

the district court's rulings in *Grokster*, LW's P2P software should likewise be deemed noninfringing.

ARGUMENT

I. STANDARD OF REVIEW

Summary judgment must be granted where the “pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to a judgment as a matter of law.” FED. R. CIV. P. 56(c). Rule 56 “mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23 (1986). The party moving for summary judgment bears the initial burden of setting out the basis for its motion and identifying those portions of the record that “demonstrate the absence of a genuine issue of material fact.” *Id.* at 323. The burden then shifts to the nonmovant to produce evidence sufficient to create a genuine issue of material fact for trial. FED. R. CIV. P. 56(e)(2); *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986).

II. LW IS NOT LIABLE FOR VICARIOUS¹⁰ AND CONTRIBUTORY COPYRIGHT INFRINGEMENT UNDER THE *SONY-BETAMAX* SAFE HARBOR.

¹⁰ Plaintiffs are expected to argue that the *Sony-Betamax* doctrine has no impact on LW's potential liability for vicarious copyright infringement. Yet, that argument is without support. In *Sony*, the Supreme Court noted that the distinction between the two forms of secondary liability recognized in copyright law is often blurred in practice.

[T]he District Court correctly observed [that] “the line between direct infringement, contributory infringement and vicarious liability are not clearly drawn” 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 Supreme Court’s *Sony-Betamax* opinion represents the starting point for evaluating a secondary copyright infringement claim against a technology vendor. Realizing that courts must act cautiously when extending judge-made secondary liability principles to new technologies, the Court established the rule on which innovators of all stripes have come to depend—that manufacturers and distributors of mass-market technology suitable for a variety of uses may not be subject to liability for its creation or distribution so long as the products are “merely capable of substantial noninfringing uses.” *Sony*, 464 U.S. at 442. This rule applies even if the defendant knows that the technology is used by the public for infringing uses. *Id.*

In *Sony*, the Court ruled in favor of Sony, the Betamax video recorder’s manufacturer, holding that the Betamax was capable of at least two noninfringing uses—taping programs authorized for recording and fair use “time shifting” of programs.¹¹ *See Sony*, 464 U.S. at 442. The Supreme Court’s analysis is rooted in the recognition that a judicial finding of infringement “would enlarge the scope of respondents’ statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection.” *Id.* The Court emphasized the importance of not allowing a

the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.

We . . . observe . . . that reasoned analysis of respondents’ unprecedented contributory infringement claim necessarily entails consideration of arguments and case law which may also be forwarded under the other labels, and indeed the parties to a large extent rely upon such arguments and authority in support of their respective positions on the issue of contributory infringement.

Sony, 464 U.S. at 435, n.17 (citations omitted).

The policy rationale the Supreme Court articulated for limiting technology providers’ liability applies with equal force to both forms of secondary infringement, especially since claims invoking them typically are joined. Thus, the *Sony-Betamax* principle is best understood as representing a general limitation on secondary liability as a whole. *See In re Aimster Copyright Litig.*, 334 F.3d 643, 654 (7th Cir. 2003).

¹¹ This decision has since been applied to protect software with only a single noninfringing use. *See Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988).

copyright owner to leverage its statutory monopoly into technology markets. *See id.* at 441 n.21. (“It seems extraordinary to suggest that the Copyright Act confers upon all copyright owners collectively, much less the two respondents in this case, the exclusive right to distribute VTR’s simply because they may be used to infringe copyrights. That, however, is the logical implication of their claim.”).

After stating its rationale, the Court turned to patent law for guidance, noting that the Patent Act “expressly provides that the sale of a ‘staple article or commodity of commerce suitable for substantial noninfringing use’ is not contributory infringement.”

Id. at 440. The Court then explained the reason for this limit:

[I]n contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are unsuited for any commercial noninfringing use. Unless a commodity has no use except through practice of the patented method, the patentee has no right to claim that its distribution constitutes contributory infringement.

Id. at 441 (emphasis added) (internal quotations and citations omitted). Importing this insight from patent law to copyright law, the Court concluded that the challenged product “need merely be capable of substantial noninfringing uses” in order to avoid liability. *Id.* at 442. This “mere capability” standard is the core of the Supreme Court’s holding, creating a bright-line test for innovators and establishing a zone of necessary security from the uncertainties of potential copyright litigation.

Additionally, the *Sony* Court rejected any weighing of the infringing as compared to the noninfringing uses. It was on that very point that the Supreme Court reversed the lower court. *See id.* at 428 (noting that the Ninth Circuit had erroneously focused on “the major use” of the Betamax); *see also id.* at 498-99 (Blackmun, J., dissenting). In fact, the

Court specifically held that one “substantial” noninfringing use for the Betamax was to tape programs authorized by copyright owners for recording, notwithstanding the fact that such uses accounted for a small portion of all uses. *Id.* at 424 (finding that 7.3% of all Betamax use was to record professional sports, and that this use constituted a substantial noninfringing use); *id.* at 493-94 & n.45 (dissenters recognizing this holding).¹²

In *Napster*, the Ninth Circuit applied the *Sony-Betamax* rule to file-sharing software and refused to consider the possible use of the software for infringement: “[t]o enjoin simply because a computer network allows for infringing use would, in our opinion, violate *Sony* and potentially restrict activity unrelated to infringing use.” *A&M Records, Inc. v. Napster, Inc.* 239 F.3d 1004, 1021 (9th Cir. 2001). *Napster* also underscored the Supreme Court’s bright-line “mere capability” standard. On this point, the Ninth Circuit criticized the district court:

We depart from the reasoning of the district court that Napster failed to demonstrate that its system is capable of commercially significant noninfringing uses. The district court improperly confined the use analysis to current uses, ignoring the system’s *capabilities*. Consequently, the district court placed undue weight on the proportion of current infringing use as compared to current and future noninfringing use.

