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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

METRO-GOLDWYN-MAYER STUDIOS, )  
INC., et al., ) CV 01-08541-SVW (PJWx)  
 ) CV 01-09923-SVW (PJWx)  
 Plaintiffs, )  
 )  
 v. ) ORDER GRANTING DEFENDANTS  
 ) GROKSTER, LTD.'S AND  
 ) STREAMCAST NETWORKS, INC.'S  
 ) MOTIONS FOR SUMMARY JUDGMENT  
 GROKSTER, LTD., et al., ) AND DENYING PLAINTIFFS' MOTION  
 ) FOR SUMMARY JUDGMENT WITH  
 Defendants. ) RESPECT TO DEFENDANTS GROKSTER,  
 ) LTD. AND STREAMCAST NETWORKS,  
 ) INC.  
 \_\_\_\_\_ )  
 )  
 JERRY LIEBER, et al., )  
 )  
 Plaintiffs, )  
 )  
 v. )  
 )  
 )  
 CONSUMER EMPOWERMENT BV a/k/a )  
 FASTTRACK, et al., )  
 )  
 Defendants. )  
 )  
 \_\_\_\_\_ )  
 )  
 AND RELATED COUNTERCLAIMS )  
 \_\_\_\_\_ )

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1       **I.     INTRODUCTION**

2           Plaintiffs bring these actions for copyright infringement under  
3     17 U.S.C. §§ 501, et seq. The Court has jurisdiction pursuant to 28  
4     U.S.C. § 1331. Plaintiffs<sup>1</sup> and Defendants StreamCast Networks, Inc.  
5     and Grokster, Ltd. ("Defendants") filed cross-motions for summary  
6     judgment with regard to contributory and vicarious infringement.  
7     Plaintiffs contend that Defendants' conduct renders them liable for  
8     copyright infringement committed by users of Defendants' software.  
9     Defendants argue, however, that they merely provide software to users  
10    over whom they have no control, and thus that no liability may accrue  
11    to them under copyright law.

12           Both parties believe that there are no disputed issues of fact  
13    material to Defendants' liability, and thus that there are no factual  
14    disputes requiring a trial. Instead, both sides maintain that the  
15    only question before the Court (as to liability) is a legal one:  
16    whether Defendants' materially undisputed conduct gives rise to  
17    copyright liability.

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19           <sup>1</sup> Plaintiffs in the Metro-Goldwyn-Mayer Studios, Inc. v.  
20    Grokster, Ltd. case, CV 01-8541, consist of two groups: 1) the  
21    "Motion Picture Studio Plaintiffs": Metro-Goldwyn-Mayer Studios,  
22    Inc.; Columbia Pictures Industries, Inc.; Disney Enterprises,  
23    Inc.; New Line Cinema Corp.; Paramount Pictures Corp.; Time  
24    Warner Entertainment; Twentieth Century Fox Film Corp.; and  
25    Universal City Studios, Inc.; and, 2) the "Record Company  
26    Plaintiffs": Arista Records, Inc.; Atlantic Recording Corp.;  
27    Rhino Entertainment; Bad Boy Records; Capitol Records; Elektra  
28    Entertainment; Hollywood Records, Inc.; Interscope Records;  
29    LaFace Records; London-Sire Records; Motown Record Co., LP; BMG  
30    Entertainment; Sony Music Entertainment, Inc.; UMG Recordings,  
31    Inc.; Virgin Records America, Inc.; Walt Disney Records; Warner  
32    Brothers Records, Inc.; WEA International, Inc.; WEA Latina,  
33    Inc.; and Zomba Recording Corp.

34           Plaintiffs in the Lieber v. Consumer Empowerment BV case, CV  
35    01-9923, the "Music Publisher Plaintiffs," are a class of  
36    professional songwriters and music publishers.

1 For the reasons stated herein, the Court GRANTS Defendants'  
2 Motions for Summary Judgment and DENIES Plaintiffs' Motion for  
3 Summary Judgment with respect to Defendants Grokster and StreamCast.  
4

## 5 **II. FACTUAL/PROCEDURAL BACKGROUND**

### 6 **A. General Background**

7 These cases arise from the free exchange of copyrighted music,  
8 movies and other digital media over the Internet. When the actions  
9 were originally filed, Defendants Grokster, Ltd. ("Grokster"),  
10 StreamCast Networks, Inc. (formerly known as MusicCity Networks,  
11 Inc.) ("StreamCast"), and Kazaa BV (formerly known as Consumer  
12 Empowerment BV) ("Kazaa BV"), distributed software that enabled users  
13 to exchange digital media via a peer-to-peer transfer network. In  
14 the Metro-Goldwyn-Mayer v. Grokster case, CV-01-8541, Plaintiffs are  
15 organizations in the motion picture and music recording industries,  
16 and bring this action against Defendants for copyright infringement,  
17 pursuant to 17 U.S.C. §§ 501, et seq. In the Lieber v. Consumer  
18 Empowerment case, CV-01-9923, Plaintiffs are professional songwriters  
19 and music publishers bringing a class action against the same  
20 Defendants for copyright infringement, although their Complaint lists  
21 separate causes of action for contributory infringement and vicarious  
22 infringement. The cases have been consolidated for discovery and  
23 pretrial purposes.

24 Each Defendant distributes free software, which users can  
25 download free of charge. Although Grokster, StreamCast and Kazaa BV  
26 independently branded, marketed and distributed their respective  
27 software, all three platforms initially were powered by the same  
28

1 FastTrack networking technology. The FastTrack technology was  
2 developed by Defendants Niklas Zennström and Janus Friis, who also  
3 launched Kazaa BV.<sup>2</sup> FastTrack was then licensed to Kazaa BV,  
4 Grokster and StreamCast for use in each company's file-sharing  
5 software. As a result, users of these software platforms essentially  
6 were connected to the same peer-to-peer network and were able to  
7 exchange files seamlessly.

8 However, StreamCast no longer uses the FastTrack technology.  
9 Rather, StreamCast now employs the "open" (i.e., not proprietary)  
10 Gnutella technology, and distributes its own software - Morpheus -  
11 instead of a branded version of the Kazaa Media Desktop. Grokster,  
12 meanwhile, continues to distribute a branded version of the Kazaa  
13 Media Desktop, which operates on the same FastTrack technology as the  
14 Sharman/Kazaa software.

15 **B. Operation of the StreamCast (Morpheus) and Grokster**  
16 **Software**

17 Although novel in important respects, both the Grokster and  
18 Morpheus platforms operate in a manner conceptually analogous to the  
19 Napster system described at length by the district court in A & M  
20 Records, Inc. v. Napster, Inc., 114 F. Supp. 2d 896 (N.D. Cal. 2000).

21 In both cases, the software can be transferred to the user's  
22 computer, or "downloaded," from servers operated by Defendants. Once  
23

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24 <sup>2</sup> Since this case was originally filed, the operation of  
25 the "Kazaa system" has passed from Kazaa BV to Defendant Sharman  
26 Networks. In addition, Kazaa BV has apparently ceased defending  
27 this action. Because Kazaa BV has failed to defend this action,  
28 the Court will enter default against Defendant Kazaa BV (an Order  
regarding the entry of default will issue separately). The  
remainder of this Order relates only to Plaintiffs' claims  
against Defendants Grokster and StreamCast.

