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# Is Napster a VCR?

## The Implications of *Sony* for Napster and Other Internet Technologies

by  
STACEY L. DOGAN\*

### Introduction

The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.<sup>1</sup>

In *Sony Corp. of America v. Universal City Studios*, the Supreme Court created the copyright version of the so-called “staple article of commerce doctrine.”<sup>2</sup> Its stated objective was to strike a balance between the incentive objectives of copyright<sup>3</sup> and the interests of the

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\* Assistant Professor, Northeastern University School of Law. I am grateful to the editors of the *Hastings Law Journal* for organizing this symposium and to the symposium participants, particularly Dan Burk, Richard Gilbert, and Michael Katz, for helpful comments. Special thanks to Joseph Liu, Gregg Shapiro, and Deborah Feldman for their valuable suggestions on this Essay, and to Clayton Meixel for research assistance.

1. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

2. *Id.* at 439. The Court borrowed the doctrine from patent law, where it had a long (if somewhat tortured) history as an intermediary between the doctrines of contributory infringement and patent misuse. *See id.* at 440 (citing 35 U.S.C. § 271(c)); *see also* *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 187-99 (1980).

3. *See, e.g.*, *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985) (stating that the Constitution intends that copyright serve as an “engine of free expression”); *cf.* Maureen A. O’Rourke, *Evaluating Mistakes in Intellectual Property Law: Configuring the System to Account for Imperfection*, 4 J. SMALL & EMERGING BUS. L. 167, 170 (2000) (noting competing theoretical justifications for intellectual property, and concluding that “at least in American law, the leading theory probably still continues to be a utilitarian one,” which “emphasizes the need to provide incentives to the firstcomer to create while maintaining a viable public domain from which secondcomers may draw in improving and building on the original work”).

public in access to new technology.<sup>4</sup> As defined by the Court, the doctrine prevents copyright holders from interfering with the sale of technologies that may be used to infringe, but that also have “substantial non-infringing uses.”<sup>5</sup>

Nearly two decades later, we have little idea of what the copyright staple article of commerce doctrine means. Neither the Supreme Court nor subsequent lower court decisions have elucidated what kinds of products or services can qualify as staple articles of commerce,<sup>6</sup> nor have they provided a framework for deciding whether such an article has a “substantial non-infringing use.”<sup>7</sup> In the absence of any such guidance, commentators and scholars differ profoundly over the scope of indirect copyright infringement<sup>8</sup> post-*Sony*.<sup>9</sup>

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4. *Sony*, 464 U.S. at 441-42.

5. *Id.* at 442. More specifically, the doctrine prevents copyright holders from asserting claims for indirect copyright infringement against sellers of “staple articles of commerce.” *Id.* at 491-92; *see infra* notes 8, 30-43.

6. It is not clear, for example, whether the doctrine applies only to goods sold in the marketplace, or whether it also applies to cases involving ongoing relationships between the selling and the purchasing party. *See infra* text accompanying notes 62-82.

7. Some courts have invoked the doctrine after finding only one plausible non-infringing use of the technology, *e.g.*, *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 263-64 (5th Cir. 1988), while others have suggested that the defendant must show some commercially significant use, *e.g.*, *Sega Enterprises Ltd. v. MAPHIA*, 948 F. Supp. 923, 935 (N.D. Cal. 1996) (staple article of commerce doctrine inapplicable when customers would not purchase technology for non-infringing use); *Atari, Inc. v. JS&A Group, Inc.*, 597 F. Supp. 5 (C.D. Ill. 1983) (contributory liability against machine vendor turns on “primary use” of machine). Indeed, the Supreme Court itself gave inconsistent guidance on the level of non-infringing use required. *Sony*, 464 U.S. at 442 (stating that the standard is satisfied “if the product is widely used for legitimate, unobjectionable purposes”; that products “need merely be capable of substantial noninfringing uses”; that the “question is thus whether the Betamax is capable of commercially significant noninfringing uses”; and that the question is whether a “significant number” of uses would be non-infringing); *see also A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (2001) (in evaluating whether a technology has a substantial non-infringing use, courts must consider both current and future non-infringing applications).

8. I use the term “indirect copyright infringement” to refer to the copyright doctrines under which a party can face liability for infringing acts committed by another. *See Sony*, 464 U.S. at 435 (“[T]he concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”). Courts have identified two such doctrines: contributory infringement, which requires knowledge of the infringing activity and substantial participation in it, and vicarious liability, which requires a direct financial benefit from infringing acts that the defendant had a right and ability to control. *See, e.g.*, *Gershwin Publ’g Co. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162-63 (2d Cir. 1971) (contributory infringement); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 316 (2d Cir. 1963) (vicarious liability). It is unclear whether the *Sony* doctrine applies to both types of indirect liability. While the Supreme Court stated its holding in general terms and referred to the two doctrines interchangeably, it had before it only a claim of

Nothing has contributed to that discord more than the case against Napster.<sup>10</sup> Napster offers a product—music file-sharing software—and a service—a centralized website that connects those who want to swap music files, the majority of which are swapped without authorization from the copyright owner.<sup>11</sup> Napster tests the bounds of *Sony* in multiple ways. Unlike a VCR manufacturer, Napster does not merely sell a “piece of equipment”<sup>12</sup> to infringers; it maintains an ongoing relationship with its customers and plays a continuing role in their alleged infringement.<sup>13</sup> Its so-called “staple article,” moreover, consists of a combination of goods and services whose value lies primarily in their promotion of infringement.<sup>14</sup>

Napster views these differences as irrelevant to its eligibility under the staple article of commerce doctrine,<sup>15</sup> and it has drawn support for its position from an impressive array of scholars.<sup>16</sup> In some ways, the company’s argument has considerable appeal; an

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contributory infringement, and the Ninth Circuit has held that the rule only applies to such cases. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022-23 (9th Cir. 2001).

9. See, e.g., Amended Brief of Amicus Curiae Copyright Law Professors in Support of Reversal, *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (“The balance rests on the side of permitting new technology, not stifling it.”); Ariel B. Taitz, Note, *Removing Road Blocks Along the Information Superhighway: Facilitating the Dissemination of New Technology by Changing the Law of Contributory Copyright Infringement*, 64 GEO. WASH. L. REV. 133 (1996) (proposing the imposition of liability on makers of technology with “non-trivial infringing uses”); see generally Dan L. Burk, *Muddy Rules for Cyberspace*, 21 CARDOZO L. REV. 121, 176 (1999) (“Under the *Sony* standard, development of technology that has no purpose but to facilitate infringement will be penalized as socially wasteful; but the standard will not discourage the development of technology that may have other social benefits, even if incidentally used [for illegitimate purposes].”).

10. See *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff’d in part, rev’d in part*, 239 F.3d 1004 (9th Cir. 2001).

11. *Id.* at 917.

12. *Sony*, 464 U.S. at 436.

13. *Napster*, 114 F. Supp. 2d at 917; see also *Napster*, 239 F.3d at 1022.

