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The US Supreme Court handed movie studios and record labels a sweeping victory against file-swapping, ruling on Monday that peer-to-peer companies such as Grokster could be held responsible for the copyright piracy on their networks.

In a unanimous decision, the justices ruled companies that build businesses with the active intent of encouraging copyright infringement should be held liable for their customers' illegal actions. "We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement," Justice David Souter wrote in the majority opinion.

The decision comes as a surprisingly strong victory for copyright companies and stands to reshape an Internet landscape in which the presence of widespread file swapping has become commonplace. The ruling will give the recording industry and movie studios immediate ammunition to file lawsuits against other file-trading companies. It could also be a boon for legal music services such as Apple Computer's iTunes, which could see their strongest competitor -- freely downloadable songs -- driven further underground. It won't immediately shut down access to the trading networks, however. The court's ruling will send the case back to the lower courts, which will review the evidence against Grokster and co-defendant StreamCast in the light of Monday's decision.

Record labels and movie studios immediately hailed the decision as an unambiguous victory. "The most important message from today's historic decision is that progress and innovation do not have to come at the expense of recording artists, songwriters and the people who make their living in the entertainment industry," Warner Music Group chief executive Edgar Bronfman said in a statement. "This important decision will allow artists and the creative community to prosper side by side with the technology industry." The peer-to-peer companies involved warned that the court had opened the floodgates to litigation against a wide variety of technology companies, but said they would continue to distribute their software, and expected to be cleared of any wrongdoing.

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