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SEPARATING THE SONY SHEEP FROM THE *GROKSTER* GOATS: RECKONING THE FUTURE BUSINESS PLANS OF COPYRIGHT-DEPENDENT TECHNOLOGY ENTREPRENEURS

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SEPARATING THE *SONY* SHEEP FROM THE *GROKSTER* GOATS: RECKONING THE FUTURE BUSINESS PLANS OF COPYRIGHT-DEPENDENT TECHNOLOGY ENTREPRENEURS

Jane C. Ginsburg*

Abstract

U.S. and many other national copyright systems have by statute or caselaw (or both) established rules engaging or excusing liability for facilitating (or, in commonwealth countries, "authorizing") copyright infringement. Taken as a group, they share a goal of insulating the innovator whose technology happens, but was not intended, to enable its adopters to make unlawful copies or communications of protected works. The more infringement becomes integrated into the innovator's business plan, however, the less likely the entrepreneur is to persuade a court of the neutrality of its venture. The US Supreme Court's 2005 decision in MGM v Grokster, established that businesses built from the start on inducing infringement will be held liable; judges will frown on

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drawing one's start-up capital from other people's copyrights. Thus, the inferences entrepreneurs may draw from the Court's elucidation of the elements of inducement may advise pro-active measures to prevent infringement from becoming a business asset. As a result, even businesses not initially built on infringement, but in which infringement comes to play an increasingly profitable part, may find themselves liable unless they take good faith measures to forestall infringements.

This article addresses the evolution of the U.S.'s judge-made rules of secondary liability for copyright infringement, and the possible emergence of an obligation of good faith efforts to avoid infringement. The recent announcements of inter-industry "Principles for User Generated Content Services" and of complementary "Fair Use Principles for User-Generated Video Content" suggest that proactive avoidance measures may become a matter of "best practice." The article then turns to the statutory regime of safe harbors established for certain Internet service providers and considers whether the statute insulates entrepreneurs who would have been held derivatively liable under common law norms. Finally, the article compares the U.S. developments with recent French decisions holding the operators of "user-generated content" and "social networking" websites liable for their customers' unauthorized posting of copyrighted works.

INTRODUCTION

With the evolution of digital communications, the means of reproducing and disseminating copyrighted works increasingly leave the control of copyright owners and commercial distribution intermediaries. Websites and peer-to-peer and other technologies allow members of the public to originate the public communication of works of authorship. This does not mean that dissemination intermediaries have vanished from the copyright landscape, but rather that we have new kinds of intermediaries, who do not themselves distribute copyrighted content, but give their customers the means to make works available to the public.

When the works thus offered are neither of the distributor's own creation, nor distributed with the creator's permission, the person making the works available is a copyright infringer (assuming no exception, such as fair use, applies).[1] But the principal economic actor in this scenario is not likely to be the

[1] The exclusive rights listed in the US Copyright Act, 17 USC § 106, do not explicitly include a "making available" right, cf. WIPO Copyright Treaty, art. 8 (obliging member states – of which the US is one -- to implement a making available right). The WCT defines the right in terms similar to the US right of public performance by transmission, 17 USC §101; if what is made available is a file transfer rather than a rendering of a performance,

member of the public effecting the distribution. Rather, it is the entrepreneur who intentionally facilitated the distribution, for example, by operating a website to which members of the public could post the works, or by targeting search services to locations where the works can be found, or by distributing file-sharing software designed to enable unauthorized copying and communication of works. Meaningful copyright enforcement will seek to establish the liability of the entrepreneurs.[2]

But all the technologies just evoked are "dual purpose," that is, they are not inherently pernicious; they can in fact be put to perfectly lawful and socially desirable uses. If the technology itself is at least in theory neutral, does this pose an insoluble quandary: either enforce copyright at the expense of technological evolution, or promote technology at the cost of copyright? Or can we have it both ways, fostering both authorship and technological innovation? To reach that happy medium, we need to ensure the "neutrality" of the technology as applied in a given business setting. If the entrepreneur isn't neutral, and is in fact building its business at the expense of authors and right owners, it should not matter how anodyne in the abstract the technology may be.

US and many other national copyright systems have by statute or caselaw (or both) established rules engaging or excusing liability for facilitating (or, in commonwealth countries, "authorizing") copyright infringement. Taken as a group, they share a goal of insulating the innovator whose technology happens, but was not intended, to enable its adopters to make unlawful copies or communications of protected works. The more infringement becomes integrated into the innovator's business plan, however, the less likely the entrepreneur is (or should be) to persuade a court of the neutrality of its venture. The US Supreme Court's 2005 decision in *MGM v Grokster*,[3] established that businesses built from the start on inducing infringement will be held liable; judges will frown on drawing one's start-up capital from other people's copyrights.[4] Thus, the

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the making available right is probably covered by § 106(3)'s right to distribute the work in copies or phonorecords.

[2] As Judge Posner bluntly stated in *In re Aimster Copyright Litigation*, 334 F.3d 643, 645-46 (7th Cir. 2003), "The [digital file]swappers, who are ignorant or more commonly disdainful of copyright and in any event discount the likelihood of being sued or prosecuted for copyright infringement, are the direct infringers. But firms that facilitate their infringement, even if they are not themselves infringers because they are not making copies of the music that is shared, may be liable to the copyright owners as contributory infringers. Recognizing the impracticability or futility of a copyright owner's suing a multitude of individual infringers ('chasing individual consumers is time consuming and is a teaspoon solution to an ocean problem,' Randal C. Picker, 'Copyright as Entry Policy: The Case of Digital Distribution,' 47 *Antitrust Bull.* 423, 442 (2002)), the law allows a copyright holder to sue a contributor to the infringement instead, in effect as an aider and abettor."

[3] 125 S.Ct. 2764 (2005).

[4] *See* Transcript of Oral Argument, at 36, *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), available at http://www.supremecourtus.gov/oral_arguments/argument_transcripts/04-480.pdf .

JUSTICE KENNEDY: -- but what you have -- what you want to do is to say that unlawfully expropriated property can be used by the owner of the instrumentality as part of inferences entrepreneurs may draw from the Court's elucidation of the elements of inducement may advise pro-active measures to prevent infringement from becoming a business asset. As a result, even businesses not initially built on infringement, but in which infringement comes to play an increasingly profitable part, may find themselves liable unless they take good faith measures to forestall infringements.

I will address the evolution of the U.S.'s judge-made rules of secondary liability for copyright infringement, and the possible emergence of an obligation of good faith efforts to avoid infringement. The recent announcement of inter-industry "Principles for User Generated Content Services," suggests that proactive avoidance measures may become a matter of "best practice."[5] I then will turn to the statutory regime of safe harbors established for certain Internet service providers and will consider whether the statute insulates entrepreneurs who would have been held derivatively liable under common law norms. Finally, I will compare the U.S. developments with three recent French decisions holding the operators of "user-generated content" and "social networking" websites liable for their customers' unauthorized posting of copyrighted works.

I. THE FEDERAL COMMON LAW OF SECONDARY LIABILITY FOR COPYRIGHT INFRINGEMENT

Copyright infringement is a tort.[6] So is intentionally enabling or inciting another to infringe. Decisions dating back several decades recognize two bases of derivative liability, contributory infringement, and vicarious liability. As the Supreme Court in *Grokster* summarized, "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

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the startup capital for his product.
MR. TARANTO: I -- well –

JUSTICE KENNEDY: And I -- just from an economic standpoint and a legal standpoint, that sounds wrong to me

[5] http://www.ugcprinciples.com/ The initial signatories are the major studios (CBS, Disney, Fox, NBC-Universal, Viacom) and Microsoft, and some user-generated sites: MySpace, VeOh, Daily Motion. Google (You Tube) is noticeably absent. The Principles have not reaped uniform praise; early reactions from the blogosphere branded the document as "putrid" and a "frontal attack on Internet freedom," (Russell Shaw 10/18/07, at http://blogs.zdnet.com/ip-telephony/?p=2596), and a concoction of "Big Content" that goes "above and beyond the requirements of the DMCA" [for reasons explained *infra*, this assertion is questionable] and is "all but certain to give fair use short shrift," (Eric Bangerman, 10/18/07, http://arstechnica.com/news.ars/post/20071018-consortiums-user-generated-content-principles-extend-far-beyond-fair-use.html). A coalition of groups, including the Electronic Frontier Foundation, have proposed complementary "Fair Use Principles for User Generated Video Content," see http://www.eff.org/issues/ip-and-free-speech/fair-use-principles-usergen These do not, however, denounce pre-upload filtering per se, rather they advocate a wide berth for fair use, for example, through prompt notification to users, to allow them to contest any blocking, see Fair Use Principle 2b.

[6] *See* Latman & Tager, Innocent Infringement of Copyright, 2 Studies on Copyright 139 (Fisher Mem. Ed. 1963).

limit it."[7] In addition, one who supplies the means to infringe and knows of the use to which the means will be put (or turns a blind eye) can be held liable for contributory infringement.[8] In the early cases the relationship between the supplier and the user of the means was sufficiently close that there could be little doubt of either the knowledge or the nexus between the means and the infringement.[9] For example, in the 'make-a-tape' case, a record shop rented phonorecords to customers who would also purchase blank tape and then use a recording machine on the store premises to copy the rented recording onto the blank tape.[10] The store owner's knowledge of the likely use of the blank tape was patent. When, however, the infringement-facilitating device leaves the direct control of the facilitator, so that he no longer knows in fact what his customers are up to, contributory infringement may be more difficult to establish. That, in essence, was the copyright owners' problem in the 'Betamax' case.[11] Sony, the distributor of the video tape recorder, could well anticipate that consumers would use the record function to copy protected programs, but once the device was out of the manufacturer's hands, it could neither know precisely what the end users were doing, nor limit their use to permissible copying.

In absolving Sony of liability, the U.S. Supreme Court borrowed from the patent staute to add a gloss to the prior standard: one who distributes an infringement-enabling device will not be liable for the ensuing infringements if the device is "widely used for legitimate, unobjectionable purposes. Indeed it need merely be capable of substantial non infringing uses."[12] This was so even though

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[7] 545 U.S. at 930. For detailed analysis of the tort law bases for secondary liability in copyright law, see Alfred C. Yen, Third-Party Liability After Grokster, 16 Info. & Comm. Tech. L. 233 (2007).

[8] *See generally* Goldstein on Copyright Section 8.1 (3d edition 2005) (citing cases).

[9] *See id*. (advancing the general proposition that 'the closer the defendant's acts are to the infringing activity, the stronger will be the inference that the defendant knew of the activity').

