

# CYBER-SWASHBUCKLING? THE U.S. COPYRIGHT HOLDER'S BATTLE AGAINST EXTRATERRITORIAL PEER-TO-PEER NETWORK INFRINGEMENT IN U.S. COURTS WILL NOT END WITH *GROKSTER*

Bradley D. Spitz

No black flags with skull and crossbones, no cutlasses, cannons, or daggers identify today's pirates. You can't see them coming; there's no warning shot across your bow. Yet rest assured the pirates are out there because today there is plenty of gold (and platinum and diamonds) to be had. *Today's pirates operate not on the high seas but on the Internet, in illegal CD factories, distribution centers, and on the street.* The pirate's credo is still the same - why pay for it when it's so easy to steal?<sup>1</sup>

## I. INTRODUCTION

Globally, the conflict between the rights of copyright holders and the march of technology is as old as the concept of intellectual property itself.<sup>2</sup> Each new technological breakthrough, from the printing press to the photocopier and beyond, has threatened the rights of copyright holders, forcing copyright law to constantly evolve.<sup>3</sup> Especially within the United States, one of the newest of these technological breakthroughs, the Internet, continues to present significant challenges to lawmakers and copyright holders.<sup>4</sup> The Internet has proven troublesome for lawmakers and copyright holders in the United States largely because, unlike any form of technology before it, it is truly global in scope.<sup>5</sup>

The problems presented by the Internet are especially apparent in cases involving peer-to-peer ("P2P") file sharing networks - computer networks by which users on the network can obtain files, including media subject to copyright, from other users on the network.<sup>6</sup> When a company or individual creates a P2P network and makes software that allows access to that network available on the Internet, any Internet user in the world may download that

---

1. Recording Industry Association of America, *Anti-Piracy*, at <http://www.riaa.com/issues/piracy/default.asp> (2003) (emphasis in original).

2. See Henry H. Perritt, Jr., *Property and Innovation in the Global Information Infrastructure*, 1996 U. CHI. LEGAL F. 261, 261 (1996).

3. *Id.*

4. See *id.* The Internet is discussed in more detail in Part II.A.

5. See Barbara Cohen, Note, *A Proposed Regime for Copyright Protection on the Internet*, 22 BROOK. J. INT'L L. 401, 406-07 (1996). "Perhaps the largest and most important problem facing the Internet is the fact that national boundaries are disregarded and easily transcended by this 'global' information superhighway." *Id.*

6. See, e.g., Hisanari Harry Tanaka, *Post-Napster: Peer-to-Peer File Sharing Systems: Current and Future Issues on Secondary Liability Under Copyright Laws in the United States and Japan*, 22 LOY. L.A. ENT. L. REV. 37, 56-57 (2001). Peer-to-peer networks are explained in detail in Parts II.B and II.C.

software and use the associated P2P network.<sup>7</sup> This is so even if the creator of the network did not intend it for global use.<sup>8</sup>

As a hypothetical example,<sup>9</sup> let us say that Arlogeist GmbH,<sup>10</sup> a computer software corporation based in Germany, develops a P2P file sharing program called Swapster. In order to distribute its program to the German public, Arlogeist makes it available on the Internet for download on its website. However, news of the new file-sharing network quickly spreads beyond Germany. Within months, the network has tens of thousands of users from all over the world, including the United States, all of whom have obtained the Swapster program from Arlogeist's website.

The creator of a P2P network such as Swapster may not intend for its network to impact the rights of copyright holders in the United States, but the very nature of the Internet has caused it to do exactly that.<sup>11</sup> Through a P2P network, any person from anywhere in the world can share copyrighted media with any other person from anywhere in the world with the mere click of a mouse.<sup>12</sup> In the above example, even if one takes an isolated view of the rights of a copyright holder under U.S. law and solely looks at activity within the United States, it can be seen that Swapster has affected those rights merely by being made available on the Internet.<sup>13</sup> Swapster may never have been meant for American distribution or use. However, the global structure of the Internet has allowed Americans to download and use the program, which in turn engages them in the unauthorized distribution of copyrighted works under U.S. law.<sup>14</sup>

Peer-to-peer networks are also troublesome to U.S. lawmakers and copyright holders because the networks are often decentralized,<sup>15</sup> meaning there

---

7. See Cohen, *supra* note 5, at 406-07; Ray August, *International Cyber-Jurisdiction: A Comparative Analysis*, 39 AM. BUS. L.J. 531, 550 (2002).

8. See Cohen, *supra* note 5, at 406-07; August, *supra* note 6, at 550.

9. The hypothetical example that follows was inspired by the illustration provided for the "sliding scale" jurisdictional analysis as it applies to websites on the Internet in August, *supra* note 7, at 550-51, and the general notion of the global nature of the Internet as set forth in Cohen, *supra* note 5, at 406-07.

10. The acronym "GmbH" stands for the German business classification *Gesellschaft mit beschränkter Haftung*, which translates into English as a "company with limited liability." The term designates a company that is incorporated but not publicly traded. Winthrop Corporation, *Corporate Information: Definitions and Company Extensions*, at <http://www.corporateinformation.com/defext.asp> (2006).

11. See Cohen, *supra* note 5, at 406-07.

12. See Tanaka, *supra* note 6, at 56-57; Cohen, *supra* note 5, at 406-07.

13. See Tanaka, *supra* note 6, at 56-57; Cohen, *supra* note 5, at 406-07.

14. See Tanaka, *supra* note 6, at 56-57; Cohen, *supra* note 5, at 406-07.

15. Jonathan A. Franklin & Roberta J. Morris, Symposium on Constructing International Intellectual Property Law: The Role of National Courts: International Jurisdiction and Enforcement of Judgments in the Era of Global Networks: Irrelevance of, Goals for, and Comments on the Current Proposals, 77 CHI.-KENT. L. REV. 1213, 1226-27 (2002).

typically is no single central server that acts as the backbone of the network.<sup>16</sup> The fact that these networks do not need a central server to operate effectively allows them to be “self-running,” which up to this point in the United States has successfully allowed these networks to operate as an “end run” around copyright enforcement efforts.<sup>17</sup> In addition, because a decentralized P2P network may not necessarily have a home country, the laws of many different countries may apply.<sup>18</sup> For example, the traditional roadblocks associated with multinational litigation in the United States, such as the presumption against extraterritoriality, personal jurisdiction, forum, and choice of law, would apply to litigation against a decentralized P2P network based in a foreign country.<sup>19</sup> Furthermore, decentralized P2P networks make even otherwise simple inquiries, for example, deciding against whom to litigate, much more difficult.<sup>20</sup> It has been suggested that copyright holders should go after the networks’ software distributors and developers because the majority of users must install P2P file sharing software to gain access to the network,<sup>21</sup> but this is not always an adequate solution.<sup>22</sup>

Specifically for the copyright holders, several factors operate to make any kind of litigation against infringing users very risky and burdensome. First, the availability of adequate compensation from this kind of infringement is questionable at best.<sup>23</sup> Second, a high likelihood exists that any judgment obtained for this kind of infringement would be unenforceable.<sup>24</sup> Third, there is a great probability that, even if a judgment or injunction against an infringing user was enforceable, such a judgment would be largely unable to completely stop all infringing activity.<sup>25</sup> Finally, a battle of “big conglomerates versus small individuals” would likely generate a large amount of negative publicity against large media companies and, therefore, against the copyright holder.<sup>26</sup> The U.S. Supreme Court recently resolved the split between the Seventh Circuit<sup>27</sup> and the Ninth Circuit<sup>28</sup> in favor of copyright holders in the case of

---

16. See *id.* at 1229. For a more detailed explanation of decentralized P2P networks, see *infra* Part II.C.

17. See Franklin & Morris, *supra* note 15, at 1229.

18. *Id.*

19. Jeffrey L. Dodes, Note and Comment, *Beyond Napster, Beyond the United States: The Technological and International Legal Barriers to On-Line Copyright Enforcement*, 46 N.Y.L. SCH. L. REV. 279, 296 (2002).

20. See, e.g., Tanaka, *supra* note 6.

21. *Id.* at 57.

22. See *id.* at 73-74; *infra* Parts III and IV.

23. See *id.*

24. See *id.* at 74.

25. See *id.*

26. *Id.* at 74-75.

27. See generally *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003) (holding creator of decentralized P2P network liable for secondary copyright infringement).

28. See generally *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004) (holding creator of decentralized P2P network *not* liable for secondary copyright infringement).

*Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*<sup>29</sup> In *Grokster*, the Court ruled that the creator of a decentralized P2P network can be held liable for secondary copyright infringement.<sup>30</sup> Despite this favorable resolution, a copyright holder in the United States must still weigh the costs and benefits of litigation and determine whether litigating against an infringing decentralized P2P network is even practicable.<sup>31</sup>

The purpose of this Note is to emphasize that, even in the wake of the Court's decision in *Grokster*, the United States copyright holder's battle against infringement on decentralized P2P networks is far from over. Focusing primarily on the option of litigation inside the United States, this Note will address the obstacles that a copyright holder will necessarily face before he will be able to successfully battle infringement on decentralized P2P networks in a court of law. Part II of this Note provides the reader with a general technical background of the Internet and P2P networks. Parts III and IV address the considerations that a U.S. copyright holder must make in deciding whether litigation is a worthwhile solution at all, and, if so, against whom to litigate. The concluding parts discuss the procedural obstacles to litigation - personal jurisdiction, forum, the presumption against extraterritoriality, and choice of law - which must be considered with a foreign P2P network against which litigation is sought.

## II. TECHNICAL BACKGROUND AND HISTORY

Because of the technical nature of this topic, one cannot fully understand the applicable legal issues without some knowledge of the relevant technology. The following is a brief background and history of the internet and P2P file sharing networks.

### A. *The Internet*

The Internet is the collective term that has been given to the large electronic communication system that connects most computers and computer networks throughout the world.<sup>32</sup> Although the Internet has only recently attracted mainstream attention, it is in fact more than thirty years old.<sup>33</sup> The

---

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

30. *Id.*

31. See *infra* Part III.

32. THE MERRIAM-WEBSTER DICTIONARY 395 (5th paperback ed. 1997). Although the terms "Internet" (capitalized) and "internet" (not capitalized) are often used interchangeably, the terms have slightly different meanings. The non-capitalized form of "internet" refers to any interconnected set of computer networks, while the capitalized "Internet" refers specifically to the largest of these sets of networks. Denis Howe, *Free On-Line Dictionary of Computing, internet*, at <http://foldoc.org/foldoc.cgi?query=internet> (Sept. 17, 1996).

