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THE EVOLUTIONARY DRIFT OF VICARIOUS LIABILITY AND CONTRIBUTORY INFRINGEMENT: FROM INTERSTITIAL GAP FILLER TO ARBITER OF THE CONTENT WARS

Craig A. Grossman*

I. INTRODUCTION: THE FIELD WHERE CONTENT BATTLES TECHNOLOGY

IN recent years, major content owners, such as film studios and record labels, have waged all-out legal warfare against Napster, Scour, Kazaa and other peer-to-peer ("P2P") file sharing networks. Without question, digital technologies and novel network architectures pose new legal problems and practical threats to the status quo of the so-called copyright industries. If taken in a broader view, however, this spasm of litigation is merely the most recent emanation of the generations-old battle between content and technology, in effect, the continuation of the same industrial turf war that pitted the film studios against the manufacturer of the VCR in the eighties, the record labels against purveyors of cassette tape systems and services in the seventies and the publishers against manufacturers of photocopiers in the sixties.¹ In each case, the

* BA and MA Stanford University; JD Harvard Law School. Executive Director, The FedEx Institute of Technology at the University of Memphis. The author wishes to thank the University of Memphis School of Law Foundation for its support of this article. The reader may wish to know that prior to becoming a commentator, the author was at one time General Counsel and then CEO of Scour, Inc., a leading multi-media search engine and file sharing network in its time. Scour managed a successful sale after the commencement of litigation by all of the MPAA, RIAA and NMPA companies. His experience as a participant in the copyright wars of recent years has left him with no axes to grind other than a desire to explore and highlight what he believes to be inadequacies of the current law for all constituencies involved—content owner, technology innovator and consumer. His hope is that his experience within the debate will afford greater insight as an external observer and commentator.

1. See generally, Gerald J. Sophar, *Nature of the Problem*, in *REPROGRAPHY AND COPYRIGHT LAW* 3, 4-5 (Lowell H. Hattery & George P. Bush eds., 1964) (providing information and a variety of scholarly views on the efforts of the publishing industry to squelch the first automated, widely distributed photocopier, the Xerox 914, in 1960). Similarly, the recording industry fought the audio cassette recorder, unsuccessfully pushing for a royalty on cassette recorders and tapes. See Jon Pareles, *Grabbing for Royalties in the Digital Age*, N.Y. TIMES, Apr. 12, 1992, § 2, at 26. However, the recording industry did succeed in limiting the business arrangements made possible by the audio cassette recorder by statute with the Record Rental Agreement of 1984 which generally forbids the renting of pho-

macro business issue is the same: a new device or system, now commonly termed a "destructive technology" by those on the content side, threatens the established modes of business and distribution controlled by content owners by virtue of their copyright ownership. In each case, the argument raised by the content owners is that their copyright monopoly in the popular content that will be played, recorded, or distributed via this new technology extends to, and therefore, renders illegal the device or system at issue (absent some sort of license from and/or payment to the copyright owner), whether it is a VCR, a photocopier, or file sharing network. In almost every case, the legal theory argued by the content owners against the technologists is essentially the same. Although the purveyors of technology do not directly violate copyright, as they do not copy, distribute, or otherwise tread on the statutory rights protecting film, music, and other works; they are contributorily infringing or vicariously liable for the infringements committed by users of their device or service.²

Giving the historical and current battleground between the rights of technologists and copyright owners its due, the focal point of this article is a detailed examination of the origins, evolution, and supporting policies of the doctrines of contributory infringement and vicarious liability in the context of the once novel business methods that shaped the doctrines over the decades. The doctrines themselves are designed to pin liability on those who do not actually violate the copyright statute; that is, those who do not directly infringe copyright rights, but who, as a matter of fairness or to serve some other overarching policy concern, should nonetheless be liable for the copyright infringement committed by others within their ambit. The history of the doctrines is thus the story of judicial efforts to stretch the law to capture succeeding generations of always-inventive business people and pirates looking to skirt liability.

norecords. See 17 U.S.C. § 109(b) (1997). *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) stands as the seminal case ruling on the legality of the first relatively inexpensive consumer VCR, the Sony Betamax. *A&M Records, Inc. v. Napster*, 239 F.3d 1004 (9th Cir. 2001) is the result of the recording industry's war against the first mover in P2P file sharing networks.

2. There are, of course, notable exceptions where a technologist arguably engages in direct copyright infringement (most notably in recent years) such as in *UMG Recordings, Inc. v. MP3.Com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000). Likewise, there are limited cases in which content owner plaintiffs pursue theories other than indirect copyright liability, as in the *Recording Indus. Assoc. of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072 (9th Cir. 1999). Notwithstanding the similarities of that case, challenging the legality of the portable MP3 player, to the Sony VCR case, the *Diamond* case was decided on highly technical grounds under the Audio Home Recording Act. See *id.* Lastly, the most significant case dealing with the photocopier involved a claim of direct infringement. *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975). In *Williams & Williams*, a major medical publisher elected to sue the United States government based on the use of photocopiers at the National Institute of Health and the National Library of Medicine. *Id.* at 1346-47. Presumably, the relatively high cost of the main device at issue, the Xerox 914, made libraries the logical defendants.

The net result of this evolutionary expansion to get at the bad guys is legal standards so lax that they no longer serve their intended policies, constrain judicial reasoning or provide predictable results. The co-conspirator in a counterfeiting scheme, as well as someone providing parking, plumbing or other "support services" at a swap meet may be on the hook for copyright infringement. Both the dancehall owner who profits from the infringing performances of his orchestra, and the organizer of a trade show whose participants may play infringing music in their booths are liable for copyright infringement. Though there are a number of reasons for expansion of the limiting factors in these doctrines (such as knowledge and contributory acts for contributory infringement, right and ability to control, and financial benefit for vicarious liability) the overall effect is rules that may extend copyright liability to those indirectly, even remotely involved with the actual reproduction or distribution of content.

II. THE STANDARDS AS DEVELOPED: THE TEXTUAL END OF THE JOURNEY

A. THE STANDARDS

In order to better understand the journey, it may be useful to know the ultimate destination. Nearly a century of litigation has produced widely accepted verbal formulations of the rules for secondary copyright liability. Following the leadership of the Second Circuit, courts have expanded the concepts of *respondeat superior* and joint and several liability for tortfeasors deeply into the field of copyright,³ creating two major subspecies of indirect copyright liability: (1) "vicarious liability" which holds a party liable if "he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities,"⁴ and (2) "contributory infringement" which holds a party liable if he has "knowledge of the infringing activity [and] induces, causes or materially contributes to the infringing conduct of another."⁵

These verbal formulae are now relatively fixed, but this is the end point of historical development, at least as far as the language of the rules go. The history of the doctrines of contributory infringement and vicarious liability begins with gap-filling ad hoc cases far more limited in scope than the general language that ultimately emerged might indicate.

3. *Sony Corp. of Am.*, 464 U.S. at 435.

4. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

5. *Id.* The nomenclature in this area can be confusing. Frequently, the broad concept of holding one liable for the infringements of another is termed "vicarious liability," with "contributory liability" being one subspecies of this broader concept. See *Sony Corp. of Am.*, 464 U.S. at 435. However, different standards for liability with different rationales have evolved in the case law under the headings of "vicarious liability" and "contributory liability." To avoid confusion, this article treats "vicarious liability" and "contributory infringement" separately and refers to the broader concept of holding one party liable for the acts of another as "indirect liability."

B. THE MODEST ORIGINS OF THE DOCTRINES

1. *Very Limited Concepts*

In contrast with the Patent Act, the Copyright Act does not impose liability on anyone other than actual, direct infringers.⁶ However, as the Supreme Court explained in *Sony*, "vicarious liability is imposed in virtually all areas of the law, and the 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."⁷ Although the mission of identifying all the circumstances in which it is just to hold one accountable for another's actions is rather broad, the application of indirect copyright liability was quite narrow for most of the doctrine's history. In 1984, the Supreme Court summarized the precedent in which holding a third party liable was just as those instances in which "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."⁸ Indeed, the concept of authorizing the exploitation of another's work was so closely tied with the

6. Unlike the Copyright Act, the Patent Act expressly provides that "[w]hoever actively induces infringement of a patent" or who meets the definition of "contributory infringer" is liable for patent infringement. 35 U.S.C. § 271(b), (c) (2003). Trademark law, on the other hand, has a court-constructed standard of contributory liability, quite similar to the standard developed in the copyright context. The Supreme Court confirmed that if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854 (1982).

7. *Sony Corp. of Am.*, 464 U.S. at 435.

8. *Id.* at 437. In encapsulating the precedent, the Court relied heavily on the opinion authored by Justice Holmes in *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911). In *Kalem*, the Court held that the producer of an unauthorized film dramatization of the copyrighted novel *Ben Hur*, was liable for sale of the motion picture to distributors who arranged for exhibition of the film. See *Kalem*, 222 U.S. at 60. When reviewing the case precedents in the *Sony* opinion, the Supreme Court characterized the precedents as situations in which the contributory infringer "authorized the use without permission from the copyright owner." *Sony Corp. of Am.*, 464 U.S. at 437. In fact, the Court in *Sony* went on to distinguish the sales of video tape recorders at issue in that case from the prior cases on the grounds that the case against the VCR rested on providing the "means" of copying and "constructive knowledge" of that copying—a circumstance for which "[t]here is no precedent in the law of copyright." *Id.* at 439. The Supreme Court summarized its own and lower court precedent: "In such cases, as in other situations in which the imposition of vicarious liability is manifestly just, 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.* at 437.

See also *Universal City Studios, Inc. v. Nintendo Co.*, 615 F. Supp. 838 (S.D.N.Y. 1985) (finding defendant liable for authorizing/licensing a third-party to breach another's copyright by making unauthorized copies or performances); *Celestial Arts, Inc. v. Neylor Color-Lith Co.*, 339 F. Supp. 1018, 1019 (E.D. Wis. 1971) (noting in response to defendant's argument that "contracting" with a third party to produce counterfeit copies does not constitute infringement that, "[i]t is well settled that all parties who unite to produce counterfeit copies of copyrighted material are liable for damages.").

See also *Sony Corp. of Am.*, 464 U.S. at 435 (indicating that "contributory infringement" was a fairly narrow concept).

concept of "contributory infringement" that many courts and commentators viewed the addition of the new right "to authorize" exercise of other copyright rights in the 1976 Copyright Act as merely a confirmation of the doctrine of contributory liability as developed under the 1909 Act, the copyright statute which immediately preceded the present Act.⁹

Similarly, the primordial cases for the now parallel and separate doctrine of vicarious liability evidence no grand principle in the making, nor even a distinct doctrine. Rather, what emerges is a hodge-podge of rulings dealing with specific situations. The early cases show courts trying to distinguish based almost exclusively on policy between business arrangements to which no copyright liability should attach and those to which it should. Absentee landlords provide the paradigm of innocence,¹⁰ while proprietors of entertainment and hospitality establishments are found liable for the infringing performances of their employees¹¹ and independent contractor orchestras.¹²

9. See MELLVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 12.04 (1963) (reading the addition of the copyright right to "authorize" exercise of rights by others in 17 U.S.C. § 106 as confirming the established notions of indirect liability under the 1909 Copyright Act rather than creating a new, independent basis for infringement) [hereinafter NIMMER]. Nimmer's interpretation is consistent with the view of the House Report on the 1976 Act. The House Report explains that the "[u]se of the phrase 'to authorize' is intended to avoid any questions as to the liability of contributory infringers." H.R. REP. NO. 1476, at 61 (1976), reprinted in 1976 U.S.C.C.A.N., 5659, 5674. The court in *Danjaq v. MGM/UA Communications, Co.*, 773 F. Supp. 194, 201 (C.D. Cal. 1991) likewise interpreted the use of "authorize" in the 1976 Act as merely confirming the existing contributory liability doctrine, not establishing a new basis of direct infringement. *But see* *ITSI T.V. Prods., Inc. v. Cal. Auth. of Racing Fairs*, 785 F. Supp. 854, 860 (E.D. Cal. 1992) (holding that the right to "authorize" in 17 U.S.C. § 106 provides a new basis of direct infringement). In *ITSI*, the court found United States jurisdiction of a copyright matter because the "authorizing" took place in the United States, even if other infringement took place in a foreign country. *Id.* at 862-64. The holding in *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986) similarly found that "authorizing" public performance by renting rooms to watch videos is a direct infringement under the 1976 Act.

10. *Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938) ("Something more than the mere relation of landlord and tenant must exist to give rise to a cause of action by plaintiffs against these defendants for infringement of their copyright on the demised premises."); *Fromont v. Aeolian Co.*, 254 F. 592 (D.C.N.Y. 1918) (holding a concert hall owner not liable for infringing performances on its premises by a lessee who rented the hall). The *Fromont* court explained its ultimate policy judgement:

Viewing the act and its purpose, it seems to me that a defendant cannot be called a coinfringer who is in no sense an inducing party to the infringement, who derives no profit from the infringement, excepting in the very remote way in which it is urged that this defendant landlord derived profit here; and where, as here, a defendant enters into an ordinary everyday business contract, without any knowledge whatever of a threatened infringement, and thus becomes bound under the contract, it seems to me that the construction contended for by plaintiff would result in visiting upon innocent landlords a penalty which the statute never contemplated.

Id. at 594.

11. *Herbert v. Shanley Co.*, 242 U.S. 591 (1917) (Holmes, J.) (holding proprietor of restaurant and hotel liable for the infringing performances by employees on premises).

12. *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929).

2. *Loose Fluid Concepts*

Given the breadth of the task at hand—for courts to identify those circumstances in which it is just to hold one individual accountable for the actions of another—cases involving indirect copyright liability have offered standards that are loose, imprecise, and fluid. Because the doctrines of contributory and vicarious liability have developed through equitable, case-specific judgments, often relying on analogies to other areas of the law, the “lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn. . . .”¹³ As another court put it, “[t]he courts have been less than precise in their delineation of the contours of contributory versus vicarious liability for copyright infringement.”¹⁴ One species of indirect liability is rarely found, or even discussed, without the other.¹⁵

Reading the precedent with the modern, settled standards in mind; it is clear that the judges who supposedly crafted the standards over the years had no such distinct standards in mind. In its 1968 ruling in *Chappell & Co. v. Frankel*, the Southern District of New York found the defendant’s knowledge or lack of knowledge immaterial to holding the defendant contributorily liable on joint and several liability, tort-type reasoning.¹⁶ Of course, under the settled standard, “knowledge” is one of only two elements of contributory infringement.¹⁷ The majority in *Sony* uses “vicarious infringer” and “contributory infringer” interchangeably, rationalizing that contributory infringement is merely a subspecies of vicarious liability.¹⁸ Similarly, the dissent in *Sony* cites the dance hall cases, discussed below, for the proposition that actual knowledge is not required for contributory liability.¹⁹ Under the now oft-quoted standards, the dance hall cases are considered foundational precedent for the doctrine of vicarious liability, which has no knowledge element, as opposed to contributory infringement, which requires knowledge.²⁰ Thus, it seems that as late as 1984, the best and most influential legal minds had yet to identify the standards for indirect copyright liability now cited with the imprimatur of aged precedent. Indeed, the first mention in a reported federal case of vicarious liability in copyright appears to be the seminal *H.L. Green* opinion in 1963.²¹

13. *Sony Corp. of Am.*, 464 U.S. at 435.

14. *ITSI T.V. Prods.*, 785 F. Supp. at 860.

15. NIMMER, *supra* note 9, § 12.04[A] (“The boundaries between these two categories [contributory and vicarious liability] are often fluid.”).

16. *Chappell & Co. v. Frankel*, 285 F. Supp. 798 (S.D.N.Y. 1968) (reasoning that defendant’s “knowledge, or lack of knowledge, of the actual infringement does not alter the fact that he caused the infringement” in finding defendant president, director and shareholder of corporation producing illicit compilation recordings contributorily liable).

17. *See supra* note 5 and accompanying text.

18. *Sony Corp. of Am.*, 464 U.S. at 435.

19. *Id.* at 488 (Blackman, J., dissenting).

20. *See supra* notes 5-6 and accompanying text.

21. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963). The first mention of contributory infringement in the copyright context yielded by the research

The apparent confusion in the terminology and application of the standards demonstrates that the standards, as we know them, simply were not a force in the earlier decisions. Rather, the law until recently was the equitable, common law mush produced by courts trying to do justice in individual cases, often relying on no more than analogies to other areas of the law. One can see the elements of the rules that ultimately developed. Even as early as 1918, all the factors are present in some form.²² However, though present, the elements appear in an indistinct jumble that can only be parsed and given added significance once the rules that ultimately emerged a half century later are known.

The now oft and consistently articulated standards for vicarious and contributory infringement are the result of recent courts, led by the Second Circuit, working to divine rationalizing standards from the loose equitable judgments of prior courts.

III. TORT AND AGENCY PRINCIPLES—A POST HOC RECONSTRUCTION

A. CONTRIBUTORY INFRINGEMENT AS JOINT AND SEVERAL TORT LIABILITY

The tort concept of joint and several liability and the agency principle of respondeat superior provided rationales around which the current verbal formulations of contributory infringement and vicarious liability coalesced. Looking backward in 1996, the Ninth Circuit was able to discern, “[c]ontributory infringement originates in tort law and stems from the notion that one who directly contributes to another’s infringement should be held accountable.”²³ Courts going back to the 1920s, and perhaps even earlier held that copyright infringement is a tort.²⁴ One later court reasoned that

Since infringement constitutes a tort, common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy, and the basic common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tort-feasor is applicable in suits arising under the

for this article occurs in 1944 in *JEROME v. Twentieth Century-Fox Film Corp.*, 58 F. Supp. 13 (S.D.N.Y. 1944).