14. *Napster*, 114 F. Supp. 2d at 917 (describing program for unsigned musicians—a non-infringing use of Napster’s service—as an “afterthought”). Compare *Sony*, 464 U.S. at 423 (finding that VCR’s “primary use” was non-infringing).

15. Napster also contends that its users’ exchange of music files is protected by the Audio Home Recording Act, 17 U.S.C. § 1008 (1996), and the fair use doctrine, 17 U.S.C. § 107 (1996). Even if those arguments failed, however, Napster contends that its service has a “substantial non-infringing use” because it allows the exchange of music files by unknown artists and others who willingly make their songs available to the service.

16. Eighteen prominent copyright law professors, for example, signed an *amicus* brief with the Ninth Circuit in the Napster case, contending that Napster falls within the *Sony* exception. See Brief of Amicus Curiae Copyright Law Professors in Support of Reversal, *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

isolated reading of some of the Supreme Court's language<sup>17</sup> suggests that the Court would insulate any technology with a plausible non-infringing use. Yet, in my view, such an interpretation, if adopted by the courts, would expand the "staple article of commerce" doctrine in ways neither contemplated by the Supreme Court nor consistent with its core objectives in *Sony*.

As the opening quotation above makes clear,<sup>18</sup> the Supreme Court did not craft the staple article of commerce doctrine merely to insulate new technologies. Its objective was to strike a balance between the incentive structure of copyright,<sup>19</sup> on the one hand, and the integrity of "substantially unrelated areas of commerce," on the other. The Court recognized that both of these interests ultimately serve the public—the first, by encouraging creative expression,<sup>20</sup> and the second, by protecting consumers' unimpeded access to product markets.<sup>21</sup> Accordingly, the Court held that copyright owners may not use infringement suits to leverage control over "substantially unrelated" markets,<sup>22</sup> either by eliminating such markets altogether or by transferring control to the copyright holder and thereby interfering with incentives in those markets.<sup>23</sup> The converse, however, must also be true: if liability in a particular case would not interfere with a market "substantially unrelated" to copyright infringement, the staple article of commerce doctrine has no role to play.

This Essay advocates a context-specific approach to the staple article of commerce doctrine that invokes it only when necessary to protect consumers' access to markets substantially unrelated to copyright infringement. This market-access paradigm, which follows

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17. *E.g.*, *Sony*, 464 U.S. at 442 (stating that the product "need merely be capable of substantial non-infringing uses").

18. *See supra* text accompanying note 1.

19. *Sony*, 464 U.S. at 442. Intellectual property laws are "intended to motivate the creative activity of authors." *Id.* at 429.

20. *Id.*

21. *Id.* at 440 (noting "public interest in access to . . . article[s] of commerce").

22. *Sony*, 464 U.S. at 442; *see also* *Matthew Bender & Co., Inc. v. West Publ'g Co.*, 158 F.3d 693, 707 (2d Cir. 1998) (invoking staple article of commerce doctrine when plaintiff "has a thin copyright in its compilations, which it seeks to leverage to protect its pagination (an element of its compilation that is unprotected altogether)").

23. *See* PAUL GOLDSTEIN, COPYRIGHT LAW AND PRACTICE § 6.1.2 (2d ed. Supp. 2000) (arguing that when equipment has non-infringing applications, holding its manufacturer liable for contributory infringement "may enable the copyright owner to influence the price and availability of goods that are not directly connected to its copyrighted work. If liability is too broad it may improperly curb incentives to invent new equipment or material").

from the Supreme Court's normative goals in *Sony*, has implications for both stages of the staple article of commerce inquiry: (1) whether to invoke the doctrine at all, and (2) assuming it applies, whether the article at issue has a substantial non-infringing use. For the doctrine need not apply if an injunction against infringement would not endanger non-infringing applications. And if a product is so integrally related to infringement that a market for it would never have developed absent infringement, there is no "substantially unrelated" market with which courts must not interfere.

At its core, *Sony* is about preventing copyright holders from interfering with consumers' ability to make non-infringing uses of technology. This Essay examines that objective and proposes one possible framework for pursuing it in a way that does the least unnecessary injury to copyright incentives. I do not pretend that my specific approach offers the only—or even the best—means of achieving the Supreme Court's goals in *Sony*. My aim is more modest: to identify the normative goals of the staple article of commerce doctrine and to explore their implications. In Part I, I examine *Sony*'s core market-access objectives. Part II introduces the Napster technology and the lawsuit between Napster and the recording industry. Part III explores the implications of *Sony* for Napster and similar defendants.

## I. *Sony* and Market Access

The Supreme Court in *Sony* faced a question of first impression: Can a manufacturer of copying equipment be liable under copyright law when purchasers use the equipment to infringe? The case involved the Betamax VCR, but it could just as well have concerned the photocopying machine,<sup>24</sup> printing press,<sup>25</sup> cassette recorder,<sup>26</sup> or

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24. *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1456 (C.D. Cal. 1996) (stating that *Sony* "applies to 'staple articles or commodities of commerce,' such as VCR's, photocopiers, and blank, standard-length cassette tapes").

25. NIMMER, 3 NIMMER ON COPYRIGHT § 12.04 (2000) ("Certainly, it would be absurd to hold the manufacturer and seller of a printing press liable as contributory copyright infringers because the buyer uses such press for infringing purposes.").

26. *Cf. Napster*, 948 F. Supp. at 1456 (stating that *Sony* "applies to 'staple articles or commodities of commerce,' such as VCR's, photocopiers, and blank, standard-length cassettes," but "would not extend to products," such as time-loaded cassettes, that were "specifically manufactured for counterfeiting activity"); *RCA/Ariola Int'l, Inc. v. Thomas & Grayston Co.*, 845 F.2d 773, 781 (8th Cir. 1988) and *RCA Records v. All-Fast Sys.*, 594 F. Supp. 335, 339 (S.D. N.Y. 1984) (holding manufacturers of commercial audio cassette duplicators vicariously liable for in-store duplication of copyrighted works where they retained ownership and control over machines).

any other technology that automates the process of replicating creative expression.<sup>27</sup> The *Sony* plaintiffs, who owned the copyright to certain television programs, charged Sony with contributory infringement for selling the copying equipment with knowledge that its users would copy the plaintiffs' programs.<sup>28</sup> The Ninth Circuit agreed: because VCRs were sold "for the primary purpose of reproducing television programming" without permission from copyright owners, the court found its manufacturer legally responsible for the buyers' infringement.<sup>29</sup>

The Supreme Court—by bare majority<sup>30</sup>—invoked the "staple article of commerce" doctrine to reverse. The Court first reviewed the case law on contributory and vicarious copyright infringement, and found no prior case imposing liability based solely on the sale of equipment that customers might use to infringe.<sup>31</sup> Patent law, in contrast, specifically contemplates such liability,<sup>32</sup> but exempts any "staple article or commodity of commerce suitable for substantial noninfringing use."<sup>33</sup> The Court found the rationale behind this rule applicable to the copyright context and thus extended the staple article of commerce doctrine to copyright law. Accordingly, because

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27. Cf. *Sony*, 464 U.S. at 430 (reviewing ways in which copyright law has historically responded to new technologies).

