

COPYRIGHT IN THE YOUTUBE AGE:
HOSTING AND LINKING OF ONLINE VIDEO

By

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To my family.

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Our study presents a legal analysis of copyright infringement's impact on the dissemination of online video. The rapid increase in online video's popularity is due in large part to the unprecedented success of YouTube.com, the Internet's leading hosting website for online video. YouTube, as well as other video hosting websites, offers Internet users the unprecedented ability to share their creative audio-visual works with the world. However, the technology also enables users to engage in infringing uses by sharing unauthorized copies of copyrighted television shows and motion pictures. In addition, linking websites have developed as popular tools for Internet users to find and access copyrighted videos stored on hosting websites.

Both the infringing uses of YouTube and linking websites' assistance in the facilitation of copyright infringement have caused great concern within the content industry regarding their ability to continue to market and protect their creative works online. At the same time, limitations on user-generated content caused by websites seeking to limit their liability raise concerns as to the limitations of free speech and fair use. Previous research reveals that copyright law has regularly struggled to adapt to technological innovation. This study examines the latest struggle as copyright law adjusts to online video hosting and sharing technologies. A

variety of copyright laws apply in this instance, including direct liability under the Copyright Act, the common law of secondary liability, and the safe harbor provided by the Digital Millennium Copyright Act. This study applies these areas of law to the case studies of YouTube and a popular linking website, SouthParkzone.com, and determines whether either may be liable under the applicable copyright laws. Finally, this study identified four possible solutions to problems identified through the legal analysis, including how to preserve First Amendment concerns within secondary liability, the future of automatic filtering and its impact on user-generated content and fair use, and a new test for liability for linking websites consistent with First Amendment principles.

CHAPTER 1 INTRODUCTION

Before 2005, sharing original video content through a website on the Internet required fairly sophisticated web-publishing knowledge or enough money to pay someone with such knowledge. Similarly, watching a favorite TV show or movie at the time and place of their choosing online was difficult. Copyright owners were slow to adopt online video outlets and were afraid of losing increasing viewers to the Internet. Yet in early 2005, the world of online video drastically changed in a Silicon Valley garage: three former PayPal employees launched YouTube.com, and the rest is history. In fairness, YouTube was not the first video-sharing website online—Google Video was born around the same time. But what quickly differentiated YouTube from its competitors was its superior ease of use. YouTube’s popularity and use increased exponentially, where less than a year after its founding, YouTube served an estimated 100 million videos a day to its users.¹ By July 2007, more than 57% of the online public watched or downloaded Internet video on YouTube or other online video platforms.²

However, YouTube proved popular not only for the sharing of original user-generated content. Users soon began to use its unrestricted upload structure to post favorite clips and full length copyrighted programming. Shortly thereafter, video linking websites began to aggregate links to popular videos on YouTube and a number of its fast-growing competitor hosting websites.³ By the time the copyright industry finally was turned on to the popularity of such online video-sharing websites and realized the amount of its own content was uploaded to the

¹ John C. Dvorak, *Missing the Point About YouTube*, MARKETWATCH, Aug. 10, 2006, <http://www.marketwatch.com/news/story/story.aspx?guid=%7B29399E0D-DBFD-4DA3-BB53-1E09BAD7F66B%7D> (last visited Feb. 16, 2008).

² Mary Madden, *Online Video*, PEW INTERNET & AMERICAN LIFE PROJECT, July 25, 2007, at 2, available at http://www.pewinternet.org/pdfs/PIP_Online_Video_2007.pdf (last visited Feb. 16, 2008).

³ See Kevin J. Delaney, *Free Viewing -- Threat for Big Media: Guerrilla Video Sites*, WALL ST. J., p.A1, Apr. 17, 2007.

websites without permission, it was too late to reverse the trend. Much like the peer-to-peer file sharing of Napster in the late-1990's, online video-sharing, legal or otherwise, found itself entrenched in the Internet landscape.

However, the copyright industry feeling threatened by new Internet technologies is nothing new. Napster's effect on the music industry is just one example of the power of the Internet as a distribution platform for digital content. Despite a significant rebound by the music industry, the Recording Industry Association of America (RIAA) recently estimated that the industry continues to lose an annual \$300 million domestically due to online or hard-copy copyright infringement.⁴ Figures regarding the impact of video piracy are speculative. The visual entertainment industry, including broadcast television, cable, and the motion picture industry are a multi-billion dollar a year industry. As a result of increasing online infringement, an array of lawsuits are being filed against the websites and networks that allegedly have a hand in the copyright infringement. In just one example of recent lawsuits filed against YouTube, Viacom sought \$1 billion in damages.⁵

This study will identify, analyze, and respond to the legal problems associated with video hosting websites like YouTube and websites that link to them. A major focus will be a case-study analysis of YouTube, as well as video linking websites through a case study of Southparkzone.com. Numerous legal questions surround the new technology, and the law appears to be approaching a crossroads. This research will ultimately aim to propose possible solutions to the stalemate at which the copyright industry and new Internet technologies finds themselves, either in the form of legal answers or proposed legislative solutions.

⁴ William Triplett, *Chasing Pirates*, VARIETY, Aug. 21, 2007, <http://www.variety.com/article/VR1117970624.html?categoryid=1338&cs=1>.

⁵ Complaint, Viacom, Inc. v. YouTube, Inc., 2007 WL 775611 at ¶10 (S.D.N.Y. filed Mar. 13, 2007)(No. 07-2103).

YouTube and Online Video

In December 2005, three young computer programmers launched YouTube.com as an Internet website allowing users to share and view videos.⁶ What started out as a small independent operation is now the top online video distribution website, currently ranking as the world's second most popular website overall.⁷ On October 9, 2006, online giant Google announced a \$1.65 billion stock acquisition of YouTube.⁸ By the end of 2006, YouTube had gained such popularity and influence that Time Magazine devoted its year-end "Person of the Year" cover to the website and named it the "Invention of 2006."⁹ YouTube was not the first website to allow easy distribution of online videos to users, as there are many online video distribution competitors in the marketplace.¹⁰ However, no website currently comes close to matching YouTube's market power in bringing online video to users.¹¹

YouTube became an overnight sensation mainly for two reasons: (1) it's ease of use, and (2) attractive content, some of which includes popular clips of copyright-protected television shows and movies.¹² One of YouTube's strengths is the ability of users to view videos without downloading any software or registering first with the website.¹³ This makes the website very user-friendly and requires only the most basic web-knowledge to view or upload a video. Additionally, as the website developed, users were able to link directly to videos in their own

⁶ See About YouTube, www.youtube.com/t/about (last visited Feb. 16, 2008).

⁷ See Alexa.com worldwide site-rankings, http://www.alexa.com/site/ds/top_sites?ts_mode=global&lang=none (last visited Feb. 16, 2008). YouTube only currently ranks behind yahoo.com. *Id.*

⁸ Google Press Release, *Google To Acquire YouTube for \$1.65 Billion in Stock*, Oct. 9, 2006. http://www.google.com/press/pressrel/google_youtube.html (last visited Feb. 16, 2008).

⁹ John Cloud, *The Gurus of YouTube*, TIME, Dec. 16, 2006 at 66.

¹⁰ NBC-Universal and News Corp. recently agreed to create a competitor to YouTube. Richard Siklos, *Push Comes to Shove for Control of Web Video*, N.Y. TIMES, April 1, 2007. Other competitors, large and small exist. See e.g. Joost.com, Bolt.com, Dailymotion.com, Gofish.com, Grouper.com, Livevideo.com, and MetaCafe.com.

¹¹ See Cloud, *supra* note 9, at 66.

¹² See *id.*

¹³ *Id.*

web pages, send links to others via email, and eventually embed the actual videos on any other website or blog, making it appear as though the video appeared and played within the “foreign” website.¹⁴ YouTube also allows a user to search its vast database of videos with simple keywords. In short, it became virtually impossible for a web user to *not* at some point in time come across a video hosted by YouTube by the time the website celebrated its first birthday.

YouTube is an extremely lucrative website, as witnessed by the \$1.6 billion price tag paid by Google. YouTube offers its user-generated service to its users free of charge, in exchange for delivering advertising to them through the website.¹⁵ Currently, YouTube limits serving advertising to viewers via traditional banner advertisements on the homepage, search pages, and sponsored videos.¹⁶ YouTube does not place any advertising on pages that contain video uploaded by users due to copyright concerns that will be explored later.

YouTube also utilizes alternative revenue sources, such as sponsored videos by content owners. For example, CBS agreed to a deal that put videos from the 2007 NCAA Men’s Basketball Tournament on the website with banner advertisements from Pontiac posted during video play.¹⁷ In addition, undisclosed agreements have been made between content-providers such as the National Hockey League, the NBA, CBS, and many others in the entertainment industry.¹⁸ These agreements have not all been made public, and many are tentative deals in order to gauge the interest of the Internet community.¹⁹ Still other entertainment companies

¹⁴ See Sharing YouTube Videos, <http://youtube.com/sharing> (last visited Feb. 16, 2008).

¹⁵ YouTube Fact Sheet, http://www.youtube.com/t/fact_sheet (last visited Feb. 16, 2008).

¹⁶ *Id.*

¹⁷ Press Releases, *CBS Sports, The NCAA and Pontiac Bring NCAA March Madness to Sponsored CBS Sports NCAA Tournament Channel on YouTube*, available at http://www.youtube.com/press_room_entry?entry=bJcHI4MeC6A (last visited Feb. 16, 2008).

¹⁸ See Miguel Helft, *Google Courts Small YouTube Deals, and Very Soon, a Larger One*, N.Y. TIMES, Mar. 2, 2007, available at <http://query.nytimes.com/gst/fullpage.html?res=950DE4D81631F931A35750C0A9619C8B63>.

¹⁹ See *id.*

have forayed into their own online video websites, such as Joost.com,²⁰ partly owned by Viacom, and Hulu.com, a joint venture of NBC-Universal and NewsCorp.²¹

The business of YouTube has little importance without briefly understanding how the technology of the website works. YouTube identifies itself as a personal video-sharing service that has developed into the Internet's self-proclaimed premier "video entertainment destination."²² There are no membership requirements to view, thus anyone can view a video uploaded on YouTube. However, for a user to post a video, they must first register for free with the website to become a member and agree to specific Terms of Use.²³ Every member must agree to not upload any videos to which they do not possess the requisite copyright in.²⁴ There is currently no prescreening process by YouTube before the video goes "live" to the public, the user simply uploads a video.²⁵ Thus, it is not difficult for YouTube members to upload original user-generated content or infringing content. Once a member, the user may then upload videos in the proper format, no longer than ten minutes in length, and consisting of no more than 100 mega-bytes of data.²⁶ A member simply chooses whether they want the video to be "public" or "private" and then clicks upload.²⁷ If the member chooses to make the video "public," the video is available for viewing to anyone in the world in a matter of minutes after the upload is complete.

²⁰ <http://www.joost.com> (last visited Feb. 16, 2008).

²¹ <http://www.hulu.com> (last visited Feb. 16, 2008).

²² YouTube Fact Sheet, *supra* note 15.

²³ YouTube Terms of Use, <http://www.youtube.com/t/terms> (last visited Feb. 16, 2008).

²⁴ *See Id.*

²⁵ Cloud, *supra* note 9, at 66.

²⁶ YouTube Help, How Do I Upload a Video?

<http://www.google.com/support/youtube/bin/answer.py?answer=57924&topic=10525> (last visited Feb. 16, 2008).

²⁷ *Id.*

Next, the instant the upload takes place, a digital copy of the video in its entirety is made onto the YouTube computer servers.²⁸ The copy is transcoded in YouTube's own compressed format and stored on YouTube central servers.²⁹ YouTube then automatically creates a thumbnail of the video from a frame within the video in order to add it to its searchable library.³⁰ In order to classify the video and aid in searches, the uploading member is asked by the website to "tag" the video by indicating keywords to help identify the subject matter of the video.³¹ The uploading member may be as detailed as they want to be in identifying the video.

Concern from the Copyright Industry

As Viacom alleges in its complaint filed against YouTube, YouTube's meteoric rise in popularity may have been in part due to users' attraction to the vast amount of popular copyright-infringing material hosted on its servers.³² YouTube, of course, asserts that it is solely intended as a sharing website for original, user-generated content. As the public continues to adopt Internet video, copyright industry leaders fear losing control over copyrighted content. For example, they fear that viewers looking for the highlights of a NFL football game or a funny clip from *The Daily Show* will no longer turn to the official websites or traditional television outlets of the NFL or Comedy Central, respectively, but instead to video-sharing websites like YouTube.

Such a fear is not completely irrational. Traditional television content providers rely almost exclusively on advertising; and advertisers are attracted to only one thing: viewers' eyeballs. Thus, the more viewers watch a show, the higher its ratings, and the more the

²⁸ See Complaint, *supra* note 5.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

³² Complaint, *supra* note 5.

television outlet may charge for advertising time. The logic follows that as viewers exit to the Internet to view unauthorized, commercial-free versions, ratings will decline and advertisers will demand lower rates or ultimately abandon the traditional television distribution outlets altogether. As a result, content-owners have an economic incentive, and as will be later explored, the legal right to protect their interest in the videos they own. Therefore, many attribute YouTube's extreme popularity to its early reliance on attracting viewers to its site through infringing videos, and see this trend as endangering the advertising-supported business models of television.³³

Linking to Infringing Content

However, the controversy over online video does not begin and end simply with YouTube. Increasingly popular are "linking" websites, which simply offer visitors "links" to other hosting websites offering infringing content.³⁴ For example, fans of the popular show "South Park" can go to the linking website Southparkzone.com and view every episode in the history of the series commercial-free and conveniently organized by season.³⁵ Neither parent company Viacom, Comedy Central, nor South Park Studios receive royalties from the playing of the episodes nor have the ability to control the distribution of them.

To understand the uniqueness of such websites, the process of the Internet must first be explained. Users typically explore the Internet through what we know as websites, online hubs of information along the information superhighway. Typically, websites either have information directly on the home page which is visible to the viewer, or embedded on further pages throughout the website in the form of text, pictures, or logos known as hyperlinks (commonly

³³ *Id.*

³⁴ Delaney, *supra* note 3.

³⁵ <http://www.southparkzone.com> (last visited Sept. 1, 2007).

called “links”).³⁶ When a user clicks on a link, the user’s web browser reads the embedded code and directs the browser to the new web address.³⁷ It is common practice to link to other pages, pictures, and video within the website’s control. Everything on a webpage is copied and stored on a server, which is what web browsers access to produce a copy for the end-user to view.

Often, websites also link to other websites, pointing users to interesting articles, videos, and other information. This results in the network effects that give the Internet its enormous power as a research and information tool.³⁸ The process of embedding a link on a website does not insert what is being linked into the website, nor are copies made of any content on their servers. It merely allows the user to jump to the new website at the click of a mouse. No copying is involved by merely directing the user to another website. However, through a process called “framing,” content from another website can be made to appear as if it resides on the non-original webpage.³⁹ Similarly, there is no copying involved with framing, the media merely play from the original host server into the frame on the website. To the webpage viewer, the result is seamless and difficult to differentiate from original content. Through technologies from video-sharing websites, framing of video on a website is quite easy. So too, of course, is the simple linking to video clips on an outside video-sharing website. Often times, the streaming videos linked to on the linking websites are housed on offshore servers outside of the direct

³⁶ See Nicos L. Tsilas, *Minimizing Potential Liability Associated With Linking and Framing on the World Wide Web*, 8 COMM.LAW CONSPECTUS 85, 85-86 (2000).

³⁷ *Id.*

³⁸ See generally Michael L. Katz & Carl Shapiro, *Systems Competition & Network Effects*, 8 J. ECON. PERSPECTIVES 93 (1994). “The value of membership to one user is positively affected when another user joins and enlarges the network, such markets are said to exhibit ‘network effects’ or ‘network externalities’.” *Id.* at 94.

³⁹ See Mark Sableman, *Link Law Revisited: Internet Linking at Five Years*, 16 BERKELEY TECH. L.J. 1273, 1297-1301 (2001).

jurisdiction of the United States, thereby creating jurisdictional problems.⁴⁰ The legal issues surrounding linking will be further addressed in Chapter 4.

Protecting the Interests of the End-User

United States copyright law limits the use of original works of authorship in a fixed tangible expression to the authors, or subsequent owners or licensees of the copyright.⁴¹ The policy behind copyright law is to provide and maintain the financial incentive for authors of creative works. Article I, Section 8 of the U.S. Constitution provides for Congress to pass laws in order to, “promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”⁴² Online videos are copyrightable as fixed original works of authorship under the Copyright Act as either motion pictures or audiovisual works.⁴³ Thus, the resulting protection allows online video content-owners to control the reproduction and distribution of their works.

However, throughout the history of copyright law, a debate has raged over the reach of the law and limits that should be placed on it in a free society in order to promote the sharing of information and therefore the betterment of society as the Constitution suggests.⁴⁴ Thus, a more basic normative debate regarding copyright law must first be addressed. While copyright is often framed as a regime to protect commercial authors, scholars such as Professor Lawrence Lessig argue that the original intent of the Constitutional guarantee was to promote creativity in society through the sharing and participation of the public in a non-commercial context.⁴⁵ Lessig

⁴⁰ Delaney, *supra* note 3.

⁴¹ 17 U.S.C. §102.

⁴² U.S. CONST. Art. I, §8.

⁴³ 17 U.S.C. §102(a)(6).

⁴⁴ *See generally*, Michael D. Birnhack, NIMMER ON COPYRIGHT, §19E.01, (David Nimmer & Melville Nimmer eds., Matthew Bender, New York 2007)(discussing the history of the conflict and contemporary criticisms of copyright law and the First Amendment).

⁴⁵ *See* LAWRENCE LESSIG, FREE CULTURE, 119-124 (Penguin Press, New York 2004).

sees copyright as a mechanism for the spreading of free culture for the betterment of society.⁴⁶

As a result, Lessig asserts that copyright should allow for the spreading of our culture while at the same time protecting the commercial rights of authors.⁴⁷

Lessig's key argument is that creativity builds on past works.⁴⁸ This is easily seen though the increasing number of consumers as creators, of the increasing amount of user-generated content on websites such as YouTube, which must be similarly protected.⁴⁹ The problem, Lessig notes, is that digital technology radically changes the way the lines are drawn between commercial and non-commercial use, resulting in a top-down copyright regime controlled by incumbent industries.⁵⁰ He states that unlike traditional copyright law, where there were clear regulated uses (you could not publish another's work, for example) and unregulated uses (e.g., reading a work, giving your copy away, even sleeping on it), the Internet creates an environment where every act is a "copy."⁵¹ Thus, according to Lessig, in an Internet world, every use then becomes a regulated use "controlling creativity."⁵²

Digital Copyright Law

Copyright law has long struggled to protect original works during times of technological change.⁵³ While the content of original creations rarely change, the form in which they are delivered to end-users changes greatly over time, often quite abruptly. For example, what is commonly referred to as the formal beginning of copyright law, the 1710 Statute of Anne was

⁴⁶ *Id.*

⁴⁷ *Id.* at 170-73.

⁴⁸ LESSIG, FREE CULTURE, *supra* note 44, at 29.

⁴⁹ See Lawrence Lessig, Talks Larry Lessig: How Creativity is Being Strangled by the Law, Mar. 2007 available at <http://www.ted.com/talks/view/id/187> (last visited Dec. 11, 2007).

⁵⁰ *Id.*

⁵¹ LESSIG, FREE CULTURE, *supra* note 44, at 170-73.

⁵² The subtitle of Lessig's 2004 book is *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity*. LESSIG, FREE CULTURE, *supra* note 44.

⁵³ See Jessica D. Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 277 (1989).

largely a response to printing press and the ease at which copies of written works could suddenly be made.⁵⁴ Similarly, modern applications of copyright law in the United States includes numerous instances of technological changes affecting the writing and revisions of the law. The struggle continues between copyright law and advances in digital technology.

First, it is important to understand the basics of digital technology that has worked to change the market so drastically. Digital technology turns a traditional analog product into a series of 1's and 0's written into binary code.⁵⁵ Since the code is simply a very long series of numbers, it can be replicated perfectly over and over again, without any loss of information.⁵⁶ Anything can be digitized: a song to CD or MP3,⁵⁷ a video from VHS to DVD or MPEG,⁵⁸ even a paper book to e-book.⁵⁹ A number of factors have led to the revolution of digital technology. First, increased processor speeds, memory storage ability, and data compression technology such as the MP3 file format allows for audiovisual works to be digitized.⁶⁰ Next, digitization allows for higher sampling rates, thus permitting more transparent reproductions than typical analog sampling.⁶¹ The flawless digital files are inexpensive to reproduce, and infinitely manipulable,

⁵⁴ See G. PETER ALBERT, *INTELLECTUAL PROPERTY LAW IN CYBERSPACE* 208 (Cumul. Supp. BNA, Wash. D.C. 2006).

⁵⁵ HARRY NEWTON & RAY HORAK, *NEWTON'S TELECOM DICTIONARY*, 20th Ed., "digital video compression" (CMP Books, San Francisco 2004) [electronic resource] available through the University of Florida Libraries' Catalog.

⁵⁶ See Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. SCH. L. REV. 63, 98 (2003).

⁵⁷ MP3 refers to the Moving Picture Experts Group 1 Layer 3 file, which allows for audio files to be compressed digitally to a 1:12 fraction of the original analog file, but without any loss of quality. See *id.* at 66.

⁵⁸ VHS, or video home system, is the traditional analog tape; DVD, stands for digital video disk, and is the digital version of a VHS tape; and MPEG is the digital online video equivalent, and is the compressed and digitized format of video on the web. NEWTON & HORAK, *supra* note 54.

⁵⁹ See Menell, *supra* note 55, at 109-12.

⁶⁰ See *id.* at 110-12.

⁶¹ See *id.* Sampling is nothing more than the reality of the optical illusion of viewing any reproduced medium. *Id.* For example, traditional film movies consist of still cells passing through light fast enough to project a "moving" image which the eye cannot differentiate. *Id.* Digital projection fools the eye similarly, except that digital technology allows for more details to be inserted into every "cell", thus creating a more sharp and realistic image. *Id.*

resulting in easily produced derivative works, and of course, easily pirated works as well.⁶² As digital files shrink in size, they retain powerful management and searchability attributes, while gaining in portability, as seen through the enormous popularity of the iPod.⁶³ Finally, because of the rise of the Internet as an inexpensive distribution medium, combined with the convergence of consumer digital technology, all the powers of digital technology combine to provide users with an unprecedented ability to share media files with others, legally or otherwise.⁶⁴

The Internet achieved critical mass during the mid-1990's, opening new avenues for improved digital technology to take root.⁶⁵ The infinite network of the Internet in turn allowed for the development of new methods of information compression, which thereby increased the desire for cheap and larger storage technologies.⁶⁶ Add into the mix the late 1990's flood of affordable digital consumer electronic products such as the MP3 player and the digital video recorder, and the copyright world soon found itself swimming in a new digital sea.⁶⁷ The initial reaction of the copyright industry to the Digital Millennium Copyright Act of 1998 (DMCA) was to use digital technology to its advantage through encryption and copying controls.⁶⁸ However, this tactic was soon circumvented by new piracy technology, which the DMCA similarly forbids.⁶⁹

⁶² *See id.* at 114-15 (2003).

⁶³ *See id.* at 115-16.

⁶⁴ *See id.* at 116.

⁶⁵ *See id.* at 66.

⁶⁶ *See id.*

⁶⁷ *See id.*

⁶⁸ *See id.* at 66-68. For example, DVD's include a digital encryption code which prevents their copying known as the DVD Content Scrambling System. *Id.*

⁶⁹ *See id.* at 66-68.

Due to the relatively small size of music files, the music recording industry was the first to be affected in a substantial way by digital technology.⁷⁰ The spread of peer-to-peer (P2P) file sharing networks enabled large-scale infringement of digital audio works and created major problems for the recording industry in decreased sales and decreased demand for legal copies.⁷¹ While the *Napster* and *Grokster* Supreme Court decisions of the early 21st Century largely settled the legal issues surrounding online copyright infringement of music files,⁷² solving the problems for the video production industries of television and motion pictures is just beginning. As digital technology continues to improve, full-length television programs can be copied digitally, and full-length motion pictures are not far behind. The legal standards for copyright infringement will be set forth in Chapter 3, and analyzed in the context of YouTube and linking websites in Chapter 4.

However, a brief introduction to the concept of secondary infringement is necessary. There is a well-developed body of case law that enables a plaintiff to sue for infringement based upon acts complicit by a third party that enables direct infringement.⁷³ Secondary liability has two traditional categories: vicarious infringement and contributory infringement.⁷⁴ The Supreme Court also recently instituted an additional mode of contributory liability known as “inducement,” by which distributing a device or service which promotes or induces the infringement of copyright can result in liability.⁷⁵

⁷⁰ See *id.* at 99-100.

⁷¹ See *id.* at 119-23.

⁷² See *infra* notes 86-106 and accompanying text.

⁷³ See DAVID NIMMER & MELVILLE NIMMER, NIMMER ON COPYRIGHT §12.04(A)(Matthew Bender 2007)(hereinafter NIMMER ON COPYRIGHT).

⁷⁴ *Id.*

⁷⁵ See *Metro-Goldwyn-Mayer Studios, Inc v. Grokster, Ltd.*, 545 U.S. 913 (2005).

The distinctions between vicarious and contributory liability are often confused. In short, vicarious liability focuses on the relationship of the defendant to the third-party infringer, while contributory infringement looks to the relationship of the defendant to the actual infringing act.⁷⁶ YouTube's operation as an Internet platform for hosting user-generated videos calls both areas of secondary liability into question. Video linking websites similarly could be subject to possible secondary liability.

Vicarious liability pertains to a third-party's right, duty, or ability to control a third party direct infringer and the ability to profit from the infringement of others.⁷⁷ The Supreme Court noted that "vicarious liability is imposed in virtually all areas of the law...."⁷⁸ To be found liable for vicarious infringement, three basic elements must be met: (1) there must be an act of direct infringement by a third party (1) the defendant must hold the right or ability to control the infringer's conduct, and (2) defendant must receive a direct financial benefit⁷⁹ from the exploitation of the work.⁸⁰

Unlike vicarious infringement's focus on the association between the defendant and their control over the direct infringer, contributory infringement looks to the connection between the defendant and the actual infringing act. Contributory infringement may generally be found

⁷⁶ William Sloan Coats, Mark R. Weinstein, Erik R. Zimmerman, *Pre-and Post-Grokster Copyright Infringement Liability for Secondary and Tertiary Parties*, Practising Law Institute, 877 PLI/Pat 323 at n.7 (Sept. 2006).

⁷⁷ See NIMMER ON COPYRIGHT, *supra* note 72, at §12.04(A)(2). See also *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005).

⁷⁸ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984).

⁷⁹ There is some disagreement among the Federal Circuit Courts as to how extensive the financial benefit must be. *Cf. Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) (stating that, "an obvious and direct financial interest in the exploitation of copyrighted materials" may result in the imposition of liability upon the beneficiary of that exploitation; finding chain store liable for the infringing acts of retained operator running its record departments), *with A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001) (finding Napster liable for vicarious infringement because the future of the business relied upon building a network of infringing users to advertise to), *and Fonovisa v. Cherry Auction*, 76 F.3d 259, 263 (9th Cir. 1996) (finding a direct financial benefit by swap-meet landlord when lessees paid minimal rental fees and defendant received no commission or proceeds from the sales of bootleg music).

⁸⁰ NIMMER ON COPYRIGHT, *supra* note 72, at §12.04(A)(2).

where, “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another . . .”⁸¹ Thus the three basic elements of contributory infringement are (1) an act of direct infringement by a third party, (2) where the defendant has knowledge of the infringing activity, and (3) the defendant induces, causes, or materially contributes to the infringement.⁸² Some have further divided this up into two general ways to be a contributory infringer, either by participating in the infringement, or providing the means by which to infringe.⁸³

As the Supreme Court has noted, copyright law has developed in response to changes in technology, as far back as the invention of the printing press necessitating the rise of copyright protection.⁸⁴ Two major Supreme Court cases dealt with emerging technology, *Sony v. Universal City Studios* in 1984,⁸⁵ and the more recent *Metro-Goldwyn-Mayer v. Grokster* decision of 2005.⁸⁶

In 1984, the Supreme Court decided the seminal case of *Sony v. Universal City Studios* (*Sony*), holding that the sale of video tape recorders failed to violate content provider’s copyrights.⁸⁷ The Sony Betamax video tape recorder, an early version of the VCR, enabled users to record shows and movies from their televisions.⁸⁸ The Supreme Court reversed the holding of the Ninth Circuit, finding Sony not liable for the direct, vicarious, or contributory infringement of Betamax users in a five-to-four decision.⁸⁹ It relied heavily upon the traditional reluctance of

⁸¹ *Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

⁸² *See Grokster*, 545 U.S. at 930.

⁸³ NIMMER ON COPYRIGHT, *supra* note 72, at §12.04(A)(3)(a-b).

⁸⁴ *Sony v. Universal City Studios*, 464 U.S. 417, 430 (1984).

⁸⁵ *Id.*

⁸⁶ 545 U.S. 913 (2005).

⁸⁷ 464 U.S. 417 (1984).

⁸⁸ *Id.* at 420.

⁸⁹ *Id.* at 421.

the judiciary to do what it viewed would be imposing an unprecedented new form of liability upon innovators.⁹⁰ The majority acknowledged that, “it is not our job to apply laws that have not yet been written,” leaving room for Congress to “take a fresh look at this new technology, just as it so often has examined other innovations in the past.”⁹¹ This dicta in *Sony* is just one piece of evidence leading to the likely conclusion that online copyright law needs a fresh look in order to protect the traditional copyright regime.

In its contributory infringement analysis, the Court declined to clearly define the “substantial non-infringing use” standard borrowed from patent law.⁹² In defining what was a “substantial non-infringing use, the Court said that it did not need to consider every possible potential use and determine whether it was infringing, but instead whether a “*significant* number of them would be non-infringing.”⁹³ This term remains unclear even after subsequent file-sharing decisions and has yet to be applied in the online video context. This is a critical point that YouTube must address as to whether it is capable of substantial non-infringing uses.

In 2005, the Supreme Court, addressed the issue of contributory infringement of peer-to-peer file sharing networks in *MGM v. Grokster*.⁹⁴ Grokster and codefendant Streamcast, distributed free software enabling users to share digital files directly among one another.⁹⁵ Both companies made money by placing advertising within the software.⁹⁶ Grokster and Streamcast both took advantage of the downfall of Napster by advertising and promoting the fact that their

⁹⁰ *See id.* at 431-32.

⁹¹ *Id.* at 456.

⁹² *Id.*

⁹³ *Id.* (emphasis added).

⁹⁴ *Grokster*, 545 U.S. 913 (2005).

⁹⁵ *Id.* at 923.

⁹⁶ *Id.* at 926.

respective software would be a good replacement.⁹⁷ The Supreme Court decided the case on the new inducement theory of contributory liability, finding a determination of vicarious liability unnecessary.⁹⁸

The Court first noted *Sony's* “substantial noninfringing use” doctrine, yet, the Court punted on the issue, holding only that the lower court’s ruling on substantial noninfringing use was incorrect.⁹⁹ Though the issue was addressed by two separate three-justice concurrences,¹⁰⁰ it remains a lingering question post-*Grokster* of what exactly constitutes a substantial noninfringing use. Next, the Court applied the “inducement” theory of contributory liability from patent law, holding that the distribution of a device with the intent “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 third party infringers.¹⁰¹ In discussing inducement, the Court noted that such things as *Grokster's* promoting to users looking to fill the Napster void, its lack of filtering software to prevent infringement, and its dependence on advertising revenue directly correlated to the use of the software.¹⁰² As a result, the Court found *Grokster* liable of inducement to infringe and remanded the decision.¹⁰³

Finally, in the present controversy over YouTube, numerous lawsuits have been filed against YouTube and other similar websites.¹⁰⁴ Two lawsuits are most notable. First is the high-

⁹⁷ *Id.* at 924.

⁹⁸ *Id.* at 930.

⁹⁹ *Id.* at 932-34.

¹⁰⁰ *Id.* at 942 (Ginsburg, J., concurring); *Id.* at 949 (Breyer, J., concurring).

¹⁰¹ *Grokster*, 545 U.S. at 936-37(majority opinion)

¹⁰² *Id.* at 939-940.

¹⁰³ *Id.* at 941.

¹⁰⁴ *Veoh Networks, Inc. v. UMG Recordings, Inc.*, 07 1568 (S.D. Cal., filed Aug. 9, 2007); *Cal IV Entertainment, LLC v. Youtube, Inc.*, 3:2007cv00617 (M.D.Tenn. filed June 7, 2007); *Football Assoc. Premier League Ltd. and Bourne Co. v. YouTube, Inc.*, 07 Civ. 03582 (S.D.N.Y., filed May 4, 2007, class action); *Viacom Int'l, Inc. v. YouTube, Inc.*, No. 1:2007 CV 02103 (filed Mar. 13, 2007); *UMG Recordings, Inc. v. Bolt, Inc.* CV 06-06577 (C.D. Cal., filed Oct. 16, 2006); *UMG Recordings, Inc. v. Grouper Networks, Inc.*, CV 06-06561 (C.D. Cal., filed Oct. 16,

profile suit filed against YouTube by Viacom, parent company of numerous cable TV networks such as Comedy Central and MTV.¹⁰⁵ In its complaint, Viacom alleged that YouTube knowingly engaged in activities resulting in the massive infringement of copyrighted material, and thus should be found liable for both contributory and vicarious infringement.¹⁰⁶ Recently associated with the Viacom suit is a class-action suit started by a complaint by a European soccer league against YouTube.¹⁰⁷ These and other similar lawsuits in the courts may ultimately decide the issue of secondary infringement concerning the new online video technologies.

A Possible Affirmative Defense

Typical copyright lawsuits are private rights of action filed by the copyright owners. However, just as copying is different in the digital world, so too are the methods for fighting against infringement. The Digital Millennium Copyright Act (DMCA), passed in 1998 with much fanfare, was seen as a great leap forward for the protection of copyright owners in digital media, allowing for the implementation of digital rights management technologies to strengthen copyright holder's rights in the digital age.¹⁰⁸ The DMCA provides an affirmative defense for direct or secondary infringement by "online service providers" with a safe-harbor from liability

2006); IO Group, Inc. v. Veoh Networks, Inc., 2006cv03926 (N.D. Cal., filed June 23, 2006). *See also* Tur v. YouTube, Inc., CV 06-4436 (C.D. Cal., consolidated with Football Assoc. case in S.D.N.Y.); New Jersey Turnpike Authority v. YouTube, Inc., 2:2007cv02414 (D.N.J., complaint voluntarily dismissed May 24, 2007)(N.J. Turnpike Authority's security camera footage of a car accident at a toll booth turned up on YouTube and other file sharing websites).

¹⁰⁵ Viacom Int'l, Inc. v. YouTube, Inc., No. 1:2007 CV 02103 (filed Mar. 13, 2007).

¹⁰⁶ *Id.*

¹⁰⁷ The Football Assoc. Premier League Ltd. and Bourne Co. v. YouTube, Inc, 07 Civ. 03582 (S.D.N.Y., filed May 4, 2007, class action).

¹⁰⁸ Digital Rights Management technology allows copyright owners to program into digital copies of their copyrighted works specific limitations on the copy's usage. For example, a digital music file may have a restriction placed on it limiting the number of computers it can be played on. *See generally* 17 U.S.C. §§1201, 1202, providing for criminal penalties for those tampering with, removing, or circumventing digital rights management technologies from copies.

for infringing acts of its users if certain procedures of notice and takedown are observed.¹⁰⁹ The safe-harbor was implemented in order to protect internet service providers from liability, treating it more as a common carrier than a content provider responsible for its users action on its networks.¹¹⁰

The safe harbor requires those operating as “service providers” to follow strict notice and takedown procedures outlined in the law.¹¹¹ Very simply, upon knowledge or awareness of infringing activity, a website is required to promptly remove or disable access to the alleged material.¹¹² The knowledge or awareness typically comes from content owners notification of infringement, however, not all users accused of infringement are necessarily guilty of infringement due to fair use or by mistake of the accusing party. As a result, it requires the copyright owners to vigorously protect its products, limiting liability for secondary infringers such as YouTube until they are put on actual notice by the copyright owner, while placing the entire burden on the alleged infringer to prove beyond a doubt that they are authorized to use the video.¹¹³

¹⁰⁹ Online Copyright Infringement Liability Limitation Act, Title II of the DMCA, 17 U.S.C. §512 (1998).

¹¹⁰ See *Ellinson v. Robertson*, 357 F.3d 1072, 1076 (9th Cir. 2004)(DMCA created “to provide greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”). See also Tim Wu, *Does YouTube Really Have Legal Problems?*, SLATE, Oct. 26, 2006, <http://www.slate.com/id/2152264> (last visited Feb. 16, 2008).

¹¹¹ 17 U.S.C. §512(c).

¹¹² 17 U.S.C. §512(c)(1)(A)(iii).

¹¹³ See e.g. Jennifer M. Urban & Laura Quilter, *Efficient Process or “Chilling Effects”?* Takedown Notices Under Section 512 of the Digital Millennium Copyright Act, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 637-38 (2006); Emily Zarins, *Notice Versus Knowledge Under the DMCA’s Safe Harbors*, 92 CAL. L. REV. 257, 291-95 (2004); Colin Folawn, *Neighborhood Watch: The Negation of Rights Caused by the Notice Requirement in Copyright Enforcement Under the DMCA*, 26 SEATTLE U. L. REV. 979 (2003); Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L.J. 1833, 1888 (2000). See also Lawrence Lessig, *Make Way for Copyright Chaos*, N.Y. TIMES, Mar. 18, 2007 (Op-Ed Contribution) available at <http://www.nytimes.com/2007/03/18/opinion/18lessig.html?ex=1331870400&en=5a2a6ea9bc52f3fc&ei=5124&partner=permalink&exprod=permalink> (last visited Feb. 18, 2008).

While numerous courts have grappled with the issue of the Section 512 safe-harbor, no definitive rule has emerged concerning online video hosting websites.¹¹⁴ Whether YouTube falls under the safe-harbor will in large part determine its liability under the Copyright Act for the infringing actions of its users. The question similarly applies to linking websites. The impact of the burden shift on the copyright regime, how it affects content providers and their ability to protect their product, and its impact on fair use, are all important issues that will be further explored in Chapters III, IV, and V.

Research Questions and Methodology

The primary purpose of this research is to explore copyright infringement of online video distribution via YouTube and linking websites. As a secondary purpose, this study will also address the larger theoretical impact that YouTube and video linking sites are having upon digital copyright law. Specifically, this study addresses the following set of research questions:

- 1) Are video-sharing website like YouTube liable under direct infringement?
- 2) Are video-sharing websites like YouTube, as well as video linking websites, liable as a secondary infringer?
- 3) Are video-sharing websites like YouTube, as well as video linking websites, immune from liability under §512(c) of the DMCA as an “online service provider”?
- 4) What remedies are available to help solve the problem of copyright infringement of online video?

¹¹⁴*See e.g.* Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1117 (9th Cir. 2007); Parker v. Google, Inc., 422 F.Supp. 2d 492 (E.D. Pa. 2006); Ellison v. Robertson, 353 F.3d 1072, 1079 (9th Cir. 2004); Corbis Corp., v. Amazon.com, 351 F. Supp. 2d 1090 (W.D. Wash. 2004); In Re Aimster, 334 F.3d 643, 655 (7th Cir. 2003); Hendrickson v. Amazon.com, Inc., 298 F. Supp. 2d 914, 915 (C.D. Cal. 2003); Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d. 1146, 1171 (C.D. Cal. 2002); ALS Scan, Inc. v. RemarQ Communities, Inc., 239 F.3d 619, 625 (4th Cir. 2001); A&M Records v. Napster, 239 F.3d 1004, 1025 (9th Cir. 2001).

The first question examines direct infringement by applying each of the exclusive rights that exist under copyright law. To answer the second question, this study will review what constitutes a “substantial noninfringing use” in determining traditional secondary liability of vicarious and contributory infringement under *Sony* and review the applicability of inducement under *Grokster*. To analyze the third question, the study will explore whether YouTube immunity is different from the sort of immunity granted to regular websites. What does the legislative history of the DMCA suggest as to the limitation of liability for websites such as YouTube? Will these types of sites continue to enjoy protection more copyright owners seek to protect their copyrighted works on the Internet? If the immunity stands, what are the implications for users and fair use? The analysis will look to the Section 512 immunity standard and analyze the repercussions of the “burden shift” to alleged infringers. The same questions are then posed as they apply within the video linking website Southparkzone.com. Finally, the fourth question will be explored through suggested changes to and interpretations of the law.

The scope of the research is limited to YouTube and linking websites, with applicable case law and other materials generally limited to the last twenty years and concerning emerging technology. As an emerging technology, and with the law surrounding it in flux, this research is original in application to online video and linking websites. Very limited literature currently exists on YouTube, and that which was published within the research period was limited in amount and different in scope.

All research was conducted through legal methods analyzing case law, statutes, and legislative history. Chapter 2 will follow with a legal literature review of academic journals and law review articles on the topic. Chapter 3 will then overview the prior case history pertaining to copyright infringement and emerging technologies, from *Sony* through *Grokster*, to the pending

YouTube litigations. Chapter 4 will then provide the analysis of the legal questions and problems outlined below through a case study of YouTube and the linking website Soutparkzone.com. Finally, Chapter 5 will conclude the study by proposing practical legal solutions to the problems created by online video infringement and remaining questions in the law.

In carrying out the legal literature in Chapter 2, law review articles were searched through Westlaw and Lexis-Nexis Communications law review databases as well as all of the law review databases. Academic journals were searched by utilizing the University of Florida Library's Research Gateway which links to databases such as Academic Search Premier, InfoTrac, EbscoHost, GaleGroup, and Proquest. Search terms included "DMCA w/p 'safe harbor'" "fair use" "Grokster" "Sony v. Universal" and "substantial noninfringing use."

Many of the cases had already been identified, however, these cases are expanded and new cases uncovered in Chapter 3 upon completing sound legal research methods via Westlaw and Lexis Nexis. New cases were searched though the All-Fed database since copyright is a federal question, and utilized search strings such as "copyright w/p online w/p infringement" "copyright w/p internet w/p infringement" "DMCA w/p 'safe harbor'." The research is time-limited to December 2007. New cases were identified through keycite on Westlaw by viewing previously found cases, as well as through Andrew's Litigation Reporter on Westlaw for current and recently decided copyright law cases. In addition, a number of copyright law websites and blogs provide industry-based updates to stay abreast on current ongoing cases. Dockets were searched in ongoing cases to discover the most current legal strategies being pursued by counsel in the YouTube litigations through the free website <http://www.dockets.Justia.com>. Parallel cases having to do with online service provider immunity under other laws with similar safe-harbors

were similarly searched for using “online service provider” and other similar language from the DMCA. Legislative history for DMCA was thoroughly searched via Westlaw’s keycite system and search terms to House and Senate reports, through the Library of Congress’ Thomas website, and Senate and House committee websites.

CHAPTER 2 LITERATURE REVIEW

In order to further explore the issue of websites such as YouTube and linking websites facilitating online copyright infringement, it is important to review the scholarly literature concerning the broader issues of online copyright. Little scholarly literature exists on the new technology of YouTube.com and similar online video-sharing websites. There are a number of brief commentaries on the lawsuits filed by Viacom and others against YouTube.¹ However, nothing in the literature as of yet handles the full analysis of the growing online video infringement problem. Further exploration is needed, as the problem continues to grow: a 2007 study estimated that the market for online video will grow from 13 million households in 2005 to 131 million households by 2010.²

As such, the remainder of this literature review, after a brief review of linking and safe-harbor research, will focus on general policy regarding copyright and new technology in light of online video to set a theoretical framework for the remainder of this study. It will then focus on the effect of changing dissemination technologies on copyright law, the legislative process, and the problem of online infringement facilitators. Next it will turn to the judiciary's effect on copyright law and specifically on common law based secondary liability. Finally, it will review the copyright law and economics literature and examine a number of new ways to look at copyright law from unique perspectives other than the courts and Congress.

¹ See e.g. Michael Driscoll, Comment: *Will YouTube Sail Into the DMCA's Safe Harbor or Sink for Internet Piracy?*, 6 J. MARSHALL REV. INTELL. PROP. L. 550 (2007); Christopher D. Newkirk & Thomas A. Forker, *Does YouTube's Bright Past Mean a Cloudy Future?*, 19 No. 1 INTELL. PROP. & TECH. L. J. 1 (2007); Christina Scelsi, *You Tube*, 24-FALL ENT. & SPORTS LAWYER 10 (2006); Tim Wu, *Does YouTube Really Have Legal Problems? How the Bell Lobby Helped Midwife YouTube*, SLATE, Oct. 26, 2006, <http://www.slate.com/id/2152264/fr/rss> (visited Nov. 5, 2007).

² Michael A. Einhorn, *Digitization and Its Discontents: How Markets are Transforming Copyright*, 54 J. COPYRIGHT SOC'Y U.S.A. 231, 235 (2007).

As introduced in Chapter 1, linking websites are becoming more prevalent on the Internet to distribute infringing videos to users, without hosting copies of infringing materials on their own web servers. For example, SouthParkzone.com is an hub of links to unauthorized full-length copies of the hit television show “South Park.”³ The links direct the users to copies stored on video-sharing websites, such as YouTube.com or veoh.com, and nothing is located on the southparkzone.com servers but the links to the infringing copies. While there are methods to rid the host websites of illegal copies, fresh links are often searched for or uploaded to replace dead links within a matter of hours of removal. This is a very new problem in the copyright law world due to the ease at which illegal copies may be accessed and the difficulty at which infringing copies may be removed.

Similar legal issues were prevalent during the early development of the Internet during the 1990’s, and the topic was covered on a limited basis in the literature.⁴ Other linking literature concentrates on cases pertaining to anti-circumvention copyright laws where websites linked to codes and instructions for unlocking digital rights management technologies.⁵ The more recent problem of linking websites devoted solely to infringing videos has been covered on an even

³ See e.g. South Park Zone, <http://www.southparkzone.com> (last visited Nov. 20, 2007)(offering links to unauthorized streaming copies of Comedy Central’s South Park); Peekvid, <http://www.peekvid.com> (last visited Nov. 20, 2007)(Peekvid’s disclaimer of liability on its home page: “Peekvid does not contain any content on its site, but is merely an index of available links on the Internet.”).

⁴ See e.g. Mark Sableman, *Link Law Revisited: Internet Linking Law at Five Years*, 16 BERKELEY TECH. L.J. 1273 (2001); Nicos L. Tsilas, *Minimizing Potential Liability Associated With Linking and Framing on the World Wide Web*, 8 COMM.LAW CONSPECTUS 85, 85-86 (2000); David L. Hayes, *Advanced Copyright Issues on the Internet*, 7 TEX. INTELL. PROP. L.J. 1, 84-87 (1998); Edward A. Cavoza & Coe F. Miles, *Copyright on the WWW: Linking and Liability*, 4 RICH. J. L. & TECH. 3 (1997).

⁵ See Michael Dockins, Comment, *Internet Links: The Good, the Bad, the Tortious, and a Two-Part Test*, 36 U. TOLEDO L. REV. 367, 386 (2005).

more limited basis.⁶ This is clearly an area in the literature that is in need of further development and will be a major focus of the remainder of this study.

One of the most relied-upon defenses to online copyright infringement by video hosting websites is the Online Copyright Infringement Liability Limitation Act, otherwise known as section 512 of the Digital Millennium Copyright Act (DMCA).⁷ Section 512 grants certain online service providers immunity from secondary copyright infringement as a conduit of the infringing activity.⁸ Three years prior to the enactment of the DMCA, copyright scholar Jane Ginsburg noted that service providers were best-situated to prevent infringement.⁹ Section 512(c) may apply to video-sharing websites such as YouTube, that are open to the public for uploading without prior approval of content. The lack of content approval is integral to the notice-takedown process. First, the online service provider must receive notice--a request from the apparent content-owner that an infringing video is on their servers. Upon notice, the online service provider must then “expeditiously” remove the alleged infringing video, notify the complainant of the removal, and notify the original uploader that the content has been removed and their right to serve a “counter-notice” to the complainant. The specifics of §512(c) will be addressed further in Chapters III and IV.

⁶ See Louise Longdin, Note & Comment, *Hyperlinking and Copyright Infringement*, 13 NEW ZEALAND BUS. L. Q. 33 (2007)(comparing briefly American legal copyright problems with linking to English, Australian, and Canadian problems).

⁷ 17 U.S.C. §512 (2000).

⁸ This is distinct from what are commonly known as Internet Service Providers, or ISP’s.

⁹ See Jane C. Ginsburg, *Putting Cars on the ‘Information Superhighway’: Authors, Exploiters, and Copyright in Cyberspace*, 90 COLUM. L. REV. 1466, 1492-93 (1995).