1 installed, a user may elect to "share" certain files located on the  
2 user's computer, including, for instance, music files, video files,  
3 software applications, e-books and text files. When launched on the  
4 user's computer, the software automatically connects to a peer-to-  
5 peer network (FastTrack in Grokster's case; Gnutella in the case of  
6 Morpheus), and makes any shared files available for transfer to any  
7 other user currently connected to the same peer-to-peer network.

8 Both the Morpheus and Grokster software provide a range of means  
9 through which a user may search through the respective pool of shared  
10 files. For instance, a user can select to search only among audio  
11 files, and then enter a keyword, title, or artist search. Once a  
12 search commences, the software displays a list (or partial list) of  
13 users who are currently sharing files that match the search criteria,  
14 including data such as the estimated time required to transfer each  
15 file.

16 The user may then click on a specific listing to initiate a  
17 direct transfer from the source computer to the requesting user's  
18 computer. When the transfer is complete, the requesting user and  
19 source user have identical copies of the file, and the requesting  
20 user may also start sharing the file with others. Multiple transfers  
21 to other users ("uploads"), or from other users ("downloads"), may  
22 occur simultaneously to and from a single user's computer.

23 Both platforms include other incidental features, such as  
24 facilities for organizing, viewing and playing media files, and for  
25 communicating with other users.

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1           **C.    Limitations of this Order**

2           Because Plaintiffs principally seek prospective injunctive  
3 relief, the Court at this time considers only whether the current  
4 versions of Grokster's and StreamCast's products and services subject  
5 either party to liability. This Order does not reach the question  
6 whether either Defendant is liable for damages arising from past  
7 versions of their software, or from other past activities.

8           Additionally, it is important to reiterate that the instant  
9 motions concern only the software operated by Defendants StreamCast  
10 (the Morpheus software) and Grokster (the Grokster software).  
11 Defendant Sharman Networks, proprietor of the Kazaa.com website and  
12 Kazaa Media Desktop, is not a party to these Motions. Accordingly,  
13 the Court offers no opinion in this Order as to Sharman's potential  
14 liability.

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16           **III. SUMMARY JUDGMENT STANDARD**

17           Rule 56(c) requires summary judgment for the moving party when  
18 the evidence, viewed in the light most favorable to the nonmoving  
19 party, shows that there is no genuine issue as to any material fact,  
20 and that the moving party is entitled to judgment as a matter of law.  
21 See Fed. R. Civ. P. 56(c); Tarin v. County of Los Angeles, 123 F.3d  
22 1259, 1263 (9th Cir. 1997). The moving party bears the initial  
23 burden of establishing the absence of a genuine issue of material  
24 fact. See Celotex Corp. v. Catrett, 477 U.S. 317, 323-24, 106 S. Ct.  
25 2548, 2553, 91 L.Ed.2d 265 (1986).

26           That burden may be met by "'showing' - that is, pointing out to  
27 the district court - that there is an absence of evidence to support  
28

1 the nonmoving party's case." Id. at 325, 106 S.Ct. at 2554. Once  
2 the moving party has met its initial burden, Rule 56(e) requires the  
3 nonmoving party to go beyond the pleadings and identify specific  
4 facts that show a genuine issue for trial. See id. at 324, 106 S.Ct.  
5 at 2553; Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S.  
6 Ct. 2505, 2510, 91 L.Ed.2d 202 (1986).

7 When deciding cross-motions for summary judgment, a district  
8 court retains the responsibility to examine the record to ensure that  
9 no disputed issues of fact exist, despite the parties' assurances to  
10 that effect. Fair Housing Council of Riverside County, Inc. v.  
11 Riverside Two, 249 F.3d 1132, 1136-37 (9th Cir. 2001); see Chevron  
12 USA, Inc. v. Cayetano, 224 F.3d 1030, 1038 n.6 (9th Cir. 2000).

13 However, the Court is not obligated "to scour the record in  
14 search of a genuine issue of triable fact. [The Court] rel[ies] on  
15 the nonmoving party to identify with reasonable particularity the  
16 evidence that precludes summary judgment." Kennan v. Allan, 91 F.3d  
17 1275, 1279 (9th Cir. 1996) (citations and internal quotation marks  
18 omitted). Furthermore, only genuine disputes - where the evidence is  
19 such that a reasonable jury could return a verdict for the nonmoving  
20 party - "over facts that might affect the outcome of the suit under  
21 the governing law will properly preclude the entry of summary  
22 judgment." See Anderson v. Liberty Lobby, Inc., 477 U.S. at 248, 106  
23 S. Ct. at 2510; see also Arpin v. Santa Clara Valley Transp. Agency,  
24 261 F.3d 912, 919 (9th Cir. 2001) (the nonmoving party must offer  
25 specific evidence from which a reasonable jury could return a verdict  
26 in its favor).

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1 **IV. DISCUSSION**

2 Plaintiffs argue that Defendants are liable for both  
3 contributory and vicarious copyright infringement. As a threshold  
4 matter, in order to find either contributory or vicarious  
5 infringement liability, Plaintiffs must demonstrate that Defendants'  
6 end-users are themselves engaged in direct copyright infringement.  
7 A & M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1013 n.2 (9th  
8 Cir. 2001) ("Napster") (citation omitted) ("Secondary liability for  
9 copyright infringement does not exist in the absence of direct  
10 infringement by a third party.").

11 **A. Direct Infringement**

12 To establish a prima facie case of copyright infringement,  
13 Plaintiffs must show: (1) copyright ownership of the allegedly  
14 infringing material, and (2) unauthorized copying of the work that is  
15 the original. Id. at 1013 (citations omitted). With regard to the  
16 second prong, "[Plaintiffs] must demonstrate that the alleged  
17 infringers violate at least one exclusive right granted to copyright  
18 holders under 17 U.S.C. § 106." Id.

19 With regard to copyright ownership, Defendants, along with the  
20 Record Company and Motion Picture Studio Plaintiffs, have stipulated  
21 for purposes of these Motions that the sound recordings referenced in  
22 the First Amended Complaint are owned by each Plaintiff asserting  
23 ownership. (See Lapple Decl., Ex. 10; MGM Plaintiffs' First Amended  
24 Complaint ("FAC"), Exs. A and B (list of sound recordings)).

25 While the Music Publisher Plaintiffs have refused to join in the  
26 stipulation, the Court assumes that Plaintiffs could establish  
27 ownership or control of at least some of the copyrights listed in  
28

1 their Second Supplemental Rule 26 Disclosures.<sup>3</sup> (See Breen Decl. ¶ 7  
2 & Ex. A; Dozier Decl. ¶¶ 8, 10 & Exs. A-B; Stoller Decl. ¶¶ 17-21 &  
3 Exs. B-F; Lieber Decl. ¶ 3; Jaegerman Decl. ¶¶ 5-7 & Exs. A-E;  
4 Goldsen Decl. ¶ 4 & Exs. A-E; I. Robinson Decl. ¶¶ 6-8 & Exs. A-E.)

5 Furthermore, it is undisputed that at least some of the  
6 individuals who use Defendants' software are engaged in direct  
7 copyright infringement of Plaintiffs' copyrighted works. In Napster,  
8 the Ninth Circuit explained: "[T]he evidence establishes that a  
9 majority of Napster users use the service to download and upload  
10 copyrighted music. . . . And by doing that, it constitutes - the  
11 uses constitute direct infringement of plaintiffs' musical  
12 compositions, recordings." Napster, 239 F.3d at 1013-14 (quoting  
13 transcript from district court proceedings) (internal quotation marks  
14 omitted).

