

No. 10-6

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In the  
**Supreme Court of the United States**

GLOBAL-TECH APPLIANCES, INC., ET AL.,  
*Petitioners,*

v.

SEB S.A.,  
*Respondent.*

On Writ of Certiorari to the United States Court  
of Appeals for the Federal Circuit

**BRIEF OF MOTION PICTURE ASSOCIATION OF  
AMERICA AND RECORDING INDUSTRY  
ASSOCIATION OF AMERICA AS *AMICI CURIAE*  
IN SUPPORT  
OF NEITHER PARTY**

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December 6, 2010

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**QUESTION PRESENTED**

What is the requisite level of intent for inducing infringement of a patent under 35 U.S.C. § 271(b)?

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## INTEREST OF *AMICI CURIAE* <sup>1</sup>

*Amici Curiae* are the Motion Picture Association of America, Inc. (“MPAA”) and Recording Industry Association of America (“RIAA”). MPAA is a trade association that represents the interests of the domestic motion picture, home video, and television industries. It counts among its members the largest producers and distributors of motion pictures and television programs in the United States, including Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLLP, Walt Disney Studios Motion Pictures, and Warner Bros. Entertainment Inc. RIAA is the trade group that represents the American recording industry. RIAA’s record company members create, manufacture, and/or distribute the vast majority of all legitimate sound recordings produced and sold in the United States.

*Amici* and their members have a strong interest in standards for inducement liability that strike an appropriate balance between protecting intellectual property and avoiding abusive litigation that can impair and penalize genuine innovation. The very existence of *amici*’s members depends on meaningful protection for their intellectual property, and an industry has emerged to induce massive infringement of copyrighted works on an

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<sup>1</sup> The parties have consented to the filing of this brief in letters on file with the Clerk. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amici* and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief.

unprecedented scale. For that reason, *amici* and some of their members were petitioners in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). *Amici* and their members also own a significant number of patents in a variety of areas. At the same time, however, *amici*'s members are forced to defend against charges of patent infringement, including inducement of infringement.

*Amici*'s members have therefore seen firsthand the significant differences between copyright and patent litigation, and the ways in which those differences inform the proper legal standards for inducement.

## INTRODUCTION AND SUMMARY OF ARGUMENT

Whatever the Court holds in this case about inducement of *patent* infringement, it should strive to avoid unintended consequences for *copyright* suits. As this Court has emphasized, there are “substantial differences between the patent and copyright laws” when it comes to secondary liability. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984). Aspects of the patent system that weigh in favor of a stricter standard for inducement liability have no analog in the copyright context; and, conversely, aspects of copyright infringement that call for inducement liability have no patent analogs.

In light of those differences, the standard for proving inducement need not be identical in the patent and copyright contexts. In *Grokster*, for example, this Court determined that a defendant need not have known of any specific act of copyright infringement, so long as it intended to induce

infringement generally. The analogous question remains open in the patent context. If the Court determines that features of the patent system require a higher or more specific level of intent for inducement of patent infringement, such as knowledge of the particular patent, *Grokster* would still provide the correct standard for copyright cases. And it would be helpful for this Court to underscore that difference, lest this Court's landmark *Grokster* decision be undermined by lower courts extending the Court's decision here to copyright cases.

Patent law arguably calls for a more stringent standard because it can be very difficult for a company to know whether it is directly infringing a patent, let alone whether its customers are infringing any patents. Indeed, it can be difficult if not impossible even to locate all patents that are potentially implicated by a product. Further, analysis of whether a product infringes a patent, and whether the patent is valid, often depends on difficult questions of law and fact.

It is far simpler for an entity to know whether its customers or users are infringing copyrights. Copyright protection attaches automatically when a song, movie, or other creative work is fixed in a tangible medium, such as a recording; wholesale copying is *per se* infringement; and there are rarely if ever serious validity issues in copyright inducement cases. Thus, if this Court were to adopt a heightened intent standard for patent inducement because of the difficulty of determining whether a company's customers or users are directly infringing one or more patents, that rationale would not weigh in favor of a heightened standard in the copyright

context. Instead, that would require the standards to be different for patent and copyright cases.

