species of contributory infringement under the "traditional" or "common law" rule (i.e., the non-\textit{Sony} Rule 2 above)—a rule that \textit{Grokster} reinforced.\textsuperscript{92}

\textsuperscript{87} Exclusivity may exist only if, as the Court appears to have ruled, inducement is a subset of contributory infringement. \textit{See infra note 92.} For the Court made clear in \textit{Grokster} that inducement and vicarious liability are different theories. \textit{See Grokster,} 125 S. Ct. at 2776 n.9 ("Because we resolve the case based on an inducement theory, there is no need to analyze separately [plaintiffs'] vicarious liability theory.").

\textsuperscript{88} \textit{See Sony Corp. of America v. Universal City Studios, Inc.,} 464 U.S. 417, 435 n.17 (1984):

The lack of clarity in this area may, in part, be attributable to the fact that an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner. \textit{See also, supra note 30.}

\textsuperscript{89} \textit{See supra} notes 37-38 and accompanying text. \textit{See supra} text accompanying notes 41-45.

\textsuperscript{90} \textit{See, e.g., Sony,} 464 U.S. at 435 ("For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another"); \textit{id.} at 437 ("In [previously discussed] cases, as in other situations in which the imposition of vicarious liability is manifestly just, the 'contributory' infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner.") (emphasis added). \textit{But cf. Grokster,} 125 S. Ct. at 2776:

When a widely shared service or product is used to commit infringement, 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 or vicarious infringement.

(emphasis added).

\textsuperscript{91} \textit{See 35 U.S.C. § 271(b).}

\textsuperscript{92} \textit{See Grokster,} 125 S. Ct. at 2776 ("One infringes contributorily by intentionally inducing or encouraging direct infringement") (citing \textit{Gershwin Publishing Corp. v. Columbia Artists Management, Inc.,} 443 F.2d 1159, 1162 (2d Cir. 1971)). \textit{See also supra} text accompanying notes 37-38 (Rule 2).
If it were up to me, I would junk all the terms "inducement," "vicarious liability" and "contributory infringement" in referring to a legal cause of action and use a single, consistent term—"secondary liability"—for all claims of this kind. I would then relegate the terms "vicarious liability," "contributory infringement," and "inducing infringement" to factual theories of liability, not claims or causes of action. Then a complaint pleading "secondary liability" would permit proof of all these theories (or any others that the federal common law later might devise), and summary judgment for defendant would require negating all of them. At the present time, however, plaintiffs are best advised to use all three terms in their complaints (insofar as factually applicable), and defendants are best advised to be specific in their denials.

Why does terminology matter? Does not a rose by any other name smell as sweet? Not in the law it doesn't. For these inconsistently used terms designate claims or causes of action, which are the basic units on which the doctrines of res judicata, summary judgment and appealing only final judgments operate. Classifying different but related fact patterns as different causes of action can create enormous opportunities for procedural shenanigans and traps for the unwary, especially when the terminology is as confusing and inconsistent as in this field.

The *Grokster* case well illustrates this point. In the district court, the parties tried to "split the baby" of secondary liability by making cross-motions for summary judgment restricted to the defendants' present and future conduct and software, excluding past acts.\(^9\)\(^3\) Apparently, the defendant at least thought that this procedure reserved the question of inducement to infringe for later proceedings without remand, while tagging the *Sony* issue for summary adjudication and appeal.\(^9\)\(^4\) On oral argument before the Supreme Court, however, several justices could not understand how to split a claim for secondary liability based on past and present/future facts, since past acts, particularly those relating to inducement, can influence present

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93. See supra Part I.

94. The defendants' brief argued vociferously that the issue of inducement was not before the Supreme Court. See Brief for Respondents Grokster, Ltd. and StreamCast Networks, Inc., at 34-37 (arguments under heading "Claims Of Contributory Infringement Liability For Urging Infringement Or Assisting Specific Known Acts Of Infringement Are Not Before This Court") Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764 (2005) (No. 04-480), available at http://www.abanet.org/publiced/preview/briefs/home.html (last visited July 4, 2005).
and future infringement. Plaintiffs' counsel then reluctantly agreed that inducement was relevant to the claim for contributory infringement, and the Court ruled on that basis. Moreover, it specifically ruled that inducement is a species of contributory infringement, a ruling consistent with some earlier lower-court formulations, thereby permitting it to reverse summary judgment for defendant on the contributory infringement claim, even though the parties apparently had agreed earlier that the inducement claim would be adjudicated separately at the district-court level. As this brief and confusing history shows, the Grokster case itself is a poster child for rationalizing the terminology, and therefore the procedure, for adjudicating claims of secondary liability in copyright law.

B. "Holding the Line" of Sony

The second future problem that might arise from a common-law approach is "holding the line" on Sony. As Justice Breyer's concurrence in Grokster explains at some length, and as the Court's unanimous opinion acknowledges, the rule of Sony helps protect innocent technological innovators against the risk and cost of ultimately spurious copyright litigation. It does so by attempting to insure that a purveyor of technology that is capable of substantial noninfringing use will not be liable for contributory infringement.

