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Michael S. Elkin

Alexandra Khlyavich

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# ALUMNI ARTICLES

## NAPSTER NEAR AND FAR: WILL THE NINTH CIRCUIT'S RULING AFFECT SECONDARY INFRINGEMENT IN THE OUTER REACHES OF CYBERSPACE?

*Michael S. Elkin\**

*Alexandra Khlyavich\*\**

### I. INTRODUCTION

In *A&M Records, Inc. v. Napster, Inc.*,<sup>1</sup> the Court of Appeals for the Ninth Circuit in large part, upheld the preliminary injunction against Napster, Inc. ("Napster") based on its finding that Napster is likely to be proven a contributory and vicarious infringer<sup>2</sup> of the rights of copyright holders in sound recordings

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\* Partner, Thelen Reid & Priest LLP, and Chairman of the firm's Entertainment Practice Group. Faculté des Lettres, L'Université de Tours (1978); A.B., Rutgers University (1979); M.S.W., Rutgers University (1981); J.D., Brooklyn Law School (1984). On behalf of recording industry clients, Mr. Elkin has successfully led litigation teams in actions against MP3.com, Inc., Napster, Inc. and Musicmaker.com, Inc. While at Brooklyn Law School, Mr. Elkin served as Executive Comments Editor of the *Brooklyn Journal of International Law*, and authored a comment, *Industrial Investment Development Corp. v. Mitsui & Co.: An Application of the Extra-Territorial Jurisdiction of the United States Antitrust Laws*, 9 BROOK. J. INT'L L. 115 (1983).

\*\* Associate, Thelen Reid & Priest LLP, in the firm's Commercial Litigation department. B.A., Pennsylvania State University (1992); J.D., Fordham Law School (1999). The author has worked closely with Mr. Elkin as a member of the litigation teams that represented clients against MP3.com, Inc. and Napster, Inc.

1. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) [hereinafter *Napster II*].

2. Contributory and vicarious infringement is actionable under the Copyright Act of 1976 which grants the owners of copyrights the exclusive rights "to do and to authorize" the reproduction and distribution of their works. Copyright Act of 1976, 17 U.S.C. § 106 (2000) [hereinafter CA]; Gershwin

and musical compositions.<sup>3</sup> In the wake of the Ninth Circuit's decision, new Napster-like file-trading services remain undeterred. The rapid transfer of songs on the Internet is made possible through digital MP3 technology.<sup>4</sup> Copying or "ripping" audio compact disks directly onto a computer's hard drive in the compressed MP3 format allows users of Napster (and virtually all other music-swapping services on the Internet) to store and rapidly transfer or transmit the copied music from one computer to another.<sup>5</sup> Yet, even as Napster struggles to gain legal legitimacy,<sup>6</sup> new applications are surfacing to per-

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Publishing Corp. v. Columbia Artists Mgt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971); GB Marketing USA, Inc. v. Gerolsteiner Brunnen GmbH & Co., 782 F. Supp. 763, 772 (W.D.N.Y. 1991).

3. As of the date of this writing, members of the House of Representatives are urging the adoption of the Music Online Competition Act, which would amend copyright law to extend the same protection to legitimate on-line music distributors as exists for radio, cable and satellite broadcasters. H.R. 2724, 107th Cong. (2001). See also Brian Krebs, *Key House Leaders Lobby to Defeat Digital Music Bill*, NEWSBYTES (Sept. 20, 2001), at <http://www.newsbytes.com/news/01/170343.html>.

4. MP3 stands for MPEG-3, a standard file format for storage of audio recording in a digital form set by the Moving Picture Experts Group. See *Napster II*, 239 F.3d at 1011. Songs copied in MP3 format are virtually indistinguishable to the human ear from the original recordings. See *UMG Recordings v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000); Aaron M. Bailey, *A Nation of Felons?*, 50 AM. U. L. REV. 473, 479 n.30 (2000).

5. See *Napster II*, 239 F.3d at 1011.

6. See Brad King, *Napster's New Tune: Pay Labels*, WIRED NEWS (Sept. 7, 2001), at <http://www.wired.com/news/mp3/0,1285,46636,00.html>. Not only has Napster acquired security technology to aid it in operating lawfully, it has licensed that technology to BeMusic, Inc., ("BeMusic") the operator of the record club BMG Music Service, CDNow, an on-line music retailer, and Myplay, Inc., a music locker. See Kevin Featherly, *Napster Licenses Security Tech to Bertelsmann's BeMusic*, NEWSBYTES (Oct. 23, 2001), at <http://www.newsbytes.com>. BeMusic is owned by Bertelsmann AG ("Bertelsmann"), a German company that controls the recording label giant BMG Recorded Music ("BMG"), one of Napster's former legal pursuers. See *id.*

Indeed, all the major traditional record labels that pursued Napster in front of Chief Judge Marilyn Hall Patel are developing their own legitimate, on-line music services. For instance, Vivendi Universal S.A.'s Universal Music Group, and Sony Corporation's Sony Music Entertainment, Inc., who joined to create the on-line music venture PressPlay, struck deals with six independent record labels to enhance the on-line music selection they will be offering from their own labels as well as from EMI Group Plc.'s EMI labels ("EMI"). See Reuters, *PressPlay in License Deals with 6 Record Labels*,

form much the same function. For example, FastTrack, Audiolgalaxy, iMesh and Gnutella were used to download 3.05 billion music, movie and software files during the month of August 2001 alone.<sup>7</sup>

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HINDUSTAN TIMES (Oct. 18, 2001), at <http://www.hindustantimes.com>. Access to music on PressPlay will be offered through, among others, MP3.com, Inc. ("MP3.com"). See *id.* The other major labels, AOL Time Warner, Inc., Bertelsmann and EMI, are backing an on-line music subscription service called MusicNet.com. See Dick Kelsey, *Groups Seek Support For Online Music Law*, NEWSBYTES (Oct. 17, 2001) at <http://www.newsbytes.com>.

Warner Music Group has also announced a licensing deal with Echo Networks, a privately held "stand-alone" on-line music provider based in San Francisco. See Reuters, *Warner Music and Echo Networks in Licensing Deal* (Nov. 5, 2001), available at <http://www.lawtimation.com/news/mp3news/mp3110501.html>. Ironically, it appears that the United States Justice Department is conducting an investigation into the major record companies' plans for fear that they may prevent fair competition in the market. See *Download Sites Face More Scrutiny*, BBC NEWS (Oct. 16, 2001), at <http://news.bbc.co.uk>. Members of the European Union have expressed similar concerns at a conference in Brussels in October 2001. See *EU 'Threat' Over Download Sites*, BBC NEWS (Oct. 15, 2001), at <http://news.bbc.co.uk>.

On February 22, 2002, Chief Judge Patel ruled that not only do the record companies have to prove that they own the music at issue, they must also show that the copyrights were not used to monopolize the distribution of digital music. See Brad King, *Judge: If You Own Music, Prove It*, WIRED NEWS (Feb. 22, 2002), at <http://www.wired.com> [hereinafter *If You Own Music*]. The record companies have three weeks to comply with Chief Judge Patel's order. *Id.* A hearing on the anti-competitive allegations against the record companies has been set for March 27, 2002. See John Borland, *Napster Court Win Puts Labels in Spotlight*, CNET NEWS.COM (Feb. 22, 2002), at <http://www.news.com> [hereinafter *Napster Court Win*]. This ruling does not affect either Chief Judge Patel's or the Ninth Circuit's analysis of Napster's own culpable behavior. Rather, if plaintiffs cannot prove that they own the copyrights at issue, they will have failed to prove a prima facie case of direct infringement of *their* copyrights. There is no doubt, however, that *someone's* copyrights have been infringed.

7. *Napster Eclipsed by Newcomers*, WIRED NEWS (Sept. 6, 2001), at <http://www.wired.com>. See also Reuters, *Music Downloading Rises in August, Topping Napster* (Sept. 6, 2001), available at [http://www.siliconvalley.com/docs/news/reutrs\\_wire/14650381.htm](http://www.siliconvalley.com/docs/news/reutrs_wire/14650381.htm); John Borland, *Rocky Financial Road Awaits File Swappers*, CNET NEWS.COM (Sept. 21, 2001), at <http://news.cnet.com/news/0-1005-200-7230930.html> ("Already, millions of people have migrated to start-ups such as [MusicCity.com, Inc. ("MusicCity")], Audiogalaxy and Aimster.") [hereinafter *Rocky Road*]; Jason Hoppin, *9th Circuit Is Sick of Hearing Napster Tune*, RECORDER (Sept. 20, 2001), at <http://www.law.com> (noting that on September 18, 2001, seven of the top eleven downloaded programs available at CNET Download.com,

The fact that file-trading services are burgeoning implies that the *Napster* decision will serve as an important precedent in copyright infringement cases set in cyberspace.<sup>8</sup> Coupled with the truly global scope of the Internet, the question of how *Napster* will impact copyright cases against infringers in this country, but particularly abroad, is ripe for examination.<sup>9</sup>

The Ninth Circuit in *Napster* held that "if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement."<sup>10</sup> Further, the court found that *Napster* "provides 'the site and

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<http://download.cnet.com>, enabled file-sharing and were available for downloading at no charge).

