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# Copyright vs. Napster: The File Sharing Revolution

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#### Introduction

The dawn of the 21st Century saw a revolution in the music industry. Many joined this revolution without even knowing it. This was not (at the time) a revolution where participants marched down the street in protest; no one held signs or even had to leave the comfort of their own desks. This was a revolution that millions of people all over the world were a part of; it was transnational, borderless, and had little regard for the laws of any nation. This revolution truly was in the hands of the people, or so to speak, in the click of a mouse.

In an era of expanding technology and fast-paced communication, the world is increasingly becoming a smaller, more interconnected community. We are no longer bound by distance or language barriers; the Internet has become a tool that allows individuals in the suburbs of Orange County, California to communicate with others halfway across the world in the Middle East. The 21st Century has been coined by many as the Information Age or the Internet Age. The Internet has forever changed the face of information exchange in that it has commoditized information and established Internet technology as the primary medium through which one can transfer that information. Some of the changes include the emergence of personalized web pages, online sales and chat rooms. However, peer-to-peer shareware is the particular type of online information exchange at issue today. Technology has

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been developed which allows users to share music files with anyone else who is also connected, thereby promoting copyright infringement and preventing record companies from receiving their royalties.

As the 21st Century brought this technological change, one word became synonymous with the resulting growth in online copyright infringement: Napster. With the click of the mouse, hundreds of new participants joined the Napster revolution every day.

#### BACKGROUND

#### Copyright Owners

In order to prevent original creations of intellectual property from being used by others without permission, these works require protection in the form of a copyright. The 1976 Copyright Act states that musical works, including any accompanying words and sound recordings, are types of work that require copyright protection. Music copyright owners include the recording companies, composers of lyrics, performers, and composers of music and tunes. Recording studios own the rights to the actual sound recordings of music. The final profit must be shared between all of these copyright owners.

Copyright infringement harms owners greatly due to the extensive initial costs of creating a musical work. Recording studios risk losing money through the cash advances they make prior to any subsequent profits. Before artists can record their music, record companies invest a large amount of money into their work with the hope that it will be reimbursed back to the studios once the artist begins to make money. Actual costs of production begin with the creation of the CD's which require expenses such as studio rentals. Record companies must also "develop and utilize promotional materials, special free CD packages to be distributed to radio and the trade, music videos, and print and radio advertisements for promotional purposes."<sup>2</sup>

In addition to the large amount of money invested in an artist and their music, record companies also put their reputation on the line:

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<sup>&</sup>lt;sup>1</sup> Copyright Act, 17 U.S.C. § 102 (1976).

<sup>&</sup>lt;sup>2</sup> David Boies on behalf of Boies, Schiller & Flexner LLP, attorneys for Napster, Inc., Declaration of Miton E. Olin, Jr., A&M Records et al. v. Napster (filed July 2000) at 165.

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The owner of a music composition copyright generates income mainly from the enforcement of the reproduction, distribution, and performance rights.... [T]he owner of a sound recording copyright has the exclusive right to reproduce and distribute the copyrighted work.<sup>3</sup>

With the protection of copyright law, copyright owners are able to secure a source of income from their work.

#### The Napster System

Napster.com, a popular site once exisiting in a slightly different format on the Internet, provided free peer-to-peer music file sharing. This allowed registered users to directly exchange MP3 music files among one another anonymously and at no cost to the user. Through Napster, users freely exchanged musicial recordings in the MP3 file format (Motion Picture Expert Group 1, Audio Layer 3: an algorithm that compresses digital music files). The MP3 format helps facilitate sharing by reducing the file size so it can be transferred quickly and easily. MP3's can also be copied over and over again without a decline in quality.