Yet this rule's alleged clarity and security are debatable regardless what approach is taken. The lawyers' weasel words "capable" and "substantial" require interpretation—and often prediction and speculation. They therefore create ample

95. As Justice Souter explained to defendants' counsel: I don't understand how you can separate the past from the present in that fashion. One, I suppose, could say, "Well, I'm going to make inducing remarks Monday through Thursday, and I'm going to stop, Thursday night." The sales of the product on Friday are still going to be sales which are the result of the inducing remarks Monday through Wednesday. And you're asking, in effect—you're asking us—to ignore Monday through Thursday. Grokster Oral Argument, supra note 6, at 30, lines 10-20. See also id. at 32, lines 14-16 (Justice Kennedy: "it just seems to me that what you've done before bears on what you know, or have reason to know, on an ongoing basis").
96. See supra note 10.
97. See supra notes 17-21; supra note 83.
98. See supra note 38.
99. See Grokster, 125 S. Ct. at 2790-96 (Breyer, J., concurring).
100. See id. at 2780 ("We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential.").
101. See supra text accompanying notes 53-61.
opportunity for dispute and litigation, as the concurring opinions in *Grokster* show.\textsuperscript{102}

There is also a more fundamental problem with "holding the line" by means of the abstract test of *Sony*. Focusing on its weasel words, "capable" and "substantial," is at best a two-dimensional task, not a multidimensional exercise as a common-law test should be. Again, *Grokster* illustrates the point. The defendants there quite plausibly argued, against a paucity of evidence of then-current non-infringing use, that peer-to-peer file sharing is just in its infancy, and that a whole host of valuable, economically efficient, non-infringing uses were likely to develop and indeed beginning to do so.\textsuperscript{103} The six concurring justices who split three-three on the *Sony* question laid out the evidence pro and con this point at some length,\textsuperscript{104} amply illustrating both how contentious such issues can be and how hard they are to pin down in an environment of explosive technological advance and rapidly changing business circumstances.

This whole contentious argument, however, missed the big picture in this case. It addressed only the one-dimensional *Sony* inquiry whether the defendants' peer-to-peer technology was "capable" of substantial non-infringing use now or in the future, but it neglected the big picture that any common-law court, viewing the case as whole, would instantly recognize. The main question in *Grokster* was whether it should be liable for building its business predominantly, consciously and deliberately upon present infringement, including the vast horde of flagrantly infringing Napster refugees. The one-dimensional inquiry arising from the word "capable" in *Sony*'s abstract holding could not possibly capture all the relevant angles.

Nor could that word do better in the general case. Suppose many unforeseen uses of a new technology develop, but the defendant consciously induces, encourages or builds its business predominantly upon the infringing ones because, for example, they involve less complex technology (and therefore lower costs) or higher average

\begin{footnotesize}
\textsuperscript{102} See supra note 22.


\textsuperscript{104} See sources cited supra note 22.
\end{footnotesize}
transaction amounts (and therefore greater revenue). Should the defendant get off scot free simply because its technology is "capable" of substantial non-infringing use in the abstract? Not if traditional notions of fault, culpability and personal responsibility have any relevance in the twenty-first century. In the end, emphasizing the static and one-dimensional wording of an abstract rule over a multidimensional, holistic approach will only add more complexity and uncertainty, as litigants attempt to squeeze common sense and common-law notions of responsibility into abstract pigeonholes that were never designed to accommodate them.

C. Drawing the Line Between Inducement and Innocent Innovation

The final problem raised by the common-law approach is related to the second, but is perhaps more serious. In explicitly recognizing

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105. Direct copyright infringement is a strict-liability offense, independent of intent or culpability. See Buck v. Jewell-La Salle Realty Co., 283 U.S. 191, 198-99 (1931):

Intention to infringe [a copyright] is not essential under the Act ... And knowledge of the particular selection to be played or received is immaterial. One who hires an orchestra for a public performance for profit is not relieved from a charge of infringement merely because he does not select the particular program to be played. Similarly, when he tunes in on a broadcasting station, for his own commercial purposes, he necessarily assumes the risk that in so doing he may infringe the performing rights of another.

(citation omitted). See also De Acosta v. Brown, 146 F.2d 408, 410-12 (2d Cir. 1944), cert. denied 325 U.S. 862 (1945) (upholding damage liability of allegedly "innocent" publisher who relied on author's impressive research and warranties):

Th[e] body of authority shows a unanimity of view which is impressive; we cannot find in it any suggestion of a distinction that one type of innocent copying is less 'direct' than another or that innocent copying by newspapers and magazines acquires a protection not accorded to book or gravure printing, ... This result is not surprising, ... [T]he protection accorded literary property would be of little value if it did not go against third persons, or if, it might be added, insulation from payment of damages could be secured by a publisher by merely refraining from making inquiry.