The safe-harbor has been examined in detail by numerous authors.¹⁰ The literature has been divided into three camps:¹¹ (1) early commentary that recognized §512 as the solution to all the Internet's problems,¹² (2) suggestions that it actually provides a disincentive to online service providers to monitor for infringement despite their best position to do so,¹³ and (3) commentators that thought the onus put on users to prove they had the right to share the work after removal acted as a chill on Internet expression.¹⁴ Additionally, Professor David Nimmer thoroughly examined the legislative history and intent in his book *Copyright : Sacred Text, Technology, and the DMCA*.¹⁵

The early praise of the DMCA safe harbor largely due to optimism for the effectiveness of the new statute based on the history of its development.¹⁶ The safe harbor began as a recommendation of the Intellectual Property Working Group of the Information Infrastructure Task Force, formed in 1993 to address digital technologies and the Internet.¹⁷ In 1995, the

¹⁰ See Cassandra Infeld & Victoria Smith Ekstrand, *The Music Industry and the Legislative Development of the Digital Millennium Copyright Act's Online Service Provider Provision*, 10 COMM. L. & POL'Y 29 (2005); Emily Zarins, *Notice Versus Knowledge Under the DMCA's Safe Harbors*, 92 CAL. L. REV. 257 (2004); Mitchell P. Goldstein, *Service Provider Liability for Acts Committed by Users: What You Don't Know Can Hurt You*, 18 J. MARSHALL J. COMPUTER & INFO. L. 591 (2000); Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L. J. 1833 (2000).

¹¹ Jennifer M. Urban & Laura Quilter, *Efficient Process or "Chilling Effects"? Takedown Notices Under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 637-38 (2006).

¹² See Urban & Quilter, *supra* note 11, at 1270; Michelle A. Ravn, *Navigating Terra Incognita: Why the Digital Millennium Copyright Act Was Needed to Chart the Course of Online Service Provider Liability for Copyright Infringement*, 60 OHIO ST. L.J. 755, 785-86 (1999); Steven E. Halpern, *New Protections for Internet Service Providers: An Analysis of 'The Online Copyright Infringement Liability Limitation Act*, 23 SETON HALL LEGIS. J. 359, 406-07 (1999).

¹³ See Urban & Quilter, *supra* note 11, at 687-88; Colin Folawn, *Neighborhood Watch: The Negation of Rights Caused by the Notice Requirement Under the DMCA*, 26 SEATTLE U. L. REV. 979 (2003).

¹⁴ See Emily Zarins, *Notice Versus Knowledge Under the DMCA's Safe Harbors*, 92 CAL. L. REV. 257 (2004); Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L. J. 1833 (2000).

¹⁵ See generally DAVID NIMMER, *COPYRIGHT : SACRED TEXT, TECHNOLOGY, AND THE DMCA* (Kluwer Law International, The Hague 2003). See also, David Nimmer, *Appreciating Legislative History the Sweet and Sour Spots of the DMCA's Commentary*, 23 CARDOZO L. REV. 909, 951 (2002).

¹⁶ *Supra* note 12.

¹⁷ Halpern, *supra* note 12, at 382-83.

Intellectual Property Working Group issued a “White Paper” recommending that a passive conduit exception to liability should be extended to online service providers.¹⁸ Shortly thereafter, Congress initiated a bipartisan legislative initiative to implement the recommendations, but ultimately failed due to a standstill over the reach of the limitation of liability.¹⁹ However, the safe harbor was revived during Congress’ implementation of two World Intellectual Property Organization treaties, which had originally included safe harbor provisions in earlier drafts.²⁰ As a result, the Digital Millennium Copyright Act was finally agreed upon by both houses of Congress and signed into law on October 28, 1998.²¹ Due to the long history of industry participation in the process of developing the safe harbor, it is understandable that there were few early critics.

However, others greeted the safe harbor with more skepticism, finding that it created a perverse incentive for service providers to avoid monitoring their systems despite being in the best position to do so.²² When a service provider is alerted to possibly infringing material, it has no reason to distrust the accusation, as further inquiry may result in knowledge of infringing material.²³ Such knowledge risks losing immunity and introduces the provider to great potential financial liability, the same uncertain liability the safe harbor attempts to avoid in the first place.²⁴

¹⁸ Ravn *supra* note 12, at 744. See Information Infrastructure Task Force, Intellectual Property and the National Information Infrastructure: The Report of the Working Group on Intellectual Property Rights at 100 (1995) available at <http://www.uspto.gov/go/com/doc/ipnii/lawcopy.pdf> (last visited Mar. 3, 2008).

¹⁹ Halpern, *supra* note 12, at 383.

²⁰ *Id.*

²¹ *Id.* See also Digital Millennium Copyright Act, Pub. L. No. 105-304, §§ 201-203, 112 Stat. 2860, 2877-2886 (Oct. 28, 1998).

²² See *supra* note 13.

²³ Urban & Quilter, *supra* note 11, at 687.

²⁴ *Id.*

After observing the operation of the safe harbor over its early years, a number of commentators pointed a major failing.²⁵ They noted that the DMCA's notice and takedown procedure shifted the traditional burden of copyright owners proving infringement to alleged infringers being forced to disprove infringement.²⁶ Professor Alfred Yen pointed out this problem, noting the First Amendment concerns that arise when allegedly infringing works are taken-down preemptively without a chance for the alleged infringer to respond prior to the takedown.²⁷ Although alleged infringers are equipped with the ability to serve a counter-notice and eventually have their material put-back, that process then puts the alleged infringer at risk to be sued by the copyright owner.²⁸ In addition, there are few safeguards to protect users from over-zealous claims of infringement by copyright owners other than bad-faith claims directly forbidden by the DMCA itself.²⁹ As a result, Yen noted, the notice-takedown process under the DMCA results in a chilling effect on speech by over-zealous takedown notices or through the perceived risk of litigation by alleged infringers serving counter-notice.³⁰

Pertinent to this study is the effectiveness of the notice and takedown regime on the online video-sharing and protection of copyrighted works. Jennifer Urban and Laura Quilter conducted an empirical analysis of the effect of section 512 of the Digital Millennium Copyright Act's (DMCA) notice and takedown regime in 2006.³¹ Urban and Quilter found that a limited

²⁵ See *supra* note 14.

²⁶ Urban & Quilter, *supra* note 11, at 638; Yen, *supra* note 14, at 1887-88.

²⁷ Yen, *supra* note 14, at 1888.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ Urban & Quilter, *supra* note 11.

achievement of the overall goals of section 512, “the inexpensive takedown of clearly infringing hosted content or links to infringing websites.”³²

In the study, Urban and Quilter examined a data set compiled by online copyright watchdog group “Chilling Effects,” consisting of nearly 900 takedown notices sent to alleged individual online infringers of all forms of copyright.³³ Of that number, 734 notices were reported by Google, Inc., the entire number of notices received by the Internet search giant since it began record-keeping in 2002.³⁴ Of the claims, only 31% applied to the §512(c) safe-harbor relating to online service providers,³⁵ many of which were substantially and procedurally flawed.³⁶ In all, they found an overall abuse of the notice and takedown process and a negative impact on the public’s consumption of copyrighted works and a degradation of the Internet as a platform for sharing information.³⁷

One of the most important findings was that Urban and Quilter determined that the immediate removal of alleged infringing content, without any response from the alleged infringer, constituted a lack of fairness and due process.³⁸ As a result, they suggest amending §512 from requiring “expeditious” takedown to a set time period which would not instantly strip an alleged infringer of his ability to share content that may in the end be rightfully his to share.³⁹ This would in effect “build[] some due process back into the system” and restore the notice-

³² *Id.* at 687.

³³ *Id.* at 641.

³⁴ *Id.*

³⁵ *Id.* at 667.

³⁶ *Id.* at 682.

³⁷ *Id.* at 687-88.

³⁸ *See id.* at 688-89.

³⁹ *See id.*

takedown regime to its proper balance, rather than a one-sided attack tool of the copyright owners.⁴⁰

Copyright Law and New Technology

As noted in Chapter 1, copyright law has struggled to adapt to changes in technology.⁴¹ As a result, a major question throughout the scholarly literature is the classic chicken-egg question of how technological advances affect copyright law: whether the technology changes the law, or the law changes technology (or at least adapts to it). It is important to further examine this question in order to frame the issue the Internet's constantly advancing digital technology, specifically for the purposes of this study regarding the infringement of online video. In 1989, Professor Jessica Litman noted that while one group of scholars maintained that copyright law had always accommodated changes in technology largely with great success, another group insisted that current technological changes were incongruent to the original notion of copyright law of protecting authors' incentive to create.⁴² This trend largely continues in the more recent literature on the topic. Litman herself contends that technology has a net positive effect of granting greater control to the end-users.⁴³

The Legislative Process

Some commentators contend that it is the legislative process that is deficient in adapting copyright law to changing technology. Litman's seminal 1989 analysis, *Copyright Legislation and Technological Change*, examines the effect technological change has on the legislative process of developing new copyright law.⁴⁴ Litman argues that the legislative process is

⁴⁰ *Id.* at 689.

⁴¹ Jessica D. Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 276 (1989).

⁴² *Id.*

⁴³ See JESSICA D. LITMAN, *DIGITAL COPYRIGHT* 14 (Prometheus Books, Amherst, N.Y. 2001).

⁴⁴ Litman, *Copyright Legislation and Technological Change*, *supra* note 41, at 277.

responsible for the deficiency of copyright law in accord with new technology.⁴⁵ Much of the copyright law through history was written by the industry concerned with drafting “fact-specific” statutes that are easily surpassed when new technology takes over.⁴⁶ Litman contends that the obsession of current stakeholders to entrench themselves in current technology through complicated statutes that quickly become outdated is the greatest barrier to lasting copyright laws.⁴⁷ In other words, Litman argues that copyright legislation is essentially about the incumbent copyright industry increasing its control over the sale of its products.⁴⁸

However, the sought-after control was typically more of an inside job than one might imagine. Dating back to 1909, Congress has largely allowed the interested parties in copyright legislation gathered together to write the laws.⁴⁹ One obvious problem with such a process is clearly defining who has the right to sit at the table when it comes time to renegotiate.⁵⁰ Since the negotiations are largely self-initiated, it is left to the industries to determine the proper players. This results in a favoritism towards incumbents and away from new technologies. Such a complication in this legislative strategy can be easily applied to current copyright controversies. For example, if perhaps Google was afforded a seat at the table, but not some of its smaller software rivals, Google’s technological approach will clearly be favored in the revision.

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *See id.* at 359-60.

⁴⁸ *See* LITMAN, DIGITAL COPYRIGHT, *supra* note 43, at 81.

⁴⁹ Litman, *supra* note 41, at 278. Litman identified that the 1909 Copyright Act followed this exact model, however “fringe” industries such as the piano roll and phonograph were not invited to participate. *Id.* at 285.

⁵⁰ *See id.* at 280.

But what is the result on copyright legislation in the wake of this process? Professor Tim Wu notes two main streams of copyright legislation that emerged in the Internet age.⁵¹ First, are new specific rules for passive dissemination technologies in the form of safe-harbors.⁵² In the past, new dissemination technologies relied on compulsory licenses to gain access to copyrighted works, the lifeblood of any disseminator.⁵³ However, with the safe-harbors, disseminators are no longer concerned with gaining legal access to copyrighted works, since the safe-harbor places that burden on the users of the websites and sharing programs, and immunizes disseminators from consequences of unknown user infringement.⁵⁴ Wu argues that this essentially allows copyright distribution facilitators to free-ride off the works of others without major legal repercussion so long as they adhere to the safe harbor's dictates.⁵⁵

The second type of copyright legislation sought is specific laws aimed at limiting infringing users.⁵⁶ For example, Congress passed new laws aimed at strengthening digital rights management technologies by making it illegal to circumvent security measures.⁵⁷ It also singled out certain technologies for a tax to be paid to the copyright owners knowing that a certain amount of infringement would occur utilizing the technology.⁵⁸ The digital rights management abilities and targeted taxes work to not only strengthen the hand of the copyright incumbents, but equally work to weaken the hand of their challengers.⁵⁹

⁵¹ See Tim Wu, *Copyright Communications Policy*, 103 MICH. L. REV. 278, 344 (2004).

⁵² *Id.*

⁵³ *Id.*

⁵⁴ See *id.*

⁵⁵ *Id.*

⁵⁶ *Id.* at 344-45.

⁵⁷ *Id.*

⁵⁸ *Id.* See *infra* at notes 99-101.

⁵⁹ See Jane C. Ginsburg, *Copyright and Control Over New Technologies of Dissemination*, 101 COLUM. L. REV. 1613, 1619-20 (2001). For example, the 1992 Audio Home Recording Act (AHRA) was a law aimed specifically at a new digital audio tape technology (which never caught on commercially). *Id.* The AHRA imposed a tax on the sale of qualifying devices to be distributed to content creators. *Id.* In exchange for the tax, the AHRA allowed the

Copyright Incumbents

Once the laws are written and enacted, it is common for the “winners” to reap the rewards of their carved-out areas of the law to utilize their technology, while the “losers” struggle to adapt their products to the new laws, often resulting in a stifling of technology. The conflict between incumbent and challengers is a common cycle throughout the history of copyright law.⁶⁰ The conflict is unavoidable because new technologies will constantly evolve to displace the old either through a technological advantage or lower costs.⁶¹ In response, incumbents will use all means available, including fine tailored legislation, to destroy the incoming competition.⁶²

As Professor Alina Ng notes, copyright incumbents attempt to use information, the currency in which copyright deals, to solidify their dominance.⁶³ Ng suggests that “unless fences are erected, common resources, such as information, will be depleted in precisely the same manner that common pastures are overgrazed.”⁶⁴ Such fences regarding online video are essential, for once a work is disseminated to the public, digital technology readily allows it to be exploited by anyone with the requisite knowledge to do so, legally or otherwise. If no fences are erected, then free riding may result-- where one unjustly benefits from the work of another at the expense of the author.⁶⁵

device to make first-generation copies, but prevented users from making additional copies to distribute off the device. *Id.*

⁶⁰ Wu, *Copyright Communications Policy*, *supra* note 51, at 292-97.

⁶¹ *Id.* at 293.

⁶² *See id.* at 292.

⁶³ *See* Alina Ng, *Copyright's Empire: Why the Law Matters*, 11 MARQ. INTELL. PROP. L. REV. 337, 346 (2007). For the seminal analysis of copyright law and economic theory, see William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325 (1989). *See also* Paul A. Samuelson, *The Pure Theory of Public Expenditure*, 36 REV. OF ECON. & STATISTICS 387 (1954)(defining in economic terms what constitutes a “public good”).

⁶⁴ *See* Ng, *supra* note 63.

⁶⁵ *See id.* *But see* Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031 (2005)(critiquing the notion that free riding in intellectual property should be eliminated).

The incumbent typically retains a more powerful position than the challenger: incurring great litigation costs on the challenger, denying the challenger access to copyrighted materials or “taxing” them for access, and seeking regulatory and legislative restrictions on the challenger.⁶⁶ However, even with all the advantages, the copyright policy making process is typically unpredictable concerning new technologies.⁶⁷ Despite constant improvement, major shifts in technology, such as from analog to digital on the Internet, are generational changes.⁶⁸ Similarly, major changes to the copyright law are similarly uncommon.⁶⁹ Thus, the actions of multiple government actors can be unpredictable and yield unexpected results.⁷⁰

Professor Kevin M. Lemley’s 2005 article, *The Innovative Medium Defense: A Doctrine to Promote the Multiple Goals of Copyright in the Wake of Advancing Digital Technologies*, attempts to find the proper balance in order to prevent the stifling of new technology by incumbent copyright owners and disseminators.⁷¹ Lemley contends that if the framers of the Constitution intended to promote the useful arts and sciences (as developed in patent and copyright law), then so too did they intend to protect innovative mediums which would communicate such creative works.⁷² Lemley adds that because copyright owners do not typically directly benefit financially from innovation, they have no incentive to cooperate and

⁶⁶ *Id.* at 294-95.

⁶⁷ *Id.* at 295.

⁶⁸ *See id.*

⁶⁹ *See id.*

⁷⁰ *Id.*

⁷¹ Kevin A Lemley, *The Innovative Medium Defense: A Doctrine to Promote the Multiple Goals of Copyright in the Wake of Advancing Digital Technologies*, 110 PENN. ST. L. REV. 111, 112-13 (2005).

⁷² *Id.* at 134.

work with innovators.⁷³ The basic business desire to do what has worked in the past and avoid taking chances on new mediums works to stifle innovation.⁷⁴

Most importantly, Lemley argues that the stifling of new technology is due to the overprotection of copyright granted to creators, creating a “technological veto.”⁷⁵ In support, Lemley cites Matthew Fagin’s three reasons why copyright law threatens innovation of new mediums: (1) a “de facto” control over the channels of distribution, (2) expanding liability that inhibits fair use, and (3) owners’ retention of complete distributional control.⁷⁶ Such a “technological veto” allows incumbents to deliver their works through traditional models of their choosing, regardless of whether they are the most efficient to them or the consumer. Additionally, this prevents consumers from being able to adopt new technologies that they desire because incumbents will attempt to prevent their content from following consumers to disfavored new locations.

In addition, Lemley notes basic economic theory encourages innovation only to a limited extent within the preexisting business model.⁷⁷ For example, the music industry’s move from records, to 8-tracks, to cassette tapes, to CD’s only increased the sound quality, changing nothing substantial about the individual listening experience.⁷⁸ To the contrary, where outside innovators are allowed to introduce new technology to incumbent industries, consumers receive more

⁷³ *Id.* at 135 (2005). See also Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345, 1350 (2004).

⁷⁴ Kevin A. Lemley, *supra* note 71, at 135.

⁷⁵ *Id.* at 136-37 (citing Matthew Fagin, ET AL., *Beyond Napster: Using Antitrust Law to Advance and Enhance Online Music Distribution*, 8 B.U. J. SCI. & TECH. 451, 499 (2002)).

⁷⁶ Matthew Fagin, ET AL., *Beyond Napster: Using Antitrust Law to Advance and Enhance Online Music Distribution*, 8 B.U. J. SCI. & TECH. 451, 499-500 (2002).

⁷⁷ Kevin A Lemley, *supra* note 71, at 138. Economist Joseph Schumpeter’s static market model of competition posits that where an industry is committed to a proprietization of its commodity, it tends to protect the delivery of the good within the current business model. *Id.* at 138-39.

⁷⁸ *Id.*

freedom in choosing how to consume the content, and innovation is encouraged and robust.⁷⁹ For example, out-sourcing Google to develop a new software by which a television station can broadcast its newscast online is more likely to result in an innovative delivery system, and actually will drive to create more competition within the creative industry in the long-term.⁸⁰

However, incumbent firms have little incentive to allow outside firms for two reasons. First, the value of the copyrighted work decreases when the creator's control over the dissemination is decreased.⁸¹ Second, although long-term benefits will result to the incumbent firm, short-term losses will result in the investment in what is often an unproven and somewhat risky method of distribution.⁸² For example, the rise of the iTunes Music Store as the premier legal online distributor of music files can be attributed to its charging relatively high prices for music, and giving substantial profits to the traditional recording industry.⁸³ Thus, they buy-off the incumbent industry and block out potential innovators.⁸⁴

In striking a balance between incumbent firms and innovators, Lemley argues for a limitation of secondary liability and the introduction of an "innovative medium defense" similar to that of fair use.⁸⁵ Secondary liability poses a threat to innovation because it can limit the investment in technologies for fear of being dragged into a lawsuit.⁸⁶ Lemley also argues that secondary liability often results in the shutting down of innovative technologies, resulting in a loss of use of that and similar technologies to the public for their non-infringing uses.⁸⁷ Thus,

⁷⁹ *Id.* at 139.

⁸⁰ *See id.*

⁸¹ *See id.*

⁸² *Id.*

⁸³ Tim Wu, *The Copyright Paradox*, 2005 SUP CT. REV. 229, 248 (2005).

⁸⁴ *Id.*

⁸⁵ Kevin A Lemley, *supra* note 71, at 140-162.

⁸⁶ *Id.* at 141.

⁸⁷ *Id.* at 142.

Lemley supports the imposition of an “innovative medium defense” by which new technologies can be protected while at the same time protecting individual copyright owners.⁸⁸ The innovative medium defense would apply similarly to the fair use factor test, utilizing the following factors: (1) whether the technology advances consumer autonomy, (2) whether the technology allows more than nominal noninfringing uses, (3) whether the medium allows unlimited reproduction and distribution, (4) whether it fosters positive active consumerism, and (5) whether the medium will allow an adequate return for copyright owners.⁸⁹ This approach favors the innovator and assumes incumbent copyright firms are willing to take short-term losses to accommodate the introduction of new technology. While resistance by incumbents is often short-sighted, it is hard to expect self-interested companies to sacrifice profits for the “good” of society by not attempting to stifle competitive innovation.

Professor Jane Ginsburg studied the problem from a different approach in her 2001 article *Copyright and Control Over New Technologies of Dissemination*, not just examining the attempted control of new technology, but also the exploitation of it by incumbents.⁹⁰ Ginsburg found that where copyright incumbents sought to exploit new technology, they often did so successfully and quite profitably.⁹¹ For example, Ginsburg points to the music industry’s adaptation to the radio licensing model by forming the ASCAP collective licensing society to license the right to play songs over the radio.⁹² On the other hand, where incumbent copyright holders sought to legally block new technologies, new technologies have regularly won out.⁹³

⁸⁸ *Id.* at 157-62.

⁸⁹ *Id.*

⁹⁰ Ginsburg, *supra* note 59, at 1619-20.

⁹¹ *Id.* at 1619.

⁹² *Id.* at 1620-21.

⁹³ *Id.* at 1619.

However, as the article was written prior to the anti-technology decisions of *Napster*, *Aimster*, and *Grokster*, this dichotomy has been somewhat lessened.

As for the Digital Millennium Copyright Act (DMCA), Ginsburg asserts that Congress attempted to devise a “dual regime” in order to grant access control to owners while not wholly shutting down new technologies.⁹⁴ However, as Ginsburg notes, the limitation of controlling access to a work, rather than mere copies of it, restricts the latter fair uses of the work.⁹⁵ Quite correctly, Ginsburg’s criticism of controlling access to works ultimately strikes at one of the Constitutional intents of copyright to promote the *progress* of the arts.⁹⁶ By limiting access to works, the law ultimately impinges upon the creativity of new works and makes for a less creative society.

Part of copyright law’s challenge in adapting to changes in technology can be attributed to the traditional methods of distribution and consumption, and the resistance of content owners to shift to new methods. Professor Joseph Liu examines the challenge of ownership of digital copies in *Owning Digital Copies: Copyright Law and the Incidents of Copy Ownership*.⁹⁷ Traditionally, copyright scholars followed Howard Demsetz’s prominent notion of property rights as applied to copyright: as a property right granted in the possession of physical copies.⁹⁸ One of the basic tenets of property law is the free alienability of physical property.⁹⁹ A “hard” copy is limited in the manner in which it can be transferred, thus restricting the ability of an

⁹⁴ See *id.* at 1631-34.

⁹⁵ *Id.* at 1635-36.

⁹⁶ See U.S. CONST., art. I, §8, cl. 8.

⁹⁷ Joseph P. Liu, *Owning Digital Copies: Copyright Law and the Incidents of Copy Ownership*, 42 WM. & MARY L. REV. 1245, 1247 (2001).

⁹⁸ See Howard Demsetz, *Toward of Theory of Property Rights*, 57-2 AM. ECON. REV. 347, 359 (1967).

⁹⁹ See Liu, *Owning Digital Copies*, *supra* note 97, at 1248-49 (2001). The first-sale doctrine embodies this notion in copyright law. *Id.* The first sale doctrine, 17 U.S.C. §109, is the concept of exhaustion- that once an item is placed into the stream of commerce, the original creator’s right to reap any further financial benefit from later sales is prohibited. See *Quality King Distribs., Inc. v. L’Anza Research Int’l, Inc.* 523 U.S. 135, 152 (1998).

owner to make enough pirate copies to harm the producer.¹⁰⁰ For example, one can give another a book, transferring ownership rights in the book, but one cannot easily copy the entire book and distribute copies of it without more technology, such as a copy machine.¹⁰¹

However, as Liu notes, a digital copy's characteristics are markedly different from "hard" copies, erasing the "physical baseline" which the property right of copyright assumes.¹⁰² Above all, digitization allows unprecedented access to works, legal or otherwise.¹⁰³ Liu posits that in order for copyright law to be relevant in the digital environment, its physical legal characteristics of alienability must be applicable to digital copies.¹⁰⁴ Still, to apply this concept to digital copies, the limitations on ownership must be clear either through license or technological limitations.¹⁰⁵ Ultimately, the distribution of individual digital copies results in a pay-per-use regime, in which use-limitations are built into the price of the work and are agreed upon at time of purchase. In a pay-per-use system, data is encrypted and a user purchases the right to unlock the data in a limited manner.¹⁰⁶

In 2001, F. Gregory Lastowka examined the shifting distribution in *Free Access and the Future of Copyright*.¹⁰⁷ Lastowka articulated three main methods of traditional distribution: (1) the purchase of copies, (2) the purchase of access to content, or (3) free content.¹⁰⁸ However, he contends that digital technology upsets the traditional models, blurring the long-established lines

¹⁰⁰ Liu, *Owning Digital Copies*, *supra* note 97, at 1249-51.

¹⁰¹ *See id.* at 1248-49.

¹⁰² *Id.* at 1250.

¹⁰³ *Id.* at 1309-10.

¹⁰⁴ *See id.* at 1336-40.

¹⁰⁵ *See id.* at 1338-39.

¹⁰⁶ *See* Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine*, 76 N.C. L. REV. 557, 555-56 (1998).

¹⁰⁷ F. Gregory Lastowka, *Free Access and the Future of Copyright*, 27 RUTGERS COMP. & TECH. L. J. 293 (2001).

¹⁰⁸ *Id.* at 294. The purchase of copies is self-explanatory, e.g. the purchase of a computer program on CD-ROM or a physical copy of a book. *Id.* The purchase of access includes viewing a movie in a theater or renting it for a set period of time from a video rental store. *Id.* at 294. The free distribution model includes broadcast television, though it also assumes a bargain of viewing a limited number of advertisements during the programming. *Id.*

differentiating segments of the copyright distribution market.¹⁰⁹ The displacement of the traditional models is due largely to digitization technology, increased storage and memory capacity, and the prevalence of network effects via the Internet.¹¹⁰ Lastowka argues that the confluence of these events has led to the end of the single-copy concept and is leading ultimately to the “end of the middleman” in copyright.¹¹¹

The middleman long held an essential role in the copyright distribution chain by making money producing and distributing copies of the work to the public.¹¹² However, digital technology allows anyone to become a producer, and allows the bypassing of traditional distribution outlets in favor of direct-to-consumer distribution.¹¹³ In addition, the Internet’s popularity is based largely on the free access to information.¹¹⁴ The consequence of such changes could mean the end of the middleman and ultimately copyright law itself.¹¹⁵ As Lastowka observes, two common arguments of those predicting the end of copyright are that (1) “copyright law is not respected normatively,” and (2) since information naturally wants to be free, sharing information is a more advanced and superior model to “crass commercialism.”¹¹⁶ However, the copyright middlemen wield extreme power and continue an essential role in the digital environment by constructing secure online systems to distribute works on a pay-per-use basis.¹¹⁷

¹⁰⁹ *See id.* at 296.

¹¹⁰ *Id.*

¹¹¹ *See id.* at 298-306.

¹¹² *Id.* at 304.

¹¹³ *Id.*

¹¹⁴ *Id.* at 312.

¹¹⁵ *Id.* at 305.

¹¹⁶ *Id.*

¹¹⁷ *See id.*

Changing Views: Regulatory Policy and Copyright Consumers

While the incentive-laden temporary monopoly continues to drive authors to be creative, two related, alternative models have emerged to explain copyright policy: (1) Tim Wu's copyright as communications policy¹¹⁸ and (2) Joseph Liu's regulatory copyright model.¹¹⁹ Tim Wu's *Copyright's Communications Policy*¹²⁰ examines the conflict from the competition side, while Liu then segues to the legislative and regulatory tactics by which the industries battle in *Regulatory Copyright*.¹²¹ While each approach is different, together they help to explain the new direction that copyright law is headed in during the Internet age. While both agree the author-incentive is the basis for copyright law, they also agree that it has been displaced.¹²² The common thread through both is that copyright incumbents use various rent-seeking and anti-competitive behaviors to retain their stranglehold over the dissemination industry.¹²³

As explained previously, incumbent copyright firms furiously battle to inhibit new competitors from taking over in a number of different ways. Wu's copyright as communications policy explains the tension between the two abusive behaviors of both incumbents and challengers.¹²⁴ While new entrants attempt to free-ride off incumbents, incumbents attempt to lock them out of entering the market.¹²⁵ Wu notes that classic communications policy stated that as long as new technologies could afford to pay for the right to disseminate copyrighted works in the form of compulsory licenses, they could use the works.¹²⁶ For example, this model

¹¹⁸ Wu, *Copyright's Communications Policy*, *supra* note 51.

¹¹⁹ Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 87 (2004).

¹²⁰ Wu, *Copyright's Communications Policy*, *supra* note 51.

¹²¹ Liu, *Regulatory Copyright*, *supra* note 119.

¹²² *Id.*

¹²³ See Liu, *Regulatory Copyright*, *supra* note 119, at 135 (2004); Wu, *Copyright's Communications Policy*, *supra* note 51, at 278-79.

¹²⁴ Wu, *Copyright's Communications Policy*, *supra* note 51, at 287.

¹²⁵ *Id.*

¹²⁶ *Id.* at 324-35.

was used with music on the radio, and broadcast television on cable.¹²⁷ What resulted, argues Wu, is a copyright regime in which incumbents look to the law-making process for protection in the form of specific technology-based laws and safe-harbors.¹²⁸

Professor Joseph Liu picks up the argument from there, describing the increasingly regulatory model of copyright law.¹²⁹ Liu characterizes regulatory copyright by four factors: (1) increasingly complex statutes, (2) increasingly industry and technology specific statutes, (3) more intervention in the markets, and (4) greater policy-making power of Congress.¹³⁰ The first factor, increasingly complex statutes, discards the traditional broad-based approach in copyright law left to case-by-case interpretation by the courts.¹³¹ In its place are detailed statutes designed to elicit “precise results” without much wiggle room for interpretation by the courts.¹³² Second and similarly, the specific statutes are much more industry and technology specific, fine-tailoring them to obtain specific results.¹³³ Such specificity may be in the form of specific compulsory licenses to certain devices, narrow exemptions and exceptions, or even limiting the use of certain technologies altogether.¹³⁴

Third, as a result of the complex and specific laws, regulatory copyright intervenes in the structure of copyright markets more than traditional copyright law.¹³⁵ For example, compulsory licenses may be tailored for certain sectors of the copyright industry, while others may apply a

¹²⁷ *See id.*

¹²⁸ *Id.* at 342.

¹²⁹ *See Liu, Regulatory Copyright, supra* note 119, at 103-04.

¹³⁰ *See id.* at 103-05.

¹³¹ *Id.* at 103.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ *Id.* at 104.

tax to reallocate profits to incumbents.¹³⁶ Quite often, such interventions have negative effects on fair use for consumers.¹³⁷ Lastly, the regulatory regime grants increased power to Congress in lieu of the courts.¹³⁸ Due to increased lobbying efforts and Congress' willingness to amend the copyright statute at the direction of the industry, more power is placed in the legislative process of fine-tailoring outcomes for problems rather than in court interpretation of broad-based copyright laws.¹³⁹

Liu proposes a number of causes for the shift to the regulatory regime of copyright law. Most importantly, he suggests that it is a direct result of the rent-seeking by the incumbent copyright industry.¹⁴⁰ Incumbents are the most organized and well-positioned to effect copyright policy in Congress.¹⁴¹ Emerging technologies and consumers may both have their own agendas, however, they are ill-equipped to fight the more powerful incumbent rent-seeking.¹⁴² Further, the increased value of the copyright markets drives the desire to rent-seek from Congress to retain the dominant position. Another possible cause for the increased regulatory copyright policy is that Congress' itself is responsible. Through political compromises designed to cure market failures, Congress may encourage the private deal-making that often results in complex and detailed statutes.¹⁴³

¹³⁶ *Id.*

¹³⁷ See generally Glynn S. Lunney, *Fair Use and Market Failure*, 82 B.U. L. REV. 975 (2002); Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine*, 76 N.C. L. REV. 557 (1999).

¹³⁸ *Id.* at 104-05.

¹³⁹ *See id.*

¹⁴⁰ *Id.* at 131.

¹⁴¹ *Id.*

¹⁴² *See Id.*

¹⁴³ *See id.* at 129-131.

However, increased regulatory copyright is not necessarily always positive, Liu notes.¹⁴⁴ On the whole, more complex statutes are more difficult to interpret for industries that were not involved in writing them.¹⁴⁵ In addition, the broader goals of copyright law are less transparent and diminishes the role of the courts in applying general concepts.¹⁴⁶ As for Congress, interest group pressure poses a constant problem of whether or not it is making copyright policy for the right reasons rather than political paybacks.¹⁴⁷ Congress also may be criticized for drafting extremely complex copyright laws, yet not really having the requisite detailed knowledge to do so.¹⁴⁸ As a result, the statutes are not only complex, but can create further problems due to a lack of foresight and industry knowledge by Congress.¹⁴⁹

Generally, Wu and Liu caution against the further spread of copyright as a communications policy and the regulatory copyright regime that results. Liu adds to the literature of alternative views of copyright policy by looking at the often overlooked end-user in *Copyright Law's Theory of the Consumer*.¹⁵⁰ With the increasing use of copyright dissemination technologies by consumers to not only upload infringing videos, but also their own original works, this theory is worth discussion. Liu argues that consumers are often left out of the copyright discussion, despite the fact that the original copyright author-incentive regime was intended to encourage them to share their creations for the betterment of society.¹⁵¹

Traditional copyright law assumes passive consumers, readily reading, listening, and viewing whatever the market brings to them, when the market brings it to them, in whatever

¹⁴⁴ See *id.* at 134-37.

¹⁴⁵ *Id.* at 134-35.

¹⁴⁶ *Id.* at 135

¹⁴⁷ *Id.* at 136.

¹⁴⁸ *Id.* at 136-37.

¹⁴⁹ See *id.*

¹⁵⁰ Joseph P. Liu, *Copyright Law's Theory of the Consumer*, 44 B.C. L. REV. 397 (2003).

¹⁵¹ See *id.* at 397-98.

form or medium brought to them.¹⁵² Thus, traditional copyright policy merely aims to provide a functioning market of creative works through the author-incentive.¹⁵³ Liu suggests that this view persists into digital copyright law, such as the use of “consumers” in the Digital Millennium Copyright Act and the increasing popularity of the “pay per use” model such as iTunes.¹⁵⁴

Conversely, Liu argues that digital technology allows the consumer to assume an active role with greater autonomy in selecting the manner in which to consume copyrighted works.¹⁵⁵ While *Sony* recognized consumer autonomy by legalizing time-shifting abilities of VCRs in 1982, traditional analog mediums typically left consumers boxed into time slots and specific methods of consumption.¹⁵⁶ No other medium in history has granted consumers more autonomy than the Internet; however, the Internet brings a unique problem. Traditional copyright law limits sharing copyrighted works with others, but allows a certain amount to be shared in a social manner, for example, lending a friend a DVD or CD.¹⁵⁷ Yet, the Internet allows sharing with complete strangers anywhere in the world at little to no cost to the sharing consumer.¹⁵⁸

Technology and the Courts

Other than Congress, the body Constitutionally empowered to make copyright law, no other governmental body comes close to the power over copyright law policy than the United States Federal Courts. Since the grant of copyrights is based in the U.S. Constitution, all copyright disputes have original subject matter jurisdiction in the Federal Court system. As Tim

¹⁵² *See id.* at 402-03.

¹⁵³ *Id.*

¹⁵⁴ *Id.* at 403-04.

¹⁵⁵ *Id.* at 406-07.

¹⁵⁶ *See id.* at 408-09.

¹⁵⁷ *Id.* at 412-14.

¹⁵⁸ *See id.* at 413.

Wu stated, in copyright law, the courts act as a “technological gatekeeper.”¹⁵⁹ This section will first focus on the effect of the courts on the shaping of the law of secondary liability in copyright. Then, it will address the overall policy towards copyright law the courts have taken recently.

Secondary Liability’s Effect on Copyright Law

A major area concerning online infringement of video is secondary liability. Secondary liability allows copyright owners to seek remuneration for acts of infringement from the deep pockets of facilitators, rather than the low-rate of return of suing individual direct infringers.¹⁶⁰ To briefly review, secondary liability consists of both contributory and vicarious infringement, where a facilitator makes it possible another’s infringing act.¹⁶¹ Vicarious liability assumes the facilitator’s right and ability to control supervise the infringer and receives a direct financial benefit from the infringing act.¹⁶² Contributory liability requires a facilitator to have knowledge of the infringing activity and materially contributes, causes, or induces another to do the act.¹⁶³

Articles simply too numerous to list have been written in dissecting the major Supreme Court cases of *Sony* and *Grokster* regarding their secondary liability policies, and the subject will be analyzed further in chapters III and IV.¹⁶⁴ Notably, Professor R. Anthony Reese examined the post-*Grokster* effect on the on the subject of substantial noninfringing uses, noting that the

¹⁵⁹ Wu, *Copyright’s Communications Policy*, 103 MICH. L. REV. 278, 348 (2004).

¹⁶⁰ See Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345, 1349 (2004).

¹⁶¹ See DAVID NIMMER & MELVILLE NIMMER, NIMMER ON COPYRIGHT, §12.04(A)(2) (Matthew Bender, New York 2007). See also *MGM v. Grokster*, 545 U.S. 913, 930 (2005).

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ See e.g. R. Anthony Reese, *The Temporal Dynamics of “Capable of Substantial Noninfringing Uses”*, 13 MICH. TELECOM. & TECH. L. REV. 197 (2006); Center for Democracy & Technology, *Interpreting Grokster: Limits on the Scope of Secondary Liability for Copyright Infringement*, 2006 STAN. TECH. L. REV. 3 (2006); Tiffany A. Parcher, Comment, *The Fact and Fiction of Grokster and Sony: Using Factual Comparisons to Uncover the Legal Rule*, 54 UCLA L. REV. 509 (2006); Tim Wu, *The Copyright Paradox*, 2005 SUP. CT. REV. 229 (2005); Richard M. Myrick, Note, *Peer-to-Peer and Substantial Noninfringing Use: Giving the Term “Substantial” Some Meaning*, 12 J. INTELL. PROP. L. 539 (2005).

application of the doctrine to the same dual-use device may change over time as the uses of the device change.¹⁶⁵ As will later be explored in Chapters III through V, the *Grokster* Court's failure to apply and further articulate the substantial noninfringing use doctrine left its continuing power uncertain.¹⁶⁶ Reese compared the Court's concurring opinions on the issue and concluded that together they called for a prediction of future uses, yet courts are not always the best-situated to make accurate predictions.¹⁶⁷ As a result Reese suggested that copyright owner plaintiffs should have a limited opportunity to return to court at a later date should circumstances change and current information can prove a device no longer capable of substantial noninfringing uses.¹⁶⁸

However, also pertinent to this study is scholarship concerning the effect technological change has on secondary liability. A common criticism is that the legal system is ill-equipped to deal with new technology and secondary liability.¹⁶⁹ In the ambiguous common-law developed world of secondary liability in copyright law, disparate judgments concerning similar technologies are common throughout history.¹⁷⁰ Further, what seems as the settled law of contributory and vicarious liability is in fact an amalgam of unrelated precedents responding to new technologies over the years, from piano rolls and dance halls to the VCR.¹⁷¹ As a result, Professor Craig Grossman argues that innovation proves a poor stimulus for judicial reasoning,

¹⁶⁵ R. Anthony Reese, *The Temporal Dynamics of "Capable of Substantial Noninfringing Uses"*, 13 MICH. TELECOM. & TECH. L. REV. 197, 224 (2006).

¹⁶⁶ *See id.*

¹⁶⁷ *Id.* at 222-23.

¹⁶⁸ *Id.* at 223.

¹⁶⁹ *See* Craig A. Grossman, *From Sony to Grokster, the Failure of the Copyright Doctrines of Contributory Infringement and Vicarious Liability to Resolve the War Between Content and Destructive Technologies*, 53 BUFF. L. REV. 141, 221-22 (2005).

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

for innovation “moves too quickly for the inherently conservative process of refining precedent through judicial practice.”¹⁷²

Additionally, Professors Mark Lemley and Anthony Reese point out two major effects of digital technology on secondary liability.¹⁷³ First, it negatively impacts innovation of “dual-use” technologies, which allow for both infringing and non-infringing uses.¹⁷⁴ For example, something as simple as a trumpet may be put to both infringing and non-infringing uses, but that does not mean that it is not a universally accepted legal device.¹⁷⁵ Courts may be quick to look at dual-use devices as a zero-sum game, shutting down services prematurely, or allowing them to ravage copyright industries wholesale.¹⁷⁶ For instance, if a new technology has \$100 of lawful use, but \$1000 worth of harm to society or authors, it is questionable whether that product should be on the market.¹⁷⁷

There are a number of additional weaknesses of secondary liability regarding new technology. First, new technology is especially vulnerable to total shutdown, because its true capabilities may yet to be fully developed, so a court may be quick to pull the trigger.¹⁷⁸ Second, courts are unable to address the specific illegal conduct of the actual infringers through secondary liability.¹⁷⁹ The actual end-user infringers suffer no repercussion whatsoever. Third, courts have recently loosened the direct financial benefit under vicarious liability, resulting in

¹⁷² *Id.* at 263.

¹⁷³ *See* Lemley & Reese, *supra* note 160, at 1354-72.

¹⁷⁴ *Id.* at 1355.

¹⁷⁵ *Id.*

¹⁷⁶ *Id.* at 1380.

¹⁷⁷ *See* Wu, *Copyright's Communications Policy*, *supra* note 51, at 348-50. *See also* Randal C. Picker, *Copyright as Entry Policy: The Case of Digital Distribution*, 47 ANTITRUST BULL. 423 (2002).

¹⁷⁸ Lemley & Reese, *supra* note 160, at 1389.

¹⁷⁹ *Id.* at 1379.

more facilitators being found liable, though also resulting in less innovation.¹⁸⁰ Each of these problems accumulated may have drastic negative impacts on innovation.

Lemley and Reese recommend three alternatives to suing facilitators based on secondary liability.¹⁸¹ First, one solution is to change the incentive of individual infringers to commit piracy, by making them accountable through enforcement and increased fines.¹⁸² Second, eliminate the need for enforcement through automatic collections in the form of taxes on facilitating devices.¹⁸³ Third, if individual enforcement is still necessary, then create a cheaper more nimble alternative dispute resolution system to keep them out of the courts.¹⁸⁴

Some scholars note that secondary liability is beginning to take on a more attenuated degree, resulting in a new “tertiary liability.”¹⁸⁵ Lemley and Reese first used the term in 2004 to describe courts’ increasing use of liability to go after “the helpers of the helpers.”¹⁸⁶ Different from secondary liability, the tertiary infringer has no contact whatsoever with the primary infringer.¹⁸⁷ Instead, the tertiary infringer is typically a small-scale innovator or start-up, or large-scale venture capitalist, that provides the infringing technology to the facilitator.¹⁸⁸ Thus, it is argued, that shutting down the source of the infringing technology is most efficient rather than shutting down entire dual-use facilitators.¹⁸⁹ However, it could also result in a chilling of

¹⁸⁰ *Id.* at 1367-69.

¹⁸¹ *See id.* at 1351.

¹⁸² *Id.*

¹⁸³ *Id.* at 1351-52. *See also* WILLIAM FISHER, PROMISES TO KEEP: TECHNOLOGY LAW AND THE FUTURE OF ENTERTAINMENT, chp. 6 (Stanford Univ. Press, Stanford, Cal. 2004); Neil W. Netanel, *Impose a Noncommercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 HARV. J. L. & TECH. 2 (2003).

¹⁸⁴ Lemley & Reese, *supra* note 160, at 1351-52.

¹⁸⁵ *See id.* at 1347 (2004); Benjamin Glatstein, Comment, *Tertiary Copyright Liability*, 71 U. CHI. L. REV. 1605 (2004).

¹⁸⁶ Lemley & Reese, *supra* note 160, at 1347.

¹⁸⁷ Benjamin Glatstein, Comment, *Tertiary Copyright Liability*, 71 U. CHI. L. REV. 1605, 1610 (2004).

¹⁸⁸ *Id.* at 1617-19.

¹⁸⁹ *Id.* at 1617-18.

outside investment and as a result again stifle innovation.¹⁹⁰ Tertiary liability has yet to be widely recognized as a viable legal doctrine and remains a largely theoretical approach.¹⁹¹

Judiciary's Role in Setting Copyright Policy

In response to the Supreme Court's recent 2005 *Grokster* copyright decision, Professor Tim Wu addressed the issue of the Court's changing role in copyright policy in *The Copyright Paradox*.¹⁹² Since the landmark 1982 decision, *Sony v. Universal City Studios*, courts consistently apply the "Sony system" of weighing the costs and benefits to society of new technology.¹⁹³ While the legal test determining this is still unclear twenty-five years later, Wu describes two major ways courts decide cases, either the "bad actor" or "welfarist" models, borrowed from antitrust law.¹⁹⁴ In the "bad actor" model, courts look to punish alleged violators of the law, in this case copyright infringers.¹⁹⁵ Under the "welfarist" model, the courts overlooks bad behavior, instead favoring outcomes which benefit society as a whole, a very utilitarian notion.¹⁹⁶

Wu characterizes the *Grokster* decision as a classic tension between the two models, with the Supreme Court ultimately taking the "bad actor" approach by punishing the developers and promoters of contributory-infringing software.¹⁹⁷ He notes that since peer-to-peer had a reputation of piracy, it allowed the Supreme Court to make the politically easy choice of labeling

¹⁹⁰ *Id.* at 1621-22.

¹⁹¹ See William S. Coats ET AL., *Pre- and Post-Grokster Copyright Infringement Liability for Secondary and Tertiary Parties*, 35-JUL COLO. LAW. 71, 72 (2006).

¹⁹² Tim Wu, *The Copyright Paradox*, 2005 SUP. CT. REV. 229 (2005).

¹⁹³ *Id.* at 233.

¹⁹⁴ *Id.* at 230.

¹⁹⁵ *Id.*

¹⁹⁶ *Id.* This approach relies on Adam Smith's philosophy of allowing some bad behavior in society is tolerable as long as the results largely benefit society as a whole. *Id.*

¹⁹⁷ *Id.*

Grokster as the “bad actor.”¹⁹⁸ While the Court split evenly on the question of how to further interpret the dictates of the *Sony* test of weighing societal costs and benefits, it unanimously shut down Grokster by applying the inducement test borrowed from patent law to the “bad” intent of the software.¹⁹⁹

However, Wu cautions against such outright punishment of the “bad guys” for two main reasons.²⁰⁰ First, the “bad actor” approach ignores possible positive consequences to society of infringing devices.²⁰¹ Second, by shutting down alleged infringers, the courts effectively create barriers to entry and ultimately set market entry policy in the copyright technology industry.²⁰² It is always dangerous whenever a non-expert actor, such as the courts often are regarding copyright economics, to set market policies.²⁰³ Wu argues that the “bad actor” test is simply too black and white for copyright policy, “either blessing or cursing the market entry of a given technological device.”²⁰⁴ He concludes that the courts are simply ill-positioned to deal with the market-based problems in copyright law, and should cede substantial power back to Congress to determine the proper equilibrium.²⁰⁵

Conclusion

In conclusion, the copyright literature is vast, and very little literature exists on the topic of copyright infringement of online video. This chapter has supplemented the absence by focusing on the impact of new dissemination technologies on copyright law, the effect it has on legislative decisions, and the courts. The remaining chapters will attempt to build on this scholarship by

¹⁹⁸ *Id.* at 239-41.

¹⁹⁹ *Id.* at 241.

²⁰⁰ *Id.* at 230-32.

²⁰¹ *Id.* at 231.

²⁰² *Id.* at 231-32.

²⁰³ *See id.* at 231.

²⁰⁴ *Id.* at 249.

²⁰⁵ *Id.* at 251.

applying the law to a case study analysis of YouTube and the linking website

SouthParkzone.com in Chapter 4, and proposing solutions to the greater problems identified in

Chapter 5.

CHAPTER 3 REVIEW OF CASE LAW

Copyright law at its most simple form is the unauthorized copying of the original work of another. An author's copyright may also be infringed by violating one of five statutory exclusive rights under Section 106 of the Copyright Act.¹ Section 106 provides for the exclusive rights to reproduce,² prepare derivative works,³ distribute to the public,⁴ perform,⁵ and publicly display their copyrighted works.⁶ Courts have stated simply that the word "copying" in a legal context means the violation of any of the exclusive rights.⁷ Naturally, for any work to be eligible for copyright protection, it must be an original work of authorship, made with a modicum of creativity attributed to the author.⁸

However, in the context of the Internet, the most impacting form of copyright infringement to authors because of scope is not typically direct infringement, but secondary infringement. The Internet brings a new scale to the problem of copyright infringement. The problem is not as much as the creation of actual copies, but instead the means by which the copies are made and shared. As a result, it only takes one original copy, but also requires a mechanism to make and distribute copies. For example, in the past, to copy and distribute hard copies of a movie illegally on DVD, a person would have to have the means and knowledge of how to copy and

¹ 17 U.S.C. § 106 (2002).