The Napster system provided free "Music Share" software from its website for users to exchange these music files.<sup>4</sup> The software allowed users to connect their computers to a hub of servers maintained by Napster and interact with other software developed and maintained by Napster on its computer servers<sup>5</sup>. After registering, users were able to receive, through the process of Internet downloading, the free Music Share software that was required to use the Napster program:

Napster stay[ed] involved in the entire download process to ensure that the distribution and copying of the selected recording [was] complete. In the event a download [was] interrupted ... Napster automatically [located] the same

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<sup>&</sup>lt;sup>3</sup> Aric Jacover, I Want My MP3! Creating a Legal and Practical Scheme to Combat Copyright Infringement on Peer-to-Peer Internet Applications, 90 Georgetown L.J. 2219 (2002).

<sup>&</sup>lt;sup>4</sup> Russell J. Frackman, on behalf of Mitchell Silberbert & Knupp, LLP, attorneys for A&M Records et al., Complaint for Contributory and Vicarious Copyright Infringement, A&M Records et al. v. Napster (filed December 1999) at 46.

<sup>&</sup>lt;sup>5</sup> *Id*. at 50.

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recording from another Napster user and resume[d] the download.6

Throughout the peer-to-peer music sharing process, Napster's program operated automatically. Thus, there were no actual human beings screening files and transactions.

As with many other seemingly "free" website services, Napster found value in its user base through the accumulation of "eyeballs" – the raw number of Internet users who are exposed to ads on websites that they visit. Eyeball accumulation was important for Napster because as a free service it did not collect direct revenue from its users. Napster yielded its profits from advertisers who paid in proportion to the number of users that viewed the website and theoretically saw the advertisements. This was a financial incentive for Napster to continue to acquire new users.

Documents retrieved from Napster executives also showed the company's economic forecast and revealed that their interest in increasing the user base was linked to a planned network effect. This means that if Napster could become so indispensable to users of the system, others would want to join due to the popularity of the service. A "network effect" refers to the notion that as more users join the system, it increases in its value to all other users (i.e., more music available). At some point Napster planned to begin charging a fee for music sharing, an action that the users would be forced to accept because they would have become dependent upon the service.

#### Napster Users

Individual users registered with Napster by providing a psuedonymous user name; sharing their real name and personal information was optional. Offering the option of anonymity caused Napster to become one of the most popular file sharing websites on the Internet. Napster tried to maintain its users' anonymity in order to prevent copyright infringement from being exposed: "Users will understand that they are improving their experience by providing information about their tastes without linking that information to a name or address or other sensitive data that might endanger them." Users

<sup>&</sup>lt;sup>6</sup> *Id*.

<sup>&</sup>lt;sup>7</sup> Russell J. Frackman for "A&M Records et al. v. Napster" (filed June 12, 2000), at 1.

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were exchanging music files with others through the system which may or may not have included copyrighted material.

Napster's program provided many search tools, such as a directory search that enabled users to locate sound recordings. Users were able to look for music by a particular artist or song title. Once a song was chosen, Napster allowed users to connect their personal computers to the hub of servers that Napster maintained. Users then downloaded MP3 files from other users. Users could monitor which of their own music files to share through Napster with other users through the process of uploading. Napster also included features such as links and 'hotlists' of the songs available from favorite members to increase accessibility to their music libraries. Consequently, users may have downloaded more music than originally intended.

The Napster program provided many features for users whereby they could exchange music, ideas, and events over the Internet. In order for users to partake in these features, they had to accept the terms stated in Napster's user agreement. Users were informed at the very beginning of the process that if they were found to have exchanged or shared copyrighted music through the system that Napster would remove the user from the network. However, many users were still able to utilize Napster in an illegal manner without receiving punishment from the server. Even if users were banned from the system, the process of gaining access under a new (pseudonymous) username was not difficult.

#### COPYRIGHT LAW AND FAIR USE: APPLICATION TO NAPSTER

#### Copyright Protection

The Federal Copyright Act of 1976 states that original works of authorship that are fixed in a tangible medium of expression are subject to copyright protection. These works include all of the following:

- (1) literary works,
- (2) musical works, (including any accompanying lyrics),
- (3) dramatic works, (including any accompanying music),

<sup>&</sup>lt;sup>8</sup> 'To download means to receive information, typically a file, from another computer to yours via your modem." United States v. Mohrbacher, 182 F.3d 104, 181 (9 th Cir. 1999).