33. See Alex Colangelo, *Copyright Infringement in the Internet Era: The Challenge of MP3s*, 39 ALBERTA L. REV. 891, 892 (2002).

predecessor of the Internet, originally called ARPAnet,<sup>34</sup> began in 1969 as a network of four computers designed to provide a decentralized computer network for the United States military that could withstand a Soviet nuclear attack.<sup>35</sup> Over time, ARPAnet spread out to encompass military and university research, where it was widely regarded as a very effective method of communication.<sup>36</sup>

Despite this early expansion of the Internet into the military and universities, it did not become viable as a public communications tool until after 1989, when the Hypertext Transfer Protocol (HTTP) and Hypertext Markup Language (HTML) were developed.<sup>37</sup> These two innovations standardized how web pages on the Internet were created, which in turn allowed the development of the "World Wide Web" (the "Web") and Internet browsers with the ability to "surf" the Web.<sup>38</sup> With these developments, the Internet exploded in size.<sup>39</sup> By 1997, there were over 100,000 servers<sup>40</sup> dedicated to the Web.<sup>41</sup> As was noted in the introductory example involving Arlogeist GmbH and Swapster, it is on this Web where creators of P2P file sharing networks make the software that allows access to those networks available for download on the Internet.<sup>42</sup>

### B. Peer-to-Peer Networks and File Sharing

File sharing got its first major shot in the arm in 1999 when an eighteen-year-old college student named Shawn Fanning, trying to help his roommate find an obscure rap song, created a music-sharing program called Napster.<sup>43</sup> Upon its completion, Napster became the first computer program to utilize what would become known as a P2P network.<sup>44</sup>

A P2P network greatly differs in structure from how information is

---

34. ARPA stands for the U.S. Department of Defense's Advance Research Project Administration, the initial developer of ARPAnet. *Id.*

35. *Id.*

36. *Id.* at 893.

37. *Id.*

38. *Id.* For more information on HTTP, HTML, and the Web, see World Wide Web Consortium, *World Wide Web Consortium*, at <http://www.w3.org> (last modified Feb. 23, 2006).

39. Colangelo, *supra* note 33, at 893.

40. "Server," when used in this sense, means a central computer that processes requests from Internet browsers to load a web page. See Denis Howe, *Free On-Line Dictionary of Computing*, *HTTP server*, at <http://foldoc.org/foldoc.cgi?query=web+server> (Feb. 5, 1997).

41. Colangelo, *supra* note 33, at 893.

42. See *supra* Part I. For an example of how creators of P2P networks make their software available to end users through the World Wide Web, see Sharman Networks, *Kazaa*, at <http://www.kazaa.com> (2005) [hereinafter *Kazaa*].

43. 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 (2001).

44. See *id.* at 815-16.

traditionally accessed on the Internet.<sup>45</sup> The traditional method for accessing information on the Internet is called the "client-server model," and it is best illustrated when a user accesses a page on the Web through his computer's Internet browser.<sup>46</sup> To access the web page, the Internet browser on the user's computer requests information from the computer on which the web page is hosted, at which point the computer that hosts the web page sends the requested information back to the user's computer.<sup>47</sup> In this model, the user's computer (the "client") receives data, and the computer that hosts the web page (the "server") sends data.<sup>48</sup> These roles are largely constant - the "client" computer will very rarely send any data to the "server" computer, and the "server" computer will very rarely receive any data from the "client" computer.<sup>49</sup>

In contrast, although the software required to access a P2P network will typically be downloaded from the Web through a server computer by a user in a manner substantially similar to the client-server model described above, the actual P2P networks themselves do not make such a distinction between client and server.<sup>50</sup> Once a user signs on to a P2P network, that user's computer then joins a group of networked computers that can both send and receive data to one another.<sup>51</sup> Thus, in a P2P file sharing network, the user's computer effectively takes on both client and server roles.<sup>52</sup> This allows a user to both send and receive files to and from other users of the network, with some of these files being potentially subject to U.S. copyright law.<sup>53</sup>

### C. *Decentralized Peer-to-Peer Networks*

For a P2P file sharing network to work, there must be a means by which the network can keep a list of the files available on the network and the locations where those files can be found.<sup>54</sup> In the older P2P file sharing networks, like Napster, this list, called an "index," was kept on a small number of central computers in the network.<sup>55</sup> One of the newer and more significant breakthroughs in P2P file sharing networks, however, is the decentralized model.<sup>56</sup> In these newer decentralized networks, each computer in the network can keep its own index of the files available on that network.<sup>57</sup>

---

45. See, e.g., Jesse M. Feder, *Is Betamax Obsolete?*: Sony Corp. of America v. Universal City Studios, Inc. in the *Age of Napster*, 37 CREIGHTON L. REV. 859, 863 (2004).

46. *Id.*

47. *Id.*

48. *Id.*

49. *Id.*

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.*

54. See *id.* at 864.

55. *Id.* at 864-65. These central computers are called "indexing servers." *Id.* at 864.

56. See generally *id.* (describing a decentralized model).

57. *Id.* at 865.

From the network creator's perspective, the greatest advantage of the decentralized P2P file sharing network is that such a network does not require a centralized network infrastructure, which can be costly and may hinder the overall efficiency of the network.<sup>58</sup> Additionally, because there are no central computers vital to a decentralized P2P network's livelihood, these networks are capable of maintaining themselves or even destroying themselves should the need arise.<sup>59</sup> Furthermore, once started, a decentralized network needs no further human control or monitoring to function.<sup>60</sup> Functionally, decentralized P2P file sharing networks work much like the older centralized networks.<sup>61</sup> However, because there are no central computers through which all users must connect, the users of a decentralized P2P network connect directly to each other.<sup>62</sup> A user gains access to the full network by connecting to computers already on the network, then to all of the computers that each of those computers are connected to, and so on, until the user is connected to the entire network.<sup>63</sup> Since the roles of server and client are so blurred in a decentralized P2P network, some network designers have begun to call the users of their networks "servents," a term which itself blurs the terms "server" and "client."<sup>64</sup>

The original decentralized P2P file sharing network software, Gnutella, was developed in 2000 by Justin Frankel and Tom Pepper of Nullsoft, a division of America Online ("AOL").<sup>65</sup> Developed partially in response to impending legal action against centralized networks such as Napster,<sup>66</sup> the original motivation for the decentralized model was to eliminate the central network computers in order to make it harder for legal action to be brought against the creators of the network.<sup>67</sup> Nullsoft finished a working version of the Gnutella program in March 2000 and released the program to a limited test group.<sup>68</sup> Due to legal concerns, however, AOL stopped the availability of the

---

58. *Grokster*, 125 S. Ct. at 2770.

59. Franklin & Morris, *supra* note 15, at 1229.

60. *Id.*

61. Tanaka, *supra* note 6, at 49.

62. *Id.*

63. See *GnuFU: Gnutella for Users*, at [http://basis.gnufu.net/gnufu/index.php/GnuFU\\_en](http://basis.gnufu.net/gnufu/index.php/GnuFU_en) (last modified Feb. 4, 2006). This method of connecting a user to a decentralized P2P network is known as the "Friend of a Friend" ("FoF") model. *Id.*

64. Lime Wire LLC, *Gnutella Glossary*, at <http://www.limewire.com/english/content/glossary.shtml> (2006).

65. Wikipedia, The Free Encyclopedia, *Gnutella*, at <http://en.wikipedia.org/wiki/Gnutella> (2006) [hereinafter *Gnutella*].

66. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001). It should also be noted that although a program called Napster continues to operate today, the current Napster network does not operate at all like the pre-A&M Napster network. Roxio, which primarily engages in the business of selling CD- and DVD-burning software, purchased the rights to the Napster name in November 2002, and now operates a network under the Napster name as a subscription service. See, e.g., Brad King, *Wired News, Napster's Assets Go for a Song* (Nov. 28, 2002), at <http://www.wired.com/news/digiwood/0,1412,56633,00.html>.

67. See *Gnutella*, *supra* note 65.

68. *Id.*

program and forbade Nullsoft from working on it any further prior to an official release.<sup>69</sup> Despite the actions of AOL, the program was quickly reverse engineered<sup>70</sup> by the users in the test group, and many open source<sup>71</sup> clones of the program - programs that could do everything Gnutella could do, including accessing the same network - quickly sprung up.<sup>72</sup> Although computer technology and the Internet have rapidly advanced since Gnutella's development, the influence of Gnutella and its early clones can still be seen in many of the major current commercial P2P networks such as LimeWire<sup>73</sup> and Morpheus.<sup>74</sup>

The decentralized P2P network model was predominately legally motivated from the beginning; one can easily see the products of that legal motivation in practice today.<sup>75</sup> The most important difference between newer decentralized P2P networks and older centralized networks may be that, due to the very nature of a decentralized P2P network, they are almost impossible to

---

69. *Id.* Since America Online, the parent company of Nullsoft, would likely have been a potential major corporate defendant in any lawsuit against Nullsoft had Gnutella been officially released, one can easily see the reasons for America Online's concern. It should also be noted that, at the time Gnutella was nearing completion, America Online was in negotiations to acquire Time Warner, a major music company. *See, e.g.,* Kevin Maney, *Techie's Napster-like idea blasted off, now he's flying high*, USA TODAY, Nov. 22, 2000, available at <http://www.usatoday.com/tech/columnist/cckev054.htm> (last modified Nov. 22, 2000).

70. "Reverse engineering" is "[a] method of obtaining technical information by starting with a publicly available product and determining what it is made of, what makes it work, or how it was produced." U.S. Department of State, *Glossary of Intellectual Property Terms*, at <http://usinfo.state.gov/products/pubs/intelprp/glossary.htm> (n.d.) (last visited Mar. 21, 2006).