28. *Id.* at 439. The plaintiffs had also asserted claims for vicarious infringement, as well as claims of direct infringement against retailers who had allegedly infringed while demonstrating the Betamax machines. *Id.* at 435 n.17; see also *Universal City Studios, Inc. v. Sony Corp.*, 659 F.2d 963 (9th Cir. 1981) (finding in favor of plaintiffs on contributory infringement claim only).

29. *Universal City Studios, Inc.*, 659 F.2d at 975.

30. Justice Stevens wrote the majority opinion on behalf of himself and Justices Burger, Brennan, White, and O'Connor. *Sony*, 464 U.S. at 418-56. Justice Blackmun's dissent, which disagreed with the majority on both fair use and the "staple article of commerce" doctrine, was joined by Justices Marshall, Powell, and Rehnquist. *Id.* at 456-500.

31. *Id.* at 439 ("If vicarious liability is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of liability on such a theory.")

32. The Patent Act defines "contributory infringement" as the sale of "a component or patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention," with knowledge that the component, material, or apparatus was "especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use." 35 U.S.C. § 271.

33. *Sony*, 464 U.S. at 440 (citing 35 U.S.C. § 271(c)).

the VCR had a “substantial noninfringing use,”<sup>34</sup> the Court held that the Ninth Circuit had erred in finding its sellers legally responsible for the infringing applications.<sup>35</sup>

Although the Court failed to provide clear definitions of “staple article of commerce” and “substantial non-infringing use,” it offered something arguably more useful:<sup>36</sup> a principled account of the need for the new doctrine and the role that it should play in future copyright cases. The doctrine was necessary, said the Court, to protect the public’s right to engage in areas of commerce “substantially unrelated” to infringement.<sup>37</sup> While the Court did not elaborate on the meaning of “substantially unrelated areas of commerce,”<sup>38</sup> it is quite clear that it did not intend to give wholesale immunity to all new technologies. To the contrary, the Court expressly recognized that liability of equipment manufacturers may sometimes be necessary to give “adequate protection” to copyright holders.<sup>39</sup> In other situations, however, the need for integrity in unrelated product markets would outweigh the harm to copyright incentives caused by the use of such products.<sup>40</sup> Thus, the staple article of commerce doctrine must balance the need for competition in—and consumers’ unimpeded access to—such “substantially unrelated” markets against the copyright owner’s “legitimate demand for effective—not merely symbolic—protection of [its] statutory monopoly.”<sup>41</sup>

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34. *Id.* at 442. In another portion of the opinion, the Supreme Court held that unauthorized “time-shifting”—the recording of television broadcasts for later home viewing—constituted a fair use under the copyright laws. *Id.* at 447-56. Because the combination of authorized and unauthorized time-shifting constituted the “primary use [of the VCR] for most owners,” *id.* at 423, the Betamax easily satisfied the “substantial non-infringing use” standard.

35. *Id.* at 442.

36. See generally Duncan Kennedy, *Form and Substance in Private Law Adjudication*, 89 HARV. L. REV. 1685 (1976) (on rules versus standards); cf. Burk, *supra* note 9, at 123 (arguing that ambiguous standards, rather than purportedly clear rules, may have a positive effect on bargaining in cyberspace context).

37. *Sony*, 464 U.S. at 442; see also *Matthew Bender & Co. v. West Publ’g Co.*, 158 F.3d 693, 707 (2d Cir. 1998) (stating that the Supreme Court adopted the staple article of commerce doctrine “to prevent copyright holders from leveraging the copyrights in their original work to control distribution of (and obtain royalties from) products that might be used incidentally for infringement, but that had substantial non-infringing uses”).

38. *Sony*, 464 U.S. at 442.

39. *Id.* (“[T]he contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible.”).

40. *Id.*

41. *Id.*

When applying *Sony*, then, courts should ask whether liability would impede competition in—and therefore inhibit consumer access to<sup>42</sup>—some identifiable market that is substantially unrelated to infringement. This underlying market-access objective, rather than any fixed formulation of a staple article of commerce, should guide courts in deciding whether and how to apply *Sony*. For the staple article of commerce doctrine must *mediate* between incentive and competition, rather than automatically favoring either one.<sup>43</sup> This balance must affect the decisions whether to invoke *Sony* at all and whether, assuming *Sony* applies, a particular technology has a substantial non-infringing use. The context of a defendant's relationship to the direct infringer and to the infringement—including the avoidability of infringement and the viability of a market for non-infringing uses—must inevitably play a role in those determinations.

## II. Napster

Napster is a website that (1) distributes file-sharing software<sup>44</sup> and (2) serves as a clearinghouse to connect users who want to

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42. Traditional economic theory posits that competitive markets will provide the lowest prices and the broadest access to consumers. *See, e.g.*, *Standard Oil Co. v. FTC*, 340 U.S. 231, 248 (1951) (“The heart of our national economic policy long has been faith in the value of competition.”); *see also* *Nat’l Soc’y of Prof’l Eng’rs v. United States*, 435 U.S. 679, 695 (1978) (“The assumption that competition is the best method of allocating resources in a free market recognizes that all elements of a bargain—quality, service, safety, and durability—and not just the immediate cost, are favorably affected by the free opportunity to select among alternative offers.”).

43. *Sony*, 464 U.S. at 442; *see also id.* at 429 (noting the “difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand”); *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 221 (1980) (“The policy of free competition runs deep in our law. . . . But the policy of stimulating invention that underlies the entire patent system runs no less deep. And the doctrine of contributory infringement . . . can be of crucial importance in ensuring that the endeavors and investments of the inventor do not go unrewarded.”).

44. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011-12 (9th Cir. 2001). To use Napster’s technology, a user must first download Napster’s MusicShare software, which is available free of charge from the Napster website, and must register by selecting a user name and password that give access to the Napster network. Each time that user thereafter signs onto the network, she has the option of making her files available to other Napster users. If she so chooses, the MusicShare software verifies the availability and format of her music files and uploads the file names to the Napster servers, which then list them as files available for download by other users. *Id.* Users seeking to download these files can locate them either by using Napster’s search engine or by using MusicShare’s “hotlist” utility. “Hotlist” allows users to identify particular users from whom they have obtained files in the past and to know, at any time, (1) whether such users are logged onto Napster, and (2) if so, what files they are offering. *Id.* at 1012; *see also* <http://www.napster.com/help/win/manual/hotlist.html> (last visited Jan. 20, 2001).

exchange music files over the Internet.<sup>45</sup> After downloading the Napster software, a user can log onto Napster and make available to other Napster users any MP3<sup>46</sup> files stored on her hard drive. The file names will then appear in a directory searchable by anyone simultaneously logged onto the Napster system. If a user locates a desired MP3 file in the directory, she may request a download directly from the user offering the file.<sup>47</sup> Napster therefore provides both a product—its file-sharing software—and a service—a centralized website that connects users and provides information about music files available on its network.