Inducement also takes different forms in the copyright and patent contexts. Entities like Grokster that induce copyright infringement typically do so *en masse*, inducing infringement of countless different copyrighted works. Indeed, there is normally no dispute in such cases that the defendant facilitates unlawful copying of copyrighted works; the only question is whether the defendant should be held accountable for doing so. And the sheer scope and nature of the infringement can make secondary liability critical; individual suits by numerous copyright holders against millions of individual defendants would be wholly impractical.

In patent cases, by contrast, a plaintiff typically accuses a product or service of infringing only one or a small number of patents; there is normally a good faith dispute about whether the patents are valid and anyone directly infringed them; and willful copying is rare. For those reasons as well, whatever the proper standard in the patent context, inducement must remain a robust tool to prevent piracy of valuable copyrighted works.

## ARGUMENT

### I. THE PATENT AND COPYRIGHT STANDARDS FOR INDUCEMENT NEED NOT BE IDENTICAL.

Because of the “substantial differences between the patent and copyright laws,” *Sony*, 464 U.S. at 442, inducement principles may differ between the two contexts. Indeed, while this Court “adopt[ed]” the general prohibition against inducement from

patent law and applied it to copyright law, *Grokster*, 545 U.S. at 936, the Court has also emphasized that “the historic kinship between patent and copyright law” should not be overstated for this purpose. *Sony*, 464 U.S. at 439. “The two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other.” *Id.* at 439 n.19; *see also Bobbs-Merrill Co. v. Strauss*, 210 U.S. 339, 345 (1908) (refusing to ground copyright holding on principles of patent law because of the “differences between the patent law and copyright statutes in the extent of the protection granted by them”); *Mazer v. Stein*, 347 U.S. 201, 217-18 (1954) (construing the scope of copyright protection without regard to the scope of patent protection).

That caution is especially warranted here. Like all secondary liability doctrines, inducement principles turn on “identifying the circumstances in which it is just to hold one individual accountable for the actions of another.” *Sony*, 464 U.S. at 435. The differences between patent and copyright law necessarily inform those “circumstances.”

*Grokster* made clear that inducement liability is not limited by rigid rules, but instead focuses on all of the evidence of a defendant’s intent. *See Grokster*, 545 U.S. at 937. For copyright purposes, *Grokster* articulated a rule that “premises liability on purposeful, culpable expression and conduct,” such as distribution of a product “with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement.” *Id.* at 936-37. Most important for present purposes, *Grokster* held that inducement

liability does not turn on whether a defendant knew of a specific instance of copying a copyrighted work; intent to induce infringement generally is sufficient. *Id.* at 934-35. *Grokster*'s resolution of that issue for copyright cases, coupled with the fact that the issue remains open for patent cases, provides further confirmation that inducement liability does not proceed in lockstep in the two different contexts.

Moreover, a court may “infer[] a patently illegal objective from statements and actions showing” such an objective. *Id.* at 941. In *Grokster* itself, “[t]he unlawful objective [was] unmistakable” based on evidence that each defendant “showed itself to be aiming to satisfy a known source of demand for copyright infringement”; no defendant “attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software”; and “the commercial sense of [defendants’] enterprise turns on high-volume use, which the record shows is infringing.” *Id.* at 939-40. The Court thereby made clear that intent can be inferred on a case-specific basis through a range of evidence. What suffices in the one context need not be determinative in the other. As demonstrated *infra*, significant differences between patent and copyright protection and infringement strongly counsel against a single unified test for inducement.