71. Open source software, through the use of public software licenses such as the Free Software Foundation's GNU General Public License, located at <http://www.gnu.org/copyleft/gpl.html>, allows for the free distribution, modification, and improvement of computer programs. For more on the Free Software Movement and open source software, see Free Software Foundation, Inc., *The Free Software Definition*, at <http://www.fsf.org/philosophy/free-sw.html> (2005).

72. *Gnutella*, *supra* note 65.

73. LimeWire was created by Lime Wire LLC, which is incorporated in the state of New York. Although the LimeWire program has made significant improvements over the original Gnutella program (such as "swarm" downloads that allow a user to download the same file from more than one user simultaneously in order to increase download speed and the use of "ultrapeer" computers that increase the speed by which a user can connect to the network), LimeWire is still heavily influenced by Gnutella. *See* Lime Wire LLC, *Features*, at <http://www.limewire.com/english/content/features.shtml> (2006); Lime Wire LLC, *LimeWire Open Source Development*, at <http://www.limewire.com/english/content/development.shtml> (2006).

74. *Gnutella*, *supra* note 65. Morpheus was created by StreamCast Networks, Inc. StreamCast Networks, Inc., *Morpheus*, at <http://www.morpheus.com> (2006) [hereinafter *Morpheus*]. In addition to being able to access the Gnutella network, Morpheus is also able to access the networks of many other popular P2P file sharing programs, as well as its own network, NEOnet, which was developed by the Gnuterra Corporation. *Id.* For more information on NEOnet, see Gnuterra Corporation, *The NEOnet Story*, at <http://www.neonetwork.com> (2006).

75. *See Gnutella*, *supra* note 65.



completely shut down.<sup>76</sup> As Colangelo has stated, because there is not a centralized index that all users must access in order to use the network, "[s]hutting down the service would necessarily involve blocking each individual from connecting to the network."<sup>77</sup> While at first glance this may not seem like a daunting task, studies have indicated that there were approximately 40 million people using P2P file sharing networks in the United States alone in 2002.<sup>78</sup> By 2004, the number of P2P file sharing network users had grown to approximately 60 million in the United States and 100 million worldwide.<sup>79</sup> The vast and rapidly growing number of these individual users worldwide has proven a major stumbling block for the U.S. copyright holder.<sup>80</sup>

### III. DETERMINING WHETHER LITIGATION IS A FEASIBLE OPTION

Once one has a basic technical understanding of P2P networks, it becomes much easier to see the obstacles a copyright holder in the United States will face in attempting to enforce his intellectual property rights against decentralized P2P networks. If a copyright holder wishes to enforce his rights through litigation, there are many factors that he must consider, especially before attempting to engage in litigation against a decentralized P2P network based in a foreign country. The first and most immediate of these factors is whether it would be feasible to engage in litigation at all.<sup>81</sup> Due to the global scope of the Internet and the structure of decentralized P2P networks, the costs associated with litigation against a potentially large number of defendants from a large number of countries become a significant factor.<sup>82</sup> These concerns force the copyright holder to determine whether the potential benefits of litigation against the network exceed the costs of that litigation.<sup>83</sup> Otherwise, litigation would not be worthwhile.<sup>84</sup>

Fortunately for copyright holders, recent American case law in this area has largely been resolved in their favor.<sup>85</sup> Before June 2005, the case law in the United States on the issue of whether the creators of a decentralized P2P file sharing network could be held liable for copyright infringement was conflicting and potentially unfavorable.<sup>86</sup> A split between the Seventh and Ninth Circuits

---

76. *Id.*

77. Colangelo, *supra* note 33, at 900.

78. Judith Lewis, *Power to the Peer, You Can Lead Consumers to Music, but Can You Make Them Pay?*, L.A. WEEKLY, May 17, 2002, available at <http://www.laweekly.com/features/3916/power-to-the-peer>.

79. Interview by David McGuire with Eric Garland, CEO, Big Champagne (Jan. 22, 2004), at <http://www.washingtonpost.com/ac2/wp-dyn/A36356-2004Jan21>.

80. See Colangelo, *supra* note 33, at 900.

81. See generally Franklin & Morris, *supra* note 15; see Tanaka, *supra* note 6, at 73-74.

82. See generally Dodes, *supra* note 19.

83. *Id.*

84. *Id.*

85. See generally *Grokster*, 125 S.Ct. at 2764.

86. Compare *Aimster*, 334 F.3d at 643, with *Grokster*, 380 F.3d at 1154.

on this topic made it troublesome to determine what the applicable law actually was with regard to the liability of the creators and distributors of decentralized P2P file sharing networks.<sup>87</sup> On June 27, 2005, however, the U.S. Supreme Court resolved this circuit split in favor of copyright holders and against P2P networks.<sup>88</sup>

The theory of liability that is used in U.S. case law is contributory copyright infringement, which was laid out by the U.S. Court of Appeals for the Second Circuit in the case of *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*<sup>89</sup> In *Gershwin*, a U.S. court held for the first time that "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another" can be held liable as a contributory infringer.<sup>90</sup>

The U.S. Supreme Court refined this theory in the 1984 case of *Sony Corp. of America v. Universal City Studios, Inc.*<sup>91</sup> The defendants in *Sony* manufactured home videocassette recorders, which allowed home users to record television shows for future viewing. The plaintiffs, who were the copyright holders of various television shows, brought suit against the defendants based on the theory of, *inter alia*, contributory copyright infringement. The U.S. District Court for the Central District of California held that the defendants were not liable for contributory copyright infringement because the noncommercial recording of television programs by a user in his own home constituted a fair use of the copyrighted material.<sup>92</sup> The U.S. Court of Appeals for the Ninth Circuit reversed, holding that there could be no noncommercial home use exception to copyright protection absent "a clear direction from Congress," and found the defendants liable for contributory infringement.<sup>93</sup>

The U.S. Supreme Court granted certiorari in 1982,<sup>94</sup> and in 1984 it ruled on the case, reversing the Court of Appeals.<sup>95</sup> The Court held that the sale of copying equipment does not constitute contributory copyright infringement if that equipment is capable of "substantial noninfringing uses,"<sup>96</sup> a test which

---

87. See generally Brandon Michael Francavillo, Comment, *Pretzel Logic: The Ninth Circuit's Approach to Contributory Copyright Infringement Mandates That the Supreme Court Revisit Sony*, 53 CATH. U. L. REV. 855 (2004).

88. See generally *Grokster*, 125 S.Ct. at 2764.

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

90. *Id.* at 1162 (footnote omitted).

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

92. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 456 (C.D. Cal. 1979).

93. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 966, 974 (9th Cir. 1981).

94. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 457 U.S. 1116 (1982).

95. *Sony*, 464 U.S. at 456.

96. *Id.* at 442.

prior to this case had been used primarily for contributory patent infringement.<sup>97</sup>

The circuit split regarding the liability of P2P network creators began in 2003 in the case of *In re Aimster Copyright Litigation*.<sup>98</sup> In *Aimster*, the U.S. Court of Appeals for the Seventh Circuit ruled that John Deep, distributor of a decentralized P2P file-sharing network program called Aimster,<sup>99</sup> was liable under the theory of contributory copyright infringement.<sup>100</sup> Although the court found that Aimster was certainly capable of noninfringing uses, it held that these potential noninfringing uses were not enough for Deep to escape liability.<sup>101</sup> Instead, the court interpreted the *Sony* decision as requiring evidence that the network had actually been used in noninfringing ways.<sup>102</sup> In support of its decision that Aimster had not actually been used for its potential noninfringing uses, the court noted, among other factors, that the tutorial that came bundled with the Aimster program contained only examples involving the sharing of copyrighted music.<sup>103</sup>

Additionally, the program had an optional feature; for a monthly fee, a user could download with a single click the forty most shared songs on the Aimster network, which were invariably copyrighted works.<sup>104</sup> The court then held more generally that in order for the provider of a P2P file-sharing service to escape liability for contributory copyright infringement, the provider must affirmatively produce evidence to show either (1) that the network was actually used substantially for noninfringing purposes, or (2) that, if the network was used substantially for infringing purposes, it would be disproportionately costly for the provider to eliminate or reduce the infringing uses on the network.<sup>105</sup>

On the other hand, in 2004, the U.S. Court of Appeals for the Ninth Circuit came to the opposite conclusion in its decision of *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, holding that the provider of a

---

97. *Id.* at 440. Section 271(c) of the U.S. Patent Act states:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, *and not a staple article or commodity of commerce suitable for substantial noninfringing use*, shall be liable as a contributory infringer.

35 U.S.C. § 271(c) (2006) (emphasis added).

98. *Aimster*, 334 F.3d at 643.

99. John Deep, the creator of the Aimster program, changed the program's name to Madster and continued to develop the program in some capacity after the ruling in *Aimster*, although the program's development has since been halted. For more information, see John Deep, *Madster, Aimster – John Deep v. RIAA*, at <http://www.madster.com> (2005).

100. *Aimster*, 334 F.3d at 653-54.

101. *Id.* at 651.

102. *Id.*

103. *Id.*

104. *Id.* at 651-52.

105. *See id.* at 653.

decentralized P2P filesharing network was not liable for contributory copyright infringement.<sup>106</sup> *Grokster* involved a suit by a large number of copyright holders in the entertainment industry against the providers of the Morpheus,<sup>107</sup> Grokster,<sup>108</sup> and Kazaa<sup>109</sup> P2P file-sharing networks. Unlike the Seventh Circuit in *Aimster*,<sup>110</sup> the Ninth Circuit in *Grokster* held that the Sony substantial noninfringing uses test does not include a requirement of actual noninfringing uses.<sup>111</sup> The court held that because the file-sharing networks in question were merely capable of substantial noninfringing uses and the network providers could not have had "specific knowledge of infringement" due to the decentralized nature of their networks, the network providers could not be held liable under a theory of contributory copyright infringement.<sup>112</sup>

While the U.S. Supreme Court denied certiorari in *Aimster*,<sup>113</sup> it granted certiorari in *Grokster* on December 10, 2004,<sup>114</sup> likely because of the circuit split that had been created.<sup>115</sup> On June 27, 2005, in a unanimous decision, the Court reversed the Ninth Circuit's decision in *Grokster* and ruled that the creator of a P2P network *can* be held liable for secondary copyright infringement.<sup>116</sup> However, the Court did not reverse the Ninth Circuit on the basis of Sony.<sup>117</sup> Instead, the Court based its ruling on inducement to infringe

---

106. *Grokster*, 380 F.3d at 1167.