15 Just as in Napster, many of those who use Defendants' software  
16 do so to download copyrighted media files, including those owned by  
17 Plaintiffs, (see, e.g., Pls.' Statement of Uncontroverted Facts  
18 ("Pls.' SUF") 3(j), 3(t); Griffin Depo. 278:5-10 and Ex. 291), and

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19  
20 <sup>3</sup> The Court notes that this issue is moot in light of the  
Court's ruling.

21 Additionally, because the Music Publisher Plaintiffs did not  
22 stipulate to the ownership of the copyrights in question,  
23 Defendant StreamCast filed a Rule 56(f) motion requesting further  
24 discovery regarding the Music Publisher Plaintiffs' ownership of  
25 the copyrights in question. See Fed. R. Civ. P. 56(f). While  
26 StreamCast contends that with further discovery, the evidence  
27 will show that the Music Publisher Plaintiffs do not actually own  
28 or control several of the copyrights in question, ownership of at  
least some of the copyrights is not disputed. Thus, this  
allegedly disputed fact does not affect the Cross-Motions for  
Summary Judgment, but would have been relevant in a later phase  
of the litigation. However, this Motion also is moot in light of  
the Court's ruling. Accordingly, the Court DENIES Defendant  
Streamcast's Rule 56(f) Motion.

1 thereby infringe Plaintiffs' rights of reproduction and distribution.  
2 See Napster, 239 F.3d at 1014 (citations omitted). Thus, for  
3 purposes of these motions, Plaintiffs have established direct  
4 infringement of their copyrighted works by some end-users of  
5 Defendants' software.<sup>4</sup>

## 6 **B. Contributory Infringement**

7 Under the doctrine of contributory copyright infringement, one  
8 is liable for contributory infringement if "with knowledge of the  
9 infringing activity, [he/she] induces, causes or materially  
10 contributes to the infringing conduct of another[.]" Napster, 239  
11 F.3d at 1019 (citations and internal quotation marks omitted).

12 There are two factors that come into play in determining  
13 liability for contributory infringement: (1) knowledge, and (2)  
14 material contribution. The secondary infringer must "know, or have  
15 reason to know of [the] direct infringement." Adobe Systems Inc. v.  
16 Canus Prods., Inc., 173 F. Supp. 2d 1044, 1048 (C.D. Cal. 2001)  
17 (citations and internal quotation marks omitted). Furthermore, with  
18 regard to the second element, "liability [for contributory  
19 infringement] exists if the defendant engages in personal conduct  
20 that encourages or assists the infringement." Napster, 239 F.3d at  
21 1019 (citation and internal quotation marks omitted).

### 22 **1. Knowledge of Infringing Activity**

23 In order to be held liable for contributory infringement, the  
24 secondary infringer must know or have reason to know of the direct

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25  
26 <sup>4</sup> Defendants argue that Plaintiffs should not be able to  
27 sue for copyright infringement because they misuse their  
28 copyrights by violating U.S. antitrust laws. Because the Court  
denies Plaintiffs' Motion for Summary Judgment, see infra, the  
Court does not reach the issue of copyright misuse.

1 infringement. See Napster, 239 F.3d at 1020. Evidence of actual  
2 knowledge of specific acts of infringement is required for  
3 contributory infringement liability. Id. at 1021.

4 In Sony Corp. of America v. Universal City Studios, Inc., 464  
5 U.S. 417, 104 S. Ct. 774 (1984), sale of video cassette recorders  
6 ("VCR"s) did not subject Sony to contributory copyright liability,  
7 even though Sony knew as a general matter that the machines could be  
8 used, and were being used, to infringe the plaintiffs' copyrighted  
9 works. Because video tape recorders were capable of both infringing  
10 and "substantial noninfringing uses," generic or "constructive"  
11 knowledge of infringing activity was insufficient to warrant  
12 liability based on the mere retail of Sony's products. See id. at  
13 442. "[T]he sale of copying equipment, like the sale of other  
14 articles of commerce, does not constitute contributory infringement"  
15 if the product is "capable of substantial noninfringing uses." Id.

16 Here, it is undisputed that there are substantial noninfringing  
17 uses for Defendants' software - e.g., distributing movie trailers,  
18 free songs or other non-copyrighted works; using the software in  
19 countries where it is legal; or sharing the works of Shakespeare.  
20 (See Ian Decl. ¶¶ 11-13; Newby Decl. ¶ 12; Prelinger Decl. ¶¶ 11-18;  
21 Kahle Decl. ¶¶ 14-20; Mayers Decl. ¶¶ 5-8, 11, 14-17; Sinnreich Decl.  
22 ¶¶ 1-6; Busher Decl. ¶¶ 8-34; Hoekman Decl. ¶¶ 3-9.) For instance,  
23 StreamCast has adduced evidence that the Morpheus program is  
24 regularly used to facilitate and search for public domain materials,  
25 government documents, media content for which distribution is  
26 authorized, media content as to which the rights owners do not object  
27 to distribution, and computer software for which distribution is  
28 permitted. (See Newby Decl. ¶ 12; Prelinger Decl. ¶¶ 11-18; Kahle

1 Decl. ¶¶ 14-20; Hoekman Decl. ¶¶ 3-4, 5-7, 8, 9; Ian Decl. ¶¶ 11-13;  
2 Sinnreich Decl. ¶¶ 8-24, 33, 34; Mayers Decl. ¶¶ 5-7, 14-17; Busher  
3 Decl. ¶¶ 1-12.) The same is true of Grokster's software. (See,  
4 e.g., Mayers Decl. ¶¶ 6-7; Pls.' Ex. 34 (D. Rung Depo. Ex. 7) at  
5 3562-64 (describing Grokster's partnership with GigAmerica, a company  
6 which claimed to host music from 6,000 independent bands and  
7 musicians as of May 2002).)

8 Furthermore, as the Supreme Court has explained, the existence  
9 of substantial noninfringing uses turns not only on a product's  
10 current uses, but also on potential future noninfringing uses. See  
11 Sony, 464 U.S. at 442; see also Napster, 239 F.3d at 1020-21.  
12 Plaintiffs do not dispute that Defendants' software is being used,  
13 and could be used, for substantial noninfringing purposes.

14 In light of Sony, the Ninth Circuit in Napster refused to  
15 "impute the requisite level of knowledge to Napster merely because  
16 peer-to-peer file-sharing technology may be used to infringe  
17 plaintiffs' copyrights." 239 F.3d at 1020-21. Just as Sony could  
18 not be held liable for contributory infringement simply because it  
19 sold video tape recorders that could be used unlawfully, Napster  
20 would not be liable simply because it distributed software that could  
21 be used to infringe copyrights. "[A]bsent any specific information  
22 which identifies infringing activity, a computer system operator  
23 cannot be liable for contributory infringement merely because the  
24 structure of the system allows for the exchange of copyrighted  
25 material." Napster, 239 F.3d at 1021 (citing Sony, 464 U.S. at 436,  
26 442-43).

27 Rather, liability for contributory infringement accrues where a  
28 defendant has actual - not merely constructive - knowledge of the

1 infringement at a time during which the defendant materially  
2 contributes to that infringement. See Napster, 239 F.3d at 1020-22.