<sup>&</sup>lt;sup>9</sup> Uploading means 'to send a file to another computer." *Id.* 

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(4) pantomimes and choreographic works,

- (5) pictorial, graphic, and sculptural works,
- (6) motion pictures and other audiovisual works,
- (7) sound recordings, and
- (8) architectural works.<sup>10</sup>

However, not all creative works are protected by copyright; when material in a work enters the public domain, it may be freely used by everyone.<sup>11</sup>

Copyright owners are entitled to five exclusive rights that only the owners are allowed to authorize with regard to their original works; everyone else must first obtain permission from the copyright holders to use the works.<sup>12</sup> The rights included in this 'bundle of rights' are as follows:

- (1) to reproduce the copyrighted work in copies or phonorecords,
- (2) to prepare derivative works based upon the copyrighted work,
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending,
- (4) to perform the copyrighted work publicly, and
- (5) to display the copyrighted work publicly. 13

The music sharing that users were engaged in were illegal activities under the law because copyrights give the recording studios exclusive rights to distribute and reproduce the work. When users are downloading a music file onto their computer, they are essentially making a copy for themselves and that constitutes illegal reproduction of the work because they do not have the permission of the copyright holders. Secondly, users also violate copyright law when they distribute the music to others without permission through the uploading feature on the Napster website.

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<sup>&</sup>lt;sup>10</sup> 17 U.S.C. § 102 (1976).

<sup>&</sup>lt;sup>11</sup> Elliot M. Zimmerman, *P2P File Sharing: Direct and Indirect Copyright Infringement*, 78 The Florida Bar Journal 40 (2004).

<sup>&</sup>lt;sup>12</sup> Wikipedia, *Copyright* (visited 30 April 2004) <a href="http://en.wikipedia.org/wiki/Copyright">http://en.wikipedia.org/wiki/Copyright</a>>.

<sup>&</sup>lt;sup>13</sup> 17 U.S.C. § 106 (1976).

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#### Fair Use Exception

The Copyright Act includes a fair use exception, which contains specific limitations on copyright owners' exclusive rights. As stated under section 107 of the United States Code, 'the fair use of a copyrighted work ... for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright."<sup>14</sup> The four factors that are considered when determining whether or not the fair use exception applies to other uses of copyrighted material are:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,
- (2) the nature of the copyrighted work,
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>15</sup>

In 1999, the Recording Industry Association of America (RIAA), recording artists, and record companies filed a lawsuit against Napster claiming that users were guilty of copyright infringement. Napster contested the allegation arguing that its users were not copyright infringers but merely 'fair users." <sup>16</sup>

#### Fair Use Factor 1: Character and Purpose of Use

The first 'fair use" factor is concerned with the nature and character of the "new" work, rather than the original copyrighted work. Court are more likely to find a new work that substantially "transforms" the original to be fair use. In the Napster case, the court ruled that simply transforming CD music into MP3 file format, or even "space-shifting" the files to a different computer, did not constitute a transformation. What "transformation" meant to

<sup>&</sup>lt;sup>14</sup> 17 U.S.C. § 107 (1976).

<sup>&</sup>lt;sup>16</sup> A&M Records, Inc., et al. v. Napster, Inc., 239 F.3d 1004 (9<sup>th</sup> Cir. 2001).

<sup>&</sup>lt;sup>17</sup> Lee B. Burgunder, Reflections on Napster: The Ninth Circuit Takes a Walk on the Wild Side, 39 American Business L. J. 691, 692 (2002).