## **II. ASPECTS OF THE PATENT SYSTEM THAT WEIGH IN FAVOR OF A DEMANDING STANDARD FOR INDUCEMENT HAVE NO ANALOG IN COPYRIGHT LAW.**

Patent law exhibits a number of features that make it difficult for a party to know whether it is directly infringing a valid patent, let alone whether



its customers or users are doing so. It is relatively simple to know whether one is infringing a copyright because copyright protection is discrete: it attaches to specific works, such as movies or song recordings. *See* 17 U.S.C. § 102(a); p. 10, *infra*. In contrast, patent protection applies, for example, to a product with certain attributes or to a method of doing business or performing some other task. *See generally* 35 U.S.C. § 101. Because patents essentially apply to ideas, as opposed to specific fixed works, they provide a much broader and less clear scope of protection. While a copyright on an episode of a cooking show applies only to that specific episode, a patent on a stove or a method of preparing a soufflé may apply to anyone who sells a stove or prepares a soufflé in the patented manner.

As a result, there is often no simple way to ascertain whether a potential product or method implicates, let alone infringes, any existing patents. And it is that much harder for a company to determine whether its customers (the allegedly induced parties) are infringing valid patents. A company seeking to eliminate exposure for patent infringement must undertake to determine the potential relevancy of each of the 1.8 million patents that are currently in effect, attempt to determine whether a product or service infringes any of those patents, and then assess whether any such patents are valid.

#### **A. Patent Defendants Face Tremendous Difficulty In Attempting To Find All Potentially Relevant Patents.**

1. The modern-day “patent thicket” has become a well-documented problem, especially for high-

technology companies whose products include many features, all of which may be alleged to infringe any number of patents. See, e.g., Marshall Leaffer, *Patent Misuse and Innovation*, 10 J. High Tech. L. 142 (2010); Michael Heller & Rebecca S. Eisenberg, *Can Patents Deter Innovation? The Anticommons in Biomedical Research*, 280 Science 698 (1998). It is an understatement to say that the patent thicket hampers companies' efforts to locate all patents that are potentially relevant to new products.

At present, there are over 1.8 million United States patents in force. See World Intellectual Property Organization, *World Patent Report: A Statistical Review* 1, 8 (2008), [http://www.wipo.int/export/sites/www/ipstats/en/statistics/patents/pdf/wipo\\_pub\\_931.pdf](http://www.wipo.int/export/sites/www/ipstats/en/statistics/patents/pdf/wipo_pub_931.pdf). In 2009, the United States Patent and Trademark Office ("PTO") received over 480,000 new patent applications and issued over 190,000 new patents. See PTO, *U.S. Patent Statistics Chart* (Apr. 20, 2010), [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm). And the pace of new patent applications has been increasing at a dramatic rate. See PTO, *Performance and Accountability Report* Tables 1-3 (2009), <http://www.uspto.gov/about/stratplan/ar/2009/2009annualreport.pdf>. To be sure, it is not the sheer number of patents standing alone that creates the thicket—there are far more copyrighted works. But the large volume combined with the nature of a patent, which provides a right to exclude not from a discrete work but from entire categories of products and/or methods, makes ascertaining the relevant patents extremely difficult.

Abusive tactics by some patent applicants substantially aggravate the difficulty in finding potentially relevant patents. As the Federal Trade

Commission (“FTC”) has cautioned, it has become a common practice for patent applicants to file not only an original application, but also one or more continuing applications and to argue that they relate back to the original filing date. *See, e.g.,* FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, 1, 40 (2003), available at <http://www.ftc.gov/os/2003/10/innovatonrpt.pdf> (“FTC Report”); *Agilent Techs., Inc. v. Affymetrix, Inc.*, 567 F.3d 1366, 1368-69 (Fed. Cir. 2009) (claiming June 7, 1995 effective filing date for February 4, 2003 claim “through a long string of continuations”). As many as 30% of issued patents resulted from continuations. *See* Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 Boston U. L. Rev. 63, 69 (2004).

In the most dramatic cases, applicants take a “submarine” approach that allows them to secure claims that were not set forth in the original application, but instead were submitted for the first time in amendments made *after* another company developed the relevant product or process. *See* FTC Report at ch. 1, p. 26-27; J. Thomas Rosch, Comm’r, Fed. Trade Comm’n, *Patent Trolls: Broad Brush Definitions and Law Enforcement Ideas*, Speech Before the Newport Summit on Antitrust and Economics, Newport, R.I. (May 31, 2008), <http://www.ftc.gov/speeches/rosch/080531roschlecg.pdf>; *see Kingsdown Med. Consultants Ltd. v. Hollister, Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988).