In contrast, secondary liability for copyright infringement involves an assessment of the secondary defendant's state of mind and culpability. See Gershwin Publishing Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159, 1162 (2d Cir. 1971) ("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"). If nothing else, the Supreme Court in Grokster corroborated this well-established point in its very holding, which emphasized the inducing defendant's purposeful state of mind. See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2780 (2005) ("We hold 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."). See generally, DRATLER CYBERLAW, supra note 38, § 6.01[2][b][i].
secondary liability for inducing infringement, the Grokster Court necessarily softened the immunity rule of Sony, at least insofar as it might be read in the abstract. After Grokster, a provider of technology that is capable of substantial noninfringing use may still be secondarily liable for others' infringement using that technology if it induces, encourages or promotes their infringement. Thus, the potential for inducement liability necessarily reduces the clarity and absoluteness of protection for technological innovators that some saw inherent in the Sony rule.

This problem, however, is by no means unique to a common-law approach. Common sense suggests that the apparent absoluteness of Sony would have had to bend to accommodate deliberate inducement in any event. Surely, few believe that even Sony itself would have won its case if, for example, it had heavily promoted, advertised and demonstrated the use of its equipment to copy and distribute to others programs whose copyright owners objected to such an enterprise. There was always an inherent risk that Sony would not protect innovators who consciously and deliberately foster infringing use of their products or technology. The only serious question was where to draw the line.

It seems to me that a common-law process will draw this line far more quickly, clearly, and comprehensibly than an abstract rule like Sony's, which seduces the mind into an illusion of certainty through a unidimensional, pseudo-quantitative principle that, in real life, can never really be accurately quantified. The common-law process of

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106. See Grokster, 125 S. Ct. at 2779:

[N]othing in Sony requires courts to ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law. . . . Thus, where evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, Sony's staple-article rule will not preclude liability. See also id at 2778 ("[The Ninth Circuit's] view of Sony . . . was error, converting the case from one about liability resting on imputed intent to one about liability on any theory.").

107. See id. at 2778 (unanimous opinion):

Because Sony did not displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on [plaintiffs'] inducement claim, we do not revisit Sony further, as [plaintiff] 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. It is enough to note that the Ninth Circuit's judgment rested on an erroneous understanding of Sony and to leave further consideration of the Sony rule for a day when that may be required. See also supra note 83.
analogy and distinction, proven in courts of law for hundreds of years, promises to draw the line better and faster than any attempt to parse the meaning of terms like "capable" and "substantial" in the abstract, especially against a background of accelerating change in technology, recording media, and the relevant industries.

The historical background of *Grokster* corroborates this point. For several years, the music industry has been petitioning Congress for "remedial" legislation to address the massive infringement of its copyrights that peer-to-peer file sharing (P2P) and other new technologies have permitted. Its lobbying efforts met with strong resistance, and Congress did nothing. Two factors motivated that resistance. The first was the very need for speculation on uncertainties that makes the abstract rule of *Sony* so malleable. Opponents argued that no one could predict how the industry would develop and that producers could turn the tide of infringement if only they would "catch the wave" of new technology and modify their distribution systems to exploit it. The second point of resistance was industry and public skepticism of the motives of producers, who have resisted virtually every change in media technology from the player piano to P2P. Indeed, American producers managed to kill entirely a transitional new technology, digital audio tape, by resistance and lobbying that eventually produced the stillborn Audio Home Recording Act of 1992.

So producers sought "justice" from Congress for several years and got nothing. Then, in desperation, they sought relief from the courts. Lo and behold, the Supreme Court gave them relief in the form of a broad ruling that inducing infringement is actionable, even in the Internet age. Moreover, the Court did so more quickly and far more simply and comprehensibly than any legislation might have done (certainly if recent amendments to the copyright statute are any model!), and it did so as a matter of federal common law. Isn't

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109. See infra text accompanying notes 122-134.

110. See Part V.
there a lesson here about the value of federal common law in our legal system?

The beauty of the common-law process is that it flows flexibly with time. It does not attempt the impossible task of making accurate general predictions about the future of technology, the media or copyright-related industries in a world that has already seen at least ten generations of recording media in a century. Instead, it develops on a case-by-case basis in tandem with technology and the industry, adding judicial "data points" in the form of facts and legal results useful for analogy and distinction—and occasionally simple, comprehensible general rules—as time goes on.

Already we have several data points of relevance: (1) Napster I, in which secondary liability was based in part on defendant's maintaining on its servers a list of copyrighted music to infringe; (2) Aimster, in which liability was based on a tutorial and a club with monthly dues that encouraged infringement of specific copyrighted works; and (3) Sony, in which the uses to be made of the product were unknown at the time it was introduced, the prospects for future use were wide, and the vast majority of existing uses turned out to be authorized or fair. Soon we will have a new data point: Grokster on remand. If the Supreme Court's clear dicta are any guide, there will be liability there, based upon the defendants' taking over a vast base of customers who were infringing, advertisements showing how to infringe, and a business model designed in conscious reliance on infringement for a substantial portion—if not the vast majority—of its revenue.

These data points are hardly exhaustive, but they do give an innovator considerable specific guidance on secondary liability in a complex and rapidly changing world. If the facts of her case are closer to Napster I, Aimster and Grokster than they are to Sony, then

111. Since Edison's original recording invention, the following media have been used to record sound, including songs: (1) wax cylinders, plastic disks rotating at (2) 78 revolutions per minute (RPM), (3) 45 RPM, and (4) 33 RPM, (5) magnetized wire, (6) magnetic tape, (7) cassettes containing magnetic tape, (8) digital compact disks (CDs), (9) digital "versatile" disks (DVDs), and (10) MP3 files on portable hard drives.

