



***MGM v. Grokster*: Judicial Activism or A Good Decision?**

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I. INTRODUCTION

The recent Supreme Court decision in *MGM v. Grokster*¹ is the latest chapter in the copyright wars. Content owners are elated with the result because it makes it easier to clamp down on copyright infringement. They are not limited to only suing actual infringers who illegally download music from the Internet. Legal actions can now also be brought against some companies that make and distribute software which facilitates illegal music downloading.² In contrast, some commentators find the decision problematic because they believe it will stifle innovation.³

On its face, any legal result which dampens an incentive to engage in illegal conduct, such as copyright infringement, would seem laudable. However, if it attacks and suppresses otherwise legal conduct, that is problematic. Our legal system is primarily based on fault or culpability.⁴ Hence, creating liability for legal conduct is both unjust and contrary to the underlying policies of our legal system. Additionally, courts must be cognizant of marketplace effects that extend beyond the parties involved in the immediate dispute.⁵ For example, extending copyright infringement liability beyond direct infringers may be counterproductive for society if it reduces incentives for creativity. Finally, *Grokster* must be analyzed in the context of the underlying policy considerations

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¹ Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764 (2005), *remanded to* 2005 U.S. App. LEXIS 17145 (9th Cir. Aug. 15, 2005).

² Jeffrey D. Neuburger & Maureen E. Garde, *What's Left of Substantial Noninfringing Use After Grokster?*, 70 PAT., TRADEMARK & COPYRIGHT J. 549 (2005).

³ Lawrence Lessig, *A Rotten Ruling*, WIRED MAG., Sept. 2005, at 94; *see generally* Christopher Norgaard, *The Supreme Court Shares Its Intent: Grokster's Misplaced Pronouncements on Secondary Liability for Copyright Infringement*, 70 PAT., TRADEMARK & COPYRIGHT J. 545, 545 (2005) (describing *Grokster* decision as a "muddle").

⁴ Andrew Beckerman-Rodau, *Prior Restraints and Intellectual Property: The Clash Between Intellectual Property and the First Amendment from an Economic Perspective*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1, 24 (2001).

⁵ For example, the fear that a former employee might reveal his former employer's trade secrets to a new employer caused a court to enjoin, for a limited time period, the employee from working for his new employer even though he had not revealed the trade secrets nor indicated he would reveal them. *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995). This doctrine, which is generally known as the "inevitable disclosure" doctrine, has been criticized and rejected by some courts because it can interfere with employee mobility and create an after-the-fact de facto covenant not to compete. *See, e.g., LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451, 470-71 (Md. 2004).

upon which copyright law is based and in light of the rich body of law that makes up intellectual property law.⁶

Unfortunately, the delicate balance between public and private interests underlying intellectual property law is often ignored in favor of extreme views. These views tend to favor either unrestricted public access to intellectual property or unassailable private property rights vested in the creator of the intellectual property. Such extreme views, like extreme political views, garner much public attention by appearing to provide simple black and white answers to complex issues. Moreover, like extreme political views which rarely provide realistic answers, the extreme positions taken in the copyright wars reflect a flawed understanding of intellectual property law.

Additionally, blurring the distinction between the simultaneous existence of both tangible and intangible property rights in an object undermines an understanding of intellectual property law. Ownership of a DVD containing a movie does not automatically grant unlimited ownership in the intellectual property in the movie.⁷

The sale of a DVD of a movie may transfer ownership of the physical media, the DVD, but it typically only transfers a limited license to watch the movie privately. Misunderstanding this distinction leads many consumers to believe the purchase of a music CD gives them complete ownership of the music contained in the CD. Hence, they erroneously believe they can do whatever they want with the music including making multiple copies of it and/or uploading a copy to the Internet for anyone to download.

In light of these concerns, this Article will review the *Grokster* decision. Specifically, it will provide an overview of precisely what the Court held and what it did not decide. Additionally, it will suggest that *Grokster* does not represent a novel interpretation of the law. Rather, it is consistent with the underlying principles of intellectual property law and it is based on established unfair competition theory which is supported by existing precedent.

II. AN OVERVIEW OF THE DECISION

A. The Facts

The defendants in *Grokster* created and distributed software that enabled users to engage in sharing digital computer files over the Internet.⁸ The defendants' software operated differently than previously developed file-sharing

⁶ Intellectual property law comprises the core areas of patent law, copyright law and trademark law. ROGER E. SCHECHTER & JOHN R. THOMAS, INTELLECTUAL PROPERTY—THE LAW OF COPYRIGHTS, PATENTS AND TRADEMARKS 1, § 1.1 (2003). It also includes other areas of law such as trade secrets law, unfair competition and publicity rights. BLACK'S LAW DICTIONARY 813 (7th ed. 1999).

⁷ This concept is specifically codified in copyright law. 17 U.S.C. § 202 (2005).

⁸ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2770 (2005).

software such as that developed by Napster.⁹ However, despite technical differences all file-sharing software enables users to share digital files via the Internet. Lower court decisions, subsequent to Napster being enjoined from distribution of its software,¹⁰ but prior to the Supreme Court's decision in *Grokster*, focused on the technical details of how the file-sharing software operated.¹¹ This resulted in a judicial determination that distribution of some file-sharing software was a violation of copyright law. However, other file-sharing software could be legally distributed.¹² Under this approach, both the district court and the United States Court of Appeals for the Ninth Circuit held that the defendants' distribution of software in *Grokster* was permissible activity despite the fact that end users of the software engaged in copyright infringement.¹³

B. What the Court Decided

Writing for the Court in *Grokster*, Justice Souter ignored the lower courts' examination of the technological aspects of different file-sharing programs. Rather than being constrained by the technology involved, Justice Souter focused on the basic issue: "The question is under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright

⁹ The software involved in *Grokster* was used to create "peer-to-peer networks" which enabled end users of the software to use their individual computers to directly communicate with each other and share files without any network servers being operated by defendants. *Id.* In contrast, the file-sharing software used by Napster also created "peer-to-peer networks" but it relied on network servers, operated by Napster, to facilitate illegal downloading and sharing of music among computer users with Internet access. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (9th Cir. 2001); see generally Stephanie Greene, *Reconciling Napster with the Sony Decision and Recent Amendments to Copyright Law*, 39 AM. BUS. L.J. 57, 57-58 (2001) (overview of how Napster operated).

¹⁰ In *A&M Records, Inc. v. Napster, Inc.*, No. C 99-05183 MHP, 2001 U.S. Dist. LEXIS 2186 (N.D. Cal. Mar. 5, 2001), the court stated: "Napster is preliminarily enjoined . . . from engaging in, or facilitating others in, copying, downloading, uploading, transmitting, or distributing copyrighted sound recordings . . ." *Id.* at *3. Litigation resulted in Napster ceasing operation. Matt Richtel, *Upheaval at Bertelsmann May End Plans for Acquisition of Napster*, N.Y. TIMES, July 31, 2002, at C1. Interestingly, the Napster name was subsequently sold for five million dollars so that it could be used for a legal music downloading service which provides music for a fee. Amy Kover, *It's Back. But Can the New Napster Survive?*, N.Y. TIMES, Aug. 17, 2003, at 4. The new Napster service is available at <http://www.napster.com/> (last visited Mar. 29, 2006).

¹¹ Prior to the Supreme Court decision in *Grokster*, the United States Court of Appeals for the Ninth Circuit viewed the technical design of file-sharing software as relevant to a determination of secondary liability based on contributory infringement. Specifically, the use or absence of a centralized computer server was a relevant distinction with regard to liability for distributing file-sharing software. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1163 (9th Cir. 2004), *vacated and remanded*, 125 S. Ct. 2764 (2005).

¹² *Grokster*, 380 F.3d at 1163.

¹³ *Grokster*, 125 S. Ct. at 2774.

infringement by third parties using the product.”¹⁴ Justice Souter stated that the distribution of file-sharing software which has both legal and illegal uses is not per se unlawful.¹⁵ However, writing for a unanimous Court he stated: “We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”¹⁶ The Court then vacated the judgment of the court of appeals and remanded the case to the district court¹⁷ since the original dispute had been decided upon a motion for summary judgment.¹⁸

C. What the Court Did Not Decide

In *Sony Corp. of America v. Universal City Studios, Inc.*,¹⁹ the Supreme Court held that the sale and distribution of a machine capable of both infringing and non-infringing uses did not create liability if the machine was used for copyright infringing activities as long as it had substantial non-infringing uses.²⁰ Although this theory was discussed in the majority decision and both concurring decisions, it was not the theory relied on by the Court in *Grokster*.²¹

Grokster makes it clear that the distribution of a product that can be used either lawfully or to infringe the rights of copyright owners can potentially lead

¹⁴ *Id.* at 2770. This statement of the issue makes it clear that the dispute raises policy concerns much broader and much more basic than just copyright law policies.