107. See *Morpheus*, *supra* note 74. StreamCast Networks, Inc. was formerly known as MusicCity.Com, Inc. See *Grokster*, 380 F.3d at 1154.

108. Grokster was developed by Grokster, Ltd., a corporation based in Nevis, West Indies. Grokster, Ltd., *About Us*, at <http://web.archive.org/web/20030812172059/http://grokster.com/aboutus.html> (archived Aug. 12, 2003). As a result of this litigation, Grokster has ceased operations. See *Grokster, Ltd., Grokster*, at <http://www.grokster.com> (n.d.) (last visited Mar. 21, 2006) [hereinafter *Grokster Website*].

109. Kazaa was originally developed by KaZaa BV, a Dutch company. However, over the course of this litigation, control of the program passed to Sharman Networks. KaZaa BV eventually ceased defending this case, and default judgment was entered against it. *Grokster*, 380 F.3d at 1159 & n.4. Unlike the older Gnutella file-sharing network, Kazaa utilized a "supernode" architecture, utilizing a technology it called "FastTrack." In a supernode network, users that meet certain minimum requirements, such as processing speed, are made into "supernodes" and act as small indexing servers for a portion of the network. A supernode network has the characteristics of both a centralized and decentralized network. *Id.* at 1159. Sharman Networks continues to operate Kazaa in a substantially unchanged form. See *Kazaa*, *supra* note 42.

110. See *Aimster*, 334 F.3d at 643.

111. *Grokster*, 380 F.3d at 1161. See *id.* at 1162 n.9 (disagreeing with the Seventh Circuit's interpretation of Sony).

112. *Id.* at 1161-62.

113. *Deep v. Recording Indus. Ass'n of Am., Inc.*, 540 U.S. 1107 (2004).

114. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S.Ct. 686 (2004).

115. For argument in support of the U.S. Supreme Court's decision to grant certiorari to *Grokster*, see Francavillo, *supra* note 87.

116. *Grokster*, 125 S.Ct. at 2783.

117. *Id.* at 2783. "In sum, this case is significantly different from Sony and reliance on that case to rule in favor of StreamCast and Grokster was error." *Id.* at 2782. While Sony was

copyright.<sup>118</sup> Justice Souter, who wrote the opinion for the Court, noted 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.”<sup>119</sup> Grokster and StreamCast Networks, Inc., the creator of Morpheus,<sup>120</sup> argued against liability for secondary copyright infringement to the Supreme Court by attempting to characterize themselves as mere bystanders.<sup>121</sup> They argued that they had no way of keeping definite records of which files are downloaded by users on their networks or the times at which downloads by users on their networks occur.<sup>122</sup> They also emphasized that their networks can be utilized for noninfringing uses, such as the distribution of public domain works and the distribution of copyrighted works that are authorized for distribution by the copyright holder, and that these uses were “significant in kind, even if infrequent in practice.”<sup>123</sup>

However, the Court did not accept the characterization suggested by Grokster and StreamCast.<sup>124</sup> Instead, the Court noted that the record strongly suggested that “from the moment Grokster and StreamCast began to distribute their free software, each one clearly voiced the objective that recipients use it to download copyrighted works, and each took active steps to encourage infringement.”<sup>125</sup> In both cases, the Court made reference to earlier file-sharing programs that were released just after the legal defeat of the Napster network for copyright infringement<sup>126</sup> - StreamCast’s OpenNap and Grokster’s Swaptor - that, in the Court’s opinion, were clearly aimed at obtaining Napster’s former users.<sup>127</sup> The Court also made note of the intentions of both Grokster and StreamCast in forming these new programs.<sup>128</sup> Grokster indicated, in an internal communication, that they aimed to have more copyrighted material on their network than any other network.<sup>129</sup> Likewise, StreamCast created promotional material flaunting the network’s illegality, although the record did not make it clear whether those materials had ever actually been released.<sup>130</sup> On

---

not controlling to the Court’s decision, Justices Ginsburg and Breyer address *Sony* in concurring opinions. See *id.* at 2783 (Ginsburg, J., concurring); see *id.* at 2787 (Breyer, J., concurring).

118. *Id.* at 2770.

119. *Id.* (emphasis added).

120. See *Morpheus*, *supra* note 74. Although named as a defendant initially, KaZaa BV, the original creator of the Kazaa network, ceased defense of this case at the trial court level and a default judgment was entered against it. *Grokster*, 380 F.3d at 1159 & n.4.

121. See *Grokster*, 125 S.Ct. at 2772.

122. *Id.*

123. *Id.* According to StreamCast, among the public domain works available on Morpheus’ network are copies of the briefs from this case. *Id.*

124. *Id.*

125. *Id.*

126. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (enjoining the Napster P2P network from allowing access to copyrighted works).

127. *Grokster*, 125 S.Ct. at 2772-73.

128. *Id.* at 2273-74 & n.7.

129. *Id.* at 2773-74.

130. *Id.* at 2773-74 & n.7. Among the proposed advertising materials for StreamCast’s

the basis of these findings, the Court held that Grokster and StreamCast could be held liable for copyright infringement, despite the fact that their networks could have substantial noninfringing uses.<sup>131</sup>

The Supreme Court's *Grokster* decision created almost immediate positive results for American copyright holders. In November 2005, Grokster agreed to permanently shut down its operations as part of a settlement of the case.<sup>132</sup> A study by the New York-based market research firm NPD Group also showed that the number of households engaged in illegal P2P downloading fell by eleven percent in the six months following the Court's decision.<sup>133</sup> Still, litigation will never completely eliminate the problems presented by decentralized P2P file sharing networks, nor will it even be a feasible option in all instances.

For example, litigation is quite obviously not a feasible option for a U.S. copyright holder if that litigation is not likely to provide the copyright holder with adequate compensation for its efforts.<sup>134</sup> According to Franklin and Morris, a copyright holder should first look for a major software distributor, preferably one that receives a profit from the network software's distribution.<sup>135</sup>

Such a "deep pocket" is easy to find in a case like *Grokster*, where a network has been created by a corporation that profits from the network.<sup>136</sup> In other cases, like ones involving open source network programs and other distribution methods where profit is not the primary concern, finding a distributor that is also a "deep pocket" is much more difficult.<sup>137</sup> If a major software distributor or other "deep pocket" ultimately cannot be found, the copyright holder may be forced to resort to litigation against individual network users.<sup>138</sup> Due to the

---

OpenNap network was an advertisement that read: "Napster Inc. has announced that it will soon begin charging you a fee. That's if the courts don't order it shut down first. What will you do to get around it?" Another touted OpenNap as the "#1 alternative to Napster." In fact, the chief technology officer of StreamCast said of the unveiling of the OpenNap network, "[T]he goal is to get in trouble with the law and get sued. It's the best way to get in the news." *Id.* at 2773.

131. *Id.* at 2779.

132. Associated Press, *Grokster Goes Down*, WIRED NEWS (Nov. 8, 2005), at <http://www.wired.com/news/digiwood/0,1412,69503,00.html>. Currently, Grokster's website displays only the following text:

The United States Supreme Court unanimously confirmed that using this service to trade copyrighted material is illegal. Copying copyrighted motion picture and music files using unauthorized P2P services is illegal and is prosecuted by copyright owners.

There are legal services for downloading music and movies. This service is not one of them.

YOUR IP ADDRESS IS [IP address omitted] AND HAS BEEN LOGGED.

Don't think you can't get caught. You are not anonymous.

*Grokster Website*, *supra* note 108.

133. Roy Mark, *Grokster Ruling Slows Illegal Downloading*, Internetnews.com (Dec. 14, 2005), at <http://www.internetnews.com/xSP/print.php/3570996>.

134. See generally Franklin & Morris, *supra* note 15; Tanaka, *supra* note 6.

135. See Franklin & Morris, *supra* note 15, at 1229.

136. See *id.*

137. See *id.*

138. Tanaka, *supra* note 6, at 73-74.

millions of these individual P2P network users worldwide, successfully litigating against each individual user would be practically impossible.<sup>139</sup> Furthermore, even if this litigation was successful, the copyright holder would likely be entitled to nominal damages only, such as the market price of a CD multiplied by the number of copies each individual user distributed.<sup>140</sup> Even if these nominal damages added up to a substantial award, the individual network users could escape paying these damages by simply declaring bankruptcy.<sup>141</sup>

The high costs and impracticality would not be the only significant burdens on mass litigation against individual users; a copyright holder that decided on mass litigation would also likely face problems with its public image.<sup>142</sup> Because many individual P2P network users are students or other people perceived as being somewhat powerless, mass litigation against these users will paint a picture of "big conglomerates versus small individuals" that would generate negative publicity for the copyright holder.<sup>143</sup> Moreover, many copyright holders under U.S. law are large corporations with a large customer base, and many of those corporations are wary of the possible negative publicity they could face in the event that they began to sue individual users that were also their own customers.<sup>144</sup>

Therefore, it is questionable whether litigation could provide copyright holders with compensation for infringement that has already occurred in the absence of a "deep pocket," such as the one that was present in *Grokster*.<sup>145</sup> Worse yet, litigation may not be a practical long-term solution to stop future infringing activity on P2P networks in all cases, especially on decentralized networks like Gnutella and its progeny.<sup>146</sup> Since so many "clone" programs of Gnutella were made that were able to access Gnutella's network, and most of these clones were freely available under an open source software license, a new Gnutella clone program that accesses the same network of computers can be easily developed by a new distributor whenever any one particular program is enjoined from development.<sup>147</sup> Additionally, because of the structure of the

---

139. See Jesse Feder, *Keynote Address, Winter 2001 Symposium*, 11 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 265, 270 (2001). "As [Congressman] Barney Frank once said in a hearing, 'there ain't enough cops in the world to go after all the end-users.'" *Id.*

140. Tanaka, *supra* note 6, at 74.

141. *Id.*

142. *Id.* at 74-75.