22. In the *Fromont* case in which a concert hall owner was found not liable for the infringements of a third party that rented the hall for a performance, the court considered that the defendant “had no knowledge that Rosita Renard [the infringing pianist] was to perform any copyrighted works of the plaintiff,” that defendant had “no . . . control over the pianist,” and that defendant “did not derive any profit whatever from the performance, except the amount agreed upon [the rental fee for the facilities].” *Fromont v. Acolian Co.*, 254 F. 592, 593 (D.C. N.Y. 1968). The court indicated further that liability may have attached if defendant had “arranged” or “induced” the infringement. *Id.* at 593-94. The *Fromont* case even discussed the timing of the notice of infringement, indicating that for the notice to result in meaningful knowledge it had to be received when remedial action was possible, before the defendant became obliged under the lease agreement in that case. *Id.*

23. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

24. *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923).

Copyright Act.²⁵

Thus, it made some sense when the Second Circuit glommed onto joint and several liability for tortfeasors as a rationalizing principle when it articulated the now well-worn standard for contributory infringement in the *Gershwin* case: "[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a contributory infringer."²⁶

B. VICARIOUS INFRINGEMENT AS AGENCY-LIGHT

The story with respect to vicarious liability is similar. Looking backward, a court can confidently state that the "concept of vicarious copyright liability was developed in the Second Circuit as an outgrowth of the agency principles of *respondeat superior*."²⁷ Courts had long applied the agency principle of *respondeat superior* to find an employer liable for infringements of his employee.²⁸ Courts had also long found one party vicariously liable for the acts of another even where a legal employer/employee relationship did not exist, most notably in the context of independent contractor orchestras in dance halls.²⁹ It was not until 1963 that the Second Circuit adopted a loose *respondeat superior* concept as an organizing principle in *Shapiro, Bernstein & Co. v. H.L. Green Co.*, the case which articulated what appears to be the vicarious liability standard for our age.³⁰ The court first noted that agency principles have been applied to hold a party liable for another's copyright infringement, that, consequently, vicarious liability has also been found in independent contractor situations, and then spackled over the gap by stating that "[m]any of the elements which have given rise to the doctrine of respondeat superior, . . . may also be evident in factual settings other than that of a technical employer-employee relationship."³¹ The court could then articulate its *respondeat superior*-like standard for vicarious liability:

When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired . . . the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.³²

25. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 403 (S.D.N.Y. 1966).

26. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

27. *Fonovisa, Inc.*, 76 F.3d at 261-62.

28. *M. Witmark & Sons v. Calloway*, 22 F.2d 412, 414 (E.D. Tenn. 1927).

29. *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929) (finding dance hall owners liable for infringements of orchestra even though orchestra was an independent contractor and selected the music it played).

30. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

31. *Id.* at 307 (internal citations omitted).

32. *Id.* (internal citations omitted).

The Second Circuit's verbal formulations and the post-hoc rationales provided did go a long way toward explaining the precedent and gave other courts some standards to apply. What is important to note here, however, is that the current verbal formulations of the vicarious and contributory copyright liability standards represent a relatively late-in-the-game effort to rationalize a *mélange* of common law precedent. The tort enterprise liability and agency *respondeat superior* rationales are organizing principles used to explain a much longer history of indirect liability cases going back to the legal stewardship of Justice Holmes, not integral concepts that drove the decisions during most of the last century. Though present in the Second Circuit as early as *H.L. Green*³³ in 1963 and *Gershwin*³⁴ in 1971, respectively, the tort and agency organizing analogies do not appear to have reached oft-quoted, legal dogma status across the circuits until the 1990s.

IV. THE POLICIES BEHIND THE RULES AND THEIR PRACTICAL APPLICATION

A. POLICIES' OBJECTIVES INHERENT IN THE RULES

Just as later courts were able to find organizing principles in tort and agency that explained the precedent, one can discern policies inherent in the standards of indirect liability that have emerged, as well as application of those policies in the significant body of precedent. The doctrines of contributory infringement and vicarious liability together further several closely related purposes: (1) fairness, (2) risk allocation and loss spreading, and (3) incentivizing policing and self-regulation.³⁵

Simple fairness is arguably the overarching purpose of the rules—to ensure that those culpable pay, or, as the Supreme Court put it, to identify “the circumstances in which it is just to hold one individual accountable for the actions of another.”³⁶ Thus, an agency that places ads for the sale of infringing records, the radio station that broadcasts the ads, and the packing company that ships the infringing records all may be held indirectly liable for copyright infringement.³⁷ The person in charge may be held responsible for the actions of his subordinates.³⁸

In each case, if the “knowledge” prong of the test for contributory infringement is met, it would seem fair to hold the third party at issue liable for the conduct of the direct infringer. He knew he was assisting in con-

33. *H.L. Green Co.*, 316 F.2d at 304.

34. *Gershwin Publ'g Corp.*, 443 F.2d at 1159.

35. *Polygram Int'l Publ'g, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp 1314, 1325-26 (D. Mass. 1994) (summarizing the policies inherent in vicarious liability decisions).

36. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984).

37. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 405 (S.D.N.Y. 1966) (holding ad agency, radio stations and third-party distributor liable for sale of bootleg compilation record).

38. *Chappell & Co. v. Frankel*, 285 F. Supp. 798, 800-01 (S.D.N.Y. 1968) (finding an individual who was president, a director and major shareholder of a corporation indirectly liable for production and sale of unauthorized compilation records by corporation).

duct that violated the law and did it anyway. With the doctrines of indirect liability, and contributory infringement in particular, courts need not get hung up on who put the tape in the machine,³⁹ who selected the music to be played,⁴⁰ or whether the direct infringer was an employee or independent contractor.⁴¹ If the defendant's hands are not clean, he can be held accountable.

However, simple fairness is not the only consideration in play, particularly with respect to vicarious liability cases where strict liability rationales are often applied and liability found even in the absence of knowledge by the defendant, occasionally where the infringing activity violated the express instructions of the defendant. Under the logic of risk allocation/loss spreading employed in typical tort policy judgments, the party engaged in the enterprise that infringes the rights of another should bear the cost of such infringement. The risk should be factored into the cost of running the enterprise, particularly where the enterprise profits from the infringement. Thus, a department store that receives a royalty on bootleg records sold by a concessionaire,⁴² a dancehall owner where infringing music is played to dancehall patrons,⁴³ and a racetrack where infringing music is played, even without the knowledge and against the express orders of management, can be held liable.⁴⁴

Similarly, a party with the right and ability to control the actions of the direct infringer may be held liable whether or not the party knew about the infringement because that party was in a position to police the conduct of the direct infringer and failed to do so.⁴⁵ If a defendant has the power to police the conduct of the direct infringer, holding it liable "will simply encourage it to do so, thus placing responsibility where it can and should be effectively exercised."⁴⁶ If a person has the ability to prevent the infringement from taking place in the first place—whether that person is a dancehall operator, a department store, a racetrack, or a trade show—the law will incentivize him to do so by holding him strictly liable

39. *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 300 F. Supp. 821 (E.D.N.Y. 1973) (finding a prima facie case of contributory infringement despite dispute over role of defendant's employees in operating the "Make-A-Tape" machines at issue).

40. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1161-63 (2d Cir. 1971) (finding defendant concert organizer/talent agency contributorily liable even though artists independently selected the copyrighted music allegedly infringed).

41. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963) (finding department store liable for independent contractor concessionaire's infringements). See also *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 288, 355 (7th Cir. 1929) and the various dancehall cases finding the dancehall operator vicariously liable for the infringing musical selections played by independent contractor orchestras.

42. *H.L. Green Co.*, 316 F.2d at 306 (finding department store liable for independent contractor concessionaire's infringements).

43. *Dreamland Ball Room, Inc.*, 36 F.2d at 355 (finding that dancehall is liable for infringing music selected and played by independent contractor orchestra).

44. *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n, Inc.*, 554 F.2d 1213 (1st Cir. 1977) (finding horse track liable for playing of infringing music by independent contractor music provider, despite direct instructions from horse track management not to play any of plaintiff's compositions).

45. See *H.L. Green Co.*, 316 F.2d at 308.

46. *Id.*

for the infringements of those under his control, even if the direct infringers were actually acting against his specific orders or standing policies in committing the infringement.⁴⁷

Under the logic of risk allocation/loss spreading and encouraging policing, “[i]t is the innocent infringer who must suffer, since he, unlike the copyright owner, either has an opportunity to guard against the infringement (by diligent inquiry), or at least the ability to guard against the infringement (by an indemnity agreement . . . and/or by insurance).”⁴⁸ Where the “knowledge” prong of the contributory infringement test ensures that as a matter of fairness those culpable are liable, the “control” and “direct financial benefit” elements of the vicarious liability standard ensure that those able to police and prevent the conduct and those who benefit from the conduct are liable.⁴⁹

B. WHERE THE DOCTRINES HAVE HISTORICALLY BEEN USED

Consistent with the policy objectives outlined above, theories of indirect copyright liability have typically been used in situations in which the pursuit of the direct infringer is impractical, ineffective or risks letting a bad actor off the hook. In keeping with the broad purpose of fairness, vicarious and contributory liability theories are often pressed against a clearly “bad guy” who may have played a major role in infringement but has studiously avoided the specific acts covered by 17 U.S.C. § 106, which defines the rights protected by copyright.⁵⁰ Someone who finances and organizes the production and distribution of pirated records can thus be held to account, even if he played primarily a management and organizational role, leaving the actual acts of copying and distribution to others.⁵¹

Likewise, theories of indirect liability are used to prevent gaming the system through corporate shell games and alter egos as in the foundational cases of *Gershwin*⁵² and *H.L. Green Co.*⁵³ In *Gershwin*, artists represented by the defendant talent management company, together with a local concert organization established under the aegis of the defendant, were directly involved in the infringement of the musical work at issue.⁵⁴ The court held the defendant talent agency liable, noting its “pervasive participation in the formation and direction of this association and its

47. See *supra* notes 40-45 and accompanying text.

48. *H.L. Green Co.*, 316 F.2d at 308 (quoting a letter from Professor Melville B. Nimmer to the Copyright Office; citation omitted).

49. See *supra* notes 6-7 and accompanying text.

50. 17 U.S.C. § 106 (2005).

51. The defendant in *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1457 (C.D. Cal. 1996) was found contributorily liable for the production of bootleg cassette tapes where the defendant timed legitimate tapes, sold “time-loaded” blank cassettes corresponding to the works to be copied, sold duplication machines, referred customers to others for the reproduction of card inserts, and in some cases, even provided financial assistance to aspiring pirates.

52. *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.* 443 F.2d 1159 (2d Cir. 1971).

53. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1063).

54. *Gershwin Publ’g Corp.*, 443 F.2d at 1163.

programming of compositions.”⁵⁵ The court in *H.L. Green* similarly found a department store liable for the sale of bootleg records from its music department despite the fact that the music department was run by an independent contractor concessionaire, not the store entity itself.⁵⁶ There, the court expressly stated its fears that a contrary result would result in large “department stores establishing ‘dummy’ concessions” to serve as “a buffer against liability while reaping the proceeds of infringement.”⁵⁷ Contributory infringement and vicarious liability theories are essential tools to ensure that copyright cannot be skirted merely by creating a multiplicity of subordinate entities.

In closely related circumstances, theories of indirect copyright liability allow content owners to go after the controlling or responsible figures within organizations. In many cases, company officers, major shareholders and directors are named as defendants.⁵⁸ Even if a corporate entity exists, these controlling figures may be the logical target in a fly-by-night or undercapitalized entity, a typical state of affairs for piracy operations. These figures could themselves be bad actors or, even if not fairly culpable in their own right, could be legitimate defendants due to their ability to prevent the infringement and their failure to do so. The policies embedded in the vicarious liability standard can be (and have been) interpreted as imposing a “the buck stops here” level of responsibility on corporate managers that cannot be lessened by ignorance, intention or even positive acts.

The foregoing circumstances—breaking through organizational structures designed to skirt liability, attacking the bad actor, holding the person in charge accountable—tend to be the norm in normal enforcement actions, that is, efforts to go after run-of-the-mill pirates of various stripes. The higher profile cases, and the circumstances most important for the purposes of this article, are those in which contributory and vicarious liability theories are pressed against manufacturers of a product or the providers of a service which can be used to commit copyright infringement. From the copyright owner’s point of view, the indirect liability doctrine is essential because pursuing individuals is a wholly

55. *Id.*

56. *H.L. Green Co.*, 316 F.2d at 308.

57. *Id.* at 309. The principle applied in this organizational/corporate context is, in essence, the same as that applied in the hoary cases which hold a dancehall operator liable for the infringements of an independent contractor band. *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829 (11th Cir. 1990) (finding defendant president, director and shareholder of corporation liable for activities of corporation engaged in promoting illicit descrambler chips for satellite TV boxes); *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *Chappell & Co. v. Frankel*, 285 F. Supp. 798 (S.D.N.Y. 1968) (finding defendant president, director and shareholder of corporation liable for copyright infringement).

58. See e.g., *Cable/Home Communication*, 902 F.2d at 854 (finding defendant president, director and shareholder of corporation liable for activities of corporation engaged in promoting illicit descrambler chips for satellite TV boxes); *Chappell & Co.*, 285 F. Supp. at 801 (finding defendant president, director and shareholder of corporation liable for copyright infringement).

impractical means of enforcement if the activity is widespread. If consumers are widely using a product or a technology, such as a cassette tape player, to make infringing reproductions, going after the direct infringers (the consumers) hardly provides a workable remedy if millions of cassette recorders are sold every year. It is this use of contributory and vicarious liability to curb massive consumer activity that best describes the *Sony*⁵⁹ case involving the legality of the VCR, the *Diamond*⁶⁰ case challenging the legality of the MP3 player, as well as *Napster*⁶¹ and the other cases involving online services and networks.⁶² In these cases, the focus is not so much on the proximity of the defendant to the piracy or his actual or formal responsibility for the piracy, as it is on the product or service at issue. These cases are existential inquiries into the nature of the challenged product or service with copyright owners arguing that such a thing cannot be permitted to exist in a world which respects copyright and the defendants making the case for creativity and freedom in the marketplace, perhaps with some incidental infringement standing as the price to be paid for such freedoms.⁶³

59. See generally *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

60. See generally, *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072 (9th Cir. 1999).

61. See generally *A&M Records, Inc. v. Napster, Inc.* 239 F.3d 1004 (7th Cir. 2001).

62. One must qualify the foregoing with the observation that the major film studios and record labels have apparently determined that pursuing central technology or service providers under theories of contributory infringement or vicarious liability is by itself inadequate, notwithstanding the impressive success of the film and music plaintiffs in shutting down successive generations of file sharing services. Beginning in 2003, the film studios and record label plaintiffs began pursuing the direct infringers directly, en masse. CNETNews.com Staff, *File-swap suits strike a nerve*, (Sept. 10, 2003) at [http://new.com.com/file-swapsuits\\$strike+a-erve/2009-10323-5073343.html](http://new.com.com/file-swapsuits$strike+a-erve/2009-10323-5073343.html) (last visited Mar. 11, 2005). There is anecdotal evidence indicating that the *in terrorem* effect of these mass filings have succeeded in stemming the demand for illicit content online, where the major victories against funded technology companies failed. At a minimum, the Recording Industry Association of America ("RIAA"), the enforcement agency of the U.S. music industry, has claimed that its mass filings of direct infringement claims against individual users of file sharing services have achieved a large degree of success. Matt Hines, *RIAA Drops Amnesty Program*, (Apr. 20, 2004), at http://news.com.com/RIAA+rops+amnesty%rogram/2100-1027_3-5195301.html (last visited Mar. 11, 2005).

These lawsuits have been criticized for being somewhat indiscriminate, sweeping small children, befuddled grandparents and enraged parents, as well as the presumably intended target, Gen Y downloaders, into court. However, one may rationally conclude that it is precisely this indiscriminate, everyone-should-expect-a-summons quality to these actions that have made the tactic successful.

Ironically, to the extent the RIAA claims of success in curbing the piracy are correct, the need for indirect liability theories to attack the problems of massive piracy is undermined in equal degree. The results of the RIAA litigation campaign are significant in that it may be the first national (now international) programmatic effort to stem infringement on a mass scale at the direct-infringer consumer level with mass filings of copyright suits. Notwithstanding the RIAA claims of success and continued filings, some studies show that file sharing has increased, notwithstanding the suits against consumers. *Id.* See also Matt Hines, *File-sharing Lawsuits go Abroad* (Mar. 30, 2004), at http://news.com.com/file-sharing+lawsuits+go+abroad/2100/1027_3-5181872.html (last visited Mar. 11, 2005).

63. See generally *Sony Corp. of Am.*, 464 U.S. at 417; *Diamond Multimedia Sys., Inc.*, 180 F.3d at 1072; *Napster, Inc.*, 239 F.3d at 1004.

V. FORCES PUSHING EXPANSION OF THE STANDARDS

If the doctrines of contributory and vicarious copyright liability had humble, limited beginnings as ad-hoc, gap-filling holdings, crafted by judges to do justice where the express terms of the statute fell a little short, they now serve as principles of sweeping scope and general application. As discussed in detail below, the standards for contributory and vicarious liability, as interpreted and applied by recent courts, have expanded to a potential reach so broad, that the standards are arguably approaching meaninglessness. The doctrines throw the legality of any unlicensed endeavor related to the manipulation of content in doubt, leaving every copyright owner with a good faith basis for suit and almost unfettered discretion in judges to determine the outcome of those suits. Several forces have driven this expansion.

A. BROAD MANDATE AND POLICIES

The broad mandate and policies of the doctrines naturally drive expansion of the cases in which liability will be found. If the goal, in its most general form, is to identify all the circumstances in which it is just to hold one liable for the infringements of another, the doctrines will expand to encompass an ever-growing body of fact patterns. As each new scheme for piracy or gaming the current system is developed, the notions of indirect liability must expand to meet them. Even if it began as covering just those circumstances where one purports to license a work owned by another, the precedent would naturally expand to cover other circumstances that were not foreseen by the drafters of the statute—dancehalls, neighborhood concert organizations, independent contractor concessionaire's within a store, make-a-tape machines, video screening rooms and so on. So long as new technology makes new arrangements relating to the copying and distribution of content possible, and so long as the creativity of those who would skirt liability and those copyright owners who would expand the scope of their monopoly exceeds the foresight of the drafters of the statute, the doctrines must grow to capture new means of doing business. At a minimum, a body of precedent covering a range of different fact patterns must develop. There will inevitably be a natural growth required to meet the broad mandate and policies of the doctrines in a changing world.

