

Grokster, 545 U.S. at 954 (Breyer, J., concurring) (emphasis orig.). Because the LimeWire software is plainly capable of present and future substantial noninfringing uses, LW cannot be liable for any secondary copyright infringement.

III. LW IS NOT LIABLE FOR CONTRIBUTORY COPYRIGHT INFRINGEMENT BECAUSE IT HAS NOT MATERIALLY CONTRIBUTED TO ANY LIMEWIRE USER'S INFRINGEMENT.

Even if LW were not entitled to the *Sony-Betamax* safe harbor, it would remain entitled to summary judgment on Plaintiffs' claim for contributory copyright infringement. Plaintiffs cannot establish all of the elements of contributory infringement as a matter of law.

Contributory infringement is "founded on the tort concept of enterprise liability." *Demetriades v. Kaufmann*, 690 F. Supp. 289, 292 (S.D.N.Y. 1988). A defendant is contributorily liable when there is (1) direct infringement by a third party; (2) the defendant has knowledge of the infringing activity; and (3) the defendant induces, causes or materially contributes to the infringing conduct. *Matthew Bender*, 158 F.3d at 706. "Just as benefit and control are the signposts of vicarious liability, so are knowledge and participation the touchstones of contributory infringement." *Demetriades*, 690 F. Supp. at 293. In this case, there is no issue of triable fact on the touchstone of material participation; accordingly, LW cannot be held liable for contributory infringement.

In the Second Circuit, the material contribution element of contributory infringement requires "substantial involvement" in the underlying infringement. *Demetriades*, 690 F.Supp. at 294 (recognizing that the defendant's participation cannot be attenuated). To hold otherwise would flatly contradict the plain law of the Second Circuit requiring "pervasive participation." *Id.* (citing *Gershwin Publ'g Corp. v.*

Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1163 (2d Cir. 1971)). Thus, the alleged contributory infringer “must make more than a ‘mere qualitative contribution’ to the primary infringement.” *Livnat v. Lavi*, 46 U.S.P.Q.2d 1300, 1302 (S.D.N.Y. 1998) (citing *Gershwin*, 443 F.2d at 1162). The contribution must also bear a “direct relationship to the infringing acts, and the contributory infringer must have acted in concert with the direct infringer.” *Id.* (citing 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright*, §12.04[A][2][a] at 12-75 (1996)).

As a result of these requirements, participation in the infringement sufficient to impose liability “may not consist of merely providing the ‘means to accomplish an infringing activity.’” *Livnat*, 46 U.S.P.Q.2d at 1302 (quoting *Sony*, 464 U.S. at 435 n.17). Thus, material contribution is not present when the only contact between the defendant and the primary infringer occurs at the time of sale. *See Sony*, 464 U.S. at 438. Subsequent, minimal contact is also insufficient. For instance, providing technical assistance and other incidental services to alleged primary infringers is not material to the alleged infringement. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, 1042 (C.D. Cal. 2003), *aff’d*, 380 F.3d 1154 (9th Cir. 2004), *rev’d on other grounds*, 545 U.S. 913 (2005).

The Ninth Circuit’s decision in *Grokster*²¹ is illustrative. The P2P defendants in that case were found not to have materially contributed to any direct infringement by their users because they did not provide the “site and facilities” for infringement (*i.e.*, the

²¹ Plaintiffs have cited the *Grokster* Supreme Court case from the first pleading in this lawsuit (*see* Orig. Complaint at ¶ 3), but they consistently fail to mention that the Supreme Court never addressed, much less reversed, the Ninth Circuit’s decision for defendants on vicarious and contributory liability. *See Grokster*, 545 U.S. at 930 n.9 (“Because we resolve the case based on an inducement theory, there is no need to analyze separately [plaintiffs’] vicarious liability theory.”) Thus, the Ninth Circuit’s opinion and the district court’s opinion evaluating technology like LW’s—and exonerating the defendants’ decentralized Gnutella architecture—still stands.