[10] Elektra Records Co. v. Gem Electronic Distributors, Inc., 360 F. Supp. 821 (E.D.N.Y. 1973). *See also* RCA Records v A-Fast Systems, Inc., 594 F. Supp. 335 (SDNY 1984) (defendant's employees used 'Rezound' cassette recorder to make copies of sound recordings on customers' request); A&M Records v General Audio Video Cassettes, 948 F. Supp. 1449 (C.D. Cal. 1996) (sale of custom-length blank tape timed to correspond to particular sound recordings).

[11] Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417 (1984).

[12] 464 U.S. at 442. See 35 U.S.C. § 271(c):

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

Some copyright scholars have criticized *Sony*'s engrafting onto the copyright law of the patent law "staple article of commerce" standard, see, e.g., Peter Menell and David Nimmer, Unwinding *Sony*, 95 Cal L Rev 941 (2007), but many support it, see, e.g., Brief of the Amici Curiae of Sixty Intellectual Property and Technology Law Professors and US-ACM Public Policy Committee, to the U.S. Supreme Court in *MGM v. Grokster*, 20 the distributor was aware that at least some of the use to which the device would be put would be infringing. The court then held that time-shifting (recording for subsequent viewing and then erasure) of free broadcast television programs was a fair use.[13] On the record in the case, the "primary use" of the VTR was for time-shifting.[14] Thus, the VTR was more than "merely capable" of substantial non infringing use; the majority of its actual uses were held not to infringe. The *Sony* facts as a result do not help us determine whether a minority non infringing use would nonetheless be "substantial."

The *Sony* "substantial non infringing use" standard did not again come into play with respect to mass-market means of copying until the *Napster* controversy.[15] There, an online peer-to-peer music sharing service maintained a central database that allowed end users to find other users currently online and to copy MP3 files from their hard drives. Napster invoked the *Sony* standard, asserting that not all the files were copied without authorization. Napster also asserted that peer-to-peer (P2P) architecture could in the future spawn more non infringing uses. The Ninth Circuit agreed that *Sony* required taking into account the service's capacity for future lawful use but nonetheless held Napster a contributory infringer. In yet another gloss on the standard of liability, the *Napster* court held that courts should inquire into non infringing uses when the distributor of the device lacks actual knowledge of and control over specific infringements. Where, however, it is possible to segregate and prevent infringing uses, it is not appropriate to exculpate the entire system by virtue of its capacity for non infringing uses. In other words, the consequences to technology of enforcing copyright rules were different in *Sony* and in *Napster*. *Sony* presented the court with an all-or-nothing challenge: either the device would be enjoined, frustrating legitimate uses, or no liability would attach, despite the infringements the device enabled. In *Napster*, by contrast, the service could disable infringing uses by blocking access to listings of protected files, while allowing permissible uses to

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Berkeley Tech. L.J. 535 (2005).

[13] *Id.* at 447-56.

[14] *Id.* at 493 (Blackmun, J., dissenting).

[15] A&M Records, Inc. v. Napster, Inc. 239 F.3d 1004 (9th Cir. 2001). *But see* Vault v. Quaid Software, 874 F.2d 255 (5th Cir. 1988) (distributor of program designed to circumvent software copyright protection held not liable for contributory infringement because program could be used for non infringing purpose of making back up copies authorized by 17 USC Section 117). One reason that the courts were not confronted with the *Sony* standard for such a long period may be that copyright defendants were hesitant to rely on it. See Peter S. Menell & David Nimmer, Legal Realism in Action: Indirect Copyright Liability's Continuing Tort Framework and *Sony*'s De Facto Demise, 55 UCLA L. Rev. 143, 201-02 (2007) (arguing that "the market does not put a lot of faith in Sony's staple article of commerce safe harbor"). Alternatively, and on the contrary, the paucity of litigation applying or challenging the *Sony* standard may reflect an inter-industry recognition that *Sony* represented the status quo, see, e.g., Pamela Samuelson, The Generativity of Sony v. Universal: The Intellectual Property Legacy of Justice Stevens, 74 Fordham L. Rev. 1831, 1850 (2006), citing Jessica Litman, The Sony Paradox, 55 Case W. Res. L. Rev. 917, 930 (2005) ("*Sony* has been characterized as the "Magna Carta" of the information technology industry").

continue. *Napster* thus transformed *Sony* into an inquiry into knowledge of and ability to prevent specific infringements.[16]

Of course, the *Napster* rule set out the instructions for its own demise: if Napster was liable because it could maintain control over its users' activities, then the next device or service would be sure to make it difficult, if not impossible, for the service to exercise control.[17] So were born the P2P file-sharing enterprise Kazaa, and its U.S. licensees, Grokster and Morpheus. Unlike Napster, these services had no centralized directory: they dispersed information about file location across computer 'nodes' around the world. Users could find each other, but the services disclaimed the ability to prevent infringements as they were occurring. In the *Grokster* case, songwriters, record producers and motion picture producers alleged that the Grokster and Streamcast (dba Morpheus) file-sharing networks should be held liable for facilitating the commission of massive amounts of copyright infringement by the end-users who employed the defendants' P2P software to copy and redistribute films and sound recordings to each others' hard drives. Although it recognized that Grokster and Morpheus had intentionally built their systems to defeat copyright enforcement, the Ninth Circuit held that without the ability to prevent specific infringements, the services could not be liable.[18] The court scarcely considered whether the services enabled substantial non infringing use; it acknowledged that 90% of the uses were infringing, but observed in a footnote that 10% could be substantial, particularly when the 10% referenced many millions of uses. (That the other 90% would be even more extensive seems not to have troubled the court.)[19]

A unanimous U.S. Supreme Court reversed. It held that the Ninth Circuit had misapplied the *Sony* standard, or, more accurately, that the Ninth Circuit did not appreciate that the *Sony* standard does not even come into play when the defendant is "actively inducing" copyright infringement. That is, a device might well be capable of substantial non infringing uses. But if it can be shown that the distributor *intended* users to employ the device in order to infringe copyright, then the distributor will be liable as a matter of basic tort principles.[20] In this light, *Sony* was a case articulating a standard for assessing liability when it cannot be shown

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[16] For a criticism of the Ninth Circuit's approach, *see* Goldstein, *supra*, at Section 8.1.2.

[17] *See, e.g.*, Fred Von Lohmann, *IAAL: Peer-to-Peer File Sharing and Copyright Law after Napster* (2001), *available at* http://www.gtamarketing.com/P2Panalyst/VonLohmann-article.html

Disabling oneself from aiding copyright enforcement, however, runs the risk of being characterized as "willful blindness," see In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir.2003) (Posner, J.).

[18] MGM Studios, Inc. v. Grokster Ltd., 380 F.3d 1154, 1165-66 (9th Cir. 2004), rev'd., 545 U.S. 913 (2005).

[19] See 380 F.3d at 1162 n.10.

[20] 545 U.S. at 934-35. The Court also observed that the patent statute's staple article of commerce defense does not "extend to those who induce patent infringement, § 271(b)," id. n. 10. The Court had previously applied an inducement test to determine contributory liability for trademark infringement, see Inwood Labs. v. Ives Labs., 456 U.S. 844, 854 (1982). Unlike *Sony*, *Inwood Laboratories* did not purport to draw guidance from the patent act.

that the device distributor sought to foster infringement. But if the defendant has, through "purposeful, culpable expression and conduct"[21] actively induced infringement, there is no need to revisit the *Sony* standard in order to clarify what "substantial non infringing use" actually means.

The Court set out three "features" probative of intent to induce infringement: (1) the defendant promoted the infringement-enabling virtues of its device; (2) the defendant failed to filter out infringing uses; (3) defendant's business plan depended on a high volume of infringement. In *Grokster*, all three elements were easily demonstrated. The defendants had sent out emails extolling P2P copying, and had "aim[ed] to satisfy a known source of demand for copyright infringement, the market comprising former Napster users."[22] One of the defendants not only declined to devise its own filters; it blocked third-party filters. And the defendants' business plans depended on advertising, whose rates would turn on the volume of users encountering the ads. The more the defendants could attract visitors, the better for their businesses, and the prospect of free music attracts more visitors than paid music. Taken together, these factors demonstrated a clear intention to foster infringement. As the Court declared: "The unlawful objective is unmistakable."[23]

Of course, inducement to infringe is actionable only if infringements in fact occur.[24] Because the liability derives from primary infringing conduct, bad intent must join with unlawful end-user acts. Thus, for example, distributing a copying device together with an exhortation to use the device to engage in massive unauthorized copying does not give rise to liability if no one in fact so uses it. In *Grokster*, however, end user infringement was never in doubt; plaintiffs' studies showed that 90% of the works copied were copyrighted,[25] and even the Ninth Circuit acknowledged that the "Copyright Owners assert, without serious contest by the Software Distributors, that the vast majority of the files are exchanged illegally in violation of copyright law."[26] The Supreme Court thus could exclaim: "The probable scope of copyright infringement is staggering."[27]

Having ruled that bad intent, if proved, sufficed to establish liability for infringements thus induced, the full Court declined to analyze what the standard for contributory infringement would be when intent to foster infringement cannot be shown. The full court opinion provided some clues, however, when it stressed that certain of the three indicia of intent could not, in isolation, establish inducement, because basing liability solely on defendant's business plan or solely on the design of its product would be inconsistent with *Sony*.[28] But the Court

[21] 545 U.S. at 937.

[22] 545 U.S. at 939. See also Sverker Högberg, Note, The Judicial Search for Intent-Based Doctrines of Secondary Liability in Copyright Law, 106 Colum. L. Rev. 909, 952-53 (2006) (discussing the post-*Grokster* dangers of targeting a 'risky demographic.')

[23] 545 U.S. at 940.

[24] Id at 940.

[25] *Id.* at 922, 933.

[26] 380 F.3d at 1160.

[27] 545 U.S. at 923.

[28] *Id.* at 939-40 & n. 12.

assiduously declined to offer further guidance on the meaning of "*substantial* non infringing use." Nonetheless, it may not matter what level of non infringing use allows an entrepreneur to enter *Sony*'s safety zone because the *Grokster* inducement standard may displace inquiries into the substantiality of non infringing uses. [29] Speculation is hazardous, but one might predict that where a device or service facilitates infringement on a massive scale, its distributor will likely be found to have intended that result. Indeed, though intent to facilitate infringement by enabling end-user copying supposedly forms the keystone of contributory liability, it is not clear whether *Grokster*'s indicia identify bad intents or bad results. In many cases it may be possible to show intent to enable end-user copying, but intent to enable end-user copying *that is infringing* may end up being retrospectively assessed based on the volume of infringement that in fact transpires.[30] In *Sony*, for example, the VTR manufacturer certainly intended to provide the means to tape television programs at home, and even promoted the VTR's utility in building a home library of copied programs (*Grokster* feature 1); it also declined to equip the VTR with a "jammer" to prevent unauthorized copying (*Grokster* feature 2).[31] But, on the record in the case, most of the unauthorized copying was of a kind (time-shifting and erasure of free broadcast television) that a majority of the Supreme Court found non infringing. This suggests that size does matter. Where the infringement the device enables is relatively modest in scale, inducement will not be found, but neither will the *Sony* threshold for liability be held to have been crossed, whatever its height. In other words, "inducement" and "substantial non infringing use" will become legal conclusions, separating the Sony (good technology) sheep from the Grokster (evil entrepreneur) goats. [32]

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[29] Cf Peter S. Menell & David Nimmer, Legal Realism in Action: Indirect Copyright Liability's Continuing Tort Framework and *Sony*'s De Facto Demise, 55 UCLA L. Rev. 143, 172-77 (2007) (surveying post-*Sony* caselaw and business practices to show that the "merely capable of substantial non infringing use" standard was rarely observed in practice). But see sources cited, *supra*, note 15.