B. THE LAWYER'S DRIVE TO RATIONALIZE AND SYNTHESIZE

What has driven the gross expansion of the doctrines far beyond this natural growth, however, is the somewhat recent effort to rationalize the prior holdings and distill this precedent into general standards. It is the nature of lawyers and judges to try to make sense of things, but when looking back at fifty years of scattered precedent (which serves a variety of broad, loose policies, from encouraging policing to holding a bad actor in any circumstance liable) articulating a standard is difficult. As discussed above, later courts split the ad-hoc holdings of history into the two

primary categories of vicarious and contributory infringement, and then rationalized each body of precedent with a rule drawing on agency and tort concepts, respectively.⁶⁴

This re-conceptualization of indirect liability under the tort and quasi-agency rubrics and the new, more generalized standards articulated thereunder, however, represents a gross expansion of the "rules" of vicarious and contributory infringement from those that had previously existed. Where once there had been an apparent rule that licensing the reproduction of another's copyrighted work was contributory infringement, there now stands a general principle as broad and as vague as tort law could provide. Where once there was a hodge-podge of employer-employee, employer-contractor, dancehall and oddball cases, there now is a generalized concept of *respondeat superior*. The underlying tort and agency rules were themselves quite broad in their natural state and habitat of tort and agency/employment circumstances. However, in order to capture the full breadth of the precedent, courts had to make the principles even broader. As discussed below, what copyright is left with then is the principle of *respondeat superior* but with no requirement that an agency or employment relationship exist (a necessary accommodation to capture the independent-contractor dancehall precedents) and the concept of enterprise liability with no requirement that the defendant substantially participate in the enterprise (an accommodation necessary to capture schemes designed to limit the defendant's direct action).⁶⁵ Copyright took what were broad principles to begin with, pared off the limiting requirements, and adopted that unrestrained principle as its basic rule of indirect liability.

C. A CENTURY-LONG LITIGATION CAMPAIGN

This natural expansion has been egged on at every step by the publishing and entertainment industries which have waged a very successful, century-long campaign to expand the doctrines of indirect liability. Almost every time a new technology or business model related in any way to content emerges, the entertainment industry has been quick to attack it, with the theories of contributory and vicarious liability as its primary weapons. Surely, some of these new technologies and business models were over the line, and the entertainment industry has garnered some significant victories. The point is that the entertainment industry, through its well-funded prosecutorial organizations (the RIAA, MPAA, NMPA and the like), attacks almost everything that it does not control. Its great loss in *Sony*,⁶⁶ which held the VCR to be a legal device, did not stop the film industry from challenging separately almost every conceivable commercial use of the VCR, such as placement in hotel rooms, rental

64. See *supra* notes 5-6 and accompanying text.

65. See *infra* pp. 132-37.

66. See *Sony Corp. of Am.*, 464 U.S. at 417.

video booths,⁶⁷ or retail space,⁶⁸ or from challenging new recording devices, such as the MP3 player⁶⁹ and Digital Video Recorder,⁷⁰ that share many similarities with the VCR. The major content owners have been extremely vigilant. Whenever there was a possible opportunity to throw another significant technology or business arrangement into the prohibited category, they took it. Frequently, they lost, but the result is necessarily maximally applied doctrines of indirect liability.⁷¹

The litigation campaign of the content industries, however, is not merely to apply the law as is to new circumstances, but to expand the legal standards themselves. When the stakes are low, in typical enforcement actions and the like, the content industry representatives often push to expand the standards, sometimes at the cost of picking up an easy victory under existing standards. Most significantly, the litigation in the area has pushed the standard of contributory infringement beyond those circumstances when the parties would be found jointly and severally liable under tort law and the standard of vicarious liability beyond those circumstances in which an actual agency or employment relationship exists.

In *Polygram*, for example, a group of major music publisher plaintiffs represented by American Society of Composers, Authors and Publishers ("ASCAP") refused to put forward any evidence of an underlying infringement or allege that any performances were unauthorized (though they certainly could have) in the hopes of establishing what the court termed "a precedent extraordinarily favorable to ASCAP members" at the cost of not pressing "a more modest claim for a less dramatically

67. *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986) (holding that renting video tapes and viewing rooms with a VCR violates plaintiff's right to publicly perform and authorize public performances of their works).

68. *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154 (3rd Cir. 1984) (holding that the playing of movies in stores selling VCR's violates plaintiff's copyright right to publicly perform the work).

69. In *Diamond Multimedia Systems, Inc.*, the RIAA challenged the portable MP3 players under the separate ground of the Audio Home Recording Act, a section of the Copyright Act which, among other things, imposes limitations on the capabilities of certain digital recording devices. *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 1075 (9th Cir. 1999).

70. See Complaints, *Paramount Pictures Corp. v. ReplayTV, Inc.*, 298 F. Supp. 2d 921 (C.D. Cal.) (No. CV01-9358 FM, EX), available at www.eff.org/IP/Video/Paramount_v_ReplayTV/?f=200/1031_complaint.html (challenging the commercial skipping and program sharing features of the ReplayTV DVR on copyright grounds); Doug Isenberg, *ReplayTV Lawsuit: Napster Redux?* (Nov. 12, 2001) at <http://news.com.com/replaytv+lawsuit+apster+redux/2010-1071-3-281601.html> (last visited Mar. 5, 2005).

71. As the Ninth Circuit recently summed things up when examining a peer-to-peer file sharing case:

From the advent of the player piano, every new means of reproducing sound has struck a dissonant chord with musical copyright owners, often resulting in federal litigation. This appeal is the latest reprise of that recurring conflict, and one of a continuing series of lawsuits between the recording industry and distributors of file-sharing computer software.

MGM Studios, Inc. v. Grokster Ltd., 380 F.3d 1154, 1158 (9th Cir. 2004), vacated and remanded, 125 S. Ct. 2764 (2005).

favorable precedent.”⁷² The plaintiff music publishers lost as a result of their clear refusal to make these fundamental allegations.⁷³ It seems that this effort by ASCAP to detach the establishment of copyright liability from the performance of specific, unauthorized performances was quite a long-running affair, spanning the decades. The case law reflects that ASCAP was subject to a consent decree at least as early as 1941, requiring it to give users an effective means of knowing what compositions are and are not covered by ASCAP.⁷⁴

Similarly the content owner plaintiff pushed for a gross expansion of the doctrines in *Screen Gems*, a contributory infringement case against bootleg record producers.⁷⁵ There, the plaintiff record company acknowledged that its purpose was to establish a standard of “expanded absolute liability,” asking the court to hold as a matter of law that contributory infringement may be found without any knowledge of the infringement on the part of the defendant, actual or constructive.⁷⁶ The plaintiff contended that such a standard is “the only feasible means to meet the challenge of the bootleg record.”⁷⁷ As the court put it, “[t]he parties earnestly urged upon the court a determination of the issue as a matter of law, since it is one of concern and importance to copyright owners. . . .”⁷⁸ In at least one case, content owners convinced a court to find

72. *Polygram Int'l Publ'g, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1323 (D. Mass. 1994).

73. In *Polygram*, the court ruled for defendants in the face of the plaintiff music publishers' refusal to make the requisite allegation of unauthorized performances. *Id.* at 1322. The plaintiffs were apparently seeking to transform a solitary case from the District of Delaware into an established precedent so that plaintiffs need not demonstrate to any degree that the performances at issue were unauthorized. *Id.* at 1315. The court explained the cost of using litigation for the strategic purpose of expanding the law:

Plaintiffs have chosen a strategy of seeking a ruling based on minimal evidence—a ruling that, if affirmed on appeal, would establish a precedent extraordinarily favorable to ASCAP members. In doing so, they have elected not to press, in the alternative, a more modest claim for a less dramatically favorable precedent. Of course, they will remain free, on another day in another case, to make a more modest claim. The down side of pursuing such an all-or-nothing strategy, however, is that the court may conclude, as I have, that it leaves the court with no supportable choice, but to award nothing.

Id. at 1323.

74. Presumably, ASCAP was pursuing a policy to bludgeon users into purchasing a license without giving them the means to determine whether they needed one or not. *See* *Tempo Music, Inc. v. Myers*, 407 F.2d 503 (4th Cir. 1969) (amending a 1941 consent decree to require ASCAP to maintain and keep available for inspection a list of compositions in its repertory in order to provide notice to potential infringers); *Famous Music Corp. v. Bay State Harness Horse & Breeding Ass'n, Inc.*, 554 F.2d 1213, 1215 (1st Cir. 1977) (rejecting defendant's argument that ASCAP is estopped from enforcing its copyright under the *Tempo Music* precedent, because defendant failed to request a list of ASCAP compositions).

75. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 402 (S.D.N.Y. 1966).

76. *Id.* at 401.

77. *Id.* at 403.

78. *Id.* In *Screen Gems*, the court was able to escape the plaintiff's demand for an expanded interpretation of the law because actual or constructive knowledge had previously been asserted in the case. The court concluded: “However much the parties desire a

contributory infringement without any knowledge requirement.⁷⁹

More recently, in *Grokster*, one of the hotly contested file sharing cases, the plaintiff film studios and record labels, demanded, among other things, that the court modify the rules for secondary copyright liability so that businesses would be required to modify products already distributed to incorporate copyright enforcement technologies.⁸⁰ The Ninth Circuit characterized the position urged by the copyright owner plaintiffs as “expanding exponentially the reach of the doctrines of contributory and vicarious copyright infringement.”⁸¹ That court saw no basis in precedent in the position urged by the plaintiff film studios and record labels and suggested that nothing more than the pecuniary interests of the particular plaintiffs in the case supported the radical rebalancing of content owner and consumer rights demanded by the content owners.⁸² “Doubtless, taking that step would satisfy the Copyright Owners’ immediate economic aims,” the court stated, “[h]owever, it would also alter general copyright law in profound ways with unknown ultimate consequences outside the present context.”⁸³

Seeing the broader historical dynamic at play clearly, the *Grokster* court placed its ruling in the context of the other short-sighted and in hindsight-foolish positions taken by the major content owners in the face of new technologies:

The introduction of new technology is always disruptive to old markets, and particularly to those copyright owners whose works are sold through well-established distribution mechanisms. Yet, history has shown that time and market forces often provide equilibrium in balancing interests, whether the new technology be a player piano, a copier, a tape recorder, a video recorder, a personal computer, a karaoke machine, or an MP3 player.⁸⁴

Put in more colloquial terms, the court is telling the major content owners that, every time a new gizmo hits the market, they have argued that the rules are too lax to protect the interests of copyright owners and need to be changed. Following the counsel of the major copyright owners, therefore, would be “unwise.”⁸⁵ The court’s advice to the plaintiffs in layman’s terms: “Relax and things will likely work out now as they have in the past.”

determination of the basic legal issue originally posed by them, this is precluded since a fact issue is raised.” *Id.*

79. In *Chappell & Co. v. Frankel*, the court reasoned that defendant’s “knowledge, or lack of knowledge, of the actual infringement does not alter the fact that he caused the infringement” in finding the president/director and major shareholder of company producing infringing records liable. 285 F. Supp. 798, 801 (S.D.N.Y. 1968).

80. *MGM Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1166 (9th Cir. 2004), *vacated and remanded*, 125 S. Ct. 2764 (2005).

81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.* at 1167.

85. *Id.* at 1166.

VI. THE DOCTRINAL STANDARDS EXPLORED

A. FIXED VERBAL FORMULAE

Amid these forces driving expansion of the concepts, the lawyer's impulse to organize and rationalize has produced settled standards for both contributory and vicarious infringement. Whatever might follow, we now know that every case will begin with a recitation of the verbal formula for contributory infringement laid out in *Gershwin*, or some equivalent thereof:

[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a "contributory" infringer.⁸⁶

And likewise with the verbal formula for vicarious infringement set forth in *H.L. Green*, or some equivalent thereof:

When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired . . . the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.⁸⁷

The articulation of the standards is at this point set dogma. These standards have been repeated often enough by so many circuits that any efforts to argue that an element stated is not required or to mix and match elements to craft a new basis of liability is likely doomed from the outset.⁸⁸

A detailed discussion follows exploring how these standards and their component elements—knowledge and contributory acts for contributory infringement and right and ability to control and direct financial benefit in the case of vicarious liability—have been interpreted and applied in ever-expansive readings and circumstances with respect to traditional media. The purpose of the exercise is to define the shape of these standards as they have evolved and will ultimately be applied to technological innovations generally and to highlight the unique challenges of computer networks.

86. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

87. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963) (internal citations omitted).

88. In *Demetriades v. Kaufmann*, 690 F. Supp. 289, 291 (S.D.N.Y. 1988), a plaintiff grasping to extend liability for infringement of architectural plans to the real estate brokers who sold the land on which the infringing house was built argued that "knowledge" and "financial benefit," taken together, could be the basis for indirect copyright liability. In effect, the plaintiff, faced with very weak facts, sought to mix and match contributory and vicarious liability elements into a new Frankenstein standard. *Id.* at 294. The court, applying the now well-worn standards for vicarious and contributory liability, found the case lacking under each and refused to articulate a new hybrid knowledge-plus-control standard under which the defendant could be found liable. *Id.*

B. THE REQUIREMENT OF AN UNDERLYING INFRINGEMENT

It should be axiomatic that a finding of any form of indirect liability requires an actual, underlying infringement as a preliminary matter.⁸⁹ The defendant cannot logically be liable for the acts of a third party, if that third party did nothing wrong and many cases have so held that an underlying direct infringement is a prerequisite for any type of indirect liability.⁹⁰ In the early cases, courts were careful to find an actual infringement of the plaintiff's work by the direct infringer before moving onto a contributory or vicarious liability analysis.⁹¹ Thus, in the bedrock *Gershwin* case, a specific performance of a specific Gershwin composition ("Bess, You is My Woman Now") was the focal point of the case, even though the case asked the much broader question of whether a talent agency could avoid paying copyright liability by creating and managing subordinate neighborhood concert organizations that formally arranged for the concerts at which the infringing works were to be played.⁹² Likewise, the court in *Fromont* was evaluating the performance of two of plaintiff's works ("Prelude" and "Claire de la Lune") on October 13, 1917, even though the case dealt with the broader problem of when a concert hall owner ought to be liable for infringing performances on his premises.⁹³ The *Gershwin* and *Fromont* cases are not atypical. In the typical case of yore, the plaintiff would establish particular acts of infringements of the works it owns, even if it had to have an investigator solicit and document specific infringements of specific works on specific dates.⁹⁴ Plaintiffs went to such lengths, sometimes documenting the in-

89. David Nimmer concurs that the logic of contributory and vicarious infringement require an underlying finding of direct infringement by a third party. NIMMER, *supra* note 9, § 12.03[A][4]. However, it could be argued that the act of "authorizing" is an independent form of contributory infringement whether or not the supposed licensee actually infringes or not. *But see* *Danjaq, S.A. v. MOM/UA Communications Co.*, 773 F. Supp. 194, 201 (C.D. Cal. 1991) (citing NIMMER in finding that "authorization" alone does not establish the necessary direct infringement predicate for a finding of contributory infringement).

90. See e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.* 464 U.S. 417 (1984); *A&M Records, Inc. v. Napster, Inc.*, 293 F.3d 1004, 1013 n.2 (9th Cir. 2001) ("Secondary liability for copyright infringement does not exist in the absence of direct infringement by a third party."); *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 (11th Cir. 1990) ("Contributory infringement necessarily must follow a finding of direct or primary infringement"); *Polygram Int'l Publ'g, Inc. v. Nevada TIG, Inc.*, 855 F. Supp. 1314, 1322 (D. Mass. 1994) (explaining that an underlying third-party infringement is required for a finding of indirect liability); *Danjaq*, 773 F. Supp. at 201 ("Contributory infringement, under this [the *Gershwin*] standard, does not lie without primary infringement.").

91. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1322 (discussing that "courts in these early cases [citing *H.L. Green Co.* and *Gershwin* among others] were careful to find an actual infringement by the alleged direct infringer.").

92. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1160 (2d Cir. 1971) (defendant concedes that "on January 9, 1965 concert artists managed by [defendant] performed 'Bess, You is My Woman Now' publicly for profit at a concert sponsored by the Port Washington Community Concert Association without the permission of plaintiff *Gershwin Publishing Company*. . . .").

93. *Fromont v. Aeolian Co.*, 254 F. 592, 592-93 (S.D.N.Y. 1918).

94. *Elektra Records Co. v. Gem Elec. Distrib., Inc.*, 360 F. Supp. 821, 822-23 (E.D.N.Y. 1973) (basing its decision on the findings of plaintiff's investigator, the court

fringement at issue down to whether a copyright notice was present on work, presumably because the courts took quite seriously the requirement that there be a direct infringement of plaintiff's work for the defendant to be found indirectly liable for that instance of infringement.⁹⁵

As discussed above, the composers and publishers represented by ASCAP have waged a long battle to force either the sale of their licenses or establish copyright liability, direct or indirect, without identifying the works at issue. Whether or not caused by the efforts of performing rights societies or entertainment trade groups, courts have more recently elided or ignored completely the identification of specific infringements of plaintiff's work in indirect liability cases.⁹⁶ Under the approach of more recent indirect liability cases, specific acts of infringement of specific works is not as important as what type of potentially infringing activity was going on more generally. In contrast to the approach of *Gershwin* which tried the legitimacy of an entire business structure based on the occurrence of single, documented infringement, the current trend is to satisfy the requirement of an underlying direct infringement with general averments to the nature of defendant's activity, the quanta of copyrighted works apparently involved and the percentage of such works owned by the plaintiffs.⁹⁷ Indeed, the finding of underlying infringement as worded in such cases often seems to extend beyond the copyrights asserted by the plaintiffs.⁹⁸ In the typical suit, major content owners establish that they own a large body of content by submitting a list of hundreds of copyrighted works and then directly establish through investigative evidence that some sampling of plaintiff's works were infringed. The analysis then moves to the general treatment of copyrighted works by defendant's technology or business structure without reference to the specific in-

"finds that on 14 separate occasions on specific dates between March 7 and April 17, 1973 at least eight of plaintiff's copyrighted musical sound recordings were copied on Make-A-Tapes installed in defendants' stores . . . by representatives of plaintiffs posing as customers"); *Chappel & Co, Inc. v. Frankel*, 285 F. Supp. 798, 799 (S.D.N.Y. 1968) (only four specified compositions out of ninety-six in total were on music compilation records produced by the defendant).