² § 106(1).

³ § 106(2).

⁴ § 106(3) ("...to distribute copies...of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending").

⁵ § 106(4) ("...in the case of ... motion pictures and other audiovisual works, to perform the copyrighted work publicly").

⁶ § 106(5) ("...in the case of ...the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly").

⁷ *A&M v. Napster*, 238 F.3d 1004, 1013 (9th Cir. 2001)(citing *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085 n.3 (9th Cir. 1989).

⁸ *See Feist Publications, Inc. v. Rural Telephone Service, Co.*, 499 U.S. 340, 361 (1991)(stating the requirement of originality was "that the work was independently created . . . , and that it possesses at least some minimal degree of creativity.")

distribute hard copies to individuals. This often occurred in black markets and flea markets, reaching only the number of people for which there were hard copies available. However, with the Internet, one only needs to limited knowledge to distribute or display copies on the Internet. On the Internet, copies are non-exclusive, meaning that there are an unlimited “amount” of copies available to anyone that has access to the Internet and the limited knowledge of how to download the copy. As a result, the mechanisms, programs, and linking and sharing websites that make the copying and distribution easy for the Internet user often find themselves in litigation for assisting and enabling the copyright infringement of their users. This is known as secondary liability.

This chapter will further examine copyright jurisprudence of secondary liability, prior linking law, and possible defenses. First, this section will explain direct liability, as direct infringement must first be proven in order to have secondary liability. Next, it will cover the law regarding secondary liability—both vicarious and contributory infringement. It will then set forth the history of linking law on the Internet. Then, it will address the Digital Millennium Copyright Act’s safe harbor of Section 512. Finally, it will cover the statutory defense of fair use as it applies to online video.

Direct Liability

Secondary liability cannot exist in the absence of direct infringement by a third party.⁹ Thus, in order to address secondary liability in copyright law, what constitutes direct infringement must be further explored. Direct infringement is the violation of one of the five exclusive rights under §106.¹⁰ Section 501(a) of the Copyright Act sets forth the requirements

⁹ *Napster*, 239 F.3d at 1013 n.2; *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F.Supp 1361, 1371 (N.D.Cal 1995).

¹⁰ *See* 17 U.S.C. § 106 (2002); 17 U.S.C. § 501 (2002).

for an infringement complaint.¹¹ A plaintiff's prima facie copyright infringement claim must (1) show ownership of the allegedly infringing material, and (2) demonstrate a violation of one of the §106 exclusive rights, absent fair use.¹² Violation of the §106 exclusive right in terms of digital technology and the Internet have taken a few unique forms and thus necessitate a closer look. Each of the exclusive rights (with the exception of the public performance right, which is largely irrelevant to this study) will now be further explored in the context of digital technology and the Internet.

Reproduction Right § 106(1)

The right of reproduction in a physical world simply prohibits the making of tangible copies of an original protected work. An author of a book retains the right to authorize copies of his book, a film producer to authorize copies of his movie on film reels, and a television station to allow copies on videotape. It is also generally accepted that the reproduction right extends to copies made in media other than the original form, absent personal fair use, which will be further explored later.¹³ For example, a music producer retains the right to make copies of a sound recording in both CD form as well as digitized Mp3 files for sale on the Internet. In a physical world, making a hard copy of a work typically involves secondary equipment such as a tape recorder, VCR, or photocopy machine. In the digital world, however, a digitized file can be copied with the simple click of a mouse with free software.

Thus, a special problem presents itself with the Internet regarding ephemeral copies of the contents of a page that are kept in random access memory (RAM), known as cache, when a

¹¹ § 501(a).

¹² *Id.* See also *Napster*, 239 F.3d at 1013.

¹³ See *id.* See also *Sony v. Universal City Studios*, 464 U.S. 417, 443 (1984)(personal time-shifting of television programming with VCR fair use).

browser views a webpage.¹⁴ The cache enables the browser to more efficiently reproduce the webpage, and is not generally considered a violation of the reproduction right by the end-user.¹⁵ Typically, cache files by end-users are viewed as fair use because the copies are temporary in nature and only as required to enhance the web-browsing experience.¹⁶ However, search engines and other websites providing links to copyrighted material where copies of the pages are held in cache have been found to be an unauthorized reproduction.¹⁷ In addition, the U.S. Copyright Office's 2001 report on the Digital Millennium Copyright Act clarifies that copies stored in cache could be sufficiently characterized as reproductions "so long as the reproduction persists long enough to be copied, perceived, or communicated"¹⁸—a relatively simple standard.

Derivative Works § 106(2)

The concept of derivative works stems from the heart of the intent of the Constitution's copyright clause to promote a creative society.¹⁹ However, absent fair use, the right to authorize and license derivative works resides with the original author. A derivative work is defined by §101 of the Copyright Act generally as a creative work built upon a previous work.²⁰ For example, a screen play and subsequent movie based upon a fictional novel are both derivative works of the original novel. It also includes different versions of the original work through editing and alteration. On the Internet, the derivative right is often implicated due to the ease at

¹⁴ See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1156 at n.3 (9th Cir. 2007).

¹⁵ *Id.*

¹⁶ See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1169-70 (9th Cir. 2007).

¹⁷ See *Ticketmaster L.L.C. v. RMG Technologies, Inc.*, 507 F. Supp 2d 1096, 1005-06 (C.D. Cal. 2007). See also *Twentieth Century Fox Film Corp. v. Cablevision Systems Corp.*, 478 F.Supp 2d 607, 621 (S.D.N.Y. 2007).

¹⁸ See U.S. Copyright Office, *DMCA Section 104 Report*, at 107-117 (Aug. 2001), available at <http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf> (last visited Jan. 11, 2008).

¹⁹ See U.S. CONST. Art. I, Sec. 8.

²⁰ 17 U.S.C. § 101 (2005) ("A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.").

which copies can be made, altered, and edited. This includes popular “mashups,” in which copyrighted videos are re-edited and combined with other copyrighted material to form entirely new videos rarely resembling the originals.²¹ In light of the increase in user-generated content on video-sharing websites such as YouTube, the right to authorize derivative works, absent fair use, is often implicated in alleged infringements.

Distribution Right § 106(3)

The Copyright Act specifically grants copyright owners the exclusive right to distribute copies of their works “to the public by sale or other transfer of ownership . . . rental, lease, or lending.”²² The pertinent question to this study is whether the distribution right extends to streaming of online video. The standard of distribution, according to the statute, is “to the public.”²³ Additionally, the Supreme Court has held that electronic copies should be treated similarly as hard copies regarding the distribution right.²⁴ Yet, it is questionable whether the mere placement, or “making available,” of a streaming video on the Internet available to the public is a “distribution” because, by the strict language of the statute, it is not a “sale or other transfer of ownership . . . rental, lease, or lending.”²⁵ The argument is that a transmission is legally distinct from a sale or transfer of ownership.

However, few courts have applied the “making available” standard to the distribution right. In 1994, the Fourth Circuit deemed a library’s making of infringing books available to the public to check out a “distribution” of the works.²⁶ As for the Internet, a number of courts have held

²¹ See N’gai Croal, *Time for Your Mash-Up?*, NEWSWEEK, Mar. 6, 2006, at 61-62.

²² 17 U.S.C. § 106(3) (2002).

²³ *Id.*

²⁴ *N.Y. Times v. Tasini*, 533 U.S. 483, 498 (2001).

²⁵ See *id.* See also R. Anthony Reese, *The Public Display Right: The Copyright Act’s Neglected Solution to the Controversy Over RAM Copies*, 2001 U. OF ILL. L. REV. 83, 122-38 (2001).

²⁶ *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 203 (4th Cir. 1997).

that the posting of infringing images for download on Bulletin Board Systems (BBS) and websites held on centralized servers constituted a distribution.²⁷ However, the Ninth Circuit recently backed away from such a definition of distribution where the Google search engine merely directed users to images held on other websites' servers, finding no liability for Google.²⁸

Public Display and Performance Rights § 106(4)-(5)

Finally, the public performance and display rights are often implicated by the Internet regarding online video, treated in the statute as either motion pictures or audiovisual works.²⁹ The §106(4) performance right, as defined by §101 states that a motion picture or audiovisual work is performed when its images are shown “in any sequence.”³⁰ Similarly, the §106(5) public display right is implicated where a copy of a work is “shown” or where motion picture or audiovisual work shows “individual images non-sequentially.”³¹ Regarding infringement of video, these distinctions appear to be without much difference. However, a single still image displayed online from a video, such as a thumbnail, could constitute a public display given the nonsequential nature of the image.³² Yet, the semantics of which right applies is less important than determining whether either applies at all.

The key in defining what constitutes a “public” display or performance, and whether Internet content qualifies, lies in the definition of “public.” The answer is found what is known as the “transmit clause” of §101, stating that to “transmit or otherwise communicate a

²⁷ See *Playboy Enters. v. Webworld, Inc.*, 991 F. Supp. 543, 550-53 (N.D. Tex. 1997)(storing infringing photos on servers with the ability for users to download and print the photos was a distribution); *Central Point Software, Inc. v. Nugent*, 903 F.Supp. 1057, 1058 (E.D.Tex.1995)(making available for download of copyrighted computer software on BBS was distribution); *Playboy Enterp. v. Frena*, 839 F. Supp. 1552, 1556 (M.D. Fla. 1993)(holding that user postings of Playboy's copyright images to BBS with the ability to later be downloaded constituted a distribution).

²⁸ See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1162-63 (9th Cir. 2007).

²⁹ See 17 U.S.C. § 101 (2005).

³⁰ *Id.* (“perform”).

³¹ *Id.* (“display”).

³² See *Michaels v. Internet Entertainment Group, Inc.*, 5 F. Supp 2d 823, 830-31 (C.D. Cal. 1998)(finding that still images captured from a celebrity sex-tape and posted on Internet a violation of the video's public display right).

performance or display of the work . . . to the public, by means of any device or process, whether the members of the public receive it in the same place or separate places and at the same time or different times.”³³ The transmit clause incorporates the Internet into the public display and performance rights by adopting the basic tenet of online video, that the end-user can view it in an on-demand fashion, at the time and place of their own choosing. For example, in a precursor case to the current online video controversy, a U.S. District Court found that a Canadian company that converted live U.S. copyrighted telecasts into streaming video for its users violated the public performance rights of the copyright holders.³⁴ Setting aside the international jurisdictional issues, the website iCraveTV.com streamed copyrighted works such as NFL football and NBA basketball games, and publicly performed them because Internet users could access them through the website.³⁵

Secondary Liability

Liability for copyright infringement can only be found in the Copyright Act for direct infringement by an individual.³⁶ However, there is a well-developed body of law that enables a plaintiff to sue for infringement based upon acts complicit by a third party that enables direct infringement.³⁷ Commonly known as secondary liability, it has two major categories: vicarious infringement and contributory infringement. The Supreme Court has recognized such liability in the field of copyright, acknowledging that, “the absence of such express language in the

³³ 17 U.S.C. § 101 (2005)(“publicly”).

³⁴ Twentieth Century Fox Film Corp. v. iCraveTV, 2000 WL 255989 at *3 (W.D. Pa. 2000).

³⁵ *Id.*

³⁶ See 17 U.S.C. § 501(a) (2002). See also *Sony v. Universal City Studios*, 464 U.S. 417, 434 (1984).

³⁷ See DAVID NIMMER & MELVILLE NIMMER, *NIMMER ON COPYRIGHT*, §12.04[A] (Matthew Bender, New York 2007).

copyright statute does not preclude the imposition of liability for copyright infringers on certain parties who have not themselves engaged in the infringing activity.”³⁸

The origins of secondary liability in copyright law stem from the common law agency doctrine of *respondeat superior* as well as a parallel provision in the Patent Act which expressly allow for secondary liability.³⁹ *Respondeat superior* is derived from the tradition of the master-servant relationship, holding a master responsible for the actions of his servant.⁴⁰ Such liability was similarly extended to the workplace, making a corporation culpable for the actions of its employee in matters related to the business, and has since been extended to many other types of relationships where a right to supervise or control exists.⁴¹

The Supreme Court cited the similarities in the Patent Act that makes liable anyone who “actively induces infringement of a patent”⁴² as well as imposing liability on a specific “contributory” infringers.⁴³ The Court relied upon the Patent Act due to the common Constitutional origins of copyrights and patents when extending secondary liability to copyright law.⁴⁴ While the Court recognized the substantial differences between patent and copyright law, it argued that both are grounded upon the basis that protecting the creative monopoly may require courts to look beyond mere duplication, instead to the devices which make actual duplication possible.⁴⁵

³⁸ Sony v. Universal City Studios, 464 U.S. 417, 435 (1984).

³⁹ See NIMMER ON COPYRIGHT, *supra* note 37, at §12.04(A)(1); Sony, 464 U.S. at 434-35.

⁴⁰ See NIMMER ON COPYRIGHT, *supra* note 37, at §12.04(A)(1).

⁴¹ See *id.*

⁴² See 35 U.S.C. § 271(b) (2003).

⁴³ See 35 U.S.C. § 271(c).

⁴⁴ See NIMMER ON COPYRIGHT, *supra* note 37, at §12.04(A). Patent law expressly provides for secondary liability as anyone who “actively induces infringement of a patent,” 35 U.S.C. §271(b), and certain “contributory” infringers, 35 U.S.C. §271(c). Sony v. Universal City Studios, 464 U.S. 417, 435 (1984).

⁴⁵ Sony, 464 U.S. at 442.

The distinctions between vicarious and contributory liability are often confused. In short, vicarious liability focuses on the relationship of the defendant to the third-party infringer, while contributory infringement looks to the relationship of the defendant to the actual infringing act.⁴⁶ The Supreme Court stated that “one infringes contributorily by intentionally inducing or encouraging direct infringement . . . and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.”⁴⁷

Vicarious Liability

Vicarious liability pertains to a third-party’s right, duty, or ability to control a third party direct infringer.⁴⁸ The Supreme Court noted that “vicarious liability is imposed in virtually all areas of the law”⁴⁹ To be found liable for vicarious infringement, three basic elements must be met: (1) there must be an act of direct infringement by a third party, (2) the defendant must possess the right and ability to control the infringer’s conduct, and (3) defendant must receive a financial benefit from the exploitation of the work.⁵⁰

A classic example of vicarious infringement can be found in the “dance hall” cases in which the owners of entertainment venues were found liable for the infringing acts of the orchestras or bands performing within their venues.⁵¹ Liability was found whether or not the bandleaders were true employees of the club or merely independent contractors, and regardless of whether the owner had knowledge of the infringing act.⁵² By inviting patrons to the club and charging for admission, the dance hall owner invited potential liability under vicarious

⁴⁶ See *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005).

⁴⁷ *Id.*

⁴⁸ See NIMMER ON COPYRIGHT, *supra* note 37, at §12.04(A)(2).

⁴⁹ *Sony*, 464 U.S. at 435.

⁵⁰ NIMMER ON COPYRIGHT, *supra* note 37, at §12.04(A)(2).

⁵¹ See *e.g.* *Dreamland Ball Room v. Shapiro, Bernstein, & Co.*, 36 F.2d 354 (7th Cir. 1929). See also *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307-08 (2d Cir. 1963).

⁵² See *supra*.

infringement for the infringing acts over those employed in some fashion by the club.⁵³ As the *Sony* Court pointed out, this line of cases can be contrasted with the landlord-tenant line of cases, where a landlord leases space to an infringing tenant, but without knowledge or participation in the infringement.⁵⁴

There has been some disagreement among the Federal Circuit Courts over what constitutes a “financial benefit.” The Second Circuit has generally followed a more strictly drawn nexus between the infringing activity and the financial benefit.⁵⁵ It required an “obvious and direct financial interest in the exploitation of copyrighted materials.”⁵⁶ Meanwhile, the Ninth Circuit has engaged in a broadening of the financial benefit requirement to the extent that so long as there is some financial remuneration where there is some right to control the infringing activity, the requirement will be met.⁵⁷

Contributory Liability

Unlike vicarious infringement’s focus on the association between the defendant and their control over the direct infringer, contributory infringement looks to the connection between the defendant and the actual infringing act. Contributory infringement may generally be found where, “one who, with knowledge of the infringing activity, induces, causes or materially

⁵³ *See supra*.

⁵⁴ *See Sony v. Universal City Studios, Inc.*, 464 U.S. 417, 438 at n.18 (1984)(citing *Deutsch v. Arnold*, 98 F.2d 686 (2nd Cir. 1938)).

⁵⁵ *See Softel, Inc. v. Dragon Med. & Scientific Communications, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997); *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307-08 (2d Cir. 1963).

⁵⁶ *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963)(stating that, “an obvious and direct financial interest in the exploitation of copyrighted materials” may result in the imposition of liability upon the beneficiary of that exploitation; finding chain store liable for the infringing acts of retained operator running its record departments).

⁵⁷ *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001) (finding Napster liable for vicarious infringement because the future of the business relied upon building a network of infringing users to advertise to); *Fonovisa v. Cherry Auction*, 76 F.3d 259, 263 (9th Cir. 1996) (finding a direct financial benefit by swap-meet landlord when lessees paid minimal rental fees and defendant received no commission or proceeds from the sales of bootleg music).

contributes to the infringing conduct of another . . .”⁵⁸ Thus the three basic elements of contributory infringement are (1) an act of direct infringement by a third party, (2) where the defendant has knowledge of the infringing activity, and (3) the defendant induces, causes, or materially contributes to the infringement.⁵⁹ Some have further divided this up into two general ways to contributorily infringe, either by participating in the infringement, or providing the means by which to infringe.⁶⁰

Modern Secondary Liability and Technology

From the development of the VCR in the early 1980’s to the online file-sharing craze of the late-1990’s, contributory infringement and vicarious infringement, are at the heart of modern new-technology copyright infringement cases. As will be explored further below, as new technologies develop, conflicting questions arise between copyright protection for content-owners, and questions of fair use by individuals using the new technology. The increasingly easy ability to copy was the common characteristic of all the devices in question in the new age of secondary liability. As the Supreme Court has noted, copyright law has developed in response to changes in technology, as far back as the invention of the printing press necessitating the rise of copyright protection.⁶¹ There are two major Supreme Court cases dealing with emerging technology, *Sony v. Universal City Studios*⁶² in 1984, and the more recent *Metro-Goldwyn-Mayer v. Grokster*⁶³ decision of 2005. Additionally two lower court cases helped to shape the law. In 2001 the U.S. Court of Appeals for the Ninth Circuit decided *A&M v. Napster*,⁶⁴ and in

⁵⁸ *Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

⁵⁹ *MGM v. Grokster*, 545 U.S. 913, 930 (2005).

⁶⁰ NIMMER ON COPYRIGHT, *supra* note 37, at §12.04(A)(3)(a-b).

⁶¹ *Sony v. Universal City Studios*, 464 U.S. 417, 430 (1984).

⁶² *Id.*

⁶³ 545 U.S. 913 (2005).

⁶⁴ *A&M v. Napster*, 239 F.3d 1004 (9th Cir. 2001).

2003 Judge Richard Posner of the U.S. Court of Appeals for the Seventh Circuit handed down *In re Aimster Copyright Litigation*.⁶⁵

Sony v. Universal City Studios (1984)

In 1984, the Supreme Court decided the seminal case of *Sony v. Universal City Studios* (*Sony*), determining whether the sale of video tape recorders violated television show owner's rights under the Copyright Act.⁶⁶ The Sony Betamax video tape recorder⁶⁷ enabled users to record television shows and movies from their televisions.⁶⁸ A survey conducted by Sony for trial showed that the primary use of the Betamax was for time-shifting, consisting of recording a show and watching it once at a later time.⁶⁹ Some shows authorized time-shifting while others did not.⁷⁰ A number of content-owners elected to sue Sony, instead of the direct infringers, on the theory that some Betamax users utilized the device to record copyrighted works from broadcast television not only for time-shifting, but also to build libraries of copyrighted programming.⁷¹

The U.S. District Court for California determined that non-commercial home recording, including authorized and unauthorized time-shifting, was a fair use and thus non-infringing.⁷² The District Court also independently found no contributory infringement by Sony, stating that it had no direct involvement in the direct infringement by its users.⁷³ The court reasoned that while the Betamax was capable of a number of infringing uses, finding Sony liable for them

⁶⁵ *In re Aimster Copyright Litigation*, 334 F.3d. 643 (7th Cir. 2003).

⁶⁶ *Sony v. Universal City Studios*, 464 U.S. 417 (1984).

⁶⁷ The Sony Betamax was a competitor in the emerging home-video recording market, comparable to today's VCR.

⁶⁸ *Sony*, 464 U.S. at 420.

⁶⁹ *Id.* at 421.

⁷⁰ *Id.*

⁷¹ *Id.* At the time, broadcasts were either approved for home recording or were prohibited, and an individual had to look up in TV listings whether or not the work was eligible for home recording. *Id.* at 445.

⁷² *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F.Supp. 429 (D.C.Cal. 1979).

⁷³ *Id.* at 436.

would set a precedent that would unduly obstruct commerce and expand potential liability beyond the judiciary's control.⁷⁴ The court borrowed the "staple-article of commerce" theory from patent law,⁷⁵ asserting contributory infringement could not be found where there existed a "substantial non-infringing use."⁷⁶

However, the U.S. Court of Appeals for the Ninth Circuit disagreed and reversed, finding that time-shifting was not a fair use because it not a "productive" use.⁷⁷ The Ninth Circuit also rejected the "staple-article of commerce" argument, stating that primary purpose of videotape recorders was to reproduce television programming.⁷⁸ The court reasoned that since most television programming is copyrighted material, if the primary purpose of the Betamax was to record such material, then videotape recorders cannot be found to have a "substantial non-infringing use."⁷⁹

The Supreme Court reversed the holding of the Ninth Circuit, finding Sony not liable for the direct infringement of Betamax users in a five-to-four decision.⁸⁰ Justice John Paul Stevens, writing for the majority, relied heavily upon the traditional reluctance of the judiciary to do what he viewed would be imposing an unprecedented new form of liability upon innovators.⁸¹ Justice Stevens preferred to leave such decisions to Congress, the body with Constitutional authority to properly address the issue, when technological innovations alters the market for copyrighted

⁷⁴ *Id.* at 461.

⁷⁵ *See* 35 U.S.C. § 271(c) (2003).

⁷⁶ *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F.Supp. 429, 436 (D.C.Cal. 1979).

⁷⁷ *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 971-72 (9th Cir. 1981) ("... when copyrighted material is reproduced for its intrinsic use, the mass copying of the sort involved in this case precludes an application of fair use.").

⁷⁸ *Id.* at 975.

⁷⁹ *Id.*

⁸⁰ *Sony v. Universal City Studios*, 464 U.S. 417, 421 (1984).

⁸¹ *See Sony*, 464 U.S. at 431-32.

materials.⁸² The majority acknowledged that, “it is not our job to apply laws that have not yet been written,” leaving room for Congress to “take a fresh look at this new technology, just as it so often has examined other innovations in the past.”⁸³

The Court first addressed the issue of whether Sony could be found to be a vicarious infringer.⁸⁴ While the argument could be made that Sony benefited financially through the sale of the Betamax, the Court said nothing as to how Sony possessed any control over the customer - - a necessary element to vicarious liability.⁸⁵ The Court determined that the only way Sony could be found liable on such theory would be if it sold the Betamax with constructive knowledge of the fact that customers may use the device to violate copyrights.⁸⁶ In other words, the only true way for Sony to not be labeled a vicarious infringer under such a standard would be if Sony stopped selling the Betamax altogether, an alternative neither the Court nor Sony wanted. Additionally, finding liability based upon mere constructive knowledge of an infringing act would have forced the Court to go beyond precedent—something it was unwilling to do at the time.⁸⁷

While the majority recognized vicarious infringement as a potential form of liability in copyright law, though not for Sony, the opinion then focused on the question of whether Sony was a contributory infringer.⁸⁸ The Court adopted the view of the District Court and the “staple-article of commerce” argument borrowed from patent law.⁸⁹ The Court recognized that to protect the copyright monopoly, courts are sometimes required to look beyond the direct

⁸² *Id.*

⁸³ *Id.* at 456.

⁸⁴ *See id.* at 439.

⁸⁵ *See id.*

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *See id.* at 440-44.

⁸⁹ *See id.*

infringing duplication to the products that make such copying possible.⁹⁰ As paralleled in the “staple-article of commerce” doctrine, “the sale of copying equipment . . . does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes.”⁹¹ In other words, the Court had to determine whether the Betamax was capable of a “substantial non-infringing use.”⁹²

The Court next turned to the task of defining what was a “substantial non-infringing use.”⁹³ In terms of infringement, the Court said that it did not need to consider every possible potential use and determine whether it was infringing, but instead whether a “*significant* number of them would be non-infringing.”⁹⁴ The majority did not offer a bright line number of what significant meant, however they gave deference to the fact-finding of the district court in terms of how much the Betamax was used for non-infringing use.⁹⁵ The District Court found that the defendants collectively held less than ten percent of copyrights in the television market, thus leaving a significant portion of copyright holders subject to the outcome of the litigation, many of which allowed viewers to copy their programs for later viewing.⁹⁶ In addition the Court agreed with the district court that authorized time-shifting expands the audience, allowing a viewer to see a show that he otherwise might not have had the opportunity to see at the time it was aired.⁹⁷ The majority also echoed the district court’s finding that non-authorized time-

⁹⁰ *Id.* at 442.

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.* (emphasis added).

⁹⁵ *See id.* at 443-45.

⁹⁶ *Id.* at 443.

⁹⁷ *Id.*

shifting also fits under the fair use exception and thus could also be found to be a substantial non-infringing use.⁹⁸

However, the dissent, authored by Justice Harry Blackmun and joined by Justices Marshall, Powell, and Rehnquist, took issue with the majority's characterization of contributory infringement as a "novel theory of liability."⁹⁹ The minority first disagreed on the finding of fair use, stating that it would have required unauthorized time-shifting to be a "productive use" as the Ninth Circuit had required.¹⁰⁰ The minority reasoned that extending fair use as far as unauthorized time-shifting would erode the basis of copyright law and eviscerate the incentive to create.¹⁰¹ Justice Blackmun thus would have found Sony liable for contributory infringement because to him the intended use of the Betamax was to copy programs off-air, and Sony was induced and materially contributed to the direct infringement of users by virtue of their advertising and the sole intended use of the device.¹⁰²

Further, the dissent disagreed with the application of the "staple-article of commerce" doctrine to copyrights.¹⁰³ However, recognizing the majority's application of "substantial non-infringing use," Justice Blackmun concluded that, "if a *significant* portion of the product's use is *non-infringing*, the manufacturers and sellers cannot be held contributorily liable for the product's infringing uses."¹⁰⁴ However, Justice Blackmun insisted that if "virtually all" of the product's use is infringing, then contributory liability may be imposed.¹⁰⁵ He disagreed with the

⁹⁸See *id.* at 447-56.

⁹⁹*Id.* at 457 (Blackmun, J., dissenting).

¹⁰⁰*Id.* at 479. Justice Blackmun's dissent recognized that there should remain room for non-productive uses that have a minimal impact on the potential market for the copyrighted work. *Id.* at 482.

¹⁰¹*Id.* at 481.

¹⁰²*Id.* at 490.

¹⁰³*Id.* at 491. "I do not agree that this technical judge-made doctrine of patent law, based in part on considerations irrelevant to the field of copyright . . . should be imported wholesale into copyright law." *Id.*

¹⁰⁴*Id.* (emphasis in original).

¹⁰⁵*Id.*

majority's method of calculating substantial non-infringing uses.¹⁰⁶ Where the majority looks at the amount of television programming that is copyrighted, Justice Blackmun would instead look at the amount of Betamax usage that is infringing.¹⁰⁷

***A&M v. Napster* (9th Cir. 2001)**

The first major decision by a federal court concerning online copying technology in the Internet era came in 2001 from the U.S. Court of Appeals for the Ninth Circuit in the groundbreaking case *A&M Records v. Napster*.¹⁰⁸ Napster was a peer-to-peer file sharing website with accompanying software which enabled networked users to share music files in MP3 format.¹⁰⁹ Napster enabled its users to make MP3 copies of music files on their computer hard drive by copying the files from other users' networked computers.¹¹⁰ Napster allowed users to share their own MP3 music files with other users as well.¹¹¹ Though all files were housed on the user's computers and not Napster's servers, Napster made all the sharing possible by uploading the names of all shared files into its common directory.¹¹² To download a song, users simply searched Napster's centralized directory which directed them automatically to another user's computer from which to download the song.¹¹³

Napster was free and easy to use, and as a result direct copyright infringement was rampant by its users, violating the music copyright owner's distribution and reproduction rights.¹¹⁴ A legion of recording industry companies filed suit against Napster and were awarded a temporary

¹⁰⁶ *Id.* at 492.

¹⁰⁷ *Id.* As a result of the divergent views on how to calculate substantial non-infringing use in this case, Justice Blackmun would have recommended the case for remand to the District Court for reconsideration. *Id.* at 493.

¹⁰⁸ *A&M Records v. Napster*, 239 F.3d 1004 (9th Cir. 2001).

¹⁰⁹ *Id.* at 1011.

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *Id.* at 1012.

¹¹³ *Id.*

¹¹⁴ *Id.* at 1014.

injunction by the district court.¹¹⁵ Napster offered the defense of fair use for the direct infringement of its users.¹¹⁶ Napster asserted that space-shifting (downloading a song that you already own in another physical form)¹¹⁷ and sampling (downloading a song to see if you like it in order to determine whether to buy it later) should have been recognized as fair uses by the district court.¹¹⁸

However, the Ninth Circuit affirmed the district court's ruling that Napster was not a fair use and sustained the temporary injunction based on contributory and vicarious infringement.¹¹⁹ First, the court addressed Napster's fair use argument. Regarding sampling as a fair use, the court held that the more music that was downloaded for sampling purposes, the less likely users are actually to purchase the CD.¹²⁰ Moreover, the court found that sampling would have adverse effects upon the developing legal digital download market.¹²¹ As for space-shifting, the court rejected Napster's insistence that space-shifting by its users was no different than that of Betamax users many years prior.¹²² The court distinguished *Sony* by stating that most Betamax users did not utilize the device to distribute infringing recordings, whereas all Napster users who participated in file-sharing infringed by distribution as well.¹²³

¹¹⁵ *Id.* at 1011. The recording industry heavyweights suing Napster were A&M Records, Geffen Records, Interscope Records, Sony Music Entertainment, MCA Records, Atlantic Recording, Motown Record Co., and Capitol Records. *Id.* at 1004.

¹¹⁶ *See id.* at 1014-15.

¹¹⁷ "Space shifting occurs when a Napster user downloads MP3 music files in order to listen to music he already owns on an audio CD." *Id.* at 1019.

¹¹⁸ *Id.* at 1018-19.

¹¹⁹ *See id.* at 1019.

¹²⁰ *Id.* at 1018.

¹²¹ *Id.* iTunes music store, for example.

¹²² *Id.* at 1019.

¹²³ *Id.* The court also referenced to *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072 (9th Cir. 1999), in which the Ninth Circuit stated that the "Rio," a portable MP3 player, only made copies in order to make owned CD's portable, thus properly space-shifting them. *Id.*

Next, the court shifted focus to the elements of contributory infringement.¹²⁴ A secondary infringer must have knowledge or have reason to know of the direct infringement to be liable under contributory infringement.¹²⁵ The Ninth Circuit approved the district court's finding that Napster had both actual and constructive knowledge of its users unlawful exchanging of copyrighted music.¹²⁶ The district court found that Napster had actual knowledge because Napster's founder Sean Parker authored a document stating that Napster needed to remain ignorant of users' real identities "since they are exchanging pirated music," and the Recording Industry Association of America informed Napster of more than 12,000 infringing files shared on its network.¹²⁷ It found that Napster had constructive knowledge due to Napster executives' recording industry experience, their general knowledge of intellectual property rights, their own downloading of copyrighted songs on Napster, and their promotion of the site with screen shots including infringing files.¹²⁸

The Ninth Circuit followed the rule from *Sony* that knowledge with a substantial non-infringing use could exculpate the defendant of contributory liability.¹²⁹ However, the court departed from the district court in defining what constituted a substantial non-infringing use.¹³⁰ The Ninth Circuit stated that the lower court placed too much emphasis on the current and

¹²⁴ See *Napster*, 239 F.3d at 1020.

¹²⁵ *Id.* (citing *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845-46, n.29 (11th Cir. 1990) and *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F.Supp. 1361, 1373-74 (N.D.Cal. 1995)).

¹²⁶ *Id.*

¹²⁷ *Id.* at 1020, n.5. But see PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT §6.1.2, p.6:12-1 (2d ed. Aspen Pub., New York 2003)(disagreeing with the Ninth Circuit's finding that actual knowledge alone is sufficient to find contributory infringement.).

¹²⁸ *Id.*

¹²⁹ *Id.* at 1020 (citing the rule from *Sony* that if liability is to be imposed, "it must rest on the fact the they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material," unless the device was capable of substantial non-infringing uses. *Sony v. Universal City Studios*, 464 U.S. 417, 439 (1984).)

¹³⁰ See *Napster*, 239 F.3d at 1020-21.

ongoing infringing uses, rather than looking to the *future* non-infringing uses.¹³¹ The court also added that knowledge can be imputed where a computer system operator such as Napster learns of specific infringing material on the system and “*fails to purge such material from the system.*”¹³² The court analogized the rule substantial non-infringing use rule from *Sony*, saying that absent specific information identifying infringing activity, a computer system operator cannot be held contributorily liable solely because the structure of the system allows users to exchange copyrighted material.¹³³ The court stated further that finding contributory infringement merely because of an infringing use would violate *Sony* and surely stifle innovation.¹³⁴

Though the Ninth Circuit gave great deference to *Sony* in applying the case to Napster, in the end the court found Napster liable of contributory infringement based upon its actual knowledge that specific infringing material was available using its system, that it had the capability to block users’ access to such infringing material, and that it failed to remove the material.¹³⁵ In a way, the *Napster* court added the duty to mitigate against infringement to contributory infringement where one has knowledge of such infringement, regardless of the prevalence of the infringement. The court also failed to define how far in the future a court should look in finding substantial non-infringing uses.

After finding Napster contributorily liable, the Ninth Circuit then determined whether Napster was liable under the vicarious infringement standard. The court did not apply *Sony*’s “staple-article of commerce” doctrine to vicarious infringement because *Sony*’s discussion of

¹³¹ *Id.* at 1021.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ *Id.* at 1022.

vicarious liability was limited as the issue of vicarious liability was not before the Court at the time.¹³⁶ Thus, the court judged vicarious infringement by the “right and ability to supervise the infringing activity and also [having] a direct financial interest in such activities.”¹³⁷

First, the court agreed with the district court’s finding that Napster derived a financial benefit from the infringing acts of its users.¹³⁸ The court found that the infringing material acted “as a draw for customers” to the system.¹³⁹ In addition, the court found that Napster’s future revenue is based on increasing the size of its network, and the network size increases as the quality and quantity of music increases.¹⁴⁰ Therefore, Napster was found to directly benefit from the infringing acts of its users.¹⁴¹

Second, the court determined whether Napster possessed the right and ability to supervise the conduct of its users, agreeing in part with the finding of the district court finding ability to supervise.¹⁴² The district court found that through a Terms of Use agreement with its users, it possessed the right to control and terminate accounts, and possessed the technological capabilities to police the acts of users through its search function.¹⁴³ The Ninth Circuit agreed in principle with this finding, but recognized that Napster users were capable of tricking the search system by merely misspelling names of songs because the system only read song titles, not the actual content of the MP3.¹⁴⁴ With that said, the court still found that Napster possessed the ability to supervise and thus could be found vicariously liable.

¹³⁶ *See id.* at 1022-23.

¹³⁷ *Id.* (citing *Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

¹³⁸ *Id.* at 1023.

¹³⁹ *Id.* (citing *Fonovisa Inc., v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996)).

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

¹⁴² *See id.* at 1023.

¹⁴³ *See id.* at 1023-24.

¹⁴⁴ *Id.*

Finally, the Ninth Circuit's concluded its analysis by considering whether Napster found immunity from all liability under the safe-harbor provision of Section 512 of the Digital Millennium Copyright Act¹⁴⁵ as an "Internet Service Provider."¹⁴⁶ The court rejected the district court's conclusion that the safe-harbor had no application to secondary infringers.¹⁴⁷ The court posed three questions regarding the application of §512 to Napster: (1) whether Napster was an "Internet service provider" as defined by the act, (2) whether copyright owners must give a provider like Napster "official" notice in order for there to be knowledge or awareness of infringement taking place on its system, and (3) whether Napster complies with the section's directive for "Internet service providers" to establish a detailed copyright compliance policy.¹⁴⁸ However, the court stated that these issues would be developed more thoroughly at trial on remand.¹⁴⁹

***In re Aimster* (7th Cir. 2003)**

Around the same time *Napster* was decided, many of the same recording industry plaintiffs filed numerous suits against the "Aimster" Internet service and its creator John Deep.¹⁵⁰ Aimster was developed in large part to replace the void in file sharing systems due to the shutdown of Napster. The Northern District of Illinois was selected by Multidistrict Litigation Panel to hear the consolidated complaints of Plaintiffs.¹⁵¹ The district court issued a temporary injunction

¹⁴⁵ 17 U.S.C. §512.

¹⁴⁶ *See Napster*, 239 F.3d at 1025.

¹⁴⁷ *See id.*

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ *See In re Aimster Copyright Litigation*, 334 F.3d 643, 645-46 (7th Cir. 2003).

¹⁵¹ *Id.* at 645

against Aimster finding a high probability of it being a contributory and vicarious infringer, and the U.S. Court of Appeals for the Seventh Circuit heard the appeal.¹⁵²

Aimster was similar to Napster in that it offered free software to download which allowed users to share music files over its servers.¹⁵³ Also like Napster, Aimster did not host any files on its servers, only collecting and organizing the information about the files from the users.¹⁵⁴ The Aimster software piggybacked on AOL's instant messaging software, thus requiring users to be signed into AOL instant messenger to share files.¹⁵⁵ Aimster users searched through the centralized listing of files, but were only able to swap files with those users designated as his "buddy."¹⁵⁶ However, if a user did not designate any "buddies" then all users of Aimster became "buddies" and thus the whole system was open to them for music file sharing.¹⁵⁷ Aimster differed from Napster in that it offered "Club Aimster," a service that users could join for a fee allowing them to more easily download the "top-40" popular music files on Aimster.¹⁵⁸ Judge Richard Posner, writing for the Seventh Circuit, likened Aimster to a stock exchange, not directly making copies of the infringing works, but offering the facility for matching offers of exchange.¹⁵⁹

The court first drew upon *Sony's* substantial non-infringing use doctrine and applied it to Aimster. Judge Posner stated that in order to define whether Aimster was capable of substantial non-infringing use, the court need not explore all potential uses and whether they are infringing,

¹⁵² *Id.*

¹⁵³ *Id.* at 646.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ *Id.* at 647.

but instead whether a significant number of them would be non-infringing.¹⁶⁰ Furthermore, Posner noted that, as in *Sony*, one potential use of a system—the Betamax’s use of private, non-commercial time-shifting—could be commercially significant enough to satisfy the standard.¹⁶¹ The court added that the cost and benefit balancing introduced by the *Sony* Court is necessary only where substantial non-infringing uses, real or potential, are demonstrated.¹⁶² But when it is, “some estimate of the respective magnitudes of these uses is necessary”¹⁶³

Most importantly, the Seventh Circuit found that Aimster took affirmative steps that were missing from both *Napster* and *Sony*, in the form of specifically inviting and instructing infringing uses.¹⁶⁴ Aimster tutorials only gave examples of how to share files of copyrighted music.¹⁶⁵ Additionally, “Club Aimster” charged users \$4.95 a month for the ability to easily download the most popular music, which turned out to always be copyrighted.¹⁶⁶ While Aimster was capable of sharing files that would amount to non-infringing uses, the main source of income was through “Club Aimster” subscriptions.¹⁶⁷

Upon establishing that there was ample evidence to prove that Aimster was being used rampantly for infringing uses, the court shifted the burden to Aimster to prove substantial non-infringing uses.¹⁶⁸ Judge Posner then carefully analyzed a number of potential non-infringing uses of Aimster.¹⁶⁹ First, he noted that not all popular music was copyrighted, finding that a small number of start-up bands wanted users to swap and share their music to create a

¹⁶⁰ *Id.* at 648.

¹⁶¹ *Id.*

¹⁶² *See. id.* at 650.

¹⁶³ *Id.* at 649.

¹⁶⁴ *See id.* at 651-53.

¹⁶⁵ *Id.* at 651.

¹⁶⁶ *Id.* at 651-52.

¹⁶⁷ *Id.* at 652.

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

following.¹⁷⁰ Second, he argued that file-sharing could increase the value of a recording by turning it into currency in a music-sharing market, since users who only downloaded were essentially free-riders and hurt the system.¹⁷¹ Third, Aimster’s “buddy” system might encourage the exchange of non-copyrighted ideas and information.¹⁷² Fourth, Aimster’s encryption technology may encourage forms of expression that users would be embarrassed to share publicly, such as uncopyrighted off-color jokes, photos, and the like.¹⁷³ Finally, a user who owns a CD but cannot access it for some reason can download a copy in order to space-shift their music.¹⁷⁴ Although Judge Posner courteously offered potential non-infringing uses of Aimster, the court noted that not a single piece of evidence was offered showing that Aimster was used for any such uses.¹⁷⁵ It is not enough that the uses are *potentially* non-infringing, but that they are probable and in use.¹⁷⁶

Shifting to the other elements of contributory infringement, the court agreed with the recording industry’s contention that a service provider’s ability to *prevent* its users from infringing is a factor to be considered in determining liability.¹⁷⁷ However, the court notes that it is not a controlling factor, because doing so would have required a perverse result in AOL being forced to shut down its productive and generally non-infringing instant messaging service.¹⁷⁸ As for the knowledge requirement, the court disagreed with the analysis of the Ninth Circuit in

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ *Id.*

¹⁷⁴ *Id.* at 652-53. However, this reason garnered criticism from other courts and not addressed by the *Napster* Court. *See id.*

¹⁷⁵ *Id.* at 653.

¹⁷⁶ *See id.*

¹⁷⁷ *Id.* at 648.

¹⁷⁸ *Id.* at 648-49.

Napster which held that actual knowledge alone is sufficient to prove contributory infringement.¹⁷⁹

Aimster offered a peculiar defense to constructive knowledge, asserting that it had no way of knowing what files were being swapped on its system because of the data encryption feature of the service.¹⁸⁰ However, the court flatly rejected this excuse, stating that “willful blindness is knowledge.”¹⁸¹ The court analogized other areas of the law such as criminal culpability, where a defendant taking steps to make sure he does not acquire full knowledge is still held to have criminal intent.¹⁸² The court also addressed the issue of vicarious infringement and was less confident that Aimster could be found liable under such a theory, but still felt it was possible to prove.¹⁸³ The court reasoned that since *Sony* intermingled vicarious and contributory liability, the question was largely academic.¹⁸⁴ Aimster, like *Sony*, could have mitigated against the infringement in the form of encryption and monitoring the use of its system.¹⁸⁵ However, Aimster’s “ostrich-like refusal to discover the extent to which its system was being used to infringe” added to its potential liability.¹⁸⁶

Finally, like the Ninth Circuit in *Napster*, the Seventh Circuit attempted to consider whether the safe-harbor of Section 512 of the Digital Millennium Copyright Act¹⁸⁷ applied to Aimster.¹⁸⁸ The court found that Aimster fit the broad definition of an “Internet service

¹⁷⁹ *Id.* at 649.

¹⁸⁰ *Id.* at 650.

¹⁸¹ *Id.*

¹⁸² *Id.*

¹⁸³ *Id.* at 654.

¹⁸⁴ *Id.* at 655.

¹⁸⁵ *Id.* at 654.

¹⁸⁶ *Id.* at 655.

¹⁸⁷ 17 U.S.C. § 512 (1999).

¹⁸⁸ *See Aimster*, 334 F.3d at 655.

provider,” but was unable to apply it further¹⁸⁹ because the statute requires Aimster to discourage repeat infringers. In contrast, the court found that Aimster actually invited and demonstrated infringement to its users.¹⁹⁰

Like *Napster*, the decision in *Aimster* added to the body of case law and helped interpret *Sony* in the digital Internet age. *Aimster* and *Napster* shared similar factual qualities, and as a result found similar results in the courts. The Ninth and Seventh Circuits similarly applied *Sony* to the facts, but what differences there were, the Supreme Court was poised in 2005 to settle them regarding another *Napster* copycat, *Grokster*.

***MGM v. Grokster* (2005)**

By the time the Supreme Court put the finishing legal touches on the nearly five-year battle over peer-to-peer file sharing in 2005, the damage to the recording industry had already been done by online piracy. At the time of oral arguments before the Court, the recording industry reported its first increase in sales in five years, though at a miniscule two percent.¹⁹¹ However, the Court’s ruling effectively ended the legal questions surrounding peer-to-peer network sharing of copyrighted material, and entered an entirely new doctrine of contributory liability into the copyright common law.

Before the Court were *Grokster* and *Streamcast* (referred together as “*Grokster*”) for distributing free peer-to-peer file sharing programs.¹⁹² The software was the typical peer-to-peer variety, enabling users to share files or any kind directly with one another without the aid of centralized servers.¹⁹³ Like *Napster* and *Aimster*, the software was primarily utilized in the

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ Saul Hansell & Jeff Leeds, *A Supreme Court Showdown for File Sharing*, N.Y. TIMES, Mar. 28, 2005, available at <http://www.nytimes.com/2005/03/28/technology/28grokster.html> (last visited Jan. 10, 2008).

¹⁹² *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 919-20 (2005).

¹⁹³ *Id.* at 920.

unauthorized sharing of copyrighted music and video files.¹⁹⁴ Although the Grokster’s software did not allow for it to know when copies are unlawfully shared, the software’s search tool revealed the vast amount of copyrighted files available for download.¹⁹⁵ Moreover, Grokster was aware of the infringing acts of its users.¹⁹⁶ Often, it had communications from users seeking technical support with questions of how to play copyrighted movies they downloaded.¹⁹⁷ Yet, neither defendant attempted to employ filtering technology or block known infringers from the software.¹⁹⁸

However, Grokster’s actions were not merely passive, but it also took steps to actively encourage infringement through its software.¹⁹⁹ Both Grokster and Streamcast “developed promotional materials to market its service as the best Napster alternative.”²⁰⁰ For example, Streamcast developed kit for potential advertisers containing articles about its potential to capture former Napster users.²⁰¹ Meanwhile, Grokster inserted codes into its website so that when a user searched for “Napster” they would be directed to Grokster—notwithstanding the software’s inconspicuous similar name to Napster.²⁰² Grokster and Streamcast also sold advertising space shown on the software.²⁰³

As a result of Grokster’s actions, a large conglomerate of music and motion picture industry companies filed suit seeking damages and an injunction in the U.S. District Court for

¹⁹⁴ *Id.*

¹⁹⁵ *Id.* at 922. An MGM commissioned study concluded that nearly 90% of the files available for download were copyrighted works. *Id.* This was compared to the nearly 87% of copyrighted works available on the filesharing network in *Napster*. *Id.* at n.5.

¹⁹⁶ *Id.* at 923.

¹⁹⁷ *Id.*

¹⁹⁸ *Id.* at 927.

¹⁹⁹ *Id.* at 923-24.

²⁰⁰ *Id.* at 925.

²⁰¹ *Id.* at 924.

²⁰² *Id.* at 925.

²⁰³ *Id.* at 926.

the Central District of California.²⁰⁴ The District Court found direct infringement by Grokster's users, yet granted summary judgment to Grokster on the issue of secondary liability for distributing the software because it lacked actual knowledge of specific acts of infringement.²⁰⁵ The U.S. Court of Appeals for the Ninth Circuit affirmed the ruling, applying the *Sony* rule that the software was capable of substantial non-infringing uses due to the lack of actual knowledge and decentralized nature of the sharing network.²⁰⁶ In addition, the Ninth Circuit held that Grokster did not materially contribute to its users' infringement because they had no involvement beyond providing the software used.²⁰⁷

In unanimous opinion by Justice David Souter, the Supreme Court reversed and remanded applying not the rule of *Sony*, but instead instituting a new form of liability based upon inducement.²⁰⁸ It first acknowledged the secondary liability case law that "when a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers," and thus a finding of secondary liability against the distributors of the copying devices is the only practical alternative.²⁰⁹ The Court identified the theories of contributory infringement—intentionally inducing or encouraging direct infringement—and vicarious infringement—profiting from direct infringement with a right to stop or limit it.²¹⁰ However, it chose to determine liability solely upon contributory liability based upon the inducement theory, setting aside MGM's vicarious liability argument.²¹¹

²⁰⁴ M.G.M., Inc. v. Grokster, Ltd., 259 F. Supp 2d 1029,1033 (C.D. Cal. 2003) *aff'd* by 380 F.3d. 1154, 1162 (9th Cir. 2004).