[30] In fact, at least one court has explicitly concluded that the respective magnitude of infringing and non-infringing uses is a factor in determining whether a defendant can be held liable for inducement. See Monotype Imaging, Inc. v. Bitstream, Inc., 376 F. Supp. 2d 877, 887 (N.D. Ill. 2005).

Moreover, courts may be tempted to infer bad intents from bad results, particularly if the defendant has structured its business in order to create "plausible deniability" of an intent to facilitate infringement. Cf. Fred von Lohmann, Electronic Frontier Foundation, "IAAL [I am a Lawyer]: What Peer-to-Peer Developers Need to Know about Copyright Law", § V.7 (December 2003) (http://www.eff.org/IP/P2P/p2p_copyright_wp.php) ("Can you plausibly deny what your users are up to? . . Have you built a level of 'plausible deniability' into your product architecture? If you promote, endorse, or facilitate the use of your product for infringing activity, you're asking for trouble."). See also Menell & Nimmer, supra, 55 UCLA L. Rev. at 148 n. 26.

[31] See Jessica Litman, *The Story of* Sony Corp. of America v Universal City Studios*: Mary Poppins Meets the Boston Strangler*, in Jane C. Ginsburg and Rochelle Cooper Dreyfuss, eds. Intellectual Property Stories 358, 360-61 (the advertisements), 388-89 (drawing parallels between plainitiffs' contentions in *Sony* and *Grokster*) (2005).

[32] If liability for contributory infringement ultimately depends on how much infringement the device in fact enables, then copyright owners face a quandary noted in the

The following analysis supports the speculation. Suppose a distributor, culture-for-me.com, offers its users the opportunity to post videoclips to its website. Culture-for-me.com neither promotes infringement, nor filters infringements out; its business plan aspires to a high volume of traffic to the site. In its early days, the website attracted amateur videos, but more recently users have also been posting copies of commercial film and television programming. Culture-for-me.com's popularity has risen substantially since professionally-produced (unauthorized) content began to be found on the site; the traffic to the unauthorized user postings is very heavy, indeed, those postings generally (but not always) receive more "hits" than the amateur content.

The most probative *Grokster* element – promoting the availability of infringing content - is absent here. The question thus becomes whether failure to filter, plus a business plan that benefits from infringement (although it may not be entirely infringement-dependent), suffice to establish inducement. *Grokster* tells us that each of these two in isolation will not demonstrate inducement, but *Grokster* did not explicitly require all three elements to be present before inducement could be found.[33] Moreover, the distributor of a device or service is not likely to filter if

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aftermath of the *Sony* case. See Douglas G. Baird, *Changing Technology and Unchanging Doctrine:* Sony Corporation v. Universal Studios Inc., 1984 S.Ct. Rev. 237. A suit at the outset of a device's commercialization risks prematurity: the record of infringements may be insufficient. But if rights holders wait until a vast amount of infringement can be demonstrated, then the public may have come to feel entitled to engage in the copying the device enables, and it is difficult for any court to brand the vast majority of American households as infringers. *Grokster* spared the Court that task, because the defendants did not contest the "staggering" character of the infringements, and perhaps also because P2P filesharing, while widespread, was primarily confined to a discrete (and perhaps discreditable) segment of the population – technologically adept adolescents of all ages. On the other hand, the pace of digital dissemination today may be so rapid, that the requisite "massive" amount of infringement may transpire within the time that normally elapses in the pretrial stages of a lawsuit.

[33] Arguably, *Grokster*'s characterization of inducement as "purposeful, culpable *expression* and conduct," 545 U.S. at 937 (emphasis supplied), requires not only deeds but words. In *Perfect 10 v Amazon.com*, 487 F.3d 701 (9th Cir. 2007), a post-*Grokster* decision concerning a search engine's "in-line" links to sites offering unauthorized copies of plaintiff's "adult" photographs, however, the Ninth Circuit reversed a district court's holding that the search engine could not be liable if it did not promote the websites to which it linked. But the court addressed contributory infringement in the context of facilitating known, rather than anticipated, infringements.

Also, a few courts interpreting *Grokster* have taken a broader view of inducement liability, using analytical frameworks that differ somewhat from *Grokter*'s three-part test. *See* Monotype Imaging, 376 F. Supp. 2d at 887 (N.D. Ill. 2005) (concluding that the Seventh Circuit uses a different inducement test, not supplanted by *Grokster*, which looks to whether defendant acted with culpable intent, which is determined based on a balancing of three factors: the respective magnitudes of infringing and non-infringing uses, whether the defendant encouraged infringing uses, and efforts made by defendant to eliminate or reduce infringing uses); AMC Tech., LLC v. SAP AG, C.A. No. 05-CV-4708, 2005 U.S. Dist. LEXIS 27095, at *16 (E.D. Pa. 2005) (finding that defendant who instructed its customers on how to copy plaintiff's copyrighted computer program is liable for inducement without discussing defendant's business plan or whether defendant had taken steps to prevent infringing uses or promoted infringing uses of its product).

to do so would reduce its economic benefit.[34] In other words, the two go hand-in-hand. Other *Grokster* elements prove interdependent as well: a site that *does* filter is not likely to advertise an ability to facilitate infringement if it has in fact hampered that capacity. Moreover, a site that does filter will probably not be engendering massive infringement.

If the economy of a culture-for-me.com-type operation depends on infringement, it is difficult to see how the entrepreneur could not have intended to foster infringement. The district court on remand in *Grokster* easily equated defendant Streamcast's refusal to filter with its economic self-interest, and thus with an intent to induce infringement:

> [A]lthough StreamCast is not required to prevent all the harm that is facilitated by the technology, it must at least make a good faith attempt to mitigate the massive infringement facilitated by its technology. . . . Even if filtering technology does not work perfectly and contains negative side effects on usability, the fact that a defendant fails to make some effort to mitigate abusive use of its technology may still support an inference of intent to encourage infringement. . . . StreamCast's business depended on attracting users by providing them with the ability to pirate copyrighted content.[35]

If profit-motivated failure to filter promotes an inference of intent to induce infringement, does implementation of copyright filters warrant the opposite inference, of non intent to encourage infringement? My colleague Tim Wu has suggested that, while failure to filter may not of itself prove bad intent, the entrepreneur who does filter may defeat inferences of intent to induce infringement. Filtering therefore may afford a "safe harbor" from future inducement claims.[36] The recently-announced inter-industry Principles for User Generated Content Services adopt the "safe harbor" approach. The Principles recommend pre-upload filtering of content posted to user-generated sites, and also advise that copyright owners should not sue cooperating services even if some infringing user-generated content remains on the site.[37] Thus, whether or not

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[34]The Australian Federal Court in its *Kazaa* case recognized the probable pairing of failure to filter and business interest in infringement, *see* Universal Music Australia Pty Ltd v Sharman License Holdings Ltd. [2005] FCA 1242.

[35] 454 F. Supp. 2d 966 (CD Cal. 2006).

[36] *See* Tim Wu, The Copyright Paradox: Understanding *Grokster*, 2005 Sup. Ct. Rev. 229, 247 (stating that "one might also infer from [the] language [barring liability based solely on failure to filter] that *Grokster* creates a kind of safe harbor that may prove important. It may be read to suggest that a product that *does* filter is presumptively not a product that is intended to promote infringement, even if it does, in practice, facilitate infringement.") An early post-Grokster decision appears to bear this out, see Monotype Imaging v. Bitstream, 376 F.Supp.2d 877, 888-89 (N.D. Ill. 2005) (finding no inducement because, inter alia, defendant submitted evidence that it had taken steps to avoid the infringing use of its compatible type fonts. The court also found that "unlike in Grokster, there is no evidence in the record to show that Bitstream's business was benefited by increasing the number of infringing uses of [its product].").

[37] *Supra*, note 5, Principle 13.

Grokster implies an obligation to filter, businesses who wish to be perceived as "legitimate" will have an incentive to avail themselves of filtering technologies.

On the other hand, if the filter overreacts, and excludes material that is not copyright infringing, not only will end-users be likely to take their custom elsewhere, but there will be little justification for construing an obligation to filter (and the safe harbor will serve little purpose if the customers have gone elsewhere). The development of a legal standard would therefore turn on the state of the technology: the more reliable and less burdensome the filter, the more likely courts are to favor its implementation. For example, in *Perfect 10 v. Amazon.com* the Ninth Circuit stated,

> a service provider's knowing failure to prevent infringing actions could be the basis for imposing contributory liability. Under such circumstances, intent may be imputed. . . . Applying our test, Google could be held contributorily liable if it had knowledge that infringing Perfect 10 images were available using its search engine, could take *simple measures* to prevent further damage to Perfect 10's copyrighted works, and failed to take such steps.[38]

Those "simple measures," however, will need to take account of potential fair uses.[39] "Teaching" a filter to recognize a parody may not be an obvious proposition -- indeed the difficulties of teaching the fair use doctrine to human law students might make one less than sanguine about teaching a computer to recognize fair uses[40] -- and "manual review" by copyright owners and/or internet services may be necessary.[41] But one can imagine increasing levels of

[38] 487 F.3d at 728-29 (emphasis supplied). The simple measures the defendant could have taken in *Perfect 10 v. CC Bill* were, however, probably simpler than those employed by a user generated content site. *CC Bill* was a linking case, and the measure at issue would have terminated the link; by contrast, an on-off switch will not resolve the problems associated with user generated content sites because any human or automated filter will confront content whose lawfulness is ambiguous.

[39] *See, e.g.*, Principles for User-Generated Content Services, Principle 3(d): "Copyright Owners and UGC Services should cooperate to ensure that the Identification Technology is implemented in a manner that effectively balances legitimate interests in (1) blocking infringing user-uploaded content, (2) allowing wholly original and authorized uploads, and (3) accommodating fair use." Fred von Lohmann has noted two ways that video filtering programs can be modified to decrease the chance that they will block fair uses: requiring that both the audio and the video of a potentially infringing work match that of a copyrighted work before the filter flags the work as infringing, and adding a check to see what percentage of the potentially infringing work is made up of coprygihted content. Fred von Lohmann, YouTube's Copyright Filter: New Hurdle for Fair Use? (Oct. 15, 2007), at: http://www.eff.org/deeplinks/2007/10/youtubes-copyright-filter-new-hurdle-fair-use.