It is very difficult for potential defendants to identify applications that lurk beneath the surface for a decade or more only to surface later as a litigation threat. Among other things, applications are held in confidence by the PTO and do not become

publicly available until 18 months after an applicant's claimed filing date. *See* 35 U.S.C. § 122.

2. In contrast, the statutory requirements for copyright protection are both minimal and *automatic*: “Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression.” 17 U.S.C. § 102(a). “Works of authorship” include, among other things, “musical works,” “motion pictures and other audiovisual works,” and “sound recordings.” *Id.* § 102(a)(1)-(8). Unlike the PTO's multi-year examination of patent applications, copyright protection in a fixed work exists automatically at the “moment of creation.” *JCW Investments, Inc. v. Novelty, Inc.*, 482 F.3d 910, 914 (7th Cir. 2007). Upon fixation, a creative work is copyrighted, unless the creator formally abandons that protection. *See, e.g., Dam Things from Denmark v. Russ Berrie & Co.*, 290 F.3d 548, 560 (3d Cir. 2002) (“Abandonment occurs only if there is an intent by the copyright proprietor to surrender rights in his work.” (citation and quotation marks omitted)).

Moreover, if there is any doubt as to whether a work is copyrighted, confirming a work's copyright status is easy. Although copyright protection does not require formal registration, *see Brooks-Ngwenya v. Indianapolis Public Sch.*, 564 F.3d 804, 806 (7th Cir. 2009) (per curiam) (citing 17 U.S.C. § 411(a)), registration is generally (though not always) a requirement for proceeding with an infringement suit. *See Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237, 1241 (2010). It is a simple matter to search copyright records, or to have the Copyright Office itself conduct a search, to determine whether a song, movie, or other work is registered. *See* U.S. Copyright Office, *Circular No. 22* (2010), *available at*

<http://www.copyright.gov/circs/circ22.pdf>. Ownership information is also available from other publicly searchable databases such as [imdb.com](http://www.imdb.com).

Moreover, in most cases, there is no serious question that a work is copyrighted. Major Hollywood films or song recordings by well-known artists are self-evidently protected. It typically costs more than \$100 million to produce and distribute a major motion picture. No public company would make that kind of investment only to surrender the motion picture to the public domain. In addition, *amic*'s members follow practices to make the copyrighted nature and ownership of their works unmistakable. They register their copyrights; place a notice of that fact on the face of each work; engage in public-relations campaigns to encourage respect for the copyright laws; and include stern FBI warnings in, for example, motion pictures. While patents may lurk in obscurity, copyrights generally exist in the open light of day.

**B. Patent Defendants Face Tremendous Difficulty In Attempting To Determine Whether Their Customers Or Users Are Infringing Any Patents.**

Even if a company learns of a potentially relevant patent, it is normally a complex and uncertain matter to determine whether a product or service infringes the patent. Instead of simply covering a specific movie or sound recording, for example, the average patent contains over a dozen claims that could apply to any number of products. See 35 U.S.C. § 112; John R. Allison et al., *Valuable Patents*, 92 Geo. L. J. 435, 451 (2004). An accused product infringes only if it satisfies each and every limitation

of a claim. *See, e.g., Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39-40 (1997).

That inquiry turns in part on interpretation of the claims, which are often ambiguous. Although this Court has held that claims must clearly define their boundaries, *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942), the Federal Circuit has held that claims may be ambiguous so long as they are not “insolubly ambiguous,” *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347-48 (Fed. Cir. 2005) (internal quotation marks omitted). Patentees have taken full advantage of that jurisprudence. Vague claims are ubiquitous, and often can only be definitely fixed after costly litigation. The resulting uncertainty and litigation costs force many defendants to settle. *See* Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara Comp. & High Tech. L. J. 159, 175-77 (2008); Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 Notre Dame L. Rev. 1809, 1827, 1829-30 (2007).