Most recently, *Wired.com* reported a Webnoise study which predicted that FastTrack would surpass *Napster's* volume and use by the end of November 2001. See Brad King, *EMI Has No Fears of Peers*, WIRED NEWS (Nov. 6, 2001), at <http://wired.com/news/mp3/0,1285,48147,00.html> [hereinafter *EMI Has No Fears*]. The same article reported a business arrangement in a related industry, the distribution of on-line videos, between strange bedfellows – EMI, Jive Media Technology and Gnutella software developer Live Wire – that has made it possible for viewers to search and download videos off the Internet. See *id.*

8. Indeed the Recording Industry Association of America ("RIAA") and the Motion Picture Association of America ("MPAA") have initiated litigation against newer peer-to-peer services, MusicCity, Kazaa and Grokster, Ltd. ("Grokster") for secondary copyright infringement liability. See *Metro-Goldwyn-Mayer, Inc. v. Grokster, Ltd.*, No. 01-8541 (C.D. Cal. filed Oct. 2, 2001) (against Grokster, MusicCity, MusicCity Networks, Inc. and Consumer Empowerment BV); John Paczkowski, *Good Morning Silicon Valley*, SILICON VALLEY.COM (Mar. 14, 2001), at <http://www.siliconvalley.com/docs/opinion/gmsv/archive01/morn10032001.htm> (reporting that the RIAA and MPAA were contemplating filing law suits).

9. Indeed, among the multitude of discussions exploring this timely subject, the Bureau of Nation Affairs' Third Annual Public Policy Forum on International E-Commerce & Internet Regulation, hosted in part by Pike & Fisher, Inc., on November 14, 2001, was devoted to the topic of what legal challenges businesses face in operating on the Internet. Letter from U. Joseph Hecker, President, Pike & Fisher, Inc., to Colleagues Attending the Third Annual Forum (Nov. 14, 2001) (on file with Journal). The discussion focused on international jurisdiction and cross-border infringement and piracy." *Id.*

10. *Napster II*, 239 F.3d at 1021.

facilities' for direct infringement," and that it therefore "materially contributed to the direct infringement."<sup>11</sup>

Read broadly, *Napster* provides precedent for courts to hold all service providers, including foreign providers, who have reason to know that their software or website is being used for infringing purposes, liable to copyright holders for contributory infringement.<sup>12</sup> But will the *Napster* holding reach foreign contributory infringers? In holding *Napster* liable, did the Ninth Circuit provide the perfect precedent for holding a foreign company whose software is available on the Internet liable to a United States copyright holder for contributory infringement?

This Article will first study the *Napster* decision, concentrating in Section II on the Ninth Circuit's factual findings and its contributory infringement analysis. Then, in Section III, with the aid of a hypothetical in which a contributory infringement case is brought in a U.S. federal court by a U.S. copyright holder against a foreign *Napster*-like service provider, this Article will attempt to discern the likely outcome of such a dispute. The hypothetical will focus on the likely jurisdictional analysis a court would undertake, in the context of cyberspace, to determine whether a foreign defendant may indeed be held liable in a foreign forum for an act that may (or may not) be permitted under the defendant's sovereign's jurisprudence.<sup>13</sup>

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11. *Id.* at 1022 (citing *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996)).

12. The tort of contributory infringement is well developed in American jurisprudence. This is not so in other countries, such as Canada, where a cause of action for contributory infringement does not lie. See MICHAEL A. GEIST, *INTERNET LAW IN CANADA* 472-525 (2d ed. 2000) (no contributory infringement under Canadian law). Other differences, for example, include Europe, where copyright owners enjoy "moral rights" in their works. See, e.g., Pamela Samuelson, *Privacy As Intellectual Property?*, 52 STAN. L. REV. 1125, 1146 (2000).

13. Consideration of this topic will inevitably spur the pragmatic question of whether, having cleared the pertinent procedural and substantive hurdles, a U.S. judgment would be enforced abroad. This is especially true in light of the well-acknowledged dearth of international treaties on the issue of enforcement of judgments – particularly in the context of intellectual property disputes in cyberspace. For example, the disparateness of Internet "E-commerce" law, which broadly covers companies like *Napster*, is evidenced by the inability of the Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters ("Convention on Jurisdiction") to arrive at a treaty which facilitates the enforcement of civil judgments across borders.

The hypothetical will also show that the liability analysis courts must undertake to determine whether one may be adjudged a contributory infringer complements the jurisdictional analysis such that, in most cases, the finding of jurisdiction will lead directly to a finding of liability. Finally, given the factual predicate under which *Napster* was decided, Section IV concludes that Napster-like services, no-matter where they are based, must beware.

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Andy Sullivan, *Global E-Commerce Treaty Hits Snag*, INFO-SEC.COM (Feb. 2, 2001), at [http://www.info-sec.com/commerce/01/commerce\\_022101a\\_j.shtml](http://www.info-sec.com/commerce/01/commerce_022101a_j.shtml). See also Proposed Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, at <http://www.cptech.org/ecom/jurisdiction/hague.html> (last visited Mar. 10, 2002). Formed in 1996, the Convention on Jurisdiction "has been hung up since 1999 over a disagreement over how business-consumer disputes should be settled." See Sullivan, *supra* note 13.

Though copyright issues are not necessarily inherent in e-commerce, the stumbling blocks to achieving a comprehensive treaty on the enforcement of judgments share many of the same characteristics with copyright law. By way of example, the key area of disagreement appears to be over jurisdictional issues, i.e., the current draft of the Convention on Jurisdiction makes it unnecessary for aggrieved consumers to file suit outside of their own home countries. *Id.* This important topic is beyond the scope of this Article. For an interesting criticism of the standards currently in place and the initiatives that have developed and stalled, see Rochelle Cooper Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, 2001 U. ILL. L. REV. 421 (2001) (discussing the Berne Convention for the Protection of Literary and Artistic Works ("Berne Convention"), the Paris Convention for the Protection of Industrial Property, the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") and proposed Hague Conference on Private International Law Convention on Jurisdiction and the Recognition of Foreign Judgments). See also Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469 (2000) (exploring, among other topics, provisions of Berne Convention, the World Intellectual Property Organization ("WIPO") and TRIPS); Michael J. O'Sullivan, *International Copyright: Protection for Copyright Holders in the Internet Age*, 13 N.Y. INT'L L. REV. 1 (2000) (discussing WIPO, the Berne Convention, TRIPS, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty). TRIPS requires member countries of the World Trade Organization to comport their copyright laws with the substantive provisions of the Berne Convention. See Neil Weinstock Netanel, *From the Dead Sea Scrolls to the Digital Millennium: Recent Developments in Copyright Law*, 9 TEX. INTELL. PROP. L.J. 19, 61 (2000).

## II. A&amp;M RECORDS, INC. V. NAPSTER, INC.

Until it was enjoined from operating, Napster was a popular music-sharing program created by a college student named Shawn Fanning as a favor to a friend who wanted to find obscure rap music on the Internet.<sup>14</sup> The Napster program Fanning created collected the names of the MP3 files on all of its users' computers in a searchable index, so that users could ascertain the songs available for copying through Napster and select the songs they wished to download onto their own computers from that list.<sup>15</sup> The actual transfers of files took place between users so that no copies were made or retained on Napster's servers.<sup>16</sup> Undoubtedly recognizing that Napster would not be found liable for direct copyright infringement because it did not itself engage in the copying of their copyrighted music,<sup>17</sup> under the auspices of the Recording Industry Association of America ("RIAA"), eighteen major record companies filed a complaint against Napster for contributory and vicarious infringement.<sup>18</sup>

On July 26, 2000, having found that plaintiffs had established a likelihood of success on their contributory and vicarious infringement claims against Napster,<sup>19</sup> Chief Judge Marilyn Patel of the District Court for the Northern District of California issued a preliminary injunction enjoining Napster "from engaging in, or facilitating others in copying, downloading, uploading, transmitting, or distributing plaintiffs' copyrighted musical compositions and sound recordings, protected by either federal or state law, without express permission of the rights owner."<sup>20</sup> Seven months later, having accepted juris-

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14. See Sarah D. Glasebrook, Comment, *"Sharing's Only Fun When It's Not Your Stuff": Napster.com Pushes the Envelope of Indirect Copyright Infringement*, 69 UMKC L. REV. 811, 811-12 (2001).

15. *Id.*

16. *Id.*

17. See Jane C. Ginsburg, *Copyright Use and Excuse on the Internet*, 24 COLUM. V-LA J.L. & ARTS 1, 28 (2000) ("[T]here is no basis for a primary infringement claim against Napster. Napster does not store files on its servers. Nor does Napster itself effect the distribution of copies . . .").

18. See *A&M Records, Inc. v. Napster*, 114 F. Supp. 2d 896, 900 (N.D. Cal. 2000) [hereinafter *Napster I*].

19. *Id.* at 925.

20. *Id.* at 927. This written opinion, slightly modifying the injunction, was issued on August 10, 2000.



diction to review Chief Judge Patel's interlocutory order,<sup>21</sup> the Ninth Circuit in part vacated the preliminary injunction but let stand most of Chief Judge Patel's conclusions of law regarding Napster's likely liability.<sup>22</sup> The Ninth Circuit's analysis of Napster's liability for the peer-to-peer file sharing it facilitated defines the boundaries of secondary infringement liability vis-à-vis the Internet in the United States. When other Internet music providers such as Napster are hauled into court here, this is the case to which plaintiffs will cite.

The Ninth Circuit, reviewing Chief Judge Patel's ruling for a possible abuse of discretion, found that through its MusicShare software:

Napster allowed its users to: (1) make MP3 music files stored on individual computer hard drives available for copying by other Napster users; (2) search for MP3 music files stored on other users' computers; and (3) transfer exact copies of the contents of other users' MP3 files from one computer to another via the Internet.<sup>23</sup>

Napster was able to provide this service in part through the creation of a "search index," maintained on Napster's servers, which allowed users to access a collective directory of all the names of the songs Napster users stored on their own individual computers.<sup>24</sup> Provided the host (the user whose songs another user wanted to access) was logged on at the same time as the requesting user, Napster's software provided the means by which music could be transferred from one hard drive to another, or "peer-to-peer."<sup>25</sup>

In order to prove their case for a preliminary injunction, plaintiffs first had to present a prima facie case that the peers were themselves engaging in direct infringement. Therefore, plaintiffs had to and did demonstrate that they both owned the works at issue and that at least one exclusive right granted to

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21. The Ninth Circuit heard the appeal pursuant to 28 U.S.C. § 1292(a)(1) (1994). See *Napster II*, 239 F.3d 1004, 1011 (9th Cir. 2001).