Napster's launch in mid-1999 caused an uproar in the recording industry and among some recording artists, who feared that large-scale music swapping would cut into the market for music sales.<sup>48</sup> In December 1999, a consortium of music copyright holders<sup>49</sup> sued Napster for contributory and vicarious liability, and after a preliminary injunction hearing, Judge Marilyn Patel ruled in plaintiffs' favor on both counts. She entered a preliminary injunction barring Napster "from engaging in, or facilitating others in copying, downloading, uploading, transmitting, or distributing plaintiffs' copyrighted musical compositions and sound recordings . . . without express permission of the rights owner."<sup>50</sup>

Judge Patel rejected Napster's argument that *Sony* insulated it from liability because its file-sharing technology had a "substantial

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45. *Napster*, 239 F.3d at 1011-12.

46. MP3 stands for MPEG-3, a condensed digital format for storing audio recordings that makes it easy to transport them over communications networks. *Id.* at 1011. Computer users can convert ordinary audio CDs into MP3 format through a compression process known as "ripping," after which they can make their files available on the Napster service. *Id.*

47. *Id.* at 1011-12. The files therefore do not pass through Napster's servers in the course of traveling from one user to another. It is this feature—the trading of files directly from user to user—that gives Napster its "peer-to-peer" moniker. See *A&M Records, Inc. v. Napster, Inc.* 114 F. Supp. 2d 896, 902 (N.D. Cal. 2000), *aff'd in part, rev'd in part*, 239 F.3d 1004 (9th Cir. 2001).

48. Courtney Macavinta, *Recording Industry Sues Music Start-Up, Cites Black Market*, CNET NEWS.COM, Dec. 7, 1999, at <http://news.cnet.com/news/0-1005-200-1485841.html> (last visited Feb. 14, 2001) (quoting Recording Industry of America executive: Napster is "trying to build a business on the backs of artists and copyright owners"); see also John Borland, *Napster, Universities Sued by Metallica*, CNET NEWS.COM, Apr. 13, 2000, at <http://news.cnet.com/news/0-1005-200-1694163.html> (last visited Feb. 14, 2001) (quoting complaint filed by the band Metallica: "Napster has built a business based on large-scale piracy").

49. The plaintiffs in *Napster* include copyright owners of both sound recordings and underlying musical compositions. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 900 (N.D. Cal. 2000).

50. *Id.* at 927.

non-infringing use.”<sup>51</sup> While recognizing that at least some musicians had authorized swaps of their music files on Napster, Judge Patel found *Sony* inapplicable because, among other things, Napster exercised “continuing control” over its service.<sup>52</sup> She cited its screening of non-MP3 files, as well as its termination of certain user accounts, as evidence of such continuing control.<sup>53</sup> Moreover, even if *Sony* had applied, it would not have exempted Napster from liability, because non-infringing uses “may not represent a substantial or commercially significant aspect” of the service.<sup>54</sup>

On appeal, the Ninth Circuit affirmed the ruling on liability, but remanded for entry of a narrower injunction. The court agreed with the district court that Napster had knowingly contributed to infringement by its users, and had financially benefited from acts of infringement that it could have controlled.<sup>55</sup> It found error, however, in the court’s “plac[ing] on Napster the entire burden of ensuring that no ‘copying, downloading, uploading, transmitting, or distributing’ of plaintiffs’ works occur on the system.”<sup>56</sup> It instructed the district court, on remand, to “place the burden on plaintiffs to provide notice to Napster of copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content.” After receiving such notice, however, Napster must “polic[e] the system within the limits of the system.”<sup>57</sup>

The Ninth Circuit gave a somewhat elliptical treatment of *Sony*. It began with an observation, in dicta, that the district court had misconstrued the meaning of “substantial non-infringing use” by focusing narrowly on current uses of the Napster system.<sup>58</sup>

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51. *Id.* at 912.

52. According to Judge Patel:

In *Sony*, the defendant’s participation did not extend past manufacturing and selling the VCRs: “[t]he only contact between Sony and the users of the Betamax . . . occurred at the moment of sale.” Here, in contrast, Napster, Inc. maintains and supervises an integrated system that users must access to upload or download files. . . . Given defendant’s control over the service, as opposed to mere manufacturing or selling, the existence of a potentially unobjectionable use like space-shifting does not defeat plaintiffs’ claims.

*Id.* at 916-17 (citing *Sony*, 464 U.S. at 438).

53. *Id.* at 918, 920-21.

54. *Id.* at 917.

55. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019-25 (9th Cir. 2001).

56. *Id.* at 1027.

57. *Id.*

58. *Id.* at 1021 (“The district court improperly confined the use analysis to current uses, ignoring the system’s capabilities. Consequently, the district court placed undue

Nonetheless, it agreed that *Sony* was inapplicable. The court viewed *Sony* as a case about knowledge, in which the Supreme Court invoked the staple article of commerce doctrine to avoid imputing knowledge of infringement to a manufacturer based on the mere capacity of its equipment to infringe.<sup>59</sup> As a result, the Ninth Circuit found *Sony* inapposite, not merely because Napster had the ability to control its system, but because it had refused to exercise such control after receiving actual knowledge of infringement on its service.<sup>60</sup>

On remand, Judge Patel entered an injunction requiring the plaintiffs to give Napster notice of particular infringing music files, after which Napster had three business days to begin searching for those files and blocking their sharing on the Napster service.<sup>61</sup>

### III. Implications of the Market Access Paradigm

#### A. The Relevance of Ongoing Control

Because *Sony* itself involved a one-time product sale,<sup>62</sup> it did not address a core issue presented in *Napster*: whether the staple article of commerce doctrine applies to a defendant whose continuing relationship with the direct infringer gives it at least the theoretical ability to prevent acts of infringement as they occur.<sup>63</sup> The district

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weight on the proportion of current infringing use as compared to current and future noninfringing use.”) (citations omitted); *see also id.* (“[A]bsent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material.”).

59. *Id.* at 1020-21.

60. *Id.* 1021-22 (“The record supports the district court’s finding that Napster has actual knowledge that specific infringing material is available on its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material.”); *see also id.* at 1027. The court found the staple article of commerce doctrine wholly inapplicable to the plaintiff’s vicarious infringement claims, pointing out that the Supreme Court in *Sony* had before it only claims for contributory infringement. *Id.* at 1022.

61. *A&M Records, Inc. v. Napster, Inc.*, Nos. C 99-05183, C 00-1369, 2001 WL 227083, at \*1-2 (N.D. Cal. Mar. 12, 2001) (“Within three (3) business days of receipt of reasonable notice of infringing files, Napster shall affirmatively search the names of all files being made available by all users at the time those users log on (i.e., prior to the names of files being included in the Napster index) and prevent the downloading, uploading, transmitting or distributing of the noticed copyrighted sound recordings.”).

62. 464 U.S. 417, 437-38 (1984) (emphasizing that Sony had no post-sale relationship with Betamax purchasers and had no role in the delivery of infringing content).

63. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 916 (N.D. Cal. 2000). The district court found that Napster not only offered a service that facilitated infringement, but also actively encouraged its users to infringe. *Id.* If liability were based solely on that active encouragement, Napster could not rely on the staple article of

court in *Napster* found *Sony* inapplicable to defendants that exercise any ongoing “control” over direct infringers.<sup>64</sup> The Ninth Circuit found control relevant, but only when coupled with actual knowledge of particular infringing files on the Napster service. Napster and its supporters, in contrast, describe such control as irrelevant to the *Sony* inquiry.<sup>65</sup>

When viewed from a market-access perspective, the ability to control is relevant, although in a somewhat different way than described by either Judge Patel or the Ninth Circuit.<sup>66</sup> Because the rationale for *Sony* is to avoid burdening consumers’ access to markets substantially unrelated to infringement, it follows that the staple article of commerce rule should apply if—and only if—such access would be threatened by holding a defendant responsible for infringing use of a technology.<sup>67</sup> If liability would not impede any such markets, *Sony* should not apply. Accordingly, if the nature of a party’s control over its users makes it feasible and essentially costless to distinguish between infringing and non-infringing applications,<sup>68</sup> the law should require it to do so.<sup>69</sup> Liability in such a case would not

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commerce doctrine to insulate its behavior, but an injunction might be limited to the active inducement, rather than to the file-sharing service itself. *See, e.g., Dawson v. Rohm & Haas*, 599 F.2d 685, 703 n.24 (5th Cir. 1979), *aff’d*, 448 U.S. 176 (stating that the remedy when someone sells an article of commerce and actively induces infringement is injunction against active inducement, rather than against sales).

64. *Napster*, 114 F. Supp. 2d at 916.

65. *Napster’s* Opening Brief at 65-66, *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); Brief of Amicus Curiae Copyright Law Professors at 6-7, *Napster*, 239 F.3d 1004.

66. Judge Patel found *Sony* inapplicable because, among other things, Napster “exercises ongoing control over its service.” *Napster*, 114 F. Supp. 2d at 916. She focused on generalized control, and did not make a specific finding as to its ability to “control” infringement by distinguishing between authorized and unauthorized exchanges of music files. *Id.* at 922 (acknowledging possibility that Napster may not have the ability to “separate the infringing and non-infringing aspects of its service”). The Ninth Circuit, in contrast, emphasized the importance of Napster’s ability to block access to specific infringing files after receiving notice of their presence on the Napster system. *Napster*, 239 F.3d at 1022, 1024, 1027.

67. *Cf. Oak Indus., Inc. v. Zenith Elec. Corp.*, 726 F. Supp. 1525, 1538 (N.D. Ill. 1989) (noting that in the patent context, “the proper test to determine if a device that can practice non-infringing methods, but allows practice of a patented method, is a staple, is that the practice of the patented method must be incidental and necessary due to technological limitations”).

68. “Knowledge” of particular infringing content, as discussed by the Ninth Circuit, bears upon this inquiry, because it affects the ease with which a party can distinguish between infringing and non-infringing uses. *Napster*, 239 F.3d at 1021-22.

69. If, for example, a defendant contributes to infringement, not by making a one-time sale of equipment, but by permitting others to use its equipment under its supervision, it has at least the theoretical ability to withhold such permission before every act of copying,

interfere with consumers' legitimate access to markets for technology,<sup>70</sup> and would promote the interest of preserving copyright incentives. If, on the other hand, preventing the infringing uses would either cut off or substantially impair users' enjoyment of the non-infringing applications, the staple article of commerce doctrine should come into play. The fact that the doctrine applies in such a case does not end the inquiry, for a defendant may nonetheless face liability if its technology has no "substantial non-infringing use." It simply means that the court must proceed to the next stage of analysis.

This context-specific approach to the applicability of *Sony* is more nuanced than that proposed by the parties or the courts in *Napster*. On the one hand, the plaintiffs—and Judge Patel—would avoid such a fact-specific inquiry into Napster's ability to distinguish between infringing and non-infringing uses in favor of a more mechanical, yea-or-nea inquiry into only whether Napster exercised *any* control over the use of its service.<sup>71</sup> Because Napster "maintains and supervises" its file-sharing service,<sup>72</sup> this approach finds *Sony* inapplicable.<sup>73</sup> Napster and its advocates, on the other hand, appear to propose an equally inflexible rule: that courts may not tamper with

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thereby eliminating infringement without interfering with non-infringing uses. The defendant in *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335 (S.D. N.Y. 1984), for example, was a cassette-copying service that duplicated music cassettes at the request of customers. While the court found the defendants liable for direct infringement, it entered an injunction that also applied to "infringement involving defendant's machines but not its employees. It must not only forbid defendant's employees from making the copies but also prevent defendant from selling [the cassette tapes at issue] to customers who defendants know or have reasonable cause to believe intend to use the machine to copy plaintiffs' copyrighted recordings." *Id.* at 339. The court found *Sony* inapplicable because the defendant in *RCA* was "aware of each use of the machine and [was] in a position to prevent such use by withholding sale of the cassette." *Id.* at 339.

In *Napster*, the Ninth Circuit held that Napster could police its service by searching for infringing file names and cutting off users who made these files available. 239 F.3d at 1024 ("Napster . . . has the ability to locate infringing material listed on its search indices, and the right to terminate users' access to the system.").

70. See *RCA*, 594 F. Supp. at 339 ("It need have no impact on sales of cassettes for legitimate copying for defendant to cease selling to infringing customers."); cf. *RCA/Ariola Int'l, Inc. v. Thomas & Grayston Co.*, 845 F.2d 773, 780 (8th Cir. 1988) (upholding injunction requiring retailers to control access to blank tapes, to inspect the originals their customers proposed to copy, and to insert the blank into the machine).

71. *Napster*, 114 F. Supp. 2d at 916-17; see also Plaintiffs/Appellees' Brief at 42-44, *Napster*, 239 F.3d 1004; Brief of Amicus Curiae Business Software Alliance at 7-11, *Napster*, 239 F.3d 1004 (stating that the fact that Napster cuts off specific users about whom rights holders complain "is tantamount to an admission that defendant can, and sometimes does, police its service").

72. *Napster*, 114 F. Supp. 2d at 917.

73. Judge Patel also held that the Napster service had no substantial non-infringing use that would insulate it from liability even if *Sony* applied. See *infra* note 93.

technology that has plausible non-infringing uses even if a defendant's ongoing stewardship of the technology would make it feasible to distinguish between infringing and non-infringing applications.<sup>74</sup> The Ninth Circuit adopts a compromise of sorts, but the opinion's exclusive focus on knowledge seems to suggest that parties must do everything within their power—regardless of the expense—to eliminate known infringement on their system.<sup>75</sup>

While each of these views can find support in certain passages in *Sony*,<sup>76</sup> none accomplishes the ultimate goal proclaimed by the Supreme Court: to protect consumers' ability to make non-infringing uses of technology, while at the same time preserving copyright incentives to the extent possible.<sup>77</sup> Napster's approach uncritically

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74. See, e.g., Plaintiffs/Appellees' Brief at 65-66, *Napster*, 239 F.3d 1004 (arguing that under *Sony*, courts may not require defendants to "reconfigure" devices "to exclude the possibilities of non-infringing uses"); Brief of Amicus Curiae Copyright Law Professors at 6-8, *Napster*, 239 F.3d 1004 (describing "ongoing control exception" as "groundless").