95. *RCA Records v. All-Fast Sys.*, 594 F. Supp. 335, 337 (S.D.N.Y. 1984) (noting that "on three occasions plaintiffs' agents walked into defendant's store, handed defendant's salesperson a pre-recorded copyrighted tape on which the copyright symbols were clearly displayed" and obtained a copy from defendant of such work).

96. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1322 (contrasting specificity of finding of underlying direct infringement in older cases versus the failure of more recent courts to explain the basis of liability as carefully). In *Polygram*, the court found, notwithstanding the modern trend toward laxity, that the plaintiff must meet its burden of proof on the issue of an unauthorized performance for a copyright action, direct or indirect, to go forward. *Id.*

97. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013-14 (9th Cir. 2001) (finding that plaintiffs had met their burden of demonstrating a copyright infringement with evidence showing that significant percentage of works downloaded on the Napster system were protected by copyrights owned or administered by the plaintiffs).

98. *A&M Records, Inc. v. Abdallah*, 948 F. Supp 1449, 1455 (C.D. Cal. 1996) (finding that defendant's customers engaged "in a substantial amount of counterfeiting and trademark infringement, including the 156 copyrighted sound recordings" asserted by plaintiffs, implying that infringements beyond those specifically asserted by plaintiff may be relevant to the analysis).

fringements documented.⁹⁹

Focusing on specific acts of infringement versus establishing a general milieu of infringement, including violation of some of the plaintiff's works, are arguably two equally sufficient ways of cracking the same nut—the question of whether the plaintiff suffered a violation of its copyright. However, the shift in approach may have a practical effect in the way courts approach indirect liability. The careful establishment of direct infringement of a plaintiff's specific works before moving into any indirect liability analysis in the older cases kept the focus on actual acts of copyright infringement as the primary/significant concern before looking at whether it is just to hold another liable for that infringement. Eliding over the essential, first step of direct infringement engenders analyses that focus on the general culpability or "contribution" of a defendant to infringement generally. The modern analysis tends not to be whether the talent agency is liable for an infringing performance of "Bess, You is My Woman Now," but whether a talent agency may, as a general matter, use local concert organizations without obtaining licenses. The distinction is subtle, but the latter approach more easily breeds loose rationales, detached from the facts, and blurs the significant distinction between actual infringement and secondary liability for such infringement.¹⁰⁰

C. THE STANDARD FOR CONTRIBUTORY INFRINGEMENT

Contributory infringement cases have historically focused on traditional piracy operations, the appropriate use of duplication equipment, and business structures apparently designed to avoid liability. Contributory liability has been found, for example, where a retail outlet provided original copyrighted tapes and blank tapes for use in duplication equipment on the premises (*Elektra*),¹⁰¹ where a retail service provider would

99. In *Napster*, for example, the district court reasoned that because a majority of Napster users use the service to download music and the plaintiffs collectively own the copyrights to a large portion of commercially available music, "the uses constitute direct infringement of the plaintiffs' musical compositions, recordings." *A&M Records, Inc. v. Napster, Inc.*, No. C 99-5183 MHP, 00-0074 MHP, 2000 WL 1009483, at * 1 (N.D. Cal. July 26, 2000) (transcript of proceedings). Similarly, the district court in *Grokster* proceeded to examine secondary copyright liability on a motion for summary judgment where "it is undisputed that at least some of the individuals who use Defendants' software are engaged in direct copyright infringement of Plaintiffs' copyrighted works." *MGM Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 1029, 1034 (C.D. Cal 2003). It is, however, worth noting that the court in *Grokster* did pay attention to the need for a predicate direct infringement to an anachronistic extent, devoting an entire section of the opinion to the inquiry, even if it ultimately required little specificity for the allegations of and evidence supporting direct infringement. *Id.*

100. One could also argue that the fact-specific approach in the older cases could undermine indirect liability as an effective means of preventing the evasion of copyright liability. The older, more detailed approach may have trouble handling a system in which direct infringement is pervasive, but hard to pin down to specific acts, due to the speed and transient nature of the activity, the sheer mass of activity in which a single infringement of a single work may be embedded, or other reasons. Still, it is difficult to imagine many scenarios in which demonstration of actual infringement would be impossible.

101. See generally *Elektra Records Co. v. Gem Elec. Distribs.*, 360 F. Supp. 821 (E.D.N.Y. 1975).

duplicate copyrighted tapes upon a customers request (*RCA*),¹⁰² where defendants created and broadcasted ads and distributed a bootleg record (*Screen Gems*),¹⁰³ where a defendant timed copyrighted works and sold time-loaded blank cassettes along with duplication machines and other necessities for others to create counterfeits (*Abdallah*),¹⁰⁴ where a defendant manufactured, sold and actively promoted a TV satellite descrambler chip (*Cable/Home Communications*),¹⁰⁵ where defendants operated a swap meet notorious for the sale of infringing records (*Fonovisa*)¹⁰⁶ and, of course, where a talent agency creates and manages neighborhood organizations that hold concerts at which infringing performances take place (*Gershwin*).¹⁰⁷

The two critical elements springing from the *Gershwin* standard are (1) knowledge and (2) some material contribution to the infringement.¹⁰⁸ Each will be discussed in turn.

1. Breakdown of Knowledge in the Tangible World

Presumably the “knowledge” element serves the foundational policy of fairness. If the defendant knew of the wrongful acts of the direct infringer and did not modify his behavior, he is culpable and should pay. The clarity of that message, however, does little to define what level of knowledge, of what subject matter, by whom and at what time establishes the requisite level of culpability or otherwise justifies transferring liability to that party. The older, bedrock cases provide little discussion of the “knowledge” required.¹⁰⁹ Still, certain generalizations may be gleaned from the cases.

a. “Infringing Activity”

The most fundamental inquiry in examining the knowledge element of the test is understanding what is the contemplated object of the defendant’s knowledge—what must the defendant know. We know from the *Gershwin* standard that the object of the knowledge is the “infringing activity.”¹¹⁰ “Infringing activity,” however, could refer to knowledge of

102. See generally *RCA Records v. All-Fast Sys.*, 594 F. Supp. 335 (S.D.N.Y. 1968).

103. See generally *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399 (S.D.N.Y. 1966).

104. See generally *A&M Records v. Abdallah*, 948 F. Supp. 1449 (C.D. Cal. 1996).

105. See generally *Cable/Home Communications Corp. v. Network Prods., Inc.* 902 F.2d 829 (11th Cir. 1990).

106. See generally, *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

107. See generally, *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159 (2d Cir. 1971).

108. *Id.* at 1162.

109. The more recent cases dealing with P2P file sharing and other computer networks, to be discussed in the second part of this study provide a good deal more detail on the type of knowledge required, some of it conflicting with the standards implicit in the older cases discussed in this section.

110. See *id.* at 1162. The contributory infringement standard has more recently been restated as imposing liability where “one person knowingly contributes to the infringing conduct of another.” *Fonovisa, Inc.*, 16 F.3d at 264. This phrasing, sneaking the knowledge

the specific acts of infringement of a plaintiff's asserted copyrights, any knowledge that a plaintiff's copyrights are being infringed, or a more generalized knowledge that infringement of a certain type is taking place. Perhaps even knowledge that infringement may be or is likely to be taking place will suffice.

While the older cases dealing with tangible media do not offer a set, verbal formulation or much explicit guidance on the meaning of "infringing activity," courts historically tend to find the knowledge element satisfied if the defendant had a general knowledge that infringement of the sort alleged is likely taking place.¹¹¹ The plaintiff need not show that the defendant knew that the plaintiff's particular copyrights were being infringed or which specific acts resulted in the direct infringement at issue.¹¹²

Thus, in *Gershwin*, the relevant knowledge cited was the defendant's knowledge that its artists included copyrighted compositions in their performances without a license to do so.¹¹³ The *Gershwin* court thought the relevant knowledge in the prior *Screen Gems* case was the defendant's knowledge that the compilation record at issue was infringing without

element in as an adverb modifying a larger clause, creates some confusion as to what the object of the knowledge must be—"contribution," "infringing conduct" or both? Though the *Fonovisa* decision from the Ninth Circuit is one of the more important contributory infringement cases, the analysis above will assume that this court was merely trying to rephrase, even if carelessly, the *Gershwin* standard, not modify its essential characteristics.

111. More recent cases dealing with new technologies and computer networks in particular that will be discussed at length in the sequel to this article take a much tougher and ostensibly inconsistent line, requiring actual knowledge of a specific infringement at a time when remedial action is possible. See e.g., *MGM Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, 1035 (C.D. Cal. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001); *Religious Tech. Ctr. v. Netcom On-Line*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995). These cases from *Sony* forward expressly reject the sufficiency of constructive knowledge. However, in practice, this tighter verbal formulation arguably has not raised the evidentiary hurdle for plaintiffs or otherwise impacted ultimate results. The court in *UMG Recordings v. Sinnott* all but recognizes the divergent standards for knowledge, striving mightily to explain why the looser standard of knowledge developed in tangible media cases such as *Fonovisa* and finding expression with respect to technology in *Napster* ought to apply, while the more exacting standards expressed in *RTC v. Netcom* and more recently, *Grokster* should not apply. See *UMG Recordings v. Sinnott*, 300 F. Supp. 2d 993, 998 (E.D. Cal. 2004). The court does not address why it is appropriate to have different standards of knowledge in the same rule to be applied selectively depending on the technology or business arrangement at issue.

112. The Eastern District of California, the first court to rule on the merits of contributory infringement claim against a flea market operator, expressly rejected the defendant's contention that actual knowledge of specific instances of infringement is required to satisfy the "knowledge" prong of contributory liability. *Sinnott*, 300 F. Supp. 2d at 998. The court did not add much to the prior cases in stating affirmatively what type of knowledge will suffice as it based its finding that the knowledge prong was met largely on constructive knowledge and knowledge that ought to be imputed as a result of defendant's willful ignorance. *Id.* at 999. "Knowledge" in *Sinnott*, as in the more widely cited flea market opinion, *Fonovisa*, could only be disputed in the most legalistic sense as the facts revealed numerous cease and desist letters, visits from plaintiff's investigators and other efforts to inform the defendant more fully. *Id.* at 999-1000. As the court put it, "Sinnott purposefully refused to witness the infringement, and chose not to act on the personal notification he received. This does not allow him to disavow knowledge of the infringement, however." *Id.* at 1000.

113. *Gershwin Publ'g Corp.*, 443 F.2d at 1162-63.

requiring greater specificity as to which compositions infringed whose copyrights.¹¹⁴ In *Abdallah*, the knowledge that mattered was the defendant's awareness of the "counterfeiting activities" of the customers to whom the defendant provided tapes and duplication equipment.¹¹⁵

With that said, broad generalizations regarding the knowledge standard remain problematic. The difficulty arises from the sloppiness of prior courts, so one should be cautious in reading too much into the happenstance of phrasing. Moreover, different objects of knowledge of varying specificity may be appropriate in different situations. If, for example, an isolated act or ongoing activity that only implicates one work or a discrete body of works is at issue the knowledge required would arguably need to be more specific than that in a large-scale, ongoing operation that implicates wide-ranging copyright infringement.¹¹⁶

b. An Objective Standard

It is now accepted with black-letter status that the standard for assessing knowledge is objective, that is, whether the defendant knew or had reason to know of the infringing activity.¹¹⁷ This objective standard is alternatively phrased in cases as "actual or apparent knowledge"¹¹⁸ or actual or "constructive knowledge."¹¹⁹ An objective knowledge standard precludes people from shunting liability with studied and contrived, even if actual, ignorance.

c. When and by Whom

The older, tangible media cases generally leave open the critical questions of whose knowledge counts and when the knowledge must be ob-

114. *Id.* at 1162.

115. *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1455 (C.D. Cal. 1996).

116. In *ITSI T.V. Prods., Inc. v. Cal. Authority of Racing Fairs*, 785 F. Supp. 854, 866 (E.D. Cal. 1992), for example, what mattered was whether the defendant knew they were specifically infringing plaintiff's copyright. There, however, the only act at issue was the ongoing re-transmission of plaintiff's television broadcasts of horse races. Presumably, the defendant horse track was not otherwise in the business of re-routing television signals, or at least, not a significantly large number of different signals. The "knowledge" required accordingly had to be specific to the re-transmission of plaintiff's broadcast. *ITSI T.V.*, 785 F. Supp. at 866. In *Fromont*, what mattered was the specific works of the plaintiff were played at a single piano concert because the playing of the pieces alone was the subject of the plaintiff copyright owner's complaint. *Fromont v. Aeolian Co.*, 254 F. 592 (S.D.N.Y. 1918).

117. The objective standard for knowledge, here, as in most areas of the law, appears reasonable on its face. A defendant need not be rewarded for having a mind askew by nature, or, more importantly for theories of indirect liability, studiously maintained blank. An objective standard effectively modifies the standard from one prohibiting affirmative bad acts to one precluding negligent behavior. Instead of a negative injunction not to take action when one knows that it will aid or result in an illegal act, we have a positive requirement to meet an objective standard in those actions.

118. *Cable/Home Communications Corp. v. Network Prods., Inc.*, 902 F.2d 829, 846 (11th Cir. 1990).

119. *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 262 (5th Cir. 1988).

tained or implied.¹²⁰ As to when the knowledge must be obtained by the relevant mind or imputed to an organization, the large purpose of fairness could only be served if the knowledge antedates the infringing activity at issue. The plaintiff has a great deal of power in overcoming any timing hurdle by providing notice of the infringement in a cease and desist or similar letter prior to commencing suit.

The court may then point to the notice given as evidence of knowledge. It is possible that notice takes place as early as receipt. A prior notice, as in the *Fonovisa*¹²¹ and *Sinnott*¹²² cases, raise questions of its own. How specific must the notice be? In the typical case involving a large consortium of content owner plaintiffs, the notice will contain a statement of the gross quanta of content of the sort at issue that is owned by plaintiff group, will assert the general problem of infringement, and then will document what they consider several illustrative specific instances of infringement established by an inspector or other agent of plaintiff.¹²³ The traditional media cases offer little guidance as to how such a letter impacts the "knowledge" of the defendant for purposes of indirect copyright liability or what remedial acts in response to such a notice will avoid liability.

The timing of the knowledge relative to the actual infringement is also of importance to the extent a court emphasizes the policing rationale. If the opportunity to police is paramount, the defendant must have knowledge in a time frame that permits remedial action to prevent the infringement or otherwise remove himself from the enterprise.¹²⁴

d. An Expansive and Recent Standard

The dominant concept of an "infringing activity" in the historical precedent is extremely broad. If one operates a self-service copy center,

120. Many cases involve either individual defendants or principal players within an organization, allowing the court to avoid the harder question of what knowledge in whose heads should be imputed to an entity as a whole. Although this is an extremely difficult question, copyright can borrow on the very rich and refined caselaw that has evolved over similar questions in the tort and criminal context.

121. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 16 F.3d 259 (9th Cir. 1996).

122. *UMG Recordings v. Sinnott*, 300 F. Supp. 2d 993 (E.D. Cal. 2004).

123. The Ninth Circuit opinion in *Sony* (reversed by the Supreme Court) was satisfied that Sony had the requisite knowledge because reproducing copyrighted materials was "the most conspicuous use of the product" and the "source of the product's consumer appeal." *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 975 (9th Cir. 1981). It seemed to require very little in the way of knowledge of specific acts of direct infringement of plaintiff's work, finding it sufficient to note that the "Betamax will be used to reproduce copyrighted material, some of which appellants own" and that the standard looks to knowledge of "infringing activity" generally, not specific acts. *Id.*

124. In analyzing the closely-related issue of the sufficiency of a copyright owner's notice to an ISP under the DMCA, the court in *Verizon* placed great emphasis on the fact that the notice did not reach in any single instance in time for the ISP to take remedial action. *Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs., Inc.*, 351 F.3d 1229, 1236 (D.C. Cir. 2003). Arguably, the policy considerations under the DMCA, which has highly specific, lengthy requirements for conforming notices, differ by Congressional design. However, broadly viewed, the interests involved and issues are the same as those in cases of secondary copyright liability that take place in the off-line world.

surely he knows that a good deal of infringement is taking place—customers copy news articles, even sections of books that are too large for fair use comfort. The standard (if not stated, at least implied) in the older, non-technical cases would, as a practical matter, condemn this useful service. As the Ninth Circuit scoffed in its soon-to-be-reversed *Sony* opinion, which reflected the approach up to that point, “[t]he corporate appellees [Sony and its retailers] know that the Betamax will be used to reproduce copyrighted materials. In fact, that is the most conspicuous use of the product. That use is intended, expected, encouraged, and the source of the product’s consumer appeal.”¹²⁵ This broad approach is somewhat odd, given that it is difficult to find a traditional media case where the findings of fact do not make a plaintiff’s actual knowledge of specific acts of infringements of a plaintiff’s copyrights clear.¹²⁶

When the loose meaning of “infringing activity” is coupled with an objective outlook that permits imputing knowledge that a defendant should have, the standard loosens even more. Even in the absence of actual knowledge, surely the owner of a copy service ought to know that infringement is taking place with the aid of his machines. Although actual knowledge of specific infringing acts seems to be the factual norm in traditional media cases, the objective standard has been used to impute knowledge to more loosely connected actors from a miasma of circumstances. In *Screen Gems*, for example, the court found that knowledge could be imputed to an advertising agency because its client, the direct infringer, bore the “well known indicia of the fly-by-night operator—smallness, lack of permanent location and financial unreliability” and the

125. *Sony Corp. of Am.*, 659 F.2d at 975.