22. See generally *Napster II*, 239 F.3d at 1004.

23. *Id.* at 1011.

24. See *id.* at 1012.

25. *Id.*

copyright holders under 17 U.S.C. § 106<sup>26</sup> was violated.<sup>27</sup> It is important to note that the rights under which plaintiffs sued are derived from the Copyright Act of 1976 ("Copyright Act").<sup>28</sup> Had the copyrights been foreign, the analysis of the Ninth Circuit would have been much more complicated and exhaustive.<sup>29</sup> Having found that plaintiffs established the direct infringement, the Ninth Circuit went on to review Chief Judge Patel's ruling that plaintiffs established their right to a preliminary

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26. Section 106 grants six exclusive rights to owners of copyrights, including the right to reproduce and distribute their works. See CA, 17 U.S.C. §106 (1)-(6) (2000). Here the court found the plaintiffs' exclusive rights to reproduction and distribution were violated. *Napster II*, 239 F.3d at 1014 ("Napster users who upload file names to the search index for others to copy violate plaintiffs' distribution rights. Napster users who download files containing copyrighted music violate plaintiffs' reproduction rights."). In what one reporter called "a stunning turnaround," the record companies' ownership of the copyrights at issue has now been called into question. *If You Own Music*, *supra* note 6. Chief Judge Patel ruled on February 22, 2002 that plaintiffs were obliged to prove their ownership of the copyrights infringed. *In re Napster, Inc. Copyright Litigation*, No. 00-1369 (N.D. Cal. Feb. 22, 2002) (order granting defendant's motion for additional discovery), available at <http://www.cand.uscourts.gov>. See also *Napster Court Win*, *supra* note 6.

27. *Napster II*, 239 F.3d at 1013. In finding that direct infringement was indeed taking place, the court examined Napster's affirmative defense of "fair use." *Id.* at 1014. 17 U.S.C. § 107 provides that fair use of a copyrighted work is not infringement. Section 107 also sets out factors to help courts determine whether defendant's activities constitute fair use:

(1) [T]he purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion of the work used in relation to the copyrighted work as a whole; and (4) the effect of the use on the potential markets [for the work or on the work's value].

CA, 17 U.S.C. § 107. The Ninth Circuit rejected Napster's arguments on these traditional fair use factors, and went on to uphold Chief Judge Patel's rejection of Napster's novel argument that its users' copying of plaintiffs' works was not infringement because they downloaded the works to sample them – to decide whether to buy the albums. See *Napster II*, 239 F.3d at 1018. The Ninth Circuit also upheld Chief Judge Patel's finding that "space-shifting," the downloading of music already owned by the user, is not fair use. See *id.* at 1019. The fair use doctrine will undoubtedly be applied in many creative new ways in attempts to thwart liability. This topic is deserving of its own plenary treatment and will not be explored further here.

28. CA, 17 U.S.C. §§ 101-1332 (2000).

29. See *infra* note 59 (discussing choice of law issues).

injunction by demonstrating that Napster was a contributory infringer.<sup>30</sup>

### A. Contributory Infringement

In order to establish that Napster would likely be found liable for contributory infringement, plaintiffs had to establish that Napster knew or had reason to know of its users' infringing activities, and that Napster materially contributed to its users' infringing activity.<sup>31</sup> The Ninth Circuit agreed with the district court that "Napster had both actual and constructive knowledge of direct infringement."<sup>32</sup> However, the court of appeals appears to have differed with Chief Judge Patel's conclusion that Napster need not have known of "specific acts of infringement" to satisfy this prong.<sup>33</sup> Citing *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*,<sup>34</sup> the Ninth Circuit held that "absent any specific information which identified infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material."<sup>35</sup> Perhaps inconsistently, in rejecting Napster's argument that it was saved from liability under the *Sony* doctrine,<sup>36</sup> the Ninth Circuit found that "[r]egardless of the number

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30. *Napster II*, 239 F.3d at 1019-23.

31. *Id.* at 1019-20.

32. *Id.* at 1020.

33. Chief Judge Patel held that "[t]he law does not require actual knowledge of specific acts of infringement." *Napster I*, 114 F. Supp. 2d 896, 918 (N.D. Cal. 2000).

34. *Religious Tech. Ctr. v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1985).

35. *Napster II*, 239 F.3d at 1021.

36. In *Sony Corporation of America v. Universal City Studios, Inc.*, the Supreme Court refused to impute knowledge of infringing activities to defendants where defendants' products were capable of "substantial noninfringing uses." 464 U.S. 417, 442 (1984) (articulating the "Betamax" standard for contributory infringement). Rather, the *Sony* Court required proof that defendants in fact had knowledge, either constructive or actual. *Id.* This decision carves out an exception from liability in cases where a "staple Article of commerce" is capable of substantial non-infringing activity. *Id.* The Betamax defense may be used by MusicCity, Grokster and Kazaa to defend against the RIAA and the MPAA in their recently filed suit for infringement against the peer-to-peers. See *Metro-Goldwyn-Mayer, Inc. v. Grokster Ltd.*, No. 01-8541 (C.D. Cal. filed Oct. 2, 2001); John Borland, *File-Swapping Case May Break*

of Napster's infringing versus noninfringing uses, the evidentiary record here supported the district court's finding that plaintiffs would likely prevail in establishing that Napster knew or had reason to know of its users' infringement of plaintiffs' copyrights.<sup>37</sup> In this way, the Ninth Circuit indirectly addressed the district court's observation that the "Betamax" standard<sup>38</sup> was inapplicable because unlike in *Sony*, where the manufacturer of the VCRs had no control over the product once it was in the marketplace, Napster continued to exercise ongoing control over its service.<sup>39</sup>

Significantly, however, the Ninth Circuit cautioned that it would "not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights . . . [Contributory infringement will not be found] merely because the structure of the system allows for the exchange of copyrighted material."<sup>40</sup> Therefore, the appellate court placed heavy emphasis on actual, rather than constructive, knowledge.<sup>41</sup>

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*New Ground*, CNET NEWS.COM (Nov. 6, 2001), at <http://news/cnet.com/news/01005-200-7798704.html> (stating that the Electronic Frontier Foundation, which will represent the defendants, will likely argue that the allegedly infringing software, which helps users develop file-sharing networks on their own, is capable of non-infringing uses, and that, because defendants have no control over how their software is used, they are analogous to the video cassette recorder ("VCR") distributors who were let off the hook by the Supreme Court in *Sony*).

37. *Napster II*, 239 F.3d at 1021 (requiring that a defendant be notified of "specific acts of infringement," seems to remove the having "reason to know" possibility from the inquiry).

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

39. *Napster I*, 114 F. Supp. 2d 896, 916 (N.D. Cal. 2000).

40. *Napster II*, 239 F.3d at 1020-21.

41. This holding is in line with the Digital Millennium Copyright Act of 1998 ("DMCA"), Pub. L. No. 105-304, 112 Stat. 2860 (codified as amended at 17 U.S.C. § 10 and scattered sections), which codified the requirement of knowledge or "volition" for liability for contributory infringement. *See Bailey, supra* note 4, at 502-03 (noting that the DMCA essentially codifies the holding in *Religious Tech. Ctr. v. Netcom Online Communications Services, Inc.*, 907 F. Supp. 1361, 1373-74 (N.D. Cal. 1995), namely, that an Internet service provider ("ISP") could not be liable for contributory infringement where it had no knowledge, nor could it know that infringing material was posted on its system). The DMCA is Congress' attempt to conform U.S. copyright law to WIPO treaties.

As for the second prong of the test, the district court, following *Fonovisa, Inc. v. Cherry Auction, Inc.*<sup>42</sup> found that "Napster, Inc. supplies the proprietary software, search engine, servers, and means of establishing a connection between users' computers. Without the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts."<sup>43</sup> The Ninth Circuit agreed with the district court that Napster "materially contributed" to the infringing activity by providing "the site and facilities' for direct infringement."<sup>44</sup>

### B. Vicarious Infringement<sup>45</sup>

Vicarious infringement liability, an outgrowth of the respondeat superior doctrine, "extends beyond an employer/employee relationship" to situations in which the defendant "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities."<sup>46</sup> The Ninth Circuit upheld Chief Judge Patel's finding that, as to economic interest in the direct infringing activity, "[a]mple evidence supports the district court's finding that Napster's future revenue is directly dependent upon 'increases in userbase.'"<sup>47</sup> It also upheld the district court's conclusion as to the supervision prong of the test, but with a caveat. "The ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise."<sup>48</sup> The district court found that Napster may be liable for vicarious infringement because Napster expressly reserved its rights

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

43. *Napster I*, 114 F. Supp. 2d at 920.

44. *Napster II*, 239 F.3d at 1022.

45. The Ninth Circuit's vicarious liability analysis is not discussed in this Article in great detail. As the brief discussion that follows demonstrates, both the district court and the appellate court placed much emphasis on Napster's express reservation of rights to police its site. As a practical matter, the *Napster* decisions broadcast a way in which future defendants may escape vicarious liability by structuring their systems such that they are unable to police their sites. In any event, the Ninth Circuit's upholding of the district court's findings as to vicarious liability appears to have been half-hearted.