3 In other words, as the Ninth Circuit explained, defendants are  
4 liable for contributory infringement only if they (1) have specific  
5 knowledge of infringement at a time at which they contribute to the  
6 infringement, and (2) fail to act upon that information. See  
7 Napster, 239 F.3d at 1021 (citation omitted) ("We agree that if a  
8 computer system operator learns of specific infringing material  
9 available on his system and fails to purge such material from the  
10 system, the operator knows of and contributes to direct  
11 infringement.").

12 With respect to Napster's "actual knowledge" of infringement,  
13 the court cited: (1) a document authored by one of Napster's founders  
14 mentioning "the need to remain ignorant of users' real names and IP  
15 addresses 'since they are exchanging pirated music'"; and (2) the  
16 fact that the Recording Industry Association of America notified  
17 Napster of more than 12,000 infringing files on its system, some of  
18 which were still available. Id. at 1020, n.5 (citation and internal  
19 quotation marks omitted).

20 In this case, Plaintiffs point to a massive volume of similar  
21 evidence, including documents suggesting that both Defendants  
22 marketed themselves as "the next Napster," that various searches were  
23 performed by Defendants' executives for copyrighted song titles or  
24 artists, that various internal documents reveal Defendants were aware  
25 that their users were infringing copyrights, and that Plaintiffs sent  
26 Defendants thousands of notices regarding alleged infringement.

27 (See, e.g., Hardison Depo. 173:8-20 & Ex. 129; Creighton Decl. ¶¶ 19-  
28 20 & Exs. 10-17; Charlesworth Decl. ¶¶ 4-19 & Exs. A-P; Breen Decl.

1 ¶¶ 5-10 & Ex. A; Weiss Depo. 126:19-127:22; Kleinrock Decl. ¶¶ 23-28;  
2 D. Rung Depo. 221:5-222:8; M. Rung Depo. 31:10-17, 73:3-74:17; Weiss  
3 Depo. 89:23-91:6; Kallman Depo. 78:19-79:1; Weiss Depo. 85:12-18,  
4 217:7-221:12; 227:8-233:1,234:18-235:19, 329:13-331:23, 595:12-596:3  
5 & Ex. 24; Hardison Depo. 87:1-15; 122:8-21; 170:17-171:3 & Exs. 110,  
6 115 & 129; Borkowski Decl. Ex. 31; Griffin Depo. 157:7-12; 159:2-17;  
7 161:5-162:10 & Ex. 260; J. Tung Depo. 75:13-77:25; Bodenstein Decl. ¶  
8 3 & Exs. 1-7.) In other words, Defendants clearly know that many if  
9 not most of those individuals who download their software  
10 subsequently use it to infringe copyrights.

11 However, Defendants correctly point out that in order to be  
12 liable under a theory of contributory infringement, they must have  
13 actual knowledge of infringement at a time when they can use that  
14 knowledge to stop the particular infringement. In other words,  
15 Plaintiffs' notices of infringing conduct are irrelevant if they  
16 arrive when Defendants do nothing to facilitate, and cannot do  
17 anything to stop, the alleged infringement.

18 This distinction is illustrated by Religious Tech. Center v.  
19 Netcom On-Line Communication Servs., Inc., 907 F. Supp. 1361 (N.D.  
20 Cal. 1995) ("Netcom"), a case informing the Ninth Circuit decision in  
21 Napster. The Netcom court distinguished a line of cases cited by the  
22 plaintiff, which concerned a landlord's liability for contributory  
23 infringement in the landlord-tenant context. These cases held "that  
24 there is no contributory infringement by the lessors of premises that  
25 are later used for infringement unless the lessor had knowledge of  
26 the intended use at the time of the signing of the lease." Id. at  
27 1373 (citation and footnote omitted).

28 ///

1 In other words, once the lease is signed, the landlord has no  
2 control over his/her tenant's use of the premises for infringing  
3 activities. Thus, any knowledge of the infringement that the  
4 landlord acquires after the tenant is in control is insufficient to  
5 establish contributory infringement liability, because there is  
6 nothing the landlord does to facilitate the infringement, or could do  
7 to stop it. In contrast, the Netcom court explained that "Netcom not  
8 only leases space but also serves as an access provider, which  
9 includes the storage and transmission of information necessary to  
10 facilitate [the end user's] postings to [an Internet newsgroup].  
11 Unlike a landlord, Netcom retains some control over[] the use of its  
12 system." Id. at 1373-74.

13 It was critical to the court that the allegedly infringing  
14 messages were transmitted to Netcom, briefly resided on servers  
15 controlled by Netcom, and then were distributed by Netcom to other  
16 Internet systems. See id. "With an easy software modification  
17 Netcom could identify postings that contain particular words or come  
18 from particular individuals[,] and delete those postings from its  
19 system (thereby preventing their propagation). Id. at 1376.  
20 Furthermore, Netcom was able to suspend user accounts - as it had  
21 done on at least 1,000 occasions - and preclude any access and  
22 distribution by a particular user through Netcom servers. Id.

23 Accordingly, the relevant time frame for purposes of assessing  
24 contributory infringement covered the entire "relationship" between  
25 Netcom and its users. Thus, the contributory infringement claim was  
26 to be decided not based on Netcom's knowledge at the time it entered  
27 into the relevant user agreement, but rather based on any knowledge  
28 acquired or possessed while Netcom contributed to the alleged

1 infringement - i.e., "when Netcom provided its services to allow [the  
2 end user] to infringe plaintiffs' copyrights." Id. at 1374 (citation  
3 omitted). The Netcom court denied summary judgment because there was  
4 "a genuine issue as to whether Netcom knew of any infringement [ ]  
5 before it was too late to do anything about it." Id.

6 Here, it is undisputed that Defendants are generally aware that  
7 many of their users employ Defendants' software to infringe  
8 copyrighted works. (See, e.g., Grokster's Mot. at 15 ("[Grokster] is  
9 of course aware as a general matter that some of its users are  
10 infringing copyrights.")) The question, however, is whether actual  
11 knowledge of specific infringement accrues at a time when either  
12 Defendant materially contributes to the alleged infringement, and can  
13 therefore do something about it.

## 14 **2. Material Contribution to the Infringing Activity of** 15 **Another**

16 As noted supra, "liability [for contributory infringement]  
17 exists if the defendant engages in personal conduct that encourages  
18 or assists the infringement." Napster, 239 F.3d at 1019 (citation  
19 and internal quotation marks omitted). To be liable for contributory  
20 infringement, Defendants must "materially contribute[]" to the  
21 infringing activity. Id. (citations and internal quotation marks  
22 omitted).

23 The original formulation of this doctrine "stems from the notion  
24 that one who directly contributes to another's infringement should be  
25 held accountable." Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d  
26 259, 264 (9th Cir. 1996) (emphasis added) (citations omitted).  
27 Traditionally, one is liable for contributory infringement if, "with  
28 knowledge of the infringing activity, [he or she] induces, causes or

1 materially contributes to the infringing conduct of another[.]”  
2 Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159,  
3 1162 (2d Cir. 1971) (cited by Fonovisa, 76 F.3d at 264). The Ninth  
4 Circuit concluded in Napster that “liability exists if the defendant  
5 engages in personal conduct that encourages or assists the  
6 infringement.” 239 F.3d at 1019 (citation and internal quotation  
7 marks omitted).