[40] *See also* An Empirical Study of U.S. Copyright Fair Use Opinions, 1978-2005". University of Pennsylvania Law Revue, Forthcoming Available at SSRN: http://ssrn.com/abstract=998421 (analyzing how courts are in fact applying the four § 107 factors)..

[41] Principles, supra, Principle 3(f). See also Fair Use Principles for User Generated Video Content, supra note 5, Principle 2b "Humans trump machines."

A study issued in December 2007 by the Center for Social Media at American University, *Recut, Reframe, Recycle: Quoting Copyrighted Material in User-Generated* sophistication of filters, to recognize, for example, when the uploaded content matched by the "identification technology" to a copyrighted work consists entirely of the copyrighted content, or instead is composed of excerpts interwoven with truly user-generated content (or at least to content that does not match to the content which the filter identifies).[42] For example, the byte equivalent of the apocryphal "250 word" threshold for permissible unauthorized quotations[43] might be programmed into the filter; similarly, the filter might distinguish between overall quantity of content matched between the user-generated upload and a copyrighted work (or works), but might let pass matches that are not in sequence and therefore might more likely be parodies or remixes.[44] The prospect of automated fair use might after all not prove as preposterous as first impression suggests; at least an automated process might isolate the universe of uploads requiring manual review by identifying postings that are clearly infringing (complete or near-correspondence to a work on the filter's black list), and postings that are clearly non infringing (no correspondence, or a sub-threshold quantity or sequence correspondence to a work on the black list).

But it will be important to guard against the danger of the negative inference. No matter how fair use-tolerant the filter, an excerpt too substantial for the filter should not automatically or presumptively be deemed an unfair use.[45] As

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Video, by Center director Pat Aufderheide and Peter Jaszi, co-director of the Washington College of Law's Program on Information Justice and Intellectual Property, identifies a variety of uses, "satire, parody, negative and positive commentary, discussion-triggers, illustration, diaries, archiving and pastiche or collage (remixes and mashups)" which may constitute fair uses, see http://www.centerforsocialmedia.org/resources/publications/recut_reframe_recycle

[42] Or, in the case of "mashups" (assuming these to be fair use – a potentially contentious assumption), small excerpts matched to many identified works. Cf. Fair Use Principles for User Generated Video Content, supra note 5, Principle 2.a.3 (video should not be blocked unless "90% or more of the challenged content is comprised of a single copyrighted work.")

[43] For text files that don't include any additional data (such as the codes embedded in most word processing documents that describe the document's margins or fonts), each character (meaning letters, spaces, and punctuation marks) constitutes one "byte". See Marshall Brain, How Bits and Bytes Work, at http://computer.howstuffworks.com/bytes.htm. Thus, a 250 word passage's byte equivalent varies according to the number of letters per word the author uses. To give one example, the first 250 words of Charles Dickens' *A Tale of Two Cities* contain 1,339 bytes, It is sometimes said that the average English word contains five letters. See, e.g., Jesper M. Johansson, The Great Debates: Pass Phrases vs. Passwords (Nov. 1, 2004), at http://www.microsoft.com/technet/community/columns/secmgmt/sm1104.mspx. A passage with such an average word length and one punctuation mark every five words would contain 1549 bytes.

[44] It is conceivable that uploaders could "game" the filter by altering the files in ways that to the filter would signal insufficient identity with a protected work, but whose alterations would be imperceptible to human viewers. Such maneuvers, however, suggest a level of sophistication and deviousness not representative of most contributors of "user-generated" content, and therefore may prove more clever than significant.

[45] By the same token, an excerpt that passes the filter should not automatically, as a matter of law, be deemed a fair use. Much depends on how the filter gauges fair use. For example, the Fair Use Principles for User-Generated Video Content, supra note 5, Principle

a result, it will be necessary to develop procedures to address the "false positives" that a filtering system may inevitably designate. The Fair Use Principles for User Generated Video Content promulgated by several public interest groups vigilant of perceived copyright-owner enforcement excesses, offer several suggestions. One Principle, adopting its own faunal metaphor, proposes a "dolphin hotline" to provide an "escape mechanism" for the "fair use 'dolphins' [that] are caught in a net intended for infringing 'tuna.'"[46] The content owner would set up a procedure to receive and respond to user requests for reconsideration of blocked material.[47]

Notwithstanding the limitations of filtering systems, it may be fair to say that *Grokster* will have stimulated technology companies to devise ever-more effective and sensitive filters; at least the sector has seen renewed activity and increased competition since the decision.[48] Thus, rather than heralding "ten years of chilled innovation,"[49] *Grokster*'s encouragement of copyright-respectful technologies suggests that impunity for copyright infringement is not necessary for innovation to proceed.

II. THE STATUTORY NOTICE-AND-TAKE-DOWN SAFE HARBOR

Contrast the common law outcome with the approach taken in Section 512 of the Digital Millennium Copyright Act (and arts 12-15 of the 2000 EU Electronic Commerce Directive[50]). There, internet service providers (telecoms) successfully lobbied for a large measure of impunity: if the service provider meets

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2(a)(3) would set the filter to block only those postings in which "nearly the entirety (e.g, 90% or more) of the challenged content is comprised of a single copyrighted work." Abundant caselaw, however, establishes that copying of considerably less than 90% of a work can defeat a fair use defense. See generally, Beebe, supra note 40 at **[ssrn pp 28-32, 39, 54-55 PIN when U.Penn. L. Rev. published]** (discussing "amount and substantiality" factor).

[46] Fair Use Principles for User Generated Video Content, supra note 5, Principle 5.

[47] Id. The Fair Use Principles appear primarily to import the notice and take down regime of § 512(c) to user generated content sites, see. Principles 3-6. It is not clear whether this constitutes a concession that § 512(c) and related subsections do not otherwise apply to user-generated content sites. See discussion infra, Part II.

[48] Examples of recently developed or enhanced filtering technologies include digital fingerprinting, a technology that identifies copyrighted content by matching the content's "fingerprints" against the fingerprints of content contained in a library of copyrighted works; hashes, which are short files created by a mathematical algorithm that can also be used as fingerprints. The current industry leader, using digital fingerprinting technology, is Audible Magic; its competitors include Advestigo, Vobil, Grace Note, and in the digital hashing filed, Motion DSP. See, e.g., Pirate-Proofing Hollywood, Bus. Wk., June 11, 2007, available at http://www.businessweek.com/magazine/content/07_24/b4038073.htm; Peter Burrows, Which No-name Startup Is Making a Name for Itself With Hollywood's Anti-piracy Police?, Bus. Wk., May 31, 2007, available at http://www.businessweek.com/the_thread/techbeat/archives/2007/05/which_no-name_s.html; Brad Stone & Miguel Helft, New Weapon in Web War Over Piracy, N.Y. Times, Feb. 19, 2007.

[49] Rob Hof, Larry Lessig: Grokster Decision Will Chill Innovation, Bus. Wk. , June 28, 2005, available at: http://www.businessweek.com/the_thread/techbeat/archives/2005/06/larry_lessig_gr.html.

[50] Council Directive 2000/31, art 12-15, 2000, O.J. (L 178), 3.

the threshold requirements, it will incur no liability (direct or derivative) for monetary damages if it responds expeditiously to a proper notice from the copyright holder, and blocks access to the offending material.[51] In other words, the service provider, if it qualifies, incurs no burden of anticipating or preventing infringement[52]; it need only react to notices of infringements that the copyright holders uncover. But absent a pre-upload clearance requirement, one may anticipate that at least some of the content the notified service provider takes down will promptly reappear, hydra-like, on other hosts' sites. As a result, it would appear that we may have two regimes for internet entrepreneurs: passive reaction ("notice-and-take-down") for qualifying service providers, and proactive anticipation (filtering) for everyone else. This would be problematic if those who safely grazed in the field of qualifying service providers included not only *Sony* sheep, but *Grokster* goats.

While the § 512 regime substantially reduces service providers' risk of liability for acts of *direct* infringement,[53] analysis of the statutory provisions shows that an internet entrepreneur whose conduct would expose it to secondary liability for copyright infringement should be unlikely to qualify for the statutory immunity. The acts to which the immunity attaches are relatively limited in scope, and even as to these, the threshold requirements for immunity closely track the traditional elements of secondary liability.[54] As with the judicial analysis of

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[51] See 17 USC Section 512(c).

[52] See 17 U.S.C. Section 512(m)(1) (availability of the safe harbor is not "condition[ed] on . . . a service provider monitoring its service or affirmatively seeking facts indicating infringing activity . . ."). Section 512(i)(1)(B) does make "accommodat[ion of] . . . standard technical measures" a prerequisite to qualifying for the statutory safe harbors. Arguably, filtering technology might be such a measure. The definition of "standard technical measures," however, suggests that the present state of filtering technologies may not suffice, principally because there is not yet an inter-industry concensus regarding the design and implementation of filtering measures. See Section 512(i)(2):

> (2) Definition. - As used in this subsection, the term "standard technical measures" means technical measures that are used by copyright owners to identify or protect copyrighted works and -
>
> (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) are 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.

[53] Because websites which neither initiate nor intervene in the communication of the content nonetheless are engaging in acts of reproduction, distribution and public performance or display, even the most passive of hosts could be directly liable for infringement absent a derogation such as those established in § 512(c). *See generally* Sen. Rep. No. 105-190 at 19-21 (1998); Playboy Enterprises v. Frena, 839 F. Supp. 1552, (M.D. Fla. 1993).

[54] Some courts have, however, interpreted the provisions of Section 512 that correspond to the standards for common law vicarious liability somewhat more narrowly than had courts construing the same elements in the online context before enactment of the DMCA. See discussion infra text at notes [crossreference (93-96)].

derivative liability, the statutory criteria are designed to ensure that the beneficiaries of the Section 512(c) safe harbor remain copyright-neutral. Courts interpreting Section 512(c) have recognized the neutrality prerequisite:

> This immunity, however, is not presumptive, but granted only to "innocent" service providers who can prove they do not have actual or constructive knowledge of the infringement, as defined under any of the three [threshold requirements] of 17 U.S.C. Section 512(c)(1). The DMCA's protection of an innocent service provider disappears at the moment the service provider loses its innocence, i.e., at the moment it becomes aware that a third party is using its system to infringe.[55]

Thus, a disparity between the post-*Grokster* common law of secondary liability and the Section 512(c) system will exist only if the statutory criteria absolved an entrepreneur who would have been liable for contributory or vicarious infringement at common law.[56]

"Service Provider"

To assess whether the statute creates such a disparity, let us return to culture-for-me.com. It operates a website; is it therefore a "service provider"

[55] ALS Scan, Inc. v. RemarQ Cmtys., Inc., 239 F.3d 619, 625 (4th Cir. 2001).