46. *Napster II*, 239 F.3d at 1022 (quoting *Fonovisa*, 76 F.3d at 262).

47. *Id.* at 1023.

48. *Id.*

to refuse service or terminate accounts for any reason, but failed to police its service.<sup>49</sup> According to the Ninth Circuit, however, the lower court “failed to recognize that the boundaries of the premises that Napster ‘controls and patrols’ are limited” by its architecture.<sup>50</sup> Nonetheless, that the search indexes were “within the ‘premises’ that Napster has the ability to police,” combined with Napster’s financial benefit from the infringing activity, was enough to lead to the imposition of vicarious liability.<sup>51</sup>

After addressing Napster’s remaining arguments in its defense,<sup>52</sup> the Ninth Circuit proceeded to direct the district court to modify the injunction against Napster to place the burden on plaintiffs to inform Napster of the availability of their copyrighted works on the Napster system.<sup>53</sup> Subsequently, on March 5, 2001, Chief Judge Patel modified the injunction against Napster.<sup>54</sup> Not surprisingly, the modified injunction has been challenged by both sides, each arguing Chief Judge Patel’s decision regarding the injunction did not go far enough. The Ninth Circuit has yet to rule on this issue.<sup>55</sup> It may become moot, however, with Chief Judge Patel’s decision on the RIAA’s motion for summary judgment, argued in October 2001.<sup>56</sup>

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49. *Napster I*, 114 F. Supp. 2d at 921.

50. *Napster II*, 239 F.3d at 1023-24.

51. *Id.* at 1024.

52. Having earlier disposed of Napster’s fair use defenses, see *supra*, note 27, it went on to address its remaining defenses and rejected each one. *Id.* at 1026-27. As to Napster’s claim that the Audio Home Recording Act of 1992 (“AHRA”), 17 U.S.C. §§ 1001-1010 (2000), protects its activities, the Ninth Circuit concluded that the AHRA “does not cover the downloading of MP3 files to computer hard drives” because computers are not digital audio recording devices and do not make digital music recordings. *Napster II*, 239 F.3d at 1024. The Ninth Circuit also rejected Napster’s waiver, implied license and misuse defenses. *See id.* at 1026. It left for further development at trial the possibility that the DMCA might provide a safe harbor from liability. *See id.* at 1025.

53. *Napster II*, 239 F.3d at 1027.

54. *See* A&M Records, Inc. v. Napster, Inc., No. C 99-5183 MHP, C 00-1369 MHP, 2001 WL 227083 (N.D. Cal. Mar. 5, 2001).

55. A&M Records, Inc. v. Napster, Inc., No. 01-15998 (9th Cir. Dec. 10, 2001). *See also Appeals Court Hears Arguments in Napster Case*, SILICON VALLEY.COM (Dec. 10, 2001), at <http://www.siliconvalley.com>.

56. As of the date of this writing, no decision has been issued. Rather, as discussed in note 6, *supra*, the case has taken an interesting turn of events, with the record companies suddenly on the defensive. *See also* Reuters, *Nap-*

## III. HYPOTHETICAL

Suppose that a Napster-like file-sharing service is launched by a French company named Robin des Bois, S.A. ("Robin des Bois"). The instructions on its website are written in French, but, because it wishes to succeed against its competitors and to ensure a wider user base, it also features instructions in English, the language spoken most throughout the Western world.<sup>57</sup> As part of its service, Robin des Bois, like Napster, requires its users to register with the company and keeps a central index of all the songs its users have stored on their individual hard drives. Robin des Bois' central index reflects music from around the world, including the ever popular American music

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*ster, Labels Head Back to Court Wednesday*, SILICON VALLEY.COM (Oct. 7, 2001), available at [http://www.siliconvalley.com/docs/news/reuters\\_wir/15489851.htm](http://www.siliconvalley.com/docs/news/reuters_wir/15489851.htm); Reuters, *Napster, Music Industry Return to Court*, CNET NEWS.COM (Oct. 8, 2001), available at <http://news.cnet.com/news/0-1005-200-7445627.html>. Helping to make the case go away is Dr. Dre and Metallica's summer settlement with Napster. See Jason Hoppin, *9th Circuit Is Sick of Hearing Napster Tune*, RECORDER (Sept. 20, 2001), available at <http://www.law.com>. Napster has also settled with music publishers and songwriters for \$26,000,000, plus portions of future profits. See *Napster Settles with Music Publishers*, WALL ST. J., Sep. 25, 2001, at B4.

57. Another compelling reason for Robin des Bois to put English on its website is that it will be filling Napster's shoes while it remains in litigation. Jupiter Media Metrix has recently reported that the level of Internet file-sharing activity in Europe has dropped by 50% since February 2001. In part, this drop may be attributed to the fact that the majority of European users of file-sharing sites were using Napster, which has been disabled since July 2001. See Bernhard Warner, *Study: Online Song-Swapping on Decline in Europe*, SILICON VALLEY.COM (Oct. 29, 2001), at [http://www.siliconvalley.com/docs/news/reuters\\_wire/16089871.htm](http://www.siliconvalley.com/docs/news/reuters_wire/16089871.htm).

On the other hand, the European on-line music market may soon experience a rise in file-sharing activity. Vitaminic, Europe's largest on-line distributor delivering files in the MP3 format, has recently signed a licensing deal with Napster that will give it access to thousands of independent artists. See *EMI Has No Fears*, *supra* note 7. While Vitaminic is a legitimate subscription service, the increased awareness and availability of popular music on the Internet in Europe may spark the flourishing of illegitimate music pirates. See Gwendolyn Mariano, *Napster Rivals Winning Popularity Contest*, CNET NEWS.COM (Nov. 5, 2001), at <http://news.cnet.com/news/0-1005-200-7788007.html> (expanded range of content and interest in file sharing on the rise worldwide). In the United States, no decline has followed Napster's temporary demise. File-sharing activity has jumped by 480% since June 2001. See *id.* (Webnoise study reports number of music files download using Kazaa, MusicCity and Grokster up 20%).

that is copyrighted under the United States Copyright Act<sup>58</sup> and owned by American recording labels, among them, RIAA member A&M Records, Inc. ("A&M"). Unlike Napster, Robin des Bois does not reserve the right to police its site, although it is capable of blocking access to its site by its users. All of Robin des Bois' other features, and the way its system functions, are not materially different from that of Napster. Most importantly, like its namesake, Robin des Bois has no intention of charging for its service, and no intention of paying for the music available through it. In short, Robin des Bois is not authorized by A&M to distribute its repertoire.

Now suppose A&M, cognizant of the *Napster* decision, contacts Robin des Bois and informs it that A&M's music is indexed on its website, and demands that it "cease and desist" from offering A&M's copyrighted works for distribution. After some time, having heard no response from the French company, A&M brings suit against Robin des Bois in the United States District Court for the Northern District of California, where the court is well versed in the file-sharing phenomenon, and *Napster* is controlling precedent.<sup>59</sup> A&M charges that its copyrighted music is being copied and distributed via Robin des Bois' peer-to-peer file-sharing service within the United States and abroad, and accuses Robin des Bois of contributory in-

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58. CA, 17 U.S.C. §106 (2000).

59. This hypothetical assumes that the copyrighted works at issue are properly registered with the United States Copyright Office, thereby obviating a lengthy choice of law analysis. Had the copyright at issue been foreign, our district court would likely be obliged to proceed with determining which country's laws should apply to the dispute. See William F. Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383, 385 (2000) (discussing choice of law issues and, in addition, concluding that no choice of law issues will exist where an unauthorized copy of a work is placed on a website outside of the U.S., even when subsequent infringing copying occurs in the U.S. because no cause of action will lie). For a case demonstrating the choice of law problems inherent in international copyright disputes, see *National Football League v. TVRadioNow Corp.*, 53 U.S.P.Q. 2d 1831, 1834 (W.D. Pa. 2000) (dispute regarding whether U.S. or Canadian law governed copyright infringement case where defendant claimed that redistribution of U.S. programming in Canada was not unlawful in Canada, but where the activity would be unlawful in the U.S.). See also *Bridgeman Art Library, Ltd. v. Corel Corp.*, 25 F. Supp. 2d 421, 425 (S.D.N.Y. 1998); Jane C. Ginsburg, *Copyright Use and Excuse on the Internet*, 24 COLUM.-VLA J.L. & ARTS 1, 41-44 (analyzing *TVRadioNow*).



fringement, seeking a preliminary and permanent injunction against the company. Robin des Bois, in turn, responds to the allegation by bringing a motion to dismiss the complaint based on lack of subject matter and personal jurisdiction,<sup>60</sup> and in the alternative, for failure to state a claim.<sup>61</sup>

*A. Subject Matter Jurisdiction or the Extraterritorial Reach of the Copyright Act*

It is appropriate to acknowledge that, although the Internet is still a fairly new technology, the answers to most questions borne out of its novelty lie in traditional, well-developed and much tested principles of law.<sup>62</sup> To begin the analysis, then, one must determine whether a U.S. district court may exercise jurisdiction over a foreign defendant accused of being a contributory infringer via the Internet.<sup>63</sup> This calls for an examination of the extraterritorial reach of the Copyright Act.<sup>64</sup>

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60. See FED. R. CIV. P. 12(b)(1)-(2) (motions to dismiss for subject matter jurisdiction and personal jurisdiction, respectively).