8 In concluding that Napster materially contributed to the  
9 infringement, the Ninth Circuit relied on the district court’s  
10 finding that “without the support services defendant provides,  
11 Napster users could not find and download the music they want with  
12 the ease of which defendant boasts.” Napster, 239 F.3d at 1022  
13 (quoting A & M Records, Inc. v. Napster, 114 F. Supp. 2d at 919-20)  
14 (internal quotation marks omitted).

15 The district court explained that “Napster is an integrated  
16 service designed to enable users to locate and download MP3 music  
17 files.” A & M Records v. Napster, 114 F. Supp. 2d at 920.  
18 Furthermore, the Ninth Circuit agreed with the district court that  
19 because Napster provided the “site and facilities” for direct  
20 infringement, Napster materially contributed to the infringement.  
21 Napster, 239 F.3d at 1022.

22 In reaching this conclusion, the Napster court followed the  
23 reasoning of Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, an  
24 earlier Ninth Circuit case. In Fonovisa, the defendant operated a  
25 swap meet where many of the vendors sold counterfeit goods. Id. at  
26 260. In concluding that the plaintiff’s allegations supported its  
27 claim for contributory infringement against the defendant swap meet  
28 operator, the court found significant that the defendant did more

1 than provide the space for vendors to sell their goods. The  
2 defendant provided other services - utilities, parking, advertising,  
3 plumbing, customers - which enabled the infringement to occur in  
4 large quantities. Id. at 264.

5 The court further explained that the defendant did not have to  
6 directly promote the infringing products to be held liable - it was  
7 enough that the defendant provided "the site and facilities for known  
8 infringing activity[.]" Id. While the defendant attempted to  
9 persuade the court that it provided rental space alone, the court  
10 explained that the defendant swap meet operator "actively str[ove] to  
11 provide the environment and the market for counterfeit sales to  
12 thrive. Its participation in the sales cannot be termed 'passive,'  
13 as [the defendant] would prefer." Id.

14 While Napster provided its software free of charge, the district  
15 court explained, and the Ninth Circuit agreed, that Napster was no  
16 different than the swap meet operator in Fonovisa - "The swap meet  
17 provided services like parking, booth space, advertising, and  
18 clientele. [Citation.] Here, Napster, Inc. supplies the proprietary  
19 software, search engine, servers, and means of establishing a  
20 connection between users' computers." A & M Records v. Napster, 114  
21 F. Supp. 2d at 920; see also Napster, 239 F.3d at 1022 ("The district  
22 court correctly applied the reasoning from Fonovisa, and properly  
23 found that Napster materially contributes to direct infringement.").

24 Furthermore, in addition to the software, Napster provided a  
25 network - the "site and facilities" for the infringement to take  
26 place. Napster hosted a central list of the files available on each  
27 user's computer, and thus served as the axis of the file-sharing

28 ///

1 network's wheel. When Napster closed down, the Napster file-sharing  
2 network disappeared with it.

3 As noted supra, the court in Netcom reached similar conclusions.  
4 Netcom was distinct from a landlord because it was also an "access  
5 provider," and because it stored and transmitted the allegedly  
6 infringing newsgroup posts at issue in the case. Netcom, 907 F.  
7 Supp. at 1373-74. Netcom's services were "necessary to facilitate"  
8 the infringing postings of which Netcom allegedly had been notified.  
9 Id. If Plaintiffs could prove Netcom's knowledge of these postings,  
10 Netcom would be liable "for contributory infringement since its  
11 failure to simply cancel [the end user's] infringing message and  
12 thereby stop an infringing copy from being distributed worldwide  
13 constitutes substantial participation in [the end user's] public  
14 distribution of the message." Id. at 1374 (citation omitted) (quoted  
15 in Napster, 239 F.3d at 1022).

16 Thus, here, the critical question is whether Grokster and  
17 StreamCast do anything, aside from distributing software, to actively  
18 facilitate - or whether they could do anything to stop - their users'  
19 infringing activity.

20 Plaintiffs argue that Defendants, like Napster, do much to  
21 facilitate the actual exchange of copyrighted files, and thus  
22 materially contribute to the infringement. In their original Motion,  
23 Plaintiffs - who lumped together the activities of Grokster and  
24 StreamCast with those of Kazaa BV - asserted that these Defendants  
25 provide the "means, environment, and support . . . that enable users  
26 to . . . locate, distribute and copy" copyrighted works. (Pls.'s MSJ  
27 at 21.)

28 ///

1 As Plaintiffs' own Proposed Statement of Uncontroverted Facts  
2 reflects, however, the facts are somewhat distinct - though  
3 materially undisputed - with respect to each Defendant.

4 **a. Grokster**

5 Grokster currently distributes a branded version of the Kazaa  
6 Media Desktop, originally licensed by Consumer Empowerment BV (and  
7 now controlled by Sharman). (See D. Rung Decl. ¶ 3.) Grokster does  
8 not have access to the source code for the application, and cannot  
9 alter it in any way. (D. Rung Decl. ¶ 3.) Grokster's primary  
10 ability to affect its users' experience derives from its ability to  
11 configure a "start page" and provide advertising automatically  
12 retrieved by the Grokster client software. (D. Rung Decl. ¶ 3.)

13 Grokster does not operate a centralized file-sharing network  
14 like that seen in Napster. Rather, the Grokster-licensed Kazaa Media  
15 Desktop software employs FastTrack networking technology, which is  
16 licensed by Sharman and is not owned by Grokster.

17 One of the central features distinguishing FastTrack-based  
18 software from other peer-to-peer technology is the dynamic, or  
19 variable use of "supernodes." A "node" is an end-point on the  
20 Internet, typically a user's computer. A "supernode" is a node that  
21 has a heightened function, accumulating information from numerous  
22 other nodes. (Smith Opp. Decl. ¶¶ 70-71.) An individual node using  
23 FastTrack-based software automatically self-selects its own supernode  
24 status; a user's node may be a supernode one day and not on the

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1 following day, depending on resource needs and availability of the  
2 network.<sup>5</sup> (Smith Opp. Decl. ¶ 72.)

3 This creates a two-tiered organizational structure, with groups  
4 of nodes clustered around a single supernode. When a user starts  
5 his/her software, the user's computer finds a supernode and accesses  
6 the network. The process of locating a supernode has varied over  
7 time. The undisputed evidence is that the Grokster software is  
8 preset with a list of "root supernodes," each of which functions  
9 principally to connect users to the network by directing them to  
10 active supernodes. While Grokster may briefly have had some control  
11 over a root supernode, Plaintiffs do not dispute that Grokster no  
12 longer operates such a supernode.<sup>6</sup> Thus, the technical process of  
13 locating and connecting to a supernode - and the FastTrack network -  
14 currently occurs essentially independently of Defendant Grokster.<sup>7</sup>

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15 <sup>5</sup> It is unclear whether or to what extent entities other  
16 than Grokster can control this process or other aspects of the  
17 FastTrack network, but there is no evidence - and Plaintiffs do  
18 not argue - that Defendants have any such role.

19 <sup>6</sup> While it appears that the primary root supernodes on  
20 the FastTrack network have been and are operated by Kazaa  
21 BV/Sharman, it is not alleged that Grokster operates these  
22 supernodes.