112. See A&M Records v. Napster, Inc., 239 F.3d 1004, 1020-22 (9th Cir. 2001) (Napster I) (holding that Napster's centralized index of names of infringing files gave it knowledge of infringement sufficient to satisfying one prong of "traditional" test for contributory infringement).

113. See supra text accompanying notes 75-80.

114. See supra text accompanying notes 69-75.

115. See supra note 83.

116. See Grokster, 125 S. Ct. at 2780-82.
she is probably going to be liable. There are of course already other cases than those mentioned here, and the common-law process will create still more—and therefore further certainty—at time goes on.

In the meantime, the Supreme Court has provided, in clear dictum in Grokster, some guidance on the limits of an “inducement to infringe” theory. First, merely producing a product or technology and supporting it with maintenance and updates is not inducement to infringe. Second, the Grokster Court was careful to limit reversal of summary judgment to the combination of relevant facts in Grokster, not any one alone. It thus encouraged analysis of all the facts and the big picture, rather than narrow focus on any single circumstance or any one-dimensional standard.

Apart from avoiding interminable abstract debate, a focus on common-law analogies and distinctions would have an important procedural and jurisprudential advantage. It would reduce the obsessive focus on technology and its unpredictable future course to the exclusion of human, business, and economic factors that may be equally or more compelling. Here again, Grokster is a prime example. The two sets of concurring justices (three each) spent much ink speculating on the future of peer-to-peer technology and its present uses not contained in the record. Their speculation would have been relevant to the question whether the defendants’ technology was capable of substantial noninfringing use had Sony been relevant, but the case really turned on the plaintiffs’ claim that the defendants had consciously and deliberately built their business upon users’ massive infringement—a claim that could be decided largely without probing the delicate entrails of technology or attempting vainly to predict its future course. The Court’s common sense, common-law acknowledgment that motive, culpability and responsibility do still matter in the “New Economy” made the law not only more coherent with common understanding but less dependent

117. See supra note 39.
118. See Grokster, 125 S. Ct. at 2780 (citation to Sony omitted):

[J]ust as Sony did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, mere 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.
119. See id. at 2781-82.
120. See sources cited supra note 22.
upon elucidating esoteric technologies and prognosticating their future.

V. THE DISMAL RECENT HISTORY OF STATUTORY PRESCRIPTIONS

In the very same field of copyright, two recent statutory projects have shown the waste, uncertainty and inefficiency that attend futile congressional attempts to predict and/or micromanage the unknown and likely unknowable future course of technology. I have written extensively about both elsewhere, so I will not belabor the point here.121 Yet a brief review of each is in order, simply to demonstrate the point, which may be counterintuitive to some, that the common-law process can provide greater clarity, certainty and predictability in the law than a vain attempt to specify and control all possible future contingencies in advance through statutes.

The first of the failed statutes was the Audio Home Recording Act of 1992.122 Its primary impetus was a wish by Japanese manufacturers to introduce digital audio tape (DAT) into the United States. As the first technology allowing consumers to make perfect digital copies of songs, DAT scared the daylights out of music producers and copyright owners. With threats of litigation, they delayed the introduction of DAT technology into the United States until several years after it had become widely used and immensely popular in Japan. After years of industry negotiation, representatives of the user, consumer, and producer industries got together in Europe and hammered out a "settlement agreement" to be enacted into legislation to resolve the standoff.123 Their draft ran 57 pages, with a


37-page technical appendix. After some cutting and revision by congressional staff to about half the original length, Congress rubber-stamped this private agreement and made it law.

The details of the 1992 Act need not detain us long. It created a grand scheme for solving the problem of potential piracy that DAT created. It allowed consumers to make noncommercial, private digital and analog copies at will, in exchange for (1) a requirement that all recording and copying equipment contain technology designed to prevent serial copying (making digital copies from digital copies), and (2) an elaborate statutory scheme for collecting royalties on equipment and media and distributing them to copyright owners, performers and artists.

In theory, the 1992 Act was a fine statute. It allowed consumers to do what they like to do without hindrance, while providing “front end” compensation of copyright owners and creators in a way transparent to consumers. But it had two problems. First, its text was a marvel of statutory gobbledygook, dependent upon three sets of impenetrable, nested (interlocking) definitions for its most basic concepts. Second and more important, the computer industry—apparently alone—had foreseen its own importance in the coming digital revolution and had secured for itself subtle but definite exemptions from key definitions, taking general-purpose computers outside the entire statutory scheme. Along came the Internet

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125. See id.

126. See generally DRATLER IP, supra note 121, at § 6.01[5][f].


128. See 17 U.S.C. § 1002(a) (“No person shall import, manufacture, or distribute any digital audio recording device or digital audio interface device that does not conform to” required serial copying control technology). See 17 U.S.C. § 1001(2) (“A ‘digital audio interface device’ is any machine or device that is designed specifically to communicate digital audio information and related interface data to a digital audio recording device through a nonprofessional interface.”).