The importance and complexity of claim construction is reflected in the centrality of so-called *Markman* proceedings. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). In almost every patent case, the parties identify claim terms that require interpretation, file briefs and evidence on the meanings of those terms, and present additional testimony and argument at oral hearings. *See, e.g.,* N.D. Cal. Patent Local R. 4-1 – 4-7; E.D. Tex. Local R. 4-1 – 4-6 (App’x M). District courts then construe claim terms in light of the context provided by a patent’s specification and prosecution history, as well as “extrinsic” evidence such as

technical dictionaries and expert testimony. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1314-19 (Fed. Cir. 2005) (en banc).

Even after that extensive process, the Federal Circuit reverses claim construction rulings by district courts between 30% and 50% of the time. *See Lee Petherbridge, On the Decline of the Doctrine of Equivalents*, 31 Cardozo L. Rev. 1371, 1377 n.32 (2010). Thus, only after a claim construction proceeding, and appeal from a final judgment, do the litigants know the scope of the claims.

Even apart from claim construction, patent infringement often turns on complex questions of fact. Patent trials frequently involve complicated technologies in the hard sciences, such as engineering and biochemistry. Because of the scientific complexity, expert testimony is often required, and infringement often boils down to a battle of those experts. *See Centricut, LLC v. ESAB Grp., Inc.*, 390 F.3d 1361, 1370 (Fed. Cir. 2004) (quoting *Schumer v. Lab. Computer Sys., Inc.*, 308 F.3d 1304, 1315 (Fed. Cir. 2002)). Jury trials on infringement are common in cases that do not settle. *See* Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 366 (2000).

In contrast, there is normally no dispute, much less a complicated one in a copyright inducement case, about whether a defendant's customers or users infringed copyrights. In the mine run of cases, induced copyright infringement takes the form of outright piracy, such as wholesale copying of an entire protected work. *See Grokster*, 545 U.S. at 928-29 (“[E]very copy is identical to the original, copying

is easy, and many people (especially the young) use file-sharing software to download copyrighted works.”). In *Grokster*, for example, there was no dispute that “most downloads” infringed. *Id.* at 923. Such wholesale copying of entire copyrighted works leaves no doubt that infringement has occurred. It requires no expert testimony. And it is clearly culpable conduct.

The Federal Circuit’s patent jurisprudence underscores the importance of those distinctions. The Federal Circuit has debated, and disagreed, on whether it is sufficient that a defendant that knew of a patent also knew that it was inducing specific *acts*, or whether the defendants must have also known that those acts were indeed *infringing*. Compare *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990), with *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990). In *DSU Medical Corporation v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (2006) (en banc), the en banc Federal Circuit held the latter. Whatever the correct answer to that question might be, it does not arise in copyright inducement litigation because there is no doubt that, for example, wholesale reproduction of a copyrighted work infringes.

### **C. Patent Defendants Face Tremendous Difficulty In Attempting To Determine Whether Any Potentially Relevant Patents Are Valid.**

In addition to infringement, patent cases typically entail an additional inquiry that is rarely present in copyright cases: validity. The Patent Act contains numerous requirements for validity of a patent,



including that the invention be novel, 35 U.S.C. §§ 102 and 103; comprise patentable subject matter, *id.* § 101; and provide an adequate disclosure that describes the invention, enables a person skilled in the art to practice it, and sets forth the “best mode” for doing so, *id.* § 112; *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1340 (Fed. Cir. 2010) (*en banc*).

Whether an invention is sufficiently novel to be patentable often turns on complex factual inquiries into prior art references, the background knowledge and creativity of a person skilled in the art, and other considerations. *See, e.g., KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). Whether many inventions, especially business methods, fall within the scope of patentable subject matter can also pose difficult, case-by-case legal questions, especially in light of the rise of business-method patents. *See, e.g., Bilski v. Kappos*, 130 S. Ct. 3218 (2010). The adequacy of a patent’s disclosure also depends in part on how a person of ordinary skill in the art would understand it, in light of the background knowledge of such a person. *See Ariad*, 598 F.3d at 1351. As with infringement and novelty, that analysis generally turns on expert testimony and findings of fact. *See id.* at 1354-58.