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the court was building upon original work to develop a completely new and different creative work (a socially productive use in order to share a new piece of creative expression). 18 Simply repackaging music files into a different medium was not sufficient. 19

This factor of the fair use test also takes into account the 'purpose of use" of the original work -- personal use being viewed more favorably than commercial use. Napster claimed that its users were downloading songs for personal use and not for commercial purposes.<sup>20</sup> The company argued that its users did not sell the music they downloaded.<sup>21</sup> Despite these arguments, the court still found that Napster users were engaged in commercial use of the copyrighted music because: (1) users were getting music, something that they would typically have to purchase, for free; and (2) it was hard to consider the practice of sending files to strangers as a form of personal use.<sup>22</sup>

Although Napster asserted that its users were downloading songs to sample music to decide whether or not they wanted to buy the CD, the court dismissed the sampling argument. According to the court, even those users who were downloading songs using Napster to sample music were engaging in commercial use because they otherwise might have had to pay the record companies to download the full-length song samples.<sup>23</sup> The court found Napster users to be engaging in direct copyright infringement since they were distributing and reproducing copyrighted material without authorization.<sup>24</sup>

#### Fair Use Factor 2: Nature of the Copyrighted Work

The second fair use factor concerns the nature of the works that are downloaded. Unauthorized use of creative works are less likely to be viewed as fair than use of more fact-based material.<sup>25</sup> The Napster court ruled that the

<sup>&</sup>lt;sup>18</sup> *Id*.

<sup>&</sup>lt;sup>19</sup> Napster, 239 F.3d at 1016-7.

<sup>&</sup>lt;sup>20</sup> Burgunder at 692.

<sup>&</sup>lt;sup>21</sup> *Id.* at 693.

<sup>&</sup>lt;sup>22</sup> Napster, 239 F.3d at 1015.

<sup>&</sup>lt;sup>23</sup> Burgunder at 693.

<sup>&</sup>lt;sup>24</sup> Zimmerman at 43.

<sup>&</sup>lt;sup>25</sup> Napster, 239 F.3d at 1016.

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copyrighted musical works and sound recordings at issue were highly creative in nature, thereby leaning against a finding of fair use under this factor as well.

#### Fair Use Factor 3: Amount and Substantiality of Work Used

The third fair use factor calls for an examination of the substantiality and amount of the portion of the copyrighted work used that has been taken. Napster argued that whole albums were not being downloaded from its central servers, just individual songs. However, the court concluded that copying entire songs still weighed in favor of copyright infringement.

Even though three out of the four use factors seemed to be leaning in favor of copyright infirngement, the court's analysis was not complete. The Supreme Court had previously ruled that these three factors alone were not enough to necessarily override fair use. For instance, when the use of videotape recorders was challenged in court, the fact that highly creative television programs were copied in their entirety for home "time-shifiting" purposes was not enough to defeat a finding of fair use. The Court thus gave precedent to the notion that the fourth fair use factor might be more important than the other three factors combined.<sup>26</sup>

#### Fair Use Factor 4: The Market Effect

The fourth fair use factor calls for an exination as to whether the plaintiff has proven that the use of his or her copyrighted work is harming the potential market for that work. Technically speaking, over the last few years the courts have stated that whenever a use of copyrighted work is deemed 'commercial' under the first fair use factor, an adverse effect on the market for the copyrighted work will be presumed. This allowed the Napster court to dismiss the fair use defense without critical analysis of the large amount of evidence presented to suggest that Napster usage might actually help, and certainly didn't hurt, the market for recorded music.

However, the parties did present evidence on this factor. The plaintiff RIAA (Recording Industry Association of America) made its case by arguing that sales of CD's were dramatically decreasing as a result of the growing popularity of Napster. As evidence, the plaintiffs enlisted the help of SoundScan's CEO, Michael Fine, to study the effect of online file-sharing on

<sup>&</sup>lt;sup>26</sup> Burgunder at 691.

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retail music sales. Nielsen SoundScan is an information system that tracks sales of music and music video products throughout the United States and Canada by collecting actual point of sale purchasing data from retail stores.<sup>27</sup> Fine's data revealed that music sales at retail stores located near colleges and universities were steeply declining during the 'Napster years.' Since college students were Napster's key demographic, the plaintiffs claimed that the use of Napster by college students was causing harm to the market for music CD's.