²⁰⁵ *Id.*

²⁰⁶ M.G.M., Inc. v. Grokster, Ltd., 380 F.3d. 1154, 1162 (9th Cir. 2004) *rvs'd* by 545 U.S. 913, 919-20 (2005).

²⁰⁷ *Id.* at 1163-64.

²⁰⁸ MGM Studios, Inc. v. Grokster, Ltd, 545 U.S. 913, 941 (2005).

²⁰⁹ *Id.* at 919-20.

²¹⁰ *Id.* at 930.

²¹¹ *Id.* at 931 n.9.

Curiously, in a decision about an innovative technology facilitating infringement, the *Grokster* Court chose to introduce the new law of inducement rather than the previous standard of *Sony v. Universal City Studios*.²¹² The Court outright rejected the Ninth Circuit’s application of *Sony*’s “staple-article of commerce” to *Grokster*.²¹³ It disfavored the Circuit’s application of the rule that simply because *Grokster* was capable of commercially significant non-infringing uses, it could not be held contributorily liable for its users’ infringing acts.²¹⁴ The Court found it erroneous that such a simple finding could immunize *Grokster*, despite significant evidence showing specific knowledge of infringement.²¹⁵ However, much to the disappointment of the parties and numerous *amici*, the Court then largely punted the question, refusing to elaborate further on the principle and state of the *Sony* doctrine.²¹⁶ The Court left further explanation of the *Sony* rule “for a day when that may be required.”²¹⁷

Then, the Court began its justification of a new theory of infringement by inducement. Despite the punting of *Sony*’s “staple-article of commerce” doctrine, the Court’s opinion next focused on elaborating further on why a device capable of substantial non-infringing uses could remain secondarily liable where evidence of intent, such as inducement, exists.²¹⁸ “[N]othing in *Sony* requires courts to ignore evidence of intent . . . and the case was never meant to foreclose rules of fault-based liability. . . .”²¹⁹ The Court announced that “where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and *shows*

²¹² *Grokster*, 545 U.S. at 931-34.

²¹³ *Id.*

²¹⁴ *Id.* at 933-34.

²¹⁵ *Id.* at 934.

²¹⁶ *Id.* at 934. “The parties and many of the *amici* in this case thing the key to resolving [the case] is the *Sony* rule, and, in particular, what it means for a product to be “capable of commercially significant noninfringing uses. [citation omitted].” *Id.* at 933.

²¹⁷ *Id.* at 934.

²¹⁸ *See id.* at 934-35.

²¹⁹ *Id.*

statements or actions directed to promoting infringement, Sony's staple-article rule will not preclude liability."²²⁰ In a footnote, the Court justified its decision by comparing it to the Patent Act, which statutorily fails to exempt staple-article devices that induce patent infringement.²²¹ It is these statements and actions by Grokster and Streamcast that the Court relied upon in determining the case based upon its new "inducement" standard.²²²

In adopting the inducement rule from patent law, the Court held that a distributor of 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 infringing acts of its users.²²³ "The inducement rule . . . premises liability on purposeful, culpable expression and conduct . . ."²²⁴ It noted that the primary avenue of inducement was advertising, but could also be in the form of promotional materials, or even statements of the company showing an unlawful purpose.²²⁵ The Court limited its holding by exempting those with "mere knowledge of infringing potential or actual infringing uses," and "ordinary acts incident to product distribution" such as offering technical support or product updates.²²⁶

The Court held that to prove inducement, a court should examine a defendant's own statements of unlawful purpose and whether through them a defendant is disqualified from claiming immunity.²²⁷ In applying the facts, the Court found numerous instances of inducement by advertisement and promotional material. For example, it cited a Grokster newsletter

²²⁰ *Id.* at 935 (emphasis added).

²²¹ *Id.* at 935 n.10.

²²² *See id.* at 937-40.

²²³ *Id.* at 936-37.

²²⁴ *Id.*

²²⁵ *Id.* at 935-36.

²²⁶ *Id.* at 937.

²²⁷ *Id.* at 938.

containing articles touting the software's usefulness for accessing copyrighted music.²²⁸ It also cited the several of Streamcast's own statements aimed at recruiting former Napster users to its site.²²⁹ Through such statements, the Court concluded that summary judgment for Grokster was erroneous because Grokster demonstrated unlawful intent for three reasons.²³⁰

First, each company sought to fill the Napster-void, as evidence showed both Grokster and Streamcast sought to serve former Napster users.²³¹ Second, Grokster's lack of an attempt to develop filtering tools to reduce infringement added to the evidence of unlawful objective.²³² However, in a footnote, the Court noted that the failure to filter alone, would be insufficient to find liability where a device is otherwise capable of substantial non-infringing uses.²³³ Third, Grokster's imputed unlawful objective was enhanced by the evidence that Grokster sold advertising, and the more users meant more advertising revenue.²³⁴ Since Grokster's advertising revenue turned on high-volume use, which was shown to be highly infringing, it was added as another factor.²³⁵ As a result, the Court reversed the decision of the Ninth Circuit and remanded the summary judgment decision to the District Court.²³⁶

Though the opinion of the Court was unanimous, two concurring opinions differed on whether Grokster supported the *Sony* substantial non-infringing use standard (both agreed it would likely be liable under the newly announced inducement standard).²³⁷ Both concurrences agreed to the continuing validity of the *Sony* doctrine, but disagreed on the application of it in

²²⁸ *Id.*

²²⁹ *Id.*

²³⁰ *Id.* at 938-40.

²³¹ *Id.* at 939.

²³² *Id.*

²³³ *Id.* at n.12.

²³⁴ *Id.* at 939-40.

²³⁵ *Id.* However, like the previous "no duty to filter," this factor alone is insufficient. *Id.* a

²³⁶ *Id.* at 941.

²³⁷ *Cf. id.* at 942-49 (Ginsburg, J., concurring) *with id.* at 949-66 (Breyer, J., concurring).

this case.²³⁸ Justice Ruth Bader Ginsburg, joined by Chief Justice Rehnquist and Justice Kennedy, argued that based upon the record evidence, summary judgment for contributory liability based upon *Sony* was unwarranted.²³⁹ Meanwhile, Justice Stephen Breyer, joined by Justices O’Conner and Stevens, argued that the *Grokster* has a number of substantial noninfringing uses and thus summary judgment on that issue in favor of MGM was proper.²⁴⁰

Justice Ginsburg argued that because the record evidence showed that *Grokster* had, “for some time, been overwhelmingly used to infringe . . . and that this infringement was the overwhelming source of revenue . . .,” such evidence was insufficient to prove “a reasonable prospect that substantial or commercially significant noninfringing uses were likely to develop over time.”²⁴¹ Ginsburg criticized Breyer’s characterization of *Sony* that limiting liability for dual-use technologies is correct, “unless the product in question will be used *almost exclusively* to infringe copyrights”²⁴² Instead, she argued that *Sony* requires, “no clear, near-exclusivity test,”²⁴³ but instead that of “substantial or commercially significant noninfringing uses [] likely to develop over time.”²⁴⁴ Ginsburg disputed the District Court’s justification of substantial noninfringing resting largely upon a “motley collection”²⁴⁵ of anecdotal evidence of authorized uses.²⁴⁶

²³⁸ *See id.*

²³⁹ *Id.* at 942 (Ginsburg, J., concurring).

²⁴⁰ *Id.* at 949 (Breyer, J., concurring).

²⁴¹ *Id.* at 948 (Ginsburg, J., concurring).

²⁴² *Id.* at 944 at n.1 (Ginsburg, J., concurring)(criticizing *Grokster*, 545 U.S. at 957 (Breyer, J., concurring))(emphasis in original).

²⁴³ *Id.* at 944 at n.1, (Ginsburg, J., concurring).

²⁴⁴ *Id.* at 948.

²⁴⁵ *Id.* at 947 n.3.

²⁴⁶ *Id.* at 945-47.

In contrast, Justice Breyer argued the record evidence was sufficient to prove Grokster capable of substantial noninfringing use and thus immunize it from liability under *Sony*.²⁴⁷ In doing so, he demonstrated that the estimated amount of noninfringing uses in the record, roughly 10% of all files shared via Grokster, was nearly identical in amount to the 9% of authorized time-shifting uses of the VCR in *Sony*.²⁴⁸ Breyer argued that while 10% appeared insignificant at the time, the standard was “*capable of*” substantial noninfringing uses.²⁴⁹ He noted that while 10% would be insufficient over the long-term, the “reasonable prospect of expanded legitimate uses over time” could prove to be exculpatory.²⁵⁰ To justify his reasoning, Breyer listed numerous potential noninfringing uses for peer-to-peer filesharing, including: research, public domain works, historical and educational materials, digital photos, “shareware” and “freeware,” secure licensed media, news broadcasts, and user-created audio and video.²⁵¹

Breyer rationalized his conclusion by invoking the balance *Sony* sought to provide between protection copyrighted works and the rights of others to “engage in substantially unrelated areas of commerce” such as software development.²⁵² Breyer toyed with idea of modifying *Sony*, as he read *Sony* in a less-strict manner than Ginsburg, stating that the true question should be whether the proper balance between copyright and new technology interests is found.²⁵³ In determining whether *Sony* should be modified, (or as he asserts Ginsburg argued, to interpret it more strictly) three questions had to be answered: (1) whether *Sony* works to protect new technology, (2) if so, “would modification or strict interpretation significantly weaken that

²⁴⁷ *Id.* at 952 (Breyer, J., concurring).

²⁴⁸ *Id.*

²⁴⁹ *Id.* at 953 (emphasis in original).

²⁵⁰ *Id.* at 953.

²⁵¹ *Id.* at 954.

²⁵² *Id.* at 950. However, it could be argued that developing software that relies primarily upon the infringement of copyrighted works is hardly a “substantially unrelated” area of commerce from the copyright industry.

²⁵³ *Grokster*, 545 U.S. at 956 (Breyer, J., concurring).

protection,” and (3) if so, “would new or necessary copyright-related benefits outweigh any such weakening?”²⁵⁴

In answering his first question, Breyer asserted the *Sony* rule works to protect innovators from liability for copyright infringement as they develop valuable new technologies for the market.²⁵⁵ The rule, he said, allows innovators to develop technology with confidence, while having a deterrent effect keeping them from developing technology with the dominant purpose to infringe.²⁵⁶ It is also forward-looking, allowing for future noninfringing uses, and thus intends to keep the judiciary from having to make judgment calls on conflicting evidence where it lacks the technical expertise to do so.²⁵⁷ Breyer answered his second question stating that changing the interpretation of *Sony* would lead to legal uncertainty surrounding innovation, which would result in a chilling effect on technological innovation.²⁵⁸ Finally, the answer to his third question revealed that a more intrusive *Sony* test provided greater revenue security for copyright owners, but at the expense of chilling technology.²⁵⁹

In concluding that *Sony* need not be revised nor interpreted more strictly, Breyer added that such a change would be disruptive to all industries involved by changing the rules of the game.²⁶⁰ He encouraged copyright owners to seek alternative tools available to them to fight piracy, including the inducement theory.²⁶¹ In addition, as the recording industry has done increasingly, he noted copyright holders may always go after individual infringers directly.²⁶²

²⁵⁴ *Id.* at 956-57.

²⁵⁵ *Id.* at 957.

²⁵⁶ *Id.*

²⁵⁷ *Id.* at 958

²⁵⁸ *Id.* at 959-60.

²⁵⁹ *Id.* at 960-61.

²⁶⁰ *Id.* at 960.

²⁶¹ *Id.* at 962-63.

²⁶² *Id.* at 963.

Furthermore, copyright holders may develop technological mechanisms to prevent infringement, as well as continue to develop technology to make *legal* copying and downloading cheaper and more efficient.²⁶³ Finally, as the *Sony* Court articulated, Congress always has the power to reassess the status of its laws, and are much better situated than the Courts are at dealing with balancing copyright with technological changes.²⁶⁴

Post-*Grokster* developments

While the general holding of *Grokster* was clear—that a distributor of a device who actively induces infringement is liable for the infringements of its users—the continuing status of the *Sony* doctrine and what exactly constituted a “substantial noninfringing use” remained in limbo. Upon remand, the Central District of California found Streamcast liable under the inducement doctrine as set forth by the Supreme Court (finding the Supreme Court’s opinion unfavorable, *Grokster* settled its case and was dropped from the suit).²⁶⁵

A few courts have begun to deal with some of the unanswered questions raised by the *Grokster* Court. For example, a copyright owner of pictures of nude women sued Google in part for displaying the images in its search windows on the secondary liability theories of inducement and *Sony*’s’ substantial noninfringing use standard.²⁶⁶ The Ninth Circuit adopted and applied both the *Grokster* inducement standard, as well as Justice Ginsburg’s stricter *Sony* test.²⁶⁷ However, it rejected plaintiff’s *Sony* argument because plaintiff’s claimed infringement was not based upon the design of Google’s search engine.²⁶⁸ In resolving the inducement issue, the court looked for actions that intentionally encouraged direct infringement, including knowing actions

²⁶³ *Id.* at 963-64.

²⁶⁴ *Id.* at 965.

²⁶⁵ *MGM Studios, Inc. v. Grokster, Ltd.* 454 F. Supp 2d 966, 998 (C.D. Cal. 2006).

²⁶⁶ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1169-74 (9th Cir. 2007).

²⁶⁷ *Id.* at 1169.

²⁶⁸ *Id.*

that are “substantially certain” to result in direct infringement.²⁶⁹ The court applied the *Grokster* inducement test to Ninth Circuit precedents, creating a new rule that resulted in contributory liability for a computer system operator such as Google where there is (1) actual knowledge that specific infringing material is available using the system, and (2) failure to take simple measures to prevent further damage to copyrighted works.²⁷⁰ However, the court remanded the matter for further factual development.

The remaining questions surrounding the wake of *Grokster* and the continuing effect of *Sony* will be addressed further in Chapter 4. Questions also remain over the breadth at which vicarious liability will be imposed in the future due to *Grokster*'s minimal application of the doctrine.²⁷¹ In addition, the following lines of cases addressed next in Section III regarding linking and in Section IV regarding the application of the DMCA §512 safe harbor will continue to have a substantial impact while courts attempt to sort out the current status of secondary copyright law.

Linking Law

As introduced in Chapter 1, linking is the central function of the Internet, allowing users to navigate through websites and jump to information from one webpage to another. Thus, the general principle is that linking alone does not constitute copyright infringement in order to not hinder the basic method of navigation on the Internet.²⁷² In terms of copyright infringement,

²⁶⁹ *Id.* at 1170.

²⁷⁰ *Id.* at 1171 (citing *A&M v. Napster*, 239 F.3d 1004, 1022 (9th Cir. 2001) and *Religious Tech. Center v. Netcom On-Line Communicaiton Servs., Inc.*, 907 F.Supp 1361, 1375 (N.D. Cal 1995)). The court was mindful of *Grokster*'s reminder that failure to take preventative measures alone was insufficient to impose liability. *Id.* at 1169.

²⁷¹ See *MGM Studios v. Grokster* 545 U.S. 913, 931(2005).

²⁷² See *Batesville Services, Inc. v. Funeral Depot, Inc.*, 2004 WL 2750253, *11 (S.D. Ind. 2004)(“[H]yperlinks are essential to the operation of the Internet for a host of legitimate purposes.”); *Ticketmaster Corp. v. Tickets.Com, Inc.*, 54 U.S.P.Q.2d 1344, 1346 (C.D. Cal. 2000)(“ hyperlinking does not itself involve a violation of the Copyright Act . . . since no copying is involved.”); *Bernstein v. J.C. Penney, Inc.*, 1998 WL 906644, *1(C.D. Cal. 1998)(“linking is capable of substantial noninfringing uses. . .”).

linking defendants have traditionally been search engines such as Google, acting as directories for all of the information contained on the web. However, of primary concern of this study are not search engines, but instead websites devoted to providing users with links to infringing copies of copyrighted media such as television shows and movies. For example, the website Southparkzone.com provides users with links to every single episode of the Comedy Central television show *South Park*.²⁷³ While these websites often attempt to skirt liability in the United States through housing their websites on offshore servers, the following case law further articulates the current state of linking law.

The most important principle to linking law is that it is based in traditional secondary liability. Thus, all the previously mentioned precedents regarding contributory and vicarious liability, from *Sony* to *Grokster*, similarly apply. There are different forms of linking that are possible: direct linking, deep linking, and in-line linking or framing. Direct linking is the simple providing of a URL link which directs a user to the front of a new webpage. For example, a link directing a user to YouTube.com. Deep linking is similar to direct linking, except that it directs a user to a specific address within a website, not merely the website in general. Finally, in-line linking, also known as framing, places a website's content within a "frame" on a website, surrounded by content chosen by the linker, which often includes advertising. This "creates the appearance that the in-lined graphic is a seamless part" of the linker's webpage.²⁷⁴ Sometimes this is authorized. For example, YouTube.com enables users to embed video clips YouTube into their web pages. While the videos appear to be part of the new website, they in fact reside on YouTube's servers and are simply linked to the website. Many blogs often incorporate videos

²⁷³ SouthParkzone.com, <http://www.southparkzone.com> (last visited Jan. 11, 2008).

²⁷⁴ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003).

into their daily postings as well. However, just because the framing may be authorized by the hosting website, it does not mean that the content shared is obviously noninfringing.

Linking to Infringing Content

One of the earlier linking cases involved a website linking to a copyrighted Mormon Church religious manual, in *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*²⁷⁵ The arm of the Church of Jesus Christ of Latter-day Saints that owned the copyright ordered Utah Lighthouse Ministry (ULM) to take down a copy of the manual from its website.²⁷⁶ ULM took the infringing copy down, but replaced it with three links to other websites that hosted copies of the manual.²⁷⁷ Intellectual Reserve sued ULM seeking an injunction to limit the linking to other copies of the work.²⁷⁸ The U.S. District Court for the District of Utah granted the injunction and ordered the links removed from the website.²⁷⁹

Since the allegation of secondary infringement requires proving direct infringement by another, the court assumed that at trial Intellectual Reserve could prove the three linked copies directly infringed their copyright.²⁸⁰ ULM did not control the linked websites, thus, the court found that it could not be held liable for the other websites' direct infringement.²⁸¹ However, the court next asked whether ULM could be contributorily liable for the actions of those who browse any of the three infringing websites via the links from ULM's webpage.²⁸² The court assumed the probability that some users were directed to the infringing websites through the links

²⁷⁵ *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp 2d 1290 (D. Utah 1999). See also Carl S. Kaplan, *Copyright Decision Threatens Freedom to Link*, N.Y. TIMES, Dec. 10, 1999, available at <http://www.nytimes.com/library/tech/99/12/cyber/cyberlaw/10law.html> (last visited Jan. 13, 2008).

²⁷⁶ *Intellectual Reserve*, 75 F. Supp 2d at 1292.

²⁷⁷ *Id.*

²⁷⁸ *Id.* at 1291.

²⁷⁹ *Id.* at 1295.

²⁸⁰ *Id.* at 1293.

²⁸¹ *Id.*

²⁸² *Id.* at 1293-94.

provided by ULM.²⁸³ It held that ULM’s posting of the links on its webpage next to a line stating “Church Handbook of Instructions is back online!” actively encouraged and induced the infringement of Intellectual Reserve’s copyright, and thus found the probability of contributory infringement.²⁸⁴ As a result, the court issued a temporary injunction, the links were taken down, and ULM eventually settled with Intellectual Reserve.²⁸⁵

Two similar cases to *Intellectual Reserve* in the U.S. District Court for the Central District of California yielded more favorable outcomes for linkers. In *Ticketmaster v. Tickets.com*, Ticketmaster alleged that Tickets.com gathered information about ticket prices from its website and provided users with deep links to pages to buy tickets on Ticketmaster’s website, bypassing much of Ticketmaster’s advertising in the process.²⁸⁶ The court held that such linking was not infringement, likening the process to using a library catalog to locate a book, simply in a faster and more efficient manner.²⁸⁷ In a brief opinion, the court similarly held in favor of free linking in *Bernstein v. J.C. Penney, Inc.*, where J.C. Penney’s website promoting Elizabeth Arden linked to a website operated by third party Internet Movie Database containing alleged infringing images of Arden spokeswoman Elizabeth Taylor.²⁸⁸ The court upheld the principle that multiple linking without substantial participation in the infringement would not constitute contributory infringement.²⁸⁹

²⁸³ *Id.* at 1294. This assumption would normally have been required to be proven at trial, however, the case settled before trial. See Utah Lighthouse Ministry, *Final Settlement*, <http://www.utlm.org/newsletters/no96.htm#Final%20Settlement> (last visited Jan. 15, 2008).

²⁸⁴ *Intellectual Reserve*, 75 F. Supp 2d at 1294-95.

²⁸⁵ See Utah Lighthouse Ministry, *Final Settlement*, <http://www.utlm.org/newsletters/no96.htm#Final%20Settlement> (last visited Jan. 15, 2008).

²⁸⁶ *Ticketmaster, Corp. v. Tickets.com, Inc.*, 2000 WL 525390, *2 (C.D. Cal. 2000).

²⁸⁷ *Id.* The controversy reemerged in 2003, and the court similarly found in favor of Tickets.com. See *Ticketmaster, Corp. v. Tickets.com, Inc.*, 2003 WL 21406289 (C.D. Cal. 2003).

²⁸⁸ *Bernstein v. J.C. Penney, Inc.*, 50 USPQ2d 1063 (C.D. Cal. 1998).

²⁸⁹ *Id.*

More recently, the U.S. District Court for the Southern District of Indiana found copyright infringement for linking content placed on a third party's website by the defendant.²⁹⁰ In *Batesville Services, Inc. v. Funeral Depot, Inc.*, funeral casket dealer Funeral Depot sold Batesville caskets and placed photographs of Batesville caskets on its website.²⁹¹ Batesville ordered Funeral Depot to take the images down as it was not an authorized Batesville dealer.²⁹² Funeral Depot complied by taking down the images and simply placing them on other websites within its control and linking to them.²⁹³ Funeral Depot also made a deal with an authorized third party dealer, Veteran's Society, to place the images on its website and link to it.²⁹⁴

At issue were the images placed on the Veteran's Society webpage under the direction and control of Funeral Depot.²⁹⁵ The court distinguished the facts from similar cases which allowed for linking, saying that it was not an instance where "Funeral Depot merely found some useful material elsewhere on the Internet and encouraged its shoppers to link to those sites."²⁹⁶ The court denied Funeral Depot's motion to dismiss due to the high probability that a jury could find contributory infringement for its involvement in displaying the images on the linked web pages.²⁹⁷

Linking and Thumbnail Images

A line of cases addresses the specific issue of linking small images of copyrighted works known as "thumbnails." These cases contain the most recent and thorough analysis of Internet linking and thus necessitate a closer evaluation. Both cases come from the Ninth Circuit, and

²⁹⁰ *Batesville Services, Inc. v. Funeral Depot, Inc.*, 2004 WL 2750253 at *12 (S.D. Ind. Nov. 10, 2004).

²⁹¹ *Id.* at *1.

²⁹² *Id.* at *1-*2.

²⁹³ *Id.*

²⁹⁴ *Id.* at *2..

²⁹⁵ *Id.* at *12.

²⁹⁶ *Id.*

²⁹⁷ *Id.*

add to prove the general rule that all links are not bad. In 2003, the Ninth Circuit decided *Kelly v. Arriba Soft*, finding that the use of thumbnails by a search engine was not copyright infringement but instead fell within the confines of fair use (further explained below).²⁹⁸ In 2007, the Ninth circuit held that similar use of thumbnails on Google's image search engine were not infringing in *Perfect 10 v. Amazon.com*.²⁹⁹

In *Kelly*, Arriba operated a search engine that enabled users to perform searches of images.³⁰⁰ The search engine was fed by a web crawler that automatically searched for images and indexed them.³⁰¹ The crawler copied the full size images to Arriba's server and made a thumbnail of each image.³⁰² Arriba displayed search results in the form of small thumbnails of full-size images located on other websites.³⁰³ Kelly, a professional photographer and copyright owner of 35 images featured on Arriba's site, objected to the thumbnail image display by Arriba and alleged copyright infringement.³⁰⁴ The trial court found the search engine thumbnails to be a fair use, due to their transformative nature and failure to harm the market for the images.³⁰⁵ The Ninth Circuit affirmed this portion of the trial court's decision, saying that and generally cleared the way for linking by search engines.

On similar facts, the Ninth Circuit revisited the issue in 2007 when Perfect 10, publisher of photos of nude models, sued Google, alleging infringement by Google's thumbnail indexing image search engine.³⁰⁶ Similar to *Kelly*, Google stored small, low-resolution thumbnails of

²⁹⁸ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003).

²⁹⁹ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

³⁰⁰ *Kelly*, 336 F.3d at 815-17.

³⁰¹ *Id.*

³⁰² *Id.* at 815.

³⁰³ *Id.*

³⁰⁴ *Id.*

³⁰⁵ *Id.* at 816-17.

³⁰⁶ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1156-57 (9th Cir. 2007).

Perfect 10's images on its servers.³⁰⁷ However, unlike *Kelly*, when a user clicked on a thumbnail, Google merely sent HTML instructions to the user's browser to access the third party's website, download the full image, and makes it appear at bottom of Google's search page.³⁰⁸ In doing so, Google did not download any images to its servers, it merely sent instructions to the user's browser of how to do so.³⁰⁹ The court characterized this as both in-line linking and framing.³¹⁰ The process of Google directing the user's browser to seek and download the image from the third party's website was in-line linking.³¹¹ Then the court stated that the placing of the content within a frame at the bottom of Google's search page constituted framing.³¹²

The District Court temporarily enjoined Google from creating thumbnails of Perfect 10 images, finding direct infringement, but let stand Google's framing of full-size versions.³¹³ It also found no secondary liability by Google.³¹⁴ The Ninth Circuit agreed with the District Court's finding that Google was not secondarily liable.³¹⁵ In determining the issue of direct infringement for displaying thumbnails, the Ninth Circuit first applied the "server test," to decide whether actual copies were made on Google servers.³¹⁶ The server tests simply asks whether or not copies are made on the alleged infringer's server, and if so, then prima facie copying is found.³¹⁷ The court found that Google's thumbnails did not pass the server test, and were thus

³⁰⁷ *Id.* at 1155-56.

³⁰⁸ *Id.*

³⁰⁹ *Id.*

³¹⁰ *Id.*

³¹¹ *Id.* (citing *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003).

³¹² *Id.* (citing *Perfect 10 v. Google, Inc.*, 416 F. Supp 2d 828 (C.D. Cal. 2006).

³¹³ *Id.* at *1.

³¹⁴ *Id.* at *15.

³¹⁵ *Id.* at *15.

³¹⁶ *Id.* at *6.

³¹⁷ *Id.*

infringing.³¹⁸ However, it found the thumbnails to be a fair use due to their transformative nature, lower quality, and usefulness to the public as an Internet index.³¹⁹ As for the full-size images made at the direction of code sent by Google to the user's browser, the court found they were noninfringing under the server test.³²⁰

Linking to Illegal Material (DeCSS)

Another portion of the case law dealing with Internet linking to copyrighted material has nothing to do with actual copyrighted material at all. Part of the Digital Millennium Copyright Act (DMCA), known as anti-circumvention, makes it illegal to circumvent technological mechanisms that control access to a copyrighted work.³²¹ It also prohibits the trafficking of programs and methods which make the circumvention possible.³²² Courts have dealt with the specific problem of providing links to copies of a computer program used to unlock the encryption of DVD's.³²³ The prime example comes from the Second Circuit in 2001 in *Universal City Studios v. Corley*.³²⁴ Whether linking itself could be seen as a form of anti-circumvention will be addressed in Chapter 5.

DVD's are typically encrypted with an anti-circumvention device called Content Scramble System, or CSS.³²⁵ Decryption software, appropriately called DeCSS, was developed to remove CSS from DVD's in order to make digital copies of the DVD's contents.³²⁶ In 1999, the

³¹⁸ *Id.* at *6.

³¹⁹ *Id.* at *15.

³²⁰ *Id.* at *8-*9.

³²¹ 17 U.S.C. §1201(a).

³²² 17 U.S.C. §1201(b).

³²³ See *Universal City Studios, Inc. v. Reimerdes*, 82 F. Supp 2d 211, 325 (S.D.N.Y. 2000) *aff'd by Universal City Studios v. Corley*, 273 F.3d 429 (2d Cir. 2001); *but see DVD Copy Control Assoc. v. McLaughlin*, 2000 WL 48512 (Ca. Super. Ct. Jan. 21, 2000)(websites were not prevented from linking to other sites that contain DeCSS, linking is the lifeblood of the Internet)

³²⁴ *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001).

³²⁵ *Corley*, 273 F.3d at 436-37.

³²⁶ *Id.* at 437-38.

publisher of *Hacker Quarterly*, Eric Corley, placed an article about DeCSS on his website and included links to other websites where the program could be downloaded at the end of the article.³²⁷ Members of the motion picture industry sued Corley and others for failing to remove DeCSS links or files.³²⁸ The U.S. District Court for the Southern District of New York was particularly interested in the hyperlinking to DeCSS copies, and found in favor of the motion picture industry plaintiffs, issuing an injunction from linking to copies of the program.³²⁹

The Second Circuit affirmed the ruling, focusing heavily on the First Amendment implications of prohibiting hyperlinking,³³⁰ as few courts have addressed linking issues from a First Amendment perspective. The court adopted nearly all of the reasoning of the district court, recognizing that linking involved both a speech and non-speech element: “[i]t conveys information, the Internet address of the linked web page, and has the functional capacity to bring the content of the linked web page to the user’s computer screen.”³³¹ The court also noted that limitation of linking to DeCSS was a content neutral regulation of speech “because it is justified without regard to the speech component of the hyperlink.”³³² In other words, regardless of what the link says, the physical performance of the link—taking a user to illegal content—would be enough to justify the prohibition.³³³

The court then applied content-neutral jurisprudence to the linking prohibition, finding that it served a substantial governmental interest unrelated to the suppression of free expression.³³⁴

³²⁷ *Id.* at 439.

³²⁸ *Id.* at 440 n.8.

³²⁹ *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp 2d 294, 341 (S.D.N.Y. 2000).

³³⁰ *Corley*, 273 F.3d at 455-58.

³³¹ *Id.* at 456.

³³² *Id.*

³³³ *See id.*

³³⁴ *Id.* (citing to *United States v. O'Brien*, 391 U.S. 367 (1968)(“When ‘speech’ and ‘nonspeech’ elements are combined. . . a sufficiently important governmental interest in regulating the nonspeech element can justify incidental limitations on First Amendment freedoms.”), *Ward v. Rock Against Racism*, 491 U.S. 781, 799

The court then determined whether the strict liability of linking to DeCSS websites would satisfy the more exacting narrow tailoring requirement.³³⁵ It recognized that strictly prohibiting linking in this case would chill web site operators from linking to certain web pages in fear that the linked page could contain DeCSS.³³⁶ In addition, it would prevent access to any additional information contained on a linked to website containing DeCSS.³³⁷

In order to determine whether the linking prohibition was narrowly tailored, the district court fashioned a test based upon the *N.Y. Times v. Sullivan* actual malice standard.³³⁸ The test required a showing of clear and convincing evidence that the linking party: (1) knew offending material was on the linked-to site, (b) knew it was illegal circumvention technology, and (3) “created or maintained the link for the purpose of disseminating that technology.”³³⁹ The Second Circuit approved the test and the district court’s finding according to it that strictly prohibiting the linking to DeCSS websites was non-offensive to the First Amendment under a content-neutral analysis.³⁴⁰ This method of analysis is unique among linking jurisprudence and may be a reliable standard which may be applied to current video linking websites, which will be explored later in Chapter 5.

Indexing and Linking to Music

An additional area of linking law concerns the indexing of music by linking to infringing files. Obviously, the major secondary liability cases of *Napster*, *Aimster*, and *Grokster*

(1989)(intermediate scrutiny where “regulation promotes a substantial government interest that would be achieved less effectively absent the regulation.”) and *Turner Broadcasting System, Inc., v. FCC*, 512 U.S. 622, 662 (1994)(upholding content-neutral regulation where it furthers an important governmental interest unrelated to the suppression of free expression, no greater than is essential to the furtherance of that interest)).

³³⁵ *See id.*

³³⁶ *Id.*

³³⁷ *Id.*

³³⁸ *Id.* (citing to *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 283 (1964)).

³³⁹ *Id.*

³⁴⁰ *Id.*

essentially deal with this issue.³⁴¹ However, the case of *Arista Records, Inc., v. MP3Board, Inc.*³⁴², decided in 2002 by the U.S. District Court for the Southern District of New York, provides quite similar facts to today's video linking websites and deserve a closer look.

Before the court were motions for summary judgment from all parties, in a lawsuit filed by various record companies and the Recording Industry Association of America (RIAA) against MP3Board, a website providing links to files of both infringing and noninfringing music.³⁴³ MP3Board's website contained no music files, but instead featured an automatic search engine that searched for and organized links to music files elsewhere on the Internet.³⁴⁴ In addition, the website maintained a message board by which users could post additional links to music files and share passwords to other music websites.³⁴⁵ Message board users could also make requests for specific songs, and MP3Board's staff would then search for the requested links and post the findings on the boards.³⁴⁶ MP3Board also offered users instructions of how to store music files with a third party website, and offered a tutorial of how to locate and download files by using a copyrighted music file as an example.³⁴⁷

The trial court denied all of MP3Board's motions for summary judgment due to its finding of triable issues of material facts.³⁴⁸ The court similarly denied the record companies' and RIAA's motions for summary judgment, though seemed to insinuate the genuine possibility that MP3Board could be found liable for contributory and vicarious infringement.³⁴⁹ While the court

³⁴¹ See generally *supra* notes 66-260.

³⁴² *Arista Records, Inc., v. MP3Board, Inc.*, 2002 WL 1997918 (S.D.N.Y. Aug. 29, 2002).

³⁴³ *Id.* at *1.

³⁴⁴ *Id.*

³⁴⁵ *Id.*

³⁴⁶ *Id.*

³⁴⁷ *Id.* at *5.

³⁴⁸ See *id.* at *18.

³⁴⁹ See *id.* at *4, *10.

did not make any rulings of law, and there is no further case history, the parallels to current linking websites is important to note.

DMCA Safe Harbor

In addition to fair use (explained below in Section V), there exists a catchall safe harbor which grants immunity to all findings of direct or secondary liability for alleged Internet infringement.³⁵⁰ In 1998, Congress passed the Digital Millennium Copyright Act (DMCA) in order to satisfy growing concerns with applying copyright law to the Internet.³⁵¹ Section 512 of the DMCA, the Online Copyright Infringement Liability Limitation Act, was intended to preserve “strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment.”³⁵² It was also created to ensure greater legal certainty for service providers.³⁵³ This section will first outline the statute and then detail some of the case law and legislative history interpreting it.

The statute confers immunity upon four specific types of providers of Internet service providers.³⁵⁴ Eligible categories are (a) transitory digital network communications, (b) system caching, (c) information residing on systems or networks at direction of users, and (d) information location tools.³⁵⁵ “Service provider” is defined as the traditional notion of a common-carrier Internet Service Provider(ISP)(such as AOL, Cable Broadband, or DSL) for §512(a),³⁵⁶ and more broadly for §§512(b)-(d) as a “provider of online services or network

³⁵⁰ See 17 U.S.C. § 512 (1999). The one exception to immunity is that a court may still issue an injunction. *Id.* at §512(j).

³⁵¹ See H.R. Rep. No. 105-551 (II), at 21-23 (1998).

³⁵² H.R. Rep. 105-796, at 72 (1998)(Conf. Rep.).

³⁵³ See *id.*

³⁵⁴ See 17 U.S.C. §512 (a)-(d) (1999).

³⁵⁵ See *id.*

³⁵⁶ § 512(k)(1)(A)(“‘service provider’ means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.”).

access, or the operator of facilities therefore.”³⁵⁷ For example, Amazon.com and Ebay.com, operators of websites providing retail services, were held to be a service providers.³⁵⁸ Similarly, Aimster, a peer-to-peer file sharing service, was found to be a service provider.³⁵⁹

Two basic prerequisites are set forth for all four categories.³⁶⁰ The first prerequisite is that a provider must implement a reasonable subscriber policy that provides for the termination of repeat infringers, often contained in a click-wrap Terms of Service agreement.³⁶¹ Though the statute does not define “reasonably implemented,” the Ninth Circuit has outlined it as a “working notification system . . . for dealing with DMCA-compliant notifications, . . . if it does not actively prevent copyright owners from collecting information needed to issue such notifications.”³⁶² While there is no active duty to monitor and thus terminate, it is reasonable for a provider to terminate those that “repeatedly or blatantly” infringe.³⁶³ Other courts have required the implementation of a procedure to receive complaints which is reasonably implemented so long as it does not tolerate “flagrant or blatant” infringement.³⁶⁴

The second prerequisite requires service providers to accommodate and not interfere with “standard technological measures” used by copyright owners to protect their works.³⁶⁵ The noninterference with “standard technological measures” is important, because §512 imposes no

³⁵⁷ § 512(k)(1)(B).

³⁵⁸ See e.g. *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp 2d 1090, 1100 (W.D. Wash. 2004); *Hendrickson v. eBay, Inc.*, 165 F. Supp 2d 1082, 1088 (C.D. Cal. 2001).

³⁵⁹ *In re Aimster Copyright Litigation*, 334 F.3d 643, 655 (7th Cir.2004).

³⁶⁰ § 512(i)(1).

³⁶¹ § 512(i)(1)(A). See generally David Nimmer, Repeat Infringers, 52 J. OF THE COPYRIGHT SOCIETY 167 (2005)(providing a thorough analysis of the repeat infringer problem and outlining a proposed user-agreement).

³⁶²³⁶² *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1109 (9th Cir. 2007).

³⁶³ *Id.*

³⁶⁴ See *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp 2d 1090, 1102 (W.D. Wash. 2004). See also *In re Aimster Copyright Litigation*, 252 F. Supp 2d 634, 659 (N.D.Ill.2002), aff’d, 334 F.3d 643 (7th Cir.2004).

³⁶⁵ § 512(i)(1)(B) & § 512(2)(A)-(C). “Standard technological measures” are meant to be “developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process.” § 512(2)(A).

duty to monitor so long as monitoring does not become a “standard technological measure.”³⁶⁶ However, in order for something to become a “standard technological measure” it must go through an open multi-industry vetting process and must not impose substantial costs burdens on service providers.³⁶⁷ Finally, a service provider that does not fit any of the categories below is not inherently liable for copyright infringement, as a plaintiff must still demonstrate the provider has directly or secondarily infringed, and other defenses, such as fair use, continue to be available.³⁶⁸

Transitory Communications § 512(a)

This category encompasses the traditional ISP’s or any other service provider in their “transmission, routing, or providing of connections” without regard as to the contents of the material transmitted.³⁶⁹ It was intended to protect a service provider from transitory infringing communications when it “plays the role of a ‘conduit’ for the communications of others.”³⁷⁰ The Ninth Circuit held that storage of an infringing file on its news-group server for up to fourteen days constituted a transitory communication because AOL acted merely as an intermediary between two third-parties.³⁷¹ Conversely, the peer-to-peer networks of Napster and Aimster

³⁶⁶ See § 512(m).

³⁶⁷ § 512(i)(2)(standard technological measures are those that (A) “have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process,” (B) “available to any person on reasonable and nondiscriminatory terms” and (C) “do not impose substantial costs on service providers or substantial burdens on their systems or networks”).

³⁶⁸ See §512(l).

³⁶⁹ § 512(k)(1)(A).

³⁷⁰ H.R. Rep. 105-551(II), at 51 (1998). The primary legislative history authority concerning §512 is the Second Report to the House of Representatives, H.R. Rep. 105-551(II) (1998), because the Senate acceded to the House version of the bill in Conference Committee. H.R. Rep. 105-796, at 72 (1998)(Conf. Rep.).

³⁷¹ *Ellison v. Robertson*, 357 F.3d 1072, 1081 (9th Cir. 2004).

were not held to be service providers under this section because no files passed through their systems or servers.³⁷²

One of the additional requirements is that no copy of the transitory material may reside on the provider's server or network.³⁷³ This requirement takes §512(a) out of the realm of video hosting websites such as YouTube because of the copies that reside on hosting websites' servers. Another requirement states that the communication must be without editorial control as to the contents of the transmission, "without selection of the material by the service provider."³⁷⁴ Thus, §512(a) similarly fails to apply to linking websites because the operators of linking websites search for already-hosted infringing videos and actively select which links to share with the public.

System Caching § 512(b)

This section was intended to protect the temporary storage of information that eases Internet congestion and increases performance, known as caching.³⁷⁵ It defines caching as the "intermediate and temporary storage of material on a system or network operated by the service provider."³⁷⁶ The caching includes only temporary copies of files sent and as requested by users.³⁷⁷ Thus, this section applies neither to hosting websites such as YouTube, nor to linking websites. Hosting websites retain an actual copy of the infringing work, which takes them out of the category because the material is made available by the hosting website itself,³⁷⁸ while linking

³⁷² See *A&M v. Napster*, 2000 WL 573136, at *7 (N.D. Cal. 2000) *aff'd* by 239 F.3d 1004 (9th Cir. 2001); *In re Aimster Copyright Litigation*, 252 F. Supp. 2d 634, 659 (N.D. Ill. 2002) *aff'd on other grounds*, 334 F.3d 643 (7th Cir. 2003).

³⁷³ § 512(a)(4).

³⁷⁴ § 512(a)(2). See also H.R. Rep. 105-551(II), at 51 (1998) ("selection of the material' . . . means the editorial function of determining what material to send, or the specific sources of material to place on-line. . .").

³⁷⁵ See H.R. Rep. 105-551(II), at 52 (1998).

³⁷⁶ § 512(b).

³⁷⁷ § 512(b)(1)(A).

³⁷⁸ § 512(b)(1)(A) requires that the "material is made available by a person other than the service provider." *Id.*

websites link to offending material, they do not generally transmit that material through its servers.

User-Directed Storage of Material § 512(c)

Section 512(c) limits liability for service providers that store, at the direction of a user, infringing material on their servers or networks.³⁷⁹ However, the storage of material must be user-directed, and cannot reside on the provider's server or network through its own acts or decisions.³⁸⁰ Such service providers under §512(c) include websites, bulletin boards, and chat rooms.³⁸¹ The basic reading of this language seems to suggest that if a provider under this section monitors or censors user-directed material, the provider could risk losing the safe harbor. However, one court has held that human review and selection in order to weed out obvious infringement operate merely as a "gateway" and have no bearing on the selection by users of the material.³⁸² This, of course, could be problematic for providers that miss infringing content, resulting in the to be explained knowledge element.

There are three general prerequisites to this section.³⁸³ First, as detailed below, the provider must have a requisite amount of knowledge of infringing activity.³⁸⁴ Second, where the provider has the right and ability to control the infringing activity, it cannot receive a direct financial benefit attributable to it.³⁸⁵ Third, upon notice or awareness of infringement, the

³⁷⁹ § 512(c).

³⁸⁰ H.R. Rep. 105-551(II), at 53 (1998).

³⁸¹ *Id.*

³⁸² *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp 2d 688, 701(D. Md. 2001).

³⁸³ *See* § 512(c)(1)(A)-(C).

³⁸⁴ *See* § 512(c)(1)(A).

³⁸⁵ § 512(c)(1)(B). The direct financial benefit element should not be found where the service provider charges a one-time fee or periodic payments to use its service, "unless the value of the service lies in providing access to the infringing material." H.R. Rep. 105-551(II), at 54 (1998). *See also* *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1117-18 (9th Cir. 2007)("direct financial benefit should be interpreted consistent with the similarly worded common law standard for vicarious liability. *See e.g., Ellinson v. Robertson*, 357 F.3d 1072, 1078 (9th Cir. 2004).).

provider must respond expeditiously to remove or disable access to the claimed infringing material.³⁸⁶

As for the knowledge requirement, the service provider must not have “actual knowledge” of infringing activity.³⁸⁷ Actual knowledge is often served in the form of a “takedown” notice.³⁸⁸ However, substantially non-conforming takedown notices may be insufficient to prove actual knowledge.³⁸⁹ In the absence of actual knowledge, the provider cannot be aware of “facts or circumstances from which infringing activity is apparent.”³⁹⁰ Congress called this a “red flag” test, in which certain facts or circumstances should raise a “red flag” to the provider that their network or server is being used to infringe.³⁹¹ Congress noted that whether the provider knew of a “red flag” required a subjective look to the facts or circumstances involved.³⁹² However, it must be judged objectively, as a reasonable person in similar circumstances, in determining whether the facts or circumstances should constitute a “red flag.”³⁹³ As one court put it, the test should be “whether the service provider deliberately proceeded in the face of blatant factors of [infringement] which it was aware.”³⁹⁴

In addition, Congress defined “activity” as “activity using the material on a system or network. . . regardless of whether copyright infringement is technically deemed to occur at that

³⁸⁶ § 512(c)(1)(C). “Expediently” is not defined by the statute, 17 U.S.C. §512(c), nor was Congress willing to set a time limit to define it.

³⁸⁷ See § 512(c)(1)(A)(i). “Actual knowledge” is defined as “direct and clear knowledge.” Black’s Law Dictionary (8th ed. 2004), “knowledge”. H.R. Rep. 105-551(II), at 54 (1998).

³⁸⁸ See § 512(c)(3).

³⁸⁹ See *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1112-13 (9th Cir. 2007)(holding that 22,185 pages of evidence containing non-conforming takedown notices were insufficient to prove actual knowledge because to so require would impose a great burden on service providers to decipher and investigate every communication alleging infringement). See also *Hendrickson v. eBay*, 165 F. Supp. 2d 1082, 1093 (C.D. Cal. 2001)(notices lacking statement of good faith and accuracy and inadequate identification of the infringing material).

³⁹⁰ § 512(c)(1)(A)(ii).

³⁹¹ H.R. Rep. 105-551(II), at 53 (1998).

³⁹² *Id.*

³⁹³ *Id.*

³⁹⁴ *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp 2d 1090, 1108 (W.D. Wash. 2004).

site or at the location where the material is received.”³⁹⁵ In doing so, it gave the specific example of a website offering video to the public.³⁹⁶ Assuming the video was an infringing copy stored on the website’s server, it could constitute both an unauthorized copy of the work created on the server, and could be an unauthorized public performance of an audio-visual work.³⁹⁷ Either finding would be sufficient to constitute infringing activity.³⁹⁸

As noted, actual knowledge is often served in the form of a “takedown” notice. Since the statute imposes no duty to actively monitor on the part of service providers, takedown notices are typically the primary method a provider learns of infringement.³⁹⁹ The section delineates specific procedures that must be followed in the notice-takedown process.⁴⁰⁰ The notice and takedown system lies at the heart of §512(c) immunity (as well as section (d)), though it is not required, since actual knowledge or simple awareness are sufficient to trigger a takedown to preserve immunity.⁴⁰¹ However, all communication from a copyright owner alleging infringement must comply with the requirements to constitute actual knowledge or simple awareness.⁴⁰²

Each takedown notice must be a written communication to the provider signed under the penalty of perjury,⁴⁰³ and contain certain specific elements, including identification of the infringing works and information sufficient to locate the content.⁴⁰⁴ Once a substantially

³⁹⁵ H.R. Rep. 105-551(II), at 53 (1998).

³⁹⁶ *Id.*

³⁹⁷ *See id.*

³⁹⁸ *See id.*

³⁹⁹ *See* 17 U.S.C. § 512(m)(1999).

⁴⁰⁰ *See* § 512(c)(3).

⁴⁰¹ *See* § 512(c)(1)(A)(i)-(iii). *See also* H.R. Rep. 105-551(II), at 54 (1998)(“Section 512 does not specifically mandate use of a notice and takedown procedure.”).

⁴⁰² § 512(c)(3)(B). *See also* H.R. Rep. 105-551(II), at 53 (1998).

⁴⁰³ Misrepresentations in either takedown notices or counter-notices may result in damages, costs, and attorneys fees. § 512(f).

⁴⁰⁴ § 512(c)(3)(A)(i)-(vi). All notices must include:

compliant notice is received by the provider's designated agent, actual knowledge occurs and the provider must then act expeditiously to remove or disable access to the allegedly infringing content.⁴⁰⁵ In order to retain immunity for the takedown, the provider must take reasonable steps to notify the subscriber to whom the removed or disabled material belongs.⁴⁰⁶

However, the subscriber or user that is alleged to infringe is not without recourse. They must send written counter-notice under the penalty of perjury to the provider of their good faith belief that the material was disabled or removed as a result of mistake or misidentification.⁴⁰⁷

The provider must then forward the counter-notice to the original complaining party and must

(i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

(v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

Id.