¹⁵ *Id.* at 2780; *see generally* Norgaard, *supra* note 3, at 546 (stating that although file-sharing software has been used for widespread copyright infringement, it also has significant legitimate uses).

¹⁶ *Grokster*, 125 S. Ct. at 2770. Justice Ginsburg wrote a concurring opinion which Chief Justice Rehnquist and Justice Kennedy joined. *Id.* at 2783. Additionally, Justice Breyer wrote a concurring opinion which Justice Stevens and Justice O’Connor joined. *Id.* at 2787. The concurring opinions agree with the holding stated by Justice Souter, but disagree on the interpretation of the prior Supreme Court decision in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). However, Justice Souter’s opinion is not based on *Sony*, so the commentary on *Sony* is dicta. The theory of liability unanimously agreed to by the Court is called an inducement of infringement theory. *Grokster*, 125 S. Ct. at 2779.

¹⁷ *Id.* at 2783. Upon remand, one of the defendants, Grokster Ltd., agreed to end the legal dispute with a settlement. The settlement requires Grokster Ltd. to make a fifty-million-dollar payment. Additionally, they agreed to be permanently enjoined from the unauthorized distribution of software that induces sharing copyrighted works. Alexei Alexis, *Grokster Stops Offering P2P Software to Settle Lawsuit by Copyright Holders*, 71 PTCJ 29 (Nov. 11, 2005); *see also* Sarah McBride, *For Grokster, It’s the Day the Music Died*, WALL ST. J., Nov. 8, 2005, at B1.

¹⁸ *Grokster*, 125 S. Ct. at 2774.

¹⁹ *Sony*, 464 U.S. 417.

²⁰ *Id.* at 441-42.

²¹ *Grokster*, 125 S. Ct. at 2778-79 (“It is enough to note that the Ninth Circuit’s judgment [in *Grokster*] rested on an erroneous understanding of *Sony* and to leave further consideration of the *Sony* rule for a day when that may be required.”). Justice Breyer stated that “in light of our holding today, we need not now ‘revisit’ *Sony*” *Id.* at 2787 (Breyer, J., concurring, joined by Stevens, J., and O’Connor, J.).

to copyright liability for the distributor under either of two distinct theories. The first theory, which *Grokster* relied on, is an inducement theory. This theory focuses on the conduct engaged in by the software distributor. If the distributor engages in conduct which establishes that the software was distributed with the intent that it be used by end users to engage in copyright infringement, the distributor can be liable for inducing infringement if the end user actually uses the software to violate copyright law. Alternatively, mere distribution of software, regardless of intent, may result in the distributor being liable if the end user of the software uses it to infringe copyright rights. This second theory turns on whether the software is “capable of commercially significant non-infringing use.”²² If it has substantial non-infringing uses, the distribution of the software by itself will not create liability for the distributor even if it is used for infringing activities by third parties.²³ Conversely, if the software has either no non-infringing uses²⁴ or limited non-infringing uses, its mere distribution can result in the distributor being liable if the end user engages in copyright infringement. *Grokster* makes clear that these two theories are mutually exclusive.²⁵ However, the Justices did not agree on how this second theory, based on *Sony*, should be interpreted or applied.²⁶ Hence, after *Grokster*, the *Sony* theory of liability still exists. However, what satisfies the “capable of commercially significant non-infringing use”²⁷ standard is unclear.

D. Underlying Policy Considerations

Facts are always decisive in a legal dispute. *Grokster* is consistent with this. Moreover, facts can not be viewed in a vacuum. They must be analyzed in light of the relevant policy considerations applicable to the dispute. *Grokster* and *Sony* both raise the same conflicting policy concerns—the underlying policy of promoting creativity and innovation by granting property protection for the results of such activity versus withholding such property protection to avoid impeding technological developments.²⁸

Granting broad property rights for the results of creative activity provides a strong economic incentive to engage in such activity.²⁹ Property owners have the

²² *Id.* at 2777 (quoting *Sony*, 464 U.S. at 442).

²³ *Id.* at 2777-78.

²⁴ *Id.* at 2777.

²⁵ *Id.* at 2778-79.

²⁶ Justice Breyer suggests that if ten percent of the files shared by end users of peer-to-peer software are shared without violating copyright rights in those files, such use satisfies the “capable of commercially significant non-infringing use” standard in *Sony*. *Grokster*, 125 S. Ct. at 2788-89 (Breyer, J., concurring). However, Justice Ginsburg rejects this reading of *Sony*. *Id.* at 2784 n.1 (Ginsburg, J., concurring, joined by Rehnquist, C.J., and Kennedy, J.).

²⁷ *See id.*; *see also supra* notes 16, 21.

²⁸ *Id.* at 2775; *Sony*, 464 U.S. at 429, 442.

²⁹ “The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best

exclusive right to control use of their property.³⁰ Therefore, in a marketplace economy they decide both how their property is used and what they will charge third parties for the use of their property.

Nevertheless, the results of most creative and innovative activities build on what others have done. Creativity often involves incremental improvements of prior innovation.³¹ Hence, the extension of broad property rights to the results of creativity may impede subsequent parties from improving on the prior work of others if access to such work is restricted or if they must pay for the use of the prior work.³²

These conflicting policies are not a result of the spread of the Internet and the availability of file-sharing software. They represent fundamental underlying policy conflicts upon which intellectual property law is based. The Constitution recognized the need for intellectual property law and authorized Congress to create patent and copyright law based on the following clause: “the Congress shall have power . . . [t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”³³

The language in this clause indicates recognition of the competing policy concerns discussed above. It allows the grant of “exclusive rights”³⁴ which is a reference to property rights. However, unlike traditional property rights which potentially last forever it specifically provides that the rights must only last for “limited times.”³⁵

Additionally, the current patent law³⁶ and the current copyright law³⁷ provide other limits which represent an attempt to strike a balance between the above competing policy concerns. Patent law specifically limits the potential subject matter which is eligible for protection.³⁸ A new use of an existing product is not eligible for patent protection.³⁹ Nor is the discovery of a scientific rule, a new mathematical equation, a law of nature, physical phenomena or an abstract idea eligible for protection despite the economic potential that may result

way to advance public welfare through the talents of authors and inventors in ‘Science and useful Arts.’” *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

³⁰ *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) (noting that the “hallmark of a protected property interest is the right to exclude others”).

³¹ For example, the patent law specifically allows improvements of existing inventions to be independently patentable. 35 U.S.C. § 101 (2005).

³² In *Moore v. Regents of the University of California*, 793 P.2d 479 (Cal. 1990), the court held that diseased tissue removed from a patient was not property because it believed the extension of property rights to such tissue would hinder research by restricting access to such materials.

³³ U.S. CONST. art. 1, § 8.

³⁴ *Id.*

³⁵ *Id.*

³⁶ 35 U.S.C. §§ 1-376 (2005).

³⁷ 17 U.S.C. §§ 101-805 (2005).

³⁸ An invention must be a process, a machine, a manufacture or a composition of matter to be eligible for patent protection. 35 U.S.C. § 101.

³⁹ Although a new use itself is not eligible for patent protection, it is permissible to obtain limited protection for a new use in the form of a process utilizing the new use. *Id.* § 100(b).

from such a discovery.⁴⁰ Typically, to be eligible for patent protection your discovery must produce “a useful, concrete and tangible result.”⁴¹ If an abstract idea, a scientific rule or a new mathematical equation were protected by patent law, it could impede future work because others would have restricted access to such discoveries.⁴² Hence, to prevent such a result patent protection is not available for such discoveries.

Copyright law also limits the property rights it grants. It only protects the form of expression contained in a covered work.⁴³ Both facts⁴⁴ and the underlying idea⁴⁵ contained in the work are beyond the scope of copyright law protection and can be freely used by anyone. Additionally, the fair use exception⁴⁶ and numerous statutory exemptions⁴⁷ exist allowing certain uses of copyrighted works which would otherwise be actionable infringement.

Trade secrets law⁴⁸ also reflects these competing concerns. It specifically does not bar reverse engineering⁴⁹ of a competitor's product nor does it make independent development⁵⁰ actionable. This furthers innovative activities because a trade secret owner's property rights do not interfere with development activities of others. Property rights in a trade secret are only infringed when a third party engages in illegal or otherwise commercially unfair conduct.⁵¹ Hence, trade secret law, like the inducement theory in *Grokster*, focuses on prohibiting improper conduct.⁵²

⁴⁰ *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

⁴¹ *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1374 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999).

⁴² *See generally* *Gottschalk v. Benson*, 409 U.S. 63 (1972). “Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.” *Id.* at 67.

⁴³ SCHECHTER & THOMAS, *supra* note 6, at 31-32, § 3.3.

⁴⁴ *Id.* at 42-43, § 4.1.2; *Eldred v. Ashcroft*, 537 U.S. 186, 219-20 (2003).

⁴⁵ 17 U.S.C. § 102(b) (2005); *Eldred*, 537 U.S. at 219-20.