23 <sup>7</sup> The initial version of FastTrack licensed to Grokster  
24 did obligate Grokster to operate a registration server. (Id. at  
25 ¶ 7.) A new user was required to register a unique username and  
26 e-mail address, and each subsequent use of the Grokster software  
27 verified this information against the Grokster registration  
28 server. (Id.) If during a subsequent use the username was  
blocked or removed, the user would be unable to use certain  
functions (such as instant messaging), though the file-sharing  
functions remained operative. (Id.; see also Kleinrock Dep.  
211:2-12, Page Decl. Ex. M.) Accordingly, operation of the  
registration server did not provide a means for controlling  
either access to the network or file-sharing. Furthermore, the  
FastTrack software has been modified such that it no longer  
requires a registration database, thereby denying Grokster this

1           Once a user is connected to the network, his/her search queries  
2 and results are relayed among supernodes, maximizing the breadth of  
3 the search pool and minimizing redundancy in search traffic. This  
4 also reflects a critical distinction from Napster. Napster utilized,  
5 in effect, a single "supernode" owned and operated by Napster. The  
6 company's central servers indexed files from, and passed search  
7 queries and results among, all Napster users. All Napster search  
8 traffic went through, and relied upon, Napster.

9           When users search for and initiate transfers of files using the  
10 Grokster client, they do so without any information being transmitted  
11 to or through any computers owned or controlled by Grokster. (Id. at  
12 ¶ 6.)

13                           **b. StreamCast**

14           Certain versions of StreamCast's Morpheus product prior to March  
15 2002 were, like Grokster today, based on the FastTrack technology.  
16 However, the current iteration of StreamCast's Morpheus is distinct  
17 in important respects from Grokster's software. First, Morpheus is  
18 now a proprietary program owned and controlled exclusively by  
19 StreamCast. In other words, StreamCast, unlike Grokster, has access  
20 to the source code for its software, and can modify the software at  
21 will. Second, Morpheus is based on the open-source Gnutella peer-to-  
22 peer platform and does not employ a proprietary protocol such as  
23 FastTrack.

24           ///

25 \_\_\_\_\_  
26 role in controlling access to the FastTrack network. (Id. at ¶  
27 8.) Although Grokster continues to operate a voluntary  
28 registration server, the server is not integral to a user's  
network access - it can essentially be bypassed merely by  
registering a new username and password.

1 Gnutella is a "true" peer-to-peer network, featuring even more  
2 decentralization than FastTrack. A user connects to the Gnutella  
3 network (comprised of all users of Gnutella-based software, including  
4 not only Morpheus but that distributed by companies such as  
5 "LimeWire," "BearShare," "Gnucleus" and others) by contacting another  
6 user who is already connected. This initial connection is usually  
7 performed automatically after the user's computer contacts one of  
8 many publicly available directories of those currently connected to  
9 the Gnutella network.<sup>8</sup> (Smith Opp. Decl. ¶¶ 32-33.) Plaintiffs do  
10 not dispute that StreamCast does not itself operate any of these  
11 directories or compensate those who do for their use by Morpheus  
12 users. (See Smith Depo. T. 509:15-509:22; 510:18-511:2.)

13 Instead of using supernodes, search requests on the Gnutella  
14 network are passed from user to user until a match is found or the  
15 search request expires. (Gribble Opp. Decl. ¶¶ 27-31.) When a user  
16 selects a file, the transfer is initiated directly between the two  
17 users. (Gribble Opp. Decl. ¶¶ 32-33.)

### 18 c. Analysis

19 Plaintiffs appear reluctant to acknowledge a seminal distinction  
20 between Grokster/StreamCast and Napster: neither Grokster nor  
21 StreamCast provides the "site and facilities" for direct  
22 infringement. Napster, 239 F.3d at 1022. Neither StreamCast nor

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23  
24 <sup>8</sup> These "directories" include both Gnutella clients that  
25 transmit IP addresses of other clients ("hostcaches") and  
26 websites that host lists of IP addresses for currently-connected  
27 computers ("G web caches.") Other methods of connecting to the  
28 Gnutella network include manually acquiring (i.e., by word-of-  
mouth) and inputting the IP address of an individual known to be  
connected, or querying Internet Relay Chat rooms where lists of  
active addresses are posted. The current version of Morpheus is  
preconfigured to query particular hostcaches and G web caches.

1 Grokster facilitates the exchange of files between users in the way  
2 Napster did. Users connect to the respective networks, select which  
3 files to share, send and receive searches, and download files, all  
4 with no material involvement of Defendants. If either Defendant  
5 closed their doors and deactivated all computers within their  
6 control, users of their products could continue sharing files with  
7 little or no interruption. (See, e.g., Gribble Decl. ¶¶ 7, 13, 18,  
8 21, 23, 27, 32, and 34; D. Rung Decl. ¶ 6.)

9 In contrast, Napster indexed the files contained on each user's  
10 computer, and each and every search request passed through Napster's  
11 servers. Napster, 239 F.3d at 1012. Napster provided the "site and  
12 facilities" for the alleged infringement, id. at 1022, affording it  
13 perfect knowledge and complete control over the infringing activity  
14 of its users. If Napster deactivated its computers, users would no  
15 longer be able to share files through the Napster network.

16 The evidence of contributory infringement cited by Plaintiffs  
17 with respect to these Defendants is not material. For instance, in  
18 their Statement of Uncontroverted Facts, Plaintiffs propose the  
19 following fact: "Defendants' systems enable, and provide an  
20 infrastructure for, users to search for, reproduce and distribute  
21 copyrighted sound recordings, motion pictures and other types of  
22 works without the authorization of the copyright owner." (Pls.' SUF  
23 4(b)). If established by the record, the fact that Defendants  
24 provide an "infrastructure" for file-sharing would be of obvious  
25 significance in light of the Napster cases.

26 Plaintiffs, however, present no admissible evidence to create a  
27 genuine dispute regarding this fact. Rather, characteristic of the  
28 evidence cited are (1) a handful of isolated technical support e-

1 mails from Grokster and StreamCast employees sent in response to  
2 users who encountered difficulties playing copyrighted media files;<sup>9</sup>  
3 and (2) evidence of previously unmoderated discussion forums in which  
4 some Grokster users searched for, and discussed the propriety of  
5 exchanging, copyrighted files. (See Pls.' SUF 4(b); see also Pls.'  
6 SUF 4(p).)

7 As an initial matter, the record indicates that Defendants have  
8 undertaken efforts to avoid assisting users who seek to use their  
9 software for improper purposes. More critically, technical  
10 assistance and other incidental services are not "material" to the  
11 alleged infringement. To be liable for contributory infringement,  
12 "[p]articipation in the infringement must be substantial. The  
13 authorization or assistance must bear a direct relationship to the  
14 infringing acts, and the contributory infringer must have acted in  
15 concert with the direct infringer." Marvullo v. Gruner & Jahr, 105  
16 F. Supp. 2d 225, 230 (S.D.N.Y. 2000) (citation omitted); accord  
17 Arista Records, Inc. v. MP3Board, Inc., 2002 U.S. Dist. LEXIS 16165,  
18 at \*16 (S.D.N.Y. Aug. 28, 2002). Here, the technical assistance was  
19 rendered after the alleged infringement took place, was routine and  
20 non-specific in nature, and, in most cases, related to use of other  
21 companies' software (e.g., third-party media player software).

22 The only "technical assistance" that would bear on this analysis  
23 would be that which suggests Defendants somehow facilitate or  
24 contribute to the actual exchange of files. Plaintiffs cite no such  
25 evidence. Indeed, Plaintiffs cite two e-mails to Defendant Grokster

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26  
27 <sup>9</sup> None of the e-mails appear to reference any of the  
28 copyrighted works to which Plaintiffs have attempted to limit  
this Motion.