[56] The statute in fact contemplates the opposite possibility, that a service provider who failed to qualify for the safe harbor might nonetheless be held not to have infringed either directly or indirectly, see Section 512(*l*) ("Other Defenses Not Affected -- The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by a service provider that the service provider's conduct is not infringing under this title or any other defense.") See also H.R. REP. NO. 105-551, Part 2, at 64 (1998): "Even if a service provider's activities fall outside the limitations on liability specified in the bill, the service provider is not necessarily an infringer; liability in these circumstances would be adjudicated based on the doctrines of direct, vicarious or contributory liability for infringement as they are articulated in the Copyright Act and in the court decisions interpreting and applying that statute, which are unchanged by new Section 512. In the event that a service provider does not qualify for the limitation on liability, it still may claim all of the defenses available to it under current law. New section 512 simply defines the circumstances under which a service provider, as defined in this new Section, may enjoy a limitation on liability for copyright infringement." Although the statute and legislative history thus warn against inferring infringement from the service provider's failure to qualify, nonetheless if the statutory criteria closely track the common law criteria, it seems likely that a court which has reached one conclusion applying the statute could, upon applying the common law standards, arrive at a similar assessment. For example, if infringing activity is "apparent" and the service provider does not act to remove the infringing material, it will not qualify for the safe harbor, but the copyright owner will still need to prove direct or derivative liability. If the copyright owner brings an action based on contributory infringement, the service provider might plead a *Sony* defense, on the ground that the website has non infringing uses. But the plaintiff would rely on *Napster* to rejoin that the operator is able to shut down the infringing posting, yet preserve the non infringing uses. In other words, the contributory infringement standard may depend on whether the technology at issue is a product or a service. *Sony* may remain the standard for free-standing technologies, but *Napster* will likely guide analysis of technologies whose continuing use the defendant is able to control.

within the ambit of the statutory immunity? Section 512's definition of "service provider" is exceedingly vague; the term "means a provider of online services or network access or the operator of facilities therefore."[57] "Online services" are not defined. In the abstract, the term could mean any services offered online, including the service of making copyrighted works available to the public. Or the term could mean services specific to being online (other than network access, for which the definition specifically provides). Under the first interpretation, anyone who operates a website is a "service provider." Under the second, an entrepreneur who hosts a website is a "service provider," as is one who provides online search services; the entrepreneur who makes content available, however, would not be a "service provider" because the services provided are not Internet-specific. One can provide content from a variety of platforms (e.g., print, broadcast), but one can host or link to a website only via the Internet.[58]

The case law nonetheless has generally interpreted "service provider" extremely broadly, to cover not only Internet-specific businesses, but a variety of traditional businesses' Internet operations, such as online auctions,[59] online real estate listings,[60] and an online pornography age verification service.[61] These decisions, however, are mostly at the district court level, and none extensively analyze the issue.[62] Of the two relevant appellate court decisions, one asserted without further analysis that the statutory definition of "service provider" was broad enough to cover an entrepreneur whose service consisted of a website, a server, and peer-to-peer software (but also held that the service did not meet the

[57] 17 USC Section 512(k)(1)(B).

[58] Section 512(i)(1)(A), which requires qualifying service providers to implement a policy for terminating the accounts of repeat infringers, may not cover operators of websites to which users post content if the users do not need to subscribe to or have an account with the website in order to post material to it. This could suggest that such websites do not qualify for the statutory safe harbor. On the other hand, making ability to terminate the accounts of repeat infringers a prerequisite to any "service provider"'s ability to qualify for a safe harbor might clash with the §512(d) safe harbor for search engines, because most if not all users of search engines access the service without becoming subscribers or account holders of the service.

[59] Hendrickson v EBay, Inc., 165 F.Supp.2d 1082 (C.D. Cal. 2001) (but parties did not dispute whether eBay was a "service provider" within the meaning of the statute).

[60] Costar Group v Loopnet, 164 F.Supp.2d 688, 701 (D. Md. 2001) ("'Online services' is surely broad enough to encompass the type of service provided by LoopNet that is at issue here.")

[61] Perfect 10 v. Cybernet Ventures, 213 F. Supp.2d 1146, 1174 (C.D. Cal. 2002) (court assumes defendant qualifies as a service provider, but admits that it "has found no discussion [in prior caselaw] of this definition's limits").

[62] See In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003) (Posner, J.) (stating briefly that "Although the Act was not passed with Napster-type services in mind, the definition of Internet service provider is broad, and, as the district judge ruled, Aimster fits it.") (citation omitted); Corbis Corp. v Amazon.com, Inc., 351 F.Supp.2d 1090 (W.D. Wash. 2004) (Amazon's liability as host to third-party vendors; statutory definition "encompasses a broad variety of Internet activities;" court does not inquire into Internet-specificity of activities).

criteria for the safe harbor).[63] Another categorically, but summarily, stated that the defendant (a pornography enterprise) in its guise as a website operator could not claim the benefit of the statute (although it was entitled to assert those benefits with respect to those portions of its business which involved hosting or linking to websites).[64]

The statute's legislative history indicates that a "service provider" was not intended to embrace every kind of business found on the Internet. The examples of service providers given in the House Report consist entirely of enterprises who provide "space" for third-party websites and fora, not the operators of the websites themselves.[65] This makes sense in the context of *Religious Technology Center v. Netcom On-Line Communication Services*,[66] the caselaw that Section 512(c) substantially codified[67]: in that case, the service provider defendant was an Internet access provider that hosted third party newsgroups, to which another defendant had posted documents without the authorization of the Church of Scientology. Thus, even if Congress may not have had website operators in mind (much less the emerging Web 2.0 businesses), the language it chose to define "service providers" may be broad enough to encompass more Internet entities than Congress specifically contemplated in 1998.

"Storage at the direction of a user"

Assuming, then, that a website operator can be a service provider within the meaning of section 512, which of its activities does the statute immunize, and subject to what conditions? Section 512(c) absolves a service provider from liability "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 . . ." Is a website, as opposed to a server which hosts websites, "a system or network controlled or operated by or for the service provider"? If not, the provision would not apply. But a website might be part of a system operated by the service provider, so perhaps this element does not screen out many actors. More importantly, Section 512 exculpates "*storage* at the direction of a user" (emphasis supplied); it does not suspend liability for other acts in which the service provider might engage with respect to the user-posted content.[68] Additional acts, such as extracting portions of the posted content for

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[63] Aimster, 334 F.3d at 655; see also Perfect 10, Inc. v. VISA Int'l Serv. Ass'n, 494 F.3d 788, 795 n.4 (9th Cir. 2007) (concluding without analysis that VISA and affiliated data processing services that processed credit card payments online were not "service providers").

[64] Perfect 10 v. CC Bill, 481 F.3d 751, 768 n.5 (9th Cir. 2007).

[65] H.R. REP. NO. 105-551, Part 2, at 64 (1998) ("This definition includes, for example, services such as providing Internet access, e-mail, chat room and web page hosting services.") See also id. at 53 (describing services covered by Section 512(c): "Examples of such storage include providing server space for a user's web site, for a chatroom, or other forum in which material may be posted at the direction of users.").

[66] 907 F. Supp. 1361 (N.D. Cal. 1995).

[67] See, e,g, Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* Section12B.01 (2006) (Section 512 "essentially codifies" *Netcom*).

[68] Cf. Costar Group, Inc. v. Loopnet, Inc., 164 F. Supp. 2d 688, (D. Md. 2001) ("The legislative history indicates that [the actions protected by Section 512(c) do] not include [the

separate performance or display, transferring the posted content to user-selected websites, setting up "sharing" networks for the posted content[69] may fall outside the scope of mere "storage." The Ninth Circuit in *Perfect 10 v. CC Bill*,[70] came to a similar conclusion regarding Section 512(d)'s safe harbor for search engines:

> Even if the hyperlink provided by CCBill could be viewed as an "information location tool," the majority of CCBill's functions would remain outside of the safe harbor of Section 512(d). Section 512(d) provides safe harbor only for "infringement of copyright *by reason of* the provider referring or linking users to an online location containing infringing material or infringing activity." (Emphasis added). Perfect 10 does not claim that CCBill infringed its copyrights by providing a hyperlink; rather, Perfect 10 alleges infringement through CCBill's performance of other business services for these websites. Even if CCBill's provision of a hyperlink is immune under Section 512(d), CCBill does not receive blanket immunity for its other services.

Let us assume, however, that an entrepreneur like culture-for-me.com is not contributing substantial value-added to the user-posted content, so that its liability would be based simply on its provision of a site from which users may upload and others may download content.[71] This conduct comes squarely within the zone of the statutory exception. But the exception will not apply unless the entrepreneur meets the statutory conditions. A review of these conditions shows their common law ancestry: the criteria are very close to the elements of contributory and vicarious liability.[72]

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action of uploading] material 'that resides on the system or network operated by or for the service provider through its own acts or decisions and not at the direction of a user.'") (citing H.R. Rep. No. 105-551, at 53 (1998)).

[69] See, e.g., Complaint of Viacom Int'l. Inc. in Civil Action 07 CV 2103, Viacom Int'l., Inc. v. You Tube Inc., filed SDNY March 13, 2007, ¶¶ 31-33.

[70] 481 F.3d 751 (9th Cir. 2007).

[71] In this respect, culture-for-me.com's operations differ significantly from those of user-generated content sites such as YouTube, whose level of intervention in the organization, presentation and communication of the user-posted material has been contended to exceed mere "storage," see http://casedocs.justia.com/new-york/nysdce/1:2007cv02103/302164/1/0.pdf for Viacom's complaint, and http://casedocs.justia.com/new-york/nysdce/1:2007cv02103/302164/21/0.pdf for YouTube's answer.

[72] See, e.g, II Goldstein on Copyright § 8.3.2 (3d ed. 2005) ("The first of the three concurrent conditions for the safe harbor is patterned after the knowledge requirement for contributory infringement. . . . The second condition for this safe harbor effectively embodies the rules on vicarious liability . . . .")

Statutory Conditions for Limitation on Liability: Knowledge or Awareness

First, while the service provider has no obligation to monitor the site,[73] it must neither have actual knowledge that the postings are infringing, nor be "aware of facts or circumstances from which infringing activity is apparent." Once the service provider becomes aware of apparent infringements, it must "act[] expeditiously to remove, or disable access to, the material."[74] Such awareness triggers a proactive obligation to block access in order to qualify for the statutory immunity. What constitutes "apparent" infringing activity, then, is key to determining whether the safe harbor applies.