⁴⁶ 17 U.S.C. § 107 (2005); *Eldred*, 537 U.S. at 219-20.

⁴⁷ *See, e.g.*, 17 U.S.C. § 108 (2005) (library exemption); *id.* § 109 (first-sale doctrine); *id.* § 110(a) (teacher exemption); *id.* § 110(4) (religious exemption).

⁴⁸ Most states have adopted the Uniform Trade Secrets Act.. For the text of the Act see PAUL GOLDSTEIN & EDMUND W. KITCH, *SELECTED STATUTES AND INTERNATIONAL AGREEMENTS ON UNFAIR COMPETITION, TRADEMARK, COPYRIGHT AND PATENT* 28-32 (2005) [hereinafter UNIF. TRADE SECRETS ACT].

⁴⁹ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974).

⁵⁰ *Id.*

⁵¹ *Id.* at 475-76; *see also* UNIF. TRADE SECRETS ACT, *supra* note 48, at § 1.

⁵² Other bodies of law also reflect an attempt to balance similar competing policy considerations. For example, trademark law recognizes and grants property protection to trademarks used to sell goods or services. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992). Absent such property rights, companies would be unlikely to spend considerable money developing trademarks. Daniel R. Cahoy, *Changing the Rules in the Middle of the Game: How the Prospective Application of Judicial Decisions Related to Intellectual Property Can Promote Economic Efficiency*, 41 AM. BUS. L.J. 1, 14-15 (2003). However, such property rights can interfere with marketplace competition. Hence, certain third-party uses of a trademark, such as

It is important to understand why the law limits intellectual property rights as discussed above. A lack of such an understanding is one of the fundamental problems underlying the legal and societal dispute over downloading music; and it has led to the extreme positions taken by opposing sides in the copyright wars.

Intellectual property law generally,⁵³ and copyright law specifically,⁵⁴ exists as a mechanism for creating benefits for the public. Such benefits are in the form of innovation and creativity which are injected into the marketplace. The goal is not to reward the innovators and creators with economic rights in the form of property status for their innovations and creations. Instead, property rights are granted as a mechanism to create economic incentives for engaging in activities resulting in innovate and creative works.⁵⁵ This harnesses the driving force—the quest for money—that powers a free enterprise economic system.⁵⁶ Consequently, it is reasonable to limit property rights granted via the copyright law to rights that are adequate to provide the appropriate incentives. Providing property rights that are too broad reduces the benefit to the public which is the ultimate goal of copyright law. In contrast, providing no property rights or rights that are too limited may significantly reduce the necessary economic incentives for creating innovative and creative works.

Content owners, such as the music industry, seek property rights that are unreasonably broad. Arguably, this may result from an attempt to preserve an existing business model that ceases to make economic sense in light of current technology. Additionally, it may also result from a failure to understand the purpose of copyright law. Some content owners and some strong advocates of broad copyright protection tend to focus on a natural rights theory to justify their position.⁵⁷ Under this theory, broad property rights should extend to the author of a creative or innovative work based on the fact that he or she is inherently entitled to such protection as the creator.⁵⁸ Although this argument has much

comparative advertising, are permitted. Additionally, a fair use defense recognizes that use of a trademark by a third party must be permissible when it is “virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using the mark.” *New Kids on the Block*, 971 F. 2d at 306. Third-party use of a trademark for comparative advertising, noncommercial uses, news reporting and news commentary is exempted from being the basis of a federal trademark dilution action. 15 U.S.C. § 1125(c)(4) (2005). In *Moore v. Regents of the University of California*, 793 P.2d 479 (Cal. 1990), the California Supreme Court denied a medical patient property rights in the excised tissue removed from his body during a surgical procedure. The Court feared that extension of property rights in this case would interfere with research activities which commonly used such tissue. *Id.* at 487.

⁵³ PAUL GOLDSTEIN, *COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES* 6 (rev. 5th ed. 2004) (“The principal object of intellectual property law in the United States is to ensure consumers a wide variety of intellectual goods at the lowest possible price.”).

⁵⁴ *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

⁵⁵ *Id.*; see also *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003); *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

⁵⁶ *Eldred*, 537 U.S. at 211 n.18.

⁵⁷ SCHECHTER & THOMAS, *supra* note 6, at 8-9, § 1.3.2.

⁵⁸ *Id.*; see generally Alfred C. Yen, *Restoring the Natural Law: Copyright as Labor and Possession*, 51 OHIO ST. L.J. 517 (1990) (arguing in favor of basing copyright law on a natural

appeal on its face, it is completely contrary to the fundamental purpose of copyright law. Copyright law exists to provide benefits to the public, not to maximize the economic benefit flowing to a creator.⁵⁹ Hence, it is appropriate to only grant a sufficient degree of property rights to creators that will insure the existence of an economic incentive to engage in creative and innovative activities. Additional property rights are neither necessary nor consistent with the goal of copyright law.

The opposing side in the copyright wars is fixated on eliminating all property rights that can interfere with the free flow of information and ideas because it can impede the development of innovative and creative works.⁶⁰ This argument also seems sensible on its face because attaching property rights to creative works clearly limits their availability. Nevertheless, this view ignores the economic realities of the marketplace. Creative activities require an investment of time and money. A lack of the potential for an economic return from such an investment reduces the likelihood of individuals and enterprises engaging in creative endeavors. Hence, copyright law must provide at least some degree of economic protection in the form of property rights to insure continued investment in creative activities.

Copyright law, like most areas of the law, must strike a balance between competing policies to be effective.⁶¹ Intellectual property law generally restricts access to certain protected works.⁶² This can negatively affect the public. However, absent such protection, many innovative and creative works would never be created at all. Hence, intellectual property law, such as copyright law,

rights rationale). *But see* Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349-50 (1991) (rejecting labor theory as rationale for copyright law).

⁵⁹ See *supra* notes 54-55.

⁶⁰ See R. Polk Wagner, *Information Wants to Be Free: Intellectual Property and the Mythologies of Control*, 103 COLUM. L. REV. 995 (2003) (criticizing commentators who oppose intellectual property law because it allegedly restricts the flow of information and ideas into the public domain); see generally Paul Bender, *Does Copyright Violate the First Amendment*, in BENJAMIN KAPLAN ET AL., *AN UNHURRIED VIEW OF COPYRIGHT, REPUBLISHED (AND WITH CONTRIBUTIONS FROM FRIENDS)* 1-4 (David Nimmer ed., 2005) (noting that current academic copyright scholars focus on First Amendment limitations on copyright law as a new issue that has been generally dismissed by courts).

⁶¹ See *Eldred*, 537 U.S. at 219 (discussing how copyright law balances First Amendment rights with rights under copyright law); see also Paul Goldstein, *Pragmatism in American Copyright Law*, in KAPLAN, *supra* note 60 (noting copyright law is a pragmatic balance between limits and rights).

⁶² Copyright law limits the right to reproduce, distribute, publicly perform and publicly display original works of authorship. 17 U.S.C. § 106 (2005). An author also has the right to prevent intentional distortion or modification of certain works of authorship. *Id.* § 106A(a)(3)(A). Patent law limits the right to make, use, sell, offer for sale or import patented inventions. 35 U.S.C. § 154(a)(1) (2005). Trade secret law allows access to proprietary intellectual property via reverse engineering or independent development but prohibits utilizing "improper means" to obtain such property. UNIF. TRADE SECRETS ACT, *supra* note 48, at § 1. Trademark law prevents use of a trademark if such use will create a likelihood of marketplace confusion as to the source of goods. 15 U.S.C. § 1114(1) (2005). If the trademark is famous, it is given additional protection. *Id.* § 1125(c). Use of a word or name in commerce that is misleading or confusing may be barred. *Id.* § 1125(a).

must strike a balance between providing enough property protection to insure investment in creative endeavors and not over-limiting public access to such endeavors.

Therefore, the issue in *Grokster*, as noted by Justice Souter, is how these longstanding policy conflicts are adapted in light of the existing digital environment in which we live today.⁶³

III. APPLICATION OF THE *GROKSTER* INDUCEMENT THEORY

Liability for inducement under *Grokster* requires distribution of file-sharing software with the intent or object of inducing third parties to use the software to violate copyright law.⁶⁴ Additionally, such third party infringement must be established as a prerequisite for finding the distributor liable for inducement.⁶⁵

The requisite intent can be inferred by the statements and actions of the distributor.⁶⁶ Justice Souter identified several alleged factors which, if proven on remand, could infer the necessary intent for inducement liability in *Grokster*.⁶⁷ First, defendants were aware their software was primarily used by third parties to download files in violation of copyright law.⁶⁸ Internal company documents indicated defendants intended to capture former Napster users in the event Napster was shut down.⁶⁹ Promotional materials⁷⁰ and e-mails⁷¹ from

⁶³ See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2775-76 (2005). Although *Grokster* dealt with downloading music, the same issues are beginning to arise with regard to downloading movies and television shows via the Internet. See generally Matthew Karnitschnig, *AOL to Offer 'Vintage' TV Free—with Ads*, WALL ST. J., Nov. 14, 2005, at B1. Additionally, new uses are continually evolving for accessing music. Sarah McBride, *Music Labels See New Threat from Satellite Radio*, WALL ST. J., Dec. 8, 2005, at A1; see also Walter S. Mossberg, *Sprint Brings Music Direct to Cellphones, but Price Is Too High*, WALL ST. J., Nov. 17, 2005, at B1.