⁴⁰⁵ § 512(c)(1)(A)(iii).

⁴⁰⁶ § 512(g)(2)(A). Reasonable steps are defined by Congress as simply sending an email to the account the user submitted with the website upon registration. H.R. Rep. 105-551(II), at 59 (1998).

⁴⁰⁷ § 512(g)(3). Counter-notice must include the following elements:

(A) A physical or electronic signature of the subscriber.

(B) Identification of the material that has been removed or to which access has been disabled and the location at which the material appeared before it was removed or access to it was disabled.

(C) A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

(D) The subscriber's name, address, and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal District Court for the judicial district in which the address is located, or if the subscriber's address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notification under subsection (c)(1)(C) or an agent of such person.

Id.

notify them that removal or disabling of access will cease within ten business days.⁴⁰⁸ Finally, the provider must then replace the removed material or cease denying access to it within ten to fourteen business days.⁴⁰⁹ However, if within that time period, the original complaining party notifies the provider's designated agent that it filed an action seeking a court order to restrain the subscriber from engaging in infringing activity, the removal or disabling of access becomes permanent pending the adjudication of the dispute.⁴¹⁰

Information Location Tools § 512(d)

The final category of §512 limits the liability of information location tools, including directories, indexes, references, pointers, and most importantly for this research, hypertext links.⁴¹¹ This subsection follows the same requirements of §512(c), including lack of actual knowledge or general awareness,⁴¹² lack of direct financial benefit,⁴¹³ and compliance with notice and takedown procedures.⁴¹⁴ Congress gave guidance in what kind of service provider might be eligible for the safe harbor under this section, echoing that the turning of a blind eye to a "red flag" of obvious infringement would not qualify.⁴¹⁵ In fact, Congress contemplated the exact type of linking websites that are the subject of this study's analysis.⁴¹⁶ It described one such "red flag" as linking to a "pirate" website where movies were available for downloading, public display, and public performance.⁴¹⁷

⁴⁰⁸ § 512(g)(2)(B).

⁴⁰⁹ § 512(g)(2)(C).

⁴¹⁰ *Id.*

⁴¹¹ § 512(d).

⁴¹² *Compare* § 512(d)(1)(A)-(C) *with* § 512(c)(1)(A)(i)-(iii).

⁴¹³ *Compare* §512(d)(2) *with* § 512(c)(1)(B).

⁴¹⁴ § 512(d)(3). The only difference in the notice-takedown requirements for §512(d) is that instead of identifying the location of the infringing material, notice must be given as information reasonably sufficient to locate the reference or link. *Id.*

⁴¹⁵ H.R. Rep. 105-551(II), at 57-58 (1998).

⁴¹⁶ *See id.*

⁴¹⁷ *Id.*

The intent of the section was to promote search engines and other tools that make finding information on the Internet easier.⁴¹⁸ Thus, the safe harbor was not intended for “sophisticated ‘pirate’ directories” that “refer Internet users to sites that are obviously infringing because they typically use words such as ‘pirate,’ ‘bootleg,’ or slang terms . . . to make their illegal purpose obvious.”⁴¹⁹ The “red flag” of what Congress contemplated to be “piracy” was that “the infringing nature of such sites would be apparent from even a brief and casual viewing.”⁴²⁰ The Ninth Circuit clarified this by saying that for a website to qualify as a red flag of infringement, “it would need to be apparent that [it] instructed or enabled users to infringe another’s copyright.”⁴²¹

In sum, the application of the DMCA §512 safe harbor is primarily a case by case application of the statute. Naturally, the formalistic elements of notice and takedown must summarily be followed, but the knowledge requirements necessitate an ad hoc approach in dealing with its applicability. As noted above, there are a few areas in which the case law has developed to clarify specific sections of the statute.

Fair Use

While the DMCA safe-harbor could provide an infringing website or service provider with a defense from liability, the doctrine of fair use may provide, in select instances, individual users with an additional defense to liability for infringement. Fair use is the codified principle in copyright law which allows an individual to make use of copyrighted material in a “fair” way by weighing the rights of an individual to make comment, criticism, news reporting, and scholarship

⁴¹⁸ *Id.* at 58.

⁴¹⁹ *Id.*

⁴²⁰ *Id.*

⁴²¹ *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1114 (9th Cir. 2007).

against the financial interests of the copyright holder.⁴²² The Copyright Act includes four factors which should be considered in determining whether any particular use is “fair.”⁴²³

Section 107 provides examples where fair use may apply for “purposes such as criticism, comment, news reporting, . . . or research . . .”⁴²⁴ However, when use of the copyrighted work, or portion thereof, begin to resemble entertainment rather than "criticism, comment and news reporting," it becomes more difficult to establish the fair use defense. The factors that are applied to determine whether there is a “fair use” are:

1. The purpose and character of the use, including whether the use is commercial or non-profit educational;
2. The nature of the copyrighted work;
3. The amount and substantiality of the work used in relation to copyrighted work as a whole; and,
4. The effect of the use on the potential market for of value of the copyrighted work.

The four factors are not exclusive unto themselves, as additional facts may lend to other arguments that prove or disprove fair use. For example, courts have looked to other considerations such as extreme bad faith by one of the parties.⁴²⁵ A defendant is not required to meet each of the four factors when asserting the defense of fair use. Fair use may rest on just one factor so long as it is sufficiently persuasive over the other factors.⁴²⁶ For example, despite the third factor, the Supreme Court held that the copying of an entire television show for later personal viewing constitutes a fair use.⁴²⁷

⁴²² See 17 U.S.C. §107 (1990).

⁴²³ *Id.*

⁴²⁴ *Id.*

⁴²⁵ *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985) ("Fair use presupposes 'good faith' and 'fair dealing.'").

⁴²⁶ See *Sony v. Universal City Studios*, 464 U.S. at 417 (1984).

⁴²⁷ See *id.*

The first factor looks to how the alleged infringer uses the original work. A defendant tends to win this argument most when the use is “transformative,” meaning that it takes a preexisting work and builds upon it to make something new.⁴²⁸ The Supreme Court remarked that transformative works “lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright . . . [T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”⁴²⁹ A later work is “transformative” of an earlier work when it alters the original with “new expression, meaning, or message.”⁴³⁰ An example of this is a parody of an original work.⁴³¹ Conversely, a later work is considered derivative if it merely replaces the original work, not changing or transforming it, and such factors weigh against a finding of fair use.⁴³² For example, a derivative work would include converting a book into movie.

The second factor asks about creativity of the copyrighted work and the amount of protection needed for it. Generally, the more original the work is, the more it warrants protection. This idea stems from the origin of copyright law itself in the U.S. Constitution intending to promote “the progress of science and useful arts.”⁴³³ For example, the Supreme Court held that copying factual names and numbers out of the white pages of a telephone book to create a competing phone book was not a violation of copyright because phone numbers and names were facts, not original creative works.⁴³⁴ The Court determined that arranging facts such

⁴²⁸ See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (“the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.”).

⁴²⁹ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).

⁴³⁰ *Id.*

⁴³¹ *Id.* at 579.

⁴³² See 17 U.S.C. §101 “derivative work.” (“derivative work” is a work based upon one or more preexisting works . . . in which a work may be recast, transformed, or adapted.).

⁴³³ See U.S. CONST. art. I, sec. 8, cl. 8.

⁴³⁴ See *Feist Publications Inc., v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).

as names and numbers in alphabetical order was not sufficiently original to withstand copyright protection.⁴³⁵

The third factor looks to the amount of the original copyrighted work is used, as well as how central that portion used is to the original work. Generally, fair use is more likely to be found where the amount copied is minimal, and the other factors also point to fair use.⁴³⁶ However, wholesale copying does not necessarily negate fair use where the other factors favor it. For example, the Supreme Court held once that a mere 300 word excerpt from an unpublished book in a magazine was not fair use,⁴³⁷ while the next year the Second Circuit decided that a 7,000 excerpt from an out of print book for use as commentary was a fair use.⁴³⁸

Finally, the fourth factor looks to the degree that the infringing work will compete economically with the copyrighted work. The Supreme Court has held that this element is "undoubtedly the single most important element of fair use."⁴³⁹ The analysis must not only look to the harm the use has on the original work, but also to the potential harm to future works.⁴⁴⁰ Thus, in applying fair use to new technologies, the *Sony* Court stated that potential harm need not be proven, only "evidence that some meaningful likelihood of future harm exists."⁴⁴¹

Although the factors are codified in the Copyright Act, they remain indefinite and unclear in their application. In other words, fair use continues to be fluid, ever changing, and determined on a case-by-case basis with outcomes varying by court because of the fact-specific nature of the issues. For example, one court found that using forty-one seconds of footage from a boxing

⁴³⁵ *Id.*

⁴³⁶ *See Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 564–65 (1985) ("There are no absolute rules as to how much of a copyrighted work may be copied and still be considered a fair use.").

⁴³⁷ *See id.*

⁴³⁸ *See Maxtone-Graham v. Burtchaell*, 803 F.2d 1253 (2d. Cir. 1986).

⁴³⁹ *Harper & Row*, 471 U.S. at 566.

⁴⁴⁰ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994).

⁴⁴¹ *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984).

match featuring Muhammad Ali in the making of a biographical documentary of Ali's life was a fair use because the portion used was small and for informational purposes.⁴⁴² Another court found that using one minute and fifteen seconds of a Charlie Chaplin film in a news report about Chaplin's death was not a fair use because the portion taken was so integral to the "heart of the film."⁴⁴³ This discrepancy in outcomes confounds the application of fair use, especially as digital technology presents new methods to use copyrighted material.

⁴⁴² *Monster Communications, Inc. v. Turner Broadcasting Sys. Inc.*, 935 F. Supp. 490 (S.D. N.Y. 1996).

⁴⁴³ *Roy Export Co. Estab. of Vaduz v. Columbia Broadcasting Sys., Inc.*, 672 F.2d 1095, 1100 (2d Cir. 1982)

CHAPTER 4 CASE STUDY ANALYSIS

Thus far, this study outlined in Chapter 1 the problem both the problem the copyright industry faces with changing Internet video-sharing technologies, as well as implications on fair use. Chapter 2 introduced scholarly literature about secondary liability in the face of changing technology and the normative issues surrounding copyright law. Chapter 3 then outlined the statutory and case law of direct and secondary copyright liability, as well as possible defenses of fair use and the Digital Millennium Copyright Act's safe harbor. This chapter will now incorporate the previous chapters into preliminary legal findings by examining one representative example of hosting websites and another representative of linking websites. The first case study will examine YouTube.com, the Internet's most popular video-sharing and hosting website. The second will analyze SouthParkzone.com, a popular linking website that enables Internet users to watch unauthorized copies of full-length, commercial-free episodes of Comedy Central's popular animated TV show *South Park*.

This analysis must first acknowledge a number of ongoing lawsuits against YouTube.com and similar websites, few of which have been fully adjudicated. The importance of the analysis is evident in the number of major pending lawsuits on the matter. The most noteworthy is *Viacom v. YouTube*, in which media conglomerate Viacom, on behalf of its entertainment subsidiaries such as Comedy Central and Paramount Pictures, sued YouTube, and its owner Google, for copyright infringement related to the unauthorized display, performance, and reproduction of copyrighted videos.¹ Viacom is also seeking liability based on the vicarious and contributory liability theories and seeks damages over one-billion dollars.² The case is currently

¹ See Complaint, *Viacom, Inc. v. YouTube, Inc.*, 2007 WL 775611 (S.D.N.Y. filed Mar. 13, 2007)(No. 07-2103).

² *Id.*

pending in the U.S. District Court for the Southern District of New York.³ Lawsuits have not only been filed against YouTube, but also against its video hosting competitors such as Veoh.com.⁴ However, since YouTube has become such a major player in the copyright litigation regarding video hosting websites, the first part of this analysis will study the legal ramifications of YouTube.

Another notable lawsuit against YouTube is a class-action also brought in the Southern District of New York entitled *The Football Association Premier League Ltd. v. YouTube*.⁵ The lead plaintiff, a major European professional soccer league, is joined by a large number of content owners, including owners of video and music copyrights.⁶ A number of plaintiffs voluntarily dismissed other pending actions against YouTube to join this suit.⁷ In addition, both the Viacom litigation and the YouTube class action are under the direction of Judge Louis L. Stanton and both litigations have been co-docketed.

Lawsuits against linking websites are more sparse and much more difficult to prosecute. Many linking websites offer minimal user interaction to maintain their contention of DMCA §512 immunity, making them difficult to serve a lawsuit against by hiding their true identity.⁸ In addition, many of linking websites are either hosted by offshore servers, their operators are

³ *Id.*

⁴ *See e.g.* UMG Recordings, Inc. v. Veoh Networks, Inc., No. 07-5744 (C.D. Cal. filed Sept. 4, 2007); IO Group, Inc. v. Veoh Networks, Inc., No. 06-3926 (N.D. Cal. filed June 23, 2006).

⁵ Football Association Premier League, Ltd. v. YouTube, Inc., No. 07-3582 (S.D.N.Y. filed May 4, 2007).

⁶ *Id.* Other notable plaintiffs include: Bourne Co., The Music Force LLC, Cal IV Entertainment, LLC, Cherry Lane Music Publishing Company, Inc., Robert Tur, National Music Publishers' Association, The Rodgers & Hammerstein Organization, Edward B. Marks Music Company, Freddy Bienstock Music Company, Alley Music Corporation, X-Ray Dog Music, Inc., Federation Francaise De Tennis, The Scottish Premier League Limited, The Music Force Media Group LLC and Sin-Drome Records, Ltd. *Id.*

⁷ *See e.g.* Tur v. YouTube, Inc., No. 06-4436 (C.D. Cal. voluntarily dismissed 2006).

⁸ *See* Kevin J. Delaney, *Free Viewing -- Threat for Big Media: Guerrilla Video Sites*, WALL ST. J., Apr. 7, 2007, at A1.

located offshore, or both.⁹ In many instances, they are located in nations that are not parties to international copyright treaties that respect basic tenets of copyright law.¹⁰ As a result the analysis of linking websites will apply examples from a number of video linking websites and apply the general principles of video linking websites and their legal ramifications.

However, two American-based linking websites were recently sued by copyright industry companies for linking to copyrighted works shortly after their website was featured by the *Wall Street Journal*.¹¹ In the instance of linking hub youtvpc.com, New Mexico residents and website founders Billy Duran and Sam Martinez were sued for their website's alleged facilitation of violating copyrights.¹² The founders failed to contest the lawsuit, which resulted in a default judgment of nearly \$900,000 in damages and attorneys' fees for violating copyright law.¹³ The remaining action was voluntarily dismissed as the plaintiff was unable to properly serve Youtvpc.com.¹⁴ Another lawsuit was filed against linking hub peekvid.com, in which the alleged owner of peekvid.com failed to properly answer, and the court similarly entered default judgement against the defendants.¹⁵

YouTube.com Case Study

A brief review of the functions and purposes of YouTube.com is necessary before a legal analysis can take place. YouTube is the self-proclaimed, "leading destination on the Internet for video entertainment."¹⁶ It relies upon user-uploaded content for users to view free of charge.¹⁷

⁹ *See id.*

¹⁰ *See id.*

¹¹ *See id.*

¹² Judgment Against Defendants Billy Duran and Sam Martinez Pursuant to Entry of Default, Universal City Studios, Inc. v. Youtvpc.com, No. 07-4181 (C.D. Cal. decided Dec. 3, 2007).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Warner Bros. Entertainment, Inc. v. Peekvid.com, No. 07-4185 (C.D. Cal. filed June 26, 2007).

¹⁶ YouTube Fact Sheet, http://www.youtube.com/t/fact_sheet (last visited Jan 28, 2008).

¹⁷ *Id.*

In order to upload and share videos, users must first register with YouTube, giving their name and a valid email address, and must agree to abide by the Terms of Use and Privacy Policy.¹⁸

The terms include basic content-restrictions on the videos a user may upload, including that they may not infringe another's copyright.¹⁹

Almost all videos on YouTube are the result of a user uploading a video onto the YouTube server. Videos uploaded must be no longer than ten minutes in length and no more than 100 mega-bytes of data.²⁰ However, this limitation is a recent policy and older YouTube users whose account predates the new rule can upload longer videos.²¹ Once uploaded to YouTube's server, it then processes the video by converting it into a compact and easy to view format, and places the video online for anyone to see.²² Users also have the ability to make their videos password-protected and unavailable to the general public.²³ They can also "tag" the video with key words which assist YouTube's search engine function in locating the video as well as categorizing the video for placement in one of YouTube's many themed channels.²⁴ YouTube does not review the content of any videos unless the video is "flagged" for inappropriateness by another user in violation of the Terms of Use.²⁵ Only recently has YouTube begun

¹⁸ See Answer at ¶30, *Viacom, Inc. v. YouTube, Inc.*, No. 07-2103 (S.D.N.Y. Apr. 30, 2007) 2007 WL 1724620. See also Terms of Use, available at <http://www.youtube.com/t/terms> (last visited Jan 28, 2008).

¹⁹ See *id.*

²⁰ See Answer at ¶30, *supra* note 18.

²¹ Can I upload videos that are longer than 10 minutes?, available at <http://www.google.com/support/youtube/bin/answer.py?answer=71673&topic=10527> (last visited Jan. 28, 2008).

²² See Answer at ¶31, *supra* note 18.

²³ See Answer at ¶43, *supra* note 18.

²⁴ What are tags? How do I add them?, available at <http://www.google.com/support/youtube/bin/answer.py?answer=55769&topic=10531> (last visited Jan 28, 2008).

²⁵ What do all the flagging terms mean? available at <http://www.google.com/support/youtube/bin/answer.py?answer=78716> (last visited Jan. 28, 2008).

experimenting with automated copyright protection tools such as filters to identify infringing works.²⁶

From the viewing end, YouTube's interface is quite simple. Unlike uploaders, a viewer of videos requires no registration with the website. To view a video, a user simply needs to navigate to the video's website address, and the video automatically begins to play. If a viewer has no direct link to a video, they can go to YouTube's homepage, where videos are featured as well as advertisements and a search engine. The search engine indexes all public videos on YouTube and yields results based on tagging of the videos, and results are listed along with a thumbnail image taken from the video.²⁷ Search results are capped at 1,000 video clips on any given search.²⁸ When a user clicks on a video's thumbnail, the website takes the user to the video's webpage and the video begins to play.

This section will first examine YouTube's possible direct liability for copyright infringement, along with possible fair use defenses to each form of direct liability. Second, it will determine secondary liability possibilities, including inducement, vicarious liability, and contributory liability. Finally, this section will address the possibility that YouTube may be immune from secondary liability based on the DMCA §512 safe harbor.

Direct Liability

The question of whether YouTube may be liable for direct copyright infringement stems from the simple fact that a copy of every allegedly infringing video resides on YouTube's centralized servers, and that copy is what is played to the end-user. This implicates a number of the exclusive rights granted to copyright owners by §106, including the reproduction,

²⁶ Andy Greenberg, *YouTube's Filter Fails to Please*, FORBES, Oct. 18, 2007, available at http://www.forbes.com/2007/10/18/google-viacom-video-tech-cx_ag_1018youtube.html (last visited Jan 28, 2008).

²⁷ See Answer at ¶30, *supra* note 18.

²⁸ *Id.*

distribution, a public display and performance.²⁹ In addition, the growing popularity of user-generated content, which may include portions of copyrighted material, may implicate the derivative works right.³⁰ The direct liability of YouTube's actions has no bearing on the fact that a user who uploads an infringing video to may themselves commit direct copyright infringement, however, it will be important later in considering whether secondary liability exists.³¹

Reproduction right

YouTube's act of making a copy onto its server of a video is troublesome to the owner's reproduction right, however, it may not be fatal to YouTube. In the most basic sense, the act of making an unauthorized copy of another's audiovisual work is a prima facie violation of copyright law.³² YouTube admitted in a pleading that, "when a user uploads a video to the YouTube service, the video is copied into a software format, stored on YouTube's computers, and made available for viewing through the YouTube service."³³ Thus, it is relatively uncontested that YouTube violates the reproduction right. However, a court might find the activity excusable for a number of reasons.

First, copies are defined as, "material objects . . . in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."³⁴ YouTube admitted that the storage copy is made specifically for the purpose of making the video "available for viewing through the YouTube service" and thus is intended to be perceived,

²⁹ See 17 U.S.C § 106 (2002).

³⁰ See Lee Rainee, *Increasing Use of Video Sharing Sites*, PEW INTERNET & AMERICAN LIFE PROJECT, Jan 9, 2008, at 1 available at http://www.pewinternet.org/pdfs/Pew_Videosharing_memo_Jan08.pdf (last visited Feb. 16, 2008).

³¹ See *supra* notes 65-69 and accompanying text.

³² See 17 U.S.C. §106 (2002).

³³ Answer at ¶31, *supra* note 18.

³⁴ 17 U.S.C. §101 ("copies").

reproduced, or communicated.³⁵ The copy must also be “fixed” so that it is “sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”³⁶ The Act does not further define “transitory duration,” and no court has attempted to do so beyond a case-by-case basis.³⁷ However, “transitory duration” is modified by the ability “to be perceived, reproduced, or otherwise communicated,” thus a determination is likely based upon the copy’s ability to be shown or otherwise viewed.³⁸ YouTube’s stored copy appears to fit this definition, though it is statutorily undefined and therefore open to a court’s interpretation.

Second, a possible defense for YouTube is to characterize the copies as ephemeral in nature. YouTube could argue that it makes the copies on its server at the direction of users only to facilitate the playing of the video upon request, a simple, automatic, and brief process that is transitory in nature and lasts only as long as the user wants his video posted online. The Copyright Act speaks in two places directly regarding ephemeral copies. First, it protects ephemeral copies of sound recordings for broadcast purposes, but specifically exempts motion pictures and audiovisual works from the protection.³⁹ Secondly, it provides protection of ephemeral copies of computer programs.⁴⁰ The law’s avoidance of exempting ephemeral copies of audiovisual works suggests that it may have been deliberate.⁴¹ Court interpretation of

³⁵ Answer at ¶31, *supra* note 18.

³⁶ 17 U.S.C. §101 (2005)(“fixed”).

³⁷ See, e.g., *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993); *Advanced Computer Servs. of Mich., Inc. v. MAI Systems Corp.*, 845 F. Supp. 356, 363 (E.D. Va. 1994) (holding that a copy in RAM for “minutes” was sufficient to be found a copy under the act).

³⁸ See U.S. Copyright Office, *DMCA Section 104 Report*, at 111-12 (Aug. 2001), available at <http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf> (visited Jan. 11, 2008).

³⁹ 17 U.S.C. § 112 (2004).

⁴⁰ 17 U.S.C. § 117 (1998).

⁴¹ The legislative history of §112 and §117 yields no guidance as to why motion pictures and audiovisual works were not given protection for ephemeral recordings. See H.R. Rep. 94-1476 (1976)(Conf. Rep.). It is logical that

ephemeral copies generally holds that the exemption for ephemeral copies typically is limited to either cache copies made by end-users, or copies that are incident to the use of a computer held only so long as the computer remains powered on.⁴² As a result, the copies are unlikely to be found to be ephemeral since they are uploaded at the direction of the user and have a theoretically infinite life on YouTube's servers, and are far from fleeting or a byproduct of computer use. They are, instead, the actual video that YouTube displays to viewers.

Third, YouTube may prevail by arguing that the reproduction cannot be direct infringement because the copying is non-volitional on the part of YouTube. In 1995, the U.S. District Court for the Northern District of California held in *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, that "passive providers of Internet services" that "automatically and uniformly" create copies of works at the direction of users, without more, is not a directly infringing reproduction.⁴³ The court did not seek to change the strict liability application of direct infringement, but noted instead in application it was not well-suited to the Internet.⁴⁴ At issue in *Netcom* was whether user-uploaded copyrighted material to an online bulletin board website constituted direct infringement on the part of the bulletin board operator.⁴⁵ The court found no direct infringement, holding that "there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party."⁴⁶

audiovisual works and motion pictures were deliberately left out of §117 since it's 1998 amendment dealt with copies of computer programs.

⁴² See e.g., *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1156 at n.3 (9th Cir. 2007);

⁴³ See *Religious Technology Center v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1369 (N.D. Cal. 1995) ("Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party.")

⁴⁴ *Id.* at 1369-73.

⁴⁵ *Id.* at 1368.

⁴⁶ *Id.* at 1370.

Additional courts have similarly adopted *Netcom*'s holding. In 2004, the Fourth Circuit articulated that, "[t]here must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner."⁴⁷ The courts compared such passive providers of Internet services to a photocopy machine, which on its own, is capable of infringement yet is still allowed to be manufactured.⁴⁸

The argument is similar to that which grants immunity to "passive conduits" for defamatory statements made by third-party website users.⁴⁹ Yet, in copyright law, this "passive conduit" exemption to direct liability is more like the test for secondary liability than direct infringement due to the requirement of "something more," either in the form of knowledge an element of causation or volition on the part of the conduit. Of course, the "passive conduit" test does not preclude a finding of secondary liability, and in fact years later helped shape the *Napster* court's contributory infringement test.⁵⁰ Additionally, the requirements of §512 of the DMCA echo similar requirements of a passive conduit for immunity from secondary liability.⁵¹ However, with the adoption of the "passive conduit" standard by a number of courts, though none in the YouTube litigation's controlling Second Circuit, YouTube may indeed have a defense to all accusations of direct infringement.

⁴⁷ *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 555 (4th Cir. 2004) ("Agreeing with the analysis in *Netcom*, we hold that the automatic copying, storage, and transmission of copyrighted materials, when instigated by others, does not render an ISP strictly liable for copyright infringement under §§ 501 and 106 of the Copyright Act."). See also *Field v. Google Inc.*, 412 F. Supp 2d 1106, 1115 (D. Nev. 2006) ("the automated, non-volitional conduct by Google in response to a user's request does not constitute direct infringement under the Copyright Act.").

⁴⁸ See *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir.2004).

⁴⁹ See e.g., *Zeran v. America Online, Inc.*, 129 F.3d 327 (4th Cir. 1997)(applying Communications Decency Act, 47 U.S.C.230, to protect a website from liability for defamatory communications posted at the direction of a third-party.)

⁵⁰ See *A&M Records, Inc. v. Napster, Inc.* 239 F.3d 1004, 1020 (9th Cir. 2001).

⁵¹ See H.R. Rep. 105-796, at 72 (1998)(Conf. Rep.)(expressing intent to preserve "strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment.")

Distribution right

Regardless of whether YouTube's server copy is characterized as a reproduction, the ability of users around the world to access and play infringing video may violate a copyright owner's distribution right. As discussed in Chapter 3, the distribution of an audiovisual work creates a unique problem in statutory construction because the Copyright Act specifically grants copyright owners the exclusive right to distribute copies of their works "to the public by sale or other transfer of ownership . . . rental, lease, or lending."⁵² It is doubtful that YouTube's playing of video files stored on its servers is a transfer of ownership, rental, lease, or lending. The few courts that have found online distribution by websites have done so because of the ability to download the infringing file.⁵³ However, the normal operation of YouTube merely allows a user to view a video online, but not download a copy of the video (with the exception of metadata to facilitate the playing of the video).⁵⁴ In effect, YouTube's playing of the video is a transmission, which is not mentioned in the specific language of the statute defining a distribution, but instead specifically implicated in the public display and performance rights.

Public display and performance right

As previously discussed, the main difference between the public display right and public performance right is in the amount and sequence in which an audiovisual work is shown.⁵⁵

YouTube's showing of videos is a "public" display or performance, as "public" means to "transmit . . . by means of any device or process, whether the members of the public receive it in

⁵² 17 U.S.C. §106(3)(emphasis added).

⁵³ See *Playboy Enters. v. Webworld, Inc.*, 991 F. Supp. 543, 550-53 (N.D. Tex. 1997)(storing infringing photos on servers with the ability for users to download and print the photos was a distribution); *Central Point Software, Inc. v. Nugent*, 903 F.Supp. 1057, 1058 (E.D.Tex.1995)(making available for download of copyrighted computer software on BBS was distribution); *Playboy Enterp. v. Frena*, 839 F. Supp. 1552, 1556 (M.D. Fla. 1993)(holding that user postings of Playboy's copyright images to BBS with the ability to later be downloaded constituted a distribution).

⁵⁴ Some add-on software and websites unaffiliated with YouTube allow for the downloading of videos off YouTube. For example, [Downloadyoutubevideos.com](http://downloadyoutubevideos.com) allows you to enter the URL to a YouTube video, and downloads it to your computer. <http://downloadyoutubevideos.com> (last visited Jan. 31, 2008).

⁵⁵ Cf. 17 U.S.C. § 101 ("publicly") with 17 U.S.C. § 101 ("display").

the same place or separate places and at the same time or different times.”⁵⁶ Since users of YouTube can view uploaded videos at the time and place of their choosing, as well as view the same video at the same time anywhere around the world, YouTube publicly performs and displays videos.⁵⁷

The display right is implicated where the work is “shown” or individual images are shown “non-sequentially.”⁵⁸ YouTube’s cataloguing of videos by creating a thumbnail of each video for its search function may also implicate the public display right. This is a volitional action by YouTube, not entirely user-directed, and thus may not qualify for the passive conduit exemption discussed above.⁵⁹ However, YouTube would likely argue that the thumbnail is merely a fair and transformative use for the sole purpose of making the videos on the site more accessible and better organized. Courts, such as the Ninth Circuit in *Perfect 10 v. Amazon.com*, have recently begun to show deference to thumbnails made incident to a search engine as long as the thumbnails are created for a use distinct from the original use of the work.⁶⁰ Thus, so long as there is no known market for a still image of an uploaded video, the thumbnail image created by YouTube would likely constitute a fair use.⁶¹ For example, a still image taken from NBC-Universal’s *The Office* may indeed have outside merchandising value beyond the video form it

⁵⁶ 17 U.S.C. §101 (2005)(“publicly”).

⁵⁷ Of course, original user-generated videos are uploaded to YouTube with the intent for them to be made available to the public, thus waiving their public display and distribution rights.

⁵⁸ 17 U.S.C. §101 (2005)(display).

⁵⁹ See *supra* notes 42-49 and accompanying text.

⁶⁰ *Google, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 (9th Cir. 2007); *Kelly v. Arriba-Soft, Inc.*, 336 F.3d 811, 822 (9th Cir. 2003).

⁶¹ See *Google, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 (9th Cir. 2007).

was taken from if the use was purely entertainment based. However, just as with every fair use inquiry, this must be part of an ad-hoc consideration by a court.⁶²

The public performance right is implicated by showing an audiovisual work in “any sequence.”⁶³ This would implicate the showing of full-length infringing videos or smaller clips. For small clips, a fair use analysis must take place in order to determine whether the portion of the work used is substantial enough in both size and affecting the market for the original work. Abstractly, fair use would tend to favor small clips that are part of a larger compilation or commentary, as opposed to simply cutting the best joke from a sitcom and separating it from its original form. Yet, again, fair use analyses take place on a case by case basis.⁶⁴

Finally, whether YouTube can be found liable for directly infringing the public display and performance rights rests on a strong evidentiary showing by plaintiffs, which may be difficult to demonstrate without substantial first-hand evidence. Content owners must create a record that the videos are in fact on YouTube, and that they are capable of being viewed. In addition, if this is used as a basis for secondary liability, it probably must be shown that users in fact viewed the videos. It would be insufficient to simply demonstrate that they were available to be viewed since the definition of displaying or performing publicly includes the *transmission* or *communication* of a work, not just the *possibility* that it can be transmitted or otherwise communicated.⁶⁵ However, the problem is potentially solved by YouTube allowing users to keep track of the number of times a video is viewed.

⁶² See *Campbell v. Acuff-Rose Music, Inc.* 510 U.S. 569, 577 (1994) (“The fair use doctrine thus “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Stewart v. Abend*, 495 U.S. 207, 236 (1990)”).

⁶³ 17 U.S.C. §101(2005)(“perform”).

⁶⁴ See *supra* note 62.

⁶⁵ See 17 U.S.C. §101 (2005)(“publicly”).

Derivative works right

A large portion of the content on YouTube is user-generated, meaning that the user has some degree of control over the contents of the video. Some of the videos are entirely original and copyrighted by the uploading user, while other videos are a hybrid containing portions of infringing music or video clips. The degree of infringement of a hybrid video varies from video to video, and is often protected as a fair use as a comment, criticism, or parody. It is unknown the amount of videos on YouTube that are purely user-generated, but it is safe to assume a large number are the hybrid variety. This is one area where YouTube is largely immune from direct liability since the users, and not YouTube itself, create the derivative works that may be infringing. Again, this could form a basis of secondary liability, but not direct liability since YouTube takes no part in the production of the videos. Interestingly, YouTube offers a suite of tools called the “Remixer,” which allows a user to upload video clips and reorder them, and add special effects and transitions.⁶⁶ However, this again implies more characteristics of secondary liability than of direct infringement by making possible infringement. To YouTube’s credit, it also has a proactive tool called “AudioSwap” which allows users to substitute unlicensed music on their videos for music that is licensed for use on YouTube.⁶⁷

Secondary Liability

Perhaps the area of most concern regarding possible YouTube liability is in the secondary liability arena. It is enormously important because of financial implications of copyright’s statutory damage system, which calls for a \$750- \$30,000 fine per work infringed, irrespective of any actual damages caused by the infringement.⁶⁸ A website such as YouTube, with the ability

⁶⁶ YouTube.com Remixer, http://www.youtube.com/ytremixer_about (last visited Jan. 31, 2008).

⁶⁷ YouTube.com AudioSwap, http://www.youtube.com/audioswap_about (last visited Jan. 31, 2008).

⁶⁸ 17 U.S.C. §504(c). The copyright plaintiff is put to a choice in determining damages sought. They may seek *either* actual damages and profits *or* statutory damages, *but not both*. 17 U.S.C. §504(a).

to host millions of potentially infringing videos, has massive potential liability since secondary liability is predicated on a defendant's actions that are in some way complicit to the infringing acts of third parties.⁶⁹ Secondary liability comes in two traditional common law forms, vicarious and contributory liability, and a new form recently handed down by the U.S. Supreme Court of liability by inducement.⁷⁰ Since secondary liability cannot be found without a specific directly infringing act of a third party, a plaintiff must first show evidence of a third party directly violating one of the §106 exclusive rights.⁷¹

For example, every time a user uploads a fully infringing video onto YouTube's server, they directly infringe the copyright owner's reproduction right. In this case, YouTube is the tool by which the making of the copy is possible, just as a photocopy machine enables its user to make a copy of a work, or the VCR or DVD-Recorder enables users to copy full-length movies and TV shows. Fair use arguments aside, such copies are prima facie direct infringements of the reproduction right, and can form a basis for secondary liability arguments. However, as will be explained later, the doctrine of substantial noninfringing uses,⁷² or the DMCA §512 safe harbor,⁷³ may immunize YouTube from secondary liability. This section will first address vicarious liability, then contributory liability, and finally liability by inducement.

⁶⁹ See *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005); *Sony v. Universal City Studios*, 464 U.S. 417, 435 (1984).

⁷⁰ See *id.*

⁷¹ See *M.G.M. v. Grokster, Inc.*, 545 U.S. 913, 931 (2005)(citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963); *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929)).

⁷² See *infra* at notes 143-191 and accompanying text.

⁷³ See *infra* at notes 234-280 and accompanying text.

Vicarious liability

Vicarious liability concerns YouTube's right, duty, or ability to control a third party direct infringer.⁷⁴ The three basic elements of vicarious infringement are (1) an act of direct infringement by a third party, (2) YouTube's right and ability to supervise the direct infringer's conduct, and (3) a direct financial benefit received by YouTube from the exploitation of the work.⁷⁵ An act of direct infringement by a user is assumed for this analysis. Although the Supreme Court has clarified the vicarious liability standard,⁷⁶ the application of the doctrine to dual-use technologies remains murky. While the *Sony* Court outlined the basics of vicarious liability in 1984, it often interchanged the term with contributory liability, further blurring an already unclear line.⁷⁷ Yet, since the issue was not directly before the Court, it thus dealt with it "broadly and outside of a technical analysis of the doctrine."⁷⁸ Meanwhile, in 2001, the Ninth Circuit in *Napster* applied vicarious liability to the peer-to-peer file sharing software.⁷⁹ Yet in 2003, Judge Posner of the Seventh Circuit declined to apply the doctrine in *Aimster*, holding strictly that vicarious liability should only be imposed where a principal-agency relationship exists.⁸⁰ Recently in 2005, the Supreme Court in *Grokster* reiterated the standard definition of the doctrine, but avoided applying it entirely, choosing instead to ground its decision in the new inducement standard.⁸¹

⁷⁴ See *Sony*, 464 U.S. at 435.

⁷⁵ See *M.G.M. v. Grokster, Inc.*, 545 U.S. 913, 931 (2005)(citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963); *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929)).

⁷⁶ See *id.*

⁷⁷ See *Sony*, 464 U.S. at 434-42.

⁷⁸ *A&M Records v. Napster*, 239 F.3d 1004, 1023 (9th Cir. 2001)(referring to *Universal City Studios v. Sony*, 464 U.S. 417, 435 (1984)).

⁷⁹ *A&M Records v. Napster*, 239 F.3d 1004, 1023 (9th Cir. 2001).

⁸⁰ *In re Aimster*, 334 F.3d 643, 654-55 (7th Cir. 2003).

⁸¹ See *Grokster*, 545 U.S. at 931 n.9 ("Because we resolve the case based on an inducement theory, there is no need to analyze separately MGM's vicarious liability theory.").

In dealing with copyright and new technology, only the Ninth Circuit in *Napster* directly addressed vicarious liability, upholding the lower court’s finding that Napster was vicariously liable.⁸² First the court found that Napster had a direct financial interest in the infringing activity of the users of its peer-to-peer file sharing software.⁸³ The court reasoned that infringing material available through the Napster acted as a “draw” for users, and that Napster’s future revenue was “directly dependent upon ‘increases in its userbase’.”⁸⁴ Thus, Napster directly benefited financially from the additional registered users drawn to the infringing material.⁸⁵

Second, the court found that Napster had the “right and ability to supervise its users’ conduct.”⁸⁶ It held that Napster exercised supervision through its terms of service which allowed it to block an infringer’s access or account for violation of law or “for any reason in Napster’s sole discretion, with or without cause.”⁸⁷ The court noted that the only way to escape such liability was if Napster had exercised its right to police to the fullest extent within the system’s architecture, and that “turning a blind eye to detectable acts of infringement for the sake of profit gives rise to liability.”⁸⁸ The court further said that Napster’s search function fell within premises that it had the ability to police, suggesting that a right to supervise could include basic proactive duty to monitor where made possible by a search function.⁸⁹ The *Napster* court’s ruling seems to suggest that an operator must either totally control its premises, or design its system so that it retains no control whatsoever over users; however, anything in between could

⁸² A&M Records v. Napster, 239 F.3d 1004, 1023 (9th Cir. 2001).

⁸³ *Id.* at 1023.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.* (quoting Napster’s Terms of Use).

⁸⁸ *Id.* at 1023-24.

⁸⁹ *Id.* at 1024 (“Napster . . . has the ability to locate infringing material listed on its search indices, and the right to terminate users’ access to the system. The file name indices, therefore, are within the ‘premises’ that Napster has the ability to police.”).

result in liability. The Ninth Circuit further described this element in its overturned *Grokster* opinion, noting that a registration and log-in requirement could indicate control.⁹⁰

As the Supreme Court has yet to detail vicarious liability beyond the edges of the doctrine, the Seventh Circuit's *dicta* on the subject in *Aimster* is also important. Judge Posner took a more restrictive view, stating that it refers "to the liability of a principal, such as an employer, for the torts committed by his agent, an employee for example, in the course of the agent's employment."⁹¹ Posner argued that vicarious liability was intended to provide relief where seeking a remedy against the agent direct infringers would be difficult, and where the principal possessed a right to stop the infringing actions.⁹² He commented that the *Sony* Court could have imposed vicarious liability on the VCR, because it was nearly impossible to sue viewers for fast-forwarding through commercials, but it was possible for Sony to eliminate the fast-forward button that enabled users to skip them.⁹³ Thus, through a design change, Posner argued, Sony could have reduced the amount of infringement.⁹⁴ Likewise, he said, *Aimster* would have reduced the amount of infringing activity by monitoring its system.⁹⁵ In the end, whether or not *Aimster* failed to monitor its system to prevent obvious infringing activity, Judge Posner declined to apply the vicarious infringement doctrine to *Aimster*, stating that the argument was "academic" and decided against *Aimster* on contributory liability grounds instead.⁹⁶

⁹⁰ See *M.G.M. v. Grokster*, 380 F.3d 1154,1165 (9th Cir. 2004), *rev'd and remanded by* 545 U.S. 943 (2005)("It does not appear from any of the evidence in the record that [Grokster] has the ability to block access to individual users . . . given the lack of a registration and log-in process, even Grokster has no ability to actually terminate access to filesharing functions . . .").

⁹¹ *In re Aimster*, 334 F.3d 643, 654 (7th Cir. 2003).

⁹² See *id.*

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Id.* at 655 ("Whether failure to do so made it a vicarious infringer notwithstanding the outcome in *Sony* is academic, however; its ostrich-like refusal to discover the extent to which its system was being used to infringe copyright is merely another piece of evidence that it was a contributory infringer.")

Right & Ability to Control

Notwithstanding *Aimster*'s reluctance to apply the doctrine, the *Napster* ruling on vicarious liability is helpful in applying the theory to YouTube largely due to similar factual situations in that Napster and YouTube act as passive conduits for its users. As such, the first question that must be addressed is the extent to which YouTube has the right and ability to control its users' conduct. There are a number of ways which YouTube appears to exert significant control over its users. First, the click-wrap Terms of Use agreement that all uploading users must first agree to is binding and non-negotiable.⁹⁷ It requires users to agree, among other things, to "not submit material that is copyrighted . . . unless you are the owner of such rights or have permission from their rightful owner to post the material. . . ."⁹⁸ As required by DMCA §512, the Terms of Use also provides for the termination of repeat infringers, but fails to define what constitutes repeat infringement,⁹⁹ other than saying that, "[w]e decide whether we believe your violation of our Terms of Use should result in termination of your account."¹⁰⁰ This gives YouTube enormous discretion and power over regulating its users' activities, and is quite similar to Napster's right to block access for any reason whatsoever. It differs from Napster in that there are basic guidelines given that describe what be a violation, however, is analogous in that the final decision is up to and according to YouTube's "belief."

⁹⁷ YouTube Terms of Use, *supra* note 16. Though not directly relevant to this discussion, click-wrap agreements have been criticized as contracts of adhesion with users having insufficient bargaining power against websites forcing them to accept terms and conditions. *See e.g.*, Robert A. Hillman & Jeffrey J. Rachlinski, *Standard-Form Contracting in the Information Age*, 77 N.Y.U. L. REV. 429 (2002). Courts have upheld click-wrap agreements where users are required to accept the terms prior to registering the use of the website. *Id.* at 487.

⁹⁸ YouTube Terms of Use, §6-D, *supra* note 16.

⁹⁹ *Id.* at §7-A.

¹⁰⁰ YouTube Community Guidelines, http://www.youtube.com/t/community_guidelines (last visited Jan. 31, 2008).

YouTube also exercises control by requiring that user's agree to abide by its "Community Guidelines."¹⁰¹ The Community Guidelines outline what types of videos are appropriate for uploading to YouTube, and YouTube reserves the right to disable access to non-compliant videos.¹⁰² The guidelines are written in a very informal style and give examples of non-acceptable uses, such as pornography and sexually explicit videos.¹⁰³ It also includes a request to "respect copyright," stating that users should, "only upload videos that you made or that you have obtained the rights to use."¹⁰⁴ It further states that users should not, "upload videos you didn't make, or use content in your videos that someone else owns the copyright to, such as music tracks, snippets of copyrighted programs, or videos made by other users, without their permission."¹⁰⁵ Again, these guidelines are more explicit than Napster's standardless discretion to block access.

Lastly, however tenuous it may be for a court to impose an affirmative duty to monitor as part of the right of control, YouTube's search function is quite analogous to Napster's in which a duty to monitor was imposed. If YouTube receives complaints of specific infringing content, or even suspects certain infringing content on its servers, it can perform simple searches to weed out some of the most obvious infringing content. With the capability of searching tagged videos, YouTube could search for and remove content that is likely infringing simply according to the video's tag. In addition, as technology advances, automatic video filtering software may be able to perform such "search and destroy" functions.

¹⁰¹ *Id.*

¹⁰² *See id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

However, this is troublesome for a number of reasons. First, not all videos are tagged, and thus some videos would not come up in searches. Second, just because a video is tagged with a word commonly associated with an infringing video does not mean that it is infringing. For example, tagging a video “office” of a user-created video shot in an office might be flagged as potentially infringing if YouTube were to perform searches to eliminate infringing videos of NBC-Universal’s *The Office*. Finally, videos can be deliberately mis-tagged, either by misspelling the tags to avoid filters, or taken out of the search pool entirely by utilizing YouTube’s private video feature.

Direct Financial Benefit

The second inquiry that must be made to prove vicarious liability is whether YouTube receives a direct financial benefit from the infringing videos on its website. The direct financial benefit requirement under the common law vicarious liability standard is distinct from the similar standard required under §512(c) of the DMCA safe harbor, which will be examined later.¹⁰⁶ As previously noted, there is a circuit-split in defining the extent to which an entity must benefit financially from infringement. The Second Circuit, the controlling law of the pending YouTube cases, generally requires a more direct relationship between the infringing activity and financial benefit derived therein,¹⁰⁷ while the Ninth Circuit applies a more liberal and broad standard.¹⁰⁸ According to the Ninth Circuit’s standard, YouTube could be liable

¹⁰⁶ See *infra* notes 234-240 and accompanying text.

¹⁰⁷ See *Softel, Inc. v. Dragon Med. & Scientific Communications, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997)(failing to apply the standard where “evidence is too attenuated to establish a sufficiently “direct” financial interest in the exploitation of copyrighted materials”); *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307-08 (2d Cir. 1963)(finding vicarious liability because defendant received 10-20% of the proceeds from the infringing conduct.).

¹⁰⁸ See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001)(finding Napster liable for vicarious infringement because the future of the business relied upon building a network of infringing users to advertise to); *Fonovisa v. Cherry Auction*, 76 F.3d 259, 263 (9th Cir. 1996) (finding a direct financial benefit by swap-meet landlord when lessees paid minimal rental fees and defendant received no commission or proceeds from the sales of bootleg music).

similar to Napster, in that infringing works acted as a “draw” to bring users to the website.¹⁰⁹

However, producing evidence to prove this could be difficult. To prove direct financial benefit under the Ninth Circuit’s standard, plaintiffs would have to first show that infringing videos were ubiquitous on YouTube, and that as the number of infringing videos increased, so too did YouTube’s users.

In contrast, proving direct financial benefit under the more strict Second Circuit standard, plaintiffs must show a more direct path of financial benefit related to infringing videos.

YouTube has made a clear effort to characterize its website as the “premier destination to watch and share original videos worldwide.”¹¹⁰ This characterization can be construed as evidence that can erase the attenuated connection between possible increases of users in relation to the increasing amount of infringing videos. It posits that users come to YouTube to showcase their original videos, and that any draw to YouTube for illegal purposes is merely incidental to the stated purpose of YouTube. It would challenge plaintiff’s to show a more precise financial relationship between infringing videos and potential profits by YouTube.

As evidence of more direct financial benefit, YouTube has numerous advertisements on its website, yet posts no advertisements on pages that play videos. This may be a deliberate choice in order to avoid imposition of the direct financial benefit standard so that advertisements never appear on pages which play potentially infringing videos. Advertisements do appear on the YouTube front page, as well as on search results pages with thumbnails of potentially infringing videos. In August, 2007, YouTube instituted an advertising policy in which select partners could include a small overlay advertisement over the bottom twenty percent of the playing video.¹¹¹

¹⁰⁹ See *A&M Records v. Napster*, 239 F.3d 1004, 1023 (9th Cir. 2001).

¹¹⁰ About YouTube, <http://www.youtube.com/t/about> (last visited Jan. 31, 2008).

¹¹¹ YouTube Blog, You Drive the YouTube Experience, <http://www.youtube.com/blog?entry=rQpNsTzbgqM> (last visited Jan. 31, 2008).

The advertisements only would appear on videos of selected YouTube partners, and would share in the advertising revenue with YouTube.¹¹² However, regular user uploaded videos continue play without any advertisements on the webpage.

While the final resolution of the vicarious liability issue is far from certain, as will be explored, the issue may be mooted if YouTube qualifies for one of the DMCA §512 safe harbors.¹¹³ Another possible defense, which will also be discussed for contributory liability, is *Sony's* staple article of commerce doctrine, also know as substantial noninfringing use.¹¹⁴ The doctrine's current status and application has been thrown into question as a result of dueling concurrences interpreting it by the *Grokster* Court.¹¹⁵ However, prior to the *Grokster* ruling, the Ninth Circuit in *Napster* suggested that the staple article of commerce doctrine was inapplicable to defending against vicarious liability because the *Sony* Court only truly considered contributory liability when fashioning its argument.¹¹⁶ Since the Ninth Circuit's determination was nonbinding *dicta*, it is plausible that a future court could apply the doctrine similarly to vicarious liability as it would in limiting contributory liability.