61. See FED. R. CIV. P. 12(b)(6).

62. This sentiment is common throughout the diverse spectrum of the legal community. To wit, Judge Jed Rakoff of the District Court for the Southern District of New York boldly began one of his first opinions in *UMG Recordings v. MP3.com, Inc.*, a copyright infringement case initiated by the RIAA against now-infamous MP3.com, with the following: "The complex marvels of cyberspatial communication may create difficult legal issues; but not in this case. Defendant's infringement of plaintiffs' copyrights is clear." *UMG Recordings v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 350 (S.D.N.Y. 2000). Similarly, the California Court of Appeals, Sixth District, recently wrote that "as a mode of communication and a system of information delivery [the Internet] is new, but the rules governing the protection of property rights, and how that protection may be enforced under the new technology, need not be." *Pavlovich v. Superior Court*, 109 Cal. Rptr. 2d 909, 912-13 (Cal. Ct. App. 2001).

This sentiment was echoed in academia by Joseph H. Sommer, Counsel for the Federal Reserve Bank of New York, in the *Berkeley Technology Law Journal*: "[C]yberspace is just another battleground for some very old wars." Joseph H. Sommer, *Against Cyberlaw*, 15 BERKELEY TECH. L.J. 1145, 1149 (2000). Sommer expounded on his proposition later when he observed that "copyright has always been mediated through the First Amendment and the needs of the copyright industries. We do not have a 'law of the printing press,' or a 'law of the player piano.'" *Id.* at 1155 (citing *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1 (1908)).

63. The Internet, unlike most applications, defies national boundaries. For example, messages among computers are often transmitted through "packet switching" communication protocols," which allow individual mes-

It is generally accepted that under 28 U.S.C. § 1338,<sup>65</sup> district courts of the United States do not have subject matter jurisdiction over actions for infringement of U.S. copyright occurring

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sages to be split up and sent along independent routes (via phone lines or fiber-optic cables or satellites) to a single destination in which the message is reassembled. See Dennis T. Rice, 2001: *A Cyberspace Odyssey Through U.S. and E.U. Internet Jurisdiction Over E-Commerce*, in FIFTH ANNUAL INTERNET LAW INSTITUTE 421, 445-46 (PLI Intell. Prop. Course, Handbook Series No. G-661, 2001). Websites may be interconnected by way of "hyperlinks," regardless of the locations of their servers. See *id.* And, especially in the realm of copyrighted music, users simply do not care whether they are downloading from the United States or Germany – or whether they are uploading to Tibet or Bali.

64. See CA, 17 U.S.C § 106 (2000). Strictly speaking, there is a distinction between an analysis of the extraterritorial reach of a statute and subject matter jurisdiction. To obtain subject matter jurisdiction, ordinarily one must show that he is proceeding either under diversity jurisdiction or is seeking adjudication of a federal question. Litigation under the Copyright Act presents a federal question. The right to copyright protection is derived from none other than the United States Constitution. U.S. CONST. art. I, § 8, cl. 8. The Copyright Act, being an act of Congress, is a federal statute. Therefore, federal courts clearly have subject matter jurisdiction to hear a copyright infringement claim. However, the scope of the Copyright Act will dictate whether a claim may be brought under it. If a claim is outside the scope of the statute, a litigant cannot avail himself of the statute's prescriptions and a court will be unable to render a decision pursuant to that statute. Courts sometimes refer to this analysis of the extraterritorial reach of the Copyright Act as the analysis of subject matter jurisdiction. For the purposes of this Article, the two concepts will be used interchangeably.

65. Section 1338 states:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.

(c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 3 of title 17, to the same extent as such subsections apply to copyrights.

28 U.S.C. § 1338 (2000).

outside the United States.<sup>66</sup> On the other hand, American courts have taken jurisdiction over claims where the conduct complained of was foreign but was clearly intended to, and did, have an effect in the United States.<sup>67</sup> Importantly, in those cases, the courts exercised subject matter jurisdiction over acts of contributory and vicarious infringement where those acts

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66. See *Quantitative Fin. Software, Ltd. v. Infinity Fin. Tech. Inc.*, 47 U.S.P.Q. 2d 1764, 1765 (S.D.N.Y. 1998). An exception to this rule, "when the type of infringement permits further reproduction abroad – such as the unauthorized manufacture of copyrighted material in the United States . . . the act taking place in the United States at the very least must itself violate the Copyright Act." *Id.* at 1765. See also *Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987 (9th Cir. 1998) (permitting recovery against defendant who first copied and transmitted unauthorized work in the U.S. and then transmitted it abroad); *Allarcom Pay Television, Ltd. v. Gen. Instrument Corp.*, 69 F.3d 381, 387 (9th Cir. 1995); Netanel, *supra* note 13, at 58.

Therefore, where an Israeli plaintiff sued an American corporation for infringement of an Israeli copyright, and where the development of the American corporation's product, which worked in tandem with the plaintiff's product, took place overseas and was sold to a Turkish corporation for use in trading on a U.S. exchange, the court held that it had no subject matter jurisdiction over plaintiff's claim. See *Quantitative Fin. Software*, 41 U.S.P.Q. 2d at 1766. The court explained that:

[T]he fact that a trade [accomplished with the aid of defendant's and plaintiff's product] takes place in the United States does not mean that infringement, i.e., a violation of one of the exclusive rights of the owner of copyright, 17 U.S.C. § 106, occurred in the United States, just because the foreign party to the trade may be using, in its computer program, information in which plaintiff has a copyright.

*Id.* This "Lex Protectionis" rule is in contrast to the recent recommendations of the European Commission, which advances the "country of origin" theory in its Green Paper on Copyright and Related Rights in the Information Society. See Copyright and Related Rights in the Information Society: Green Paper from the Commission to the European Council, COM(95)382 final; Don Beiderman, *Copyright Trends: With Friends Like These...*, 17 ENT. & SPORTS LAW 3, 7 (1999). For a further discussion of choice of law issues in the context of international copyright disputes, see Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 COLUM.-VLA J.L. & ARTS 1 (1999).

67. The RESTATEMENT discusses the limits of a country's authority to exercise jurisdiction over activities of non-residents. RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES § 401 (1986). There must first be: (1) jurisdiction to prescribe; (2) jurisdiction to adjudicate; and (3) jurisdiction to enforce. See *id.*; see also Rice, *supra* note 63, at 431.

provided the means by which direct infringement occurred in the United States.<sup>68</sup>

In *GB Marketing USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*,<sup>69</sup> the District Court for the Western District of New York addressed the extraterritorial reach of the Copyright Act through its analysis of subject matter jurisdiction.<sup>70</sup> Plaintiff claimed that a German company had contributed to the infringement of its copyrights by affixing, abroad, copyrighted labels that it had no authority to use, on water bottles that were marketed and sold in America.<sup>71</sup> Defendant moved to dismiss for lack of subject matter jurisdiction, claiming that the Copyright Act did not reach its activities abroad.<sup>72</sup> The district court, noting that defendant was alleged to have sold the infringing bottles to a third party with the "knowledge and intent that the water would then be exported to the United States and sold here," went on to find that it had subject matter jurisdiction over the claim.<sup>73</sup> The court further found, using reasoning reminiscent of the "effects test" used to determine personal jurisdiction over foreign defendants,<sup>74</sup> that it would be fair to adjudicate the claim against it because its acts, done abroad, "are intended to, and do, have an effect within the United States."<sup>75</sup> Indeed, the court went on, "it is precisely because the copyright

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68. See, e.g., *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 635-36 (S.D.N.Y. 2000) (finding that jurisdiction may exist over act of contributory or vicarious infringement where subsequent act of infringement took place in the United States); *Blue Ribbon Pet Prods., Inc. v. Rolf C. Hagen (USA) Corp.*, 66 F. Supp. 2d 454, 462 (E.D.N.Y. 1999) (finding that acts of contributory or vicarious infringement in Canada may provide basis for liability in the U.S. where defendant knew or should have known that the other could be expected to infringe); *ITSI T.V. Prods., Inc. v. California Auth. of Racing Fairs*, 785 F. Supp. 854, 864 (E.D. Cal. 1992) (noting possibility that a defendant acting outside the U.S. may be held liable for contributory or vicarious infringement). For a fuller collection of cases, see also Dinwoodie, *supra* note 13, at 529.

69. *GB Marketing USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763 (W.D.N.Y. 1991).

70. *Id.* at 772.

71. *Id.*

72. *Id.*

73. *Id.* at 773.

74. See RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 37 (1965) [hereinafter RESTATEMENT (SECOND)].

75. *GB Marketing*, 782 F. Supp. at 773.

statutes are aimed at infringement in the United States that the court must also consider the location of the *effect* of [defendant's] alleged action, i.e., the location of the ultimate direct infringement."<sup>76</sup>

Similarly, in *Metzke v. May Department Stores Co.*,<sup>77</sup> an American plaintiff, Ms. Metzke, sued her distributor for vicarious and contributory infringement of her copyrighted pewter potpourri jars.<sup>78</sup> The distributor, May Department Stores Co. ("May"), had offices in Taiwan which coordinated May's Taiwanese vendors and negotiated contracts between the corporate division of May ("MMC") and those vendors.<sup>79</sup> MMC, in turn, served as a "conduit" for May's retail division for products manufactured outside of the United States, and all imported goods for May's retail division were purchased through MMC.<sup>80</sup> MMC had arranged for a Taiwanese company to copy Ms. Metzke's original copyrighted works for May stores, but the "knock-offs" found their way to non-May distributors in the U.S. and were sold here.<sup>81</sup> On the defendant's motion for summary judgement, the district court found that no claim for vicarious infringement may lie because plaintiff could not prove the first element of the claim, namely that the defendant had the right and ability to supervise the infringing activity of another.<sup>82</sup>

As to contributory infringement, however, the court denied defendant's motion. In so doing, the court addressed defendant's argument that, because the direct infringement of the jars occurred in Taiwan, and is thus not actionable under the Copyright Act, there can be no contributory infringement.<sup>83</sup> The court agreed that since U.S. copyright law generally does not have extraterritorial effect, May could not be held liable for the direct infringement of the jars.<sup>84</sup> However, the court held

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76. *Id.*

77. *Metzke v. May Dep't Stores Co.*, 878 F. Supp. 756 (W.D. Pa. 1995).

