



# Napster: A walking copyright infringement?

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..... The case of the CD music publishing industry against Napster (*A&M Records, Inc v Napster, Inc, ND Calif*) has now been argued before the US Court of Appeals in San Francisco and awaits decision. In a curious reversal of customary judicial procedure, the district court has now issued its opinion ("sentence first, verdict afterward") explaining why it previously decided to order Napster to shut down operations. However, the court of appeals stayed that order in late July just hours before the order was scheduled to go into effect. Although the formal opinion is in the nature of assault and battery upon a dead horse, the opinion is nonetheless informative because it explains why the district court thought Napster's system shouldn't be permitted to operate.

### How Napster operates

Napster provides a peer-to-peer file-swapping service for collectors of MP3 music files—compressed digital representations of musical recordings. Napster doesn't maintain copies of the actual sound recordings on its computer equipment or even temporarily place them in the random access memory of its computer. The files reside only on the hard-disk drives (HDDs) of users.

Napster maintains an index facility and provides access to software, accessible to Napster users via the Internet. The index and software permit one user to access another user's HDD directly. Thus,

user U, who wants to acquire an MP3 file for song S, contacts the Napster Web site. There, U is directed to other user O who maintains the desired file on O's HDD. The Napster system allows U to contact O via Internet and access O's HDD to download to U's HDD the file containing a copy of song S.

Since defendant Napster doesn't itself reproduce a copy of song S in any way, Napster can be liable—if at all—only for contributory or vicarious liability. (These are kinds of indirect copyright infringement as contrasted with direct copyright infringement such as copying or distributing copies of a copyright-protected work without authorization to do so.) That is to say, Napster's liability under copyright law depends on (a) U's being liable for direct copyright infringement by reason of U's reproduction (copying) of a copy of song S from O's HDD to U's HDD, or (b) O's being liable for distributing a copy of song S to U. The difference between contributory and direct infringement is highly relevant, because the elements of the two legal causes of action differ.

### Napster's defense

Contributory infringement, which was the primary point in issue in the Napster case, requires (a) direct infringement by a third party plus (b) defendant's knowing, material contribution to the infringement. The defendant's contribution to the infringement must be the defendant's provision of a material input for the acts

of direct infringement, such as the supply of goods or services used in committing the infringement.

It's an affirmative defense to liability, however, that the goods or services supplied have a substantial noninfringing use. The main issue on the appeal will be whether Napster's service has substantial noninfringing uses. Another issue is fair use, since A's copying the MP3 file from B may be a fair use, in which case there would be no direct infringement. Fair use is an affirmative defense that excuses what otherwise would be copyright infringement. Examples of fair use are parody, scholarly critique, and teaching students in a class.

Without underlying direct infringement, there can't be any contributory infringement. Hence, fair use negatives the direct infringement element of the case. In the case establishing the principal precedent in this field, Sony (now one of those aligned against Napster) was excused from a charge of contributory infringement based on its supplying VCRs to members of the public who videotaped copyright-protected TV broadcasts. The reason Sony was excused was that it presented evidence that some (rather small) fraction of the use was in time shifting. Time shifting is recording a TV program for viewing at a later time, because it's inconvenient for the user to watch it at the original time. (Say, the user is at work or the World Series is playing at that time.) In addition, Mr. Rogers testified that he was

happy to have users tape *Mister Rogers' Neighborhood* so they could view it at another time or again.

### The court's opinion

These facts led the Supreme Court to hold, in the *Sony* case, that VCRs had non-infringing uses, such as fair use in time shifting or consented-to use. Because VCRs had "substantial non-infringing uses" the Supreme Court held that Sony wasn't liable to the plaintiff motion picture copyright owners as a contributory infringer for supplying VCRs to users. In the *Napster* case, the main issue will be whether Napster can bring itself within the defense of the *Sony* case.

The district court rejected Napster's non-infringing use and fair-use arguments. The court also rejected Napster's argument that it had no knowledge of infringement, because its system was incapable of distinguishing between copyright-protected and unprotected MP3 files. The CD publishers didn't place digital "watermarks" within the recordings to identify them as copyright-protected. Finally, the district court took no notice of Napster's argument that the music publishers were using copyright law to suppress a new technology that threatened their present business model. That model is based on exclusive dealing arrangements that publishers force on emerging musical artists as the price of allowing market entry.

Napster's noninfringing-use argument is mainly based on the existence of a small number of new artists who use Napster as a means of distributing their performances to the public, without having to pass through the "bottleneck" of the major publishers. These artists (some-what like Mr. Rogers in the *Sony* case) are willing—indeed, delighted—to have their musical performances distributed via Napster to gain public recognition. Hence, any copying of their work is not infringement; it's consented to.

The trial court considered this use too insignificant in amount to be a substantial noninfringing use, because these copyings are a very small fraction of the total amount of copying that occurs. In addi-

tion, the district court indicated that these uses should be disregarded as pretextual, since the publishers introduced evidence of many internal e-mails at Napster showing that the officials of Napster expected a great deal of unauthorized copying by users to occur.

Napster argues that the test of substantiality doesn't depend on a quantitative measure made at the time of infringement. Rather, substantiality must be viewed in a long-range perspective and in qualitative terms as well. The court of appeals will have to decide this point, which, if decided in Napster's favor, would determine the outcome.