Traditional contributory liability

As noted, contributory liability is a close relative of vicarious liability, and has been applied more substantially by the courts in secondary liability cases.¹¹⁷ The traditional definition of contributory infringement comes from the Second Circuit and is “one who, *with knowledge* of the infringing activity, induces, causes or materially contributes to the infringing conduct of

¹¹² *Id.*

¹¹³ See *infra* notes 234-240 and accompanying text

¹¹⁴ See *infra* notes 142-190 and accompanying text.

¹¹⁵ See *M.G.M. v. Grokster*, 545 U.S. 913, 942-966 (2005)(Ginsburg, J., concurring; Breyer, J., concurring).

¹¹⁶ See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001)(“we note that *Sony's* ‘staple article of commerce’ analysis has no application to *Napster's* potential liability for vicarious copyright infringement.”)

¹¹⁷ See *Grokster*, 545 U.S. at 931-32; *Sony v. Universal City Studios*, 464 U.S. 417, 439-43 (1984); *In re Aimster*, 334 F.3d 643, 653-55 (7th Cir. 2003).

another.”¹¹⁸ The Supreme Court simplified it in *Grokster* saying that “one infringes contributorily by intentionally inducing or encouraging direct infringement.”¹¹⁹ Unlike vicarious liability, which focuses on a defendant’s ability to control a third party, contributory liability focuses on the *knowing* connection between the defendant and the third party’s alleged infringing act.¹²⁰ The assistance may come in the form of either inducement, causation, or material contribution to the infringing activity.¹²¹

However, the Supreme Court has not offered quite the same precision that lower courts have exercised when applying contributory infringement. The *Sony* Court avoided distinguishing and further defining vicarious from contributory liability, instead focusing on whether either was exempted from secondary liability under the staple article of commerce doctrine as a device capable of substantial noninfringing uses.¹²² The doctrine applies where contributory infringement is found for distributing a device used to infringe. The application of the staple article of commerce as a threshold issue to secondary liability continues to be forceful, controversial, and will be fully addressed below.¹²³ The Supreme Court recently added to the confusion, applying the new inducement standard in *Grokster* in lieu of the traditional contributory infringement doctrine.¹²⁴ While the Court’s reluctance to address the basics of contributory infringement may call into the question the continuing power of the doctrine, it is

¹¹⁸ *Napster*, 239 F.3d at 1022 (citing *Gershwin Publ’g Corp v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d. Cir. 1971) and *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996)).

¹¹⁹ *Grokster*, 545 U.S. at 930.

¹²⁰ *See id.*

¹²¹ *See Napster*, 239 F.3d at 1022(citing *Gershwin Publ’g Corp v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d. Cir. 1971) and *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996)).

¹²² *See Sony*, 464 U.S. at 439-43.

¹²³ *See infra* notes 142-190 and accompanying text..

¹²⁴ *See Grokster*, 545 U.S. at 931-32.

also arguable that in both *Sony* and *Grokster*, the Court chose to make more lofty policy considerations than in making a formalistic application of a common law doctrine.

Knowledge

Both the Seventh Circuit in *Aimster* and the Ninth Circuit in *Napster* applied the common law of the circuit courts differently and are good examples to use in comparing YouTube's possible liability for contributory infringement. In particular, their application of the knowledge requirement of contributory liability yields quite different results. In *Napster*, the court declined to extend *Sony*'s staple article of commerce doctrine because it determined that Napster had actual knowledge of specific infringing activity.¹²⁵ The *Napster* court distinguished *Sony*'s application of the staple of article of commerce doctrine by differentiating the architecture of Napster's system from Napster's conduct in relation to the system.¹²⁶ While it held that it would follow *Sony* and not impute knowledge where the software was merely capable of infringement, it departed from it by highlighting Napster's own actions after distribution of the software which demonstrated Napster knew or had reason to know of its users' infringement.¹²⁷ As a result, the court said that where "a computer system operator learns of *specific* infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement."¹²⁸ Napster was found to be liable under this standard because in terminating the accounts of users that infringed, it failed to delete the nearly 12,000 infringing files they uploaded.¹²⁹

¹²⁵ See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020-22 (9th Cir. 2001).

¹²⁶ See *id.* at 1020-21.

¹²⁷ *Id.*

¹²⁸ *Id.* at 1021 (emphasis added)(referring to *Religious Tech. Center v. Netcom On-Line Comm. Servs.*, 907 F.Supp 1361, 1374 (N.D. Cal. 1995).

¹²⁹ *Id.* at 1020 n.5.

The *Napster* court failed to define what “specific” meant, whether it an actual hyperlink to infringing content, or merely notice that specific infringing content was somewhere on its system. A potential problem for this strict interpretation is that §512 infringement notices provides a service provider with actual knowledge in the form of the notice. In order for the provider to keep within the safe-harbor, it then must disable access to the allegedly infringing video, thus negating the argument put forth in *Napster* of “doing nothing” in the face of actual knowledge.

The Seventh Circuit in *Aimster* disagreed with the Ninth Circuit’s assertion that actual knowledge was required, holding that merely constructive knowledge can be sufficient where there is a “willful blindness” of infringing activity on the part of a defendant.¹³⁰ The court analogized its holding to criminal law’s imputation of criminal intent where “one who, knowing or strongly suspecting that he is involved in shady dealings, takes steps to make sure that he does not acquire full or exact knowledge of the nature and extent of those dealings.”¹³¹ Similarly, where a service provider makes an “ostrich-like refusal to discover the extent to which its system [is] used to infringe copyright is merely another piece of evidence that it was a contributory infringer.”¹³² *Aimster* was designed so that it would piggy-back on AOL’s Instant Messenger service, which by design, prevented *Aimster* from learning of the uses of its software due to AOL Instant Messenger’s encryption.¹³³ The court held that immunity from contributory liability should not be granted where *Aimster* used the encryption as a shield against actual knowledge of the program’s unlawful uses.¹³⁴

¹³⁰ See *In re Aimster*, 334 F.3d 643, 650 (7th Cir. 2003)(“Willful blindness is knowledge, in copyright law . . .”).

¹³¹ *Id.* at 650 (referring to *U.S. v. Giovannetti*, 919 F.2d 1223, 1228 (7th Cir. 1990).).

¹³² *Id.* at 655.

¹³³ See *id.* at 650-51.

¹³⁴ *Id.*

Though the conflict between the Seventh and Ninth Circuits on this issue was set up, the Supreme Court avoided resolving the issue in its opinion.¹³⁵ In addition, while the Ginsburg and Breyer concurrences expounded on the staple article of commerce doctrine, they did so without further deciding the conflict set up by the Seventh Circuit on the knowledge requirement.¹³⁶ YouTube's knowledge follows the facts of *Napster* more than *Aimster*. Where *Aimster* sought to avoid liability by placing its head in the sand, *Napster* was simply caught red-handed in not fully responding to actual knowledge of infringement. It will take in depth-discovery to know truly whether YouTube's performance was similar to *Napster*, however, it is safe to say that it has not taken *Aimster*'s total "ostrich-like" approach to avoiding knowledge of infringement.

To its credit, YouTube has taken a strict stance in removing videos in response to notice according to DMCA §512 dictates, so much so that it questionably steps on the toes of fair use. By submitting to §512's strict notice and takedown regime, YouTube likely immunizes itself from failing to act on knowledge of specific infringing content by disabling access to it right away. However, the word "specific" is largely undefined in this context. A court might interpret it to mean that when YouTube is notified of an infringing copy of a specific episode or video, it has a duty to make a simple inquiry beyond the specific hyperlinked video complained of through its search function. In fact, §512 calls for only the notice of "information that is 'reasonably sufficient' to permit the service provider to 'locate' this material."¹³⁷ Thus, even representative lists of infringing content sent to YouTube can constitute actual knowledge, so long as it is reasonably sufficient to allow YouTube to locate the infringing videos, presumably through its

¹³⁵ See *M.G.M. v. Grokster*, 545 U.S. 913, 930-31 (2005).

¹³⁶ See *Grokster*, 545 U.S. at 942-966 (Ginsburg, J., concurring; Breyer, J., concurring).

¹³⁷ *ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619, 625 (4th Cir. 2001)(citing 17 U.S.C. §512(c)(3)(A)(iii)).

search function.¹³⁸ Under this standard, knowledge of infringing material would be rather easy to prove.

Material Contribution

The second prong of the traditional contributory infringement test is that YouTube's actions materially caused or contributed to the infringement by its users.¹³⁹ (Liability by inducement will be addressed separately below.) Material contribution is the causal relationship between YouTube's website and the ability for users to infringe on it. The Ninth Circuit applied this in the context of file-sharing websites, saying that but-for the distribution of a software permitting infringing acts, users would be unable to commit copyright infringement with such ease.¹⁴⁰ The Ninth Circuit also found material contribution where a website that enabled users to infringe continued to operate as such, despite knowledge of infringing activity.¹⁴¹ The Supreme Court in *Sony* expressly approved of the idea that the distribution of a device capable of infringement can result in contributory infringement.¹⁴² However, again, the Court's focus then turns to the staple article of commerce doctrine which can excuse secondary liability if it is found that YouTube's website is capable of substantial noninfringing uses.

Substantial noninfringing use

Whether YouTube is liable as a contributory infringer in part rests upon the Supreme Court's test from *Sony* immunizing devices capable of substantial noninfringing uses. In *Sony*, the Supreme Court promulgated a non-traditional test for contributory liability where a defendant knowingly distributes a device capable of infringement.¹⁴³ The Court held that the sale of

¹³⁸ *See id.*

¹³⁹ *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir.1971).

¹⁴⁰ *See A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001).

¹⁴¹ *See Ellison v. Robertson*, 357 F.3d 1072, 1078 (9th Cir. 2004).

¹⁴² *See Sony v. Universal City Studios*, 464 U.S. 417, 439-43 (1984).

¹⁴³ *Id.* at 442.

copying equipment was not contributory infringement where it was “widely used for legitimate, unobjectionable purposes.”¹⁴⁴ “Indeed, it need merely be capable of substantial noninfringing uses,” the Court famously stated.¹⁴⁵ The test concerned itself less with the traditional elements of knowingly and materially contributing to a third party’s infringing activity, and more with addressing the idea that certain types of copying equipment should not receive a blanket prohibition just because of some infringing capabilities.¹⁴⁶ The Court imported the staple article of commerce doctrine from patent law, which worked to protect the public interest in access to devices that would otherwise be deterred or removed from the marketplace due to excessive contributory liability.¹⁴⁷ The Court said the doctrine “strike[s] a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.”¹⁴⁸ In a sense, it was a maturation by the Court in its secondary liability jurisprudence, recognizing that the traditional secondary liability regime could ultimately swallow up well-meaning technological innovators without added protection.

The *Sony* Court recognized two substantial noninfringing uses of the Betamax video tape recorder at issue.¹⁴⁹ First, it found that a number of copyright holders expressly authorized home taping of their programs.¹⁵⁰ Second, it determined that recording programming for time-shifting purposes was a fair use.¹⁵¹ The Court remarked that it need only find a commercially significant number of the uses be non-infringing, and it need not explore *all* of the different potential uses

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *See id.*

¹⁴⁷ *See id.* at 440-41.

¹⁴⁸ *Id.* at 442.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 443-47.

¹⁵¹ *Id.* at 447-56.

for the device.¹⁵² However, it failed to further define what “substantial” and “commercially significant” meant.¹⁵³

As a result, the Court left an undeniable gap in defining what actually constituted a substantial noninfringing use, with lower courts attempting to fill this gap.¹⁵⁴ In 2005, the unanimous *Grokster* Court chose not to revisit *Sony*’s staple article of commerce rule, declining to “add a more quantified description of the point of balance between protection and commerce with knowledge that unlawful use will occur.”¹⁵⁵ However, the Court’s punting of the issue for “further consideration of the *Sony* rule for a day when that may be required,” was tempered by wildly differing concurring opinions expounding on the matter.¹⁵⁶ Justice Ruth Bader Ginsburg, joined by Chief Justice Rehnquist and Justice Kennedy, argued that *Sony* should be interpreted strictly, and thus under the *Grokster* facts, it would not have found substantial noninfringing use.¹⁵⁷ Meanwhile, Justice Stephen Breyer, joined by Justices O’Conner and Stevens, argued that Ginsburg’s interpretation was too “strict,” and that under the facts, *Grokster* has a number of substantial noninfringing uses.¹⁵⁸

It is questionable whether Ginsburg’s test was more “strict” as Breyer asserted, or that Breyer’s interpretation of *Sony* was actually more liberal than the Court had previously applied. Either argument is plausible since *Grokster* was one of the few times the Court had occasion to further develop *Sony*. What is clear is that what was a three-three tie of concurring opinion is

¹⁵² *Id.* at 442.

¹⁵³ *See id.*

¹⁵⁴ *See e.g., In re Aimster Copyright Litigation*, 334 F.3d 643, 653 (7th Cir. 2003); *A&M Records Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001); *Matthew Bender & Co., v. West Pub. Co.*, 158 F.3d 693, 706-707 (2d Cir. 1998); *Cable/Home Communication Corp. v. Network Productions, Inc.*, 902 F.2d 829, 842-847 (11th Cir. 1990); *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 262 (5th Cir. 1988).

¹⁵⁵ *M.G.M. v. Grokster*, 545 U.S. 913, 934 (2005).

¹⁵⁶ *Id.*

¹⁵⁷ *Id.* at 942 (Ginsburg, J., concurring).

¹⁵⁸ *Id.* at 949 (Breyer, J., concurring).

now a two-two tie, after the death of Chief Justice Rehnquist and the retirement of Justice O’Conner. As such, a majority of the present Court has no stated opinion on this matter since Chief Justice Roberts and Justice Alito are new additions to the Court, and Justices Thomas, Scalia, and Souter chose not to engage in the battle over the meaning of *Sony*. In addition, the *Grokster* unanimous majority written by Justice Souter, of course joined by Justices Thomas and Scalia, explicitly chose not to further develop *Sony*.¹⁵⁹ Thus, it is entirely possible that *Sony* could be interpreted under either the Breyer or Ginsburg interpretation, or neither. Therefore, in order to gauge YouTube’s potential liability as a contributory infringer and its potential defense of substantial noninfringing use, both concurring views must be applied as having equal force.

Breyer’s Interpretation

Justice Breyer’s interpretation of *Sony* is more forward-looking and receptive to finding substantial noninfringing uses in new technologies. In his concurrence, he emphasized the importance *Sony*’s balance between a copyright holder’s rights with “the rights of others freely to engage in substantially unrelated areas of commerce.”¹⁶⁰ Breyer justified the continuing power that *Sony* had in fostering technological innovation, as “providing entrepreneurs with needed assurance that they will be shielded from copyright liability as they bring valuable new technologies to market.”¹⁶¹ This strong technology protecting goal of *Sony*, as Breyer saw it, ensured that courts would avoid the imposition of contributory liability “unless the product in question will be used *almost exclusively* to infringe copyrights.”¹⁶² In other words, under

¹⁵⁹ *Id.* at 934 (majority opinion).

¹⁶⁰ *Id.* at 956 (Breyer, J., concurring)(quoting *Sony*, 464 U.S. at 442).

¹⁶¹ *Id.* at 957.

¹⁶² *Id.* at 957 (emphasis in original).

Breyer’s interpretation of *Sony*, it is relatively easy to justify noninfringing uses unless the product is used for practically no other purpose than to infringe copyright.

In applying the *Sony* standard, Breyer looked to the meaning of “capable” and “substantial” in *Sony*’s “capable of substantial noninfringing uses” test.¹⁶³ Breyer interpreted the word “capable” to suggest a forward looking approach—that a court should not be locked into a snapshot of time in looking at a device, but instead able to reasonably project “potential future uses.”¹⁶⁴ However, this is tempered by the word “substantial” and *Sony*’s reiteration of it as “*commercially significant* noninfringing uses.”¹⁶⁵ Yet, Breyer concluded that just *one* noninfringing use could suffice if it occurred “in significant enough numbers to create a *substantial* market for a noninfringing use.”¹⁶⁶ Thus, if the amount of noninfringing use was enough to develop a *commercially significant* separate market for the device for those uses alone, the device would fit within *Sony*’s boundaries.

He also compared the roughly 9% of noninfringing uses of the Betamax found by the *Sony* Court to the estimated 10% noninfringing uses of the Grokster software.¹⁶⁷ This may suggest a quantifiable measure of noninfringing uses around 10% so long as the device is found to have a reasonably probable number of potential noninfringing uses. Without a factually detailed analysis of the videos on YouTube, it is difficult to assess a quantifiable number of noninfringing uses. A 2007 academic study of a sample of videos on YouTube (2.6 million videos over three months) revealed that 14,607, or 0.5% of videos analyzed, were categorized as “Removed,” meaning the video was either deleted by the user or disabled by YouTube for violating terms of

¹⁶³ *Id.* at 950-55.

¹⁶⁴ *Id.* at 953-54.

¹⁶⁵ *Sony v. Universal City Studios*, 464 U.S. 417, 442 (1984)(emphasis added).

¹⁶⁶ *Grokster*, 545 U.S. at 951 (Breyer, J., concurring)(quoting *Sony*, 464 U.S. at 447 n.28(emphasis added)).

¹⁶⁷ *Id.* at 952.

use (copyright or content).¹⁶⁸ While it examines only a sample of the millions of videos on YouTube, it implies that the number of infringing videos may be small relative to the number of noninfringing videos. However, such a conclusion cannot be meaningfully drawn, because a video may be infringing, yet not subject to a takedown notice from its owner because it has not yet been discovered by the owner. Thus, such videos are still on YouTube's servers, and as such this statistical evidence is anecdotal at best.

Aside from numerical evidence, significant observable evidence suggests that user-generated videos on YouTube represent a substantial noninfringing use. YouTube allows its users to share user-generated videos around the world. Justice Breyer recognized user-created video-sharing as one of the growing noninfringing uses of Grokster.¹⁶⁹ Without a website like YouTube, an individual that wants to construct his own website to share original videos needs significant web-publishing knowledge, and a modest monetary investment to pay for the hosting service and a domain name. Instead, YouTube provides this service cost-free to users, thus generating a significant market for user-generated videos.

YouTube also created a separate market to share advertising revenue with its biggest user-generated producers.¹⁷⁰ Users located in the U.S. and Canada that have attracted large audiences with their original videos can apply to allow advertising overlays on their videos and share in the profits with YouTube.¹⁷¹ The YouTube Partner Program is another example of how user-generated content is a legitimate use of YouTube that is commercially significant. If YouTube is

¹⁶⁸ Xu Cheng, Cameron Dale, & Jiangchuan Liu, *Understanding the Characteristics of Internet Short Video Sharing: YouTube as a Case Study* at 3, Simon Fraser University Technical Report (July 2007) available at http://arxiv.org/PS_cache/arxiv/pdf/0707/0707.3670v1.pdf (last visited Feb. 5, 2008).

¹⁶⁹ *Grokster*, 545 U.S. at 954 (Breyer, J., concurring).

¹⁷⁰ YouTube Blog, *Partner Program Expands*, http://www.youtube.com/blog?entry=Tjbf_qRdlyM (last visited Feb. 5, 2008)

¹⁷¹ YouTube Partner Program, <http://www.youtube.com/partners> (last visited Feb. 5, 2008)..

willing to share advertising revenue with its most popular users, it naturally follows that a commercially significant noninfringing market exists for user-generated content.

In addition, YouTube has become a major social networking website centered around sharing videos with others. Users create profiles and identify themselves through their original videos. Quite often, these videos comment on movies, television, current events, politics, and other ruminations of the user. Other videos feature original music, performances, and other creative works. As an integral part of any social networking website, users interact with one another by responding to other users' videos by commenting, discussing, and criticizing. The social networking function acts similar to that of a public forum, where users are free to express themselves within YouTube's limits of appropriateness and copyright law.

YouTube also encourages political speech by devoting an area of its website to the 2008 Presidential election called YouChoose '08.¹⁷² YouChoose allowed each campaign to create its own YouTube page free of cost, and encouraged individual users to post videos responding to the candidates and particular issues.¹⁷³ For example, during the 2008 Democratic Presidential primaries in early February, *Yes We Can*, a music video endorsing Barack Obama produced by a number of celebrities, garnered over 3.7 million views in just its first week on YouTube.¹⁷⁴ YouTube also co-hosted debates for both political parties' candidates and encouraged users to submit questions to the candidates through the website.¹⁷⁵

¹⁷² YouChoose '08, <http://www.youtube.com/youchoose> (last visited Feb. 5, 2008).

¹⁷³ *See Id.*

¹⁷⁴ Mark Memmott & Jill Lawrence, *Yes We Can Has Topped 3.7million Views*, USA TODAY, available at <http://blogs.usatoday.com/onpolitics/2008/02/yes-we-can-has.html> (last visited Feb. 9, 2008).

¹⁷⁵ Katharine Q. Seelye, *New Presidential Debate Site? Clearly, YouTube*, N.Y. TIMES, June 13, 2007, available at http://www.nytimes.com/2007/06/13/us/politics/13cnd-youtube.html?pagewanted=1&_r=1&ref=politics (last visited Feb. 5, 2008).

Finally, YouTube has demonstrated commercially significant noninfringing uses through content partnerships with larger copyright owners.¹⁷⁶ One such agreement is with CBS—one of America’s most-watched television networks.¹⁷⁷ Other partnerships include Hollywood Records, YES cable sports network, the National Basketball Association, and the National Hockey League.¹⁷⁸ The videos are posted directly by the copyright owners to their YouTube pages, and are thus akin to the authorized copies from *Sony* made by Betamax users of shows that gave explicit permission to be copied, such as *Mr. Roger’s Neighborhood*.¹⁷⁹

In analyzing potential future uses, Breyer referred to anecdotal evidence and extrapolated from the whole record that nothing in it “suggests that this course of events will *not* continue to flow naturally as a consequence of the character of the software taken together with the foreseeable development of the Internet and information technology.”¹⁸⁰ Accordingly, as an Internet-based technology, Breyer’s test would give great deference to YouTube and its potential noninfringing uses. YouTube’s argument is strengthened because, from its inception, YouTube marketed the website as a place for users to share their original content on the Internet. This capacity has only grown over time, and is evident from the evidence noted above that its already fully engaged in a number of substantial noninfringing uses.

Ginsburg’s Interpretation

Compared to Justice Breyer’s interpretation, Justice Ginsburg’s analysis is in effect more strict. Justice Ginsburg disagreed with Breyer’s characterization of the test as only applicable

¹⁷⁶ Miguel Helft, *Google Courts Small YouTube Deals, and Very Soon, a Larger One*, N.Y. TIMES, Mar. 2, 2007 available at <http://www.nytimes.com/2007/03/02/technology/02google.html> (last visited Feb. 5, 2008).

¹⁷⁷ YouTube Press Release, *CBS and YouTube Strike Strategic Content and Advertising Partnership*, http://www.youtube.com/press_room_entry?entry=iXG7e1g-BWI (last visited Feb. 5, 2008).

¹⁷⁸ Helft, *supra* note 176.

¹⁷⁹ See *MGM v. Grokster*, 545 U.S. 913, 951 (2005)(Breyer, J., concurring)(citing *Sony v. Universal City Studios*, 464 U.S. 417, 445 (1984)).

¹⁸⁰ *Id.* at 955 (emphasis in original). This reasoning was similarly followed by Judge Richard Posner in his opinion giving deference to future potential uses. *In re Aimster*, 334 F.3d 643, 652 (7th Cir. 2003).

where a product “will be used *almost exclusively* to infringe copyrights.”¹⁸¹ Instead, she found that Grokster was “overwhelmingly used to infringe” and that “the infringement was the overwhelming source of revenue from the products.”¹⁸² Based on Ginsburg’s finding according to the record evidence, roughly 75% of all files shared with Grokster’s software were infringing.¹⁸³ Justice Ginsburg also disregarded Breyer’s numerical contemplation of a 10% noninfringing use threshold as unfounded by copyright owners’ anecdotal declarations, not statistically reliable evidence.¹⁸⁴ She argued that simply because there were a large number of noninfringing uses, it did not follow that they outnumbered the infringing uses.¹⁸⁵ Further, the number of noninfringing use may have been large, yet dwarfed by the volume of infringing uses.¹⁸⁶

Ginsburg’s “overwhelmingly use to infringe” standard found no evidence of fair use or enough evidence of noninfringing uses.¹⁸⁷ It is unclear, however, the amount of evidence required under her standard to constitute substantial noninfringing uses. What is clear is that the amount is substantially more than Breyer called for. Most notably, while Breyer gives new technologies great deference, Ginsburg appears to place a rather high burden on new technologies to prove noninfringing uses when anecdotal evidence suggests “overwhelming infringing use.” Ginsburg’s failure to apply the standard with merely “anecdotal evidence” of noninfringing uses suggests that she would require a more statistically reliable analysis of the noninfringing uses. This results in a much different application in practice of the commercially

¹⁸¹ *Grokster*, 545 U.S. at 944 n.1 (Ginsburg., J. concurring)(quoting Justice Breyer’s concurring opinion, 545 U.S. at 957).

¹⁸² *Id.* at 948.

¹⁸³ *Id.* at 947 n.3.

¹⁸⁴ *See id.* at 946-47, n.3.

¹⁸⁵ *Id.* at 948.

¹⁸⁶ *Id.*

¹⁸⁷ *See id.* at 948.

significant or substantial noninfringing use standard, and one that is rather difficult to prove without extensive discovery and fact-finding.

Applying Ginsburg’s test to YouTube proves problematic for this reason. The academic study based on a sampling of YouTube videos concluding roughly 0.5% were “removed” could be similarly characterized as mere anecdotal evidence.¹⁸⁸ However, “removed” does not necessarily mean a video was removed for infringing copyright—it could also mean a violation of other YouTube Terms of Use—or simply removal by the user. It is unclear whether the 2.6 million videos analyzed in the study is a significant sample size because the number of videos on YouTube is not publicly known. However, utilizing Google’s video search engine to find all videos on the domain “youtube.com” returned over 146 million videos.¹⁸⁹ Another study of the most popular videos on YouTube, as identified by YouTube, concluded that 9.23% of the sample videos were removed precisely for copyright infringement.¹⁹⁰ However, the sample constituted only 6,725 videos, and were only the “most-viewed” videos on YouTube over a three and a half month period.¹⁹¹ Thus, without a greater sample size, it is possible that studies such as these would be regarded as similar anecdotal evidence, and could require a more fully developed record under Justice Ginsburg’s standard.

In short, Justice Ginsburg’s definition of what is a substantial noninfringing use is unclear, and more shaped by how it differs from Justice Breyer’s concurrence than what she actually

¹⁸⁸ Cheng, Dale, & Liu, *supra* note 168.

¹⁸⁹ The search can be replicated by simply entering the following URL, which is set to perform the search as stated <http://video.google.com/videosearch?q=site%3Ayoutube.com&sitesearch>. The search uses Google’s video search engine to find videos only hosted by YouTube, as compiled by Google’s search engine. The number of videos returned is only an estimate, but a fairly reliable quantification of all videos on YouTube. The number, however, cannot take into account multiple copies of the same videos, which are common on YouTube, and does not account for private videos.

¹⁹⁰ Bri Holt, Heidi R. Lynn, & Michael Sowers, Vidmeter.com, *Analysis of Copyrighted Videos on YouTube*, March, 2007, available at http://www.vidmeter.com/i/vidmeter_copyright_report.pdf (last visited Feb. 9, 2008).

¹⁹¹ *Id.*

argues it means. The main point made by Justice Ginsburg is that where a device is overwhelmingly used to infringe, it will be difficult to prove substantial noninfringing uses. However, without a more clear direction as to what constitutes an “overwhelming amount,” Ginsburg’s standard proves difficult to apply. It perhaps suggests a “know it when you see it” standard that, when found by a court, must then be rebutted with a substantial amount of statistical evidence, not merely anecdotal evidence. It is clear, however, that her concurrence would encourage a further development by the Court of the standard in a more strict manner as she suggests.

Inducement

While the continuing influence of the *Sony* doctrine may be called into question after *Grokster*, in the process, the Supreme Court added a powerful new tool for content owners to prove apply secondary infringement on new technologies. The Court’s introduction of the new inducement doctrine under secondary liability shifts the focus from the actual and potential noninfringing uses of a device, to the intent by which an alleged contributory infringer actively induced or encouraged infringement.¹⁹² The *Grokster* Court held 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.”¹⁹³ In so holding, the Court seems to acknowledge the fact that as technology progresses, it is difficult to innovate without sometimes creating devices with mixed uses that

¹⁹² M.G.M. v. Grokster, 545 U.S. 913, 941 (2005)

“Sony . . . struck a balance between the interests of protection and innovation by holding that the product’s capability of substantial lawful employment should bar the imputation of fault and consequent secondary liability for the unlawful acts of others. . . . Here, evidence of the distributors’ words and deeds going beyond distribution as such shows a purpose to cause and profit from third-party acts of copyright infringement.” *Id.*

¹⁹³ *Id.* at 936-37.

may be put to infringing uses.¹⁹⁴ This is particularly true when dealing with digital technologies which by way of design allow for the making of perfect copies.

The inducement rule excludes “ordinary acts incident to product distribution” such as offering technical support or product improvements and updates.¹⁹⁵ Instead, courts should look for “purposeful, culpable expression and conduct.”¹⁹⁶ First, the Court recognized the most common form of inducement is by advertisement or solicitation designed to stimulate infringing use by others.¹⁹⁷ It noted that whether such messages are communicated to the public is inconsequential, because their mere existence, even in internal documents, proves by a defendant’s own statements their unlawful purpose.¹⁹⁸ For example, it found that Grokster’s advertising and promotional materials attempted to show that it could fill the void created by the shut-down of Napster, the previous music-sharing kingpin, even though much of it was never distributed to the public.¹⁹⁹

Second, the Court’s finding of Grokster’s unlawful objective was given added significance by Grokster’s failure to develop filtering tool or other mechanisms that would reduce the amount of infringing activity on the software.²⁰⁰ Defendants further failed to block repeat infringers from its website, rejected offers from other companies to install filtering technology, and blocked access to its servers of entities it believed were trying to monitor its website.²⁰¹ This suggests that the Court could find legitimate filtering or other infringement-preventative measures as mitigating factors against finding intentional inducement. YouTube has been working to

¹⁹⁴ *See id.* at 941.

¹⁹⁵ *Id.* at 937.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.* at 938.

¹⁹⁹ *Id.* at 939.

²⁰⁰ *Id.*

²⁰¹ *Id.* at 926-27.

develop content filtering software and announced a test-version in October, 2007.²⁰² The future of filtering will be addressed in Chapter 5.

Third, the Court found that Grokster's reliance upon advertising for revenue complemented the direct evidence of unlawful objective.²⁰³ Grokster placed advertisements on the computer screens of its users through its software.²⁰⁴ As a result, the more the software was used, the greater advertising revenue became.²⁰⁵ Since Grokster's profit relied upon high-volume use, and the record demonstrated that 90% of Grokster's uses were infringing, Grokster had a commercial incentive in encouraging infringement.²⁰⁶ The Court noted, however, that advertising alone, without high-volume infringing use, would not justify an inference of unlawful intent.²⁰⁷

For the purposes of this analysis, YouTube's actions are of course limited to what is publicly known without having the power of discovery of internal communications and documents. YouTube allowed its first upload on April 23, 2005, a video made by a friend of YouTube's founders at the local zoo.²⁰⁸ YouTube's self-described purpose in the early months was stated on its website: "YouTube is the first online community site that allows members to post and share personal videos."²⁰⁹ For a time, its homepage adorned the tag-line calling YouTube "Your Digital Video Repository."²¹⁰ On July 20, 2005, it changed it "*Upload, tag and*

²⁰² Rachel Rosmarin, *Hunting Video Pirates*, Forbes.com, Oct. 15, 2007, available at http://www.forbes.com/technology/2007/10/15/youtube-google-videoid-tech-internet-cx_rr_1015techyoutube.html (last visited Feb. 10, 2008).

²⁰³ *Id.* at 939-40.

²⁰⁴ *Id.* at 940.

²⁰⁵ *Id.*

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ Me at the zoo (First YouTube Video), <http://www.youtube.com/watch?v=jNQXAC9IVRw> (last visited Feb. 9, 2008).

²⁰⁹ About Us (via InternetArchive.org Wayback Machine), Apr. 28, 2005, <http://web.archive.org/web/20050428171556/www.youtube.com/about.php> (last visited Feb. 9, 2008).

²¹⁰ YouTube Homepage (via InternetArchive.org Wayback Machine), June 14, 2005, <http://web.archive.org/web/20050614234128/http://www.youtube.com/> (last visited Feb. 9, 2008).

share your videos worldwide!”²¹¹ Then on December 16, 2005 it adopted its now famous tag-line “Broadcast yourself.”²¹² In short, as seen through its self-identifying tag-lines promoting the website from its inception, YouTube’s emphasis appears to have always been the sharing of personally made videos. As a result, it is difficult to assign YouTube the unlawful objective of inducing infringement merely through its promotion.

However, it may be argued that YouTube took other “affirmative steps taken to foster infringement.”²¹³ Such culpability may be found through affirmative steps by characterizing YouTube’s action of deliberate ignorance of infringing videos that acted as a major draw to the website. While it is difficult to peg exactly when YouTube became a social phenomena, three examples from late 2005 and early 2006 suggest that a great deal of attention was brought to YouTube through popular infringing videos.²¹⁴ The first notable instance was Jon Stewart’s infamous October 2006 appearance on CNN’s *Crossfire* in which he pleaded with the show’s hosts to “stop hurting America.”²¹⁵ More people reportedly viewed the clip on YouTube than did its original airing on CNN.²¹⁶ It is unclear whether CNN requested the video to be taken down, but copies of the broadcast currently persist on YouTube.²¹⁷

In December 2005, a wildly popular music video spoof from NBC’s *Saturday Night Live* titled *Lazy Sunday: Chronicles of Narnia* appeared on YouTube by a multitude of users.²¹⁸

²¹¹ YouTube Homepage (via InternetArchive.org Wayback Machine), July 20, 2005, <http://web.archive.org/web/20050720073339/http://www.youtube.com/> (last visited Feb. 9, 2008).

²¹² YouTube Homepage (via InternetArchive.org Wayback Machine), Dec. 16, 2005, <http://web.archive.org/web/20051216114757/http://www.youtube.com/> (last visited Feb. 9, 2008).

²¹³ *Grokster*, 545 U.S. at 936-37.

²¹⁴ Paul Boutin, *Videos that Put YouTube on the Map*, NPR.org, Oct. 19, 2006, available at <http://www.npr.org/templates/story/story.php?storyId=6289141> (last visited Feb. 9, 2008).

²¹⁵ *Id.*

²¹⁶ *Id.*

²¹⁷ Jon Stewart on *Crossfire*, <http://www.youtube.com/watch?v=aFQFB5YpDZE> (last visited Feb. 9, 2008).

²¹⁸ *Id.*

NBC ordered YouTube to remove the video, and on February 16, 2006, YouTube acknowledged on its official blog the video's enormous popularity and NBC's takedown request.²¹⁹

Responding to upset users for taking the videos down, YouTube stated "we know how popular that video is but YouTube respects the rights of copyright holders" and referred its users to watch a free copy of the video on NBC's website.²²⁰ The period of time from which the video first appeared on YouTube to when it acknowledged removal was over a month. It could be argued that its acknowledgement of the huge popularity of the video suggests that YouTube could have intentionally disregarded the infringing nature of the video hoping it might help new users discover the website.

Lastly, in late April 2006, Comedy Central star Stephen Colbert's performance at the White House Correspondents' Dinner, originally aired by C-SPAN, appeared on YouTube.²²¹ A total of 41 different clips on YouTube were viewed nearly 2.7 million times in the first forty-eight hours after the event aired.²²² Seeking to sell DVD's of the event, C-SPAN ordered YouTube to take the videos down.²²³ In an official explanation to its concerned users assertion that the speech should be considered in the public-domain, YouTube remarked that:

Unfortunately, CSPAN has asserted that the video footage uploaded was broadcasted and owned by them. When we become aware that there are videos on the site that were uploaded without the copyright owners permission we remove them and in most cases, (as was the case with the CSPAN videos) we become aware because the copyright owner

²¹⁹ Lazy Sunday, YouTube Blog, Feb 16, 2006, <http://www.youtube.com/blog?entry=jNQXAC9IVRw> (last visited Feb. 9, 2008).

²²⁰ *Id.*

²²¹ Noam Cohen, *A Comedian's Riff on Bush Prompts an E-Spat*, N.Y. TIMES, May 8, 2006, available at <http://www.nytimes.com/2006/05/08/technology/08colbert.html?ex=1189656000&en=9489362d46bfc588&ei=5070> (last visited Feb. 9, 2008).

²²² *Id.*

²²³ *Id.*

contacts us and requests that the video be taken down. Copyright laws can be a tricky and a somewhat complicated matter but we want our community to be one where everyone's creative rights are respected.²²⁴

YouTube subsequently took the video down, but again, its nod to its users that it did so only because C-SPAN asked it to do so demonstrates a possible nascent complicity in the infringing action of its users.

Other overt acts by YouTube do not suggest active inducement but instead are somewhat mitigating. For example, in March 2006, YouTube implemented a new policy limiting all new user uploads to ten minutes in length.²²⁵ YouTube admitted that the reason for this change in policy was to eliminate copyright infringing videos.²²⁶ “We poked around the system a bit and found that these longer videos were more likely to be copyrighted videos from TV shows and movies than the shorter videos posted,” stated YouTube in an official blog posting on its website.²²⁷ Thus, while the statement is an admission of YouTube’s knowledge that its previous policy enabled infringement, the effect of limiting a video to under ten minutes attempts to prevent the type of known infringement.

However, a reasonable question remains as to why it took YouTube nearly a year into its existence to realize that most of the longer clips on its website were of infringing TV show and movies? The Ninth Circuit’s recent holding in *Perfect 10 v. Amazon* suggests that intent could be imputed to form the basis for contributory liability outside the Supreme Court’s inducement

²²⁴ Stephen Colbert Goes to Washington, YouTube Blog, May 4, 2006, <http://www.youtube.com/blog?entry=assC--885ys> (last visited Feb. 9, 2008).

²²⁵ Your 15 Minutes of Fame..ummm...Make that 10 Minutes or Less, YouTube Blog, Mar. 26, 2006, http://www.youtube.com/blog?entry=oorjVv_HDVs (last visited Feb. 9, 2008).

²²⁶ *Id.*

²²⁷ *Id.*

standard.²²⁸ The Ninth Circuit interpreted *Grokster* to mean that contribution to infringement must be intentional.²²⁹ However, it also noted that *Grokster* said that contributory liability must be read within the “rules of fault-based liability derived from the common law,” which allow for intent to be imputed.²³⁰ The court noted tort law’s imputed intent where an actor commits an act in which the consequences are certain or substantially certain to occur.²³¹ It also found that the *Grokster* Court recognized imputed intent in the staple article of commerce doctrine, and under the inducement doctrine where an actor takes steps substantially certain to result in infringement.²³²

As a result, the Ninth Circuit applied a special contributory infringement test, within the confines of *Grokster*, finding liability for a computer system operator if it “‘has *actual* knowledge that *specific* infringing material is available using its system’ and can ‘take simple measures to prevent further damage’ to copyrighted works, yet continues to provide access to infringing works.”²³³ Under this test, YouTube could be liable for knowing of popular infringing videos and not taking simple measures to prevent further infringement. Evidence suggests that YouTube had prior knowledge of a video like *Lazy Sunday* because of its acknowledgement of the video’s popularity among the YouTube community. If further evidence shows that YouTube’s knowledge of the infringing content was significantly prior to the time of it taking remedial measures by taking the videos down at NBC’s request, intent could be imputed

²²⁸ Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1170-73 (9th Cir. 2007).

²²⁹ *Id.* at 1170 (citing *Grokster*, 545 U.S. at 930).

²³⁰ *Id.* at 1170-71 (citing *Grokster*, 545 U.S. at 934-35).

²³¹ *Id.* (citing RESTATEMENT (SECOND) OF TORTS § 8A cmt. b (1965), “If the actor knows that the consequences are certain, or substantially certain, to result from his act, and still goes ahead, he is treated by the law as if he had in fact desired to produce the result.”)

²³² *Id.* (citing *Grokster*, 545 U.S. at 932).

²³³ *Id.* at 1173 (emphasis in original)(internal citations omitted, citing *A&M Records v. Napster*, 239 F.3d 1004, 1022 (9th Cir. 2000), and *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F.Supp. 1361, 1375 (9th Cir. 1995)).

under the Ninth Circuit's standard for YouTube's inaction. It could also be argued that intent should be imputed as it could be seen as an admission of having intentionally delayed until the website reached a large enough number of viewers to be viable without reliance upon infringing content as a draw.

In sum, it is unlikely that YouTube could be found liable for inducement based on the information in the public record. However, discovery may reveal relevant statements made by YouTube executives and software developers which may or may not suggest actions intended to induce infringement by its users. While the building of YouTube's popularity can be traced to a number of infringing videos in its first year of existence, such evidence is merely anecdotal and, taken alone, proves nothing as to YouTube's intent. Aside from inducement, it is possible that the Ninth Circuit's imputed intent test of contributory liability could be applied to YouTube under the general contributory infringement standard if further evidence is found to suggest that YouTube knew of significant infringing videos and failed to make timely remedial measures to eliminate harm caused by the videos.

DMCA §512 Immunity

YouTube may be immunized from infringement if it is found to fall under the safe harbor of §512 of the Digital Millennium Copyright Act (DMCA).²³⁴ It, however, does not protect YouTube from any infringing acts it may have committed through its own volition, such as the transcoding of video into a new format when a user uploads a video to the website.²³⁵ As described in Chapter 3, the DMCA Safe Harbor is a statutory limitation to liability aiming to

²³⁴ 17 U.S.C. § 512 (1999).

²³⁵ This activity could potentially be argued as parallel to a caching function, merely incident to using the website, and thus could be immunized under §512(b). However, greater technical expertise is required to completely analyze this argument, and is thus outside the scope of this study. However, the potential question looms.

protect online service providers from copyright infringement.²³⁶ The safe harbor covers traditional internet service providers transmitting infringing content, online caching, information residing on a system at the direction of a user, and information location devices.²³⁷ Under §512(c), an online service provider “shall not be liable for monetary relief . . . for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider”²³⁸ Under this section, “online service provider” has been broadly interpreted as anyone providing services online, as seen through courts’ application of it to Amazon.com, eBay.com, and Aimster.²³⁹ Since YouTube’s basic operating structure is web-based, and the website’s videos are uploaded at the direction of its users, section 512(c) is most applicable.²⁴⁰

Two Prerequisites for all Safe Harbors

However, the inquiry of whether the safe harbor applies to YouTube begins with two prerequisite tests under §512(i). An online service provider claiming any one of the four safe harbors must first pass a two-part threshold test.²⁴¹ First, it must accommodate and not interfere with standard technological measures intended to protect a copyrighted work.²⁴² Standard technological measures must be developed and agreed upon by an open consensus of multi-industry parties.²⁴³ Although YouTube has experimented with video filtering to prevent infringement, it is not a standard technological measures under the statute because it is not a

²³⁶ H.R. Rep. 105-796, at 72 (1998)(Conf. Rep.).

²³⁷ § 512(a)-(d).

²³⁸ § 512(c)(1).

²³⁹ § 512(k)(1)(B). *See also* Corbis Corp. v. Amazon.com, Inc., 351 F. Supp 2d 1090, 1100 (W.D. Wash. 2004); Hendrickson v. eBay, Inc., 165 F. Supp 2d 1082, 1088 (C.D. Cal. 2001); *In re Aimster Copyright Litigation*, 334 F.3d 643, 655 (7th Cir.2004).

²⁴⁰ § 512(c).

²⁴¹ § 512(i).

²⁴² § 512(i)(1)(B).

²⁴³ § 512(i)(2)(A).

multi-industry developed process, but instead internal software developed by Google.²⁴⁴

However, a question persists as to whether YouTube's tolerance of third party programs which facilitate users in downloading YouTube videos violates standard technological measures that would allow YouTube to block such software.

The second threshold test is that an online service provider must adopt and reasonably implement a repeat infringer termination policy.²⁴⁵ What exactly is a repeat infringer termination policy has been much debated due to a lack of specificity in the language of the statute.²⁴⁶ While there is no active duty to monitor and thus terminate, it is reasonable for a provider to terminate those that "repeatedly or blatantly" infringe.²⁴⁷ Other courts have required the implementation of a procedure to receive complaints which is reasonably implemented so long as it does not tolerate "flagrant or blatant" infringement.²⁴⁸ In practice, this requirement causes providers to be overly cautious in terminating users to avoid violating this condition.

As such, YouTube's current policy is intentionally overprotective, basing user termination upon the number of DMCA notices it receives for that user's videos.²⁴⁹ This is problematic because the nature of the notice-takedown system produces non-adjudicative results. A notice sent to YouTube alleging infringement is just that, an allegation with a rebuttable presumption by the user with a counter-notice. Inevitably, few users will choose to file a counter-notice

²⁴⁴ See Andy Greenberg, *YouTube's Filter Fails to Please*, FORBES, Oct. 18, 2007, available at http://www.forbes.com/2007/10/18/google-viacom-video-tech-cx_ag_1018youtube.html (last visited Feb. 10, 2008).

²⁴⁵ §512(i)(1)(A).

²⁴⁶ See e.g. David Nimmer, *Repeat Infringers*, 52 J. COPYRIGHT SOC'Y U.S.A. 167 (2005); Andres Sawicki, Comment: *Repeat Infringement in the Digital Millennium Copyright Act*, 73 U. CHI. L. REV. 1455 (2005).

²⁴⁷ *Id.*

²⁴⁸ See *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp 2d 1090, 1102 (W.D. Wash. 2004). See also *In re Aimster Copyright Litigation*, 252 F. Supp 2d 634, 659 (N.D.Ill.2002), aff'd, 334 F.3d 643 (7th Cir.2004).

²⁴⁹ David King, The Official Google Blog, *Latest content ID tool for YouTube*, <http://googleblog.blogspot.com/2007/10/latest-content-id-tool-for-youtube.html> (last visited Feb. 12, 2008)("Our strict repeat-infringer policy, which has been in place since our launch, terminates accounts of repeat infringers based on DMCA notices.").

because they do not know how to, or see it as futile in the face of a more powerfully situated copyright owner. Thus, simply because a user fails to file a counter notice does not mean that the video taken down was actually infringing. The only way to truly define a “repeat infringer” is if, after filing counter-notice, the copyright owner sues the alleged infringer and obtains a positive judgment from a court. Thus, the fact that very few alleged infringers will ever be formally adjudicated before being labeled a “repeat infringer” is troublesome because YouTube’s rationalizations for labeling its users is essentially a one-sided affair which has the effect of chilling free speech. Despite the First Amendment concerns of YouTube’s users, the policy enables YouTube to neatly fit within its requirement to terminate repeat infringers by virtue of being over-inclusive. This issue will be further explored in Chapter 5.

In addition the Ninth Circuit interpreted “reasonably implemented” to mean a “working notification system . . . [that] does not actively prevent copyright owners from collecting information needed to issue such notifications.”²⁵⁰ Because YouTube’s termination policy is tied to DMCA takedown notices, other related YouTube policies make the policy somewhat ineffective by limiting copyright owners’ ability to locate infringing videos and thereby issue notices. For example, YouTube enables its users to be completely anonymous—all a user needs to sign up is an email address, the rest of the information provided has no guarantee of truthfulness. If a user’s account is terminated, they may simply create a new email address and thereby create a new YouTube account under a false name. In addition, user’s can make videos “private” that are available only to “friends” and not subject to search on YouTube.²⁵¹ User’s also can improperly tag a video, and then embed it to play on other websites and blogs, making it

²⁵⁰ Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1109 (9th Cir. 2007).

²⁵¹ See Complaint, Viacom, Inc. v. YouTube, Inc., 2007 WL 775611 at ¶8 (S.D.N.Y. filed Mar. 13, 2007)(No. 07-2103).

very difficult to locate infringing content.²⁵² In addition, YouTube limits search results to 1,000 videos, thereby not allowing all possible videos to be returned in a search if more than 1,000 exist.²⁵³

All of these factors make it more difficult for copyright owners to locate infringing content in order to send notices, however, because YouTube's termination policy is rather aggressive and deliberately over-inclusive, it will likely be found to be within the framework of this preliminary requirement. The statute only requires "reasonable" implementation, since perfect implementation would be relatively impossible. In addition, the ambiguity of "termination in appropriate circumstances" allows YouTube the flexibility to determine who is a repeat infringer, so long as it consistently terminates based on repeated "blatant" or "flagrant" infringement.²⁵⁴

Specific Requirements Under §512(c)

Assuming YouTube passes the two threshold requirements of eligibility under §512(i), it must then fit within all of §512(c) requirements to be immunized from liability for infringement by reason of its users' ability to upload videos to YouTube servers. An online service provider must meet three basic requirements to be eligible. In brief, the requirements do not allow immunity where the provider is an intentional contributory or vicarious infringer, or upon failure to abide by the notice-takedown requirements.