⁶⁴ *Grokster*, 125 S. Ct. at 2780.

⁶⁵ *Id.* at 2782.

⁶⁶ *Id.* This is the conventional method of establishing intent. See *Washington v. Davis*, 426 U.S. 229, 253 (1976) (Stevens, J., concurring) (“Frequently the most probative evidence of intent will be objective evidence of what actually happened rather than evidence describing the subjective state of mind of the actor.”); see also *ADR N. Am., L.L.C. v. Agway, Inc.*, 303 F.3d 653, 658 (6th Cir. 2002) (“[L]ook to objective evidence, such as expressed words and visible acts, to determine the intent of the parties.”).

⁶⁷ The district court granted defendants’ motion for summary judgment which was affirmed by the United States Court of Appeals for the Ninth Circuit. *Grokster*, 125 S. Ct. at 2774. The Supreme Court vacated and remanded the decision of the lower court. *Id.* at 2783.

⁶⁸ *Id.* at 2772 (In their brief, defendants “concede the infringement in most downloads . . . and it is uncontested that they are aware that users employ their software primarily to download copyrighted files.”).

⁶⁹ *Id.* at 2773. Napster was ultimately shut down because it violated copyright law. See generally *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); see also *A&M Records, Inc. v. Napster, Inc.*, No. C 99-05183 MHP, 2001 U.S. Dist. LEXIS 2186 (N.D. Cal. Mar. 5, 2001) (decision on remand).

⁷⁰ *Grokster*, 125 S. Ct. at 2773.

defendants supported this intention. Defendants specifically enabled third parties to focus on downloading copyrighted music and promoted this feature in a newsletter sent to Grokster users.⁷² Additionally, defendants made no effort to filter or impede the downloading of copyrighted music.⁷³ Finally, defendants' economic business model was based on third parties using defendants' software to download copyrighted music.⁷⁴ Defendants gave away their file-sharing software and did not charge users for downloading anything.⁷⁵ The business model called for generating revenue exclusively from advertisers who would pay defendants to stream advertisements to users who were downloading files with defendant's software.⁷⁶ The amounts paid for such advertising increased with the number of persons using defendants' software to download files.⁷⁷ Hence, the defendants' ability to maximize their profit was allegedly directly based on the number of illegal files downloaded by third parties.

A. Is the Sale of Apple iPods Inducing Infringement?

Apple Computer Incorporated introduced the iPod several years ago.⁷⁸ This handheld device allows the user to download songs which can then be listened to via earphones. Various models of the device have been made.⁷⁹ Some models can store up to 15,000 songs.⁸⁰ Apple Computer operates an online store, iTunes, which enables iPod users to download songs onto their iPod for ninety-nine cents per song.⁸¹ All songs provided are authorized for download by the

⁷¹ An internal e-mail from one of defendants' executives stated: "We have put this network in place so that when Napster pulls the plug on their free service . . . or if the Court orders them shut down prior to that . . . we will be positioned to capture the flood of their 32 million users that will be actively looking for an alternative." *Id.*

⁷² *Id.* at 2774 (promotional materials used copyrighted songs as examples of file that could be downloaded with defendants' software).

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Grokster*, 125 S. Ct. at 2774.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ The iPod was first introduced in 2001. Eric Benderoff, *Latest iPod Also Has the Look of a Winner*, CHI. TRIB., Oct. 23, 2005, at C1.

⁷⁹ The original device was essentially an MP3 music player which incorporated a small computer hard drive. N'Gai Croal, *Next Frontiers: The New Entertainment*, NEWSWEEK, Dec. 10, 2001, at 68. Other models use flash-memory in lieu of a hard drive. The newest model can store and play video in addition to music. Steven Levy, *The Next Picture Show*, NEWSWEEK, Oct. 24, 2005, at 40.

⁸⁰ See generally iPod Store, <http://store.apple.com/1-800-MY-APPLE/WebObjects/AppleStore.woa/wo/0.RSLID?nnmm=ipod&mco=A6951E92> (last visited Mar. 29, 2006) (online store operated by Apple Computer Inc.).

⁸¹ See generally iPod + iTunes, All Your Greatest Hits, <http://www.apple.com/itunes/music/> (last visited Mar. 29, 2006) (over two million songs available for download). Recently, Apple Computer added downloadable music videos and some television shows to their online store which can currently be downloaded for \$1.99 each. See iPod + iTunes, Your 24-7 Video Store, <http://www.apple.com/itunes/videos/> (last visited Mar. 29, 2006) (over 3,000 music videos available for download). Over 600 million songs have been downloaded from Apple's online store.

copyright owners.⁸² Additionally, downloaded songs are provided in a proprietary format which limits the ability to illegally reproduce them.⁸³ Nevertheless, many iPod users put songs on their iPods which were obtained illegally.⁸⁴ Consequently, is Apple Computer liable for inducing infringement by selling iPods?

It can be inferred that Apple Computer could foresee that some iPod buyers would download music illegally for use on their iPods. For example, fully loading an iPod that holds 15,000 songs by downloading music from Apple's online site at ninety-nine cents per song would cost almost \$15,000.⁸⁵ It is hard to honestly believe many iPod buyers would spend this much money to acquire songs for an iPod. Consequently, it can be inferred that Apple was reasonably aware that at least some iPod buyers would use the device for archiving and listening to music that was illegally obtained in violation of copyright law.⁸⁶

However, several aspects distinguish Apple's conduct from the conduct of defendants in *Grokster*. Apple provided a legal method of downloading songs onto its iPod via its iTunes online store.⁸⁷ Participating music copyright owners

Nick Wingfield, *Apple's iPods Prosper as Piracy Flourishes, But Who Is to Blame?*, WALL ST. J., Nov. 30, 2005, at B1.

⁸² Neil Weinstock Netanel, *Impose a Noncommercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 HARV. J.L. & TECH. 1, 14 & n.38 (2003).

⁸³ June M. Besek, *Anti-Circumvention Laws and Copyright: A Report from the Kernochan Center for Law, Media and the Arts*, 27 COLUM. J.L. & ARTS 385, 455-56 (2004).

⁸⁴ See Adam Cain, *Satellite Radio: An Innovative Technology's Path Through the FCC and into the Future*, 25 J. NAT'L ASS'N ADMIN. L. JUDGES 223, 264 (2005) (free downloading of music from the Internet facilitated the success of the iPod). Of course, iPod users can legally transfer songs from their own CDs to an iPod. See Audio Home Recording Act (codified at 17 U.S.C. §§ 1001-1010 (2005)), which specifically permits certain personal non-commercial copying. 17 U.S.C. § 1008 (2005); see also Peter Jan Honigsberg, *The Evolution and Revolution of Napster*, 36 U.S.F. L. REV. 473, 499 (2002). An advertising campaign relied on by Apple promotes this activity. The advertisement states: "Rip, mix, burn. After all, it is your music." This campaign was originally used in reference to computers sold by Apple. Netanel, *supra* note 82, at 14 & n.38. However, a current web page operated by Apple and intended for students states "rip, mix and burn CDs." Apple Education, Students, <http://www.apple.com/education/hed/students/atplay/music.html> (last visited Mar. 29, 2006). This same page indicates you can transfer music from your computer to an iPod. *Id.* Interestingly, the same webpage suggests that students ask their respective schools to obtain an institutional site license from Apple Computer to avoid illegal music downloading by students. *Id.* Furthermore, another page on the website expressly recognizes the problem of illegal music downloading by students who then transfer the music to an iPod. Apple Education, Solutions, <http://www.apple.com/education/itunesoncampus/> (last visited Mar. 29, 2006).

⁸⁵ See generally Michael Raucci, *Congress Wants to Give the RIAA Control of Your iPod: How the Induce Act Chills Innovation and Abrogates Sony*, 4 J. MARSHALL REV. INTELL. PROP. L. 534, 535 & nn.7-8 (2005).

⁸⁶ Apple Computer's website notes the problem of illegal downloading of music from the Internet onto an iPod. Apple Education, Students, At Play, Enjoy Your Music, <http://www.apple.com/education/hed/students/atplay/music.html> (last visited Mar. 31, 2006); see generally Wingfield, *supra* note 81, at B1 (suggesting illegal downloading of songs onto iPods is a problem in light of the fact that legal downloads onto iPods have declined despite soaring sales of iPods).