Id. (emphasis added).

Consequently, *Sony* and *Napster* render irrelevant Plaintiffs’ expected, manufactured arguments regarding the *proportion* of infringing to noninfringing uses of

¹² In so holding, the Court expressly rejected the plaintiffs’ contention that, where a substantial proportion of the alleged use is infringing, contributory liability should attach. In *Sony*, the respondents argued that noninfringing uses of the Betamax were dwarfed by the allegedly infringing uses, and thus that the staple article of commerce doctrine should not apply. *Sony*, 464 U.S. at 444. The dissent in *Sony* agreed, noting that the evidence of noninfringing use was at best only 7% of all use, and urged a decision based upon the proportions of infringing and noninfringing use. *Id.* at 494 n.45. The majority, however, disagreed, and held that – in order to avoid contributory liability – a new technology “need merely be capable of substantial noninfringing uses.” *Sony*, 464 U.S. at 442 (emphasis added).

LimeWire software. Plaintiffs cannot deny the software's *capability* for noninfringing uses.

The Supreme Court briefly revisited *Sony* in its 2005 *Grokster* decision. In that case, the Court considered whether defendants could be held secondarily liable for the infringing conduct of their users under an inducement theory. *Grokster*, 545 U.S. at 913-14. Although the Court held that such a theory of liability existed, the Court was careful to distinguish between the higher inducement standard, which precludes the protection afforded by *Sony*, and mere actual or constructive knowledge of the users' infringement on the part of the distributor. *Id.* at 937. Further, the Court warned that a mere failure to "take affirmative steps to prevent infringement" was inadequate to establish liability because it "would tread too close to the *Sony-Betamax* safe harbor." *Id.* at 934, 939 n.12. The Supreme Court expressly refused to revisit or quantify the *Sony* standard further,¹³ thereby leaving the broad protection of the *Sony-Betamax* safe harbor intact. *Id.* at 934.¹⁴

The Second Circuit has applied *Sony* on numerous occasions. For instance, the Second Circuit noted that Matthew Bender's use of West's star pagination in CD ROMs "does not amount to contributory infringement if the equipment is 'capable of substantial noninfringing uses,' including uses authorized under the fair use doctrine." *Matthew*

¹³ The petitioners in *Grokster*, many of which are plaintiffs in the current case, urged the Supreme Court essentially to re-write *Sony*, arguing that where a service is used "principally" for infringement the safe harbor does not apply, and that *Sony* offered no protection when the infringer could have prevented infringing uses. *See* Opening Brief of Petitioners, Ex. 2 to Baker Decl.

¹⁴ The concurring opinions in *Grokster* indicate a split among the justices regarding how broadly the *Sony* standard should be interpreted. Justice Breyer's concurrence, for instance, captures *Sony*'s focus on the promotion of new technology. *Grokster*, 545 U.S. at 952, 957 (Breyer, J. concurring) ("*Sony* thereby recognizes that the copyright laws are not intended to discourage or to control the emergence of new technologies, including (perhaps especially) those that help disseminate information and ideas more broadly and more efficiently. Thus, *Sony*'s rule shelters VCRs, typewriters, tape recorders, photocopiers, computers, cassette players, compact disc burners, digital video recorders, MP3 players, Internet search engines, and *peer-to-peer software*") (emphasis added).

Bender & Co. v. West Publ'g Co., 158 F.3d 693, 706 (2d Cir. 1998) (citing *Sony*, 464 U.S. at 442) (emphasis added). The court found that West, like the plaintiffs in *Sony*, was seeking to leverage the copyrights in its own work to control distribution and obtain royalties from a product that had substantial noninfringing uses. *Id.* (citing *Sony*, 464 U.S. at 440-42). Because Matthew Bender's product had substantial noninfringing uses (namely to refer to the location of a particular text within West's case reporters, a practice that has become standard in the legal industry), Matthew Bender was found not liable as a contributory infringer. *Id.* at 706-07; *see also Mathieson v. Associated Press*, 23 U.S.P.Q.2d 1685, 1687 (S.D.N.Y. 1992) (Associated Press cover photo featuring copyrighted photo had at least one substantial noninfringing use warranting protection under *Sony*).

The Supreme Court in *Sony*, as well as the Second Circuit in *Matthew Bender*, made it clear that the mere capability of substantial noninfringing uses is all that is required to protect a technology from attack grounded on allegations of secondary infringement. Here, there is no material fact dispute that the LimeWire software program is capable of significant noninfringing uses as the examples below demonstrate.

A. **Public Domain Works**

1. **Project Gutenberg**

As described more fully in the Declaration of Gregory Newby ("Newby Decl."), Project Gutenberg makes available electronic copies of books that are either in the public domain or whose authors have given their consent for distribution of their works. There are currently over 15,000 eBooks available through Project Gutenberg.¹⁵ Project

¹⁵ Project Gutenberg's collection includes, among other works, the King James Bible (New and Old Testament); all major works of William Shakespeare; *The Odyssey* by Homer; *Moby Dick* by Herman