The scanty case law interpreting the statutory "red flag"[75] standard at first suggests the flag may need to be an immense crimson banner before the service provider's obligation to intervene comes into play. "Although efforts to pin down exactly what amounts to knowledge of blatant copyright infringement may be difficult, it requires, at a minimum, that a service provider who receives notice of a copyright violation be able to tell merely from looking at the user's activities, statements, or conduct that copyright infringement is occurring."[76] Examples of conduct sufficiently blatant to warrant the service provider's vigilance might include abnormally and disproportionately high traffic to the area of the site where the alleged infringement is located, or the appearance of terms like "pirated" or "bootleg" in the name of the file.[77] But the context of the website might blur the meaning even of file names like "stolen." In *Perfect 10 v. CC Bill*, the Ninth Circuit declined to find that the titles of pornographic websites that defendant hosted, "illegal.net" and "stolencelebritypics.com," should have alerted the defendant host server to the copyright-infringing nature of the websites' content. The court observed: "When a website traffics in pictures that are titillating by nature, describing photographs as 'illegal' or 'stolen' may be an attempt to increase their salacious appeal, rather than an admission that the photographs are actually illegal or stolen. We do not place the burden of determining whether photographs are actually illegal on a service provider."[78] On the other hand, if the file title includes the name of a motion picture, television program, or sound

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[73] 17 U.S.C. § 512(m): "Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on -

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i) . . ."

[74] 17 U.S.C. Section 512(c)(1)(A).

[75] See Perfect 10 v CC Bill, supra, 481 F.3d at 763.

[76] Corbis Corp. v Amazon.com, Inc., 351 F. Supp. 2d 1090, 1105 (W.D. Wash. 2004).

[77] Id. (citing Hendrickson v. eBay, 165 F. Supp. 2d 1082 (C.D. Cal. 2001) (suspicious file names); In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003) (chat groups offering instructions on how to engage in illegal downloading); Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs., 351 F.3d 1229, 1233 (2003) (offering large volume of audio or audiovisual files)); cf. Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc., 256 F. Supp. 399, 404 (S.D.N.Y. 1966) (noting that suspiciously low price of records might have made it obvious to defendant that they were pirated).

[78] Perfect 10 v CC Bill, 481 F.3d at 763.

recording of which the person or entity posting the content is obviously not the copyright owner, this may be sufficient to raise a red flag.[79]

Of course, not every file name's incorporation of a film's title inevitably infringes. Some files may in fact be parodies of or other kinds of pastiche or commentary on the copyrighted work, and therefore could well be fair use. The question is whether the presence of the title should trigger an obligation on the part of the service provider to take a look. Any such obligation might be reinforced if the titles were the subject of repeated § 512(c) "take down" notices sent by the rights holders. In those circumstances, the film's title might make infringement "apparent," and minimal investigation on the service provider's part could indicate whether in a particular case, appearances deceive.[80] In addition, if the film's title correlates to the subscriber information or ip address of an uploader who previously posted infringing files,[81] the combination of claimed content and

[79] Cf. Corbis, 351 F. Supp. 2d at 1105 ("Without evidence from the site raising a red flag, Amazon would not know enough about the photograph, the copyright owner, or the user to make a determination that the vendor was engaging in blatant copyright infringement.").

Cf. Tribunal de grande instance de Paris 3d chamber, 2d section, Judgment of 19 October 2007, Zadig Productions et autres / Google Inc, Afa, http://www.legalis.net/jurisprudence-decision.php3?id_article=2072, discussed infra Part III (one notice from the copyright owner suffices to shift burden of vigilance to the host website). Accord, Tribunal Commercial de Paris, 8th Chamber, Judgment of 20 February 2008, Flach Films v. Google Video, http://www.legalis.net/jurisprudence-decision.php3?id_article=2223, discussed infra Part III.

[80] Repeated take down notices are likely to result from an automated search of the website (or of the Internet as a whole): the search "bot" identifies a file bearing or including the name of the copyrighted work, and automatically generates a take-down notice sent to the host service provider *See generally* Public Knowledge: Transcript of Verizon—RIAA Subpoena Discussion at National Press Club, http://www.publicknowledge.org/node/730 (last visited Jan. 30, 2008). Mechanisms of this sort may reduce some of the enforcement costs that the § 512(c) regime imposes on copyright owners, although it is not clear that individual authors and small independent producers have the means to avail themselves of these automated resources. The clearance burden that § 512 displaces to copyright owners thus would fall disproportionately on those least equipped to assume the greater enforcement costs. Automated take-down notices, however, may be problematic if they are triggered by nothing more than a file name correlation, for some notices may demand removal of postings which could be fair uses. The Electronic Frontier Foundation has initiated actions under § 512(f) alleging that such notices constitute actionable misrepresentations. See, .eg., Complaint Against Geller for Violation of DMCA (N.D. Cal) Oct. 2, 2007, *available at* http://www.eff.org/files/filenode/sapient_v_geller/geller_complaint.pdf

Section 512 requires a showing that the sender "knowingly materially misrepresents under this section (1) that the material or activity is infringing." One may query whether an automated search-and-notify system can give rise to a "knowing" misrepresentation, though perhaps one who uses such a system "turns a blind eye" to the possibility that some of the postings might be fair use, but this contention's. apparent symmetry with the standard for contributory infringement seems rather strained.

[81] Section 512(i) requires that service provider adopt and implement a policy for terminating subscribers who are "repeat infringers," but it does not so far appear that the prospect of cutting users' access to the websites to which they post infringing content offers

suspect source should deepen the red flag's hue. *CC Bill* notwithstanding, "apparent" does not mean "in fact illegal," nor does it mean "conclusively exists." Such an interpretation would allow the service provider to "turn a blind eye" to infringements because the provider could claim that the possibility that some files might be fair use means that infringement can never be "apparent" as to any file.[82] By the same token, § 512(m)'s dispensation of service providers from "affirmatively seeking facts indicating infringing activity," should not entitle the service provider to remain militantly ignorant.

Statutory Conditions for Limitation on Liability: Direct Financial Benefit

Second, the service provider must 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."[83] This standard adopts the common law test for vicarious liability enunciated in copyright cases involving both traditional[84] and digital infringement.[85] As applied to culture-for-me.com, the analysis would focus on how "direct" the benefit of storing user-posted infringing content must be to disqualify the website operator, and on the level of control the website operator can exercise over the users who post material to the site.

With respect to the nexus between the infringement and the benefit to the website, if the website accepted advertising targeted to the infringing content, the benefit would surely be "direct." Assume, however, that the relationship between infringement and the benefit is more attenuated. For example, the website accepts advertising; the rates charged are a function of the popularity of the material alongside which the ads appear. Or, the website accepts advertising, but the advertisements appear randomly; the rates are the same whatever the content in connection with which the ads appear. The overall popularity of the website will,

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a meaningful remedy, perhaps because terminated subscribers can re-subscribe under other names or identifying information, and/or because the statutory standard is unclear: for example, must the repeat infringements have been adjudicated? See Ronald J. Mann and Seth R. Belzley, The Promise of Internet Intermediary Liability, 16 Wm. & Mary L. Rev. 239, 301 (2005) (raising these points with respect to an analogous provision in § 512(a) regarding accesss providers).

[82] Cf. Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d at 1177 (C.D. Cal. 2002) (stating, with respect to the Section 512(i) requirement, "The Court does not read section 512 to endorse business practices that would encourage content providers to turn a blind eye to the source of massive copyright infringement while continuing to knowingly profit, indirectly or not, from every single one of these same sources until a court orders the provider to terminate each individual account.").

[83] 17 U.S.C. Section 512(c)(1)(B).

[84] See, e.g., Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 262 (9th Cir. 1996) (liability of landlord of flea market at which vendors sold pirated sound recordings.

[85] A&M Records v. Napster, Inc., 239 F.3d 1004, 1022-23 (9th Cir. 2001); Perfect 10 v CC Bill, 481 F.3d at 766-67 (common law standards and Section 512(c)(1)(B) standards are the same); Costar Group v Loopnet, Inc., 164 F. Supp. 2d 688, 704 (D. Md. 2001), *aff'd* 373 F.3d 544 (4th Cir. 2004) (stating that "Basically, the DMCA provides no safe harbor for vicarious infringement because it codifies both elements of vicarious liability."). But some courts have applied one of the elements of the common law standard for vicarious liability more narrowly in the context of Section 512(c)(1)(B); see discussion infra.

however, influence the amount of money the website operator can charge for ads. If it is true that free (unauthorized) copyrighted content is a "draw,"[86] then making ad rates turn on the popularity of portions of the website may foster too close a relationship between the infringements and the financial benefit.

By contrast, in the second scenario the financial benefit may be too attenuated;[87] it might be necessary to show that the presence of free unauthorized content makes the site as a whole more attractive than it would be without that content. Put another way, the copyright owner may need to show that the free unauthorized content is in fact "drawing" users to the site.[88] Such a showing may imply a significant volume of infringing material,[89] although one court has declared that what matters "is a causal relationship between the infringing activity and any financial benefit a defendant reaps, regardless of *how substantial* the benefit is in proportion to a defendant's overall profits."[90] Comparisons of "before and after" visitor rates to websites formerly hosting infringing material can supply some indication of the effect of that material on a website's popularity,[91] but it may not be appropriate to generalize from one website to another.[92] The parties thus

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[86] See, e.g., Fonovisa, 76 F.3d at 263 (defendant flea market operator held vicariously liable for infringing acts of booths when it received admissions fees, concession stand sales, and parking fees that were tied to number of people at flea market); UMG Recordings, Inc. v. Sinnott, 300 F. Supp. 2d 993, 1002-03 (E.D. Cal. 2004) (increased revenue at concession stands and defendant's on-site go-kart track); Arista Records, Inc. v. MP3Board, Inc., 00 Civ. 4660 (SHS), 2002 U.S. Dist. LEXIS 16165, at *35-36 (S.D.N.Y. Aug. 29, 2002) ("direct financial benefit" prong satisfied when infringing works acted as draw and defendant received substantial amount of money from advertising tied to number of users).

[87] Cf. Aitken, Hazen, Hoffman, Miller, P.C. c. Empire Constr. Co., 542 F. Supp. 252, 262 (D. Neb. 1982) (building company built building based on plaintiff's architectural works without permission, but lumber company and engineer employed by building company who received fixed fees for constructing the building held not vicariously liable).

[88] But see Costar Group, Inc. v. Loopnet, Inc., 164 F. Supp. 2d 688, 704-05 (D. Md. 2001), aff'd. on other grounds, 373 F.3d 544 (4th Cir. 2004) (*in*direct benefit that infringements may provide to a website by "having more files available to customers" "does not fit within the plain language of the statute").