143. See *id.*

144. See Feder, *supra* note 139, at 270.

145. See generally *id.*; Tanaka, *supra* note 6.

146. See Tanaka, *supra* note 6, at 74.

147. *Id.* "[E]ven if decentralized P2P software developers/distributors can be held liable for copyright infringement under the current law and even if content providers are able to stop distribution of such software, alternatives may emerge without difficulties because the Gnutella platform is an open source project like Linux . . . ." *Id.*

decentralized P2P model, even the old program would not completely cease to function until every individual user was prohibited from using the network.<sup>148</sup>

Moreover, because of issues such as personal jurisdiction and forum, it will not always be practical or even possible for a copyright holder to engage in litigation in the United States.<sup>149</sup> An American copyright holder may attempt to enforce its legal rights in the courts of another country through international agreements such as the Berne Convention if the circumstances of a case make it necessary to do so.<sup>150</sup> However, recent international P2P copyright cases reveal a mixed legal landscape unfortunately similar to that of pre-*Grokster* American case law.<sup>151</sup> This mixed legal landscape casts doubts on whether international litigation is an effective alternative.<sup>152</sup>

For example, the Federal Court of Australia recently found Sharman Networks, the creator of the Kazaa file sharing network, liable for secondary copyright infringement.<sup>153</sup> The court ordered Sharman to place restrictions on downloads of copyrighted files on its network, but Sharman instead made the Kazaa software unavailable to Australian residents from its website.<sup>154</sup> On appeal, a Full Bench of the Federal Court of Australia ruled that these actions

---

148. See *Gnutella*, *supra* note 65. "As long as there are at least two users, Gnutella will continue to exist." *Id.*

149. See *infra* Parts V-VI.

150. See generally Berne Convention of September 9, 1886 for the Protection of Literary and Artistic Works, July 24, 1971, 25 U.S.T. 1341, 828 U.N.T.S. 221 [hereinafter Berne Convention]. The Berne Convention contains the principle of "national treatment," which simply put means that foreigners from a signatory country who hold a copyright in their own country are entitled to at least the protection given to nationals in each other signatory country. Joseph Greenwald & Charles Levy, *Berne Convention of September 9, 1886 for the Protection of Literary and Artistic Works, Introduction and Bibliography Written November 1989*, 1 B.D.I.E.L. 711 (1994). Because such protection is "automatic" and requires no formalities to obtain, the Berne Convention allows a U.S. copyright holder to pursue legal action against an infringing user in any member country to the treaty. *Id.*

151. Compare Anthony Deutsch, *Court: Kazaa not responsible for swapping*, USA TODAY, Dec. 19, 2003, available at [http://www.usatoday.com/tech/news/techpolicy/2003-12-19-kazaa-dutch\\_x.htm](http://www.usatoday.com/tech/news/techpolicy/2003-12-19-kazaa-dutch_x.htm) (the Netherlands), with Kristy Needham, *Kazaa ordered to clamp down on "rip-offs,"* SYDNEY MORNING HERALD, Sept. 5, 2005, available at <http://www.smh.com.au/news/breaking/kazaa-ordered-to-clamp-down-on-ripoffs/2005/09/05/1125772455786.html> (Australia).

152. Compare Deutsch, *supra* note 151 (the Netherlands), with Needham, *supra* note 151 (Australia).

153. Needham, *supra* note 151; Louisa Hearn, *Kazaa Blocks Access in Australia*, SYDNEY MORNING HERALD, Dec. 6, 2005, available at <http://www.smh.com.au/articles/2005/12/06/1133631231971.html>.

154. Hearn, *supra* note 153; *Kazaa*, *supra* note 42. Kazaa's official website now has the following language at the top of the main page: "ATTENTION USERS IN AUSTRALIA: To comply with orders of the Federal Court of Australia, pending an appeal in the February 2006, use of the Kazaa Media Desktop is not permitted by persons in Australia. If you are in Australia, you must not download or use the Kazaa Media Desktop." *Kazaa*, *supra* note 42. Although Sharman has blocked access to the Kazaa program on their website, they have not forbidden Australian citizens who already have the Kazaa program from accessing the Kazaa network. Hearn, *supra* note 140.



by Sharman did not comply with the court's previous order, opening the door to potential liability for contempt.<sup>155</sup> In contrast, in a case brought in the Netherlands by the Dutch music rights organization Buma/Stemra in 2001 against Kazaa, the Amsterdam Court of Appeal ultimately held that the creators of Kazaa were not liable as secondary copyright infringers and that all liability, if any, fell solely on the individual users of the Kazaa network.<sup>156</sup> Buma/Stemra appealed this decision to the Dutch Supreme Court.<sup>157</sup> In a much-publicized 2003 opinion, the Dutch Supreme Court upheld the decision of the Amsterdam Court of Appeal and allowed Sharman Networks, the new providers of the Kazaa file sharing program, to continue operations.<sup>158</sup>

Even if one were to put aside any issues of international law and assume that every country in the world would rule in favor of the copyright holder, international litigation would still be a very daunting task due to the sheer number of P2P network users from many countries.<sup>159</sup> The Internet is a worldwide set of networks,<sup>160</sup> thus it is very likely that similar litigation would have to be conducted in a large number of countries to produce even a minimally favorable result for the copyright holder.<sup>161</sup> The very real possibility exists that the costs associated with litigation in many countries would exceed

---

155. Universal Music Australia Pty. Ltd. v. Sharman Networks Ltd., [2006] FCAFC 41, 2006 WL 711090, ¶¶ 2-3 (Mar. 23, 2006). Currently, Sharman plans to contest any contempt proceedings brought against it. Louisa Hearn, *Kazaa faces new court battle*, THE AGE (Melbourne), Mar. 23, 2006, available at <http://www.theage.com.au/news/breaking/kazaa-faces-new-court-battle/2006/03/23/1143083882135.html>. As a spokesperson for Sharman stated, "[The March 23 decision by the Federal Court of Australia] was procedural and the judge has confirmed that another court will consider this matter. This clarification by the judge is useful and we look forward to the opportunity to test the record companies' allegations." *Id.*

156. Ot van Daalen, [NL] *Dutch Court of Appeal Re-addresses Peer-to-Peer Issue*, IRIS Legal Observations of the European Audiovisual Observatory, at [http://merlin.obs.coe.int/show\\_iris\\_link.php?language=en&iris\\_link=2002-5:12&id=4379](http://merlin.obs.coe.int/show_iris_link.php?language=en&iris_link=2002-5:12&id=4379) (May 12, 2002).

157. Deutsch, *supra* note 151.

158. *Id.* Unlike the U.S. Supreme Court, the Dutch Supreme Court does not perform a full review or decide on the merits of a case; instead, a review by the Dutch Supreme Court is typically limited to a small number of minor points. See Ot van Daalen, [NL] *Supreme Court Decides on Peer-to-Peer File-Sharing Issue*, IRIS Legal Observations of the European Audiovisual Observatory, at <http://merlin.obs.coe.int/iris/2004/2/article31.en.html> (Feb. 14, 2004). An unofficial translation of the Dutch Supreme Court's opinion is available at [http://www.eff.org/IP/P2P/BUMA\\_v\\_Kazaa/20020328\\_kazaa\\_appeal\\_judgment.html](http://www.eff.org/IP/P2P/BUMA_v_Kazaa/20020328_kazaa_appeal_judgment.html) (last modified Mar. 28, 2002).

159. See Tanaka, *supra* note 6, at 74; Feder, *supra* note 139, at 270.

160. See *supra* Part II.A.; Cohen, *supra* note 5, at 406-07.

161. Dodes, *supra* note 19, at 300.

If . . . the most convenient forum is in a foreign nation, the U.S. court may dismiss the case in favor of the foreign jurisdiction under the forum non-conveniens doctrine. The problem . . . however, is that since the direct infringement by [P2P networks occurs] in various countries, there may be multiple convenient foreign courts that satisfy the alternative forum element of the doctrine.

*Id.* (footnote omitted).

the losses that the copyright holders suffer from the infringing networks against which they seek to litigate.<sup>162</sup> The costs and burdens, combined with general burdens associated with pursuing litigation against P2P networks, will unfortunately force a U.S. copyright holder to decide whether the costs of litigation make it a worthwhile solution to infringement on P2P networks at all.<sup>163</sup>

#### IV. FINDING DEFENDANTS FOR LITIGATION

If a copyright holder does determine that the potential benefits of litigation outweigh the costs, it must then find defendants against whom to litigate. In cases such as *Grokster*, where a file sharing network is created or maintained with the intent to profit, this step can be refreshingly simple.<sup>164</sup> Under U.S. law dating back to *Gershwin* and similar to international law, a copyright holder can make a very strong case that a party who profits or intends to profit from a P2P file-sharing network “induces, causes or materially contributes to the infringing conduct of another.”<sup>165</sup> Furthermore, as stated in Part III, the problems associated with obtaining adequate compensation from litigation against a P2P network vanish when a “deep pocket” is involved with that network’s development.<sup>166</sup> For example, Sharman Networks, the provider of Kazaa, generates revenue through the distribution of Rights Managed content,<sup>167</sup> through the use of advertising programs that deliver advertisements to the user’s computer based on his Internet use, through the sales of third-party products and services, and through a premium version of its own software that does not contain advertising programs.<sup>168</sup> As a result of these practices, Sharman Networks has been subject to litigation in the United States, the Netherlands, and Australia, and it will likely be the subject of more U.S. and international litigation in the future.<sup>169</sup>

---

162. *Id.* “Unless the plaintiff has significant financial resources, it would be very difficult to litigate in multiple foreign courts.” *Id.*

163. *Id.*

164. *Cf.* Franklin & Morris, *supra* note 15, at 1229 (discussing “the desires of copyright owners to sue a major distributor or deep pocket”).

165. *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (footnote omitted).

166. *See* Franklin & Morris, *supra* note 15, at 1229.

167. “Rights Managed content” refers to digital media, such as music, that employs Digital Rights Management (DRM). “Specifically, rights management technologies enable a content owner to stipulate a set of rules, or policy rights, that govern how the content may be used, by whom, for how long, etc.” Steve Ballmer, Microsoft Corporation, *Executive E-Mail: Rights Management: Enabling Opportunities*, at <http://www.microsoft.com/mscorp/execmail/2003/05-07rightsmanagement-print.asp> (May 7, 2003).