²⁵² See *id.* at ¶32.

²⁵³ See *id.* at ¶43.

²⁵⁴ See H.R. Rep. 105-551(II), at 61 (1998). See also *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp 2d 1090, 1102 (W.D. Wash. 2004); *In re Aimster Copyright Litigation*, 252 F. Supp 2d 634, 659 (N.D.Ill.2002), *aff'd*, 334 F.3d 643 (7th Cir.2004).

Knowledge

First, YouTube cannot have “actual knowledge that the material . . . is infringing” unless it “acts expeditiously to remove, or disable access to, the material.”²⁵⁵ Courts applying the statute have regularly found that evidence produced by a copyright holders of a substantially compliant DMCA takedown notice sent is sufficient to prove actual knowledge.²⁵⁶ If in connection with any DMCA takedown notice received, YouTube is shown to have not expeditiously removed the material complained of, YouTube can risk losing the safe harbor. It is uncertain whether the safe harbor is lost for all infringing works, or merely for infringing works it had knowledge of. The statute refers to “the material,” thereby suggesting the safe harbor is limited to the complained of infringing material.²⁵⁷ In addition, the safe harbor was intended to protect incentives for innovative service providers that may encounter infringement in the course of their activities.²⁵⁸ Conversely, the statute also refers to actual knowledge of “an activity using the material on the system or network.”²⁵⁹ The word “activity” suggests that a provider can be liable for providing the means by which to infringe, similar to the distribution of a device capable of infringement argument used against Sony and Grokster.²⁶⁰ This brings up the question of whether under this part of the safe harbor, a substantial noninfringing use argument may find a revival.

²⁵⁵ § 512(c)(1)(A).

²⁵⁶ See *Corbis v. Amazon.com*, 351 F. Supp 2d 1090, 1107(W.D. Wash. 2004)(citing *Ellison v. Robertson*, 357 F.3d 1072, 1075 (9th Cir. 2004)(DMCA compliant notice sent to service provider); *ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619, 620-21 (4th Cir. 2001)(pre-suit letter substantially complying with DMCA sent to service provider); *Hendrickson v. Amazon.com, Inc.*, 298 F. Supp 2d 914, 915 (C.D. Cal. 2003)(plaintiff attempted to notify service provider); *Hendrickson v. eBay, Inc.*, 165 F. Supp 2d 1082, 1084-85 (C.D. Cal. 2001)(non-DMCA-compliant cease and desist letters sent); *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp 2d 688, 703 (D. Md. 2001)(plaintiff sent DMCA notification of claimed infringement)).

²⁵⁷ §512(c)(1)(A)(i).

²⁵⁸ H.R. Rep. 105-551(II), at 49-50 (1998)(“it provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”).

²⁵⁹ § 512(c)(1)(A)(i).

²⁶⁰ See *MGM v. Grokster*, 545 U.S. 913, 919-20 (2005); *Sony v. Universal City Studios*, 464 U.S. 417, 439 (1984).

In the absence of actual knowledge, YouTube cannot be “aware of facts or circumstances from which infringing activity is apparent.”²⁶¹ The legislative history called this the “red-flag” test, such that a similarly situated reasonable person would see the facts and circumstances as raising a red flag of infringement.²⁶² Borrowed from Congress’ discussion of the parallel “red flag” knowledge under §512(d), clear “pirate” websites that use language to “make their illegal purpose obvious” clearly raise a red flag.²⁶³ Yet, it still requires no duty to monitor by YouTube other than to make reasonable investigations when a red flag arises. Like actual knowledge, upon “red flag” knowledge, YouTube must act expeditiously to remove or disable access to the infringing material.²⁶⁴

Viacom and other plaintiffs have raised a number of possible “red flags” by YouTube, such as the description terms and search tags containing well-known trademarks and terms identifying copyrighted works.²⁶⁵ But, without more, such an argument insists upon a certain duty of monitoring that YouTube is simply not required to take according to the statute. There are infinite numbers of copyright owners. In fact, every video on YouTube is subject to copyright, whether owned by a user for their original work, or a corporate copyright owner. To require YouTube to monitor its user tags and video descriptions merely because they may suggest infringement places an insurmountable duty to monitor on the website based on the fact all videos on YouTube are somehow copyrighted.

Direct Financial Benefit/Right & Ability to Control

²⁶¹ § 512(c)(1)(A)(ii).

²⁶² H.R. Rep. 105-551(II), at 53 (1998).

²⁶³ *Id.* at 57.

²⁶⁴ § 512(c)(1)(A)(iii).

²⁶⁵ Complaint, Viacom, Inc. v. YouTube, Inc., 2007 WL 775611 at ¶36 (S.D.N.Y. filed Mar. 13, 2007)(No. 07-2103).

The second prohibited activity under §512(c) is that YouTube may not receive a “financial benefit directly attributable to infringing activity,” where it has the right and ability to control the activity.²⁶⁶ The Ninth Circuit has recognized the likeness in this test and the common law test for vicarious liability, and has interpreted it similarly.²⁶⁷ Thus, for YouTube to receive a “direct financial benefit,” the infringing content must act as a “draw” for users, not simply an “added benefit.”²⁶⁸ Since YouTube is solely advertising-supported, and users pay nothing to access or upload to the site, advertising revenue is neither a “draw” nor “added benefit” to users. Recognizing such a possible weakness, Viacom and other plaintiffs have made it a point in their pleading to highlight YouTube’s value in its purchase price by Google of \$1.65 billion, allegedly derived greatly from the popularity of infringing videos on YouTube.²⁶⁹

According to the legislative history, Congress envisioned a direct financial benefit as applied to websites requiring user-access fees, not free advertising-supported websites like YouTube.²⁷⁰ It said that direct financial benefit would not be found, for example, for one-time setup fees or where infringing users were charged the same access fee as noninfringing users.²⁷¹ As stated, YouTube requires no user fees of any kind since it is advertising supported. Nevertheless, Congress may have given a clue of how to apply its intention regarding advertising supported websites when it said that direct financial benefit may be found in “fees where the

²⁶⁶ § 512(c)(1)(B) (“does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity”).

²⁶⁷ *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1117 (9th Cir. 2007) (“Based on the “well-established rule of construction that where Congress uses terms that have accumulated settled meaning under common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.”).

²⁶⁸ *Id.*

²⁶⁹ *Complaint, Viacom, Inc. v. YouTube, Inc.*, 2007 WL 775611 at ¶¶ 9, 27, 28, 36, 37 (S.D.N.Y. filed Mar. 13, 2007) (No. 07-2103).

²⁷⁰ H.R. Rep. 105-551(II), at 54 (1998).

²⁷¹ *Id.*

value of the service lies in providing access to infringing material.”²⁷² Although this is still fee-specific, it shows that a direct financial benefit may be found where the value of fees is tied to the providing of access to infringing material. In other words, as more infringement occurred, the more fees the website would collect. An analogous argument could be made against YouTube. YouTube’s revenue is tied to the number of views of its advertisements on the website. The more users that visit YouTube, the more advertisements are viewed. If users are shown to visit YouTube with the intent to view infringing videos, then it follows that the more infringing videos YouTube hosts, the more viewers it will attract, and the more advertising revenue it will earn.

With this logic in mind, YouTube has clearly designed its advertising strategy to avoid any implication of such reasoning of direct financial benefit tied to its advertising. YouTube deliberately does not place ads on any webpage showing a video in order to avoid any tie of the advertisement to the video should it be found infringing. It only places its ads on the YouTube homepage, search pages, and the pages of licensed partners, whom it likely shares advertising revenue with. YouTube’s careful avoidance of ad placement on pages possibly containing infringing videos works allows it to gain ad revenue without fear that the ads will be found directly attributable to infringement.

If it is established that YouTube receives a direct financial benefit, it must also be shown that it has the right and ability to control the infringing activity.²⁷³ This presents somewhat of a problem for YouTube because, as a service provider, it must always exercise some areas of control in being able to terminate repeat infringers and respond to takedown notices. In addition, YouTube investigates user complaints regarding pornography, spam, and other content deemed

²⁷² *Id.*

²⁷³ § 512(c)(1)(B).

inappropriate under its “Community Guidelines.”²⁷⁴ However, with this in mind, courts have recognized that finding liability from such a loophole would be “inconsistent with the statutory scheme.”²⁷⁵

Expeditious Removal

Lastly, §512(c) calls for the expeditious removal of claimed infringing material in DCMA takedown notices.²⁷⁶ YouTube attempts to communicate this process to its users by providing nearly the exact wording of the notice-takedown statute in its Terms of Use.²⁷⁷ YouTube also has a designated Copyright Agent, as required by the statute.²⁷⁸ In practice, when YouTube receives a DMCA notice of infringing material, it then sends an email to the registered address of the user stating who made the complaint and informing the user of their right to file a counter-notice under §512(g). YouTube’s Terms of Use also contains instructions outlining the counter-notice requirements and instructions for sending it.²⁷⁹ Upon receiving a counter-notice, YouTube is of course required to put back the removed content within fourteen business days unless the complaining copyright holder sues the user.²⁸⁰

Linking Websites: SouthParkzone.com Case Study

A video linking website is a website that offers users the opportunity and ability to easily locate and view unauthorized copies of popular full-length TV shows and movies. This section is not about linking to authorized versions of a work, such as providing links to a user to view a

²⁷⁴ YouTube Community Guidelines, *supra* note 96.

²⁷⁵ Perfect 10 v. Cybernet Ventures, Inc., 213 F. Supp 2d 1146, 1181 (C.D. Cal. 2002). *See also* Costar Group, Inc. v. Loopnet, Inc., 164 F. Supp 2d 688, 704 (D. Md. 2001) (“as the concept is used in the DMCA, cannot simply mean the ability of a service provider to remove or block access to materials posted on its website or stored in its system.”).

²⁷⁶ § 512(c)(1)(C).

²⁷⁷ Terms of Use §8(A), *supra* note 16.

²⁷⁸ § 512(c)(2).

²⁷⁹ Terms of Use §8(B), *supra* note 16.

²⁸⁰ § 512(g)(2).

TV episode on the copyright holder's website or one that is licensed to play the video. Such linking is protected by the First Amendment, the basic operation of the Internet, and is the preferred and encouraged behavior of most copyright owners. Having viewers watch online video content on the owner's website or a licensed website enables the copyright owner to reap the monetary rewards of its work through user-fees or advertisements. This section is also not about individuals linking to infringing works on message boards or blogs. While of questionable legality, such sharing is often protected by fair use because it appropriately adds some degree of comment, criticism, and public discussion regarding the contents of the video. As such, each individual occurrence requires a case-by-case analysis.

What is section *is* about are websites that systematically and intentionally link to—and deliberately never host—copies of unauthorized videos residing on other websites' servers.²⁸¹ These websites exist for the sole purpose of providing users with aggregated and organized hubs of popular TV shows and movies, by whatever means necessary. They are problematic for copyright owners seeking to protect their works because they are not always easy to locate, and when one site is shut down, three or more others typically appear to take its place. They are often operated by anonymous webmasters and are sometimes themselves located offshore—it can simply be very difficult to determine the details.

The number of video linking websites on the Internet is beyond a quantifiable number, and of unlimited genres. Online Video Guide, an online directory of linking websites and one of Time magazine's Top Ten websites of 2006,²⁸² lists over 250 different linking websites just for

²⁸¹ See generally Delaney, *supra* note 8.

²⁸² Lee S. Ettleman, 2006 Top Ten Websites of the Year, TIME, *available at* <http://www.time.com/time/topten/2006/websites/10.html> (last visited Feb. 13, 2008).

TV shorts and movies.²⁸³ The 250 are a “best-of” listing, not a full compilation. There are specialized linking websites which devote themselves to specific television shows. The subject of this case study, Southparkzone.com, is just one such example. Other websites act as directories for large numbers of television shows and movies, such as alluc.org (pronounced all-you-see).²⁸⁴ Alluc.org links to copies located on other websites all over the Internet, and is physically located in Norderstedt, Germany.²⁸⁵ The common tie among all linking websites is the refusal to host any content on their own servers, instead linking to hosting websites like YouTube, DailyMotion, Veoh, or other lesser-known websites in foreign countries.

SouthParkzone.com (SPZone) was chosen for this case study because it provides a vivid example in which to analyze the abstract nature of linking websites.²⁸⁶ (See Figure 4-1). SPzone is a website of unknown hosting origin, but available on the Internet in English. Curiously, it’s Terms and Conditions states, “the material on the Website is designed to comply with Dutch law and we cannot be held responsible for any non-compliance with applicable local laws in any other jurisdiction.”²⁸⁷ However, this does not mean the website is necessarily located or run in the Netherlands.²⁸⁸ It can simply be there to confuse copyright holders or demonstrate a lack of knowledge in copyright law.

²⁸³ Online Video Guide, Featured TV and Movie Websites, <http://www.ovguide.com/movies-tv.html> (last visited Feb. 12, 2008).

²⁸⁴ Alluc.org Homepage, www.alluc.org. (last visited Feb. 12, 2008).

²⁸⁵ Alluc.org Disclaimer & Imprint, <http://www15.alluc.org/alluc/imprint.html> (last visited Feb. 12, 2008).

²⁸⁶ SouthParkzone.com Homepage, <http://www.southparkzone.com> (last visited Feb. 27, 2008). *See also* Fig. 1.

²⁸⁷ Southparkzone.com Terms & Conditions, <http://www.southparkzone.com/termsandconditions.php> (last visited Feb. 14, 2008). Whether or not the website is located or run in Holland exhibits one of the primary problems for copyright owners in controlling their works on linking websites, since they are deliberately difficult to track down to be sued.

²⁸⁸ The Netherlands has signed on as a party to the World Intellectual Property Organization’s (WIPO) international copyright treaty concerning copyright on the Internet, but it has yet to implement it in force. WIPO WCT Contracting Parties, http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=16 (last visited Feb. 14, 2008).

SPZone provides users with streaming videos of every episode of *South Park* from all eleven seasons as well as a streaming copy of the *South Park* full-length feature film. The episodes are indexed by season and offer descriptions of each episode. Instead of redirecting visitors to other websites to watch the episodes, SPZone plays an embedded commercial-free copy of the show on its own website (See Figure 4-2). The video plays in a “frame” surrounded by textual advertising bars above and below the video. It can also be viewed in full-screen mode without the advertisements. Regardless of how a video is viewed, the SPZone logo appears at all times on the top right corner of the video. As the video plays within the frame on SPZone website, users are given a number of additional options on a menu bar below the video. Users are able to download the video, either legally through Amazon.com, or for “free” from file sharing website Rapid Share. They may also send a link to the video to friends through the website. Users also have the ability to report that a video is no longer working, and suggest new links to episodes as they are found.

SPZone is a relatively popular linking website. According to the Internet rating website Alexa.com, in February 2008, SPZone was the 3,189th most visited website on the Internet.²⁸⁹ While that pales in comparison to the number two ranking of YouTube,²⁹⁰ it is more than the websites of the Houston Chronicle (4,258),²⁹¹ the Atlanta-Journal Constitution (6,851),²⁹² or the Dallas Cowboys (8,377).²⁹³ Most notably, SPZone’s traffic ranking is higher than the show’s official Comedy Central website(5,288).²⁹⁴ In addition, SPZone’s advertising agent, AdBrite,

²⁸⁹ Alexa.com traffic ranking for Southparkzone.com, http://www.alexa.com/data/details/traffic_details/southparkzone.com (last visited Feb. 12, 2008).

²⁹⁰ http://www.alexa.com/data/details/traffic_details/youtube.com (last visited Feb. 12, 2008).

²⁹¹ http://www.alexa.com/data/details/traffic_details/chron.com (last visited Feb. 12, 2008).

²⁹² http://www.alexa.com/data/details/traffic_details/ajc.com (last visited Feb. 12, 2008).

²⁹³ http://www.alexa.com/data/details/traffic_details/dallascowboys.com (last visited Feb. 12, 2008).

²⁹⁴ http://www.alexa.com/data/details/traffic_details/southpark.comedycentral.com (last visited Feb. 12, 2008).

markets that pages with its “under and above video” ad banners on the website receive over 1,000,000 page views per day, and over 65,000 unique visitors per day.²⁹⁵ It also notes that the majority of its user traffic originates from the United States and the United Kingdom.²⁹⁶

Jurisdictional Problems

For SPZone to be subject to any liability under the jurisdiction of U.S. Federal Courts, two very large hurdles must be overcome: (1) locating the operators of the website in order to serve the lawsuit and (2) having the ability to sue them under U.S. jurisdictional law. First, determining who actually runs the website is problematic. Nowhere does the website state who runs the website, save for postings by a user called “theniek.” More information beyond an Internet moniker is needed in order to file a lawsuit against a person, such as a name, address, or even email address. This is a common problem copyright owners face when dealing with linking websites, and a reason why owners rarely choose to file lawsuits against faceless and nameless individuals. Even when a court allows a lawsuit to be filed against anonymous individuals, it can often result in a futile attempt to discover an individual’s identity. For example, in Universal’s suit against the linking website Youtvpc.com, the creators of the website were actually named, yet failed to show up to court or even send lawyers on their behalf.²⁹⁷ As a result, a default judgment was issued against them, which forces the copyright owner plaintiffs to go to extensive trouble to have it enforced.²⁹⁸

Second, if, as SPZone purports, it is located in the Netherlands, jurisdictional problems increase dramatically. While these jurisdictional issues are beyond the scope of this study, it is

²⁹⁵ AdBrite, Advertise on South Park Zone, under and above video, http://www.adbrite.com/mb/commerce/purchase_form.php?opid=519932&afsid=1 (last visited Feb. 14, 2008).

²⁹⁶ *Id.*

²⁹⁷ Judgment Against Defendants Billy Duran and Sam Martinez Pursuant to Entry of Default, Universal City Studios, Inc. v. Youtvpc.com, No. 07-4181 (C.D. Cal. decided Dec. 3, 2007).

²⁹⁸ *Id.*

important to briefly note the problem. The main obstacle is that U.S. copyright law has no extraterritorial effect, meaning that infringing acts occurring outside of the United States are not actionable under the Copyright Act.²⁹⁹ However, it is possible that when one of the §106 exclusive rights are violated within the United States, it becomes actionable under U.S. law.³⁰⁰ Since the actual viewing of many SPZone videos occurs in the United States, it is plausible that regardless of its actual location, SPZone's facilitation of the infringing acts takes place in the U.S. and is therefore subject to jurisdiction. However, for the sake of simplicity and for the purposes of this analysis, it is assumed that SPZone is either somehow amenable to U.S. jurisdiction through infringing acts occurring within the United States, or is run by persons subject to personal jurisdiction by U.S. Federal Courts within United States' territory.

Direct Liability

The basic legal argument commonly made by linking websites like SPZone is that because they do not host any material on their websites, they cannot be directly liable for copyright infringement. SPZone's "disclaimer" page attempts to make this clear, saying, "SouthParkZone.com does not host any videos nor episodes of South Park. This website does not host any videos or video files. No video files are stored on this server."³⁰¹ It also states that it does not upload videos to other hosting websites and then link back to them, which would allow it to appear innocent while actually directly infringing.³⁰²

²⁹⁹ MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, §17.02 (2007)(hereinafter NIMMER ON COPYRIGHT). See generally, Roberto Garza Barbosa, *International Copyright Law and Litigation: A Mechanism for Improvement*, 11 MARQ. INTELL. PROP. L. REV. 77 (2007); William Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383 (2000); Jane Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT'L L. 587 (1997).

³⁰⁰ NIMMER ON COPYRIGHT at §17.02.

³⁰¹ Southparkzone.com Disclaimer, <http://www.southparkzone.com/disclaimer.php> (last visited Feb. 12, 2008)(emphasis in original).

³⁰² *Id.* ("SouthParkZone.com does not upload. We do not upload any videos to these websites or encourage uploading of copyrighted material.").

Assuming all this is true, then SPZone indeed is not a direct infringer according to the “server test” developed by the Ninth Circuit, which finds direct infringement for linking only when infringing material resides on the defendant’s server.³⁰³ Thus, to directly violate any of the §106 exclusive rights, SPZone would have to possess actual copies of the protected works and either play them or reproduce them. There is one sentence in its Terms and Conditions that suggests SPZone might occasionally upload files to a hosting website and link to them in such a fashion.³⁰⁴ Despite this statement, since SPZone contends that it simply places the episodes in a frame on its website through an elaborate source-code, the copy is never actually on its servers. Of course, this deliberate avoidance of hosting infringing copies does not protect SPZone from copyright infringement for use of the images of the *South Park* characters prominently displayed on the homepage, secondary liability, as well as potential trademark infringement lawsuits.

Secondary Liability

As described in Chapter 3, linking to infringing content can, in some cases, constitute secondary copyright liability.³⁰⁵ In the case of SPZone, it is largely given that the videos played through website are infringing and unauthorized by Comedy Central, owner of *South Park*. It makes a number of statements acknowledging Comedy Central’s trademark and copyrights in *South Park* and states explicitly that it is fan site not-authorized by Comedy Central or the

³⁰³ Perfect 10 v. Google, Inc., 416 F. Supp. 2d 828, 838-43 (C.D. Cal. 2006) *aff’d* by Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1159 (9th Cir. 2007).

³⁰⁴ Referring to the videos linked to on the website, SPZone says, “You understand that the information supplied to us is by a third party. Rarely, is the information created by us and as such, we cannot take responsibility for this information. We fully appreciate the work of our third parties and take no credit for their efforts.” Southparkzone.com Terms & Conditions, *supra* note 283.

³⁰⁵ See *Batesville Services, Inc. v. Funeral Depot, Inc.*, 2004 WL 2750253 at *12 (S.D. Ind. Nov. 10, 2004); *Ticketmaster, Corp. v. Tickets.com, Inc.*, 2000 WL 525390, *2 (C.D. Cal. 2000); *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp 2d 1290 (D. Utah 1999); *Bernstein v. J.C. Penney, Inc.*, 50 USPQ2d 1063 (C.D. Cal. 1998).

creators of the show.³⁰⁶ As a result of the nature of the website, SPZone would likely be found liable under all three modes of secondary liability: vicarious infringement, contributory infringement, and inducement. A prerequisite for any secondary liability claim is of course direct infringement by a third party.³⁰⁷ This requirement is fulfilled every time a SPZone user views an unauthorized copy of *South Park*, Comedy Central’s public display and performance rights are directly infringed. In addition, Comedy Central’s distribution right may be violated by the hosting website that SPZone links to.

Vicarious liability

The common law standard of vicarious infringement requires: (1) an act of direct infringement by a third party, (2) the right and ability to supervise the infringing activity, and (3) a direct financial benefit received from the exploitation of the work.³⁰⁸ This traditional common law standard originating from the Second Circuit, and approved by the Ninth Circuit and the Supreme Court applies to SPZone because, unlike YouTube, it is not a dual-use technology with noninfringing uses.³⁰⁹ Recently, the *Grokster* Court confirmed the vicarious liability elements as profiting directly from infringement where with, “a right and ability to supervise the direct infringer, even if the defendant initially lacks knowledge of the infringement.”³¹⁰

³⁰⁶ Southparkzone.com Disclaimer, *supra* note 297 (“South Park is a registered trademark of Comedy Central and its’ related companies. All related videos, clips, images etc. are copyrighted and owned by their respective owners. SouthParkzone.com is a fan site and is in no way associated with or authorized by Comedy Central, Comedy Partners or the Creators of South Park, Matt Stone and Trey Parker.”).

³⁰⁷ See *M.G.M. v. Grokster, Inc.*, 545 U.S. 913, 931 (2005)(citing *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963); *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929)).

³⁰⁸ See *id.*

³⁰⁹ See *Grokster*, 545 U.S. at 930-31; *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996). *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963); *Gershwin Publishing Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir.1971); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996).

³¹⁰ *Grokster* 545 U.S. at 930 n.9.

The right and ability to control the direct infringement is directly related to the function of SPZone's website. While it has presumably no control over infringement committed by hosting websites, it has absolute control over the direct infringement of the users of its own website.³¹¹ SPZone selects the copies of episodes to link to and actually inputs the code into its website in order to facilitate the playing of the video within the frame on its website. If it did not want a user to be able to view a video within a frame on its website, it surely could choose to do so. Instead, SPZone made the conscious decision that users should be able to view the infringing videos on its website without navigating away from it. In addition, when a user chooses to view an episode, they are given only one choice of a copy to watch, showing that SPZone picks some copies over others to link to. This shows SPZone's ability to control its users viewing of the infringing content.

However, the Ninth Circuit recently noted in *Perfect 10 v. Amazon.com*, that this type of ability to control by virtue of the website's basic function, is likely more of a factor for contributory infringement than vicarious infringement.³¹² The argument follows that when users view the episodes and directly infringe the public performance and display rights, they technically do so through the hosting websites, not SPZone. As such, SPZone has no ability to control the actions of either the users or the hosting websites, and thus cannot be vicariously liable. However, "the lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn."³¹³ As a result, while the above argument may forbid vicarious liability on a technicality, as we will see, contributory infringement is less forgiving.

³¹¹ The Ninth Circuit correctly points out in *Perfect 10 v. Amazon.com*, 508 F.3d 1146, 1174 (9th Cir. 2007), that this type of ability to control by virtue of the website's basic function, is likely more of a factor for contributory infringement than vicarious infringement. However, "the lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn." *Sony*, 464 U.S. at 435 n. 17.

³¹² 508 F.3d 1146, 1174 (9th Cir. 2007).

³¹³ *Sony*, 464 U.S. at 435 n. 17.

The direct financial benefit element is met through SPZone’s advertising revenue, and falls within both the broader Ninth Circuit’s test for financial benefit,³¹⁴ as well as the Second Circuit’s narrower test requiring an “obvious and direct financial interest in the exploitation of copyrighted materials.”³¹⁵ In its “Disclaimer,” SPZone asserts it is a non-profit website, and that it receives no revenue from advertising appearing on its site other than to pay for web-hosting costs.³¹⁶ However, the purpose and use of a financial benefit is irrelevant. The question of direct financial benefit is ambivalent to this, it simply asks whether or not one exists that is somehow related to the infringing conduct. The entire purpose of the SPZone website is to enable users to easily access and watch commercial-free *South Park* episodes in a central location. As a result, all income related to the website is by default related to this action. What the advertising revenue is then used for is irrelevant to the vicarious liability inquiry.

Contributory liability and inducement

While vicarious liability is based on the failure to cause a third party to cease its direct infringement, contributory liability is based on SPZone’s failure to stop its own actions facilitating third-party infringement.³¹⁷ The three basic elements of contributory infringement are (1) an act of direct infringement by a third party, (2) where the defendant has knowledge of the infringing activity, and (3) the defendant induces, causes, or materially contributes to the

³¹⁴ *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001) (finding Napster liable for vicarious infringement because the future of the business relied upon building a network of infringing users to advertise to); *Fonovisa v. Cherry Auction*, 76 F.3d 259, 263 (9th Cir. 1996) (finding a direct financial benefit by swap-meet landlord when lessees paid minimal rental fees and defendant received no commission or proceeds from the sales of bootleg music).

³¹⁵ *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) (stating that, “an obvious and direct financial interest in the exploitation of copyrighted materials” may result in the imposition of liability upon the beneficiary of that exploitation; finding chain store liable for the infringing acts of retained operator running its record departments).

³¹⁶ *Southparkzone.com Disclaimer*, *supra* note 297 (“We do not receive any monetary compensation for running this website. The website is essentially hosted for free, but due to increased webhosting costs we have been forced to place ads on the site. However the income from the ads only goes to the server operators who use this income to pay for webhosting.”)

³¹⁷ *See Perfect 10 v. Amazon.com* 508 F.3d 1146, 1175 (9th Cir. 2007).

infringement.³¹⁸ Since inducement was treated by the Supreme Court separately, it will be dealt with separately here as well. As previously stated, direct infringement by users of the website is assumed by virtue of their watching the videos through the website. In addition, any argument of substantial noninfringing use is simply implausible. SPZone's only function is to provide its users with the ability to watch copies of *South Park* through its website. While it could argue that its episode descriptions are noninfringing, the website need not provide infringing links in order to provide episode recaps and descriptions of a popular television show.

The knowledge requirement is met through SPZone's statements and actions. SPZone makes it known in its "Disclaimer" that it only links to videos from the hosting websites Myspace.com, Gofish.com, and Dailymotion.com.³¹⁹ It is assumed that none of these websites are authorized to distribute episodes of *South Park*. As a result, this statement by SPZone regarding the origins of its linked-to episodes reveals its knowledge of the infringing nature of the videos. SPZone could easily link to authorized versions of the show on Comedy Central's website, but it chooses not to.

A number of other factors add to the notion that SPZone possesses a great deal of knowledge of the infringing nature of the linked-to videos. For example, it allows users to notify the website when an episode is no longer working, and allows users to submit new links to replace them. Why would a video be subject to removal on a hosting website if it was an authorized copy? Similarly, if the copies were authorized, when why is SPZone itself not able to upload copies to a hosting website? The infringement of the videos is rather open and notorious, but SPZone's own actions add to the basis of its knowledge of infringing actions.

³¹⁸ *Grokster*, 545 U.S. at 930.

³¹⁹ Southparkzone.com Disclaimer, *supra* note 297 ("SouthParkZone.com only adds videos of Dailymotion. This website does only [sic] add videos if they are available on Myspace.com, Dailymotion.com and Gofish.com.").

The second element to contributory infringement is the causal relationship between SPZone's actions and the direct infringement of its users. The standard here is "material contribution," and as stated above with vicarious liability, but for the SPZone website, users are unable to view the links as organized by the website. The website's design enables users to locate videos which can be difficult to find or even hidden on other hosting websites. Without SPZone's aggregation and organization of links, a user would simply have no other use for the website. SPZone's very existence as a linking website, thus, materially contributes as it is the means by which its users infringe.

Inducement

The inducement standard, as articulated by the *Grokster* Court, states 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."³²⁰ In addition, *Grokster* spoke about an actor's unlawful objective in contributing to a finding of inducement.³²¹ SPZone is a device which enables a user to easily access and view infringing videos. The website serves little purpose other than providing such means to view the videos, and makes it rather clear that is its purpose, which is an unlawful objective against traditional notions of copyright law.

SPZone makes a number of clear statements that promotes the site's usefulness to infringe. On its homepage, the website places a banner in bold capital letters reading "ALL EPISODES, ALL SEASONS, FREE!!!"³²² While this statement does not outright suggest that the episodes are infringing, it implicitly suggests that you otherwise have to pay to view the show elsewhere,

³²⁰ *Grokster*, 545 U.S. at 919.

³²¹ *Id.* at 938-39.

³²² Southparkzone.com Homepage, <http://www.southparkzone.com> (last visited Feb 15, 2008).

such as buying a DVD or watching an authorized version on Comedy Central's website. The homepage tag line at the top of the web browser also proclaims "South Park episodes, Watch and Download every sing South Park episode."³²³ The "Disclaimer" section of the website also includes an excerpted interview with *South Park*'s creators in which they are quoted to say they do not oppose illegally downloading episodes of the show.³²⁴ While the show's creators may express a feeling of sympathy with infringers, they likely contracted away to Comedy Central the right to authorize making copies, distribution rights, and public display and performance rights. Therefore, SPZone's flaunting of their statement can be read as meant to encourage further infringement.

In addition to statements made by SPZone, it induces infringement through a number of additional affirmative steps. For example, when viewing an episode, the user is shown a button which allows them to download a copy of the show. While one of the options is to legally purchase a copy from Amazon.com, the other option is to download it for free through a file sharing website Rapidshare.com. SPZone also gives instructions of how to use the file sharing website.³²⁵ This is another affirmative step taken to foster infringement through the website.

³²³ *Id.*

³²⁴ Southparkzone.com Disclaimer, *supra* note 297:

Here's an interview with Matt Stone and Trey Parker about downloading South Park episodes:

From: Reason Magazine (<http://www.reason.com/news/show/116787.html>). . .

Stone: We're always in favor of people downloading. Always.

Reason: Why?

Stone: It's how a lot of people see the show. And it's never hurt us. We've done nothing but been successful with the show. How could you ever get mad about somebody who wants to see your stuff?

Parker: We worked really hard making that show, and the reason you do it is because you want people to see it.

Id.

³²⁵ Download Help, http://www.southparkzone.com/help_rapidshare.php (last visited Feb 15, 2008).

DMCA §512 Immunity

As demonstrated above, SPZone faces a great deal of potential liability for providing its users with infringing links. However, were it to fit within the DMCA §512(d) safe harbor intended to protect Internet linking as an “Information Location Tool,” potential liability would be limited.³²⁶ Section 512(d) operates in the exact manner as §512(c), except that instead of protecting infringing content at the direction of a user, it limits liability where “by reason of the provider referring or linking users to an online location containing infringing material or infringing activity.”³²⁷ At first glance, it seems that SPZone fits neatly within this definition. It simply links users to locations of infringing activity. Unfortunately for SPZone, it does not fair very well under the statute.

The two prerequisites of §512(i), repeat infringer termination policy and accommodating standard technological measures, do not generally apply to linking websites or to SPZone. SPZone appears to not interfere with any standard technological measures in linking to infringing content on other hosting websites. However, as for repeat-infringer termination, a literal reading of the statute suggests that it is an essential prerequisite to gaining immunity under any of the §512 safe harbors. After all, §512(i) states that “the limitations on liability established by this section shall apply to a service provider *only if* the service provider” adopts and reasonably implements such a policy.³²⁸ Under such a strict reading, the §512(d) inquiry would end there, since SPZone simply has no such user-termination policy.

However, a closer reading of the statute suggests that it only requires “a policy that provides for the termination *in appropriate circumstances* of subscribers and account holders of

³²⁶ 17 U.S.C. § 512(d) (1999).

³²⁷ § 512(d).

³²⁸ § 512(i)(1)(emphasis added).

the service provider’s system or network who are repeat infringers.”³²⁹ Since SPZone offers linked-to streaming videos through its website, it requires no registration for its users, and thus has no need for a termination policy for repeat infringers. It is therefore not an “appropriate circumstance” which would require a repeat-infringer termination policy to even exist. Furthermore, to hold to the more strict reading of the statute would end the inquiry of whether SPZone, or any linking website for that matter, was eligible for a safe harbor of any kind. This would obviate Congress’ clear intent to protect, in certain circumstances, the linking to infringing content by protected service providers because the very act of linking typically requires no user-agreement or registration and would be over-burdensome to the operation of the Internet.

Next, assuming the statute is read to conclude that SPZone meets the eligibility requirements of §512(i), it must then meet the requirements of §512(d). Unfortunately for SPZone, this is where its problems truly begin. Section 512(d)(1) generally mirrors the requirements under §512(c)(1)(A) of actual knowledge or “red flag” knowledge.³³⁰ As previously noted, SPZone makes a number of statements on its website which can be inferred to impute knowledge that the linked-to videos were infringing copies. Its basic acknowledgement that it is not associated with South Park, Comedy Central, or any other creators of the show at least suggest “red flag” knowledge, in that a reasonable person equipped with that information would conclude that SPZone probably lacked the right to facilitate access to the infringing videos. In addition, it fails to meet §512(d)(2). As suggested above regarding vicarious infringement, SPZone receives a financial benefit from its advertising directly attributable to the linking to infringing content. Finally, §512(d) incorporates the notice-takedown process from

³²⁹ § 512(i)(1)(A)(emphasis added).

³³⁰ *Cf.* § 512(c)(1) with § 512(d)(1).

§512(c)(3). Nowhere on SPZone's website is there any mention of the DMCA notice procedures for taking down infringing linked-to videos, largely because the entire purpose of the website is to link to infringing videos.



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SOUTHPARKZONE Season 12 will start on March 12, 2008. More information about episode 1201 will be released soon! Stay tuned.

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1110 - Imaginationland - Comedy Central Press Release

From the Comedy Central Press Release:

CARTMAN SWEARS HE'S SEEN A LEPRECHAUN IN AN ALL-NEW "SOUTH PARK" WEDNESDAY, OCTOBER 17 AT 10:00 P.M. ON COMEDY CENTRAL

NEW YORK, October 15, 2007 – The doors of a whole new dimension are thrown open and the boys of South Park walk right on in. It's an all-new episode of "South Park" entitled, "Imaginationland," premiering on Wednesday, October 17 at 10:00 p.m. on COMEDY CENTRAL.

Finding Cartman's leprechaun is just the tip of the iceberg when the boys are about to have the entire contents of the world's imagination laid before them. The boys realize that what they know has become a valuable commodity to the U. S. government. Meanwhile, Butters is about to become collateral damage.

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New episode guide

I changed [episode guide](#). It gives the whole list of episodes with the "Watch" and "Download" link of every episode, and it shows the current rating. Enjoy!

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Figure 4-1: SouthParkzone.com homepage



South Park Episode - A Ladder to Heaven - 612

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Menu

- Home
- Vote for this site!
- Select a Season
- Season 1
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- Season 3
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- Season 6
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A Ladder to Heaven - 612 - South Park Zone

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American Basketball Camps
Search our database of U.S. Basketball camps - FREE information!



ALL CHARACTERS AND EVENTS IN THIS SHOW-- EVEN THOSE BASED ON REAL PEOPLE--ARE ENTIRELY FICTIONAL. ALL CELEBRITY VOICES ARE IMPERSONATED.....POORLY. THE FOLLOWING PROGRAM CONTAINS COARSE LANGUAGE AND DUE TO ITS CONTENT IT SHOULD NOT BE VIEWED BY ANYONE

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American Basketball Camps
Search our database of U.S. Basketball camps - FREE information!

Title: A Ladder to Heaven
Number: 612
Views: 544.929 x
Rate this episode:
★★★★☆
Rating: 4.2/5 (40 votes cast)
Bookmark:

Share this episode:
<http://www.southparkzone.com/episodes/612/A-Ladde>

Description:
The boys have to find a way to reach Kenny before they lose their chance at untold candy riches; and what better way to achieve this than a ladder to heaven – because Kenny's dead. Said ladder quickly becomes a national sensation, leading to lame (redundant, I know) country songs and the usual government intervention. Will the boys succeed? In a word or two: sort of.

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Summer Camps Directory
Search our database for great summer camps and programs for kids.

Figure 4-2: SouthParkzone.com video player page

CHAPTER 5 FUTURE OF ONLINE VIDEO

This study has examined the role of Copyright in the digital video environment of YouTube and video linking websites. Specifically, this study attempted to assess the legal problems facing YouTube and linking websites under copyright law. This chapter now aims to propose solutions that would be amenable to all parties involved, while preserving the First Amendment and fair use rights of individuals within the greater copyright landscape

Chapter 1 set out the problem created by streaming online video by hosting websites, and websites that link to them. Websites like YouTube offer Internet users unprecedented opportunity to post user-generated content and share it world-wide with friends and strangers alike. It gives individuals a newfound power to broadcast their creativity across the globe. However, like many user-directed technologies, the use that it is put to is at the hands of the end-user. As a result, YouTube is as capable of hosting infringing content at the direction of its users as it is capable of sharing original, user-generated content. The popularity of main-stream TV shows and motion pictures resulted in users uploading large numbers of unauthorized copies to hosting websites like YouTube. In order to facilitate users in finding such popular videos, a large number of video linking websites appeared providing users with a centralized database of links to infringing content. This chapter identified this as a very recent phenomena, which has copyright owners greatly concerned about the future of their ability to exclusively market their copyrighted works.

Chapter 2 of this study then examined the literature of how copyright law has struggled to adapt to changes in technology. It identified the lack of recent scholarship on linking to copyright infringing content, and the lack of scholarship regarding video hosting websites such as YouTube due to the recent nature of the technology. It discussed the tension over copyright

law's direction between copyright owners and developers of new technology. This tension often leaves out the interests of the end-user and results in a highly detailed codified law full of specific limitations and loopholes for interested parties.

Chapter 3 of this study laid out the case law and statutory context within which YouTube and linking websites would be analyzed. It identified that copyright owners have rights of action for direct infringement against hosting websites, and secondary infringement for both hosting and linking websites. It also outlined the law of linking on the Internet. Finally, the chapter set out the function of the DMCA §512 safe harbors and the statutory defense of fair use, both of which must be kept in mind when considering any copyright infringement lawsuit.

Chapter 4 of this study then analyzed hosting and linking websites through two individual case studies. Hosting websites were studied through the Internet's leading video-sharing website YouTube, and video linking websites were analyzed through the example of SouthParkzone.com, a website linking to unauthorized copies of a popular animated TV sitcom. The chapter concluded that YouTube may be directly liable for the hosting of infringing content. However, possible vicarious infringements by YouTube were unlikely due to its carefully placed advertising away from user-uploaded videos. It also is an unlikely contributory infringer by inducement, and is capable of substantial noninfringing uses. In addition, the chapter found YouTube is likely eligible for the DMCA §512(c) safe harbor. As for linking websites, the chapter first noted the jurisdictional problems created by off-shore linking websites. Setting that aside, the chapter concluded that linking to infringing content by SouthParkzone.com for the sole purposes of disseminating unauthorized content could result in a finding of secondary liability.

The present chapter analyzes four major problems identified from this study, and attempts to provide broadly applicable solutions that would best serve the interests of all parties involved:

copyright owners, developers of new technologies, and the end-users. First, this chapter will make the case that First Amendment considerations within secondary infringement can be found in Justice Breyer's interpretation of the substantial noninfringing use standard, and it would therefore be wise for future courts to embrace his broad interpretation. Next, this chapter will identify the burden-shift associated with the implementation of the §512 safe harbor notice-takedown system, the drawbacks of automatic filtering for end-users, and then identify a possible solution to ensure users' rights within the filtering process. Then, this chapter will compare two sets of principles put forth by members of the copyright industry and a fair use rights interest group dealing with user-generated content and fair use, and attempt to find common ground between them concerning automatic filtering. Finally, this chapter will propose a First Amendment based solution for finding liability for linking websites.

Innovation Leading to Creativity: Justice Breyer's Substantial Noninfringing Use Standard

There has long been a struggle between the Constitutional protections of the First Amendment and the incentives of Copyright.¹ However, the Supreme Court has justified limiting freedom of expression under the First Amendment for the sake of furthering creativity inspired by the Copyright Clause.² The Court noted that the Copyright Clause and the First Amendment were adopted at about the same time, and that this proximity demonstrates the Framers' intent of the two doctrines' compatibility.³ The two are not mutually exclusive, the Court stating instead that “[i]n indeed, copyright's purpose is to *promote* the creation and

¹ See generally, Michael D. Birnhack, NIMMER ON COPYRIGHT, §19E.01, (David Nimmer & Melville Nimmer eds., Matthew Bender, New York 2007)(discussing the history of the conflict and contemporary criticisms of copyright law and the First Amendment).

² See *Eldred v. Ashcroft*, 537 U.S. 186, 218-22 (2003); *Harper & Row Publ., Inc. v. Nation Enter.*, 471 U.S. 539, 555-60 (1985).

³ *Eldred*, 537 U.S. at 219; *Harper & Row*, 471 U.S. at 558.

publication of free expression.”⁴ The Court noted two additional built-in First Amendment safeguards in copyright law.⁵ First, the idea-expression dichotomy prevents copyright law from limiting the spread of ideas, only the unique expression of them.⁶ Thus it follows that “every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication.”⁷ Second, the doctrine of fair use, as previously explained, allows free use of protected expression when used appropriately for comment, criticism, parody, news reporting, or educational uses.⁸ Both copyright’s protection of only the expression of ideas and the fair use doctrine ensure that First Amendment rights reserve space within copyright law.

However, within the secondary infringement doctrines, such First Amendment concerns have sometimes taken a backseat to balancing copyright owner’s interests with innovation protecting goals. This can be seen clearly in *Sony*’s substantial noninfringing use doctrine, protecting from secondary liability innovators of dual-use devices capable of both infringing and noninfringing uses.⁹ The doctrine focuses on the acceptability of devices under copyright law, and generally fails to gauge the impact that declaring a device infringing may have on end-user creativity.

Nevertheless, it can be logically argued that First Amendment concerns are represented deep within the *Sony* doctrine. The substantial noninfringing uses test exists in large part to preserve technological innovation where copyright law may unintentionally inhibit it.¹⁰ As freedom for technological innovation increases, so too increases creative freedoms from end-

⁴ *Eldred*, 537 U.S. at 219 (emphasis in original).

⁵ *Id.* at 219-20.

⁶ *Id.* at 219.

⁷ See *Eldred*, 537 U.S. at 219; *Feist Publ’n., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50 (1991).

⁸ See 17 U.S.C §107; *Eldred*, 537 U.S. at 219-20; *Harper & Row*, 471 U.S. at 560 (“latitude for scholarship and comment”); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994)(parody as fair use).

⁹ See *Sony v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

¹⁰ See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Inc.*, 545 U.S. 913, 956-57 (2005)(Breyer, J., concurring).

users of the technology.¹¹ Indeed, within the *Sony* opinion is a deference to First Amendment creative interests through the encouragement of innovative noninfringing technology.¹² It said copyright is merely the “means by which an important public purpose may be achieved . . .to motivate the creative activity of authors . . . by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”¹³

The substantial noninfringing use test does this in part by providing clarity to innovators that they will be free from liability in bringing their technologies to market when they are capable of substantial noninfringing uses.¹⁴ It follows that the more comfortable an innovator feels in bringing its product forward, the less likely it will be to restrict the expressive activities of its users. Internet video hosting technologies like YouTube allows individuals to express themselves creatively like never before, and the less threatened innovators feel by potential litigation, the freer they will be in allowing users to be fully creative.

Unfortunately, the present interpretation of the substantial noninfringing use doctrine remains unclear. Although the Supreme Court’s new inducement test in *Grokster* granted a new tool of fighting infringement for copyright owners, the continuing power of *Sony*’s test remains questionable because the majority opinion avoided deciding the matter entirely.¹⁵ While the Court did not overrule *Sony*, the two concurring opinions interpreting the doctrine split evenly

¹¹ See Kevin A Lemley, *The Innovative Medium Defense: A Doctrine to Promote the Multiple Goals of Copyright in the Wake of Advancing Digital Technologies*, 110 PENN. ST. L. REV. 111, 112-13 (2005).

¹² See *Sony*, 464 U.S. at 429.

¹³ *Id.*

¹⁴ *Grokster*, 545 U.S. at 956-57.

¹⁵ *Id.* at 924 (majority opinion)(“It is enough to note that the Ninth Circuit’s judgment rested on an erroneous understanding of *Sony* and to leave further consideration of the *Sony* rule for a day when that may be required.”).

between six justices.¹⁶ This split is further complicated by the fact that Justice O'Connor and the late Chief Justice Rehnquist are no longer on the court, Justices Souter, Scalia, and Thomas declined to comment on the matter, and the Court's new additions, Chief Justice Roberts and Justice Alito, have not yet had an opportunity to weigh in on the matter.

Despite this uncertainty, Justice Stephen Breyer's concurring opinion in *Grokster* subtly implies the importance of fostering creative freedom through the continuing interpretation of the *Sony* substantial noninfringing use doctrine.¹⁷ His interpretation sought to promote the development of innovative technology through a broadly applicable substantial noninfringing use test.¹⁸ Although never directly mentioning the First Amendment, Justice Breyer expressed the concern that no test should result in a "significant diminution in the amount or quality of creative work produced," which he declared as the basic objective of copyright law.¹⁹ As a result, should the Court revisit the application of the *Sony* test in the future, it would find Justice Breyer's interpretation useful.

Justice Ginsburg, no doubt, gives a thoughtful analysis of the doctrine from her point of view as well. Justice Ginsburg disagreed with Breyer's characterization of the test as only applicable where a product "will be used *almost exclusively* to infringe copyrights."²⁰ Instead, she found that *Grokster* was "overwhelmingly used to infringe" and that "the infringement was the overwhelming source of revenue from the products."²¹ She argued that simply because there were a large number of noninfringing uses, it did not follow that they outnumbered the infringing

¹⁶ *Cf. Grokster*, 545 U.S. at 942-49 (Ginsburg, J., concurring) *with Grokster*, 545 U.S. at 949-66 (Breyer, J., concurring).

¹⁷ *See Grokster*, 545 U.S. at 957-66 (Breyer, J., concurring).

¹⁸ *See id.*

¹⁹ *Id.* at 961.

²⁰ *Grokster*, 545 U.S. at 944 n.1 (Ginsburg, J. concurring)(quoting Justice Breyer's concurring opinion, 545 U.S. at 957).

²¹ *Id.* at 948.

uses.²² Further, the number of noninfringing use may have been large, yet dwarfed by the volume of infringing uses.²³ However, following Justice Ginsburg’s concurrence would ultimately result in too many useful communicative devices being stifled due to not being able to meet her high evidentiary standard of substantial noninfringing use.²⁴ Justice Breyer’s concurring opinion, though merely persuasive, offers an analysis of why the substantial noninfringing use standard should continue to be interpreted broadly to allow for fullest development of innovative noninfringing uses.