126. In *Gershwin*, the defendant, a talent agency in New York sophisticated in the ways of the music business, printed the concert programs listing the infringing works to be performed. *Gershwin Publ’g Corp.*, 443 F.2d at 1161. The defendant also knew, due to its close involvement with organizing the concerts and the finances of the concerts that copyright license fees were not being paid by the local organizations, the artists or themselves. *Id.* In *A&M Records, Inc. v. Abdallah*, the defendant timed and on occasion assisted with reproduction of the insert card of the original copyrighted works in the process of producing pirated music recordings. 948 F. Supp. 1449, 1453-55 (C.D. Cal. 1996). In *Cable/Home Communications*, a defendant held conferences outside the United States for the express purpose of avoiding jurisdiction for hawking his descrambler chips. *Cable/Home Communications Corp. v. Network Prods., Inc.*, 902 F.2d 829, 837-38 (11th Cir. 1990).

In *Fonovisa*, a recent case almost inevitably relied upon to support a broad reading of contributory infringement, the court found a flea market contributorily liable for the sale of counterfeit records by a third-party vendor. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 16 F.3d 257 (9th Cir. 1996). However, the specific knowledge of the flea market operator was clear. *Id.* at 261, 264. After numerous cease and desist letters, police raids and confiscations as well as the instigation of litigation, the court found that there was “no dispute for purposes of this appeal that Cherry Auction [the flea market operator/defendant] and its operators were aware that vendors in their swap meet were selling counterfeit recordings. . . .” *Id.* at 261. Indeed, it is difficult to find a traditional media case in which the defendant’s acts were not so close to the direct infringement that actual knowledge of specific acts of infringement clearly existed. In many cases, the defendant likely knew that the copyright was owned or controlled by the plaintiff. If the defendant did not actually know that plaintiff was the owner of the copyrighted work, the presence of a copyright notice often makes imputing even this level of detail to the defendant’s knowledge.

album advertised was suspiciously inexpensive.¹²⁷

Strangely, this broad reading of knowledge appears to be of rather recent origin or acceptance, even though it seems to be implicit in some of the most important law-making precedent. In its Sony decision, the Supreme Court explained that the defendant's liability would necessarily rest on a finding that the defendant sold equipment with "constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material."¹²⁸ The Court stated bluntly in 1984, "[t]here is no precedent in the law of copyright for the imposition of vicarious liability [read secondary liability] on such a theory."¹²⁹ It is not clear whether the Court was taking issue with basing liability on constructive knowledge, or the loose object of the defendant's knowledge (that "customers may use" the equipment to infringe). Whether the Court was taking issue with the novel breadth of the assertion of liability on the first, second or both matters taken together, it is clear that the Hollywood plaintiffs' assertion that constructive knowledge of infringement taking place is sufficient for a finding of contributory infringement, was strikingly novel and broad to the Court in 1984.¹³⁰

There is no single, obvious answer as to why the standard for knowledge that evolved is so broad on its face. Surely, the general desire of courts to articulate generalized standards for future use is at work. The courts have suggested that knowledge can be general even though extremely specific knowledge is present in so many of the major cases. The broad policies are certainly in play when the courts seek to define these standards—bringing in the reasonable man which is always so useful in tort analyses. The cases may take a broad approach to ensure that the standard can reach even the most creative bad actors, even though such standards rarely appear to be necessary because the defendants in the reported cases are usually demonstrably bad.

127. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 404 (S.D.N.Y. 1966). The court also saw a basis for finding the ad agency had sufficient knowledge in the fact that the ad agency had inquired as to whether the counterfeiters had obtained releases from the record companies. *Id.* Imputing knowledge from what would ordinarily be considered a defendant's vigilance and expressed desire to comport with copyright restrictions seems to undermine the policy of encouraging self-policing by holding a failed, even if good faith, effort against the defendant.

128. *Sony Corp. of Am.*, 464 U.S. at 439.

129. *Id.*

130. *But see id.* at 487. The dissenters argued "[a] finding of contributory infringement has never depended on actual knowledge of particular instances of infringement; it is sufficient that the defendant have reason to know that substantial infringement is taking place" (citing *Screen Gems* and the dance hall cases in support). *Id.* It is difficult to assess the overall merit of the dissenters' argument here for purposes of the specific analysis of the knowledge element in contributory copyright infringement. As the citation to the dance hall cases makes clear, the dissenters make no conceptual distinction between the vicarious liability and contributory infringement theories, casting doubt on any efforts to parse the language of the court too finely. Still, the surprise of the Court is somewhat odd given that the standard-setting *Gershwin* cites *Screen Gems* approvingly for holding a defendant "liable as a 'contributory' infringer if it were shown to have had knowledge, or reason to know, of the infringing nature of the records." *Gershwin Publ'g Corp.*, 443 F.2d at 1162.

Though there is no overt discussion of the issue in the case precedents, the courts could be grappling with the problems presented by the use of "knowledge" as a limiting factor. While the defendant's knowledge that his acts were bad is essential to serve the goal of fairness, it presents difficult problems in practical application. Taking the "knowledge" element seriously can make crafting any sort of prospective remedy difficult to farcical. In one case, for example, a retail copy center was enjoined from selling "blank cassette tapes which defendant knows or has reason to believe will be used in reproducing plaintiffs' copyrighted sound recordings."¹³¹ While the language in this injunction tracks the legal standard for contributory infringement, incorporating the knowledge element seems to provide an unrealistic, even if legally correct remedy.¹³² It presumes that a thinking agent of the defendant copy center is making case-by-case choices whether or not to sell blank tapes, not just ringing up customers who are waiting in line.¹³³ Even if the copy center employees were empowered to make such judgments, it is unclear when, if ever, they would have such knowledge about a customer's doings.¹³⁴ If the defendant copy center's duplication machines at issue in the case were self service, such that customers merely turned in a counting device which quantified the customer's use of a machine, it may be impossible to show knowledge. The net effect of taking knowledge seriously may be an exceedingly thin injunction, even where ongoing infringement is clearly established, as would likely be the case in a copy center that sold blank cassettes and access to duplication equipment. This practical concern may be on the minds of trial judges when grappling with and frequently expanding or quickly eliding the requirement of knowledge.¹³⁵

2. Breakdown of Contributory Acts

In keeping with the analogy to joint and several liability for joint tortfeasors, contributory infringement requires some substantial participation in the infringement, the act or acts for which the contributory infringer is secondarily liable. To use the language of the *Gershwin* standard, the contributory infringer must "induce, cause or materially contribute" to the infringing conduct of another.¹³⁶ Relative to the

131. *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 340 (S.D.N.Y. 1984).

132. *See id.*

133. *See id.*

134. *See id.*

135. As discussed above, in at least one case, a record company plaintiff convinced a court that contributory infringement did not require any showing of knowledge. *Chappell & Co. v. Frankel*, 285 F. Supp. 798, 801 (S.D.N.Y. 1968). With the overwhelming force of subsequent decisions which adopt the standard set forth in *Gershwin*, this case must be viewed as an aberrant outlier. It does, however, support the point that knowledge, if taken seriously, can make reaching the desired result difficult and courts are frequently eager to find a way around the limitation. The global solution of the *Chappell* court, of eliminate the requirement of knowledge, simply was too broad and perhaps too obvious for other courts to adopt.

136. *Gershwin Publ'g Corp.*, 443 F.2d at 1162.

knowledge element, there is a fair amount of black letter law giving shape to what sort of contribution suffices.

The material contribution, cause or inducement of infringement may take the form of either (a) "personal conduct that encourages or assists the infringement" or (b) "provision of machinery or goods that facilitate the infringement."¹³⁷ Alternatively, contributory acts have been parsed into (x) acts made with the purpose of providing direct assistance in expediting the underlying infringement or (y) acts to provide the means or facilities for the admitted copying.¹³⁸ For the purposes of applying indirect liability theories to computer networks, the primary subject of the companion to this article, *From Sony to Grokster, The Failure of the Copyright Doctrines of Contributory Infringement and Vicarious Liability to Resolve the War Between Content and Destructive Technologies*, providing the site and facilities for the infringement, is to date the most important category of contributory acts under the current cases.¹³⁹

It is often stated that the contribution must be "material" or "substantial."¹⁴⁰ "One must make more than a 'mere quantitative contribution' to the primary infringement in order to be liable on a theory of contributory liability."¹⁴¹ The contribution must also have some direct relationship with the acts of infringement. The contributory acts at issue must bear some direct relationship to the infringing acts and be made in concert with the direct infringer.¹⁴² Put simply, the traditional articulation of the theory required the contributory infringer to participate substantially and directly in the direct infringement at issue.

a. The Typical Case—Participation in Piracy

In the typical contributory infringement case, the defendant is an active participant in commercial piracy or a scheme to avoid copyright liability. The substantiality of the defendant's activities and the directness of the relationship are accordingly not significantly at issue in such a case. The

137. *Matthew Bender & Co. v. West Pub'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998) (holding that use of West's "star pagination" system in Bender's CD ROM versions of judicial opinions did not contributorily infringe West's copyright in the organization of its judicial opinion reporters).

138. *Demetriades v. Kaufmann*, 690 F. Supp. 289, 293 (S.D.N.Y. 1988).

139. Craig A. Grossman, *From Sony to Grokster, The Failure of the Copyright Doctrines of Contributory Infringement and Vicarious Liability to Resolve the War Between Content and Destructive Technologies*, 53 BUFF. L. REV. 141 (on file with author).

140. The *Gershwin* standard states that the contributory infringer is one who "materially contributes" to the underlying infringement. In holding real estate brokers not liable for the infringement of architectural plans contemplated by the buyers of a property, the *Demetriades* court explains that liability can only attach to "substantial involvement" with the infringement. *Demetriades*, 690 F. Supp. at 294. The *Demetriades* court cited the Restatement (Second) of Torts § 876(b) which establishes third-party enterprise liability when one knows of another's tortious conduct and *substantially* aids or encourages that endeavor. *Id.* (emphasis in *Demetriades* opinion).

141. *ITSI T.V. Prods., Inc. v. Cal. Authority of Racing Fairs*, 785 F. Supp. 854, 861 (E.D. Cal. 1992) (quoting *Gershwin*, 443 F.2d at 1162 (quoting *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 396-97 (1968))).

142. *N. Music Corp. v. King Record Distrib. Co.*, 105 F. Supp. 393 (S.D.N.Y. 1952).

defendant is often a bad actor responsible for essential aspects of the counterfeiting business under scrutiny. In *Abdallah*, timing original copyrighted works, selling time-loaded blank cassettes and copy equipment, and providing financing and a network of other service providers to produce marketable counterfeits sufficed as contributory acts.¹⁴³ In the standard-setting *Gershwin* case, the talent agency's "pervasive participation" in the "concert creation" activities of local concert organizations sufficed.¹⁴⁴ One case is a classic piracy operation, the other a scheme architected to avoid liability.

In order to prevent schemers from avoiding liability with clever organizational or corporate structures, courts take a functional, practical approach to assessing the relationship of the conduct to the infringement. Courts will not get hung up on whether a system is set up so that another party provides the original copyrighted work for duplication or someone else puts the tape in the machine or pushes the button. Courts tend to take a practical view of what is going on, looking at an organization or operation as a whole, instead of thinly slicing the circumstances into component acts, each of which may be tied to a different actor.¹⁴⁵

There is very little caselaw on how direct or substantial an act must be. For the most part, these requirements are not even recited and seem to play a part only in the rare reported case in which contributory infringement is not found.¹⁴⁶

143. *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1451 (C.D. Cal. 1996).

144. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1163 (2d Cir. 1971).

145. *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986) (noting that defendant rented video cassettes and equipped rooms for viewing those cassettes); *Abdallah*, 948 F. Supp. at 1453 (noting that defendant was sole owner of a corporation which sold "time-loaded" audio tapes who on occasion even timed the copyrighted works to be copied, and assisted with financing and other arrangements required to produce counterfeit cassettes); *RCA Records v. All-Fast Sys., Inc.*, 594 F. Supp. 335, 340 (S.D.N.Y. 1984) (noting that defendant copy service operated a "Rezound" cassette copying machine and would duplicate copyrighted cassettes for customers); *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360 F. Supp. 821 (E.D.N.Y. 1973) (noting that defendants leased and operated coin-operated "Make-A-Tape" machines which duplicated copyrighted 8-Track music recordings); *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 404 (S.D.N.Y. 1966) (noting that defendant advertising agency helped promote bootleg compilation album).

146. *Demetriades* is the rare case which draws the line around contributory acts that will suffice. Although the defendants clearly knew about their clients' contemplated infringement of architectural plans in connection with a sale of land, and indeed such infringement was effectively a condition of the sale, the court found the involvement of the defendant real estate broker too remote and insubstantial for purposes of contributory infringement. *Demetriades v. Kaufmann*, 690 F. Supp. 289, 294 (S.D.N.Y. 1988). In *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n*, No. C 04-0371 JW, 2004 WL 1773349, at *5-6 (N.D. Cal. Aug. 5, 2004), discussed *infra*, the court found that credit card service companies were too tangentially related to the infringement of a web site operator for infringement to attach. These are indeed rare examples of courts circumscribing the limits of contributory copyright infringement via the material contribution prong, the only ones of their kind unearthed by the research for this article.

b. Site and Facilities are Enough

Any limitations placed on the nature of contributory acts have been largely superseded by the 9th Circuit's *Fonovisa* decision.¹⁴⁷ In this widely adopted decision, the court held that a flea market operator was liable for the sale of counterfeit records by a third-party vendor who sold its wares at the flea market.¹⁴⁸ The relevant contributory acts in the view of the court were the "support services provided by the swap meet," including the "provision of space, utilities, parking, advertising, plumbing and customers."¹⁴⁹ The Ninth Circuit rejected the approach of the district court which required some showing that the defendant expressly promoted or encouraged the sale of counterfeit products.¹⁵⁰ The decision does not directly address the issues of how substantial or directly related the contribution needs to be.¹⁵¹ It seems that *Fonovisa* establishes an implicit rule that providing the site or facilities for infringement is a substantial and direct enough participation for establishing contributory liability.¹⁵² While the *Fonovisa* approach certainly serves the interest of incentivizing self-policing, it does so by a tremendous loosening of the legal standard, presumptively roping in third-parties for providing services and facilities only tangentially related to the infringement at issue, such as a parking lot and toilets. Landlords and perhaps even gardeners, plumbers and trash collectors who offer their services to likely infringers may be on the hook for providing sufficient site, facilities or "support services."¹⁵³

c. Defendant's Intent as a Factor

Under the traditional articulation of the test, as well as its expansion in *Fonovisa*, the intent of the defendant may be an important limitation. It has long been agreed that acts with the purpose of encouraging or furthering the infringement can serve as the basis for contributory infringement, with the defendant's volition linking the defendant's acts to the infringement and, of course, serving the cause of fairness. This standard applies to the normal case of piracy in which a defendant actively and intentionally participates in the piracy scheme. In a site, facilities and support services analysis, intent may play a role as well. In attempting to distinguish the acts of the swap meet at issue from those of the normal, passive landlord, the *Fonovisa* court explained that the swap meet, presumably unlike a normal landlord, "actively strives to provide the environment and the market for counterfeit recording sales to thrive."¹⁵⁴ Thus, the subjective intent of the party providing the "support services"

147. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

148. *Id.* at 264.

149. *Id.*

150. *Id.*

151. *Id.*

152. *Id.*

153. *See, e.g. id.*

154. *Id.* at 264.

may serve to limit the vast breadth of a rule that otherwise sweeps in parking services, water and sewage services, security services and the many other services required to make a site a clean, safe and pleasant place to be for any purpose, not just infringement. It should be understood, however, that the research for this article revealed no court decision which has expressly limited the standard by defendant's bad intent where providing the site, facilities and support services were the contributory acts at issue. If such a limitation exists, it is implicit and the only textual link is the "actively strives" language of *Fonovisa*.¹⁵⁵

d. Timing and Remedial Action

As with knowledge, there is an issue of notice with respect to whether the provision of a site, facilities and services supports a finding of liability. Because contributory infringement is not generally considered a strict liability theory, a defendant can presumably avoid liability by taking some form of prompt action that purges its connection to the infringement upon receiving notice of the infringement. Here, too, the cases are largely silent, however.¹⁵⁶

e. A Gross Expansion

The expansion and breadth of the analysis for contributory acts parallels the breadth of the knowledge standard. It should be kept in mind that contributory infringement had humble, limited beginnings—holding a party liable for purporting to authorize the exploitation of another's work. The Supreme Court in *Sony* explicitly rejected plaintiff's argument that "supplying the 'means' to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement."¹⁵⁷ "This argument," the majority explained, "rests on a gross generalization that cannot withstand scrutiny."¹⁵⁸ For decades, the paradigm for contributory liability remained schemers of various kind trying to avoid license payments or to profit from counterfeiting activities without getting sufficient dirt on their hands to establish liability under the strictures of the copyright statute.