[89] Compare Polygram Int'l Publishing v. Nevada/TIG, Inc., 855 F. Supp. 1314, 1333 (D. Mass. 1994) (stating that "the crucial question for establishing the benefit prong of the test for vicarious liability is not the exact amount of the benefit, but only whether the defendant derived a benefit from the infringement that was substantial enough to be considered significant" and finding that the benefit was significant even though only four of two thousand exhibitors committed infringing acts) with Artists Music, Inc. v. Reed Publishing (USA), Inc., 93 Civ. 3428 (JFK), 994 U.S. Dist. LEXIS 6395, at *16-18 (S.D.N.Y. May 19, 2004) ("This Court does not believe that alleged infringements by four of 134 exhibitors in any way affected gate receipts at the Show. Plaintiffs offer no evidence that so much as a single attendee came to the Show for sake of the music played by four out of 134 exhibitors.").

[90] Ellison v. Robertson, 357 F.3d 1072, 1078-79 (9th Cir. 2004) (emphasis in original).

[91] See Brad Stone & Miguel Helft, New Weapon in Web War Over Piracy, N.Y. Times, Feb. 19, 2007. (when videosharing site "Guba" implemented filters to screen out infringing material, the site's popularity "took a huge hit").

[92] Several services provide information regarding web sites' traffic over a period of time. See www.comscore.com; http://siteanalytics.compete.com. But it is unclear whether such data can help courts draw reliable conclusions about whether infringing works on a

may be locked in a vicious circle: if proving causation requires a "before and after" showing with respect to the defendant website, but the "after" data cannot be acquired without ordering the website to filter out infringing material, then either the copyright owner in effect obtains the requested relief (compelling proactive steps on the part of the website) before it has made the required showing, or the relief is denied for lack of a showing which cannot be made without ordering the website to take the very action it resists.

Statutory Conditions for Limitation on Liability: Right and Ability to Control Infringing Activity

Even if the "direct financial benefit" standard is met, the service provider will not be disqualified from the safe harbor unless it also had the "right and ability to control" the infringing activity. Some courts appear to interpret the control element differently depending on whether they are applying common law principles of vicarious liability, or the Section 512(c) criteria. In the common law context, courts will rule that a defendant online service provider has the "right and ability to control" an infringing activity if it can block attempts to use its online service for infringing activities. [93] By contrast, some courts have found that the ability to block access to infringing uses of a website does not of itself mean that an online service provider has the "right and ability to control" for the purposes of Section 512.[94] The rationale for this departure from the common law caselaw appears to derive from other aspects of Section 512. Section 512(c)(1)(C) conditions qualification for the safe harbor on expeditious removal of the infringing content once the service provider is properly notified of its existence. To qualify for the statutory exemption, then, the service provider must have the ability to block access, at least once the material has been posted. But if the ability to

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website acted as a draw. For example, Compete has a measure—"people count"—which purports to track how many people visit a website each day. Many of the filtering service Audible Magic's most notable clients did not report a drop in traffic (according to this ranking) after announcing a plan to implement its filtering technologies, although other entrepreneurs did experience loss of traffic to their sites. The lesson to draw from this information is unclear. Perhaps those websites who did not lose audience did not depend on infringing materials in the first place. Or perhaps the filtering technology has not been effective. Or, even if the technology works as intended, perhaps the websites that saw an increase in traffic might have seen an even greater increase had they not implemented the filtering technology. Attempts to draw conclusions by comparing sites that do filter with those that do not are not likely to be very probative because different levels of traffic may result from characteristics of the websites that have nothing to do with filtering. For example, it is doubtful that one could reliably attribute Myspace's slower growth relative to its competitor Facebook's to Myspace's filtering, when Facebook's other alleged advantages include improved third-party content, different demographic, reduced exposure to criticisms regarding stalking and pornography.

[93] See, e.g., Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., 907 F. Supp. 1361, 1375-76 (N.D. Cal. 1995); A&M Records v. Napster, Inc., 239 F.3d 1004, 1023-24 (9th Cir. 2001).

[94] See, e.g., Costar Group, Inc. v. Loopnet, Inc., 164 F. Supp. 2d 688, 704-05 (D. Md. 2001); Hendrickson v. Ebay, Inc., 165 F. Supp. 2d 1082, 1093-94 (C.D. Cal. 2001)

block access also meets part of the standard for disqualification from the exemption, then the statute would be incoherent.[95]

Thus, in this view, "right and ability to control" under Section 512(c)(1)(B) must mean something more than a subsequent ability to block access. Section 512(c)(1)(B) already sets out an additional element: receipt of a direct financial benefit, so perhaps it is not necessary to devise what one might call a "common law plus" interpretation of "right and ability to control." Alternatively, "something more" might mean an ability to intervene before the infringing content is placed on the website.[96] But this plus factor presents its own anomalies: if the service provider must be more closely implicated in the user's activities in order to have the requisite control, then this condition on the safe harbor would be redundant: the service provider would already be disqualified on the Section 512(c)(1)(A) ground that the service thereby acquires forbidden knowledge of the user's activities, or on the Section 512(c) threshold ground that the services it provides exceed the mere storage and communication of user-posted content.

Moreover, it is not clear why recognizing post-hoc ability to block access as satisfying the "right and ability to control" prong would in fact make the statute incoherent (or, at least, any more incoherent than it arguably already is). It seems clear that a Section 512(c) service provider cannot benefit from the safe harbor if it sets up a system that disables it from exercising any control over user postings: while absence of control would meet the Section 512(c)(1)(B) criterion, the service provider would then fail to qualify under Section 512(c)(1)(C) because it would not be able to block access to the infringing content. Thus, the inconsistencies of the statutory scheme are readily apparent when one considers that the level of control requisite to qualifying under (C) might also cause disqualification under (B), and that the inability to block access qualifies the service provide under (B), but disqualifies it under (C).

It appears, despite the complexities of Section 512, that the statutory prerequisites for application of the safe harbor should sufficiently resemble the common law standards of secondary liability that the statute is not likely to herd *Grokster* goat-type businesses together with the *Sony* sheep. A website that is not economically viable without its users' infringements, or which significantly benefits from infringement, should not qualify for the safe harbor. Some undesirable mixing may occur among the ovine population, but on the whole, we can hope that Internet business practices evolve along some combination of the lines proposed in the Principles for User Generated Content Sites and the Fair Use Principles for User Generated Video Content, or in the event of litigation, that U.S. courts apply the statute in a way that keeps each variety in its proper pen. To

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[95] *Costar Group*, 164 F. Supp. 2d at 704 n.9; *Hendrickson*, 165 F. Supp. 2d at 1093-94.

[96] See Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d 1181-82 (C.D. Cal. 2002) ("Here Cybernet prescreens sites, gives them extensive advice, prohibits the proliferation of identical sites, and in the variety of ways mentioned earlier exhibits precisely this slightly difficult to define 'something more.'"); Tur v. Youtube, Inc., CV 06-4436 FMC (AJWx), 2007 U.S. Dist. LEXIS 50254, at *9-10 (C.D. Cal. June 20, 2007), ("the requirement [of 'something more'] presupposes some antecedent ability to limit or filter copyrighted material").

belabor the agrarian metaphor, do European courts' constructions of the similar criteria set out in the EU eCommerce Directive[97] suggest similarly successful shepherding?

III. A CONTINENTAL COMPARISON

The European Union eCommerce directive provides a framework heavily inspired by § 512 of the U.S. Copyright Act. Article 14 allows member States to implement a notice-and-takedown regime for services "that consist[] of the storage of information provided by a recipient of the service," subject to conditions reminiscent of those contained in § 512(c), including absence of "aware[ness] of facts or circumstances from which the illegal activity or information is apparent." Article 15 prohibits member States from "imposing a general obligation . . . to monitor the information which they . . . store, nor a general obligation actively to seek facts or circumstances indicating illegal activity." The Recitals provide additional context to this prohibition. Recital 47 states: "Member States are prevented from imposing a monitoring obligation on service providers only with respect to obligations of a general nature; this does not concern monitoring obligations in a specific case . . ." Recital 48 further specifies: This Directive does not affect the possibility for Member States of requiring service providers, who host information provided by recipients of their service, to apply duties of care, which can reasonably be expected from them and which are specified by national law, in order to detect and prevent certain types of illegal activities." Pre-posting filtering may therefore come within the duty of care that member States may impose on host services.

Four recent French decisions concerning user-generated websites, one the French version of My Space[98], another the "Daily Motion" site[99] (sometimes referred to as "the French YouTube"), and the other two the Google Video site, [100] have resulted in monetary and preliminary and permanent injunctive relief based on the liability of the social networking website operator. In all four cases, the website operators unsuccessfully invoked statutory provisions limiting the liability of internet service providers who "stock information furnished by a recipient of the service."[101] French law implementing the eCommerce Directive, like its U.S. counterpart, limits the liability of qualifying service providers if the service providers respond to copyright-owner notices to take down infringing content, or,

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[97] Council Directive 2000/31, art 14, 2000, O.J. (L 178), 3.

[98] Tribunal de Grande Instance de Paris, decision of 22 June 2007 entering preliminary injunction (ordonnance en référée), forthcoming Rev.Int. Dt. D'Auteur (2007).

[99] Tribunal de Grande Instance de Paris, decision of 13 July 2007, entering preliminary injunction, forthcoming Rev.Int. Dt. D'Auteur (2007).

[100] Tribunal de grande instance de Paris 3d chamber, 2d section, Judgment of 19 October 2007, Zadig Productions et autres / Google Inc, Afa, http://www.legalis.net/jurisprudence-decision.php3?id_article=2072; Tribunal Commercial de Paris, 8th Chamber, Judgment of 20 February 2008, Flach Films v. Google Video, http://www.legalis.net/jurisprudence-decision.php3?id_article=2223

[101] See France, Law promoting confidence in the digital economy (LCEN) of June 21, 2004, art. 6-I, 2° (transposing article 14 1° of the European Directive on electronic commerce of June 8 2000).

if the infringing character is "apparent," to intervene of their own accord to block access to it. The first-level court in *My Space* inferred from this definition that only service providers who limit their activities to simply storing and communicating the user-posted material benefit from the exemption; further participation in the presentation or organization of the material casts the service provider in the role of a "publisher" and therefore disqualifies the service provider from the liability limitation. The court ruled that My Space's organization of its website to assist users in presenting the posted content, and its presentation of profit-generating advertisements linked to the user pages exceeded the modest service provider role prescribed by the statutory exemption. Rather, these activities converted My Space into a publisher, with attendant liabilities for copyright infringement.

The *My Space* court followed the host service provider/publisher distinction implemented by the Paris Court of Appeals in a case brought by the publisher of the Lucky Luke and Blake & Mortimer comic books against the French service provider Tiscali.[102] One of Tiscali's subscribers operated a webpage offering downloads of full copies of the comic books from its webpage. Tiscali asserted the statutory immunity, but the appeals court, reversing the lower court, held that Tiscali should be deemed a "publisher," rather than a mere service provider, because Tiscali's "involvement did not limit itself to simply providing technical [storage and communication] services once it proposed to create internet users' webpages . . . Tiscali must be deemed to be a publisher . . . because it offers advertisers the opportunity to place paid advertising space directly on subscribers' webpages."