infringement occurred on the user's computer). *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1163 (9th Cir. 2004). The defendants also were not access providers, did not provide file storage and index maintenance, and did not have the ability to suspend user accounts. *Id.* Significantly, the Court deemed irrelevant the fact that the defendants did not alter the software residing on users' computers. *Id.* at 1163-64. The Court determined that a "failure" to alter others' software was unlike the failure to delete a filename from one's *own* computer, the failure to cancel the registration name and password of a user from one's *own* user list, or the failure to make modifications to software on one's *own* computer. *Id.*

Moreover, the district court determined that the technical assistance provided by the P2P defendants did not amount to material contribution, because they rendered their assistance after the alleged infringement occurred and it was routine and non-specific in nature. *Grokster*, 259 F.Supp. at 1042. In most cases, the defendants' technical support related to the use of other companies' software, like third-party media players. *Id.* Likewise, the district court found it insignificant that the P2P defendants could communicate with their users incidentally and provide software updates. *Id.* All of these activities were too tangential to any direct copyright infringement to constitute material contribution. For these reasons, summary judgment for the defendants on contributory infringement was affirmed by the Ninth Circuit and undisturbed by the Supreme Court.

Like the *Grokster* defendants, LW has not materially, much less substantially or pervasively, participated in any alleged infringement:

- LW's primary contact with its users is at the time of distribution.
- LW occasionally provides minimal technical support or updates to its users that bears no relationship to the alleged infringement.

- LW does not in any way assist, much less participate in, users' searching for and downloading of files.

At most, LW provides the means by which third parties can, if they so chose, commit infringement; as a matter of law, this does not support a finding of contributory liability.

See Livnat, 46 U.S.P.Q.2d at 1302 (quoting *Sony*, 464 U.S. at 435 n.17).

IV. LW IS NOT VICARIOUSLY LIABLE BECAUSE IT LACKS THE RIGHT AND ABILITY TO SUPERVISE THE ACTIVITIES OF ITS END-USERS.

As with contributory infringement, even if the *Sony-Betamax* safe harbor does not apply to LW, summary judgment for LW is still warranted. As a matter of law, Plaintiffs cannot establish all of the elements of a claim for vicarious liability for infringement.

Vicarious liability for copyright infringement is grounded in the agency doctrine of *respondeat superior*. *Gershwin*, 443 F.2d at 1162. As a result, the tort focuses on the relationship between the direct infringer and the defendant and the degree to which the defendant can control the direct infringer. *See Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306-09 (2d Cir. 1963); *Demetriades*, 690 F. Supp. at 292. Specifically, the elements of vicarious liability are: (1) direct infringement by a third party; (2) the right and ability to supervise the infringing activity; and (3) a direct financial interest in the infringing activity. *Matthew Bender*, 158 F.3d at 706; *Gershwin*, 443 F.2d at 1162. In the context of technology and specifically P2P software, the Ninth Circuit has further cautioned that any evaluation of the "right and ability" to police must be "cabined by the systems' current architecture." *Napster*, 239 F.3d at 1024; *Grokster*, 380 F.3d 1154.

In analyzing the "control" element, "the formal relationship between [the] parties is not the driving force behind liability; rather, the parties' paths must cross on a daily basis, and the character of this intersection must be such that the party against whom

liability is sought is in a position to control the personnel and activities responsible for the direct infringement.” *Banff Ltd. v. Limited, Inc.*, 869 F. Supp. 1103, 1109 (S.D.N.Y. 1994). While the requirement that the parties’ paths cross daily should, perhaps, not be taken literally, the thrust of *Banff*’s holding—“the notion that the control must be substantial and have practical force”—remains sound. See *Faulkner v. National Geographic Soc.*, 211 F. Supp. 2d 450, 473 n.140, *modified*, 220 F. Supp. 2d 237 (S.D.N.Y. 2002), *aff’d*, 409 F.3d 26 (2d Cir. 2005). For this reason, courts considering vicarious liability “repeatedly have emphasized that some degree of control or supervision over the individual directly responsible for the infringement is of crucial importance.” *Demetriades*, 690 F. Supp. at 292 (finding no meaningful evidence suggesting that the defendants exercised any degree of control over the direct infringers). Thus, actual control, not power to control, is the test. *Banff*, 869 F. Supp. at 1110 (citing *Syigma Photo News, Inc. v. High Soc. Magazine, Inc.*, 778 F.2d 89, 92 (2d Cir. 1985)).