168. Sharman Networks, *How can Kazaa be free?* (2005), at [http://www.kazaa.com/us/help/faq/howis\\_kazaa\\_free.htm](http://www.kazaa.com/us/help/faq/howis_kazaa_free.htm) (last visited Mar. 10, 2006).

169. *See supra* Part III.

In the case that litigation against a major corporate developer or distributor is not possible, occasionally a third-party website or content provider exists that somehow aids or abets copyright infringement on a P2P network.<sup>170</sup> A third party website or content provider aids or abets copyright infringement on a P2P network by engaging in practices such as providing a search engine for a P2P network over the World Wide Web that any user of the Internet may access.<sup>171</sup> A copyright holder can consider litigation against such a third party if one exists.<sup>172</sup> For example, the independent website MP3Board.com, which provided a search engine for the Gnutella network, has been named in a series of secondary infringement lawsuits from the Recording Industry Association of America and multiple recording companies.<sup>173</sup> Similar actions have begun internationally, as well.<sup>174</sup> In Australia, for example, a group of recording companies initiated a \$500 million lawsuit against the owner and operator of mp3s4free.net, a website that provided a search engine for MP3 music files located elsewhere on the Internet.<sup>175</sup>

If a major corporate party associated with the P2P network cannot be found, which is often the case for a decentralized and open source P2P network program, finding defendants is much more difficult.<sup>176</sup> If a P2P network is not constructed with the intent to profit, which is very often the case for networks that utilize the decentralized model, there may not be any major corporate distributor from which to seek compensation.<sup>177</sup> Unfortunately, there may be no corporate party to sue in these cases except for the copyright holder's last resort - the individual users themselves.<sup>178</sup>

## V. PERSONAL JURISDICTION

In the event that a U.S. copyright holder decides that litigation against a decentralized P2P network is a worthwhile course of action and finds sufficient defendants against whom to litigate, there are still a number of other concerns. Specifically, the concerns are greater in situations where the P2P network is

---

170. See John Borland, CNET News, *MP3Board countersues RIAA, calls MP3 links legal*, at [http://news.com.com/MP3Board+countersues+RIAA%2C+calls+MP3+links+legal/2100-1023\\_3-243331.html?tag=st.rn](http://news.com.com/MP3Board+countersues+RIAA%2C+calls+MP3+links+legal/2100-1023_3-243331.html?tag=st.rn) (July 18, 2000); Australian Associated Press, *Landmark music copyright case*, THE AGE (Melbourne), Oct. 25, 2004, available at <http://www.theage.com.au/articles/2004/10/25/1098667684432.html>.

171. See Borland, *supra* note 170.

172. See *id.*

173. See, e.g., *id.*; *Arista Records, Inc., v. MP3Board, Inc.*, No. 00 Civ. 4660 (SHS), 2002 U.S. Dist. LEXIS 16165, Copy. L. Rep. (CCH) P28483 (S.D.N.Y. Aug. 29, 2002). Although the Gnutella program was discontinued by America Online prior to its official release, clone programs that utilize the same network of users continue to exist. See *supra* Part II.D.

174. See, e.g., Australian Associated Press, *supra* note 170.

175. *Id.*

176. See Tanaka, *supra* note 6, at 73-74.

177. Franklin & Morris, *supra* note 15, at 1229.

178. See Tanaka, *supra* note 6, at 73-74.

based in a country other than the United States. For example, if a copyright holder attempts to litigate a claim in the United States against a P2P network based in another country, the first obstacle that would arise is the problem of obtaining personal jurisdiction over the foreign defendants.<sup>179</sup>

At first glance, it would seem very difficult for a U.S. copyright holder to obtain personal jurisdiction in an American court over a foreign P2P network. With the globalization of the Internet, however, the courts have developed two tests that are more lenient towards the exercise of jurisdiction in such cases.<sup>180</sup> The first of these tests looks at the nature and quality of the business' commercial contacts with the United States.<sup>181</sup> The second of these tests looks at the extent to which the business affects the United States.<sup>182</sup>

The commercial contact test for personal jurisdiction was laid out in the case of *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*<sup>183</sup> The test is an extension of the traditional three-prong minimum contacts analysis and requires the following three conditions to be met before jurisdiction can properly be exercised over a non-resident defendant: "(1) the defendant must have sufficient 'minimum contacts' with the forum state, (2) the claim asserted against the defendant must arise out of those contacts, and (3) the exercise of jurisdiction must be reasonable."<sup>184</sup>

The scenarios that are possible under the *Zippo* test are best illustrated as part of a "sliding scale."<sup>185</sup> On one end of the scale are those businesses that knowingly and repeatedly transmit files in the course of their business via the Internet to a resident within the forum.<sup>186</sup> In cases such as these, the courts have typically treated the intentional and repeated contacts of the business as implied consent to personal jurisdiction in the forum.<sup>187</sup> On the other end of the scale are those businesses that create passive Internet websites which merely make information available to all visitors.<sup>188</sup> The courts have typically treated these businesses as not having consented to personal jurisdiction.<sup>189</sup> In the middle of the scale are those businesses that create interactive websites that exchange information via the Internet with a resident within the forum.<sup>190</sup> In these cases, the courts have held that whether a business impliedly consents to

---

179. See generally Eleanor M. Lackman, *Slowing Down the Speed of Sound: A Transatlantic Race to Head off Digital Copyright Infringement*, 13 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1161 (2003).

180. *Id.* at 1186-87.

181. *Id.* at 1186.

182. *Id.*

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

184. *Id.* at 1122-23.

185. August, *supra* note 7, at 550.

186. *Id.*

187. *Id.*

188. *Id.* at 550-51.

189. *Id.* at 551.

190. *Id.* at 550.

personal jurisdiction is determined by looking at the frequency and commercial nature of the information exchanged.<sup>191</sup>

In recent years, however, in deciding matters of personal jurisdiction over Internet businesses, the courts in the United States have shifted their focus away from the potential commercial contact between the business and the forum and toward the actual effects of the business on the forum.<sup>192</sup> The effects doctrine, introduced by the U.S. Supreme Court in the case of *Calder v. Jones*,<sup>193</sup> subjects a defendant to personal jurisdiction in a state when “a) the defendant’s intentional tortious actions b) expressly aimed at the forum state c) cause harm to the plaintiff in the forum state, which the defendant knows is likely to be suffered.”<sup>194</sup> Although the effects doctrine was originally used for defamation cases, the courts have extended the doctrine to areas such as intellectual property.<sup>195</sup>

An example of the effects test in action in an intellectual property context is the case of *Nissan Motor Co. Ltd. v. Nissan Computer Corp.*,<sup>196</sup> a trademark infringement case that arose out of Nissan Computers’ use of the “nissan.com” domain name.<sup>197</sup> Nissan Computers, a Massachusetts-based company, altered the content of the “nissan.com” website to incorporate automobile search engines and used a logo for the website that was similar to that of Nissan Motors.<sup>198</sup> Nissan Motors, a California corporation, brought suit in the U.S. District Court for the Central District of California,<sup>199</sup> and Nissan Computers filed a motion to dismiss for lack of personal jurisdiction.<sup>200</sup> The District Court denied the motion and ruled that it could properly exercise jurisdiction over Nissan Computers.<sup>201</sup> The court noted in support of its ruling that Nissan Computers had derived revenue through “the intentional exploitation of consumer confusion,” and that the effects of this exploitation were most felt in California, the state in which Nissan Motors was based.<sup>202</sup>

Although the U.S. courts, in analyzing Internet cases, have begun to shift from a *Zippo* commercial contact analysis to a *Calder* effects analysis, personal jurisdiction in cases specifically involving P2P networks is still mostly

---

191. *See id.*

192. Michael A. Geist, *Is There a There There? Toward Greater Certainty for Internet Jurisdiction*, 16 BERKELEY TECH. L.J. 1345, 1371-72 (2001).

193. *Calder v. Jones*, 465 U.S. 783, 789-90 (1984).

194. Geist, *supra* note 192, at 1372.

195. *See id.* at 1373.

196. *Nissan Motor Co. Ltd. v. Nissan Computer Corp.*, 89 F.Supp.2d 1154 (C.D. Cal. 2000).

197. Geist, *supra* note 192, at 1373.

198. *Nissan*, 89 F.Supp.2d at 1157.

199. *Id.*

200. *Id.* at 1158.

201. *Id.* at 1160.

202. *Id.* at 1161.

determined by the *Zippo* analysis.<sup>203</sup> In 2003, the U.S. District Court for the Central District of California, the same court that presided over *Nissan* three years prior, exercised personal jurisdiction over Sharman Networks through application of the *Zippo* standard.<sup>204</sup> The court found that Sharman's Kazaa software was being used primarily for commercial purposes and that Sharman had at least constructive knowledge that California users were downloading and using its software from the fact that it had been downloaded from their website over 143 million times.<sup>205</sup> Therefore, the level of commercial contact between Sharman and California was such that Sharman had impliedly consented to personal jurisdiction in the state.<sup>206</sup>

In light of the rise of decentralized P2P networks, however, the current rules of personal jurisdiction may not be sufficient for the U.S. copyright holder.<sup>207</sup> The distributor of a decentralized P2P network, much like Sharman Networks, is not intentionally transmitting files to any particular forum by merely making them available on a website.<sup>208</sup> Moreover, unlike Sharman, most decentralized P2P networks are not created with commercial distribution in mind.<sup>209</sup> Consequently, the *Zippo* test would not be applicable against most distributors of a decentralized P2P network program.<sup>210</sup> Although it has never been used against a P2P network, the effects test seems to be a more effective weapon against these networks because it does not rely on commercial activity.<sup>211</sup> Therefore, a U.S. copyright holder should be mindful of both the nature of the network against which it is preparing to litigate and the analysis the court will use to determine whether personal jurisdiction is appropriate before commencing litigation.<sup>212</sup>

## VI. FORUM

If a copyright holder wishing to litigate in the United States is able to obtain personal jurisdiction over those against whom he is litigating, the next obstacle the copyright holder will necessarily face is the problem of establishing the United States as an adequate forum for the suit.<sup>213</sup> As discussed in Part III, due to the high costs of litigation and other burdens, a copyright holder will

---

203. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 243 F.Supp.2d 1073, 1087-88 (C.D. Cal. 2003).