Nonetheless, pushed by the expansive analogy to tort and the practical need for standards wide enough to accommodate new duplication technologies and business models surrounding the use of such equipment,

155. *Id.*

156. The significant exception is *Religious Tech. Ctr. v. Netcom* and its tech-oriented progeny, to be discussed in the companion piece to this article. 907 F. Supp. 1361 (N.D. Cal. 1995). The court in *Netcom* fashions a notice-and-take-down regime to permit the continued operation of online services notwithstanding its facilitation of copyright infringement, provided the service provider takes appropriate and prompt remedial action upon learning of a violation. *Id.* This approach has not seemed to have found acceptance beyond the context of the online service provider, however, and therefore, may not be a generally accepted limitation on contributory infringement liability. See also *MGM Studios, Inc. v. Grokster Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003).

157. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 436 (1984).

158. *Id.*

courts found parties contributorily liable in a variety of circumstances surrounding the use of taping equipment—the “Make-A-Tape” machines of the *Elektra* case, the “Rezound” machines of the *RCA* case and so on to the present age of duplication technology.¹⁵⁹ Eventually, honest courts had to recognize in the evolved case law that providing machinery or goods that facilitate infringement can establish contributory liability if they were to enforce honest rules that captured the bad actor within their scope.

This category of supplying the means or equipment to infringe was stretched yet further into the *Fonovisa* standard, so that now, simply providing the site, facilities or support services to an infringer will do.¹⁶⁰ Under the logic of *Fonovisa*, anyone providing essential support services with some knowledge that infringement is taking place is liable.¹⁶¹ The *Fonovisa* court justified holding providers of support services liable on the logic that “it would be difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet.”¹⁶² Under this logic, if the activity of the direct infringer were widely known, it would seem that city utilities would be on the hook for providing a sewage hook up, water and electricity; state and federal governments could be on the hook for providing roads and other transportation to the site; and, of course, private players like landlords, parking valets, janitorial services, and others would also be presumptively implicated for providing support services. There are insufficient cases to see how far the logic of *Fonovisa* reaches into indirect acts with tenuous relationships to the infringing activity. At present, however, it seems clear that once knowledge of infringing activity is known, nobody providing services of any kind to the direct infringer, from parking to plumbing, is safe from allegations of copyright infringement.

At least one recent decision demonstrates that there may be some limits to what counts as a material contribution. In *Perfect 10*, the owner of copyrights in adult photos pressed claims of contributory infringement and vicarious liability against Visa, Mastercard and other credit card intermediaries for processing transactions from Web sites that were infringing *Perfect 10*’s copyrights.¹⁶³ *Perfect 10* provides the rare example of the court concluding that the relationship between defendants conduct and the infringing activity was too tenuous for contributory infringement lia-

159. *RCA Records v. All-Fast Sys., Inc.* 594 F. Supp. 335 (S.D.N.Y. 1984); *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360 F. Supp. 821 (E.D.N.Y. 1973).

160. *Fonovisa, Inc.*, 76 F.3d at 264.

161. *Id.*

162. *Id.*

163. *Perfect 10, Inc.*, 2004 WL 1773349, at *1-2. The copyright owner had sent numerous notices to the credit card company defendants asking them to “blacklist” the offending web sites. *Id.* The facts of the case, thus, presented an excellent opportunity for examination of the impact notice has on a defendant’s knowledge for purposes of contributory infringement. Unfortunately, the defendants did not contest the issue of knowledge and the court did not address it.

bility to attach.¹⁶⁴ The holding, of course, demonstrates that there are some limits to the breadth of the material contribution prong. At the same time, the difficulty the court had in reaching its conclusion in *Perfect 10* also demonstrates the absurd breadth of the precedent.¹⁶⁵

The ultimate conclusion may seem plain to the casual observer. Content neutral financial services, such as credit card companies and banks, should not be liable for the copyright infringements of their customers.¹⁶⁶ However, *Fonovisa* and other cases in the field make this a difficult result to achieve.¹⁶⁷ The court understood the question to be difficult enough to merit a published opinion and while one may believe agree with the *Perfect 10* holding, the court was only able to achieve it via a gross mischaracterization of the precedent and some disregard for logic.

The opinion dutifully recites the Ninth Circuit precedent, including the rule of *Fonovisa*, that plumbing, parking and the like constitutes a sufficient contribution to infringement.¹⁶⁸ Nonetheless, the court concludes that in the prior cases finding the defendant liable for contributory infringement there were “acts [that] were directly tied to not only the business operations of the infringers, but specifically to their infringing conduct.”¹⁶⁹ The court stated that, “[i]n each of those cases, the defendants’ conduct specifically assisted the infringing activity itself.”¹⁷⁰ It is difficult to see how parking and plumbing are directly tied to and specifically assist infringing activity. It is hard to see how such mundane services are more deeply connected with infringement than providing what is, in effect, the financial back end to a piracy operation. The opinion also attempts to distinguish the broad precedent on the grounds that the services provided in the prior cases were “essential,” whereas the infringing web sites at issue in *Perfect 10* could continue to operate even without the services of the defendant credit card companies.¹⁷¹ The court reasons that even if the defendants in the case withhold their services, the direct infringer would still be able to process credit cards through other intermediaries not named in the suit.¹⁷² The court also points out that the infringing sites could continue to operate without accepting credit cards, by accepting checks or money orders for example.¹⁷³ Both assertions are doubtlessly true, but neither distinguishes the facts of the case from the “support services” that were held to be contributory acts in prior cases. In the case of the swap meet, for example, the infringing vendors could find other locales for hawking their illicit wares even if the defendant in

164. *Id.* at *4-5.

165. *See id.*

166. *See id.*

167. *See generally Fonovisa, Inc.*, 76 F.3d at 259.

168. *Perfect 10, Inc.*, 2004 WL 1773349, at *3.

169. *Id.*

170. *Id.* at *4.

171. *Id.*

172. *Id.*

173. *Id.*

the case at hand were shut down.¹⁷⁴ Plumbing, parking and the like seem less essential to a business than the ability for an online business to accept credit cards. Plumbing, parking and such support services also seemed even more fungible and content neutral than providing access to the dominant credit card systems.

The point of the foregoing is not to heap criticism on what is a very able court when it comes to copyright matters, but to highlight the predicament of a lower court tasked to evaluate a contributory infringement claim. When examining what constitutes a material contribution, the *Perfect 10* court had no good options. It could: (1) follow the apparent dictates of the governing precedent to support a holding that most would find indefensible on its face, i.e., that credit card companies are liable for the conduct of businesses permitted to process transactions,¹⁷⁵ (2) reach a more sensible conclusion in open defiance of settled precedent, or (3) perform whatever rhetorical and logical gymnastics are required to distinguish the precedent. Here, the court chose the third option.¹⁷⁶

A comparison of this standard to the standard of contributory infringement in the trademark context illustrates the breadth of the copyright standard. A person is contributorily liable for trademark infringement if (1) he intentionally induces another to infringe a trademark, or (2) he continues to supply a product knowing that the recipient is using the product to engage in trademark infringement.¹⁷⁷ Of course, the nature of the rights protected by trademark and those protected by copyright are quite different on both conceptual and practical levels. The nature and circumstances of counterfeiting with respect to each are different as well. However, a comparison of the two theories of contributory infringement prior to *Fonovisa* would be an exercise in hair-splitting. Under both copyright and trademark theories, the defendant intentionally induced, materially contributed to the infringement of another, or provided some essential means to infringe with knowledge that the infringement was taking place. There is no parallel for support services like parking and plumbing as the basis of contributory infringement in the trademark context.

As with the knowledge element, there is no apparent, compelling reason driving the expansion of the contributory acts prong. In almost every traditional media case, including *Fonovisa*, the defendant directly and materially participated in the direct infringement.¹⁷⁸ In the typical case, the defendant participated in the making, distribution, or advertising of bootleg recordings; designed organizational structures with the conscious purpose of avoiding license fees; or sold or operated copying equipment and other necessities of copyright infringement to known infringers.¹⁷⁹

174. See *Fonovisa, Inc.*, 76 F.3d at 163-64.

175. See *id.*

176. *Id.*

177. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

178. *Fonovisa, Inc.*, 76 F.3d at 261.

179. See, e.g., *id.*

Although the Ninth Circuit chose to adopt its expansive standard in *Fonovisa*, it found that the swap meet was liable even under the district court's more stringent requirement of expressly promoting or encouraging the sale of counterfeit products or in some way protecting the identity of the infringers.¹⁸⁰

The court chose to base its decision on logic that would find any swap meet operator liable, but the swap meet at issue in *Fonovisa* was no run-of-the-mill swap meet, or at least one would hope not.¹⁸¹ The swap meet was widely known for its vendors of bootleg records, was subject to a sheriff's raid and seizure of 38,000 counterfeit recordings five years before the appellate case, had received a letter from the sheriff notifying it of ongoing infringement four years before the case and beginning at least three years before the case, received regular updates via informal correspondence or litigation from the plaintiffs that large scale infringement was taking place.¹⁸² Amid this onslaught of legal and moral pressure, it was uncontroverted that the swap meet failed to take real remedial action or even cooperate with the police.¹⁸³ The bootleggers were not kicked out and the swap meet operators refused to provide information regarding the infringing vendors to the authorities.¹⁸⁴ The swap meet operators did, in fact, try to hide the identities of the direct infringers and in this way intentionally and directly participated in their scheme.¹⁸⁵ The court had no cause on the facts of the case to hang its finding on the provision of space, utilities, parking and plumbing. Nonetheless, it did, and other circuits have embraced it.¹⁸⁶

f. Another Puzzling Expansion

The expansion of the standards for contributory acts is also somewhat puzzling. The logic and rule of *Fonovisa* would seem to impose a high

180. *Id.* at 264.

181. *See id.* at 261.

182. *Id.*

183. *Id.* at 264.

184. *Id.*

185. *Id.*

186. It is no surprise that the Ninth Circuit and the district courts within its jurisdiction have embraced *Fonovisa*, most significantly applying a "site and facilities" analysis to the Napster system in *A&M v. Napster, Inc.* 259 F.3d 1004 (9th Cir. 2001). The fact that *Fonovisa* is law in the Ninth Circuit which embraces Hollywood, Silicon Valley and some of the world's largest consumer markets is in itself important. Significantly, the Southern District of New York, the hometown court for the publishing and music industries and shared home of significant segments of the television business, has also embraced the site and facilities holding of *Fonovisa*. *Arista Records, Inc. v. Mp3Board, Inc.*, No. 00 CIV. 4660 (SHS), 2002 WL 1997918, at *6 (S.D.N.Y. Aug. 29, 2002) (citing *Fonovisa* for the proposition that facilities are enough, in this case, the facilities being the Web site and tools of Mp3Board.com). In addition, although there have yet to be cases prosecuted against janitors, parking attendants and others who only provide support services, the *Fonovisa* opinion has been cited approvingly for its statement of secondary copyright liability by the Sixth Circuit, the Tenth Circuit and a number of district courts. *See Gordon v. Nextel Communications & Mullen Adver., Inc.*, 345 F.3d 922, 925 (6th Cir. 2003); *Procter & Gamble Co. v. Haugen*, 317 F.3d 1121, 1128 (10th Cir. 2003); *Arista Records, Inc.*, 2002 WL 1997918, at *6; *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 648 (N.D. Ill. 2002).

standard of vigilance on the part of ordinary service providers not justified by the policy to encourage self policing. To argue that those providing plumbing services should police the copyright uses and abuses of those who benefit from good plumbing seems to be a great stretch. Moreover, such a stretch, absent an express limiting element such as intent, seems to violate the overriding policy of fairness—getting those culpable on the hook. Although the path is far from clear, the expansion of what counts as sufficient contributory acts seems to be driven more by the desire of courts and commentators to generalize and rationalize precedent than by the facts of the cases.

In trying to make sense of the varied precedent, courts and commentators have lumped contributory infringement cases into general categories based upon the acts at issue—cases in which one provides the work to be copied to an infringer, cases in which one furnishes the work to be copied and provides copying equipment, cases in which one furnishes copying facilities, but customers provide the work to be copied and so on.¹⁸⁷ While this approach makes the cases more readily digestible, it also tends to ram complex facts, which usually show a close connection between the defendant and direct infringement, into overly broad generalizations which are then carelessly repeated in later opinions, gaining the force of law.

The prime example of an overly broad generalization morphing into legal gospel may be found within *Fonovisa* itself.¹⁸⁸ The only case cited within *Fonovisa* for the proposition that provision of site and facilities constitutes a contributory act is *Columbia Pictures Industries, Inc. v. Aveco, Inc.*¹⁸⁹ In that case, Aveco rented out rooms equipped with VCR's and televisions to its customers for viewing video tapes.¹⁹⁰ When challenged by a consortium of major film producers, the Third Circuit held that Aveco, by enabling its customer to watch video cassettes in viewing rooms, was publicly performing or authorizing the public performance of the plaintiffs' film works.¹⁹¹ The opinion speaks in terms of a direct violation of plaintiffs' rights under 17 U.S.C. § 106 to publicly perform its works.¹⁹² There is no discussion of contributory infringement or even a citation to the always-invoked *Gershwin* opinion.¹⁹³ Rather, the decision flows from a straight analysis of whether the playing of video cassettes in rooms available for rental to the general public constitutes a

187. David Nimmer, the author of the preeminent copyright treatise, for example, tries to impose structure on the precedent by breaking the cases down into those in which the defendant provided the work to be copied and/or made copying equipment or facilities available. NIMMER, *supra* note 9, § 12.04[A][2].

188. See generally *Fonovisa, Inc.*, 76 F.3d at 259.

189. 800 F.2d 59, 62 n.3 (3rd Cir. 1986).

190. *Id.*

191. *Id.* at ____.

192. *Id.* at 61.

193. See generally *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159 (2d Cir. 1971).

public performance within the meaning of Section 106.¹⁹⁴ To the extent *Columbia Pictures* may be properly considered a contributory liability case, it is only in the narrowest, and most traditional sense, that the defendant authorized the direct infringement of another's work.¹⁹⁵

Yet, *Columbia Pictures* is regularly cited for the broad proposition that providing the site and facilities for copyright infringement is sufficient to establish contributory infringement liability.¹⁹⁶ Indeed, *Columbia Pictures* is the sole reed on which the *Fonovisa* opinion leans.¹⁹⁷ No other cases are cited for the Ninth Circuit's holding that "support services" will do. Thus, it appears that the sweeping *Fonovisa* standard of the Ninth Circuit reached its conclusion first by reducing the *Columbia Pictures* holding into a broad overgeneralization that providing "site and facilities" is enough and then applying the rationale implicit in this generalization to substantiate an even broader generalization that "support services" such as parking, utilities and plumbing will do.

D. THE STANDARD FOR VICARIOUS LIABILITY

As discussed above, vicarious liability is the purported child of the agency principles which holds an employer responsible for the acts of his employee and a principal responsible for the actions of his agent.¹⁹⁸ Accordingly, the test is much the same. A party is vicariously liable for the copyright infringement of another even in the absence of an employer-employee relationship if "he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities"¹⁹⁹ Just as knowledge and contributory acts are the touchstones for contributory infringement, so too are control and financial interest for vicarious liability.

It is worth stressing that just as an agency relationship requires that the agent act both on behalf of and for the benefit of the principal, both elements—control and financial interest—are required for vicarious copyright liability to be found.²⁰⁰ Despite this apparent symmetry with basic agency principles, the scope of vicarious copyright liability extends well beyond traditional respondeat superior, master/servant liability under the law of agency.²⁰¹ While a master/servant relationship—the prerequisite

194. *Columbia Pictures Indus., Inc.*, 800 F.2d at 62.

195. See *supra* note 9. This footnote provides a discussion of the debate as to whether "authorizing" remains an instance of contributory or direct infringement under the 1976 Copyright Act which added the right to authorize exploitation of a protected work as one of the exclusive rights reserved to copyright owners.

196. *Columbia Pictures Indus., Inc.*, 800 F.2d at 62.

197. *Fonovisa, Inc.*, 76 F.3d at 264.

198. *Id.* at 261-62.

199. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

200. RESTATEMENT (SECOND) OF AGENCY § 1 (1958) (defining "Agency"); *Roy Export Co. Establishment v. Trs. of Columbia Univ.*, 344 F. Supp. 1350, 1352 (S.D.N.Y. 1972) (noting that vicarious liability will not be found unless both prongs of the test are satisfied).

201. See generally, NIMMER, *supra* note 9, § 12.04[A][1].

for respondeat superior tort liability under normal agency principles—requires that the master (or employer for those inclined to more modern lingo) have the ability to control the physical movements of the servant in detail, vicarious copyright liability will be found where the party standing in the would-be shoes of the agent/servant is an independent contractor solely responsible for making the decisions relating to his infringing acts.²⁰² Courts hearing copyright matters have thrown off the constraints of developed agency principles with the flexible reasoning that “[m]any of the elements which have given rise to the doctrine of respondeat superior may also be evident in factual settings other than that of the technical employer-employee relationship.”²⁰³ Likewise, there are no additional elements that explore the nature of the relationship between the defendant and the direct infringer, explicit or implicit.

202. The Restatement (Second) of Agency defines agency, principal and agent as follows:

§ 1. Agency; Principal; Agent

- (1) Agency is the fiduciary relation which results from the manifestation of consent by one person to another that the other shall act on his behalf and subject to his control, and consent by the other so to act.
- (2) The one for whom action is to be taken is the principal.
- (3) The one who is to act is the agent.

Master, Servant and Independent Contractor are defined:

§ 2. Master; Servant; Independent Contractor

- (1) A master is a principal who employs an agent to perform service in his affairs and who controls or has the right to control the physical conduct of the other in the performance of the service.
- (2) A servant is an agent employed by a master to perform service in his affairs whose physical conduct in the performance of the service is controlled or is subject to the right to control by the master.
- (3) An independent contractor is a person who contracts with another to do something for him but who is not controlled by the other nor subject to the other's right to control with respect to his physical conduct in the performance of the undertaking. He may or may not be an agent.