1 in which users complained that copyrighted files they had attempted  
2 to download contained computer viruses. (D. Rung Depo. Ex. 64, 66.)  
3 In both cases, Grokster responded with a "stock" statement explaining  
4 that Grokster has no "control over who uses the system or what is  
5 shared through it," and could not block the files. (Id.) This,  
6 despite the fact that the files at issue were viruses that presumably  
7 could have posed a risk to Grokster's users.

8 Additionally, Plaintiffs allege that Defendants communicate with  
9 users (both directly and through information displayed on a web  
10 "start page"), and can prompt users to initiate modifications or  
11 upgrades to the client software. (See Pls.' SUF 4(c),(e),(f),(k).)  
12 Even if this is true,<sup>10</sup> it is irrelevant. Whether Defendants can  
13 communicate with the users of their software and provide updates says  
14 nothing about whether Defendants facilitate or enable the exchange of  
15 copyrighted files at issue in these cases.

16 Finally, in their effort to establish material contribution,  
17 Plaintiffs rely in large part on a declaration by Leonard Kleinrock,  
18 a professor of computer science and pioneer of Internet technology.  
19 (See SUF 4(a-p); Kleinrock Decl.) However, the cited portions of  
20 Prof. Kleinrock's Declaration essentially restate Plaintiffs'  
21 undisputed allegations (e.g., that Defendants have, in the past,  
22 operated centralized file-sharing networks or, in some previous  
23 instances, maintained FastTrack supernodes, or that Defendants  
24 provide centralized yet incidental services, such as "start pages"  
25 and chat rooms). (See, e.g., id. ¶ 37.) Additionally, Prof.

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26  
27 <sup>10</sup> There is no admissible evidence that establishes, for  
28 instance, that Defendant Grokster controls the file-sharing  
functionality of the software it distributes.

1 Kleinrock's conclusion that Defendants "materially facilitate" the  
2 alleged infringement, (see id. ¶ 3(b)), is in the nature of a legal  
3 conclusion and reserved to the Court.

4 Defendants distribute and support software, the users of which  
5 can and do choose to employ it for both lawful and unlawful ends.  
6 Grokster and StreamCast are not significantly different from  
7 companies that sell home video recorders or copy machines, both of  
8 which can be and are used to infringe copyrights. While Defendants,  
9 like Sony or Xerox, may know that their products will be used  
10 illegally by some (or even many) users, and may provide support  
11 services and refinements that indirectly support such use, liability  
12 for contributory infringement does not lie "merely because peer-to-  
13 peer file-sharing technology may be used to infringe plaintiffs'  
14 copyrights." Napster, 239 F.3d at 1020-21 (citation omitted).  
15 Absent evidence of active and substantial contribution to the  
16 infringement itself, Defendants cannot be liable.

17 Because there are no disputed issues of fact material to this  
18 analysis, summary judgment is granted for Defendants.

19 **C. Vicarious Infringement**

20 The doctrine of vicarious infringement, an expansion of  
21 traditional respondeat superior, extends liability for copyright  
22 infringement to "cases in which a defendant 'has a right and ability  
23 to supervise the infringing activity and also has a direct financial  
24 interest in such activities.'" Napster, 239 F.3d at 1022 (quoting  
25 Fonovisa, 76 F.3d at 262 (citation omitted)).

26 There are two elements required for vicarious infringement: (1)  
27 financial benefit, and (2) the defendant's right and ability to  
28 supervise the infringing conduct. As opposed to contributory

1 infringement, one can be liable for vicarious infringement without  
2 knowledge of the infringement. Adobe Systems, 173 F. Supp. 2d at  
3 1049 (citation omitted) ("Lack of knowledge of the infringement is  
4 irrelevant.").

### 5 1. Financial Benefit

6 To be liable for vicarious infringement, a defendant must have a  
7 "direct financial interest in the infringing activity." Napster,  
8 239 F.3d at 1023 (citing A & M Records, Inc. v. Napster, Inc., 114 F.  
9 Supp. 2d 896, 921-22). The Ninth Circuit held in Fonovisa that  
10 financial benefit may be shown "where infringing performances enhance  
11 the attractiveness of the venue to potential customers." 76 F.3d at  
12 263. Further, "[f]inancial benefit exists where the availability of  
13 infringing material 'acts as a "draw" for customers.'" Napster, 239  
14 F.3d at 1023 (quoting Fonovisa, 76 F.3d at 263-64).

15 Here, it is clear that Defendants derive a financial benefit  
16 from the infringing conduct. The ability to trade copyrighted songs  
17 and other copyrighted works certainly is a "draw" for many users of  
18 Defendants' software. As a result, Defendants have a user base in  
19 the tens of millions. (Pls.' SUF 5(a).)

20 In Fonovisa, the court explained: "[T]he defendants reap  
21 substantial financial benefits from admission fees, concession stand  
22 sales and parking fees, all of which flow directly from customers who  
23 want to buy the counterfeit recordings at bargain basement prices."  
24 76 F.3d at 263. Just as customers were attracted to the swap meet in  
25 Fonovisa because of the sale of counterfeit goods, id., individuals  
26 are attracted to Defendants' software because of the ability to  
27 acquire copyrighted material free of charge.

28 ///

1 While those who use Defendants' software do not pay for the  
2 product, Defendants derive substantial revenue from advertising. For  
3 example, StreamCast had \$1.8 million in revenue in 2001 from  
4 advertising. (SUF 5(b); Griffin Depo. 446:1-14.) And as of July of  
5 2002, StreamCast had \$2 million in revenue and projects \$5.7 million  
6 by the end of the year. (Griffin Depo. 455:7, 456:2-3.) Grokster  
7 also derives substantial revenue from advertising. (D. Rung. Depo.  
8 140:21-141:1.) The more individuals who download the software, the  
9 more advertising revenue Defendants collect. And because a  
10 substantial number of users download the software to acquire  
11 copyrighted material, a significant proportion of Defendants'  
12 advertising revenue depends upon the infringement. Defendants thus  
13 derive a financial benefit from the infringement.<sup>11</sup>

## 14 2. Right and Ability to Supervise the Infringing Conduct

15 As noted supra, vicarious liability arose from the agency  
16 doctrine of respondeat superior. See Gershwin, 443 F.2d at 1162.  
17 The doctrine ultimately was expanded to include other situations  
18 where a defendant has the "right and ability to supervise the  
19 infringing activity" of another. Fonovisa, 76 F.3d at 262 (citing  
20 Gershwin, 443 F.2d at 1162).

21 In Fonovisa, the Ninth Circuit held that the plaintiff's  
22 complaint alleged sufficient control. 76 F.3d at 263. The court  
23 concluded that the defendant swap meet operator had the right to  
24 supervise (or "police") the infringing conduct for the following

---

25  
26 <sup>11</sup> This conclusion is essentially undisputed by  
27 Defendants. (See StreamCast's Memo of P&A in Supp. of Partial  
28 Summ. Judgment re: Vic. Infringement; StreamCast's Reply;  
StreamCast's Opp. to Pl.'s Mot.; Grokster's Memo of P&A in Supp.  
of MSJ at 16.)