⁸⁷ See *supra* notes 81 & 82.

allowed their music to be downloaded via iTunes.⁸⁸ To date, over 600 million song downloads have been made from iTunes.⁸⁹ Hence, Apple provided a product—the iPod—which could be legally used by purchasers with the approval of some copyright owners. Apple did not engage in an advertising campaign which clearly promoted obtaining illegal copies of music for use on iPods. Finally, Apple’s business model provided for revenue generation primarily from the sale of iPods.⁹⁰ The sale of downloadable songs from its online music store provided revenue to music owners but little if any revenue to Apple.⁹¹ In a recent effort to increase sales of iPods, downloadable content in the form of music videos and television shows has been made available for sale online with the consent of the relevant copyright owners for a new iPod with video capability.⁹²

In contrast, the *Grokster* defendants provided their product—file-sharing software—to users for free.⁹³ Allegedly, defendants promoted and encouraged the use of the software primarily to download copyrighted songs without the permission of the copyright owners of the targeted music.⁹⁴ Finally, it appears that the economic model was primarily premised on use of the software to illegally download music.⁹⁵

Both an iPod and the *Grokster* defendants’ file-sharing software could be used illegally and legally. An iPod can be used to legally download music from Apple’s iTunes store and it can be used by its owner as a repository of illegally obtained music which can be stored and listened to via the iPod. Likewise, defendants’ file-sharing software can be used to legally download files not protected by copyright and to illegally download music protected by copyright.⁹⁶

In light of the above, the alleged facts in *Grokster* indicate defendants distributed a product with the knowledge it could be used legally but with the intent that it would be used illegally since the entire business model was premised on illegal use. In contrast, Apple distributed the iPod with the knowledge it could be used illegally; however, its sale was part of a legitimate business model aimed at making money from legal use. Mere knowledge of

⁸⁸ See *supra* note 82.

⁸⁹ Wingfield, *supra* note 81, at B1.

⁹⁰ Glenn Gamboa, *Apple’s Jobs Draws the Line on Download Pricing*, NEWSDAY, Oct. 30, 2005, at C12; Jefferson Graham, *Popular iPod Propels Sweet Apple Profit*, USA TODAY, Jan. 13, 2005, at B1; Phil Kloer, *Me, Myself & iPod: Music Lovers Gush About Pocket-size Hip, Hot Jukebox*, ATLANTA J.—CONST., Apr. 1, 2004, at 4 NW.

⁹¹ Kathleen Pender, *Grokster Decision Has Industry Listening*, S.F. CHRON., June 28, 2005, at D1; Laurie J. Flynn, *iTunes Shores up Its Defenses as Rivals Prepare to Invade*, N.Y. TIMES, July 19, 2004, at C4.

⁹² See *supra* note 63; Laura M. Holson, *Now Playing on a Tiny Screen; Is That a One-Minute Soap Opera, or Is It Mom Calling?*, N.Y. TIMES, Oct. 17, 2005, at C1.

⁹³ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2774 (2005).

⁹⁴ *Id.* at 2773-74.

⁹⁵ *Id.* at 2774.

⁹⁶ Norgaard, *supra* note 3, at 545, 546 (although file-sharing software has been used for widespread copyright infringement it also has significant legitimate uses).

illegal use of the product is not enough to establish the requisite intent under *Grokster*.⁹⁷ A contrary result would make the sale of many products illegal since it is reasonably foreseeable that many products sold for legitimate uses will be the subject of some illegal use. For example, companies that manufacture and sell automobiles know that some of those cars will be used to engage in illegal conduct, including speeding and driving while intoxicated. Likewise, companies that make and sell computers know that some of those computers will be used for illegal conduct, including fraud, phishing,⁹⁸ distribution of spyware,⁹⁹ identity theft and illegal access to proprietary computer systems.¹⁰⁰ Nevertheless, such knowledge should not make car and computer companies liable if the end user utilizes their products to engage in illegal conduct. Extension of such liability would stifle innovation and deprive both the public and consumers of the benefits of lawful use of these products. However, if car and computer companies both advertised and promoted to consumers that their products could be used for driving while intoxicated and identity theft, respectively, liability could arise under the logic of *Grokster*.¹⁰¹

B. Is the Sale of Digital Video Recorders Inducing Infringement?

Digital video recorders (“DVR”), such as TiVo,¹⁰² have recently become increasingly popular.¹⁰³ These devices allow a television viewer to record shows when he or she is not home or when he or she is watching another show.¹⁰⁴ The devices also allow users to minimize exposure to commercials by fast-forwarding

⁹⁷ *Grokster*, 125 S. Ct. at 2779.

⁹⁸ “Phishing” is a type of fraud which typically involves sending e-mails or pop-up messages which appear to be official requests for information from your bank or some other entity. These messages typically ask you to supply personal information, such as social security number, credit card number or password. See Federal Trade Commission, *How Not to Get Hooked by a ‘Phishing’ Scam*, <http://www.ftc.gov/bcp/online/pubs/alerts/phishingalrt.htm> (last visited Mar. 31, 2006); see also Jennifer Lynch, *Identity Theft in Cyberspace: Crime Control Methods and Their Effectiveness in Combating Phishing Attacks*, 20 BERKELEY TECH. L.J. 259, 259 (2005).

⁹⁹ “Spyware” is software typically downloaded onto a computer without the consent of the computer owner which can collect information from the computer for a variety of purposes such as stealing passwords or targeting the computer with unwanted advertisements. *FTC v. Seismic Entm’t Prods., Inc.*, No. 04-377-JD, 2004 U.S. Dist. LEXIS 22788, at *4-5 (D. N.H. 2004); see also Philip N. Howard, *Cultural Production in a Digital Age: Deep Democracy, Thin Citizenship: The Impact of Digital Media in Political Campaign Strategy*, 597 ANNALS 153, 164 (2005).

¹⁰⁰ See generally Brian C. Lewis, Note, *Prevention of Computer Crime Amidst International Anarchy*, 41 AM. CRIM. L. REV. 1353 (2004) (discussing widespread problem of computer crime).

¹⁰¹ See generally *In re Aimster Copyright Litig.*, 334 F.3d 643, 651 (7th Cir. 2003) (discussing similarity between contributory copyright infringement and liability for aiding and abetting).

¹⁰² For information on TiVo, see TiVo, <http://www.tivo.com> (last visited Mar. 31, 2006).

¹⁰³ Don Fernandez, *TiVo and Comcast to Hook up Next Year*, ATLANTA J.—CONST, Mar. 19, 2005, at 1D.

¹⁰⁴ Teresa W. Chan, *A Traitor in Our Midst: Is it Your TiVo?*, 7 VAND. J. ENT. L. & PRAC. 166, 167 (2004).

through them when playing back recorded shows.¹⁰⁵ Such recorded television shows are typically protected via copyright. Hence, if the DVR owner violates copyright law by copying such shows, the question arises whether, under *Grokster*, the DVR distributor will be liable for inducing infringement.

In light of *Sony*, recording a television show for later viewing—called “time-shifting”¹⁰⁶—is considered fair use under the copyright law, and, therefore, it is not copyright infringement.¹⁰⁷ Hence, absent end user copyright infringement, there can not be any liability for inducing infringement. However, *Sony* only addressed fair use in the context of reproduction of a show for “time-shifting” purposes. Arguably, archiving of recorded television shows is not fair use.¹⁰⁸ Therefore, end-users who archive or keep copies of recorded shows are engaging in copyright infringement.¹⁰⁹

If at least some DVR owners are recording and archiving television shows, does this render the distributors of DVRs liable for inducing such infringement under *Grokster*? First, DVRs are sold by companies such as TiVo or they are provided by cable television providers for a monthly fee.¹¹⁰ Therefore, like iPods, but unlike defendants’ software in *Grokster*, the economic model associated with DVRs involves collecting money from the end user to buy or rent the recorder. Additionally, the DVR can be used for time-shifting, which is a legitimate use in light of *Sony*.¹¹¹ Hence, DVRs can be sold or rented to purchasers for legitimate uses. Even if DVRs are sold or rented with the knowledge that some buyers will use them to engage in copyright infringement, this alone, under *Grokster*, does not create inducement liability.¹¹² However, how DVR distributors market and advertise the recorders is significant with regard to whether inducement liability can arise.

The TiVo website advertises using TiVo devices to record television shows for later viewing,¹¹³ which is permissible fair use by the end user. Moreover, it does not advertise archiving recorded television shows, which is copyright

¹⁰⁵ Ashley Kerns, *Modified to Fit Your Screen: DVD Playback Technology, Copyright Infringement or Fair Use?*, 24 LOY. L.A. ENT. L.J. 483, 483 (2004); Richard Siklos, *Looking for the Proceeds in TV-on-Demand*, N.Y. TIMES, Dec. 5, 2005, at C1.