In contrast, there is seldom a serious dispute about the validity of a copyright, in part because there are few legal requirements for copyrights. While there was a time when the failure to comply with the formalities of registration could cause a work to fall into the public domain, *see, e.g., Kahle v. Gonzales*, 487 F.3d 697, 699 (9th Cir. 2007), those requirements have been eliminated, *see, e.g., Cosmetic Ideas, Inc. v. IAC/Interactivecorp.*, 606 F.3d

612, 619 & n.9 (9th Cir. 2010). The originality requirement prevents copyrighting facts, but even compilations of facts may receive some copyright protection. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 347-48 (1991). In any event, validity, like infringement, is rarely if ever an issue in copyright inducement cases.

### **III. ASPECTS OF COPYRIGHT INFRINGEMENT THAT CALL FOR INDUCEMENT LIABILITY HAVE NO ANALOG IN THE PATENT CONTEXT.**

Just as some aspects of the patent system call for a heightened standard for patent inducement, important features of the copyright system call for robust tools to protect the value of copyrights and the goals of the copyright system from those who would facilitate massive infringement. As this Court recognized in *Grokster*, producers of copyrighted works are facing an unprecedented threat of infringement on a massive scale. *See Grokster*, 545 U.S. at 929-30. That threat, which is unlike anything faced by patent holders, calls for the standard of liability this Court established in *Grokster*.

1. *Grokster* was a landmark decision, but it has not eliminated the threat posed by entities that seek to facilitate infringement of copyrighted works. Latter-day Groksters are now marketing products and services that encourage copyright infringement *en masse*. Internet-based products and service providers promise millions of individuals the ability effortlessly to download or access *countless* different copyrighted works. “The argument for imposing indirect liability” in this context “is a powerful one,

given the number of infringing downloads that occur every day . . . .” *Id.* at 929.

Indeed, when a defendant encourages infringement of copyrighted works *generally*, there is no valid reason to require a copyright holder to prove that the defendant knew of a *specific* instance of copying or otherwise infringing a specific copyrighted work. The culpable conduct has a broader, and more general, scope than that. Moreover, even if a defendant manages to remain willfully blind to any specific infringements, there is no serious doubt that users of such services are engaging in direct infringement. See *Grokster*, 545 U.S. at 940 (“[T]here is evidence of infringement on a gigantic scale . . . .”); *In re Aimster Copyright Litig.*, 334 F.3d 643, 652 (7th Cir. 2003) (Posner, J.) (“Club Aimster lists only the 40 songs that are currently most popular among its members; invariably these are under copyright.”). Evidence in *Grokster* and other cases routinely shows that 90% or more of downloads infringed copyrights. See *Grokster*, 545 U.S. at 933; see also *Arista Records LLC v. Lime Grp. LLC*, 715 F. Supp. 2d 481, 507 (S.D.N.Y. 2010) (93% of files infringing); *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 131 (S.D.N.Y. 2009) (94% of files infringing); *Columbia Pictures Indus., Inc. v. Fung*, No. CV 06-5578 SVW (JCx), 2009 WL 6355911, at \*4 (C.D. Cal. Dec. 21, 2009) (over 90% infringing).

Facilitating copyright infringement is, moreover, at the heart of these defendants’ business models. This Court recognized that *Grokster*’s advertisement-based revenue model meant that “the commercial sense of their enterprise turns on high-volume use, which the record shows is infringing.”

*Grokster*, 545 U.S. at 939-40. Operators of similar products and services have taken affirmative steps to ensure that Internet searches for copyrighted content will lead to their websites. See *Usenet.com*, 633 F. Supp. 2d at 133; *Lime Grp.*, 715 F. Supp. 2d at 511; *Fung*, 2009 WL 6355911, at \*4 & nn. 10, 11. Even companies that ostensibly seek long-term legitimacy through licensed downloads initially seek to attract and leverage a huge base of infringing users. See *Lime Grp.*, 715 F. Supp. 2d at 510 (discussing defendant’s “strategic plan” to convert infringers to legitimate uses).