Napster also vociferously denies that it could feasibly eliminate the infringing uses without dismantling its entire file-sharing service. Plaintiffs/Appellees' Brief at 43-51, *Napster*, 239 F.3d 1004. The Ninth Circuit disagreed, pointing out that Napster could search its file index to identify and eliminate infringing files. Since Judge Patel entered her modified preliminary injunction, the parties have squabbled over the feasibility of the injunction and the adequacy of Napster's efforts to comply. See, e.g., Lee Gomes, *Record Industry Files Court Papers Saying Napster Isn't Effectively Blocking Music*, WALL ST. J., Mar. 28, 2001, at B5.

75. See *Napster*, 239 F.3d at 1021 (finding *Sony* inapplicable because "the evidentiary record here supported the district court's finding that plaintiffs would likely prevail in establishing that Napster knew or had reason to know of its users' infringement of plaintiffs' copyrights").

76. In several places in the opinion, for example, the Court appeared to imply that its doctrine would apply only to one-time sales. The Court described as "manifestly just" the imposition of liability in cases "involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 437 (1984). In such cases, said the Court, "the 'contributory' infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner." *Id.* The Court approved of liability against such defendants, as compared to *Sony*, whose "only contact [with] the users of the Betamax . . . occurred at the moment of sale." *Id.*; see also *id.* at 440 (noting that public interest is implicated "[w]hen a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe").

Napster's position, on the other hand, also finds some support, although it is arguably more muted. See, e.g., *id.* at 440 (staple article of commerce doctrine is based on "public interest in access" to equipment with infringing and non-infringing uses).

77. The two extreme approaches could also lead to absurd results. As Napster's amici point out, a test that looks only at the general ability to control could arguably result in liability against the lessor of a photocopy machine, based on its maintenance and servicing of the equipment. Brief of Amicus Curiae Copyright Law Professors at 8, *Napster*, 239 F.3d 1004. At the other extreme, a rule that prohibits courts from ever requiring reconfiguration of technology with non-infringing uses would create an incentive for

tips the balance in favor of defendants, even when unnecessary to preserve access to any legitimate market.<sup>78</sup> The plaintiffs' proposal, on the other hand—and, arguably, the approach of both courts—would impose significant burdens on technological development, by requiring defendants who maintain a relationship with their users to police users' infringement regardless of the cost.<sup>79</sup> The alternative framework proposed above makes an initial attempt at a compromise: it invokes *Sony* when necessary—but only when necessary—to prevent interference with a technology's non-infringing functions.<sup>80</sup>

## B. Substantial Non-Infringing Uses Under *Sony*

The market-access paradigm<sup>81</sup> is perhaps most useful in the second stage of the staple article of commerce inquiry: evaluating whether a technology has enough non-infringing applications to escape liability. By viewing this question from the perspective of consumers seeking access to markets “substantially unrelated to infringement,” courts can develop a more principled and coherent methodology than one based on any arbitrary benchmark for “substantial non-infringing use.”<sup>82</sup>

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manufacturers to package infringing and non-infringing applications together and thereby protect themselves from liability by claiming that any other result would require them to “redesign” their systems. *Cf. Compaq Computer Corp. v. Procom Tech., Inc.*, 908 F. Supp. 1409, 1424 (S.D. Tex. 1995); *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 263-64 (5th Cir. 1988).

78. Brief of Amicus Curiae Copyright Law Professors at 8, *Napster*, 239 F.3d 1004 (“Notwithstanding that a technological tool facilitates copyright infringement, the ‘Progress of Science and the Useful Arts’ precludes an injunction so long as the tool is capable of substantial non-infringing uses. The balance rests on the side of permitting new technology, not stifling it.”).

79. In places, the Ninth Circuit appeared to suggest that the cost of eliminating infringement should play a role in determining a defendant's indirect liability. By finding *Sony* inapplicable to cases involving actual knowledge of infringement, for example, the court limited liability to defendants with enough information to stop infringement before it occurred. And the court went further to suggest that only defendants who “could” have used that information to block infringement, but chose not to, will face liability. *Napster*, 239 F.3d at 1021-22.

80. Questions remain, of course, about how much cost a defendant must incur to root out infringement. I do not propose to resolve that issue, other than to suggest that the costs must not substantially burden non-infringing uses of the system.

81. *See supra* text accompanying notes 37-43.

82. Courts and commentators—and, indeed, the Supreme Court itself in *Sony*—have offered a wide assortment of standards for “substantial non-infringing use.” *See, e.g.*, *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (stating that the standard is satisfied “if the product is widely used for legitimate, unobjectionable purposes”; that products “need merely be capable of substantial noninfringing uses”; that the “question is thus whether the Betamax is capable of commercially significant noninfringing uses”; and that the court “need not explore all the different potential uses of

To some extent, the hyperbole surrounding Napster has displaced measured reflection about the real consumer interests at stake. Because the case pits “big business” against what at least began as a grassroots venture,<sup>83</sup> because liability would deprive individuals of free music that they want,<sup>84</sup> because the recording industry has a well-deserved reputation for exploiting artists,<sup>85</sup> and

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the machine and determine whether or not they would constitute infringement. . . . [but rather] need only consider whether . . . a significant number of them would be noninfringing”); *Napster*, 239 F.3d at 1021 (question is whether system is “capable of” non-infringing uses, now or in the future); *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 916 (N.D. Cal. 2000) (stating that *Sony* requires “commercially significant” non-infringing uses); *id.* at 917 (noting that non-infringing uses are not substantial when they were “an afterthought, not a major aspect” of defendant’s business plan); *Atari, Inc. v. JS&A Group, Inc.*, 597 F. Supp. 5, 8 (N.D. Ill. 1983) (finding no substantial non-infringing use when “[i]t strains credulity to assert that customers would spend” the cost of the device for non-infringing applications); *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 846 (11th Cir. 1990) (stating that *Sony* does not apply, despite possible legal uses for devices, when defendants “utilized and advertised these devices primarily as infringement aids and not for legitimate, noninfringing uses”); *cf. Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 262 (5th Cir. 1988) (finding product “capable of substantial noninfringing uses” without any inquiry into magnitude of such uses, either absolutely or relative to infringing applications). See also PAUL GOLDSTEIN, COPYRIGHT LAW AND PRACTICE § 6.1.2, at 6:14-15 (2d ed. Supp. 2000) (“[S]o long as the fundamental requirements of knowledge and concert of action are met, contributory infringement should be found any time the materials or equipment in issue have a substantial *infringing* use in copying the plaintiff’s work.”); Taitz, *supra* note 9 (proposing liability on makers of technology with “non-trivial infringing uses”). See generally Burk, *supra* note 9, at 176.