¹⁰⁶ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 421 (1984).

¹⁰⁷ *Id.* at 454-55.

¹⁰⁸ Jon M. Garon, *Normative Copyright: A Conceptual Framework for Copyright Philosophy and Ethics*, 88 CORNELL L. REV. 1278, 1331-32 (2003). “Time-shifting” refers to recording a show for a single later viewing and then erasing it. See *BMG Music v. Gonzalez*, 430 F.3d 888, 890-91 (7th Cir. 2005) (downloading and retaining copies of songs from the Internet is neither time-shifting nor fair use). In contrast, “archiving” (also called “librarying” or “library building”) means recording a show and keeping it rather than merely viewing it once at a later time and erasing it. *In re Aimster Copyright Litig.*, 334 F.3d 643, 647 (7th Cir. 2003).

¹⁰⁹ See generally *Aimster*, 334 F.3d at 647.

¹¹⁰ Adam Lashinsky, *TiVo’s Dreams Come True . . . Sort Of*, FORTUNE, Mar. 8, 2004, at 46.

¹¹¹ See *Sony*, 464 U.S. at 421.

¹¹² *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2779 (2005).

¹¹³ See TiVo, <http://www.tivo.com> (last visited Mar. 31, 2006).

infringement. Comcast,¹¹⁴ a large cable television provider, offers DVR rentals for a monthly fee as an add-on to cable television service.¹¹⁵ Its website also advertises time-shifting of television shows and movies but it does not mention archiving.¹¹⁶ In light of this, DVR distributors are providing DVRs to end users who can utilize them for legitimate purposes or illegitimate purposes. However, their economic model is not predicated on end users violating copyright law. Additionally, their advertising and marketing neither suggests nor discusses archiving.¹¹⁷ Hence, the distribution of DVRs is not being done with the intent of inducing end users to utilize the recorders to engage in copyright infringement.¹¹⁸

IV. APPLICATION OF *GROKSTER* BY THE LOWER COURTS—A RECOMMENDATION

The basic analysis suggested by *Grokster* involves evaluating objective factors to determine the intent of the party distributing the device in question. This approach is consistent with determining intent generally.¹¹⁹ However, in many areas of law the objective evidence necessary to infer intent will vary in light of the legal doctrine involved. For example, both inter vivos gifts¹²⁰ and

¹¹⁴ See Comcast, <http://www.comcast.com> (last visited Mar. 31, 2006).

¹¹⁵ Comcast, Digital Video Recorder, <http://www.comcast.com/Benefits/CableDetails/Slot3PageOne.asp?LinkID=365> (last visited Mar. 31, 2006).

¹¹⁶ Although the companies that distribute DVRs do not advertise or market DVRs for creating a library of television shows and movies, some third party websites do discuss this use. See generally C-NET, DIY DVD Box Sets: Archive Your DVR Recordings on DVD, http://reviews.cnet.com/4520-9141_7-6246474.html (last visited Mar. 31, 2006). However, this suggests only that DVR makers are aware some end users may be engaging in creating an archive or library of copyrighted programs in violation of copyright law. Such knowledge alone does not mean DVR-makers intend end users to engage in illegal use of their products.

¹¹⁷ Although DVR makers have not done so, it might be advisable to place a notice on their websites and advertising materials advising consumers that time-shifting is legal but creating an archive or library of television shows is copyright infringement.

¹¹⁸ In contrast, some resellers of DVRs might be inducing infringement since at least some of them advertise using a DVR to store or archive television shows which can be shared with others.

¹¹⁹ See, e.g., *Goodman v. Lukens Steel Co.*, 482 U.S. 656, 686 n.2 (1987) (Powell, J., concurring in part, dissenting in part) (inference of discriminatory intent may arise from evidence of objective factors); see also *Washington v. Seattle Sch. Dist. No. 1*, 458 U.S. 457, 466 n.9 (1982) (objective factors used to determine subjective intent when impossible to directly ascertain subjective intent); *Lopez v. Comm'r*, 116 F. App'x 546, 549-50 (5th Cir. 2004) (courts use objective factors to ascertain intent of taxpayer to have profit motive); *Von Kennel Gaudin v. Remis*, 379 F.3d 631 (9th Cir. 2004) (“domicile includes a subjective as well as an objective component, although the subjective component may be established by objective factors”); *In re Mercer*, 246 F.3d 391, 409 (5th Cir. 2001) (objective factors used to determine subjective fraudulent intent of debtor).

¹²⁰ “Inter vivos” gift of personal property is an irrevocable gift made during a donor’s lifetime. BLACK’S LAW DICTIONARY 840 (8th ed. 2004).

causa mortis gifts¹²¹ of personal property require intent to make a present transfer coupled with delivery to and acceptance by the donee.¹²² Despite the same rules courts are often more concerned about the potential for fraud and undue influence with regard to causa mortis gifts than they are for inter vivos gifts.¹²³ Therefore, objective evidence that is adequate to establish the requisite intent for an inter vivos gift may be inadequate to establish intent for a causa mortis gift.¹²⁴

Applying this same reasoning to an action for inducing copyright infringement requires an examination of the underlying policy issues at stake. Virtually all products and devices can be used for illegal purposes even if they are primarily designed for legitimate uses. Therefore, it is important that in an effort to prevent illegal activities, the law does not create fear of potential liability that can chill innovation. Broadly applying an inducement theory can have such a chilling effect if creators have to worry about being liable based on how others use their products and innovations. In contrast, limiting application of an inducement theory does not free parties engaged in illegal activity from liability. An inducement theory merely provides a second defendant who can be pursued, in addition to the actual party engaged in copyright infringement.¹²⁵ This means that even in the absence of an inducement theory, a copyright owner can still sue the actual infringer. Allowing a copyright owner to pursue an inducement theory should not be justified simply because it is more efficient and cost-effective than suing numerous individual direct infringers.¹²⁶ Instead, an inducement theory should be reserved for a distributor who has clearly engaged in unfair competition by distributing a product with the unequivocal intent that end users utilize the product to engage in copyright infringement. This approach can insure that inducement liability is properly based on culpability rather than a policy-based allocation of liability without regard to culpability. Although the law recognizes allocating liability absent culpability in limited circumstances,¹²⁷ this should not be done lightly. In the area of inducement liability, the fear of

¹²¹ “Causa mortis” gift of personal property is a revocable gift made in contemplation of the donor’s imminent death. *Id.* at 696.

¹²² *Bockman v. Kelm*, 117 F. Supp. 478, 479 (D. Minn. 1954); *Chaney v. Basket*, 5 F. Cas. 460, 461 (Ind. Cir. Ct. 1878).

¹²³ *Grace v. Klein*, 147 S.E.2d 288, 291-92 (W. Va. 1966) (causa mortis gift must be carefully scrutinized due to the potential for fraud and perjury).

¹²⁴ *See generally id.* (noting extra scrutiny given to causa mortis gifts); *Sadofski v. Williams*, 290 A.2d 143, 149 (N.J. 1972) (“A claim of gift Causa mortis is viewed even more carefully than one Inter vivos . . .”).

¹²⁵ *See generally A&M Records, Inc. v. Napster, Inc.*, 239 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.”) (citing *Religicus Tech. Ctr. v. Netcom On-Line Comm’n Servs., Inc.*, 907 F. Supp. 1361, 1371 (N.D. Cal. 1995)).

¹²⁶ *Grokster* suggests the contrary, however. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2776 (2005).

¹²⁷ For example, under the respondeat superior theory, an employer is typically liable for tortious acts of his or her employees committed in the scope of the employment, without regard to whether the employer has any degree of culpability. *Fields v. Synthetic Ropes, Inc.*, 215 A.2d 427, 432-33 (Del. 1965); *see also Samedan Oil Corp. v. Neeld*, 577 P.2d 1245, 1248-49 (N.M. 1978).

chilling innovation is a serious concern. Ultimately, a good way to balance these competing concerns would be to require sufficient proof of intent to meet the clear and convincing evidence standard for inducement liability.¹²⁸ This would avoid chilling innovation because inducement liability would only apply in situations where it is obvious that a product is being distributed with the clear intent that it be used for infringing activity. Additionally, this heightened standard would not affect the ability of a copyright owner to sue direct infringers.

V. THE BROADER IMPLICATIONS OF *GROKSTER*—JUDICIAL ACTIVISM OR APPLICATION OF EXISTING UNFAIR COMPETITION LAW?

Federal copyright law¹²⁹ does not statutorily recognize liability for inducing copyright infringement.¹³⁰ In contrast, liability for inducing patent infringement has express statutory recognition.¹³¹ This suggests that Congress did not intend for an inducement theory to apply to copyright infringement. Therefore, can it be argued that *Grokster* is an example of judicial activism where the Court is legislating from the bench by engrafting a judicially created cause of action into a statutory body of law?¹³² Actually, the courts recognized contributory

¹²⁸ Typically, the burden of proof in non-criminal actions is the “preponderance of the evidence” standard which is the lowest standard. In criminal matters, the burden of proof is the higher “beyond a reasonable doubt” standard. The “clear and convincing” standard is an intermediate standard between the preponderance of the evidence and beyond a reasonable doubt, used for certain non-criminal causes of action, such as civil fraud. *Addington v. Texas*, 441 U.S. 418, 424 (1978).