### Issues to resolve

One unresolved issue is whether a court should consider the potential uses of a technology just gaining a toehold. Napster's new-artist program is just in its infancy at this time. It remains to be learned whether this program will really give new artists an effective way to bypass the bottleneck control of the major publishers; it may not. Should only present, actual uses count? Or it is important to give breathing room for new uses so that they can develop?

One might say that a very small noninfringing use is not that damaging to the copyright owners that they need to suppress it. Once the new use becomes a more substantial noninfringing use, it'll fit into the existing, accepted doctrine—either way, the noninfringing use shouldn't be suppressed. But the publishers decry the new use as a Trojan Horse to let escape very substantial infringing uses. Whose interests should prevail? Those who want to engage in the noninfringing use or the copyright owners damaged by the concomitant infringing uses that cannot be separated from the noninfringing uses?

Another unresolved issue is the meaning of *substantial*. Is it, say, 2%, 5%, or 10%? Also should the doctrine of contributory infringement ever operate where more than a completely insubstantial or *de minimis* noninfringing use exists? In other words, when a majority of the uses

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are infringing, should that fact carry the day and force all uses, including the non-infringing ones, off the market? Or does a minority of noninfringing users have the right to continued use, regardless of the fact that infringers may tag along to take a free ride? In some ways, this is like the sale of Saturday Night Specials or perhaps the sale of bongos. (Neither is suppressed under present law, nor was the sale of VCRs in the *Sony* case.)

The music publishers argued, and the district court agreed, that there's a difference between these cases and Napster's case. Napster doesn't supply a shelf item and then refrain from further involvement. Rather, Napster maintains a continuing relation with users of its system. It maintains the index and provides the software for the peer-to-peer copying that individual users engage in. That greater degree of involvement, it's said, makes the other cases inapplicable. However, there doesn't appear to be anything in the *Sony* decision that suggests that this kind of behavior makes any difference. For example, if Sony had provided a repair service for its VCRs, say, a warranty period (as it probably did), would that have made any difference?

Napster's fair-use argument is based on alleged personal use in deciding whether to buy a CD and "space shifting." The latter refers to use of Napster to make a copy of an already-purchased CD to transfer the songs from one user's computer, say, one at home, to a second computer, say, at a work site. Napster argues that space shifting is comparable to the time shifting of the *Sony* case. The trial court considered both of these uses too insignificant to weigh heavily in the context of massive copying, even if they should be legally recognized.

Napster made a further argument that it wasn't really responsible for the occurrence of copying, since it had no way of telling what songs were protected by

copyright. This prevented use of a system, if one could be devised, for purging such songs from the index. The CDs contain no digital watermark or electronically readable indicium of copyright protection. This is something like a contributory negligence argument.

That Napster didn't know which files identified in its index were of copyright-protected songs and which weren't, the court said, was Napster's fault for designing its system in the manner it did. It was unclear, however, how Napster could have designed its system differently; the court didn't address that point, considering it immaterial. The music publishers' answer was that it's no excuse for burglary that the homeowner leaves the door unlocked. That is rather far-fetched, particularly considering that it's a law violation in some places to leave your car unlocked because it facilitates auto theft. Considering how easy it would be to use digital watermarking, preferably at an inaudible frequency, its lack seems inexcusable.

The district court agreed and said that the burden was on Napster to devise a way to comply with the proposed order. That order said that Napster should cease and desist from facilitating others in copying and distributing the plaintiff recording companies' copyright-protected recordings. If Napster couldn't devise any way other than to shut down its operations entirely, because of inability to distinguish copyright-protected and unprotected material, then Napster would be obliged to shut down. (As indicated, the court of appeals stayed this order as too drastic pending review of the case.)

In the context of Internet service providers (ISPs), the now-established law is that an ISP isn't liable for its users' copyright infringement if it has no reasonable way of knowing that the users are transmitting copyright-protected material via the ISP's facilities (and conversely). But Napster is not an ISP, the court said, for it goes beyond being a mere conduit for the transfer of files; again, the court didn't address in detail the basis of the distinction or explain how Napster operated in

ways materially different to ISPs.

Napster's arguments of copyright misuse were rejected on the ground that they did not provide a valid defense to a charge of copyright infringement. This is the heart of matter, in many ways. Music CD publishers object to Napster, it may well be, more for the reasons that Microsoft objected to independent browsers than because of the copying by kids of song material that the kids would never purchase anyway. That is, the real reason for the objection is that the alternative technology poses a threat to the continued success of a business model.

In Microsoft's case the real reason for objecting to independent browsers was that, without such browsers, programs had to be written to operate under Windows. As the dominant operating system, Windows enjoyed network effects that compelled this. Browsers such as Netscape threatened to make it possible for programs to be platform independent. That threatened the market position that Microsoft enjoyed. In the CD publishers' case, their present business model is that a musical artist can get to the marketplace only by signing a long-term exclusive contract with one of the major publishers. Making it possible to get to the marketplace a different way threatens the profits generated under the present business model.

In this view, the copyright infringement claim is just so much window dressing. Copyright provides a pretext for maintaining a business model. But it's unclear, to say the least, that the realpolitik of the case should be taken into account in deciding whether Napster is liable to the publishers for copyright infringement. An argument can more readily be made, however, that these considerations are enough to tip the balance against granting a shutdown order against Napster while the case is pending, and that the facts on this point should be more fully developed at trial before a final decision is made whether or not to shut down Napster with a permanent injunction.