83. Macavinta, *supra* note 48 (quoting Napster CEO: “We’re this tiny company caught between two industries: the Net and music industry.”).

The Napster software was created by “a college student who wanted to facilitate music-swapping by his roommate.” *Napster*, 114 F. Supp. 2d at 902. By early 2001, however, the integrated Napster file-sharing service claimed over 56 million subscribers. Matt Richtel, *Tech Briefing: Record Label Settles with Napster*, N.Y. TIMES, Jan. 25, 2001, at C4. As Judge Patel pointed out, Napster “has never been a non-profit organization.” *Napster*, 114 F. Supp. 2d at 902. It has amassed millions of dollars in funding from venture capitalists and from recording industry giant Bertelsmann AG, which recently announced that Napster will soon convert into a fee-based service. See *Germany’s Bertelsmann Says It Plans To Offer Subscriptions to Napster*, WALL ST. J., Jan. 30, 2001, at A4. But see Andrew Morse, *Where’s Napster’s Pay Service? Don’t Ask*, THE STANDARD, Feb. 5, 2001, available at <http://www.thestandard.com/article/display/0,1151,21904,00.html> (Napster CEO Hank Barry denies that Napster has agreed on a time frame for initiating fees).

84. Napster argues that its users’ exchange of copyrighted music files is protected by both the fair use doctrine and the Audio Home Recording Act, 17 U.S.C. § 1008. See *Napster*, 114 F. Supp. 2d at 900. Both Judge Patel and the Ninth Circuit dismissed these arguments and held that Napster users infringe when they trade music files without authorization. See 239 F.3d at 1014-19, 1024-25; 114 F. Supp. 2d at 912-916 & n.19.

85. See, e.g., Courtney Love, *Courtney Love Does the Math*, SALON, June 14, 2000, at <http://www.salon.com/tech/feature/2000/06/14/love/index.html> (last visited Feb. 8, 2001); *cf.* Andy Sullivan, *Hatch Urges Industry to Keep Napster Path Open*, REUTERS, Jan. 10, 2001, available at <http://biz.yahoo.com/rf/010110/n10485003.html> (last visited Feb. 8, 2001).

because an injunction might derail at least one implementation of a new technology,<sup>86</sup> Napster has a strong psychological advantage with the public.<sup>87</sup>

Yet to conclude, based on these apparent equities, that *Sony* must insulate the Napster technology is to overlook other interests at stake—interests that are perhaps more subtle, but equally important to the long-term welfare of both artists and the consuming public. As the Supreme Court recognized in *Sony*, our intellectual property system is based on the notion that economic incentives drive creative expression.<sup>88</sup> When this incentive objective conflicts with some other

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86. Since the district court issued its revised preliminary injunction in February 2001, Napster has continued to operate and has made efforts to screen infringing files. See Gomes, *supra* note 75. Assuming that a permanent injunction ultimately enters, the company's long-term prospects are less clear. See Lee Gomes, *Napster Is Told to End Violations Quickly*, WALL ST. J., Mar. 7, 2001, at A3 ("A settlement with the whole record industry may be Napster's only hope for staying open, though many industry observers said the chance of such a deal was by now remote."). Even if an injunction did shut Napster down, however, it would almost certainly not put an end to file-sharing software as such. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020-21 (9th Cir. 2001) ("We are bound to follow *Sony*, and will not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights."); see also George Anders, *From Small Computers a Mighty Power Grows*, WALL ST. J., Apr. 12, 2001, at A15 (reviewing ANDY ORAM, ED., *PEER-TO-PEER* (2001)) (discussing opportunities and challenges presented by decentralized peer-to-peer services).

87. *Editorial: Napster Agonistes*, WALL ST. J., June 19, 2000, at A46 ("There will always be Luddites trying to throw themselves in the path of something new, but their doomful predictions have been confounded by the willingness of people to consume greater quantities of whatever can be produced and distributed more cheaply."); compare Paul Kedrosky, *Napster Should be Playing Jailhouse Rock*, WALL ST. J., July 31, 2000, at A22 ("Let's be blunt: Napster-style file-sharing is theft. But for some reason commentators don't see it that way. . . . Commentators are falling all over themselves saying that the forces Napster has set loose cannot be stopped.").

88. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (explaining that intellectual property protection "is intended to motivate the creative activity of authors and inventors by the provision of a special reward"); see also *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985) (explaining that the Constitution intends that copyright serve as an "engine of free expression"); U.S. CONST. art. I, § 1, cl. 8.

Some commentators have argued that the incentive justification does not support strong, exclusive rights in intellectual property because authors would have a sufficient incentive under a system which merely covered their cost of producing expression. See, e.g., Burk, *supra* note 9, at 133-34 (1999) ("It is by no means clear that a property right which appropriates all the value of the work to the creator is necessary to induce creation of the work; presumably, the creator would be prompted to create if he received a right that ensured he could at least cover his costs."); Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyrights in Books, Photocopies, and Computer Programs*, 84 HARV. L. REV. 281 (1970) (questioning necessity of copyright law as incentive for book production). Compare Barry W. Tyerman, *The Economic Rationale for Copyright*

core value—as it did in *Sony*—courts must find an accommodation between the competing interests. But courts should not uncritically accept claims of such conflict; to the contrary, they must scrutinize them, in order to ensure that incentives are compromised *only* when necessary to accommodate a valid competing goal.

The Supreme Court in *Sony* clearly identified the interest promoted by the staple article of commerce doctrine: to protect markets “substantially unrelated” to infringement from meddling by copyright holders.<sup>89</sup> The doctrine does not insulate technology blindly, but protects independent markets against incursions by copyright owners. The doctrine imposes no affirmative obligation on copyright holders to *create* technology markets, either directly or through subsidization.<sup>90</sup> Yet that is exactly what would happen if courts applied the staple article of commerce doctrine to any technology with a plausible non-infringing use, without any inquiry into whether that use alone might justify the technology’s development or commercialization.

This analysis suggests one possible approach for deciding whether a product or service has enough non-infringing uses to qualify as a staple article of commerce. Rather than inquiring into the raw amount of non-infringing uses, courts evaluating a technology’s “substantial non-infringing use” should ask whether an injunction would interfere with consumers’ access to a product or service for which a market would likely have developed in the absence of infringement. “Substantial” for purposes of *Sony* should mean, at least, that the non-infringing use would alone justify the development and distribution of the product;<sup>91</sup> otherwise, the public is

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*Protection for Published Books: A Reply to Professor Breyer*, 18 UCLA L. REV. 1100 (1971).

89. *Sony*, 464 U.S. at 442.

90. This is not to say that the law should never allow infringing uses to subsidize non-infringing markets. The clear implication of *Sony* is that such subsidization will occur when a technology qualifies as a staple article of commerce. Accepting infringement as a necessary incident to the continued availability of non-infringing technologies, however, is quite different than holding that markets should be created based exclusively on such subsidies.