129. See 17 U.S.C. §§ 1003-1007, discussed in DRATLER IP, supra note 121, at § 6.01[5][f][ii], [iii].

130. See 17 U.S.C. § 1001, discussed in DRATLER IP, supra note 121, at § 6.01[5][f][ii].

131. Perhaps the key limiting definition is that of “digital audio recording device,” which must be, inter alia and with certain exceptions, “designed and marketed for the primary purpose of, and [be] capable of, making a digital audio copied recording for private use[.]” 17 U.S.C. § 1001(3). Since general-purpose computer equipment is not designed and marketed for that primary purpose, it falls outside the definition. See, e.g., A&M Records v. Napster, Inc., 239 F.3d 1004, 1014, 1019, 1024 (9th Cir. 2001) (concluding, for purposes of affirming preliminary
revolution, which now relies on general-purpose computers to record, store, transmit, and copy musical files (among others), and the 1992 Act almost instantaneously became obsolete.\textsuperscript{132} It remains on the books as a monument to the futility of technology-specific copyright legislation and a trap for the unwary.\textsuperscript{133}

The Digital Millennium Copyright Act (DMCA) is now, perhaps, in the process of revealing itself as a second example of this kind.\textsuperscript{134} Unfortunately, important parts of the statute are so complex and so badly drafted that it takes an entire book to do justice to its flaws.

For present purposes, however, we can focus generally on the DMCA's two primary legal innovations: (1) the anti-circumvention and two anti-trafficking rules of Section 1201;\textsuperscript{135} and (2) the attempts to provide a limited "safe harbor" from liability for Internet service providers in Section 512.\textsuperscript{136} Both are relevant to the subject of secondary liability for copyright infringement.

injunction, that computer hard drives are not covered devices, and therefore Section 1008 does not immunize copying digital musical files onto them); Recording Indus. Ass'n. of America v. Diamond Multimedia Sys., Inc., 180 F.3d 1072, 1078 (9th Cir. 1999) ("under the plain meaning of the . . . definition of digital audio recording devices, computers (and their hard drives) are not digital audio recording devices because their 'primary purpose' is not to make digital audio copied recordings.") (citation omitted). Another key definition, "digital audio copied-recording," has been interpreted as excluding MP3 files for reasons too complex to outline here. See Diamond Multimedia Sys., 180 F.3d at 1075, 1077, 1079, 1081 (concluding that musical MP3 files, whether on computer hard drives or downloaded from hard drives to portable MP3 players, are not covered by 1992 Act).

The exclusions discussed above were hardly accidental. See Recording Indus. Ass'n of America v. Diamond Multimedia Sys., Inc., 180 F.3d 1072, 1077 (9th Cir. 1999) (analyzing and quoting Senate Report and concluding that definition of "digital musical recordings" was intended to cover only "objects in which songs are normally fixed" and that therefore "[t]here are simply no grounds in either the plain language of the definition or in the legislative history for interpreting the term . . . to include songs fixed on computer hard drives") (citing S. Rep. No. 102-294, 102d Cong., 2d Sess. (June 9, 1992), reprinted in 1992 WL 133198 at *97 & n.36, *118-19).

\textsuperscript{132} For further discussion of this point, see DRATLER IP, supra note 121, at § 6.01[5][f][i].
\textsuperscript{133} I have described this situation as a statutory "meltdown,"and indeed it is: the statutory mechanism no longer operates but has left a residue of radioactive waste to threaten future litigants for years to come. See id.
\textsuperscript{134} For those interested in its details, I have written a one-volume treatise on the subject. See DRATLER CYBERLAW, supra note 38, esp. § 2.05[2][c][iii].
\textsuperscript{135} 17 U.S.C. § 1201(a)(1)(A) (anti-circumvention rule: "No person shall circumvent a technological measure that effectively controls access to a work protected under this title"); 17 U.S.C. § 1201(a)(2), (b)(1) (anti-trafficking rules), discussed in DRATLER CYBERLAW, supra note 38, at § 2.05.
\textsuperscript{136} 17 U.S.C. § 512, discussed in DRATLER CYBERLAW, supra note 38, at ch. 6.
Section 1201 prohibits both breaking technological “locks” on copyrighted works and providing others with the means to do so. It has, however, two rules against trafficking in the means to do so: one for means to defeat technological controls on access to copyrighted works, and one for means to defeat controls on particular uses once access has been achieved. There is only one anti-circumvention rule; it prohibits defeating technologies that control access to copyrighted works. Congress saw no need for an anti-circumvention rule for use controls because unlicensed use of a copyrighted work, absent an exception, may constitute copyright infringement and can be sanctioned with normal, pre-existing copyright remedies. In contrast, copyright has never prohibited unauthorized access to copyrighted works, so a new rule was needed to prohibit breaking technological locks to gain unauthorized access.

I have written extensively about the bad drafting and unnecessary complexity of these rules and the consequent uncertainty and cost of applying them. I won’t repeat that critique here. What matters here is the road not taken: the statute’s goals could have been achieved far more simply, cheaply, comprehensibly and efficiently by invoking federal common-law theories of secondary liability.