In its defense, Napster maintained that its program did not have a substantial effect on the overall market value of the copyrighted music. Napster argued that many of its customers were downloading music just to sample specific songs, thus prompting them to go out and buy the entire album later on.<sup>28</sup> Napster claimed that overall CD sales actually went up due to the exposure of the music as a result of its service and that it caused no harm to the market. Napster provided studies by its own expert witnesses in this regard, in addition to anectodal testimony by several recording artists.

The court did consider this evidence to a certain extent, but ruled that some of Napster's expert witnessess were less reliable than the RIAA's witnesses. Thus, the court was inclined to believe that Napster usage did negatively affect CD sales by allowing users to download works without paying for them. Second, the court maintained that Napster usage made it difficult for record companies to enter the digital download market if they sought to allow sell downloaded music for a fee.<sup>29</sup>

After taking all four of the fair use factors into consideration, the court ultimately did not accept the fair use defense offered on behalf of Napster's users. Had the court been less inclined to treat the music downloading as 'commercial use," or more inclined to believe the data presented by Napster's expert witnesses as to the positive market effects of Napster usage, things might have turned out differently. In the following analysis, we take a much closer look at these issues.

<sup>&</sup>lt;sup>27</sup> Michael Fine, declarant, filed by Russell J. Frackman, on behalf of Mitchell Silberbert & Knupp, LLP, and Carey R. Ramos, on behalf of Paul Weiss Rifkind Wharton & Garrison, attorneys for A&M Records et al., Joint Motion for Preliminary Injunction, A&M Records et al. v. Napster (prepared June 10, 2000) at 1017.

<sup>&</sup>lt;sup>28</sup> Burgunder at 695-6.

<sup>&</sup>lt;sup>29</sup> *Id.* at 696.

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#### **ANALYSIS**

#### Reexamining the Market Effect

We begin by taking the position that the Napster court was much too hasty in concluding that Napster's users could not have been using the system for 'hon-commercial personal use." In reaching this conclusion, the court assumed (without any reference to direct evidence) that Naspter's users would have purchased the particular songs in question if they could not have obtained them through Napster's service. This assumption overlooks the possibility that users could have traded with one another in other ways, or that users were only downloading music that they didn't care enough to purchase in the first place (for instance, a memorable song from the past -- downloaded as casual a reminiscence and then quickly deleted). In addition, the argument that sharing music with strangers can't be personal use is also flawed: it is possible to view the sharing with strangers as the *means* for obtaining (quid pro quo) the mus used personally, thus making the entire trade personal. Modern Internet users are often very comfortable interacting pseudonymously without exchanging specific identifying information. In any event, the court should not have made either assumption regarding 'commercial' use without much more detailed evidence.

In addition, without the 'commercial use presumption' that Napster users were harming the market for music recordings, the court should have given much closer attention to the evidence raised in regard to the fourth fair use factor -- the market effect. The court first lept to conclusions when assuming that any decline in music CD sales was due to peer-to-peer file sharing. Other equally likely variables could have included general economic conditions, rising CD prices, growing availability of downloading music services, consolidation in the radio and music industries, and competition from other forms of entertainment.

James K. Wilcox -- author of an article titled "Where Have All the CD's Gone?" -- fleshes out this argument that Napster should not be the sole scapegoat responsible for the regression of CD sales in the past few years.<sup>30</sup>

James K. Wilcox, "Where Have All the CDs Gone?" (visited on 8 June 2004).

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<a href="http://www.soundandvisionmag.com/article.asp?section\_id=2&article\_id=453&page\_number=1&preview=>">http://www.soundandvisionmag.com/article.asp?section\_id=2&article\_id=453&page\_number=1&preview=>

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First, a decline in the economy could have a significant effect on the market for music sales. During the recession of 1991 (long before the introduction of music downloads), CD sales fell from 15% to 4%. Record labels also tend to raise CD prices during a poor economy. In fact, statistics showed that the average CD price in 1990 was a mere \$12.05, which steadily increased to \$14.23 by 2001. In addition, record companies have been releasing fewer new CD's in the past few years. <sup>31</sup> What studies found was that the number of CD's being released a year was at a high in 1999 at 38,000 but fell to 27,000 in 2001, a 25% drop. <sup>32</sup>