¹²⁹ 17 U.S.C. §§ 101-805 (2005).

¹³⁰ In *Grokster*, the Court stated “[a]lthough ‘[t]he Copyright Act does not expressly render anyone liable for [another’s] infringement,’ these secondary liability doctrines emerged from common law principles and are well established in the law” *Grokster*, 125 S. Ct. at 2776 (citations omitted). Contributory infringement, including inducing infringement, also has a long history of judicial recognition in patent law. *Solva Waterproof Glue Co. v. Perkins Glue Co.*, 251 F. 64, 73-74 (7th Cir. 1918) (“[O]ne who makes and sells one element of a patented combination with the intention and for the purpose of bringing about its use in such a combination is guilty of contributory infringement, and is equally liable with him who organizes the complete combination.”).

¹³¹ 35 U.S.C. § 271(b) (2005) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”). The Supreme Court has stated that this statutory section codifies existing law. *See infra* note 133.

¹³² This issue raises some interesting questions that are beyond the scope of this Article. Federal courts have constitutionally limited power. Therefore, is it appropriate for *Grokster* to read a new cause of action into a federal statute when that cause of action is not included in the statute? Additionally, it can be argued that an inducement action is an unfair competition action which is within the domain of well-established state common law. *See infra* note 139 and accompanying text. Hence, did the Court interfere with the ability of states to regulate unfair competition pursuant to state law by engrafting an inducement theory into federal copyright law? Finally, is *Grokster* consistent with the recent “federalism” trend in Supreme Court decisions? In contrast, in *Am. Tel. & Tel. Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421 (3d Cir. 1994), the Court discussed

infringement, including inducement liability, for both patent law¹³³ and copyright law,¹³⁴ long before express statutory recognition for this action was codified in the patent law. The codification of contributory infringement actions in the 1952 Patent Act was to clarify the preexisting body of governing precedents.¹³⁵

A review of lower court decisions predating the Internet supports the inducement theory on which *Grokster* is based. Lower federal courts have long recognized that secondary liability can arise for a party who did not engage in direct copyright infringement. Such secondary liability has traditionally been based on a contributory or vicarious liability theory. In *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, the United States Court of Appeals for the Second Circuit stated that “one who, with knowledge of the infringing activity, induces . . . the infringing conduct of another, may be held liable as a ‘contributory’ [copyright] infringer.”¹³⁶ Additionally, secondary liability based

“the extent to which federal courts interpreting federal statutes may import into such statutes common law doctrines of secondary liability.” *Id.* at 1428; *see generally* John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101 (1994) (discussing the basis for engrafting an action for contributory infringement into a trademark infringement action under the Federal Lanham Act).

¹³³ 5-17 CHISUM ON PATENTS § 17.02 (2005). Although contributory infringement is statutorily recognized by patent law, it has a common law basis predating its statutory recognition. *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 179-80 (1980) (35 U.S.C. § 271 codified the judicially created doctrine of contributory infringement in the patent law). For cases recognizing inducing patent infringement prior to the enactment of 35 U.S.C. § 271, *see, e.g.*, *Solva Waterproof Glue Co. v. Perkins Glue Co.*, 251 F. 64, 73-74 (7th Cir. 1918) (“[O]ne who makes and sells one element of a patented combination with the intention and for the purpose of bringing about its use in such a combination is guilty of contributory infringement, and is equally liable with him who organizes the complete combination.”); *see also* *Henry v. A.B. Dick Co.*, 224 U.S. 1, 33-34 (1911); *Wallace v. Holmes*, 29 F. Cas. 74 (Conn. Cir. Ct. 1871).

¹³⁴ *See supra* note 133. Likewise, the Supreme Court in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), imported a patent liability theory from 35 U.S.C. § 271(c) (2005) into the copyright law. *Id.* at 434-40. Under this theory, “[t]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory [copyright] infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.” *Id.* at 442.

¹³⁵ *Hautau v. Kearney & Trecker Corp.*, 179 F. Supp. 490, 493 (E.D. Mich. 1959) (statutory recognition of contributory patent infringement was to codify preexisting body of case law which regulated this cause of action). “In 1952, Congress enacted [patent law] Sections 271(b), 271(c), and 271(d) in order to clarify and stabilize the law of contributory infringement” due to judicial confusion between the doctrines of contributory patent infringement and patent misuse. CHISUM ON PATENTS, *supra* note 133, § 17.02.

¹³⁶ *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). “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 tortfeasor is applicable in suits arising under the [1909] Copyright Act.” *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 403 (S.D.N.Y. 1966); *see also* *Sony*, 464 U.S. at 435 (“[T]he concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”).

on a vicarious liability theory can apply to a person who has induced copyright infringement by a third party, despite a lack of actual knowledge of the direct infringement.¹³⁷

From a broad perspective, inducement theory is really a species of unfair competition law. It focuses on holding a party engaged in a business enterprise liable if such party's marketplace behavior amounts to immoral or unfair business conduct.¹³⁸ Such conduct would include intent to profit from others by inducing them to engage in illegal acts that interfere with legitimate competition. From this perspective, it is clear that the law has long recognized liability for inducing a third party to engage in unfair competition resulting in an economic benefit to the inducer.¹³⁹

In *William R. Warner & Co. v. Eli Lilly & Co.*, pharmacists engaged in unfair competition by passing off a cheaper generic brand of a product in lieu of a name brand product that was specifically requested by consumers.¹⁴⁰ However, the case addressed the issue of whether the company providing the generic brand could be liable for the pharmacists' conduct. The Supreme Court found liability based on an inducement theory.¹⁴¹ The producer of the generic product advised pharmacists that they could increase profits by substituting the cheaper generic

¹³⁷ *Gershwin*, 443 F.2d at 1162. In *Sony*, the Court noted that "vicarious liability is imposed in virtually all areas of the law." *Sony*, 464 U.S. at 435. In *Grokster*, the Court stated it was not necessary to analyze the vicarious liability theory since the case was decided based on an inducement theory. *Grokster*, 125 S. Ct. at 2776 n.9.

¹³⁸ "The law of unfair competition stresses business integrity, encourages legitimate trading, and protects good will against spoliation. However, it is not true that all acts done in the trade, which the average person would describe as unfair, are actionable. . . . As a distributor, however, he must respect those methods of honest and upright dealing which forbid one competitor from adapting practices which are now well understood to be unfair or fraudulent." *Sinko v. Snow-Craggs Corp.*, 105 F.2d 450, 452 (7th Cir. 1939).

¹³⁹ See *Smith, Kline & French Labs. v. Clark & Clark*, 62 F. Supp. 971, 1005 (D.N.J. 1945) ("One who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury."), *aff'd in part, vacated in part*, 157 F.2d 725 (3d Cir. 1946); see also *Chesebrough Mfg. Co. v. Old Gold Chem. Co., Inc.*, 70 F.2d 383 (6th Cir. 1934) (producer who intentionally enables retail dealer to engage in trade dress infringement can be secondarily liable for inducing such business conduct); *Am. Philatelic Soc'y v. Claibourne*, 46 P.2d 135 (Cal. 1935) (producer can be liable for inducing retail dealer to engage in unfair competition via passing off). Some commentators have argued that *Grokster* created a new tort action for inducing copyright infringement. Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 227 (2005). However, *Grokster* is merely applying a long-recognized action for contributory copyright infringement based on inducement. One of the problems in this area of law has been the sometimes inconsistent and confusing use of the terms contributory infringement, vicarious liability and direct infringement. See *Sony*, 464 U.S. at 435 n.17 ("Lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn."). Additionally, vicarious liability is sometimes used in intellectual property cases to describe conduct that is not always consistent with the accepted meaning of vicarious liability in the employer-employee context where liability is imputed to an employer based on policy considerations rather than on culpability.

¹⁴⁰ *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 530 (1924).