1 reasons: the defendant had the right to terminate vendors for any  
2 reason; the defendant promoted the swap meet; the defendant  
3 controlled the access of customers to the booth area; the defendant  
4 patrolled the small booth area; the defendant could control direct  
5 infringers through its rules and regulations; and the defendant  
6 promoted the show. Id. at 262-63.

7 The Ninth Circuit identified similar influence and control in  
8 Napster. Most notably, Napster had the "right and ability to  
9 supervise its users' conduct[,] " including the central indices of  
10 files being shared and exchanged. Napster, 239 F.3d at 1023 (citing  
11 district court opinion). Moreover, Napster users were required to  
12 register with Napster, and access to the file-sharing system depended  
13 upon a user's valid registration. Id. at 1011-12, 23-24. As a  
14 result, Napster possessed - and frequently exercised - the power to  
15 terminate access for users who violated company policies or  
16 applicable law. Id. at 1023. The "ability to block infringers'  
17 access to a particular environment for any reason whatsoever is  
18 evidence of the right and ability to supervise" the infringing  
19 conduct. Id. Together, the centralized search indices and mandatory  
20 registration system gave Napster both "knowledge" of what was being  
21 exchanged, and an ability to police those exchanges.

22 Similarly, in a case involving vicarious liability for operation  
23 of a peer-to-peer file-sharing network, a district court in Illinois  
24 explained that the defendant had "the right and ability to supervise"  
25 the infringing conduct because the defendant had the ability to  
26 terminate users and control access to the system. In re: Aimster  
27 Copyright Litig., 2002 U.S. Dist. LEXIS 17054, at \*50-\*51 (N.D. Ill.  
28 Sep. 4, 2002).

1 Defendants argue principally that they do not have the ability  
2 to control the infringement as did these other defendants. Because  
3 they have no ability to supervise or control the file-sharing  
4 networks, or to restrict access to them, Defendants maintain that  
5 they cannot police what is being traded as Napster could. Plaintiffs  
6 contend, however, that the software itself could be altered to  
7 prevent users from sharing copyrighted files. Indeed, Napster was  
8 obligated to exercise its "right to police" to the fullest extent,  
9 which included implementing new client software filtering mechanisms.  
10 See Napster, 239 F.3d at 1023-24.

11 Plaintiffs note that Defendants' software already includes  
12 optional screens for pornographic/obscene file names, and that it  
13 could just as easily screen out copyrighted song titles. Likewise,  
14 they note that the software searches "meta data" - information beyond  
15 the filename contained in the file itself, including artist, title,  
16 album, etc. - and that an effective "meta data" screen could likewise  
17 be implemented quite easily. Finally, Plaintiffs contend that  
18 Defendants could with relative ease employ emerging "digital  
19 fingerprinting" technology that would block out a substantial  
20 percentage of copyrighted songs. Defendants dispute the feasibility  
21 and efficacy of these remedies.

22 However, whether these safeguards are practicable is immaterial  
23 to this analysis, as the obligation to "police" arises only where a  
24 defendant has the "right and ability" to supervise the infringing  
25 conduct. See Napster, 239 F.3d at 1023; Fonovisa, 76 F.3d at 262.  
26 Plaintiffs' argument - that Defendants could do more to limit the  
27 functionality of their software with respect to copyrighted works -  
28 ///

1 forgets the critical distinction, broached above, between the Napster  
2 "system" and the software distributed by Defendants.

3 The infringement in Napster took place across an "integrated  
4 service" designed and operated by Napster. See Napster, 239 F.3d at  
5 1022 (quoting district court). Napster possessed the ability to  
6 monitor and control its network, and routinely exercised its ability  
7 to exclude particular users from it. See id. In a virtual sense,  
8 the "premises" of the infringement were the Napster network itself,  
9 and Napster had a duty to exercise its reserved right and ability to  
10 police those premises to the fullest extent possible. The client  
11 software was an essential component of the integrated Napster system,  
12 and Napster's obligation to police necessarily extended to the client  
13 software itself.

14 Such is not the case here. Defendants provide software that  
15 communicates across networks that are entirely outside Defendants  
16 control. In the case of Grokster, the network is the propriety  
17 FastTrack network, which is clearly not controlled by Defendant  
18 Grokster. In the case of StreamCast, the network is Gnutella, the  
19 open-source nature of which apparently places it outside the control  
20 of any single entity.

21 While the parties dispute what Defendants feasibly could do to  
22 alter their software, here, unlike in Napster, there is no admissible  
23 evidence before the Court indicating that Defendants have the ability  
24 to supervise and control the infringing conduct (all of which occurs  
25 after the product has passed to end-users). The doctrine of

26 vicarious infringement does not contemplate liability based upon the

27 ///

28 ///

1 fact that a product could be made such that it is less susceptible to  
2 unlawful use, where no control over the user of the product exists.

3 Accordingly, there are no genuine issues of fact material to  
4 this claim, and summary judgment is appropriate.

5  
6 **V. CONCLUSION**

7 The Court is not blind to the possibility that Defendants may  
8 have intentionally structured their businesses to avoid secondary  
9 liability for copyright infringement, while benefitting financially  
10 from the illicit draw of their wares. While the Court need not  
11 decide whether steps could be taken to reduce the susceptibility of  
12 such software to unlawful use, assuming such steps could be taken,  
13 additional legislative guidance may be well-counseled.

14 To justify a judicial remedy, however, Plaintiffs invite this  
15 Court to expand existing copyright law beyond its well-drawn  
16 boundaries. As the Supreme Court has observed, courts must tread  
17 lightly in circumstances such as these:

18 The judiciary's reluctance to expand the protections  
19 afforded by the copyright without explicit  
20 legislative guidance is a recurring theme.  
21 [Citations.] Sound policy, as well as history,  
22 supports our consistent deference to Congress when  
23 major technological innovations alter the market for  
24 copyrighted materials. Congress has the  
25 constitutional authority and the institutional  
26 ability to accommodate fully the raised permutations  
27 of competing interests that are inevitably implicated  
28 by such new technology.

1           In a case like this, in which Congress has not  
2 plainly marked our course, we must be circumspect in  
3 construing the scope of rights created by a  
4 legislative enactment which never calculated such a  
5 calculus of interests.

6 Sony, 464 U.S. at 431 (citations omitted); accord Teleprompter Corp.  
7 v. Columbia Broadcasting System, Inc., 415 U.S. 394, 414, 94 S. Ct.  
8 1129 (1974).

9  
10           Therefore, for the reasons stated, the Court HEREBY GRANTS the  
11 following Motions:

- 12           1) Defendant Grokster, Ltd.'s Motion for Summary Judgment  
13           [132-1];
- 14           2) Defendant StreamCast Networks, Inc.'s Motion for Partial  
15           Summary Judgment Re: Contributory Infringement [140-1]; and  
16           3) Defendant StreamCast Networks, Inc.'s Motion for Partial  
17           Summary Judgment Re: Vicarious Infringement [142-1].

18           The Court HEREBY DENIES Plaintiffs' Motion for Summary Judgment  
19 [146-1], with respect to Defendants Grokster, Ltd. and StreamCast  
20 Networks, Inc. only. In addition, the Court HEREBY DENIES AS MOOT  
21 Defendant StreamCast Networks, Inc.'s Rule 56(f) Motion [322-1].  
22

23  
24           IT IS SO ORDERED.

25  
26 DATED: \_\_\_\_\_

27           \_\_\_\_\_  
28           STEPHEN V. WILSON  
                  UNITED STATES DISTRICT JUDGE