In short, Justice Breyer would have found the Grokster peer-to-peer file sharing software to have been sufficiently capable of substantial noninfringing use, although it probably would still be found liable under the inducement standard.²⁵ He stated that “the *Sony* standard seeks to protect not the Groksters of this world . . . but the development of technology more generally.”²⁶ In applying the test to the Grokster facts, he found that importance should be placed on *Sony*’s use of the word “capable” in “*capable of*” substantial noninfringing uses.²⁷ Justice Breyer read it to mean that potential future uses of the product were essential to determine “capability.”²⁸

Within the context of the Grokster software, Justice Breyer identified a large number of legitimate noninfringing uses the software can be put to since it could be used to share *any* type of file.²⁹ The capability should be rooted in “plausible, not simply a theoretical, likelihood that such uses will come to pass.”³⁰ Specifically, the software could be used for the swapping of

²² *Id.* at 948.

²³ *Id.*

²⁴ See *Grokster*, 545 U.S. at 942-49 (Ginsburg, J., concurring).

²⁵ *Id.* at 955 (Breyer, J., concurring).

²⁶ *Id.*

²⁷ *Id.* at 953 (quoting *Sony*, 464 U.S. at 442).

²⁸ *Id.* at 953.

²⁹ *Id.* at 954.

³⁰ *Id.* at 958

research information, public domain films, historical recordings and educational materials, original digital photos, “shareware” and “freeware,” secured licensed music and video files, news broadcasts past and present, user-generated audio and video, and all other “free and open content.”³¹ Due to the natural progression of the incredible growth of the Internet, Justice Breyer found no reason to believe that such noninfringing uses would not continue to rise.³² He also noted that while it is tempting to shut down technology with infringing uses, the unforeseen benefits of it can far outweigh the early costs, as seen through the copyright industry’s later exploitation of the home video market after its initial resistance to the VCR.³³ Thus, he concluded that a broad, forward-looking substantial noninfringing use test was essential to protect innovative technologies.³⁴

It is in Justice Breyer’s restrained view where the tacit First Amendment considerations can be found, finding that courts should resist jumping too fast to suppress innovation.³⁵ As stated above, the *Sony* rule adds substantial clarity for developers of new products to assess their potential legal liabilities in bringing a new product to market.³⁶ The “price of a wrong guess,” as Justice Breyer points out, can result in up to \$30,000 *per infringed work*.³⁷ Thus, the greater legal certainty an innovator has, the more likely they are to extend greater creative freedoms to its end-users. Greater freedom for innovation begets equally great freedom of expression by virtue of the use of incredible new technologies capable of spreading ideas to more people around the world faster and through more creative media such as online video.

³¹ *Id.* at 954.

³² *Id.* at 955

³³ *Id.*

³⁴ *See id.*

³⁵ *See id.*

³⁶ *Id.* at 957.

³⁷ *Id.* at 960.

The real effect of the rule is the deterrence from developing products specifically to infringe copyrights.³⁸ While it may have a slightly chilling effect, it only truly chills what it aims to eliminate in the first place—products with the sole intent of infringing copyright.³⁹ In fact, Breyer remarked that *Sony* “recognizes that the copyright laws are not intended to discourage or to control the emergence of new technologies,” but instead, through an incentive system, aims to “*help disseminate information and ideas more broadly or more efficiently.*”⁴⁰ This is a major nod toward the First Amendment, demonstrating a twin purpose of the substantial noninfringing use doctrine in aiding the spread of creative expression.

Most importantly, Justice Breyer asked whether his interpretation of the substantial noninfringing use standard “lead[s] to a significant diminution in the amount or quality of creative work produced?”⁴¹ This is a simple reiteration of the previously mentioned idea that free innovation naturally leads to greater First Amendment creative outcomes. In *Grokster*, Justice Breyer measured the impact on creativity through copyright industry revenues, finding that allegedly declining profits in the music industry were largely not substantial.⁴² However, in today’s Internet world, while industry revenue is important, equally important is the creative impact of user-generated content. As a result, future applications of the substantial noninfringing use test would be most beneficial to the First Amendment goal of encouraging creativity by following Justice Breyer’s broad, innovation-protecting test.

³⁸ *Id.* at 957.

³⁹ *See id.*

⁴⁰ *Id.* (emphasis added).

⁴¹ *Id.* at 961.

⁴² *Id.* at 962.

Safe-Harbor Burden Shifting: The Future is in the Filter

Despite the uncertainty regarding substantial noninfringing uses, what is certain is that if a defendant prevails against YouTube and other websites on a secondary liability theory, the Digital Millennium Copyright Act (DMCA) §512 safe harbor offers an important potential escape hatch from liability. It also functions as an effective mechanism for copyright owners to remove unauthorized copyrighted content from video-sharing websites outside of the judicial process. Yet, while the legal battles ensue over the application of the safe harbor to YouTube and other websites, this effective tool for copyright owners and hosting websites alike creates a problem for end-users by creating an extra-judicial process with little power of appeal for the end-user.⁴³ In addition, as will be explained below, the development of filtering technologies, which is not covered directly by the DMCA, takes the process to an even greater extra-judicial level, with absolutely no power to the end-user in its current developmental state.

The notice-takedown process under DMCA §512 shifts the burden of proof to the end-user in an extra-judicial manner that is unique within copyright law. The traditional copyright litigation process generally calls for private enforcement empowered by the copyright statute. In order to prevent infringement, or obtain damages for past infringement, a copyright owner must file a complaint in a federal court seeking injunctive or monetary relief. As in any civil trial, the burden to prove copyright infringement is placed upon the complaining party.

However, as many commentators have noted, the DMCA's notice and takedown rules turn this normal process around.⁴⁴ It ultimately places upon the end-user the burden to prove their

⁴³ See generally 17 U.S.C. § 512(c)(3) & § 512(g).

⁴⁴ See Jennifer M. Urban & Laura Quilter, Efficient Process or "Chilling Effects"? Takedown Notices Under Section 512 of the Digital Millennium Copyright Act, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 637-38 (2006); Emily Zarins, *Notice Versus Knowledge Under the DMCA's Safe Harbors*, 92 CAL. L. REV. 257, 291-95 (2004); Colin Folawn, *Neighborhood Watch: The Negation of Rights Caused by the Notice Requirement in Copyright Enforcement Under the DMCA*, 26 SEATTLE U. L. REV. 979 (2003); Alfred C. Yen,

use is authorized or fair. When a copyright owner issues a notice of infringement to a service provider, as laid out in §512(c)(3), the provider must expeditiously remove the complained of content, or risk losing the safe harbor.⁴⁵ The copyright owner's notice must meet certain simple formalities, as required by the statute, to aid in the provider's removal of the content.⁴⁶ The only legally significant element of the notice is that the copyright owner must state a good faith belief that the use of the material is unauthorized, and affirm under the penalty of perjury that the notice is accurate.⁴⁷ Copyright owners may also be liable for damages and attorney's fees resulting from material misrepresentations made in the notices.⁴⁸ Beyond these two legally significant constraints, copyright owners are otherwise free to send notices to take down allegedly infringing content without great concern for the effect on end-users. In addition, a recent study of takedown notices revealed that copyright owners were often over-zealous in sending notices and they were frequently used by rivals for anti-competitive purposes.⁴⁹

The burden shift begins when service providers are left with no other choice than to take the material down in order to remain within the safe harbor upon receiving a notice. In order for the end-user to restore the burden to the copyright owner alleging infringement, the user must then file a sufficient counter-notice stating their good-faith belief that they have the right to use

Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment, 88 GEO. L.J. 1833, 1888 (2000). See also Lawrence Lessig, *Make Way for Copyright Chaos*, N.Y. TIMES, Mar. 18, 2007 (Op-Ed Contribution) available at <http://www.nytimes.com/2007/03/18/opinion/18lessig.html?ex=1331870400&en=5a2a6ea9bc52f3fc&ei=5124&partner=permalink&expprod=permalink> (last visited Feb. 18, 2008).

⁴⁵ §512(c)(1)(C).

⁴⁶ §512(c)(3)(A). The notice must substantially comply by providing (i) identification of the copyrighted work or a representative list of multiple works; (ii) identification of the infringing material; (iii) information reasonably sufficient to locate the material; and (iv) contact information; (v) a physical or electronic signature; (vi) a statement of good faith that the use of the material is not authorized; and (vii) a statement under penalty of perjury that the notice is accurate. *Id.*

⁴⁷ §512(c)(3)(A)(v)-(vi).

⁴⁸ §512(f)(1).

⁴⁹ See Jennifer M. Urban & Laura Quilter, *Efficient Process or "Chilling Effects"?* Takedown Notices Under Section 512 of the Digital Millennium Copyright Act, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 637-38 (2006).

the content in question.⁵⁰ Then, after counter-notice is received, the service provider, has fourteen business days to reinstate the content, unless they are first notified by the original complainant that a lawsuit has been filed seeking an injunction against the end-user.⁵¹ Only after the entire notice-takedown process takes place, and a lawsuit is filed in federal court against the end-user, is the burden of proof once again restored to the copyright owner plaintiff.

This burden shift results in a number of chilling effects on user creativity. First, most users are largely unaware and undereducated regarding the DMCA notice-takedown process. Thus, when users are faced with their first complaint and their video is disabled, they are often left baffled as to why their video was disabled, and what, if any, recourse they may take. Second, and more than anything else, should they understand their rights to counter-notice, they are likely intimidated by the possibility of being sued by a powerful media conglomerate if they challenge the counter-notice. This intimidation factor was obviously not intended by Congress in formulating the rules, but it is the effective result. Third, as a study of a sample of takedown notices revealed, the process is rather susceptible to abuse.⁵² Though it did not particularly concentrate on §512(c), it found that notices were often issued without a good understanding of copyright law and were often used for competitive purposes against rivals.⁵³

A number of suggestions have been made to alleviate the chilling effect and resulting burden shift by §512(c). Some have suggested that some semblance of due process should be built back into the system.⁵⁴ This could be done by delaying the takedown until opportunity for

⁵⁰ §512(g)(3).

⁵¹ §512(g)(2)(C).

⁵² Jennifer M. Urban & Laura Quilter, *Efficient Process or “Chilling Effects”?* *Takedown Notices Under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 687-88 (2006).

⁵³ *Id.* at 683-85.

⁵⁴ *See id.* *See also* Malla Pollack, *Rebalancing Section 512 to Protect Fair Users from Herds of Mice-Trampling Elephants, or A Little Due Process Is Not Such a Dangerous Thing*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 547 (2006).

counter-notice has expired, although it would admittedly prevent the ability of copyright owners to force removal of truly infringing time-sensitive content.⁵⁵ Another suggestion is to limit §512 notices to commercial uses only, yet this would require further extra-judicial judgment calls on fair use.⁵⁶ A suggestion from outside the scope of the DMCA proposes using Anti-SLAPP suits, primarily used in fighting frivolous defamation lawsuits, against service providers for improperly labeling a user a “repeat infringer” based solely upon DMCA notices without further adjudication.⁵⁷ Although the statute could arguably be improved in a number of ways, because it has operated for over ten years within the industry, it is unlikely that substantial revision will occur regarding the notice-takedown procedures.

However, the introduction of filtering technologies into the process has raised further burden shifting questions. Though in no way required by §512, service providers are increasingly being encouraged to install filtering technology to catch infringing material before it goes public on a website, as seen through YouTube’s recently announced pilot filtering program in conjunction with copyright owner partners.⁵⁸ Additionally, service providers other than YouTube and various copyright owners have also begun exploring filtering standards and issued a set of principles that will be addressed in the next section.⁵⁹

⁵⁵ Urban & Quilter, *supra* note 49, at 688-89.

⁵⁶ Malla Pollack, *supra* note 54.

⁵⁷ A “SLAPP” lawsuit is a “strategic lawsuit against public participation,” and looks to counterbalance the chilling effect of frivolous defamation lawsuits by giving the wrongly sued a private right of action against the frivolous accuser. See Lauren McBrayer, *The DirecTV Cases: Applying Anti-SLAPP Laws to Copyright Protection Cease-and-Desist Letters*, 20 BERKELEY TECH. L.J. 603 (2005).

⁵⁸ See YouTube Video Identification Beta, http://www.youtube.com/t/video_id_about (last visited Feb. 16, 2008). See also Miguel Helft, *Google Takes Step on Video Copyrights*, N.Y. TIMES, Oct. 16, 2007, available at http://www.nytimes.com/2007/10/16/business/16video.html?_r=1&ref=business&pagewanted=all&oref=slogin (last visited Feb. 20, 2008); Andy Greenberg, *YouTube’s Filter Fails to Please*, FORBES, Oct. 18, 2007, available at http://www.forbes.com/2007/10/18/google-viacom-video-tech-cx_ag_1018youtube.html (last visited Feb. 20, 2008); Matthew Bellioni, *YouTube Can’t Filter Two Sets of Critics*, HOLLYWOOD REPORTER, Oct. 26, 2007, available at http://www.hollywoodreporter.com/hr/content_display/business/news/e3ia9a39f26ada8cf166417f157b5a94eee (last visited Feb. 20, 2008).

⁵⁹ See UGC Principles, *infra* note 64 and accompanying text.

The hallmark of the current filtering technology is that is a cooperative effort between the copyright owner and service provider.⁶⁰ The filter operates only where a copyright owner provides the service provider with copies of works it seeks to protect.⁶¹ In fact, without cooperation from copyright owners, the filter itself could result in copyright infringement. The filter then matches the supplied copyrighted material against videos on their website, and depending on how the filter is set to operate, may remove videos or prevent them from being uploaded in the first place.⁶² This joint development of the technology between innovators and copyright owners avoids Kevin Lemley’s “technological veto,” working against the usual tendency of copyright owners to stifle innovative technologies and instead to manage the new technology to work best for both parties involved.⁶³ In addition, as Tim Wu noted, with new technologies, copyright owners typically buy-off innovators.⁶⁴ However, with filtering as it is currently being developed, it seems that copyright owners are being slowly bought-off by the powerful innovators such as Google with the innovators dictating the terms of the filter, forcing copyright owners to accede. The prevention of videos from being uploaded in the first place, or pre-live filtering, also begs the question of whether such a process can quickly become an unintentional prior restraint on free speech.

However, the biggest problem is that automatic filtering obviates the safe harbor’s preference that removal of allegedly infringing material stem from either actual or “red flag” knowledge, or via specific takedown notice procedures.⁶⁵ Pre-live filtering takes the extra-

⁶⁰ See *supra* note 58.

⁶¹ *Id.*

⁶² *Id.*

⁶³ See Kevin A Lemley, *The Innovative Medium Defense: A Doctrine to Promote the Multiple Goals of Copyright in the Wake of Advancing Digital Technologies*, 110 PENN. ST. L. REV. 111, 112-13 (2005).

⁶⁴ See Tim Wu, *The Copyright Paradox*, 2005 SUP CT. REV. 229, 248 (2005).

⁶⁵ §512(c)(1)(C).

judicial nature of takedown one step further, and actually takes the process out of the jurisdiction of the DMCA since it involves no takedown notice in the first place. If a video is summarily removed from a website by a filter, there is no statutory-based guaranteed right of counter-notice, and the video never goes “live” on the website in the first place. This is not to say that such a program is not fully within the private contractual rights of the service provider and copyright owner, however, it appears to seek approval from within §512, while at the same time avoiding its larger intent of due process rights of the end-user.

The intent of the safe harbor was to provide copyright owners an efficient process to fight infringement, while providing greater certainty of service providers’ potential legal liabilities.⁶⁶ However, it is clear that Congress simply did not anticipate the enormous scale of the resulting problem created by the safe harbor. It is also clear that the future direction of infringement prevention lies not just in takedown notices, but in developing efficient and fair filtering technology.⁶⁷ However, it is not currently within the dictates of the §512 safe harbor statute to ensure the right of end-users to somehow appeal should they disagree with an automatic filter’s removal. As the Supreme Court said in *Sony*, the legislative option is always available concerning new technologies, “but it is not our job to apply laws tht have not yet been written.”⁶⁸

Thus, it is necessary to amend §512(c) to allow for pre-live filtering in order to guarantee the due process rights of end-users in the filtering process. Although it has been argued that the safe harbor is already over-legislated,⁶⁹ the fact remains that without such an amendment, users

⁶⁶ H.R. Rep. 105-551(II), at 49-50 (1998)(“[Section 512] provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities”).

⁶⁷ See *supra* note 58.

⁶⁸ *Sony v. Universal City Studios*, 464 U.S. 417, 431 (1984).

⁶⁹ See e.g. Tim Wu, *Copyright Communications Policy*, 103 MICH. L. REV. 278, 344 (2004); Jessica D. Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 276 (1989).

will have absolutely no guarantee of due process expectations when their videos are immediately removed by a filter. The preamble to §512(c) currently reads:

(c) Information Residing on Systems or Networks At Direction of Users.—

(1) In general.— A service provider shall not be liable for monetary relief . . . for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider— . . .⁷⁰

The proposed amendment would add a fourth category of immunity and should read as follows:

(D) institutes filtering technology of the initial user-directed upload, if in cooperation with a copyright owner, subject to the following conditions:

(i) If a filtering technology finds material to be infringing, a service provider may block the content from appearing on the website only if it first notifies the subscriber.

(ii) Such notice shall include identification of the blocked material, the copyright owner requesting the blocking, and instructions on how to file a counter-notice as set forth in section (g)(3).

(iii) Upon receipt of a counter-notice, the service provider must immediately unblock the material. Only upon notice of a lawsuit filed by copyright owner seeking injunctive relief may service provider continue blocking the material.

(iv) “filtering technology” means any automated process having the ability to block infringing content, incorporated by a service provider into the process of uploading content at the direction of a user.

(v) “in cooperation with a copyright owner” means that a service provider’s filter is limited to blocking material as directed by a copyright owner, in which the owner possesses the exclusive right to prohibit its distribution, public display, public performance, or reproduction

The proposed amendment would add a fourth category of immunity, in a similar fashion to §512(c)(1)(C)’s grant of immunity for compliance with the notice-takedown procedures. It would have the effect of encouraging the development of filtering in cooperation with copyright owner partners, as is the current industry norm.⁷¹ The filter’s immunity would only be effective

⁷⁰ §512(c)(1).

⁷¹ See *supra* note 58.

where it was developed in cooperation with copyright owners, and would only apply to litigation brought by that copyright owner against the service provider. It also mirrors current filtering technology, in which a copyright owner must opt-in to using the filter by submitting copies of what it wants to prevent access to.⁷² This would encourage copyright owners and websites to work together to provide a solution amenable to both parties.

Most importantly, since filtering is inevitably part of the long-term solution, as evidenced by the current testing, it is essential to guarantee end-users the right to challenge the blocking. Currently, if a filter automatically blocks an upload, the user has absolutely no recourse against the service provider or copyright owner. This amendment would, at the least, incorporate blocking as a result of filtering into the counter-notice process according to §512(g)(3). While such an amendment would not be without great criticism for expanding the safe harbor, it brings much-needed assurance to the end-user that their rights will not be wholly usurped by the interests of copyright owners and service providers in the filtering process that seems to be increasingly more likely in the process. Though copyright scholars such as Jessica Litman caution against the “fact-specific” statutes dictated by the copyright industry, the addition to the law suggested above gives end-users greater control over the process rather than the incumbent copyright industry.⁷³

Filtering User-Generated Content While Preserving Fair Use

Whether or not filtering legislation is adopted, it is without question that hosting websites such as YouTube make extremely valuable contributions to promoting the progress of useful arts as the Constitution encourages through copyright.⁷⁴ In early 2008, it was estimated that 48% of

⁷² *See id.*

⁷³ *See* Jessica D. Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 276-77 (1989).

⁷⁴ U.S. CONST., art I, sec 8, cl. 8.

all American Internet users had visited a video-sharing website such as YouTube.⁷⁵ The same study found that 22% of Americans shot their own videos, and 14% of uploaded them to the Internet—more than triple the number than responded to the same question in 2006.⁷⁶ Never before have individuals had such enormous power to communicate across the world their ideas, passions, and creative works. It is hard to deny the increase in visual creativity inspired by user-generated content (UGC) hosting sites. As professor Joseph Liu noted, it is digital technology that allows the consumer to assume an active role with greater autonomy in selecting the manner in which to consume copyrighted works.⁷⁷ With the rise of user-generated content, consumers now have greater autonomy

YouTube makes a significant contribution by making the ability to communicate possible, free of charge, to all users of the Internet. On YouTube alone, the amount of comment, criticism, parody, satire, and political speech is astounding relative to the previous methods available to individuals to express themselves publicly. However, one of the greatest dangers that user-generated content faces is the attempts to control new media like YouTube by incumbent copyright owners who are uncomfortable losing their audiences to the Internet. It is rather easy for the promise of completely legal and original user-generated content to become swallowed up by the legal battles over control of this new media. Even more problematic is the suppression of fair-use content, which may be summarily dismissed as infringing due to the unbalanced notice-takedown process that skews in favor of copyright owners.⁷⁸ While it is fair for copyright

⁷⁵ Lee Rainee, *Increasing Use of Video Sharing Sites*, PEW INTERNET & AMERICAN LIFE PROJECT, Jan 9, 2008, at 1 available at http://www.pewinternet.org/pdfs/Pew_Videosharing_memo_Jan08.pdf (last visited Feb. 16, 2008).

⁷⁶ *Id.* at 3.

⁷⁷ Joseph P. Liu, *Copyright Law's Theory of the Consumer*, 44 B.C. L. REV. 397, 406-07 (2003).

⁷⁸ See *supra* notes 44-57 and accompanying text.

owners to vigorously defend the exclusive rights in their works, it is not justified at the price of chilling end-user creativity.

With these conflicting interests in mind, two sets of industry-generated standards have been developed to encourage protection of original and fair use user-generated content. The first-ever set of nonbinding UGC principles was agreed to by a number of copyright industry companies and hosting websites on October 18, 2007.⁷⁹ On the content side were CBS, Viacom, NBC-Universal, Fox Entertainment Group, and The Walt Disney Company, and agreeing on the UGC side were DailyMotion, Microsoft, MySpace, and Veoh Networks.⁸⁰ Notably absent from this group, of course, was Google and YouTube, who had reportedly been in discussions about joining the group, as well as representatives of a number of other motion picture studios and any of the music industry.⁸¹

The principles recognize the common goal of “bringing more content to more consumers through legitimate channels.”⁸² The UGC Principles read much like a statute, and as noted below, reflect a number of elements directly out of the DMCA §512 safe harbor.⁸³ It also largely focuses on the ability of filtering technologies to recognize copyrighted content and sets out a formulaic method in its application. Common filtering technologies require copyright owners to submit full-length copies of their copyrighted works called the “reference material.”⁸⁴ The filtering technology then takes the “reference material” and analyzes it against user-generated

⁷⁹ User Generated Principles, <http://www.ugcprinciples.com> (last visited Feb. 17, 2008)(hereinafter UGC Principles).

⁸⁰ Press Release, User Generated Content Principles, http://www.ugcprinciples.com/press_release.html (last visited Feb. 17, 2008).

⁸¹ Merissa Marr & Kevin J. Delaney, *Disney, Microsoft Lead Copyright Pact*, WALL ST. J., Oct. 19, 2007, available at <http://online.wsj.com/public/article/SB119269788721663302.html> (last visited Feb. 17, 2008).

⁸² Press Release, User Generated Content Principles, *supra* note 80.

⁸³ See *infra* note 91 and accompanying text.

⁸⁴ See *supra* note 58.

uploads looking for digital commonalities in the works.⁸⁵ The highlights of the fifteen-point principles are summarized as follows:

- UGC websites should inform users of copyright policies and prominently display them during the upload process⁸⁶
- “Content identification technology”(filtering) should be used to the point technically feasible to eliminate infringing material with the participation of copyright owners by submitting “reference material” that filters use to match against infringing content, at according to the requests of the copyright owner⁸⁷
- Filtering should consider the interests in blocking infringing content, protecting wholly original and authorized content, and accommodating fair use⁸⁸
- UGC hosting websites should be permitted to utilize human review⁸⁹
- “When sending notices and making claims of infringement, Copyright Owners should accommodate fair use”⁹⁰
- Comply with the notice-takedown requirements of the DMCA, accommodation of standard technological measures, and repeat infringer policies.⁹¹

In response to the industry’s UGC Principles, the Electronic Freedom Foundation (EFF), an Internet civil-liberties interest group, issued a response set of principles regarding the preservation of fair use of user-generated content.⁹² The EFF was joined by a number of other similarly interested groups,⁹³ and put forth six basic principles of its own aimed at preserving fair use of user-generated content. The six principles are summarized as:

- Preserve transformative, creative works “employed for purposes of comment, criticism, reporting, parody, satire, or scholarship”⁹⁴

⁸⁵ See *id.*

⁸⁶ UGC Principles, *supra* note 79, at ¶1-2.

⁸⁷ See *id.* at ¶3(a)-(c), (e), (g)-(i).

⁸⁸ *Id.* at ¶3(d).

⁸⁹ *Id.* at ¶3(f).

⁹⁰ *Id.* at ¶6.

⁹¹ *Id.* at ¶7-9, 11, 14-15.

⁹² Electronic Freedom Foundation, *Fair Use Principles for User Generated Video Content*, http://www.eff.org/files/UGC_Fair_Use_Best_Practices_0.pdf (last visited Feb. 16, 2008)(hereinafter Fair Use Principles).

⁹³ Other groups signing on to the fair use principles includes the Center for Social Media, School of Communications, American University; Program on Information Justice and Intellectual Property, Washington College of Law, American University; Public Knowledge; Berkman Center for Internet and Society at Harvard Law School; the American Civil Liberties Union of Northern California; and the Fair Use Project at Stanford Law School’s Center for Internet and Society. *Id.*

⁹⁴ Fair Use Principles, *supra* note 92, at ¶1.

- When automatic filtering takes place, it should not automatically result in a takedown. Automatic takedown should be subject to a “three strikes” rule requiring filtering technologies to be able to confirm (1) the video track matches the video track submitted by the copyright owner, (2) the audio track matches the copy submitted by the owner, and (3) nearly all of the challenged content is of a single copyrighted work. If all three strikes are not met, the video should be subject to human review before a notice is sent⁹⁵
- Hold to the DMCA’s requirement of a receiving a “notice” prior to taking down content of questionable copyright⁹⁶
- Promptly notify users of a takedown of their content⁹⁷
- Allow users an informal “appeals” process where they can request a reconsideration and explanation of the takedown⁹⁸
- Promptly reinstate UGC when a proper counter-notice is served.⁹⁹

Both the industry’s UGC Principles and the Fair Use Principles aim to meet the broader needs of the copyright industry, online technologies, and the end-user. Both guidelines are altogether useful, offering a roadmap of best practices for any UGC startup or content owner looking to protect their copyrighted works. However, the UGC Principles tend to place most of the focus on adopting filtering technologies and reiterating responsibilities all parties must adhere to under DMCA §512.¹⁰⁰ It does little other than say that all should be done while “accommodating fair use,”¹⁰¹ which is already implied by the statutory fair use defense.¹⁰² At the same time, the Fair Use Principles attempt to restrict filtering technologies through its “three strikes” requirement for automatic removal and emphasis on human review when it is not met.¹⁰³ This has the net effect of rendering filtering ineffectual due to the heavy reliance on human review, which can impose great costs and prove wholly impractical due to high volume.

⁹⁵ *Id.* at ¶2.

⁹⁶ *Id.* at ¶3.

⁹⁷ *Id.* at ¶4.

⁹⁸ *Id.* at ¶5.

⁹⁹ *Id.* at ¶6.

¹⁰⁰ See UGC Principles, *supra* notes 86-88 and accompanying text.

¹⁰¹ *Id.* at ¶6.

¹⁰² 17 U.S.C. §107 (1999).

¹⁰³ See Fair Use Principles, *supra* notes 94-99 and accompanying text.

However, a compromise may yet arise between both proposals which protects fair use. Filtering technologies are only in their infancy, and must be allowed to fully develop through trial and error. YouTube's partnership with copyright owners in developing the technology is an encouraging step towards this.¹⁰⁴ Equally encouraging is the acknowledgement by all parties involved in both proposals that some amount of human review will ultimately be necessary in order to determine fair use. This, however, makes UGC websites nervous, contemplating hundreds of additional employees for the sole purpose of screening videos.¹⁰⁵ Yet, increasing filtering precision will alleviate this, as well as creating incentives to increase filtering accuracy.

Without a doubt, filtering is a large part of the future of UGC websites. The development of similar technology helped build Google's search tools, and benefited the Internet in numerous ways. Therefore, a middle-position can be found through a slight adjustment to the Fair Use Principles' "three strikes" rule, within the context of the UGC Principles' commitment to further developing filtering technologies. The Fair Use Principles' "three strikes" rule proposes that a website only allow automatic removal of content identified by a filtering mechanism where (1) the video track matches the video track of a work submitted by the copyright owner, (2) the audio track matches the audio track of "that *same* copyrighted work," and (3) "nearly the entirety (e.g., 90% or more) of the challenged content is comprised of a single copyrighted work (i.e., a 'ratio test')." ¹⁰⁶

It is unquestionable that this test will find a great deal of infringing content, but it is over-restrictive in favor of fair use and would not allow a carefully developed filter to do its job.

Requiring a filter to find both significantly infringing video *and* audio content derived from the

¹⁰⁴ YouTube Video Identification Beta, http://www.youtube.com/t/video_id_about (last visited Feb. 16, 2008).

¹⁰⁵ See Andy Greenberg, *YouTube's Filter Fails to Please*, FORBES, Oct. 18, 2007, available at http://www.forbes.com/2007/10/18/google-viacom-video-tech-cx_ag_1018youtube.html (last visited Jan 28, 2008).

¹⁰⁶ See Fair Use Principles, *supra* note 92.

same copyrighted content would prove to under-report blatantly infringing content, and as a result over-burden human reviewers. For example, a video could still be infringing through its visual material even without its original audio tracking if the visual content is simply copied verbatim from the original. Just the same, the reediting of a work visually within the tenets of fair use, but overlaid with an unauthorized full-length song without a fair-use basis, similarly infringes the copyright of the music owner.

There is little doubt that the fair use test was not developed with bright line rules in mind, but instead on a case-by-case basis in a courtroom.¹⁰⁷ However, the digital world, and filtering in particular, needs bright line rules of some kind in order to function. At its very basis, a computer filtering program is nothing more than a complicated series of commands based upon small bright line if-then statements. A filter is thus built upon the same basic architecture—it only filters what you tell it to filter.

Therefore, the following test should be applied to allow for fair use within the framework of filtering. First, a “three strikes” test should remain in order to limit the amount of videos summarily identified and removed. However, the test must take into account that a video may be infringing by *either* audio or visual means, not just both. A reworked “three strikes” test would allow that automatic removal where (1) the video track matches the video track of a work submitted by the copyright owner, *or* (2) the audio track matches the audio track of a work submitted by the copyright owner, *and* (3) the matching video *or* audio track consists of nearly all of the allegedly infringing work.

The filter will then use the “three strikes” test to ascertain a “fair use ratio score,” taking into account the proportions of matching video and audio tracks. Every video on a website starts

¹⁰⁷ *Campbell v. Acuff-Rose Music, Inc.* 510 U.S. 569, 577 (1994) (“The fair use doctrine thus “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Stewart v. Abend*, 495 U.S. 207, 236 (1990)”).

will an assumed full fair use ratio score. The longer a matching video or audio segment, the lower the resulting score. Very short or brief matches will not result in significant point decreases to preserve users ability to comment and criticize. For example, a video track spliced with still screens of commentary would have a lower score than the same video un-spliced because the original video track would only match in smaller segments. Three levels of scores will then result. The lowest level will result in summary removal of a video as infringing, which will only result in videos where almost the entire video consists of identical video or audio tracking. The middle level score will raise a “red flag” of infringement, resulting in human review. Finally, videos with the highest scores will remain on the website and only be subject to removal upon the receipt of a DMCA takedown notice from a copyright owner. In addition, as the Fair Use Principles suggest, users whose videos are automatically removed by the filter should have the ability to appeal to the website seeking reinstatement or explanation for removal.

This modification of the three strikes test and subsequent point system has three purposes. First, it stands to preserve the incentive for UGC websites to institute and rely upon filtering programs by giving them standards by which to design and improve filters. Such innovation, for example, can already be seen in YouTube’s development of “hashing” technology, which, through an unique algorithm, recognizes exact copies of previously removed videos and blocks the re-upload of that same exact file.¹⁰⁸ Second, it gives copyright owners confidence that the most blatantly infringing videos will be removed. Third, it takes the principles of fair use into account in the filtering process, which before now was largely only paid lip service by the

¹⁰⁸ Official Google Blog, *Latest Content ID Tool for YouTube*, <http://googleblog.blogspot.com/2007/10/latest-content-id-tool-for-youtube.html> (last visited Feb. 18, 2008). Hashing takes a video and creates a one-way numerical code for it known as the “hash value” through a complex algorithm. The hash value is simply used to detect any differences in two works. No two videos can ever have the same identical hash value, unless they are the same exact video. See HARRY NEWTON, *NEWTON’S TELECOM DICTIONARY*, “hash” “hash value”(CMP Books, San Francisco 2004).

industries, agreeing that it would be “accommodated.”¹⁰⁹ This proposal, however, is not without its weaknesses. It may not allow parodies and satires to which entire video or audio segments might be integral. However, that is why there is a human review and appeal process. The additional costs imposed with human review would theoretically decrease as the filtering process improves.

It is also interesting to note that both proposals mirror significant parts of the §512 safe harbor. A relevant question is whether this is evidence of the safe harbor’s success or a result of its failures? In a way, the §512 safe harbor has resulted in the involved parties sitting at the same table and having legitimate conversations regarding fair use rights for user-generated content. Often, users’ rights are ignored by competing industries, yet there is somewhat of the opposite effect here, with two proposed sets of principles somehow addressing fair use concerns. It can also be seen as the beginning of establishing cross-industry standard technological measures for filtering, as one of the §512 conditions for eligibility requires whenever a new security measure is adopted.¹¹⁰ Another positive result is that it has taken the DMCA, a formalistic, black-and-white statute, and allowed for more gray area providing breathing room for fair use.

Conversely, the negative influence of §512 can also be seen in the principles, namely the formulaic handling of an inherently malleable standard of fair use. Previously, for example, UGC websites were afraid of allowing human review of videos due to concerns that it would result in the loss of the safe harbor by missing too many “red flags.” Both the UGC Principles’ and Fair Use Principles’ call for allowing for human review to determine fair use where appropriate shows the DMCA’s failure to anticipate such needs to protect fair use. Many copyright scholars have argued that copyright legislation has more often than not taken the form

¹⁰⁹ See UGC Principles, *supra* note 79.

¹¹⁰ 17 U.S.C. § 512(i) (1999).

of “fact-specific” statutes aimed at approving or disapproving certain technologies, and that are quickly turned irrelevant as new technology takes over.¹¹¹ Such specific statute-like principles, especially the industry’s UGC Principles, face the exact same dangers. They get so bogged down in the details that they fail to see the big picture at hand, protecting the statutory right of fair use.

First Amendment Test for Linking Websites

Finally, as previously detailed in the Chapter 4 case study of SouthParkzone.com, video linking websites are some of the most popular forms of watching copyrighted works on the Internet.¹¹² Their popularity stems from the aggregation of favorite TV shows and movies, often found with the commercials conveniently removed.¹¹³ The natural solution for television copyright owners is to respond to this growing demand for online programming by building user-friendly websites enabling users to view their favorite programming in an on-demand fashion. As for the motion picture industry, there must be some urgency to develop web-based viewing of full-length motion pictures to legitimize online viewing, similar to the success of iTunes in legitimizing digital music for the recording industry. Yet, in the interim while the copyright owners struggle to build legitimate viewing audiences online, and streaming technologies near high-definition quality, linking websites will likely continue to grow in popularity.

As previously noted in the Chapter 4, it can be difficult for copyright owners to pin liability to video linking websites for a variety of reasons. This is not simply due to off-shore servers causing jurisdictional difficulties, but also due to First Amendment protection of linking

¹¹¹ See e.g. Jessica D. Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 276 (1989). See also Tim Wu, *Copyright Communications Policy*, 103 MICH. L. REV. 278, 292-97 (2004); Jane C. Ginsburg, *Copyright and Control Over New Technologies of Dissemination*, 101 COLUM. L. REV. 1613, 1619-20 (2001).

¹¹² See Kevin J. Delaney, *Free Viewing -- Threat for Big Media: Guerrilla Video Sites*, Wall St. J., p.A1, Apr. 17, 2007.

¹¹³ *Id.*

as a speech-related expression. However, copyright protection is often at-odds with the First Amendment.¹¹⁴ Linking can possess a speech element in addition to its functional element of directing an Internet user to another web address.¹¹⁵ The expressive element of a link retains First Amendment protection, and therefore, a court-issued injunction restricting linking may be subject to a higher level of scrutiny by an appellate court.¹¹⁶

Although courts have issued injunctions for linking to infringing material based upon secondary copyright infringement, none doing so have directly addressed the related First Amendment issue.¹¹⁷ One court found the fair use doctrine to sufficiently address the First Amendment when considering linking to infringing material.¹¹⁸ Another court dismissed the notion of First Amendment protection for linking to infringing material without further articulation, stating simply that “the First Amendment does not give defendants the right to infringe on legally recognized rights under the copyright law.”¹¹⁹

The only major decision directly addressing First Amendment implications of enjoining linking is *Universal City Studios v. Reimerdes*, and its affirming opinion by the Second Circuit in *Universal City Studios v. Corley*.¹²⁰ However, *Reimerdes*' application is distinguishable from linking to infringing material because it addressed linking to websites containing *illegal* material

¹¹⁴ See generally, Michael D. Birnhack, NIMMER ON COPYRIGHT, §19E.01, (David Nimmer & Melville Nimmer eds., Matthew Bender, New York 2007)(discussing the history of the conflict and contemporary criticisms of copyright law and the First Amendment). See *supra* notes 1-8 and accompanying text.

¹¹⁵ See *Universal City Studios v. Reimerdes*, 111 F. Supp 2d 294, 339 (S.D.N.Y. 2000) *aff'd* by *Universal City Studios v. Corley*, 273 F.3d 429, 455 (2d Cir. 2001).

¹¹⁶ *Id.* See also *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001)(finding that preliminary injunction limiting the dissemination of the allegedly infringing book *The Wind Done Gone* was improper prior to trial due to First Amendment considerations).

¹¹⁷ See generally Mark Deffner, Note, *Unlawful Linking: First Amendment Doctrinal Difficulties in Cyberspace*, 3 MINN. INTEL. PROP. REV. 111 (2002).

¹¹⁸ *Arista Records, Inc. v. Mp3Board, Inc.*, 2002 WL 1997918, *12-13 (S.D.N.Y. 2002).

¹¹⁹ *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp 2d 1290, 1295 (D. Utah 1999).

¹²⁰ See *Universal City Studios v. Reimerdes*, 111 F. Supp 2d 294, 339 (S.D.N.Y. 2000) *aff'd* by *Universal City Studios v. Corley*, 273 F.3d 429, 455 (2d Cir. 2001).

specifically barred by anti-circumvention law of the DMCA.¹²¹ At issue were links to code and computer programs known as DeCSS which enabled users to circumvent DVD piracy-preventing security measures.¹²² The pertinent question was whether the linking to illegal material as described by §1201 of the DMCA violated the First Amendment.¹²³ The court determined that the DeCSS program violated §1201 of the DMCA prohibiting circumvention devices, and as a result, linking to the code and copies of the program itself could be enjoined.¹²⁴

Since the court recognized a speech element in addition to a non-speech element in linking, it had to justify the injunction under First Amendment theory so as not to render the speech-aspects of linking meaningless.¹²⁵ It had already wrestled with the greater question of whether §1201 itself violated the First Amendment, concluding that it did not as a content-neutral restriction on the non-speech related purpose of a link as directing a user to the illegal material, DeCSS.¹²⁶ The court cited the traditional content-neutrality test, saying that “when ‘speech’ and ‘nonspeech’ elements are combined in the same course of conduct, a sufficiently important governmental interest in regulating the nonspeech element can justify incidental limitations on First Amendment freedoms.”¹²⁷ It applied the test to the injunction against DeCSS itself, finding that enjoining the program and code furthered the important government interest of protecting digital media from piracy.¹²⁸

¹²¹ *Id.*

¹²² *Id.* at 303-305.

¹²³ *Id.* at 339.

¹²⁴ *Id.* at 340.

¹²⁵ The court also determined that the injunction was not a prior restraint. *Id.* at 333-34.

¹²⁶ *Id.* at 327-33.

¹²⁷ *Id.* at 328 (quoting *United States v. O'Brien*, 391U.S., 376, 377 (1968)).

¹²⁸ *Id.*

The court then took the same test and applied it to linking to copies of the DeCSS program and code.¹²⁹ It similarly found preventing the linking furthered the important government interest of preventing piracy, yet it struggled in coming to the conclusion that it "promote[d] a substantial government interest that would be achieved less effectively absent the regulation."¹³⁰ It was concerned because limiting linking would have no effect on linking by websites outside of the United States free to continue posting DeCSS.¹³¹ It was most concerned with the overall chilling effect that enjoining linking would potentially have.¹³² The broad injunction from linking to websites containing DeCSS would likely have resulted from self-censorship and in websites removing links rather than testing their cases in court.¹³³

In order to prevent these chilling effects, the court fashioned a test for both the finding of liability and issuing injunction of linking to illegal circumvention technology.¹³⁴ The court compared the chilling effects of limiting linking to the threat of defamation lawsuits and the resultant chilling effect on the press.¹³⁵ It remarked that in either defamation or linking, the solution to prevent chilling effects was similar: adopting "a standard of culpability sufficiently high to immunize the activity, whether it is publishing a newspaper or linking, *except in cases in which the conduct in question has little or no redeeming constitutional value.*"¹³⁶ The court found that within defamation law, this was accomplished through the *N.Y. Times v. Sullivan*

¹²⁹ *Id.* at 339.

¹³⁰ *Id.*

¹³¹ *Id.* at 340.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.* at 341.

¹³⁵ *Id.* at 340.

¹³⁶ *Id.* at 340 (emphasis added).

actual malice test.¹³⁷ The *Sullivan* test requires a showing, by clear and convincing evidence, that the allegedly defamatory statement was made with actual malice, meaning that it was made with knowledge of or reckless disregard for its falsity.¹³⁸

Accordingly, the *Reimerdes* court put forth a test which incorporated the elements of the actual malice standard in order to capture the forbidden purpose of linking to DeCSS, which it saw as the heart of the problem. The court's test would forbid injunction or liability for linking to a website containing circumvention technology, "absent clear and convincing evidence that those responsible for the link (a) know at the relevant time that the offending material is on the linked-to site, (b) know that it is circumvention technology that may not lawfully be offered, and (c) create or maintain the link for the purpose of disseminating that technology."¹³⁹ The Second Circuit acknowledged this test, but did not find need to adopt it in rendering its decision.¹⁴⁰

It is questionable whether the *Reimerdes* fault-based test fashioned in the image of *Sullivan* could be applied to linking to infringing content. However, a slightly refashioned test, as applied to linking-to infringing content, could be highly effective. The reworked standard would forbid injunction or liability for linking-to a website containing *directly infringing material*, absent clear and convincing evidence that those responsible for the link (a) know at the relevant time that the offending material is on the linked-to site, (b) know that it is *infringing material* that may not lawfully be copied, and (c) create or maintain the link for the *sole* purpose of disseminating that material.

¹³⁷ *Id.* 340-41(citing *New York Times Co. v. Sullivan*, 376 U.S. 254, 279-80 (1964)). The *Sullivan* test requires a showing, by clear and convincing evidence, that the allegedly defamatory statement was made with actual malice, meaning that it was made with knowledge of or reckless disregard for its falsity.

¹³⁸ *Sullivan*, 376 U.S. at 279-80.

¹³⁹ *Reimerdes*, 111 F. Supp 2d at 341.

¹⁴⁰ *Universal City Studios, Inc., v. Corley*, 273 F.3d 429, 456-57 (2d Cir. 2001).

The reworked test places the linking party's knowledge at great significance, looking to punish linking-to infringing content only where invidious intent is found. One of the greatest fears of limiting linking of infringing material is the expressive value that viewing full-length, albeit sometimes infringing, video can bring to a discussion of matters of public importance. Blogs and online news articles regularly refer to and link to video that may facially be infringing in order to draw attention to contrasts or make comments or criticisms regarding the subject of the video. For example, this test would not find liability where a blogger includes in a frame directly above or below the comment or criticism regarding it, an unauthorized copy of a segment of a newscast not regularly distributed on the Internet, because it is not offered for the sole purpose of disseminating infringing content. Such linking is not meant to avoid the authorized channels for dissemination of the broadcast, but instead to offer to Internet users the opportunity to view the pertinent segment of the newscast in relation to the comment or criticism accompanying the link to it.

In contrast, this test would find liability where a website exists for the sole purpose of disseminating infringing material, such as described in the case study of SouthParkzone.com. In such a case, the website owner clearly knows of the infringing nature of the linked-to videos, has knowledge that it personally lacks the right to distribute those videos, and links to them for the *sole* purpose of disseminating them to the public. The test would cause no chilling effects for the blog or news-purpose linker because there are other legitimate purposes of disseminating the link as found in fair use comment and criticism. While it is true that the link has the purpose of disseminating the material to the public, it is not the *sole* purpose, and thus the test would fail save for the most blatantly infringing circumstances.

Digital technologies will always be capable of infringement due to the nature of digital technology itself always enabling the perfect copy of something. Furthermore, linking is an essential part of the Internet. Therefore, the real question must look to intent of the linking party. As such, the reworked *Reimerdes* test above attempts to address the intent of the linking party, over the strict element of whether or not it was simply a secondary infringer. This follows the Supreme Court's recent shift in copyright jurisprudence towards a more fault and intent based liability, rather than one of strict liability for infringement.¹⁴¹

Conclusion

This study has attempted to answer the greater questions concerning copyright infringement liability of YouTube and linking websites. The case study analysis of Chapter 4 attempted to answer a number of these legal questions. First, YouTube may be liable for certain aspects of direct infringement related to the transcoding of uploaded video and the playback of that video to a worldwide audience. However, it may ultimately be saved from direct liability either through the passive-conduit exception to liability or a novel interpretation of ephemeral copies. Second, YouTube may be liable as a vicarious infringer, with the outcome largely based upon how liberally a court interprets the direct financial benefit requirement. As for YouTube's liability under contributory infringement, it is doubtful that it acted with the requisite level of knowledge of infringing activity for traditional contributory liability or inducement based upon current public knowledge. However, that is not to say that discovery may ultimately reveal certain instances of implied knowledge of infringement. In addition, YouTube has a number of current substantial noninfringing uses, a number of which are commercially significant. Finally,

¹⁴¹ See Alfred C. Yen, *Third Party Liability After Grokster*, 91 MINN. L. REV. 184, 228 (2006). *But see* Tim Wu, *The Copyright Paradox*, 2005 SUP. CT. REV. 229, 249-51 (2005)(bringing intent into copyright law goes too far).

YouTube may eventually find immunity under §512 of the DMCA, absent a showing of “red flag” knowledge through discovery proceedings.

As for the potential secondary liability for linking websites such as SouthParkzone.com, many of the linking hubs that intentionally facilitate the promotion of copyright infringing video are possible secondary infringers. Specifically to SouthParkzone.com, it is most likely liable as a vicarious infringer, and may be found as a contributory infringer through inducement and providing the means by which to infringe. The safe-harbor would likely not apply due to the website’s knowledge of the infringing nature of the linked-to videos. However, all possible liabilities aside, the fact that many linking websites, including SouthParkzone.com, are outside the jurisdictional reach of American courts poses a great hurdle in imposing liability.

Despite these preliminary findings, all future deference naturally goes to the courts deciding the cases. In short, YouTube has become such a cultural mainstay it is difficult to imagine any court finding the degree of liability alleged by Viacom and other plaintiffs that would largely have the effect of shutting down the website and set back the Internet for a long time. The most likely scenario is that YouTube will ultimately not be found liable, or the matter will settle out of court. As for linking websites, the problem exists in so many different geographic locations it may be difficult for copyright owners to sufficiently shut them down through litigation, save for a test case here or there. The bottom line is that copyright law must be used for bringing about creativity, and not for anti-competitive purposes among competitors. Will the Internet continue to shine brightly as a haven for sharing creativity, comment, criticism, and promoting democracy, or will it return to the often over-regulated ways of copyright law? That is one of the most important questions of our time.

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BIOGRAPHICAL SKETCH

Drew Shenkman was born in Jacksonville, Florida. He grew up in Jacksonville and attended the University of Florida for his undergraduate degree, earning a Bachelor of Arts in political science, cum laude. He was part of the joint degree media law program, and in May 2008 received a Juris Doctor from the University of Florida Levin College of Law, and a Master of Arts in Mass Communications from the University of Florida College of Journalism and Communications. After graduation, he will join the Washington, D.C. office of Holland & Knight as a litigation associate.