Moreover, mergers within the radio and music industry could have had a considerable impact on the decline in music sales. As of this writing, Clear Channel Communications now controls 60% of the rock radio stations in the United States. As a result, listeners hear very similar playlists over and over. This causes many artists to lose exposure through the radio and listeners are forced to choose from a narrower selection of songs. Also, promoting songs on the radio has become too pricey for most of the small- and medium-sized Because of this, their artists' record labels. songs are rarely played on mainstream radio. Similarly, in the music industry, four of the five major record labels are owned by large public corporations. Thus, music divisions feel so pressured to make hit records that they are forced to sign fewer bands, reduce staff personnel and take fewer marketing risks. Unfortunately if a new artist' s CD does not create a buzz immediately, labels will usually drop that project and move onto another one. Consequently, consolidation can result in lower sales for up-and-coming artists.<sup>33</sup>

Another factor that could be responsible for the decline in CD sales was the growing competition from other forms of entertainment, such as video games and DVD's. Studies show that U.S. residents spent about \$7 billion on video and computer games in 2002 alone. Additionally, more than 30% of American homes had obtained a DVD player by that time.<sup>34</sup> Given the fact that DVD's cost only a little more than CD's and include extra features, it is not surprising that consumers would prefer to purchase a DVD over a CD.

<sup>&</sup>lt;sup>31</sup> This was taken from the RIAA' s own market data through 1999 (it apparently stopped issuing these numbers in 2000).

<sup>&</sup>lt;sup>32</sup> Wilcox at 1.

<sup>&</sup>lt;sup>33</sup> *Id*. at 2.

<sup>&</sup>lt;sup>34</sup> *Id*.

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Overall, many alternative factors could have been to blame for the decline in record sales that led to the court ruling against Napster. A second look at the market effect is required to determine if, in fact, the fair use exception does not apply.

Napster: Beneficial to the Music Industry?

So was Napster really responsible for the destruction of the music industry or did it aid in bringing about the dawning of a music revolution? First one would need to look at the state of the music industry when Napster was introduced. The price of CD's was rapidly increasing, MTV was focusing on showing television shows that didn't involve music rather than music videos, and the FCC had predetermined which songs were fit for radio thereby limiting music selection. The general public was shying away from music because of the limitations on music choice. One could easily argue that what Napster did was save the industry by generating interest in music once again.

According to David McGuire of the Washington Post, record sales were actually increasing in 2002 (the period following Napster's heyday). Consumption of music increased dramatically with the introduction of file sharing but not everybody who liked to listen to music was a music customer before Napster, so it is very important to separate the two.<sup>35</sup> What this means is that the average music listener might not have been the average music buyer to begin with. The RIAA failed to account for the people who borrow CD's from the library or go to a friend's house to burn an exact replica of the CD. Oberholzer-Gee and Strumpf had conducted a study, and McGuire said that their most pessimistic statistical model showed that illegal file sharing would have accounted for only 2 million fewer compact discs sales in 2002, whereas CD sales declined (presumably for other reasons) by 139 million units between 2000 and 2002. From a statistical point of view, this means that there was only a very minor correlation between downloading and sales, said Oberholzer-Gee.

The methods used in order to create evidence for a decline in CD sales were biased and strategically created to favor the record companies' position. While the RIAA and the International Federation of Phonographic Industries (IFPI) presented various surveys and polls documenting a decrease in record sales, they both failed to discuss alternative factors that may have caused the

<sup>&</sup>lt;sup>35</sup> *Id.* (citing Felix Oberholder-Gee, an associate professor at Harvard Business School).