137. See 17 U.S.C. § 1201(a)(1)(A) (anticircumvention rule of Section 1201(a)(1)(A)); 17 U.S.C. § 1201(a)(2), (b)(1) (“No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that” is designed, produced, used or marketed for the purpose of breaking locks on copyrighted works) (identical language insofar as quoted).


139. 17 U.S.C. § 1201(b)(1) (prohibiting trafficking in means to circumvent “a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof”). For an explanation why such a technological measure is a use control and what that means, see DRATLER CYBERLAW, supra note 38, § 2.05[2][a].

140. See supra note 135.

141. See S. Rep. No. 105-190, 105th Cong., 2d Sess. 12 (May 11, 1998): [The reason for the different objects of subsections (a) and (b) is the same as the] reason there is no prohibition on conduct in 1201(b) akin to the prohibition on circumvention conduct in 1201(a)(1). The prohibition in 1201(a)(1) is necessary because prior to this Act, the conduct of circumvention was never before made unlawful. The device limitation [i.e., anti-trafficking rule] in 1201(a)(2) enforces this new prohibition on conduct. The copyright law has long forbidden copyright infringements, so no new prohibition was necessary.

142. See id. For elaboration of this point, see DRATLER CYBERLAW, supra note 38, at § 2.07[1].

143. See DRATLER CYBERLAW, supra note 38, at preface (in general), §§ 2.05[2][c][iii], 3.02 (discussing Section 1201), § 6.03[3] (discussing Section 512).
With respect to use controls under subsection (b) of Section 1201, Congress might have avoided any complex enactment at all. Use of a copyrighted work outside the scope of the copyright owner’s authorization (if it invades the statutory exclusive rights) is copyright infringement, whether achieved by defeating a technological protective measure or otherwise. A person who supplies means to defeat a technological use control and thereby to facilitate unlicensed and infringing use may be secondarily liable for copyright infringement under pre-existing doctrines of secondary liability. Therefore Congress could have refrained entirely from enacting subsection (b) of Section 1201, as well as those portions of several complex exceptions that relate to subsection (b). If Congress had wanted to belabor the obvious, it could have replaced all this dense statutory prose with two simple sentences:

A person who provides another with means for defeating a technological measure that effectively protects a right of a copyright holder may be liable for infringement of copyright that results from the use of such means. A court may impose liability, and may grant relief as for copyright infringement, when appropriate under federal-common-law doctrines of secondary liability.

Congressional reports then could have explained that the term “secondary liability” is an all-encompassing term including vicarious liability, contributory infringement, and inducement to infringe.

The case of subsection (a)(2) of Section 1201, which imposes an anti-trafficking rule for access controls, is a bit more complex, but not much.\textsuperscript{144} A rule to prevent circumvention of access-control devices had to be specially enacted because copyright had never before controlled access,\textsuperscript{145} even to copyright contraband.\textsuperscript{146} Congress

\textsuperscript{144.} See 17 U.S.C. § 1201(a)(2) (prohibiting trafficking in means for “circumventing a technological measure that effectively controls access to a work protected under this title”).

\textsuperscript{145.} Neither the word “access” nor any word fairly construed as including that concept appears in the list of copyright holders’ exclusive rights in 17 U.S.C. § 106. See also Khandji v. Keystone Resorts Mgmt., Inc., 140 F.R.D. 697, 700-01 (D. Col. 1992):

The Copyright Act . . . says nothing about an exclusive right to possession of a copyrighted work. Plaintiffs’ counsel voluntarily sent the brochure to defense counsel without attempting in advance to secure any agreement on its return. Plaintiffs’ counsel has cited no authority for the proposition that the Copyright Act requires defense counsel to return what was given to him, nor has research uncovered any such authority. Plaintiffs’ counsel already has voluntarily provided a copy of the brochure and may not now seek assistance from this Court in recapturing it.

United States v. Smith, 686 F.2d 234, 243 (5th Cir. 1982) (stolen-property case):
enacted that rule in present subsection (a)(1)(a) of Section 1201, and it is by far the simplest and most straightforward rule in all of the DMCA. It is a blanket and absolute prohibition on breaking technological "locks", such as encryption and password protection that control access to copyrighted works. Yet here again, for the derivative rule prohibiting trafficking in circumvention technology, Congress could have relied by analogy on tried and true notions of secondary liability, which the Sony Court characterized as active "in virtually all areas of the law." That enactment again would have required only two simple sentences:

A person who provides another with means for defeating a technological measure that effectively controls access to a copyrighted work may be liable for circumvention of that measure or for any infringement of copyright that results from the use of such means. A court may impose liability, and may grant relief as for copyright infringement, when appropriate under federal-common-law doctrines of secondary liability.

Congress, however, did not take this simple course. It thus failed to emphasize the conceptual origins of trafficking liability as, in essence, a form of secondary liability for copyright infringement (or for circumvention of protective measures, which may lead to infringement). Instead, Congress drafted a statute of unholy and wholly unnecessary complexity with exceptions that are often impenetrable and occasionally inconsistent in important respects. To the extent it has not focused on constitutional arguments extraneous to the statutory scheme, litigation so far has focused on the meaning of circumvention and the technological differences between subsection (a) access controls and subsection (b) use controls. These issues alone have caused enough confusion and uncertainty as to make one wonder what will happen when the courts begin to interpret and apply Section 1201's narrowly drafted but impenetrable

The copyright owners not only had no interest in the tangible video cassettes that contained copies of the works, but they did not have the exclusive right to possess or authorize possession of video cassettes containing copies of the works. . . . At most, the [unlawful] distribution denied the copyright owners the privilege of controlling distribution, which is an incorporeal, intangible right.

