

COPYRIGHT LAW

The 'Aimster' Decision

IN 1984, in *Sony Corp. of America v. Universal City Studio Inc.*, 464 U.S. 417 (1984), the U.S. Supreme Court rejected the effort of producers of television shows and movies to assert claims of contributory copyright infringement against Sony, maker of the Betamax, an early VCR format. Nearly 20 years on, Sony does not seem like a loss for copyright proprietors—the Betamax is ancient technological history, and the Sony holding helped create a huge market for videotape rentals. But the growth of digital technology—particularly peer-to-peer file sharing services like Napster—has sparked a new debate about the meaning of Sony.

On June 30, the 7th U.S. Circuit Court of Appeals sustained an injunction in a case brought by record companies and composers against the Aimster peer-to-peer service, awarding a major victory to copyright holders and becoming the second circuit court to rule on the issue. *In re Aimster Copyright Litigation*, No. 02-4125, 2003 WL 21488143 (7th Cir. June 30, 2003). Because of its particular approach, and its disagreement on some issues with a 2001 9th Circuit decision affirming an injunction against Napster, the Aimster opinion may make the legal landscape of contributory copyright infringement a little more complicated.

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By Lewis R. Clayton

The 'Sony' decision and contributory infringement

In today's world of instant communication over the Internet, the Sony opinion appears almost quaint. Owners of copyrights in a large number of TV programs and movies argued that, because the Betamax was being used for widespread unauthorized duplication of copyrighted works, Sony was liable for contributory copyright infringement. The court recognized that the doctrine of contributory infringement must be sufficiently robust to protect the interests of copyright holders, without denying the public the right to engage in lawful activity: "[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses." 464 U.S. at 442.

Significantly, the court found that the primary use of the Betamax was "time-shifting," the "practice of recording a program to view it once at a later time and thereafter erasing it." Principally, because time shifting "enlarges the television viewing audience," the plaintiffs were "unable to prove that the practice has impaired the commercial value of their copyrights or has created any significant likelihood of future harm." Without evidence of significant harm, and because many owners of copyrighted materials broadcast on free television would not object to time-shifting, the court concluded that Sony's sales of

Betamax machines did not amount to contributory infringement.

Although its language was broad, Sony's holding arguably was narrow. The court apparently considered the plaintiffs' claim of contributory infringement to be based entirely on the mere sale of a device with potentially infringing uses. No Sony employee had any "direct involvement with the allegedly infringing activity or direct contact with purchasers of the Betamax who recorded copyrighted works off-the-air," and there was no evidence that Sony's advertisements influenced or encouraged infringement. Moreover, the record presented "no issue concerning the transfer of tapes to other persons" nor "the copying of programs transmitted on pay or cable television systems"—all important issues today. *Id.* at 425, 437.

Aimster is a peer-to-peer file-sharing service—in other words, like its predecessor Napster, it facilitates the transfer of files between users of the service. A user registers on the system and designates files on his computer he is willing to share. In turn, the service allows that user to search for files he may want to receive that have been made available by other users. If the desired file is found, transfers occur directly between the computers of two users. The files move as attachments to "instant messages" sent between the two users through a service such as America Online. File transfers are encrypted using software provided by Aimster, so that even the operators of the Aimster service are unable to decode their content.

As the 7th Circuit wrote, "in principle, therefore, the purchase of a single CD could be levered into the distribution within days or

even hours of millions of identical, near-perfect...copies of the music recorded on the CD—hence the recording industry's anxiety about file-sharing services oriented towards consumers of popular music." 2003 U.S. WL 21488143, at *2.

On the strength of precedents such as the 9th Circuit's ruling enjoining the Napster service, *A&M Records Inc. v. Napster Inc.*, 239 F.3d 1004 (9th Cir. 2001), record companies, composers and others sought a preliminary injunction shutting down Aimster, arguing that its activities constituted contributory and vicarious copyright infringement. Granting the injunction, a Chicago federal district court did not mince words, calling Aimster "a service whose very raison d'être appears to be the facilitation and contribution to copyright infringement on a massive scale." *In re Aimster Copyright Litigation*, 252 F. Supp. 2d 634, 638 (N.D. Ill. 2002). The 7th Circuit opinion affirming the injunction was written by Judge Richard Posner, one of the country's leading legal scholars, particularly in the area of economics and the law.

The *Napster* court had addressed the copyright infringement liability of file-sharing services by analyzing the elements of the two established doctrines of secondary liability: contributory and vicarious copyright infringement. Under the traditional test, a contributory infringer is "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." *Gershwin Publ'g Corp. v. Columbia Artists Mgmt. Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). Vicarious infringement grows out of the doctrine of respondent superior. It applies when a defendant "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities." *Id.* Applying those standards, element by element, the 9th Circuit found that the plaintiffs would likely succeed on both contributory and vicarious infringement.

The 7th Circuit took a different approach. *Napster* found that the defense to contributory liability established by *Sony* is not available in cases in which the defendant has "actual, specific knowledge of direct infringement"—in other words, *Sony* holds only that constructive knowledge of infringement cannot be inferred

simply from the sale of goods that may have infringing uses. 239 F.3d at 1020. The *Aimster* court, however, believed that *Napster* was wrong "in suggesting that actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer."

Instead, the 7th Circuit apparently saw *Sony* as establishing a sort of economic balancing test for contributory infringement in cases in which a file-sharing service (or, presumably, the provider of any other service used for infringement) can show that its product has meaningful noninfringing uses: "[I]f the

■ **Since its approach differs from that of 'Napster,' 'Aimster' may make the law of contributory infringement a little more complicated.** ■

infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses." 2003 WL 21488143, at *10. That rule seems similar to the tort principle that places a duty to avoid harm on the party able to prevent it at least cost.

Aimster, the court found, failed to satisfy this test on two grounds. First, it had "failed to produce any evidence that its service has ever been used for a noninfringing use, let alone evidence concerning the frequency of such uses." Second, it had not shown that it would be "disproportionately costly" for it to modify the service to prevent or limit infringement.

The court had no patience for *Aimster's* argument that the encryption feature it had built into the system prevented it from acquiring knowledge about what copyrights

were being infringed by whom. Calling *Aimster's* design choice "willful blindness," the court found that a "service provider that would otherwise be a contributory infringer does not obtain immunity by using encryption to shield itself from actual knowledge" of unlawful activity. On that basis, the trial court's findings on contributory infringement were affirmed; the 7th Circuit did not reach the issue of vicarious infringement.

The impact of the 'Aimster' decision

What impact will *Aimster* have on the law of contributory infringement if it is followed by courts in other circuits—and not reviewed by the Supreme Court on certiorari? While it apparently reads *Sony* to establish a broader defense than that found by the 9th Circuit in *Napster*, its balancing test arguably imposes a responsibility on providers of goods or services used for infringing purposes to take effective steps to "eliminate or at least substantially reduce" infringement. That responsibility may require design changes or monitoring, even in situations when there are substantial noninfringing uses of staple articles.

The *Aimster* decision may also be influential because of observations made in the course of the 7th Circuit's discussion of *Sony*. In that discussion, the court stated that two of the principal purposes for which the *Betamax* was used constituted copyright infringement. The first was " 'library building,' that is, making copies of programs to retain permanently." The second was use of the machine to avoid commercials. *Aimster* therefore stands as authority that facilitating such activity may amount to contributory infringement.

However these issues are resolved, the law of secondary copyright liability will continue to evolve as it attempts to respond to the dizzying pace of technological change and innovation.

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