78. *Id.* at 758.

79. *Id.*

80. *Id.*

81. *Id.* at 760.

82. *Id.* For similar reasons, Robin des Bois would likely escape liability for vicarious infringement.

83. *Metzke*, 878 F. Supp. at 760.

84. *Id.*

that May could be liable, "if it knew or should have known that [the direct infringer's] copies of Ms. Metzke's designs would be distributed by non-May retailers in the United States."<sup>85</sup> The court disposed of May's argument that it could not have known that non-May stores would sell the products because it did not so intend by calling the reasoning a "non sequitur."<sup>86</sup> Having found that its part in plaintiff's injury was actionable under the Copyright Act, the defendant was obliged to face adjudication in the United States.<sup>87</sup>

In much the same way, our federal court in California would likely reach the same conclusion against Robin des Bois, at least as to its contribution to infringing activity within the U.S.<sup>88</sup> With the aid of precedent set by *Napster*, the court would reason that the very nature of Robin des Bois' business implies that it "knew or should have known" that its activities would lead to direct infringement of plaintiff's copyrights in the United States. The success of its business, much like *Napster's*, will have depended on its widespread popularity.<sup>89</sup> Moreover, the case would be an easier one than *Metzke*, because the infringing activity would come subsequent to its facilitation, not before, and would indeed be encouraged by the file-sharing service. Robin des Bois could not claim it was surprised that its service ended up in the hands of unintended consumers, as by design, its populist service has no unintended consumers. Indeed, as the *GB Marketing* court observed, Robin des Bois' purposeful injection of its service into the American

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85. *Id.* at 761 (citing 3 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHTS § 12.04[A][2][b] (1994)).

86. *Id.*

87. *Id.* at 762.

88. As noted above, the district court would likely dismiss the claims of contributory infringement, where the predicate act of direct infringement takes place abroad, for lack of subject matter jurisdiction or for failure to state a claim under the Copyright Act. See *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 635 (S.D.N.Y. 2000).

89. The district court would certainly engage in fact finding regarding Robin des Bois' intention to market to an American consumer base. Where jurisdictional and substantive issues intertwine, "the question of jurisdiction is dependent on the resolution of factual issues going to the merits." *ITSI T.V. Prod., Inc. v. California Auth. of Racing Fairs*, 785 F. Supp. 854, 858 (E.D. Cal. 1992). That analysis, though equally pertinent to the discussion of subject matter jurisdiction, overlaps with the inquiry into the court's personal jurisdiction and is discussed below in that context.

market would make its argument that the Copyright Act does not extend to its facilitating activities unavailing.<sup>90</sup>

### *B. Personal Jurisdiction*

The defendant in *Metzke* was based in the U.S., and did not raise the defense of lack of personal jurisdiction.<sup>91</sup> Therefore, the issue of the court's subject matter jurisdiction having been decided, no defense of lack of personal jurisdiction was raised. Robin des Bois, however, is a French company, and it will surely assert that, even if its activities are actionable under the Copyright Act, the District Court for the Northern District of California cannot exercise personal jurisdiction over it.

As no specific federal statute governs personal jurisdiction under the Copyright Act, courts look to the long-arm statute of the state in which they sit.<sup>92</sup> The California long-arm statute is typical of long-arm statutes in other states that render jurisdiction coextensive with the outer limits of due process.<sup>93</sup> Therefore, to survive due process scrutiny, the exercise of jurisdiction must "not offend 'traditional notions of fair play and substantial justice.'"<sup>94</sup> Put another way, the defendant's activities must be such that he "should reasonably anticipate being hauled into court in the United States."<sup>95</sup>

There are two types of personal jurisdiction over a defendant: general and specific.<sup>96</sup> General jurisdiction exists where a defendant's activities in the state, regardless of whether they are related to the cause of action, are "substantial" or "continuous and systematic."<sup>97</sup> In all likelihood, foreign companies implicated in our hypothetical would not be subject to general juris-

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90. See *GB Marketing USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 773 (W.D.N.Y. 1991).

91. *Metzke*, 878 F. Supp. at 758.

92. See *Blue Ribbon Pet Prods., Inc. v. Rolf C. Hagen (USA) Corp.*, 66 F. Supp. 2d 454, 459 (E.D.N.Y. 1999).

93. See CAL. CODE CIV. P. § 410.10 ("A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States."). See also *Rano v. Sipa Press, Inc.*, 987 F.2d 580, 587 (9th Cir. 1993).

94. *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

95. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

96. See *Rano*, 987 F.2d at 587.

97. See *id.*

diction here.<sup>98</sup> Therefore, this analysis focuses on specific jurisdiction. Specific jurisdiction lies when: (1) the foreign defendant performs an act by which he purposefully avails himself of the privilege of conducting activities in the forum; (2) the claim arises out of or results from the defendant's forum related activities; and (3) the exercise of jurisdiction is reasonable.<sup>99</sup> Another way to frame the first inquiry is to ask whether the defendant purposefully directs his activity into the forum.<sup>100</sup> If he has, he has invoked that forum's protection and should reasonably expect to defend himself there.<sup>101</sup> In the context of torts, the effects test, though less often applied to intellectual property disputes, is perfectly appropriate to utilize as well.<sup>102</sup> Under the effects test, the due process clause will not be offended and a court may exercise jurisdiction over the defendant if he caused an effect in the forum by an act done elsewhere that is related to the plaintiff's cause of action.<sup>103</sup>

For the most part, cases adjudicating whether jurisdiction can lie over a defendant residing outside the forum state who utilizes the Internet to conduct its business have been brought pursuant to the Lanham Act<sup>104</sup> in the context of domain name trademarks disputes.<sup>105</sup> Because of the unique nature of the

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98. See *Helicopteros Nacionales de Colom., S.A. v. Hall*, 466 U.S. 408, 414 (1984) (finding that personal jurisdiction exists when there are sufficient contacts between the foreign corporation and the forum state or where the cause of action arises out of that corporation's activities). See also Rice, *supra* note 63, at 436 (general jurisdiction has been accorded less attention in Internet related cases).

99. See *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 416 (9th Cir. 1997); *Rano*, 987 F.2d at 588; *Zippo Mfr. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1122-23 (W.D. Pa. 1997).

100. See *Cybersell*, 130 F.3d at 417.

101. See *id.* at 416-17.

102. See *Cybersell*, 130 F.3d at 420 (rejecting defendants arguments on the facts); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297-98 (1980); *Core-Vent Corp. v. Nobel Indus., AB*, 11 F.3d 1482, 1486 (9th Cir. 1993); *Panavision Int'l, L.P. v. Toeppen*, 938 F. Supp. 616, 621 (C.D. Cal. 1996); RESTATEMENT (SECOND), *supra* note 74, § 37 (jurisdiction over a foreign defendant does not offend due process if he caused an effect in the forum by an act done elsewhere that is related to the plaintiff's cause of action).

103. RESTATEMENT (SECOND), *supra* note 74, § 37.

104. Trademark Act of 1946, 15 U.S.C. §§ 1051-1129 (2000) (popularly known as the Latham Act).

105. See *infra* note 114.



tort of contributory infringement, these cases are therefore of limited utility to this analysis. Nonetheless, they are instructive because our court will take guidance from them, thus, several cases are discussed below.

*Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*<sup>106</sup> is considered by courts and commentators alike to be the first to lay out a comprehensive analytical framework to test personal jurisdiction based on Internet activity.<sup>107</sup> In *Zippo*, Judge McLaughlin analyzed a California corporation's contacts with the Commonwealth of Pennsylvania in order to determine whether specific personal jurisdiction existed over the defendant.<sup>108</sup> After setting out the traditional rules for determining jurisdiction, established by *International Shoe Co. v. Washington*,<sup>109</sup> *Hanson v. Denckla*,<sup>110</sup> *World-Wide Volkswagen v. Woodson*,<sup>111</sup> *Helicopteros Nacionales de Colombia, S.A. v. Hall*<sup>112</sup> and *Burger King Corp. v. Rudzewicz*,<sup>113</sup> the court took guidance from several cases dealing with jurisdiction over Internet-based companies.<sup>114</sup> The court noted that, while "the cases are scant," their

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106. *Zippo Mfr. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997).

107. See *Cybersell*, 130 F.3d at 419; Rice, *supra* note 63, at 464.

108. Plaintiffs in *Zippo* conceded that the court did not have general jurisdiction over the defendant. *Zippo*, 952 F. Supp. at 1125-26.

109. *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

110. *Hanson v. Denckla*, 357 U.S. 235 (1958).

111. *World-Wide Volkswagen v. Woodson*, 444 U.S. 286, 294 (1980).

112. *Helicopteros Nacionales de Colom., S.A. v. Hall*, 466 U.S. 408, 414 (1984).

113. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985).