204. *Id.*

205. *Id.*

206. *Id.*

207. See Franklin & Morris, *supra* note 15, at 1229.

208. See August, *supra* note 7, at 551.

209. See Franklin & Morris, *supra* note 15, at 1229.

210. See *id.*

211. See generally *Calder*, 465 U.S. at 787; *Nissan*, 89 F.Supp.2d at 1159-60.

212. See Franklin & Morris, *supra* note 15, at 1216-17.

213. See generally David W. Robertson, *Forum Non Conveniens in America and England: "A Rather Fantastic Fiction,"* L.Q.R. 1987, 103 (Jul.), 398-432, 398 (describing the doctrine of forum non conveniens).

find it very difficult, if not impossible, to pursue litigation against infringing file-sharing networks in every country and forum in which they operate.<sup>214</sup> Therefore, it must be the goal of the copyright owner in pursuing copyright infringement litigation against file-sharing networks to bring as many parties and claims as possible before a single forum.<sup>215</sup> If a U.S. copyright holder decides to pursue litigation in a court of the United States, that court must hold that it is a proper and convenient forum to hear the dispute.<sup>216</sup> Even if a court could exercise jurisdiction, a court can decline to exercise jurisdiction over a dispute under the doctrine of *forum non conveniens* if the court decides that another forum would be more appropriate.<sup>217</sup>

Very often, a dismissal on *forum non conveniens* grounds in an American court will prove fatal to a U.S. copyright holder's claim.<sup>218</sup> In a 1987 case study, David Robertson tracked the results of thirty commercial cases and fifty-five personal injury cases that were dismissed from the U.S. federal courts on *forum non conveniens* grounds.<sup>219</sup> Of those eighty-five plaintiffs, only three successfully got their cases to trial in a foreign forum, and none of those three plaintiffs won their cases at trial.<sup>220</sup> Twenty-seven of the fifty-five personal injury plaintiffs and eight of the thirty commercial plaintiffs either completely abandoned their cases after dismissal or settled their claims for ten percent of their potential value or less.<sup>221</sup> Ultimately, only four of the personal injury plaintiffs and five of the commercial plaintiffs ever achieved "anything like full satisfaction."<sup>222</sup> In light of these statistics, the importance of successfully establishing forum in an American court is very clear.<sup>223</sup>

The typical analysis in which U.S. courts engage in making determinations of forum was illustrated by the U.S. Supreme Court in *Gulf Oil Corp. v. Gilbert*.<sup>224</sup> When deciding on a *forum non conveniens* question, a

---

214. Dodes, *supra* note 19, at 300.

215. Jane C. Ginsburg, *The Fourth Annual Herbert Tenzer Distinguished Lecture in Intellectual Property: Copyright Without Borders? Choice of Forum and Choice of Law for Copyright Infringement in Cyberspace*, 15 CARDOZO ARTS & ENT. L.J. 153, 156 (1997). "The copyright owner's goal in pursuing an infringement action is to bring as many parties and claims as possible before a single forum." *Id.*

216. See generally Robertson, *supra* note 213.

217. *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 507 (1947), *superseded by statute on other grounds*, 28 U.S.C. § 1404(a) (1982). "The principle of *forum non conveniens* is simply that a court may resist imposition upon its jurisdiction even when jurisdiction is authorized by the letter of a general venue statute." *Id.* The typically stated purpose for the doctrine is to discourage "those who seek not simply justice but perhaps justice blended with some harassment" by "forcing the trial at a most inconvenient place for an adversary, even at some inconvenience to himself." *Id.*

218. Robertson, *supra* note 213, at 418.

219. *Id.* at 419.

220. *Id.*

221. *Id.* at 420.

222. *Id.*

223. See *id.*

224. *Gilbert*, 330 U.S. at 508 (1947).

court in the United States must weigh the interests of both parties involved in the dispute, taking into account:

the relative ease of access to sources of proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining attendance of willing, witnesses; possibility of view of premises, if view would be appropriate to the action; and all other practical problems that make trial of a case easy, expeditious and inexpensive.<sup>225</sup>

In addition, a court must take into consideration the likelihood that any judgment against the defendant will be enforceable in the defendant's jurisdiction.<sup>226</sup> A court must also give great deference to the plaintiff's choice of forum in weighing the interests of the parties.<sup>227</sup> Further, a court must be reluctant to disturb the plaintiff's choice of forum if the defendant's interests in having the dispute litigated in a more convenient forum do not outweigh the plaintiff's interests in having the dispute litigated in the current forum.<sup>228</sup>

In cases that involve the laws of more than one country where no one forum is the most appropriate for all of the claims of the dispute, in the interests of convenience and avoiding "fragmented litigation," the courts will usually either hear an entire case or dismiss an entire case and will not usually split the claims of a case because of inconvenient forum.<sup>229</sup>

Precedent seems to suggest that the determination of a forum is not a major hurdle to a U.S. copyright holder seeking to pursue litigation against a P2P network based in another country in a court of the United States.<sup>230</sup> In cases such as these, the global nature of the Internet spreads out the potential defendants in the litigation, but at the same time makes the "sources of proof" required by the copyright holders more accessible.<sup>231</sup> For this reason, despite the fact that Internet defendants could be spread over a larger area, Internet defendants are more susceptible to suit in the United States than other foreign defendants.<sup>232</sup> Evidence of this susceptibility can be seen at the trial level in the

---

225. *Id.* The interest most likely to be pressed is the private interest of the litigant. *Id.*

226. *See id.*

227. *See id.*

228. *Id.* "The court will weigh relative advantages and obstacles to fair trial. . . . But unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed." *Id.*

229. Peter Nicolas, *Use of Preclusion Doctrine, Antisuit Injunctions, and Forum Non Conveniens Dismissals in Transnational Intellectual Property Litigation*, 40 VA. J. INT'L L. 331, 379-80 (1999).

230. *See generally* *Aimster*, 334 F.3d at 643; *Grokster*, 380 F.3d at 1154.

231. *See generally* August, *supra* note 7; *see generally* Nicolas, *supra* note 229.

232. *See generally* August, *supra* note 7; *see generally* Nicolas, *supra* note 229.



*Grokster* case, where KaZaa BV,<sup>233</sup> a Dutch company and the maker of the Kazaa program, and Sharman Networks, a company organized under the laws of the nation of Vanuatu<sup>234</sup> that does business principally in Australia and the successor in interest to KaZaa BV, were both subject to suit in the U.S. District Court for the Central District of California.<sup>235</sup> However, although forum may not be a major hurdle to a U.S. copyright holder, establishing forum only gets a claim heard by a court in the United States. The copyright holder must also convince that court to apply U.S. law to the claim.

## VII. THE PRESUMPTION AGAINST EXTRATERRITORIALITY

If a U.S. copyright holder manages to obtain jurisdiction against the foreign P2P defendants and keep that jurisdiction through the *forum non conveniens* analysis, the copyright holder will still have difficulty obtaining a remedy unless it can convince the court to apply U.S. law extraterritorially.<sup>236</sup> Generally, the courts are extremely hesitant to apply U.S. law extraterritorially, out of both respect for the authority of other sovereign countries and concerns over the comity of nations.<sup>237</sup> The general rule regarding the presumption against extraterritoriality, as stated in 1909, is that "the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done."<sup>238</sup>

Absent an exception to this general rule, the courts of the United States will typically not allow U.S. law to be applied extraterritorially to a foreign defendant.<sup>239</sup> Three exceptions to the presumption against extraterritoriality

---

233. Before trial, KaZaa BV changed its name to Consumer Empowerment BV. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F.Supp.2d 1029, 1031 (C.D. Cal. 2003).

234. Vanuatu is comprised of a group of islands in the South Pacific Ocean, approximately three quarters of the way from Hawaii to Australia. U.S. Central Intelligence Agency, *The World Factbook - Vanuatu*, at <http://www.cia.gov/cia/publications/factbook/print/nh.html> (last updated Jan. 10, 2006).

235. *Grokster*, 243 F.Supp.2d at 1087-88.

236. Susan S. Murphy, Note, *Copyright Protection, "The New Economy" and the Presumption Against the Extraterritorial Application of United States Copyright Law: What should Congress Do?*, 33 CONN. L. REV. 1401, 1404 (2001). "Without the application of United States' copyright protection abroad, the United States copyright industries are left to rely on international treaties, non-governmental organizations and industry alliances to combat the escalating overseas piracy problem. These methods of protection have proved woefully inadequate . . . ." *Id.*

237. *Am. Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909).

For another jurisdiction, if it should happen to lay hold of the actor, to treat him according to its own notions rather than those of the place where he did the acts, not only would be unjust, but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent.