Precisely how courts should evaluate whether a non-infringing market would have developed is beyond the scope of this Essay. One possibility would be to focus on the net economic surplus from a technology’s non-infringing uses, as proposed by Professors Gilbert and Katz.

91. Courts should consider both existing demand and near-term future demand in making this determination. Cf. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994) (explaining that in fair use determination, “market for potential derivative uses includes only those that creators of original works would in general develop or license

not being deprived of a neutral staple, but of a product that is made possible solely by infringement. This approach appropriately frames the inquiry as whether a plaintiff is indeed trying to control an essentially unrelated market, or if it is seeking, instead, to prevent a technology that owes its very existence to infringement. If the former, *Sony* requires protection of the technology; if the latter, insulating the defendant would injure copyright incentives without serving the economic interests on which the staple article of commerce doctrine is based.<sup>92</sup>

In evaluating substantial non-infringing use under this framework, courts must consider the defendant's product *as a whole* rather than focusing on a single component of it.<sup>93</sup> If a court reached this inquiry in *Napster*, for example,<sup>94</sup> it would ask whether non-infringing demand would justify the particular file-sharing service offered by Napster—a centralized music file-sharing service with multiple servers and all of its special features.<sup>95</sup> While Napster's

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others to develop"); *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 930 (2d Cir. 1994) ("[C]ourts consider traditional, reasonable, or likely to be developed markets when examining and assessing a secondary use's 'effect upon the potential market for or value of the copyrighted work.'") (quoting 17 U.S.C. § 107(4)).

92. While no court has fully elaborated this approach to "substantial non-infringing use," a few have applied something resembling it, in both copyright and patent contexts. *See, e.g.*, *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 414 (5th Cir. 1953) (in rejecting staple article of commerce defense in patent case when testing and commercial development was directed to infringing uses, stating that "whatever utility they had for noninfringing use, . . . it is plain from a factual standpoint that this was a limited use of little practical consequence in contrast to the number employed" in connection with infringement); *see also* *Atari, Inc. v. JS&A Group, Inc.*, 597 F. Supp. 5, 8 (N.D. Ill. 1983).

93. *Cf.* *Hodosh v. Block Drug Co., Inc.*, 833 F.2d 1575, 1578 (Fed. Cir. 1987) (explaining that in patent context, defendant's "attempted limitation of the staple/nonstaple inquiry to . . . mere ingredient would eliminate the . . . inquiries relating to whether what was actually sold was a material part of the invention and whether the seller knew that what was actually sold was especially made or adapted for use in infringement of the patent").

94. As discussed above, the inquiry into a technology's "substantial non-infringing use" is unnecessary if the defendant can practicably distinguish between infringing and non-infringing applications. *See supra* text accompanying notes 68-71.

95. Because both the district court and the Ninth Circuit treated this issue in dicta, neither fully resolved the appropriate test for evaluating substantial non-infringing uses. The two opinions, however, suggested very different approaches to the question. Judge Patel found Napster's non-infringing uses insufficient because its service had no "substantial or commercially significant" non-infringing applications. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 917 (N.D. Cal. 2000). The Ninth Circuit, while affirming on other grounds, took issue with Judge Patel's narrow view of Napster's non-infringing uses. In the Ninth Circuit's view, the inquiry into non-infringing uses must contemplate both current and potential future uses of the defendant's technology. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001) ("The district court improperly confined the use analysis to current uses, ignoring the system's capabilities.").

staple article of commerce arguments tend to focus narrowly on its file-sharing software, it is quite likely that such software would have been created even if only for non-infringing purposes, even if the overall Napster service owes its existence to infringement.<sup>96</sup>

Napster claims that an injunction requiring it to stop users' infringement will ultimately shut down its service and hurt new artists and others who want their music shared. That may or may not be true; the answer is an empirical one on which I express no opinion. But does it not make sense, when deciding whether to condemn such a shutdown, to inquire into its actual effect on the public? If the shutdown would deprive the public of a product whose non-infringing applications would justify its development, then the copyright holder that obtains an injunction is, indeed, meddling in technology market and interfering with legitimate applications. But if it is solely the infringement that justifies the formation of the market, is it not fair to give copyright owners a share of it?<sup>97</sup> A business enterprise whose *raison d'être* is infringement owes it to those who effectively fund its operations to share in their proceeds.

### Conclusion

The Supreme Court in *Sony* sought to strike a balance between two consumer-oriented goals: the need to create incentives for

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Under the approach set forth in this Essay, courts should consider potential non-infringing uses, but only in order to decide whether the anticipated demand for such uses of the technology, together with current demand for non-infringing uses, would justify the development and distribution of the product or service at issue in the case. See *supra* note 92.

96. It is not unusual for courts to distinguish between lawful and unlawful behavior based on the role that otherwise innocuous articles play in the defendant's particular business enterprise. See, e.g., *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1499, 1456 (C.D. Cal. 1996) ("[A]lthough time-loaded cassettes can be used for legitimate purposes, these purposes are insubstantial given the number of Mr. Abdallah's customers that were using them for counterfeiting purposes."); see generally *People v. Lauria*, 59 Cal. Rptr. 628, 633 (Ct. App. 1967) (stating that in criminal conspiracy cases, "Intent may be inferred from knowledge, when the volume of business with the buyer is grossly disproportionate to any legitimate demand, or when sales for illegal use amount to a high proportion of the seller's total business. In such cases an intent to participate in the illegal enterprise may be inferred from the quantity of business done.").

97. For technologies with proven, but insubstantial, non-infringing applications, injunctive relief may give copyright holders unwarranted economic leverage and enable them to capture the value of both infringing and non-infringing uses of the technology. In such cases, courts may deny injunctive relief and impose damages based on the value of the infringing uses. See, e.g., *Goldstein*, *supra* note 23, at 6:16; see also *Sony*, 464 U.S. at 493-94 (Blackmun, J., dissenting) (criticizing majority in *Sony* for "confus[ing] the question of liability with the difficulty of fashioning an appropriate remedy").

creative expression, on the one hand, and the need to protect competition in other unrelated areas of commerce, on the other. The Court viewed the staple article of commerce doctrine as one means to mediate between those sometimes competing goals. As stated by the Court, the doctrine should limit copyright holders' rights against equipment sellers when necessary to give consumers unimpeded access to markets "substantially unrelated" to copyright infringement.

While a number of courts have applied *Sony*, few have done so with an eye toward the Supreme Court's stated normative goals. Consistent with *Sony*'s core objectives, the market access paradigm seeks to insulate technology when *necessary* to preserve unimpeded consumer access to markets *substantially unrelated* to infringement. This suggests a two stage inquiry: first, into the necessity of the doctrine in preserving such markets; and second, into whether the market at issue is indeed "substantially unrelated" to infringement.

This Essay does not pretend to resolve all of the challenges presented by the *Napster* case or by *Sony* itself. Instead, it identifies the general principles that should guide courts evaluating "staple article of commerce" cases, and sketches the rough contours of their implementation. As the Supreme Court recognized, the public does not always benefit when technology prevails over copyright. This essay proposes one possible means of striking a balance between the two.

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