It is plain from the language of the test that vicarious liability includes defendants who certainly are not the “masters” of direct infringer “servants,” those whose physical conduct is controlled by the defendant. It is also clear from the limited language of the test that a defendant may be vicariously liable even if he is not an “agent” of the direct infringer. Although both the copyright test and the definition of agency have an element of “control,” there is no direct requirement that the direct infringer act on behalf of the defendant, only that the defendant financially benefit from the infringement at issue. Equally important, where the Restatement (Second) of Agency makes clear that agency is a fiduciary relationship that may only arise by the consent of the parties, the copyright analog has no agreement or consent requirement. The cases are likewise clear in stating that the copyright concept of vicarious liability reaches beyond actual agency relationships, that agency is merely a sort of metaphor that shapes the standard.

In *Dreamland Ballroom, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929), the dance hall found vicariously liable arguably had no voice in the selection of the music, the performance of which was found to be infringing, no voice in the selection of musicians furnished by the band leader with whom it contracted, did not select music, did not know any selection was copyrighted, and did not know that the band leader did not have a license to perform the music; yet it was found liable for the band leaders infringement merely by virtue of the contractual relationship of the dancehall to the band leader. This foundational case makes clear that lack of knowledge and independent contractor status has nothing to do with vicarious liability.

203. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) (internal citation omitted).

Most importantly, unlike contributory infringement, there is no knowledge requirement of any kind in the test for vicarious liability.²⁰⁴ As discussed above, vicarious liability is a strict liability theory, pinning damages on the innocent infringer.²⁰⁵ The rationale is that as between the innocent infringer and the injured copyright owner, it is fair that the innocent infringer who had the power to prevent the infringement and who profits from the infringement pay.²⁰⁶ Even where a defendant is wholly unaware of the infringement at issue and even where the defendant has expressly ordered and otherwise made good faith efforts to prevent the infringement at issue from taking place, vicarious liability will be found if the two essential elements are present.²⁰⁷ This assignment of loss also serves the twin policy aims of incentivizing policing and spreading the loss by requiring defendants to internalize copyright infringement as a cost of doing business.²⁰⁸ Consistent with its strict liability nature, the burden of vicarious liability may not be easily shifted by contract with the direct infringer. Although an indemnification provision may give the dancehall operator or other vicarious infringer a right to recoup the copyright damages it must pay from the direct infringer, indemnification provisions and statements that the direct infringer is solely liable for copyright infringement will not insulate the vicarious infringer from liability.²⁰⁹

1. *Where Vicarious Liability Has Been Found*

The instances in which vicarious liability is found are usually distinguished from those instances where it is inappropriate through a tidy dichotomy between cases involving dancehall owners and independent contractor orchestras on the one hand and absentee landlords and their tenants on the other. Vicarious liability for copyright infringement springs largely from the rich history of cases grappling with the problem of unlicensed live performances of popular musical compositions in dance halls and similar establishments.²¹⁰ Dancehall proprietors accordingly

204. See, e.g., *Polygram Int'l Publ'g, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1324 (D. Mass. 1994).

205. See *id.* at 1325.

206. *Id.*

207. *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n, Inc.*, 554 F.2d 1213, 1214-15 (1st Cir. 1977) (finding horse track liable for playing of infringing music by independent contractor music provider, despite direct instructions from horse track management not to play any of plaintiff's compositions).

208. See *supra* Part VI.

209. *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1322-23 (finding that trade show organizer's rules, which attempted to shift all responsibility for copyright infringement to individual exhibitors, did not shield trade show organizer from vicarious liability).

210. *Dreamland Ballroom, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929) (finding a dance hall proprietor liable for infringing performances of an orchestra even though the band leader was an independent contractor and the dance hall proprietor had no voice in the selection of the music or musicians furnished by the bandleader). See generally *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963) (comparing the dancehall cases with the landlord/tenant cases and citing a mass of cases spanning forty years holding dancehall proprietors vicariously liable).

provide the paradigm of the defendant that should be found vicariously liable. The factors frequently articulated by courts justifying liability are the active management and supervision of the dancehall owner and the fact that the "activities provide the proprietor with a source of customers and enhanced income" regardless of whether the proprietor has any specific control over the selections played by the orchestra.²¹¹ The case reporters are packed with a wall of uniform precedent holding, in effect, that no matter what the contract says, no matter who hires the musicians, no matter who picks the tunes, no matter how unsophisticated the defendant is in the ways of copyright royalties, no matter what the defendant knew or thought—he who hires and profits from the fiddler, must pay for the tunes, at least in the context of dancehalls, ballrooms and similar businesses built around the enjoyment of live music performances.²¹²

In keeping with these common law roots, the inquiry into whether a party is vicariously liable for the copyright infringements of another is almost universally framed as an exercise in trying to determine whether the defendant is more like a dancehall proprietor (and therefore liable) or an absentee landlord (and therefore not liable as discussed below). Situations falling on the dancehall (hence vicariously liable) side of the dichotomy over the years have included a horse racetrack that hired a third party to install necessary equipment and provide music for its patrons; a trade show organizer that permitted those renting booths in its space to play music; and a flea market where a vendor renting a space sold counterfeit records.²¹³

2. *Where Vicarious Liability Has Not Been Found*

In contrast with the dancehall/orchestra relationship, in the typical landlord/tenant relationship, the landlord is usually not held responsible for the infringing acts of his tenant.²¹⁴ Where the landlord makes no contribution to the tenant's infringement beyond the obvious provision of space, only receives a rent check from the tenant and derives no other financial benefit from the tenant's infringing activities, liability generally has not been found.²¹⁵ Writing for the Second Circuit (as well as his colleague on the panel Judge Learned Hand), Judge Augustus Hand set the baseline: "Something more than the mere relation of landlord and tenant

211. *H.L. Green Co.*, 316 F.2d at 307.

212. For an extensive list of the "dancehall cases" finding a dancehall operator vicariously liable for the infringements of his orchestra, see *H.L. Green Co.*, 316 F.2d at 307-08.

213. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261-62 (9th Cir. 1996); *Famous Music Corp.*, 554 F.2d at 1215; *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1322-23;

214. *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938) (L. Hand, J. & A. Hand, J.) (holding landlord not liable for infringing works sold by tenant on his property); see generally the discussion in *H.L. Green Co.*, 316 F.2d at 307-08 (comparing the dancehall cases with the landlord/tenant cases and citing a mass of cases spanning forty years holding dancehall proprietors vicariously liable).

215. This is the gloss the *H.L. Green Co.* court placed on *Deutsch v. Arnold* and the other cases finding landlords not vicariously liable for the infringements of their tenants.

must exist to give rise to a cause of action [of vicarious copyright infringement].”²¹⁶ Without more, a landlord should not be held liable for the copyright infringements of its tenants.

In this thread of precedent, courts have found that the lessor of board-walk booths is not liable for its tenant selling infringing hand-writing analysis charts²¹⁷ and a university is not liable for the exhibition of an infringing film in its facilities.²¹⁸ Beyond the landlord/tenant relationship, courts have also found the relationship at issue too remote for vicarious liability to attach where a real estate broker arranged a sale of land conditioned on the use of infringing building plans;²¹⁹ where a business sponsors a television or radio broadcast in which infringing works are aired;²²⁰ where a publisher passes a work to an independent contractor reader for comment, who in turn passes it onto another, unrelated party who then infringes the work.²²¹ More recently, in the battles over “star pagination” references to the West Digest case reporters, a court has found that a publisher of CD-ROM’s is not vicariously liable for any infringing use to which its end users may put its products.²²² Lastly, a district court has recently concluded that credit card service and processing companies are not liable for the infringements of the vendors they serve.²²³

3. Vicarious Liability—The Right and Ability to Control

In the standard-creating cases, the involvement of the defendant with the direct infringer was deep and inextricable.²²⁴ In *Gershwin*, the defendant talent agency created and managed the neighborhood concert organizations at issue.²²⁵ The court had little trouble basing vicarious liability on the defendant’s “pervasive participation” with the neighborhood organizations.²²⁶ In *Shapiro*, the direct infringer was a concessionaire within the defendant’s department store, governed by a detailed agreement with the defendant and subject to the defendant’s ongoing oversight and con-

216. *Deutsch*, 98 F.2d. at 688; See also *Robert Stigwood Group, Ltd. v. Hurwitz*, 462 F.2d 910 (2d Cir. 1972) (finding that lessor of theater not liable for infringing performances).

217. *Deutsch*, 98 F.2d. at 688. As a gloss on *Deutsch*, the much later *H.L. Green Co.* court read *Deutsch* as standing broadly for the proposition that where the defendant only receives a rent check and no other benefit from the infringing conduct and does not contribute to the infringement, no liability should attach. See *H.L. Green Co.*, 316 F.2d at 307.

218. *Roy Export Co. Establishment v. Trs. of Columbia Univ.*, 344 F. Supp. 1350, 1353 (S.D.N.Y. 1972) (finding that university was not vicariously liable for infringing film exhibition because it had no financial interest in display of films).

219. *Demetriades v. Kaufmann*, 690 F. Supp. 289, 292-93 (S.D.N.Y. 1988).

220. *Bevan v. Columbia Broad. Sys., Inc.*, 329 F. Supp. 601 (S.D.N.Y. 1971).

221. *Mount v. Book of the Month Club, Inc.*, 555 F.2d 1108 (2d Cir. 1977).

222. *Matthew Bender & Co. v. West Publ’g Co.*, 158 F.3d 674 (2d Cir. 1998) (finding CD-ROM publisher not liable for infringing use by its end users largely on the ground that the publisher could not control the behavior of its users).

223. *Perfect 10, Inc. v. Visa Int’l Serv. Ass’n*, No. C 04-0371 JW, 2004 WL 1773349, at *6 (N.D. Cal. Aug. 5, 2004).

224. See *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159 (2d Cir. 1971).

225. *Id.* at 1160-61.

226. *Id.* at 1163.

trol, including the power to dismiss employees of the concessionaire/direct infringer.²²⁷

Looking to these foundational cases, a later court summarized the control prong:

[I]t appears that these and other courts implicitly have adopted terms similar to those described in the legislative record of the amendments to the Copyright Act of 1976. . . . That is, defendants are found to have "control" over a performance if they "either actively operate or supervise the operation of the place wherein the performances occur, *or* control the content of the infringing program."²²⁸

Still, the right and ability to control prong of vicarious liability test has always been a pale shadow of its more robust cousin in the law of agency. The copyright standard is much broader on its face. Because agency is a fiduciary relationship with potentially serious consequences, agency requires both parties to consent to control of the would-be agent by the principal.²²⁹ The relationship need not be consensual for purposes of copyright.²³⁰ Moreover, in the usual course, the analysis becomes even more refined to determine whether the various indicia of control are strong enough to conclude that an agent is also a "servant." For tort liability (a category which is often said to encompass copyright infringement) to pass, a defendant usually must have the right to control the physical conduct of the party directly causing the harm.²³¹ No such relationship or level of physical control is required for purposes of indirect copyright liability.²³² Indeed, the reach of indirect copyright liability is intended to capture independent contractors, who, by definition, cannot be servants under general agency law.²³³

The way courts approach the problem on a practical level parallels the differences between the indirect copyright liability and general standards of agency law. Analyses in agency and corporate contexts tend to focus

227. *H.L. Green Co.*, 316 F.2d at 306. For an analysis of how tenuous control within an organization may generally be to avoid vicarious liability outside the copyright context, see generally *Davis v. E.I. du Pont de Nemours & Co.*, 240 F. Supp. 612 (S.D.N.Y. 1965).

228. *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1328 (internal citation to the House Report omitted).

229. RESTATEMENT (SECOND) AGENCY § 1 (1958).

230. See, e.g., *Gershwin Publ'g Corp.*, 443 F.2d at 1162.

231. RESTATEMENT (SECOND) OF AGENCY §§ 2 & 220 (1958). The Restatement provides a detailed list of ten factors to consider when determining whether a master/servant relationship exists. The factors include the following: the extent of control granted under any agreement, the skill required, who supplies the tools, the length of service and the understanding of the parties, among others. This inquiry is altogether lacking in the copyright analysis.

232. See, e.g., *Dreamland Ballroom, Inc. v. Shapiro Bernstein Co.*, 36 F.2d 354, 355 (7th Cir. 1929).

233. RESTATEMENT (SECOND) AGENCY § 2, cmt. B (1958). "The word 'servant' is used in contrast with 'independent contractor.' The latter term includes all persons who contract to do something for another but who are not servants in doing the work undertaken. An agent who is not a servant is, therefore, an independent contractor when he contracts to act on account of the principal." *Id.*

extensively on exactly who held what authority, who was answerable to whom on what matters, and who was subject to what internal procedures to determine whether one is an agent.²³⁴ By comparison, the copyright cases are glib on this point. Because the copyright doctrine grew out of the dancehall/orchestra problem and courts were determined that whatever the logic, the dancehall operator is liable in copyright, the courts fashioning the copyright doctrine could not be so sharp with regard to the power of the defendant over the direct infringer.²³⁵ If they were, a dance-hall owner could easily dodge liability by placing all authority in the hands of the band leader. No control, no liability. Thus, the control required has always been somewhat theoretical, to the critic of the doctrine, perhaps even imaginary. The focus is on the defendant's *potential* or as the standard puts it, "the right and ability to control," regardless of what the contract says and how the relationship actually works in practice.²³⁶

Because the question is one as to ultimate, rather than practical, operational control, the power to exclude suffices to establish the right and ability to control. In *Fonovisa*, the Ninth Circuit reasoned that a swap meet operator "had the right to terminate vendors for any reason whatsoever and through that right had the ability to control the activities of vendors on the premises."²³⁷ The ultimate right to preclude the infringing activity from taking place by simply precluding all activity of the sort at issue will also suffice.²³⁸ So, in *Polygram*, the trade show organizer's power to preclude all vendors at the show from playing any music whatsoever satisfied the right and ability to control prong with respect to infringing music played by a specific vendor in a rented booth.²³⁹ The defendant's ultimate power to exclude or choose not to draw end customers also satisfies the right and ability to control prong.²⁴⁰ The court in *Fonovisa* cited the swap meet promoter's control over the access of customers to the swap meet and its promotion of the swap meet to support its conclusion that the swap meet operator had the right and ability to

234. See generally, RESTATEMENT (SECOND) OF AGENCY §§ 1, 2 & 220, case summaries & citations (1958).

235. See, e.g., *Dreamland Ballroom, Inc.*, 36 F.2d at 355.

236. The Restatement (Second) of Agency speaks in terms of the "right to control" as well, but for tort liability to pass not only must the control be much deeper (the physical conduct of the agent for it to be deemed a servant), but the inquiry is much more exacting, taking into account all the factors of section 220. See RESTATEMENT (SECOND) OF AGENCY § 220 (1958).

237. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263 (9th Cir. 1996).

238. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1328-29.

239. *Id.* at 1328 (emphasizing that the trade show organizer's "Rules and Regulations" permitted it to "restrict exhibits that 'because of noise, method of operation, materials or any other reason become objectionable'" and to police exhibitors during the show). See also *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001) ("The ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise.").

240. *Fonovisa, Inc.*, 76 F.3d at 263-64.

control the vendor of counterfeit records.²⁴¹

Under this logic, rules governing the relationship between the defendant and the direct infringer can never serve to show that the defendant did not have the right and ability to control. Indeed, the very existence of rules shows that the defendant did have such power and simply opted not to impose a rule that would have prevented the infringement from taking place.²⁴²

The cases finding sufficient control lacking are few, serving to highlight how tenuous a relationship must be to avoid vicarious liability. A real estate broker does not have sufficient control over what plans the sellers foist upon the buyers;²⁴³ an uninvolved, third-party advertiser lacks sufficient control over television broadcasting decisions;²⁴⁴ a vendor cannot control what its customers do with its products;²⁴⁵ and, while it is settled that one may be vicariously liable for the infringement of an independent contractor, the buck may stop there. At least one case indicates that liability cannot be passed all the way back if the defendant gives a copyrighted work to an independent contractor, who, in turn, gives the work to someone else without authorization, who then infringes the copyright in the work.²⁴⁶

Another recent case suggests a limit on the right and ability to control prong.²⁴⁷ In finding that credit card servicing companies lacked sufficient control over the vendors they serve for vicarious liability purposes, the court noted that the defendants had no contractual right to dictate what vendors may do in their business and thus had no direct control over the infringing activity at issue.²⁴⁸ This court did not, however, reject the logic that the power to exclude evidences sufficient control in the usual case.²⁴⁹ Instead, it concluded in a strange twist of logic that even if defendants did prevent the direct infringer from using the services of the defendant credit card companies, the direct infringer could continue its infringing activity by using other credit card companies and/or accepting payment by other means.²⁵⁰ It is unclear if any other courts will adopt this apparent rule that the power to exclude only establishes the right and ability to control if the services withheld are truly "essential" to the infringing ac-

241. *Id.*; see also *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1329 (noting the trade show organizers' promotion of the trade show as a factor supporting a finding of a right and ability to control).

242. See e.g., *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1329 ("[T]he fact that Interface instructed exhibitors to comply with the copyright laws does not demonstrate a lack of control. Rather, it is compatible with an inference that Interface, though retaining and exercising control in fact, attempted to shift legal responsibility from itself to others."). See also *Famous Music Corp.*, 422 F. Supp. at 342-43.

243. *Demetriades*, 690 F. Supp. at 292-93.

244. *Bevan*, 329 F. Supp. at 610-11.

245. *Matthew Bender & Co.*, 158 F.3d at 689-90.

246. *Bevan*, 329 F. Supp. at 610.

247. See *Perfect 10, Inc.*, 2004 WL 55404, at *5.

248. *Id.*

249. *Id.*

250. *Id.*

tivity such that it could not continue once the defendant kicked out the direct infringer.²⁵¹

It may not overstate the breadth of the right and ability to control element to say that any ongoing commercial relationship may suffice for vicarious copyright liability purposes, unless the infringement is wholly unrelated to defendant's business. If the relationship can be terminated or is otherwise subject to binding rules imposed in part by the defendant, the right and ability to control will likely be found.