114. See *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124-25 (W.D. Pa. 1997) (discussing *CompuServe, Inc. v. Patterson*, 89 F.3d 1257, 1266-67 (6th Cir. 1996) (plaintiff purposefully directed business activities to forum state by knowingly entering into contract there and deliberately and repeatedly transmitting files into forum state)); *Maritz, Inc. v. Cybergold, Inc.*, 947 F. Supp. 1328, 1333 (E.D. Mo. 1996) (jurisdiction found where there was active solicitation and promotional activity to develop mailing list for upcoming Internet service); *Inset Sys., Inc. v. Instruction Set*, 937 F. Supp. 161, 165 (D. Conn. 1996) (advertising on website accessible in plaintiff's forum was sufficient to confer jurisdiction in part because continuous nature of Internet advertising may be characterized as "repetitive" for purposes of satisfying Connecticut long arm statute); *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295, 301 (S.D.N.Y. 1996) (no jurisdiction where non-interactive website merely available outside defendant's jurisdiction); *Pre-Kap, Inc. v. System One, Direct Access, Inc.*, 636 So. 2d 1351, 1353 (Fla. Dist. Ct. App.

review warranted the conclusion that “the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.”<sup>115</sup> The court went on

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1994) (no jurisdiction over consumer of services on the Internet where the consumer is not soliciting or marketing products). Among these cases, *Inset* has been most thoroughly criticized as an example of the outer limit of jurisdictional analysis. See, e.g., Rice, *supra* note 63, at 462-63 (providing a comprehensive survey of cases dealing with personal jurisdiction over companies utilizing the Internet).

115. *Zippo*, 952 F. Supp. at 1124. Perhaps the most interesting aspect of the *Zippo* opinion, albeit one that is beyond the focus of this Article, is the court's response to the defendant's contention that its contacts with Pennsylvania were not unlike the defendant's in *World-Wide Volkswagen*. *Id.* at 1126-27. In the seminal case of *World-Wide Volkswagen*, the Supreme Court determined that the defendant's contacts with the forum state were “fortuitous.” *World-Wide Volkswagen*, 444 U.S. at 295. In that case, a couple who purchased a car in New York were injured while driving through the State of Oklahoma and brought suit there. *Id.* at 288. The manufacturer of the vehicle did not sell its vehicles in Oklahoma and had not attempted to establish its business there. *Id.* at 295.

Defendant in *Zippo* argued that its contacts with Pennsylvania were similarly “fortuitous” because a Pennsylvania resident happened upon its website. *Zippo*, 952 F. Supp. at 1126. In rejecting defendant's argument, the court, in dicta, posited that:

Dot Com's [defendant's] contacts with Pennsylvania would be fortuitous within the meaning of *World-Wide Volkswagen* if it had no Pennsylvania subscribers and an Ohio subscriber forwarded a copy of a file he obtained from Dot Com to a friend in Pennsylvania or an Ohio subscriber brought his computer along on a trip to Pennsylvania and used it to access Dot Com's service.

*Id.* It is not unlikely that this is precisely the type of argument that would be made by a true peer-to-peer Internet music service. Unlike Napster, true peer-to-peer applications do not need the aid of a central server to enable personal computers (“PCs”) to link together. See, e.g., *Rocky Road*, *supra* note 7 (For MusicCity, Kazaa and all the Gnutella-based companies such as LimeWire LLC, and BearShare, central servers do not make connections between PCs on the network – rather, PCs are themselves “deputized on the fly to play temporary roles as network traffic cops.”).

Commentators have observed that the removal of the central server from the peer-to-peer infrastructure may insulate developers of such applications from litigation because, unlike Napster, no centralized list of copyrighted files is maintained by the developer, and no direct assistance is provided to the unauthorized trading of copyrighted works. See Bailey, *supra* note 4, at 473, 476, 481 & 516 (pure peer-to-peer services leave only individuals as defendants – there is no “Gnutella, Inc.,” just hackers who derive no

to determine, based on this guiding principle, that personal jurisdiction is proper over a defendant entering into contracts with residents of the forum jurisdiction "that involve the knowing and repeated transmission of computer files over the Internet."<sup>116</sup> Conversely, "a passive website that does little more than make information available to those who are interested in it" is not amenable to jurisdiction.<sup>117</sup> Somewhere in between the two ends of the spectrum are "interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information [occurring on the site]."<sup>118</sup> Ultimately, the *Zippo* court determined that the defendant was conducting

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financial gains from putting the Gnutella program on the Internet). Bailey's suggestion that only criminal sanctions will be effective against peer-to-peer originators may shortly be tested in the international arena. *See id.*

The Council of Europe Ministers' Deputies have recently announced their approval of the Convention on Cybercrime. *See* Press Release, Council of Europe, First International Treaty to Combat Crime in Cyberspace Approved by Ministers' Deputies (Sept. 19, 2001), available at [http://press.coe.int/cp/2001/646a\(2001\).htm](http://press.coe.int/cp/2001/646a(2001).htm) [hereinafter Press Release]. The Convention, scheduled to be open for signature in late November 2001, will go into force when five states, at least three of which are members of the Council of Europe, have ratified it. *See* Convention on Cybercrime, Nov. 23, 2001, Europ. T.S. No. 185. According to the Council of Europe, the Convention will be the first international treaty on crimes committed in cyberspace, dealing particularly with copyright infringement, among other pressing legal issues created by the proliferation of the Internet. *See* Press Release, *supra* note 115. On the other hand, however, these companies must still have some hardware and Internet connections in order to maintain their relationships with advertisers and distribution sources such as CNET Download.com. *See Rocky Road*, *supra* note 7. The real question may be not whether one can find the facilitator of the peer-to-peer infringement, but whether the facilitator's activities rise to the level of actionable contribution under the *Napster* formulation.

116. *Zippo*, 952 F. Supp. at 1124 (this category is understood as representing "active" websites).

117. *Id.* A passive website would not ordinarily provide a means by which the accessor of the site might interact with the site. *See* Rice, *supra* note 63, at 464. There are a collection of cases where courts refused to find jurisdiction over "purely passive" websites. *See* JEFFREY P. CUNARD & JENNIFER B. COPLAN, *Selected Topics in eCommerce Law*, in MCLE MARATHON 2000, at 445-46 (PLI N.Y. Practice Skills Course, Handbook Series No. F0-007N, 2000).

118. *Zippo*, 952 F. Supp. at 1124.

business over the Internet with Pennsylvania residents by contracting with over 3,000 consumers and seven Internet access providers to deliver news, and that the court had personal jurisdiction over it.<sup>119</sup> This active/passive/interactive analysis employed by the court has been used as an aid by subsequent courts in determining jurisdiction.<sup>120</sup>

Taking guidance from the *Zippo* court, as well as decisions by the Court of Appeals for the Second Circuit and Court of Appeals for the Sixth Circuit,<sup>121</sup> the Ninth Circuit in *Cybersell, Inc. v. Cybersell, Inc.*,<sup>122</sup> found that a website in Florida, which did nothing to encourage people in Arizona (plaintiff's domicile) to access its site, was not amenable to personal jurisdiction in a trademark infringement case.<sup>123</sup> No "hits" were made to the website in Arizona, save the plaintiff's own, no "800" number was available for people from Arizona to call, and the Florida business was mainly generated from personal contacts rather than the Internet.<sup>124</sup> The *Cybersell* court also rejected plaintiff's "effects" test argument, distinguishing cases in which jurisdiction was found on the facts of the case.<sup>125</sup>

However, on the facts of our hypothetical, the effects test would serve to keep Robin des Bois in California federal court. Indeed, the facts for finding jurisdiction over Robin des Bois are stronger than those of *Panavision International, L.P. v.*

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119. *Id.* at 1126-27 (defendant had sold passwords to its 3,000 Pennsylvania subscribers and contracted with providers to furnish its services in Pennsylvania). The *Zippo* court found that it could exercise jurisdiction over defendants under a specific provision of the Pennsylvania long arm statute allowing for jurisdiction over non-residents who contract "to supply services or things in this Commonwealth." *Id.* at 1122 (citing 42 PA. CONS. STAT. ANN. § 5322(a)(2) (1992)). However, the court emphasized that "even if Dot Com's [defendant's] conduct did not satisfy a specific provision of the statute, we would nevertheless be authorized to exercise jurisdiction to the 'fullest extent allowed under the Constitution of the United States.'" *Id.* (quoting 42 PA. CONS. STAT. ANN. § 5322(B) (1992)).

120. See *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997); *iAccess, Inc. v. Webcard Tech.*, 2002 WL 99651 (D. Utah Jan. 24, 2002).

121. The Ninth Circuit examined *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y. 1996), *aff'd*, 126 F.3d 25 (2d Cir. 1997) and *Compu-Serve, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir. 1996).

122. *Cybersell*, 130 F.3d at 420.

123. *Id.* at 419.

124. *Id.*

125. *Id.* at 420.

*Toeppen*,<sup>126</sup> where the District Court for the Central District of California, employing the effects test, found it proper to exercise personal jurisdiction over a defendant who merely registered a website in the name of plaintiff's business, hoping to extort a fee from plaintiff, when and if plaintiff should decide to take its business on-line.<sup>127</sup> In *Panavision*, the defendant did no business through the Internet, and the court made plain that its decision did not hinge on the analysis of *Bensusan Restaurant Corp. v. King* and *CompuServe, Inc. v. Patterson*,<sup>128</sup> the cases examined in *Cybersell*.<sup>129</sup> Instead, the court found that the defendant's registration of the domain name at issue was done "with the knowledge that the names belonged to [plaintiff] and with the intent to interfere with [plaintiff's] business."<sup>130</sup> All that the court seemed to find pertinent was the defendant's knowledge that his actions would cause an effect on plaintiff's business. Robin des Bois, on the other hand, under our *Napster*-like facts, not only runs a business which derives a profit from the exploitation of A&M's music, but also knows that it is interfering with A&M's existing business.<sup>131</sup>

Similarly, the defendant's knowledge of the harm he was causing provided the impetus in the most recent case in California which used the effects test to find personal jurisdiction over a defendant using the Internet.<sup>132</sup> In *Pavlovich v. Superior*

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126. *Panavision Int'l, L.P. v. Toeppen*, 938 F. Supp. 616 (C.D. Cal. 1996).

127. *Id.* at 621.

128. *Id.* at 622. See also *Compuserve, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir. 1996); *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y. 1996).