The classic example of the required control is found in the Second Circuit’s leading opinion in *Shapiro*. In that case, a department store was held vicariously liable for bootleg records sold by the concessionaire of the store’s record department. *Shapiro*, 316 F.2d at 306. Examining the relationship between the store and the record concessionaire, the court noted that the store had the authority to fire the concessionaire’s employees who acted improperly. *Id.* The store collected the concessionaire’s sales receipts and calculated and withheld various deductions, including its own 10-12% commission, before returning the remaining proceeds to the concessionaire. *Id.* Additionally, customers of the record department received receipts bearing the store’s name. *Id.* From these facts, the Second Circuit concluded that the store retained the

ultimate right of supervision over the concessionaire and its employees and it had the power to police the conduct of the concessionaire. *Shapiro*, 316 F.2d at 308. Although the court recognized that the ability to police was not essential to its holding, that ability reinforced the court's conclusion that in many cases, the party found strictly liable is in a position to police the conduct of the primary infringer's conduct. *Id.* at 309.

The control analysis does not change in the technology context. For instance, in the infamous *Napster* case, the developer of a centralized P2P software application was found vicariously liable because it had supervisory control of the infringing activity as a result of the architecture of its system. *Napster*, 239 F.3d at 1023 (9th Cir. 2001). Napster had a closed system requiring registration and, thus, could terminate user accounts and block their access to the system. *Napster*, 239 F.3d at 1011, 1024. It even had an express reservation of rights policy published on its website. *Id.* at 1023. "The ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise." *Id.* at 1023. For these reasons, Napster had the ability to police its users. *Id.* at 1023; *see also In re Aimster*, 334 F.3d at 654-55 (finding a right and ability to supervise when the defendant controlled access of its users and had the ability to terminate users at any time pursuant to its own posted policy).

Moreover, the software developer, Napster, had a centralized structure. *See Napster*, 239 F.3d at 1012. Napster's central servers maintained a search index of "Napster's collective directory." *Id.* When a user entered a search term, the search was transmitted to a Napster server and compared to the file names listed in the server's search index. *Id.* The Napster server then compiled a list of all the responsive files and transmitted the list to the searching user. *Napster*, 239 F.3d at 1012. To transfer a copy

of a requested file, the Napster server software would transmit the responding user's Internet address to the requesting user. *Id.* Then, the two computers could directly connect to affect the transfer, finally operating "peer-to-peer." *Id.* As a result of its crucial involvement in the search process, Napster had "the ability to locate infringing material listed on its search indices." *Id.* at 1024. These indices, which resided on Napster's servers, were within the "premises" that Napster could police and that Napster thus had the right and ability to block infringers from accessing the indices.

More instructive than *Napster* is the more recent *Grokster* case involving P2P software utilizing the Gnutella network that architecturally is almost identical in operation to LimeWire. In *Grokster*, the Ninth Circuit affirmed summary judgment for the defendants on vicarious copyright infringement, reasoning that the Gnutella P2P technology was "truly decentralized." *Id.* at 1165. Distinguishing *Napster*, the court held that the *Grokster* defendants did "not operate and design an 'integrated system' . . . which they monitor and control." *Id.* at 1164 (cite omitted). Instead, the *Grokster* software distributors "are not access providers, and they do not provide file storage and index maintenance . . . Rather, it is the users of the software who, by connecting to each other over the internet, create the network and provide the access." *Id.* at 1163. As such, the "monitoring and supervisory relationship that has supported vicarious liability in the past" was "completely absent." *Grokster*, 380 F.3d at 1165. Because a defendant only exercises control over a direct infringer when he has both a legal right to stop or limit the infringing conduct and the practical ability to do so, the vicarious liability claim against *Grokster* defendants was dismissed. *Id.* at 1167; see *Perfect 10 v. Amazon.com, Inc.*, 508 F.3d 1146, 1173 (9th Cir. 2007) (discussing *Grokster* holding).