Other would-be inducers viewed the demise of Napster and Grokster—both of which were found liable for inducing infringement—as a business opportunity. The operators of Usenet determined that enforcement actions against Napster and others were “the way for Usenet to get back in the game.” *Usenet.com*, 633 F. Supp. 2d at 133. LimeWire instituted a marketing campaign that sought to attract between 30% and 100% of Napster users. *Lime Grp.*, 715 F. Supp. 2d at 510-11. The very nature of such services fits the *Grokster* mold, as they intend to promote and profit from infringement. The whole point of the services, after all, is to infringe *in gross*.

Nor is there a practical alternative remedy. See *Grokster*, 545 U.S. at 929-30. Copyright holders must have “an effective way to enforce those legal rights.” *Broad. Music, Inc. v. Columbia Broad. Sys., Inc.*, 441 U.S. 1, 19 n.32 (1979). As *Grokster* explained, however, the sheer scope of infringement induced by companies like Grokster can make it “impossible to enforce rights in the protected work effectively against all direct infringers.” *Id.* at 929-

30. “[T]he only practical alternative [is] to go against the distributor of the copying device for secondary liability.” *Id.*

Indeed, companies like Grokster have convinced many Americans that primary copyright infringement is an entitlement, not what it really is—*viz.*, a serious violation of federal law. Infringement now proliferates among individuals who are “disdainful of copyright and in any event discount the likelihood of being sued or prosecuted for copyright infringement . . . .” *Aimster*, 334 F.3d at 645; *see also* Tim Wu, *When Code Isn’t Law*, 89 Va. L. Rev. 679, 722-23 (2003). There is little doubt that companies that base their business models on piracy have had a significant role in shaping those beliefs. *See, e.g., Usenet.com*, 633 F. Supp. 2d at 133; *see also Fung*, 2009 WL 6355911, at \*5 (quoting BitTorrent founder as stating “even copyright infringement when it occurs may not necessarily be stealing”). And while *amicus* RIAA engaged in an expensive and well-publicized effort to fight direct infringement and educate individuals about the seriousness of copyright infringement, targeting direct infringement is neither a sufficient nor a practical alternative to having meaningful legal tools to address entities that seek to facilitate infringement on a massive scale.

Allegations of induced infringement in the patent context generally have an altogether different character. Infringement allegations typically relate to one or a small number of patents, and there is normally a serious question about whether anyone directly infringed a valid patent. Deliberate copying and willful infringement are also rare in the patent context. *See* Christopher A. Cotropia & Mark A.

Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1424, 1453-54 (2009). Pursuing primary patent infringers is not just a practical option, but often the preferred course.

The bottom line is that infringement allegations, and the need for robust inducement liability, are heading in different directions in patent and copyright law. Companies that facilitate piracy and make copyrighted works available over the Internet are posing an unprecedented threat to creative innovation by depriving copyright holders of their most basic rights. In contrast, many of the nation's most innovative companies perceive a subset of patent holders to pose the greatest threat to innovation in the patent sphere.

**IV. GROKSTER'S HOLDING THAT A COPYRIGHT DEFENDANT MAY BE LIABLE FOR INDUCEMENT WHETHER OR NOT IT KNEW OF DIRECT INFRINGEMENT OF ANY SPECIFIC WORK UNDERSCORES THAT INDUCEMENT LIABILITY NEED NOT PROCEED IN LOCKSTEP IN THE DISTINCT COPYRIGHT AND PATENT CONTEXTS.**

In light of the important differences between copyright and patent law, this Court should reiterate that, whatever standard applies in patent law, *Grokster* sets forth the standard for inducement of copyright infringement because that standard is appropriately protective of copyright. Under *Grokster*, a wide variety of evidence can prove inducement; knowledge of a specific instance of copying or other infringement of a copyrighted work is not required.