The *Daily Motion* court awarded a preliminary injunction against the operator of a user-generated content site, but not on the ground that the service provider should be deemed a "publisher" whose involvement in presenting the user-generated content exceeded mere storage of user-generated material. The court stated that coordinating the placement of advertisements next to user-posted material did not justify the "publisher" characterization, because the "essence of the publisher's role is personally to initiate the dissemination" of the content. According to the court, personal intervention at the origin of the communication of the content justifies the publisher's liability. The court nonetheless held that Daily Motion did not qualify for the statutory exemption because the infringing character of the user postings should have been apparent:

> It cannot seriously be claimed that the purpose of the architecture and technical means put into place by Daily Motion served only to permit anyone and everyone to share his amateur videos with his friends or with the community of web users, when these means aimed to demonstrate the capacity to offer to the user community access to all kinds of videos without distinction [between amateur and proprietary content], while all the time leaving it up to users to fill up the site under such conditions that it was evident that users would do so with copyrighted works, that, as the plaintiffs correctly

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[102] See Paris Court of Appeals, decision of 7 June 2006, Tiscali Media / Dargaud Lombard, Lucky Comics, http://www.legalis.net/jurisprudence-decision.php3?id_article=1638

> point out, the success of the business necessarily supposes the dissemination of works known to the public, for only these are of a nature to increase the audience and correspondingly to ensure advertising revenues . . . Daily Motion must be deemed to have been aware at the very least of facts and circumstances that would lead one to believe that illicit videos are being posted, that it therefore falls to Daily Motion to take responsibility, without passing the fault solely onto the users, once the company has deliberately furnished the users the means to commit the wrongful act.
>
> Although the law does not impose on service providers a general obligation to ascertain infringing activities, this limitation does not apply when those activities are generated or induced by the service provider.

This decision goes much further than its predecessors, for it seems to create an "inducement" exception to the statutory safe harbor. The court perceives that the economy of the website depends on the availability of copyrighted works; these draw the audience that in turn attracts the advertisers. Although the site did not explicitly solicit postings of infringing material, the court found it implausible that a site containing only amateur-generated content could be economically viable. Thus even if Daily Motion built a facially neutral site, it should have anticipated (if it did not in fact intend) that those who would come to the site would be seeking copyrighted works, and that other visitors to the site would oblige that demand. In this context, the presence of illicit content would be "apparent," and the service provider would not have met the statutory precondition that it "not effectively have knowledge of the unlawful character [of the stored content] or of facts and circumstances making the illicit character apparent."

This approach to what makes infringement "apparent" is much bolder than the kinds of "red flags" advanced to rebut the application of Section 512(c) of the U.S. copyright act; those arguments tend to be more "retail" in focusing on the file name or the level of traffic to the website location. The *Daily Motion* court's analysis, concentrating on the "architecture" of the website, offers a "wholesale" perspective, and one which, while perhaps consistent with economic reality, is a rather aggressive reading of the statutory knowledge standard. Under the court's approach, if the "architecture" can be expected to attract infringements, the service provider incurs a pro-active obligation to prevent infringement; it may not sit back and wait to be notified by the copyright owners. The service provider's ability to anticipate infringement in general (if you build the site, infringers will come) becomes tantamount to having effective knowledge of particular "facts and circumstances making the illicit character [of the postings] apparent." [103]

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[103] The sense of moral condemnation that appears to inform the *Daily Motion* court's analysis is consistent with the inducement rationale for secondary liability, but the facts may also lend themselves to a "best cost avoider" approach as well. Compare Yen, supra note [x] (comparing fault-based and strict liability-based approaches to contributory infringement, and preferring the former), with Mann and Belzley, supra note [y] (proposing that liability fall on the party best situated to avoid the occurrence of the harm)..

Perhaps because the *Daily Motion* court's analysis betrayed more r*eal-economik* than is typical for a French court (or even an American court), the most recent decisions offer less venturesome grounds for finding the user-generated site service providers "aware" of infringement, and thus disqualified from the statutory limitations on liability. In both cases, liability turned on determining whether and when a take-down notice would shift the burden from plaintiff's obligation to notify to the service provider's obligation to screen out the offending content. In *Zadig Prods. v. Google Video,* the plaintiff documentary film director found his work posted to the Google Video site, and sent a take-down notice. Google responded promptly, but the film reappeared two days later. The plaintiff sent another take-down notice, to which Google responded, but some months later the film reappeared a third time. After the fourth go-around, the plaintiff initiated an infringement action against Google. He asserted that Google should be considered a "publisher" unqualified for the liability limitation. He also contended that even if the "service provider" characterization applied, Google could no longer passively await notification by the copyright owner; having already been put on notice, Google should bear the burden of ensuring against repeat postings. The court rejected the argument that Google was a "publisher:" "that Google Video offers the users of its service an architecture and the technical means allowing a classification of the contents of the site – services in any event necessary to render the content accessible to the public – does not suffice to deem Google a publisher when it is a given that the users themselves furnish the content." The court then held, however, that the first take-down notice alerted Google to the infringement not only for the first posting, but for the future. "Once informed of the illicit character of the content at issue by virtue of the first notification, it was up to Google to put into place all means necessary to avoid a new posting. . . . The argument that each posting should be deemed a new event requiring a new notification must be rejected because, while the successive postings are imputable to different users, their content, and the concomitant intellectual property rights, are identical." One notice thus sufficed to trigger a burden shift to Google to prevent future postings of the noticed content.

Four months later, the Commercial Court of Paris echoed the *Zadig* court's rulings, awarding damages and a permanent injunction against google Video in a case presenting very similar facts. In *Flach Films v Google Video,* The owner of the French videostreaming rights in a documentary, "Le Monde Selon Bush" ("The World According to Bush"), discovered on the Google Video site three unauthorized links to free streams or downloads of the film. The right owner sent a take-down notice to Google Video on October 6, 2006. Google replied on October 10 that it had disabled the three links. Plaintiff proved, however, that one of the three links was back up on the Google Video site on October 17, and that more links were accessible on November 7, 13 and 14, 2006, as well as on March 30, April 10 and May 15,2007. The court rejected plaintiff's argument that Google Video was a "publisher"; nonetheless, the Court ruled that Google Video, albeit a "host service provider," was liable for hosting unauthorized video content posted after October 10:

> Whereas as of that date it was up to Google Video to render access to the film impossible, and this evidently was not done and has harmed the

> rights of third parties, Google Video cannot avail itself of the [statutory] limitation on liability, with regard to facts proven to have occurred after October 10, 2006 concerning the dissemination of the same content.
>
> Whereas the defendants cannot demonstrate any technical impossibility in exercising the necessary supervision [of its site], the defendants have in fact demonstrated that there exist increasingly sophisticated means that allow them to identify illicit content, and that they implement these means to eliminate child pornography, apologia for crimes against humanity, and incitements to hatred

The two *Google Video* judgments concur that "awareness" attaches with the first take-down notice. As a practical matter, these decisions instruct user-generated content sites to create a black list: once a site receives the first take-down notice, it should not only remove the noticed content, but add the identifying information to a filter that will block future postings of the same content.

Underlying all the statutory safe harbor cases, whether French or American, is the policy issue of which party should bear the burden of ascertaining and preventing infringement: the copyright owner, or the entrepreneur who allegedly attracts and benefits from the infringements. The safe harbors remove pre-clearance of user postings from the costs of doing business as a service provider, but this may assume that the copyright owner is better situated to discover infringements than is the service provider. As *Zadig Productions* illustrates, however, when the copyright owner is an individual creator, the burden of monitoring and notifying can be significant, especially if the creator must forever keep monitoring sites already alerted to past infringements of the same material. The relative resources of the documentary filmmaker and of Google may have supplied an unspoken reason for the court to shift the burden to the service provider after the initial take-down notice. *Flach Films* generalizes the proposition; albeit not an industry giant, the plaintiff there was not an individual filmmaker, but *Zadig Productions*' "one strike" approach still prevailed.

Allocating the clearance burden at least initially to copyright owners also assumes that the service provider's business is not built on or does not specifically benefit from infringement. *Daily Motion* tightens the nexus between providing services and fostering infringement in a way that shifts the inquiry from the service provider's specific wrongful acts to the generalized risk its service creates of promoting infringement.[104] As a practical matter, in light of the kind of filtering technology evoked in *Flach Films*, the pre-clearance task may be far less onerous than the US Congress in 1998 and the EU Commission in 2000 may have expected. As a result, technological evolution may be in the process of discrediting the premises of the copyright owner-service provider balance struck in the DMCA and in the eCommerce Directive; at least this evolution raises the question whether these statutory schemes leave room for some reallocation of the enforcement burden. The kinds of filtering practices proposed in the Principles for User

[104] I owe this observation to Professor Pierre Sirinelli, whose commentary on *Daily Motion* and *MySpace* appear in a forthcoming issue of the Revue Internationale du Droit d'Auteur (RIDA).

Generated Content Services undertake the burden-shift voluntarily (albeit in the shadow of the Viacom-Google litigation). It remains to be seen whether more national courts determine that the text, albeit perhaps rooted in a bygone technological moment, permits the kinds of recalibration the *Daily Motion* and (somewhat less radically) *Zadig Prods*. and *Flach Films* courts undertook.

CONCLUSION

Common law standards, and the statutory criteria of the U.S. service provider safe harbors, condition the imposition of derivative liability on a fairly close correspondence between the challenged business models and the infringements they allegedly spawn. To return to the much-abused agricultural metaphor, the *Grokster* goats are those entrepreneurs who either intentionally foster infringements, or who continue to benefit from infringements once they learn of their occurrence - or once their occurrence should have been apparent - and take no reasonably available steps to avoid them. *Daily Motion* may reinterpret "apparent" to mean "reasonably anticipatable," and the *Google Video* decisions hold infringement "apparent" after a single notice. Both thus more readily shift to the Internet entrepreneurs the burden of preventing infringement. Under the *Sony* standard, the mere ability to anticipate that the technology will cause some infringement (without a concomitant capacity to prevent specific infringements) does not suffice to establish contributory infringement[105] (though one might query whether the ability to anticipate that the technology will cause *massive* infringement removes the technology from the *Sony* shelter to the *Grokster* standard[106]). From an Internet entrepreneur's perspective, the French decisions may be reclassifying too many sheep as goats. From a copyright owner's point of view, it remains to be seen whether, if the *Daily Motion* or *Google Video* approaches take hold in Europe, they prove the more adept at animal husbandry because they are better able to discern a goat in sheep's clothing.

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[105] See supra notes 11-143.

[106] Arguably, that capacity may be incipient in *every* Web 2.0 business; it all depends whether the business turns out to be extremely successful.