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results. As Seggern says, independent researchers who have examined this issue have reached very different conclusions than the IFPI. In a study released on Febuary 25, 2002, a private Internet research firm called Ipsos-Reid concluded that music fans who download music from the Internet (whether legally or illegally) were actually more likely to purchase recorded music. Seggern went on to say that Jupiter's most recent analysis, based on a national survey specifically focused on online music originally done in June 2001, concluded that music file-sharing actually had a polarizing effect on

users, with some music downloaders reporting an increase in music spending while others reported a decrease. Jupiter analysts reported that file-sharing led to an increase in overall spending on music, a conclusion which directly contradicted the IFPI claim that it was file-sharing and other forms of piracy

which caused the 5% drop in global retail music sales in 2001.

The RIAA also maintained that Napster was a barrier to the copyright owners' entry into the online music market. The claim was that members of the RIAA *did* want to start using the Internet as a method of distribution and that Napster was hindering their ability to enter this market. However, there is evidence to suggest that Napster actually aided in making the online music market successful. Since Napster users had become accustomed digital music formats and downloading music (and most found it easier than buying CD) sites such as iTunes became popular.<sup>36</sup> Individuals did not mind paying ninety-nine cents per song because it meant having the song on their desktop in a matter of seconds. Waters says that when Apple launched its online music store in the U.S. on April 28, 2003, few could have predicted the impact it would have. One year later, iTunes had helped transform the fortunes of the flagging global music industry, selling about 70 million songs and proving, once and for all, that there is a market for paid-for-music online. Had Napster not been so popular, a service like iTunes would have had more difficulty

Bertelsmann AG -- an entertainment conglomerate and the mother company of BMG Music -- shared this belief when it dropped charges against Napster in 2000. BMG aligned with Napster to provide digital music to paid subscribers.<sup>37</sup> Statistics reported by BBC News Online show that digital

<sup>36</sup> iTunes is an online service provided by the computer company Apple that allows users to download invidiual music files for a fee.

gaining public acceptance.

<sup>&</sup>lt;sup>37</sup> Amy Doan, "Napster, Bertelsmann Deal Gives Labels a Fright," Forbes.com

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movies downloaded legitimately through a paid service on the Internet now account for more sales than traditional DVDs and vinyls.<sup>38</sup> While the RIAA was busy angling to put Napster out of business, BMG had determined that it was better to take advantage of Napster's strong user base in further growing the online distribution market.

Finally, many underground bands and artists who -- for a variety of reasons -- prefer not to work with a major recording label, actually obtained increased popularity through Napster. Before Napster, individuals would be cautious about buying the CD of a band that they had not heard or known before. There was no way to sample the music before purchasing the CD, a consideration which gained even more importance as the price of CD's continued to rise. Napster provided this starting ground for these new artists as well as a valuable method for all artists to share occasional music with the pubolic at large. These artists believe that Napster usage, in the long run, was increasing their potential music sales, as documented in the numerous testimonials provided in support of Napster's position in the lawsuit.

#### **CONCLUSION**

Music File Sharing: Here to Stay

In many ways, Napster had become a useful and beneficial tool for both consumers and the record companies. The aforementioned points should have been be considered before placing the blame of the waning music industry on Napster and its users. Some would argue that Napster actually saved the music industry by regenerating interest in recorded music. However, the court ruled that Napster users did engage in copyright infringement and virtually closed down the service.

Despite the court ruling, recent trends seem to suggest that peer-to-peer file-sharing technology is here to stay. Even after the recording industry forced the old Napster service to shut down, new P2P file-sharing services such as Kazaa, Aimster, Grokster, Gnutella and others sprung up creating a widespread digital movement. What originated as a simple idea in the mind of

<sup>&</sup>lt;a href="http://www.forbes.com/2000/10/31/1031napster.html">http://www.forbes.com/2000/10/31/1031napster.html</a>

<sup>&</sup>lt;sup>38</sup> "Downloads Outsell DVDs and Vinyl," BBC News, http://news.bbc.co.uk/2/hi/entertainment/3475337.stm

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a teenager had completely revolutionized the music market. Despite the RIAA's continuous efforts to regulate online piracy, it looks as though music lovers still cannot get enough downloads and they continue to utilize P2P for

everything it has to offer. This revolution, like it or not, is far from over.