146. See 17 U.S.C. § 602(a)(2) (permitting importation of piratical copies into the United States as long as they are single copies intended "for the private use of the importer" or contained in his or her "personal baggage").


148. See supra text accompanying note 36.

149. See DRATLER CYBERLAW, supra note 38, at §§ 2.05[2][c][iii], 2.10.

150. See id. at § 2.05[a], [b].
exceptions. When they do, the industries that proposed the DMCA to Congress will wish they had taken the simpler and cleaner common-law course.

An early failure of another part of the DMCA also suggests the accuracy of this prediction. Section 512, which purports to create a "safe harbor" from inappropriate copyright-infringement liability for Internet service providers, is, like other recent copyright amendments, drafted in technology-dependent form.\textsuperscript{151} Section 512 is relevant to the present discussion because it provides a safe harbor from both primary and secondary liability.\textsuperscript{152} It divides service providers' relevant activities into four general, abstract categories, which can be characterized roughly as routing, caching, posting and linking.\textsuperscript{153} The four key subsections thus seek to divide all Internet service—now and forever—into these four separate categories of technological operations, based on common modes of operation used on the Internet today.

Like all technology-dependent language in an era of explosive technological change, this approach has a key flaw—because it is based upon the Internet's modes of operation now, it has little flexibility to accommodate inevitable future change. In an effort to make their descriptions of these four activities (routing, caching, posting and linking) sound and seem general, the drafters of Section 512 described those activities in abstract, recursive clauses reminiscent of the Internal Revenue Code.\textsuperscript{154} The result, however, was not what they intended. The limitations to current technology are still demonstrably there, at least to persons familiar with the

\textsuperscript{151} 17 U.S.C. § 512; see generally DRATLER CYBERLAW, supra note 38, at § 6.03[3].

\textsuperscript{152} See H.R. Rep. No. 796, 105th Cong., 2d Sess. at 73 (Oct. 8, 1998) (Conference Report: "The limitations in subsections (a) through (d) [of Section 512] protect qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement.... These subsections also limit injunctive relief against qualifying service providers to the extent specified in subsection (j)"); H.R. Rep. No. 551, Part II, 105th Cong., 2d Sess. at 50 (July 22, 1998) ("The limitations in subsections (a) through (d) [of Section 512] protect qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement"). See also A & M Records, Inc. v. Napster, Inc., 2000 U.S. Dist. LEXIS 6243 at *8 (N.D. Cal. 2000) ("Subsection 512(a) exempts qualifying service providers from monetary liability for direct, vicarious, and contributory infringement and limits injunctive relief to the degree specified in subparagraph 512(j)(1)(B).”).

\textsuperscript{153} See 17 U.S.C. § 512(a), discussed in DRATLER CYBERLAW, supra note 38, at § 6.03[1][a]; 17 U.S.C. § 512(b), discussed in DRATLER CYBERLAW, supra note 38, at § 6.03[1][b]; 17 U.S.C. § 512(c), discussed in DRATLER CYBERLAW, supra note 38, at § 6.03[2][a]; 17 U.S.C. § 512(d), discussed in DRATLER CYBERLAW, supra note 38, at § 6.03[2][b].

\textsuperscript{154} For criticism of the drafting and its internal inconsistencies and other peccadillos, see DRATLER CYBERLAW, supra note 38, at § 6.03[3].
technology. Yet the statute's airy and multiply-recursive language makes it hard slogging even for those who already know how the technology works, and virtually impenetrable for those who do not. As an experiment, I have spent an entire class session of roughly one and a half hours on one of the four subsections—caching—and, despite my best teaching efforts, have left class wondering whether even my brightest students had a clue about the legal issues that the statutory language raises, let alone how the governed technology addressed normally operates. At the very least, a statute like that seems to violate a basic constitutional norm requiring the law to be accessible to people of ordinary intelligence.

Careful readers will note that the statute's list of four Internet activities—routing, caching, posting and linking—does not contain peer-to-peer file sharing (P2P). Although P2P often involves one of the listed activities—routing—it hardly can be characterized as falling decisively in any of the four statutory categories. As a result, two federal circuit courts have now ruled that Section 512(h)'s special subpoena power does not permit copyright holders to glean the identities of alleged P2P copyright infringers from their Internet service providers when those providers serve only routing functions. Think of that: two courts have ruled that a statute

155. See 17 U.S.C. § 512(b) (statutory "safe harbor" for caching).
That the terms of a penal statute creating a new offense must be sufficiently explicit to inform those who are subject to it what conduct on their part will render them liable to its penalties, is a well-recognized requirement, consonant alike with ordinary notions of fair play and the settled rules of law; and a statute which either forbids or requires the doing of an act in terms so vague that men of common intelligence must necessarily guess at its meaning and differ as to its application, violates the first essential of due process of law.