129. *Cybersell*, 130 F.3d at 417.

130. *Panavision*, 938 F. Supp. at 621.

131. See *supra* note 6 (discussing new Internet music distribution ventures by major labels).

132. See *Pavlovich v. Superior Court*, 109 Cal. Rptr. 2d 909 (Cal. Ct. App. 2001). While *Pavlovich* was decided on August 31, 2001, the procedural history of this case indicates that its ruling on personal jurisdiction is far from final. Indeed, *Pavlovich* has been successful in convincing the Supreme Court of California to review the ruling of the Court of Appeals on December 12, 2001. See *Pavlovich v. Santa Clara County Superior Court*, 114 Cal. Rptr. 2d 611 (Cal. 2001). See also David McGuire, *DVD Crypto Defendant Appeals to California Supreme Court*, NEWSBYTES (Jan. 16, 2002), at <http://www.newsbytes.com>. Arguments are expected to be heard sometime later this year. The case has come to be called by some a "bellwether on the issue of cyberjurisdiction." *Id.*

*Court*, the defendant was the president of a start-up technology company that posted decryption computer programs by misappropriating the trade secrets of a company specializing in digital versatile disk ("DVD") encryption technology.<sup>133</sup> Defendant also aimed to create an unlicensed DVD player that would use the technology developed by his company to decrypt proprietary DVD data in order to allow the unauthorized copying and transmission of movies in the DVD format.<sup>134</sup> Deposition testimony revealed that defendant knew that licenses were required to use DVD technology,<sup>135</sup> he knew that the computer technology industry is centered in California,<sup>136</sup> and he knew that California is the center of the motion picture industry.<sup>137</sup> The court dispensed with the defendant's argument that because he did not specifically know the identity and location of the plaintiff when he undertook his acts, he was not subject to personal jurisdiction by holding that such specific knowledge is not a requirement.<sup>138</sup> Citing *Panavision*, the appellate court noted that the "purposeful availment" requirement is satisfied where a defendant's intentional conduct causes harmful effect within the state.<sup>139</sup> The court went on to hold that it had personal jurisdiction over the defendant because "he knew, or should have known, that the DVD republishing and distribution activities he was illegally doing and allowing to be done through the use of his Web site, while benefiting him, were injuriously affecting the motion picture and computer industries in California."<sup>140</sup>

From the cases examined above, it is easy to see how the inquiry into whether a court has personal jurisdiction over a defendant is quite similar to the analysis of subject matter jurisdiction. Indeed, both effects tests hinge on the defendant's knowledge that his actions will cause negative consequences to the plaintiff. In the context of our contributory infringement hypothetical, this means that A&M will have to demonstrate

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133. *Pavlovich*, 109 Cal. Rptr. 2d, at 911.

134. *See id.* at 911-12.

135. *See id.* at 912.

136. *See id.*

137. *See id.* at 915.

138. *See id.* at 918.

139. *See Pavlovich*, 109 Cal. Rptr. 2d at 915.

140. *Id.*

that Robin des Bois knew, or should have known, that its activities outside the United States would cause A&M harm. Here again, the fact that A&M, heeding *Napster*, has sent Robin des Bois notice that plaintiff's copyrighted material can be found on Robin des Bois' website and has demanded that it be removed, coupled with the fact that the peer-to-peer file sharing technology was structured to allow the exchange of copyrighted material,<sup>141</sup> will lead the court to the inescapable conclusion that it will not offend due process to exercise personal jurisdiction over Robin des Bois.<sup>142</sup>

In addition, although, as stated earlier, no court has as yet applied the *Zippro* continuum to copyright infringement cases, the court would likely find that the Robin des Bois website was active in the sense that, by virtue of its set-up, it materially contributes to the direct infringing activity of its users. Indeed, it would be odd at best for a court to conclude that a website was passive, yet that it materially contributed to infringing activity.

### C. Liability

Finally, having found subject matter and personal jurisdiction, with the aid of the *Napster* precedent, our district court in California will have no trouble issuing a preliminary injunction against Robin des Bois.<sup>143</sup> Determining whether one causes an effect in the plaintiff's chosen forum, for purposes of subject matter and personal jurisdiction, is conceptually similar to determining whether he "knows of and contributes to" a direct violator's infringement.<sup>144</sup> Thus, personal jurisdiction analysis,

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141. See *Napster II*, 239 F.3d 1004, 1020-21 (9th Cir. 2001).

142. Once a plaintiff has demonstrated that the defendant intended to cause an effect in his chosen forum, he must go on to show that jurisdiction would be reasonable (the third prong of the specific jurisdiction inquiry). Practically speaking, many courts collapse the analysis of the two prongs into one. If they go on to analyze the reasonableness prong, it is almost a foregone conclusion that they will find the exercise of jurisdiction reasonable. For this reason, we do not take up this analysis here.

143. The preliminary injunction would not, however, be applicable outside of the United States. For a judgment to be enforceable extraterritorially, it must be executory and final. FED. R. CIV. P. 65.

144. At least one court has distinguished the cases finding jurisdiction on the basis that the connection between the jurisdictional inquiry and the cause of action present in those cases was absent. In *Digital Control Inc. v. Bo-*

like the analysis of subject matter jurisdiction, will converge with the court's ultimate analysis of whether plaintiff has shown that it is entitled to a preliminary injunction. As a practical matter, when our California district court finds that it can take subject matter jurisdiction over the claim, and that it can also exercise personal jurisdiction over Robin des Bois, the finding that plaintiffs will likely succeed in proving that Robin des Bois knows that infringing material is located on its system will be a foregone conclusion.

And because Robin des Bois functions much like Napster, in following the *Napster* decision, the court will conclude that it "materially contributed" to the infringing activity by providing "the site and facilities" for direct infringement.<sup>145</sup> After all, as in *Napster*, without Robin des Bois' provision of the software (which makes file-swapping possible) and without its search engine, servers and means of establishing a connection between users' computers, Robin des Bois' users could not find and download the music they want with the ease the company hopes to provide.<sup>146</sup>

Having found that plaintiff will likely succeed on the merits, the court will issue a preliminary injunction structured much

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*retronics Inc.*, No. C01-0074L, 2001 U.S. Dist. LEXIS 14600, at \*1 (W.D. Wash. Sept. 7, 2001), the court refused to exercise personal jurisdiction over a Minnesota defendant who allegedly infringed plaintiff's patent in transmitters designed for use in remote drilling. The defendant's contacts with the State of Washington amounted to activities that had a national scope – the defendant advertised in two industry journals and established a website on which it offered the product for sale. *Id.* at \*3. It also maintained a toll free number that could be accessed by Washington residents. *Id.* The court, noting that no cases on point were to be found in the federal circuit, distinguished *Inset Sys., Inc. v. Instruction Set*, 937 F. Supp. 161 (D. Conn. 1996) and *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997), on the ground that "those cases . . . generally involve claims that the Internet advertisement itself infringed on a patent or trademark." *Id.* at \*4. The court went on to apply the "web site plus" rule where:

Until the advertiser is actually faced with and makes the choice to dive into a particular forum, the mere existence of a worldwide web site, regardless of whether the site is active or passive, is an insufficient basis on which to find that the advertiser has purposely directed its activities at residents of the forum state.

*Id.* at \*7.

145. *Napster II*, 239 F.3d at 1022.

146. *Napster I*, 114 F. Supp. 2d 896, 920 (N.D. Cal. 2000).



like the one used in *Napster*. Of course, because the Copyright Act does not have extraterritorial effect, the court will not compel Robin des Bois to take down its service outside of the United States. Nonetheless, the French company will have been deprived of a customer base that cannot seem to get enough free music and ultimately, of a great source of revenue.<sup>147</sup> Without the impressive American user-base, Robin des Bois will eventually be forced to leave the forest.

#### IV. CONCLUSION

To date, the issues posited by our fictitious lawsuit against Robin des Bois remain unexamined outside of the hypothetical analyzed in the Article. It would not be surprising, however, if real defendants based outside the United States, such as *Grokster, Ltd.*<sup>148</sup> *Empowerment BV*,<sup>149</sup> or future defendants as yet unknown, raised the defense of lack of subject matter and personal jurisdiction in copyright infringement lawsuits filed against them.<sup>150</sup> It will be interesting to observe whether, on a motion to dismiss for lack of jurisdiction, the theories asserted by the litigants will be similar to the effects test discussed previously. Equally interesting will be whether, having taken jurisdiction over the claim, the court will extend the effects analysis to the substantive matter of granting an injunction against the would-be contributory infringer.

Regardless of how current litigation develops, however, it appears clear that sooner rather than later, a Robin des Bois type service will spring up outside U.S. borders. The issues we raise concerning contributory copyright infringement litigation

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147. A file-swapping service that is available free of charge will primarily survive on advertising dollars. See *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000).

148. *Grokster's* principal place of business is Nevis, West Indies. See *Metro-Goldwyn-Mayer, Inc. v. Grokster, Ltd.*, No. 01-8541 (C.D. Cal. filed Oct. 2, 2001); Steven Bonisteel, *If Morpheus Is Illegal, So is the Rest of the Net-EEF*, NEWSBYTES (Feb. 26, 2002), at <http://www.newsbytes.com/news/02/174778.html>; *supra* note 8.

149. *Empowerment's* principal place of business is Amsterdam, The Netherlands. See *Grokster*, No. 01-8541.

150. As of this writing, it appears that the defendants in *Grokster* have chosen to attack the allegation against them on a substantive level by asserting the *Betamax* defense. See *supra* note 36; Bonisteel, *supra* note 148.

initiated in the U.S. against such a service will have far reaching implications that will reverberate, much like the Internet itself, on an international level. One way or the other, it seems inevitable that they will be addressed.