4. Vicarious Liability—Direct Financial Interest

The *H.L. Green Co.* standard also requires "an obvious and direct financial interest in the exploitation of copyrighted materials. . . ."²⁵² The requirement of a financial benefit is presumably a stand-in for the requirement in agency that an agent act for the benefit of the principal.²⁵³ As with the control element, the copyright adaptation of agency principles is far more lax on its face. Here, too, there is no requirement that the relationship be mutually consensual as in a true principal-agent relationship.²⁵⁴ Also, the direct infringer need not act on behalf of the defendant. It is enough that the defendant receive a financial benefit from the conduct.²⁵⁵

Two interpretive strains in the caselaw emerge, one that actually requires that the link between the infringement and the financial benefit be "obvious and direct" and one that effectively reads these limiting terms out of the standard, permitting almost any hypothetical financial benefit, however amorphous, unquantifiable, and tenuously linked to the infringement, to suffice.²⁵⁶ The actual text of the standard aside, either rule arguably fits the dancehall paradigm.²⁵⁷

251. *Id.* The reasoning of the court is difficult to defend, though its impetus to narrow the right and ability to control element is understandable. Under the limitation crafted by the court, the right to exclude establishes the right and ability to control only where the defendant's services are truly essential to the infringing activity. As the opinion explains: "[T]he allegedly infringing websites will be able to continue their alleged infringing conduct regardless of whether Defendants blacklist them. Therefore, Defendants' ability to rescind their services does not indicate control over the websites' alleged infringing actions." *Id.* This rule seems to make a finding of vicarious liability contingent on what the market could supply the direct infringer in the absence of the defendant's services.

Unfortunately, the *Perfect 10* court did not reach the question of financial interest, having already dispatched the matter with its finding of alignment with the right and ability to control. A determination of whether a credit card company's percentage rate on the purchase of infringing materials counts as a direct financial interest would, however, have been a useful contribution to the law.

252. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

253. RESTATEMENT (SECOND) OF AGENCY § 1 (1958).

254. *See, e.g., Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

255. *See, e.g., Polygram Int'l Publ'g, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1330 (D. Mass 1974).

256. *Compare H.L. Green Co.*, 316 F.2d at 308, with *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1331.

257. *See generally Dreamland Ball Room, Inc.*, 36 F.2d at 354.

The requirement that the financial benefit be "direct" would seem to require a close relationship between the value derived from the infringement and the defendant's business, ruling out the lengthy chains of causal logic on which many cases rest.²⁵⁸ If the copyright owner's theory is that the infringement provides a draw for customers, which in turn makes the venue more desirable, which in turn permits the defendant to raise its rent demands or drink prices, perhaps there are too many steps from the infringement to the defendant's wallet to say that the financial benefit is direct. For a financial benefit to be "obvious," it would seem that no indirect, amorphous, impossible-to-measure benefits will suffice, that a real flow of dollars from the infringing activity to the defendant must be plain. This is arguably the case in the classic dancehall situation.²⁵⁹

People go to dancehalls and pay all the associated expenses to the dancehall owners—gate fees, food, and drink prices—to dance to the music performed inside. The orchestra and the music it plays are the heart of the business, making the link between the financial success of the dance hall and the tunes it plays direct and obvious, even if the proprietor chooses to cash in on drinks and concessions rather than the right to dance itself.

In several key cases the linkage is even more direct and obvious. In *H.L. Green*, for example, the defendant actually received a percentage of every sale of a bootleg record, profiting directly from the infringing activity.²⁶⁰ Recent courts have followed this reasoning, concluding that "where a defendant rents space or services on a fixed rental fee that does not depend on the nature of the activity of the lessee, courts usually find no vicarious liability because there is no direct financial benefit."²⁶¹ In fact, these cases include the district court opinion in *Fonovisa* (squarely overturned by the Ninth Circuit), which found the financial link between vendors selling counterfeit records at a swap meet and the swap meet operator too tenuous to support vicarious infringement.²⁶²

From an accounting point of view, however, it may appear that dancehall revenues have nothing to do with music, as the customers pay for entry, drinks, and the like. Music is a straight expense for the dancehall operator, incurred presumably in the belief that the live music enhances the experience for its customers, which in turn, raises the num-

258. *Id.* at 355.

259. *Id.*

260. *H.L. Green Co.*, 316 F.2d at 306.

261. *Religious Tech. Ctr. v. Netcom Online Communication Servs.*, 907 F. Supp. 1361, 1376 (N.D. Cal. 1995). See also cases cited by *Netcom* in support.

262. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1497 (E.D. Cal. 1994), *rev'd* 76 F.3d 259 (9th Cir. 1996). In *Fonovisa*, the defendant contended that "a commission, directly tied to the sale of particular infringing items, is required." *Fonovisa, Inc.*, 76 F.3d at 263. The Ninth Circuit held in the alternative that "admission fees, concession stand sales and parking fees, all of which flow directly from customers who want to buy the counterfeit recordings" is enough. *Id.*

bers on the bottom line.²⁶³ Apparently viewing things in this way, a number of courts have overlooked the “direct and obvious” limitations, plausibly inserting an implicit “however indirect and amorphous” to broaden the reach of liability.²⁶⁴ Indeed, the District Court of Massachusetts in an uncommon act of intellectual honesty in its *Polygram* decision expressly rejected the *H.L. Green* standard requiring a “direct and obvious” financial benefit, adopting instead language from a Judiciary Committee report on the 1976 Copyright Act which requires only that the defendant “expect commercial gain from the operation and either direct or *indirect* benefit for the infringing performance.”²⁶⁵ Under this approach, which the District of Massachusetts states “more nearly captures the standard that is currently applied by courts in copyright cases,” the financial benefit requirement does not significantly limit vicarious copyright liability.²⁶⁶ If the defendant is a for-profit venture and chooses to permit others to provide music or other copyrighted material to its patrons or customers, one can safely presume that there is a sufficient financial benefit.²⁶⁷ Indeed, one must strain to identify any commercial situations involving the performance or distribution of copyrighted works that would not meet this lax standard.

Under this dominant view of the financial benefit required, not only is a financial benefit all but presumed in the context of a commercial enterprise, but it seems that almost any quanta of benefit, however minute, is sufficient.²⁶⁸ In *Polygram*, the defendant trade show operator argued unsuccessfully that no liability should attach to it because only four out of the 2,000 exhibitors, occupying a mere 0.002% of the total exhibition space played copyrighted music.²⁶⁹ The court concluded that “full assessment of the amount of benefit is not required to determine liability . . . only whether the defendant derived a benefit from the infringement that was substantial enough to be considered significant.”²⁷⁰ In a neat causal chain, the court concluded that despite the apparently *de minimus* role of music in the trade show (if the defendant’s declaration is to be believed), some exhibitors performed music, some of it copyrighted, to attract customers to their booths and that these performances provided a significant benefit not only to the individual exhibitors seeking to attract attention to their booths, but to the trade show operators as well.²⁷¹

263. This is arguably true only in the same way movies have nothing to do with the movie theatre business which, looking at things with a profit orientation, really is in the business of selling overpriced sodas and popcorn.

264. See *H.L. Green Co.*, 316 F.2d at 307.

265. *Polygram Int’l Publ’g, Inc.*, 855 F. Supp. at 1326 (quoting H.R. REP. NO. 94-1476, at 159-60 (1976)) (emphasis added).

266. *Id.*

267. See, e.g., *id.* at 1330-31.

268. See, e.g., *id.* at 1333.

269. *Id.*

270. *Id.*

271. *Id.* at 1331-32.

Sadly, the court does not bridge the chasm between the defendant's data regarding the small role of music performed by third parties in its own enterprise and the court's conclusion that it provides a "significant" financial benefit nonetheless.²⁷² It is hard to identify what exactly is the financial benefit to the trade show organizers that is "significant." Is the court concluding that the bottom line to the trade show business would be significantly different if they had precluded the playing of music by the four out of 2,000 vendors who wished to play music? Or, is the court taking the position that any performance that may increase the attractiveness of the venue to customers necessarily results in financial benefit to the business? There is no clear answer in the opinion.

This analysis may appear to give undue weight to a district court opinion from a district not known as a hotbed of copyright jurisprudence. It is, however, an extraordinarily thorough opinion and, for the most part, candidly expresses the standards implicit in other opinions, including *Fonovisa*, which pay undue homage to the *H.L. Green* standard given their extremely broad view of the financial interest prong.²⁷³

5. *The Evolution of the Vicarious Liability Standard*

The caselaw does not show a clear progression from a limited doctrine of vicarious liability to a more expansive one as in the case of contributory infringement. The doctrine has been rootless and hence somewhat wild, from the outset. By cutting the doctrine free of the strictures of agency law and respondeat superior liability, and by insisting that vicarious liability may be found where no master/servant relationship exists, the courts have made the situations in which vicarious liability will apply hazy at best. It appears that the doctrine, such as it is, has always been driven by ultimate policy concerns of the justice of apportioning loss between a business, which may benefit in some way from infringement even if remotely, minutely, immeasurably and innocently, and the injured copyright owner.

As such, differing views of the scope of the doctrine have manifested themselves largely in differing approaches to the financial benefit re-

272. *Id.* at 1332.

273. The holding in *Fonovisa* could be justified under the *H.L. Green Co.* "direct and obvious" requirement, if the court had made findings (at which the scanty facts recited indicate may have been supportable) that the counterfeit record vendors were not a small draw amidst an array of other vendors of every kind, but for this swap meet were the draw, the lifeblood of the swap meet, its *raison d'être*. Unfortunately, the *Fonovisa* court believed it had finished the analysis when it concluded that "admission fees, concession stand sales and parking fees, all of which flow directly from customers who want to buy the counterfeit recordings" is enough. *Fonovisa, Inc.*, 76 F.3d at 263. The opinion does not address the quanta, or as the *Polygram* court puts it, the significance of those revenues to the swap meet enterprise. See generally *id.*; *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1331-32.

The standard articulated in *Polygram* more easily explains the holding in *Famous Music Corp.*, 554 F.2d at 1214-15 than does the *H.L. Green* standard recited by the court in *Famous Music*. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1333 (holding a racetrack liable).

quirement, with some courts imposing the "direct and obvious" limitations of the *H.L. Green* standard, and many others reciting the *H.L. Green* standard, but actually applying something far more akin to the *Polygram*, House Report standard which supports liability no matter how indirect the financial benefit may be.²⁷⁴

The oft-repeated dichotomy between dancehalls which are liable and landlords which are not fails to offer any real guidance or distinction in the end.²⁷⁵ In the bedrock case for the proposition that landlords are not liable, *Deutsch v. Arnold*, the defendant leased booths on a boardwalk, presumably to various vendors of novelties and amusements, including the infringing seller of the hand-writing analysis chart.²⁷⁶ Is this really different in kind from the swap meet operator in *Fonovisa* renting booths to vendors, including the one selling bootleg records?²⁷⁷ Whatever differences in gestalt one may sense, the legal conclusion for both dancehall operators and landlords is the same under an honest analysis employing the broad, predominant view of financial benefit.²⁷⁸ In both cases, the right of control is clear.²⁷⁹ Because most landlords impose rules of conduct via the lease and retain termination rights if those rules are violated, it is hard to see how even the most absentee of landlords could fail to exercise sufficient actual or potential control. The dancehall and the landlord could be distinguished by the requirement that the financial benefit from the infringement be direct and obvious. In the dancehall, where music performance is the engine of the whole enterprise, the benefit to the business is plain, or direct and obvious. In the case of the typical landlord leasing a property to anyone able to pay the rent, it usually would not be, assuming the core business of the landlord to be buying, leasing and managing properties. However, applying the predominant, *Polygram* view which tolerates indirect benefits apparently no matter how slight, anything that is good for the tenants probably provides a significant enough benefit to the landlord to pass muster.²⁸⁰ Like the trade show operator in *Polygram*, any landlord who "permits" her tenants to perform unlicensed music, makes the rented space more attractive to both the tenants, and the tenant's customers and therefore benefits sufficiently.²⁸¹ As taught in *Polygram*, the quanta of benefit is irrelevant to a finding of liability, as is the unquantifiable nature of the benefit.²⁸² Only a hypothetical or presumptive benefit of some kind is required.²⁸³ Courts

274. H.R. REP. NO. 94-1476, at 159-60 (1976).

275. Compare *Dreamland Ballroom, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355, with *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938).

276. *Deutsch*, 98 F.2d at 687.

277. See *Fonovisa, Inc.*, 76 F.3d at 261.

278. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1331.

279. See, e.g. *Deutsch*, 98 F.2d at 688; *Dreamland Ballroom, Inc.*, 36 F.2d at 355.

280. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1333.

281. See *id.*

282. See *id.*

283. See *id.*

do not get caught up in dollars and cents made in the normal case.²⁸⁴

One can come up with a number of more definite ways of drawing the line. One could return to the basic rules of agency that have served all other aspects of the business arena so well to hold that a defendant is potentially liable only if the infringing performance was made on its behalf and for its benefit per the Restatement definition of agency.²⁸⁵ One could take a harder look at the control prong to find liability only if the defendant had the contractual right to police the performances. Many other rules are defensible, but none seems to capture all the precedent.

In the end, the doctrine of vicarious copyright liability seems to be less a doctrine of rules that provides foreseeable results and more a vehicle for courts to make ultimate policy judgments as to what type of enterprises should internalize the costs of copyright injuries occurring within its sphere of operations. If, as a policy matter, courts insist on holding businesses liable where the infringement is at the core of the business (dancehalls), businesses that benefit in small ways that may be hard to quantify (background music at racetracks and the like) and businesses engaged in leasing certain types of retail space (departments within stores, trade show booths and swap meet stalls), while providing amnesty for other landlords, then real, explanatory standards will be tough to find.²⁸⁶

The case law provides some predictability by allowing one to reason by analogy to business contexts already adjudicated—dancehalls, trade shows, real estate brokers, racetracks—but the search for an explanatory test remains elusive.²⁸⁷ Under the dominant, broad view as expressed in *Fonovisa*, any business anywhere near an infringement, whether or not the infringing activity is part of its own business, faces a real threat of liability.²⁸⁸

X. CONCLUSION: THE SUBSTANCE OF THE EVOLVED DOCTRINES IN THE TANGIBLE WORLD DOES NOT MATCH THE GROWING IMPORTANCE OF THE DOCTRINES

The doctrines described above are employed to evaluate the ultimate merits of: a centralized peer-to-peer system (Napster) versus a fully-distributed network (Grokster); instant messaging programs (such as AOL instant messenger) versus software clients which optimize an instant messenger for the broad sharing of files (Aimster); and internet service providers versus BBS operators (Netcom)—all of which involve technical

284. See, e.g., *id.*

285. RESTATEMENT (SECOND) OF AGENCY § 1 (1958).

286. See generally *Dreamland Ball Room, Inc.*, 36 F.2d at 354; *Famous Music Corp.*, 423 F. Supp. at 341; *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1314; *Fonovisa, Inc.*, 76 F.3d at 259.

287. See generally *Dreamland Ball Room, Inc.*, 36 F.2d at 354; *Famous Music Corp.*, 423 F. Supp. at 341; *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1314; *Fonovisa, Inc.*, 76 F.3d at 259.

288. *Fonovisa, Inc.*, 76 F.3d at 264.

capabilities and relationships among individuals, machines and content without close prior analogy. The companion piece to this article examines the application of the doctrines to such novel technologies—first exploring the law developed with respect to analog recording devices and then moving on to see how the law as modified fares with respect to the challenges of the Internet, distributed file sharing and other modern computer networks.

The law as it evolved up to the precipice of the technology/content wars seems greatly overtaken. Even taken on its own terms, in the context of its own tangible media problems, the rules appear to be little more than loose guidelines that offer few interpretive constraints to courts. If any form of support services can constitute a material contribution to copyright infringement and the knowledge required is generalized knowledge that infringement of the sort alleged is taking place, how distant must a relationship be to avoid copyright liability? The same question may be posed with respect to vicarious liability. If the right to control may be established by the power to exclude or refuse to transact business with the infringer and the financial benefit required is satisfied by the syllogistic logic that businesses do what is good for them, so if they do it, they must benefit financially, what commercial relationships are too loose to avoid the translation of copyright liability? The policy aim of fairness appears to be at the whim of the strict liability policy rationales of loss spreading and incentivizing policing.²⁸⁹

The doctrines of secondary copyright liability fail to a large extent by their own terms. They purport to bring accepted agency principles of respondeat superior and tort principles of joint liability for joint tortfeasors to copyright infringement, but they translate these broad concepts without some of the key limiting factors present in tort and agency law. The rationales and language of the rules spread to encompass a long history of ad hoc rulings, resulting in a breadth that is hard to justify, even by the policy objectives the doctrines are intended to serve. Without a precise analog in the precedent, the rules have little predictive force with respect to new situations. We know, for example, that leasing booths at a trade show or swap meet has implications for copyright liability, while leasing kiosks on a boardwalk does not, but we cannot say much about other lessor/lessee relationships absent a prior opinion on the topic.²⁹⁰ This breadth, of course, makes the challenge of handling novel technologies without close precedent in the litigated past, such as distributed computer networks, all the more difficult to parse.

The evolution of the doctrines in the tangible past cut a silhouette of very general principles intended to capture a significant body of disparate results. They do not inspire confidence as an appropriate arbiter between

289. See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 447-50 (1984).

290. See *Polygram Int'l Publ'g, Inc.*, 855 F. Supp. at 1333; *Deutsch*, 98 F.2d at 288.

the interests of content and technology across all platforms and business organizations. That, however, is precisely the mission which has fallen to these doctrines and that will be the subject of the companion piece to this article.²⁹¹

291. Craig A. Grossman, *From Sony to Grokster, The Failure of the Copyright Doctrines of Contributory Infringement and Vicarious Liability to Resolve the War Between Content and Destructive Technologies*, 53 BUFF. L. REV. 141 (on file with author).