For a more modern affirmation of this point, see United States v. Lanier, 520 U.S. 259, 265-66 (1997) (quoting McBoyle v. United States, 283 U.S. 25, 27 (1931)) (discussing three aspects of "fair warning" requirement enunciated by Justice Holmes and noting need for criminal statutes to give "fair warning... in language that the common world will understand, of what the law intends to do if a certain line is passed. To make the warning fair, so far as possible the line should be clear").

It bears emphasis that commercial copyright infringement is a criminal offense, and there is no explicit exception for secondary liability. See 17 U.S.C. § 506 (misdemeanors); 18 U.S.C. § 2319 (felonies).

157. Although peer-to-peer file sharing does not require a central server, it does use file transmission through the Internet, which normally uses independent routing services, unless the transmitter and recipient are on the same local network or very close together. See DRATLER CYBERLAW, supra note 38, at § 6.05[2][a] (explaining operation of Internet).
158. See In re Charter Comm'n's, Inc., Subpoena Enforcement Matter, 393 F.3d 771, 777 (8th Cir. 2005) (following Recording Indus. Ass'n. of America, Inc. v. Verizon Internet
designed specifically *not* to allow Internet infringers to hide anonymously behind their service providers fails to apply in precisely the situation in which a special subpoena power is now most needed.\textsuperscript{159} Although the statutory purpose was clear, its text was murky and impenetrable and led in the opposite direction, and the two courts ruled that text trumps intent.\textsuperscript{160} One might say this result meted out poetic justice for an industry that played a leading role in drafting such an execrably impenetrable statute, but that would be unkind.

Perhaps this result was inevitable in this narrow instance, for the drafters of Section 512(h) were trying to do something that common law had never contemplated. They were trying to specify a set of circumstances so narrow that a court *clerk* could constitutionally issue a subpoena to reveal infringers' identities, as a nondiscretionary, ministerial act, even before litigation began.\textsuperscript{161} Perhaps that effort was doomed to failure for a complex of constitutional and prudential reasons.\textsuperscript{162} Yet the demise of Section 512(h) stands as an early warning to Congress and lobbyists of the wages of the sin of pride: thinking they can predict technology's future, or imagining that technology will stay put.

VI. CONCLUSION

In the end, the Supreme Court's decision in *Grokster* may serve as something of a watershed. For about fifteen years, we who till the copyright field have seen the horrendous consequences of industry participants taking their alleged grievances prematurely to Congress, which then rubber-stamps legislation voluminously and execrably drafted by dueling lobbyists as a sort of industry-wide settlement agreement. Anyone who thinks that the Audio Home Recording Act of 1992, the "webcasting" amendments to Section 114, or the Digital Services, Inc., *infra*); Recording Indus. Ass'n. of America, Inc. v. Verizon Internet Services, Inc., 351 F.3d 1229, 1233, 1237 (D.C. Cir. 2003) (Verizon III).

\textsuperscript{159} For elaboration of this conundrum, see DRATLER CYBERLAW, *supra* note 38, at § 6.05[2][b].

\textsuperscript{160} See sources cited *supra* note 158.

\textsuperscript{161} Section 512(h) contemplates subpoenas issued by a court clerk, before or after litigation. *See* 17 U.S.C. § 512(h)(1) ("A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection"); 17 U.S.C. § 512(h)(2)(C) (application for subpoena requires, *inter alia*, "a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title").

\textsuperscript{162} See DRATLER CYBERLAW, *supra* note 38, at § 6.05[1].
Millennium Copyright Act have made copyright law or liability more certain and predictable and its determination less costly simply hasn’t been paying attention.163 The *Grokster* decision offers a new approach: let the courts handle emerging issues as a matter of federal common law, just as the Supreme Court did in *Grokster*. If we give the courts a chance, we may find that the resulting rules are clearer, more certain, more timely, more comprehensible (and therefore more acceptable to the public), and more durable than anything Congress has done in the field of copyright in the last two decades.

The Supreme Court’s unanimous decision in *Grokster* shows what common-law courts can do if given a chance. The parties and numerous *amici* deluged the Court with detail and argument on everything from empirical studies of losses in the music industry, through lists of new technologies that copyright producers had or had not tried to suppress, or that might arise in the future, to economic analyses of innovation and the venture capital that supports it. There were enough red herrings to supply a fish-canning factory. But the Court saw through to the essence of the case: credible evidence that these defendants, in this case, had deliberately, consciously and systematically built their business on others’ massive infringement of copyright. Not surprisingly, the Court let that claim go to trial, and it did so unanimously, deftly avoiding all the interesting, but abstract and largely irrelevant, questions that the parties and so many *amici* had posed.

Isn’t this what common-law courts are for—to separate the wheat from the chaff and make decisions that average men and women can understand and appreciate? If we encourage such a reversion to federal common law, if we give the courts the evidence they need, if we focus on real economic and business issues, rather than irrelevant abstractions posed by badly drafted statutes or unenduring attempts to describe current technology or existing precedent in abstract terms, I think we will be astounded at how quickly certainty and predictability in copyright law will increase and how precipitously transaction costs will fall. The question remains whether the legal profession really desires that result.