In *Grokster*, the Ninth Circuit credited the argument that the defendants had no “reasonable knowledge of specific infringement” because they did not know which specific works were being infringed at any given time. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1162 (9th Cir. 2004). In this Court, *Grokster* continued to argue that, while it had general knowledge of its users’ infringement, there was no evidence that it knew of particular acts of impending infringement and assisted that infringement. Br. for Respondents at 35-36, *Grokster*, 545 U.S. 913. In short, since *Grokster* could hardly deny that it facilitated the infringement of copyrighted works generally, it sought to fashion a defense based on its alleged lack of knowledge, *i.e.*, willful blindness to whether any specific copyrighted work was being infringed.

This Court rejected *Grokster*’s argument. The Court explained that “[i]t is not only . . . encouraging a particular consumer to infringe a copyright [that] can give rise to secondary liability for the infringement that results.” *Id.* at 940 n.13. “Inducement liability goes beyond that, and the distribution of a product can itself give rise to liability where evidence shows that the distributor intended and encouraged the product to be used to infringe.” *Id.*

This Court therefore adopted a more realistic test for copyright inducement: “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.” *Id.* at 936-37. The Court explained that a jury could “infer[] a patently illegal objective from

statements and actions showing what the objective was.” *Id.* at 941.

In that case, “[t]he unlawful objective [was] unmistakable” based on evidence that each defendant “showed itself to be aiming to satisfy a known source of demand for copyright infringement”; no defendant “attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software”; and “the commercial sense of [defendants’] enterprise turns on high-volume use, which the record shows is infringing.” *Id.* at 939-40. The Court thereby made clear that intent can be inferred on a case-specific basis through a range of evidence. Knowledge of a specific act of infringement may be *sufficient* to prove intent, but is not *necessary*.<sup>2</sup>

Instead, *Grokster* held that companies are liable if they intend to profit by operating a product, such as a file-sharing service, with knowledge that their customers use the product for flagrant infringement. *See Grokster*, 545 U.S. at 936-37. After all, if a company’s business model is to facilitate *indiscriminate* copying of copyrighted materials generally, it would make little sense to require knowledge of infringement of any *particular* copyright. That would be a mis-match between the culpable conduct and the theory of proof.

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<sup>2</sup> Petitioner’s lead *amicus* at the petition stage of this case, *see* Br. of 26 Law, Economics, and Business Professors at 6-7, was a co-counsel for *Grokster* before this Court. *See* Br. for Respondents, *Grokster*, 545 U.S. 913. This patent-law case should not become a vehicle for indirectly re-litigating *Grokster*’s copyright-law holding.



Courts have had little difficulty applying the *Grokster* standard. See, e.g., *Lime Grp.*, 715 F. Supp. 2d at 510-511 (finding inducement where defendant kept “a file labeled ‘Knowledge of Infringement’” and tested its own search capabilities by looking for infringing content); *Usenet.com*, 633 F. Supp. 2d at 151-53 (finding inducement on facts “equally compelling” as *Grokster*, where “Defendants openly and affirmatively sought to attract former users of other notorious file-sharing services such as Napster” and “infringing music content formed the backbone of their business model”); *Fung*, 2009 WL 6355911, at \*12, 14 (finding inducement where “Defendant’s business model depended on massive infringing use” and he “personally engaged in a broad campaign of encouraging copyright infringement”).

There is no reason to depart from *Grokster* as the proper test for inducement in the copyright context now. Instead, *Grokster* underscores two critical points. First, *Grokster*’s definitive resolution for copyright cases of an issue that remains open in patent law—whether an inducement defendant must have known of a specific act of infringement—underscores that inducement liability does not proceed in lockstep in the two different contexts. Accord *Sony*, 464 U.S. at 442. Second, the copyright system depends on meaningful protections against those who seek to facilitate copyright infringement generally while purporting to be willfully blind of whether specific copyrighted works are infringed.

## CONCLUSION

For the foregoing reasons, this Court should make clear that its holding in this case is limited to the

patent context and does not disturb the *Grokster* test for inducement of copyright infringement.

Respectfully submitted,

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December 6, 2010