*Id.*

238. *Id.*

239. See *id.*

exist: (1) cases in which Congress has explicitly stated in the language of a statute that it intends the statute to apply extraterritorially; (2) cases in which the failure to apply a law extraterritorially will create "adverse effects" within the United States; and (3) cases in which conduct inside the United States causes extraterritorial effects that outweigh the potential for conflict with the laws of another sovereign nation.<sup>240</sup>

In the case of an American plaintiff pursuing litigation for infringement of its copyright under United States law against a P2P network located in another country, only the second exception to the presumption against extraterritoriality would apply.<sup>241</sup> The U.S. Copyright Act, while providing for protection of works that originated in another country under certain circumstances, does not explicitly allow American copyrights to be enforced extraterritorially.<sup>242</sup> Furthermore, the nature of the problem faced by U.S. copyright holders is the conduct of P2P networks located in other nations violating U.S. copyrights, not the conduct within the United States creating effects extraterritorially. Therefore, in order for the holder of a U.S. copyright to obtain an extraterritorially enforceable judgment over a P2P network based in another country, the adverse effects created in the United States by failing to enforce American copyright law extraterritorially must outweigh the potential for conflict with the laws of the nation in which the network is based.<sup>243</sup>

In most cases, this balancing of interests leans clearly in favor of the copyright holder.<sup>244</sup> Because of recent international intellectual property treaties<sup>245</sup> and other measures, the copyright law of most countries is becoming analogous enough to most American law provisions to avoid any major conflicts.<sup>246</sup> In addition, not only is the potential for conflict with the laws of other nations very low, but the potential for adverse effects on the United States if its copyrights are not enforced extraterritorially is very high.<sup>247</sup> The Internet is a truly global set of computer networks, where users from multiple countries

---

240. See Murphy, *supra* note 236, at 1407 (citing *Entvl. Def. Fund v. Massey*, 986 F.2d 528, 531-32 (D.C. Cir. 1993)).

241. See 17 U.S.C. § 104 (2005).

242. *Id.* The U.S. Copyright act grants protection to works published by persons who are not U.S. citizens but who are citizens of a country that is a party to a copyright treaty with the United States. *Id.*

243. Murphy, *supra* note 236, at 1407.

244. See generally Cohen, *supra* note 5; Greenwald & Levy, *supra* note 150.

245. Examples of these international intellectual property treaties include the Berne Convention, *supra* note 150, and the World Intellectual Property Organization (WIPO) Copyright Treaty, at <http://www.wipo.int/documents/en/diplconf/distrib/94dc.htm> (Dec. 23, 1996).

246. As an example of the global harmonization of copyright law, see Berne Convention, *supra* note 150.

247. To illustrate this point, the Recording Industry Association of America has stated that music piracy, of which the association asserts that P2P file sharing is a form, costs the U.S. recording industry \$4.2 billion annually. Recording Industry Association of America, *supra* note 1.

can conduct business or other activities instantly and simultaneously.<sup>248</sup> Because of this global nature of the Internet, all Internet activities and any regulation of Internet activities will necessarily impact other countries.<sup>249</sup> In the hypothetical example at the beginning of this Note,<sup>250</sup> Arlogeist GmbH, a German corporation, made its P2P file-sharing program called Swapster available through its website, with the initial intent that it would only be used by the German public. Due to the global nature of the Internet, however, users in the United States could also use the program and engage in the unauthorized distribution of copyrighted media through its network. Because of the extraterritorial conduct by Arlogeist, and its potential effects on U.S. copyright holders' rights, it is apparent that the failure to apply U.S. copyright law extraterritorially would create a strong adverse impact on those who hold copyrights in the United States.

Despite the fact that the interests of U.S. copyright holders seemingly outweigh the potential for conflict with the laws of other nations, courts in the United States have traditionally been hesitant to go against the presumption against territoriality in copyright cases.<sup>251</sup> However, as evidenced by *Grokster*, courts in the United States are becoming more willing to exercise U.S. copyright law extraterritorially in Internet cases.<sup>252</sup> Thus, the presumption against extraterritoriality is becoming less of a hurdle to litigating a secondary infringement claim in a court of the United States against a peer-to-peer network based in another country.<sup>253</sup>

## VIII. CHOICE OF LAW

In addition to convincing a U.S. court that the extraterritorial application of U.S. law is proper in a particular case, a copyright holder must also convince that court to actually apply U.S. law.<sup>254</sup> In some cases, a court of the United States may elect not to apply U.S. law to one or more defendants even when justified.<sup>255</sup> This could potentially lead to problems, especially when the

---

248. See Cohen, *supra* note 5, at 406-07.

249. See Joshua S. Baugher, Note and Comment, *State Sovereignty and the Globalizing Effects of the Internet: A Case Study of the Privacy Debate*, 26 BROOK. J. INT'L L. 689, 689-90 (2000). Nations attempting to regulate the Internet should be aware that any attempt at regulation "may have a direct and significant impact on other states." *Id.*

250. See *supra* Part I.

251. Murphy, *supra* note 236, at 1402-03.

252. See generally *Grokster*, 243 F.Supp.2d at 1073 (U.S. District Court for the Central District of California applied U.S. copyright law extraterritorially against KaZaa BV, a Dutch company and the maker of the Kazaa program, and Sharman Networks, an Australian company and the successor in interest to KaZaa BV).

253. See generally *id.*

254. See generally William Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383 (2000).

255. *Id.*

defendants involved in the litigation come from a large number of countries.<sup>256</sup>

When infringing acts on a P2P file-sharing network are being conducted within the United States, as in the Swapster hypothetical,<sup>257</sup> U.S. courts have held quite clearly that U.S. copyright law is to be applied with respect to that domestic conduct.<sup>258</sup> However, the choice of law analysis becomes much more complicated when the courts are asked to consider acts of infringement on the Internet that occur overseas.<sup>259</sup> When infringing acts on a P2P network take place in multiple countries, a court will have great difficulty in determining the nation whose laws should apply in a particular case.<sup>260</sup> For this reason, the U.S. courts have traditionally tried to avoid making these determinations; in fact, U.S. courts are reluctant to hear a case at all if it involves the application of the intellectual property law of another country to foreign infringement.<sup>261</sup> Because the U.S. courts are reluctant to hear cases that will require the application of the laws of other nations, choice of law is vital to a copyright holder's claim in the United States.<sup>262</sup> If the holder of a U.S. copyright cannot convince a court in the United States to apply U.S. copyright law in an infringement claim, the very real possibility exists that the court will refuse to hear the claim at all.<sup>263</sup>

This problem has slightly improved in recent years, but it still presents a major stumbling block to a U.S. copyright holder.<sup>264</sup> With the introduction of international copyright law treaties and agreements, foreign copyright law and U.S. copyright law are harmonizing in some aspects.<sup>265</sup> This growing harmonization alleviates some of the concerns the U.S. courts may have over applying the laws of another country, but the unifying aims of these treaties have not yet been advanced far enough for the U.S. courts to reconsider their reluctance to apply foreign law.<sup>266</sup>

Until a time comes when international copyright law has been harmonized to a point where the U.S. courts feel comfortable applying it, a copyright holder will likely need to show that infringement is taking place on a P2P network within the United States before U.S. law will apply.<sup>267</sup> In

---

256. See generally Dodes, *supra* note 19.

257. See *supra* Part I.

258. Patry, *supra* note 254, at 448. "The applicable law for infringing conduct that takes place in the United States is quite simply the substantive, domestic U.S. copyright law." *Id.*

259. See Cohen, *supra* note 5, at 406-07.

260. See *id.*

261. Brandon Dalling, Note and Comment, *Protecting Against International Infringements in the Digital Age Using United States Copyright Law: A Critical Analysis of the Current State of the Law*, 2001 BYU L. REV. 1279, 1304 (2001).

262. See Robertson, *supra* note 213, at 420; *supra* Part VI.

263. Studies have shown that claims originally brought in a U.S. court have a significantly smaller chance of success if the U.S. court denies hearing the claim on *forum non conveniens* or other grounds. Robertson, *supra* note 213, at 420; *supra* Part VI.

264. See Robertson, *supra* note 213, at 420.

265. As an example of the global harmonization of copyright law, see Berne Convention, *supra* note 150.

266. See Dalling, *supra* note 261, at 1304.

267. *Id.*

*Grokster*, the U.S. District Court for the Central District of California found that it was the appropriate forum to exercise its jurisdiction over claims of secondary infringement against Sharman Networks.<sup>268</sup> In its analysis, the court stressed that Sharman Networks had engaged in a significant amount of business in the United States.<sup>269</sup> But if a case arises in the future involving a decentralized P2P network with no corporate distributor, such as an open source Gnutella clone, the copyright holder will not be able to rely on business activity as a basis for the application of U.S. copyright law.<sup>270</sup> Instead, the copyright holder will have to take the much more difficult route of actually proving that users within the United States were engaging in infringement on the network.<sup>271</sup> If a copyright holder cannot show that there is a sufficient amount of infringement occurring on a P2P network within the United States, it will have trouble convincing the court to apply U.S. copyright law to the dispute or even to hear the case at all.<sup>272</sup>

## IX. CONCLUSION

Although the recent decision of the U.S. Supreme Court in *Grokster*<sup>273</sup> was a major victory for copyright holders in the United States, the problems those copyright holders face from decentralized P2P file sharing programs, especially those based in other countries, still cannot be taken lightly. If a copyright holder wishes to assert his rights through litigation, there are a number of roadblocks that must immediately be considered, such as the possibility of obtaining a favorable judgment and adequate compensation, in determining whether litigation is even a feasible option. Even after these obstacles are addressed, the issue of finding defendants for litigation lingers. If the copyright holder additionally wishes to make a claim for copyright

---

268. See *Grokster*, 243 F.Supp.2d at 1087.

269. *Id.*

Here, there is little question that Sharman has knowingly and purposefully availed itself of the privilege of doing business in California. First, Sharman essentially does not dispute that a significant number of its users - perhaps as many as two million - are California residents. Indeed, given that Sharman's [Kazaa] software has been downloaded more than 143 million times, it would be mere cavil to deny that Sharman engages in a significant amount of contact with California residents.

*Id.*

270. For more information on open source software, see *supra* note 39. For further information on the problems that a decentralized P2P network and non-corporate developers create for an American copyright holder, see *supra* Parts II.D. and III.

271. See Patry, *supra* note 254, at 448 (stating that U.S. copyright law is used for infringement that occurs in the United States).

272. Compare Patry, *supra* note 254, at 448 (stating that U.S. copyright law is used for infringement that occurs in the United States), with Dalling, *supra* note 261, at 1304 (stating that U.S. courts are reluctant to apply foreign copyright law to infringement that occurs in other countries).

273. *Grokster*, 125 S.Ct. at 2764 (2005).

infringement in a court of the United States, he must first ensure that such a claim is possible and not prohibited by lack of personal jurisdiction, inconvenient forum, or an unfavorable choice of law.

Because most activities conducted over the Internet are global in scope and not confined to any particular country, a U.S. copyright holder does have rights with respect to infringing activity on P2P file sharing networks. However, these rights are very limited, and they may carry little weight outside of American soil. Therefore, despite the U.S. Supreme Court's recent ruling in *Grokster*,<sup>274</sup> copyright holders should be mindful that the battle against infringement on these networks is only just beginning.

---

274. *Id.*