¹⁴¹ *Id.* at 530-31.

product for the more expensive name brand product.¹⁴² Additionally, the generic maker profited directly via increased sales from the pharmacists' passing off.¹⁴³

In a subsequent case, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, the Supreme Court directly addressed whether a third party could be secondarily liable for inducing someone to engage in trademark infringement in violation of the federal trademark statute.¹⁴⁴ Ives Laboratories obtained a patent for a drug used to treat vascular diseases which was marketed under the CYCLOSPASMOL trademark.¹⁴⁵ Upon expiration of the patent, Inwood Laboratories legally produced a generic version of the drug, which it supplied to pharmacists for retail sale to customers.¹⁴⁶ Allegedly, some pharmacists supplied the generic drug under the CYCLOSPASMOL trademark.¹⁴⁷ Ives sued Inwood, alleging that it was liable for trademark infringement because it induced pharmacists to engage in trademark infringement.¹⁴⁸ The federal trademark statute does not provide for such secondary liability.¹⁴⁹ However, the Court, relying on *William R. Warner*, held that a manufacturer or distributor could be liable for trademark infringement if it intentionally induced another to engage in trademark infringement.¹⁵⁰

In *American Telephone & Telegraph Co. v. Winback & Conserve Program, Inc.*,¹⁵¹ the United States Court of Appeals for the Third Circuit found secondary liability based on state common law applicable in an action under the Federal Lanham Act.¹⁵² This case involved a federal statutory claim under the Lanham Act,¹⁵³ which authorizes an action against a person engaged in unfair competition.¹⁵⁴ The statute does not provide that a third party can be secondarily liable for a person who violates the statute.¹⁵⁵ Nevertheless, the court engrafted an action for secondary liability into the statute under the theory that this advanced the goals of the statute.¹⁵⁶

¹⁴² *Id.* at 529-30.

¹⁴³ *See id.*

¹⁴⁴ *Inwood Labs, Inc. v. Ives Labs, Inc.*, 456 U.S. 844, 846 (1982). The federal trademark statute, commonly referred to as the Lanham Act, is codified at 15 U.S.C. §§ 1051-1141n (2005).

¹⁴⁵ *Inwood Labs.*, 456 U.S. at 846.

¹⁴⁶ *Id.* at 847-48.

¹⁴⁷ *Id.* at 849.

¹⁴⁸ *Id.* at 850.

¹⁴⁹ *See* 15 U.S.C. § 1114 (1) (2005). In *Power Test Petroleum Distributors, Inc. v. Manhattan & Queens Fuel Corp.*, 556 F. Supp. 392 (E.D.N.Y. 1982), the court noted that the Federal Lanham Act does not include a remedy for secondary liability. *Id.* at 393. However, the court relied on the Supreme Court decisions in *William R. Warner* and *Inwood Laboratories*, to support its conclusion that secondary liability has been added to the Lanham Act as a "judicial gloss." *Id.*

¹⁵⁰ *Inwood Labs.*, 456 U.S. at 853-54.

¹⁵¹ *Am. Tel. & Tel. Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421 (3d Cir. 1994).

¹⁵² 15 U.S.C. §§ 1051-1141n (2005).

¹⁵³ *Id.* § 1125(a) (often referred to as a section 43(a) action). "The [Lanham] Act [section 43(a)] federalizes a common law tort [for unfair competition]." *Winback*, 42 F.3d at 1433.

¹⁵⁴ *Winback*, 42 F.3d at 1429.

¹⁵⁵ *Id.*

¹⁵⁶ *Id.* at 1433.

Likewise, providing liability for inducing copyright infringement furthers the goal of the Copyright Act. The Act is designed to provide an economic incentive for creators which inures to the benefit of the public.¹⁵⁷ Consequently, promoting copyright infringement by inducing a third party to infringe may directly reduce the economic return for creators, which may in turn deprive the public of some creative works.

Inducing infringement itself is culpable conduct, lacking any policy reason to permit it.¹⁵⁸ At its most basic level, inducing copyright infringement is analogous to inducing trademark infringement or inducing a third party to engage in unfair competition. Such conduct is outside the bounds of legitimate competition. In contrast, knowingly selling a product which has both legal and illegal uses does not automatically create inducement liability.¹⁵⁹ Applying an inducement theory under these facts would stifle innovation and interfere with development of a legitimate business model for the product.¹⁶⁰ However, the copyright owner is still free to pursue the end users for direct infringement.¹⁶¹ This analysis is consistent with the underlying reasoning of the theory relied on in *Sony*. In *Sony*, the sale of a product with substantial non-infringing uses did not give rise to secondary liability, although end users engaging in infringement were still liable.¹⁶² Consequently, in light of both *Sony* and *Grokster*, the distributor of a product capable of both legal and illegal uses is not potentially secondarily liable unless the distributor markets the product with the clear intent that it be used illegally by end users.

VI. CONCLUSION

It is well established that an individual who violates the property rights embodied in a copyright is a direct infringer who is held liable under copyright

¹⁵⁷ *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985); *see also Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

¹⁵⁸ “The inducement rule . . . premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.” *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2780 (2005). “The classic instance of inducement is by advertisement or solicitation that broadcasts a message designed to stimulate others to commit violations.” *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ The *Grokster* Court was mindful of the need to avoid interfering with regular commerce and discouraging technological innovation. *Id.*

¹⁶¹ Both *Sony* and *Grokster* deal with an additional cause of action based on a secondary liability theory that does not affect liability for direct infringement. Unlike secondary liability, the Copyright Act specifically provides for liability for direct infringement. 17 U.S.C. § 501 (2005). In *Grokster*, the district court initially found that individuals who used defendants’ software to download copyright protected files engaged in direct infringement, even though it found defendants were not liable for copyright infringement. *Grokster*, 125 S. Ct. at 2774.

¹⁶² *Sony*, 464 U.S. at 442. It was recognized by the Supreme Court that the holding in *Sony* “leaves breathing room for innovation and a vigorous commerce.” *Grokster*, 125 S. Ct. at 2778.

law.¹⁶³ *Grokster* addresses the question of whether the distributor of a product used by the direct copyright infringer can also be held liable.¹⁶⁴ When *Grokster* and *Sony* are read together, it is clear that two separate secondary liability theories can render a product distributor liable.¹⁶⁵ Under *Sony*, if a product's only use is for infringing copyright law, the product distributor is contributorily liable for copyright infringement.¹⁶⁶ In contrast, if the product has substantial non-infringing uses, the mere distribution of the product will not produce secondary liability, although direct infringers will still be liable.¹⁶⁷ This enables the development and distribution of products for legitimate purposes. A contrary result would impede the development of creative and innovative products because virtually all products are capable of illegal uses. Hence, fear of potential liability could reduce the number of creative and innovative products which reach the marketplace. Such a result would undermine copyright law, which uses the potential economic benefit from copyright protection as the incentive to create products which inure to the benefit of the public.¹⁶⁸

Grokster imposes secondary liability under an inducement theory, which primarily focuses on the intent of the product distributor.¹⁶⁹ Under an inducement theory it is irrelevant whether the product is capable of non-infringing uses. This theory is aimed at prohibiting unfair marketplace conduct. Specifically, a product distributor is secondarily liable if he or she intentionally induces third parties to engage in copyright infringement. Such conduct falls within the realm of unfair competition and, therefore, no underlying justification exists for protecting such conduct. Although this theory could result in liability for distributing a product with significant non-infringing uses, it contains two safeguards which protect innocent distributors. First, the inducement must be shown to be intentional.¹⁷⁰ Typically, this will be accomplished by the conventional use of objective factors from which intent can be inferred.¹⁷¹ Hopefully, lower courts will require a significant level of intent evidence to ensure only distributors clearly engaging in intentional inducement are liable. Second, the inducement is only actionable if it is successful in actually inducing third-party infringement.¹⁷²

Grokster did not invent a new theory of inducement nor did the Court simply engraft the statutory patent law cause of action for inducement into copyright law. Secondary liability, such as vicarious liability, contributory infringement and inducement, has long been recognized by both Supreme Court

¹⁶³ 17 U.S.C. § 501 (2005).

¹⁶⁴ See *Grokster*, 125 S. Ct. at 2770.

¹⁶⁵ See *id.* at 2778-79.

¹⁶⁶ See *id.* at 2777.

¹⁶⁷ See *Sony*, 464 U.S. at 441-42.

¹⁶⁸ See *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

¹⁶⁹ See *Grokster*, 125 S. Ct. at 2780.

¹⁷⁰ See *id.* at 2770.

¹⁷¹ See *supra* note 119.

¹⁷² See *Grokster*, 125 S. Ct. at 2782.

and lower court precedent.¹⁷³ These doctrines have a common law root in unfair competition law. The judicial recognition of inducement predates the enactment of both current patent and copyright law.¹⁷⁴ Additionally, secondary liability based on inducement has generally been applied in the context of unfair competition actions¹⁷⁵ and in intellectual property infringement actions under patent,¹⁷⁶ copyright¹⁷⁷ and trademark law.¹⁷⁸ The statutory recognition of secondary liability in patent law is merely a codification of these preexisting judicially recognized doctrines.¹⁷⁹

¹⁷³ See *supra* note 130 and accompanying text.

¹⁷⁴ See *supra* note 130 and accompanying text.

¹⁷⁵ See, e.g., *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924).

¹⁷⁶ See *supra* note 130.

¹⁷⁷ See *supra* note 137.

¹⁷⁸ See, e.g., *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

¹⁷⁹ See *supra* note 133.