

Thwack!! Take That, User-Generated Content!: *Marvel Enterprises v. NCSoft*

Carl Michael Szabo*

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* Carl M. Szabo is an associate at the law firm of Wildman, Harrold, Allen & Dixon, LLP, working in the area of intellectual property. He recently served as a member of the anti-piracy offices of both the Motion Picture Association of America (MPAA) and the Entertainment Software Association (ESA).

A former computer programmer and Web site designer for the National Aeronautics and Space Administration (NASA), Mr. Szabo also designed the logo, print, and electronic content for the Federal Trade Commission's consumer Internet awareness program, a program he helped publicize in newspapers nationwide, including *The Washington Post*. He previously served as a law clerk at Arnold & Porter, LLP, and as a management analyst at the United States Office of Government Ethics. Mr. Szabo graduated *magna cum laude* from the Columbus School of Law at Catholic University with a certificate from the Communications Law Institute and earned a B.A. from Rice University, graduating as an Outstanding Senior in Economics, Managerial Studies, and Policy Studies. His previously published works include *Attempting to Herd Spam and the Effects of White Buffalo Ventures, LLC v. University of Texas at Austin*, 7 TEX. REV. ENT. & SPORTS L. 63 (2006). The Author would like to thank the Hon. Edward J. Damich and all of his friends and family.

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I. INTRODUCTION

Copyright protection, a constitutionally established right,¹ is now endangered due in part to changes in technology. Established before the United States itself,² American copyright protection has continued even as the media it protects have grown and changed. Copyright law has survived both the American Revolution and the Industrial Revolution. However, facing the Internet Revolution, copyright law, as it existed for hundreds of years, may become extinct unless it evolves with new technology.

The online world, with the ability to create instant, anonymous copies of words, pictures, sounds, and videos, has become a breeding ground for unfettered copyright violations.³ The advent of user-generated content (UGC)⁴ further creates a significant venue for copyright infringement: a

1. U.S. CONST. art. I, § 8, cl. 8 (empowering Congress to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).

2. Created in 1709, the Statute of Anne established the common law copyright for the American colonies. Statute of Anne, 8 Anne c. 19 (1710).

3. See, e.g., Posting of Zack Whittaker to ZDNet, <http://blogs.zdnet.com/igeneration/?p=2663> (Sept. 2, 2009, 08:39 AM).

4. Defined as “*i*) content made publicly available over the Internet, *ii*) which reflects a ‘certain amount of creative effort’, and *iii*) which is ‘created outside of professional routines

situation in which the rights of UGC-hosting Web sites (UGC sites) are often antithetical to the rights of copyright holders.

Eventually this situation will be resolved. It almost happened not too long ago through the copyright infringement suit *Marvel v. NCSoft Corp.*⁵ Had that suit not resulted in settlement, a court decision would have determined the liability of a UGC provider for copyright infringement. The court most likely would have upheld copyright holders' rights, making the UGC provider liable for secondary infringement and forcing all UGC sites to change or shut down.

Despite conflicts between UGC sites and copyright holders, a solution exists. Striking a balance between these two competing interests represents a significant challenge comparable to that posed by the Gordian knot:⁶ either spend years trying to untangle it or simply cut it with a sword. What follows is an attempt at such an Alexandrian feat.

This Article looks at and attempts to temper—through judicial, legislative, and ultimately federal methods—the effects of UGC on copyright holders and society. Part II of this Article addresses the history, growth, and exponential expansion of UGC. Next, Part III looks at the issues that arise between copyright holders and UGC sites. Part IV investigates the legal status of copyright law as it pertains to the Internet and explores how courts currently struggle to adapt copyright law to fit the online world. Since the case at issue, *Marvel*, involves the infringement of superhero copyrights, Part V looks at the degree of copyrightability afforded to superheroes. Analyzing the *Marvel* case, Part VI discusses the history of this UGC-related case and applies tests established by the federal courts to postulate a hypothetical outcome. Part VII analyzes the effects of a hypothetical decision in *Marvel* and proposes an alternative for the UGC copyright dilemma by using federal intervention to obviate any injustices. Lastly, Part VIII provides concluding statements.

and practices.” DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY, COMMITTEE FOR INFORMATION, COMPUTER AND COMMUNICATIONS POLICY, PARTICIPATIVE WEB: USER-CREATED CONTENT 4 (Organisation for Economic Co-operation and Development Apr. 12, 2007), available at <http://www.oecd.org/dataoecd/57/14/38393115.pdf>.

5. *Marvel Enters. v. NCSoft Corp.*, No. CV 04-9253RGKPLAX, 2005 WL 878090 (C.D. Cal. Mar. 9, 2005).

6. See Lynn E. Roller, *Midas and the Gordian Knot*, 3 CLASSICAL ANTIQUITY 256 (1984). The mythological Gordian knot was an incredibly complicated knot that could never be untied, connecting an ox-cart to a post. Alexander the Great allegedly “solved” the knot by cutting it rather than untangling it. *Id.*

II. THE GROWTH OF USER-GENERATED CONTENT

A. *The Birth of User-Generated Content*

Initially, the Internet consisted of nothing more than virtual bulletin boards on which users could post messages⁷ consisting only of original content that users created and posted.⁸ However, within a short period, the Internet changed from being originally created content to commercially produced content.⁹ Then, beginning in the early 2000s, the Internet came full circle with the inception of original UGC.¹⁰ UGC allows users, not only to use information provided online, but also to create and add their own information to what is already available, making UGC “by users for users.”¹¹ UGC technology enables users to readily contribute to the Internet¹² while continuing to use the Internet as a source of information.

UGC initially manifested itself through wiki pages, a cooperative encyclopedia of knowledge built with user-contributed information,¹³ and blog sites, user-created online diaries.¹⁴ The user-created data on UGC sites remain on the sites’ servers, enabling other users to request and download the information.¹⁵ While instrumental in the conception of UGC, these initial sites limited themselves to text.¹⁶ Soon, however, the capacities of UGC sites grew in ways that enabled users to stay connected to each other through the use of text, sound, and eventually, video.¹⁷

7. Ben Garrett, *Online Software Piracy of the Last Millennium*, § 2 (2004), available at <http://www.defacto2.net/includes/documentsweb/Online%20Software%20Piracy%20of%20the%20Last%20Millennium%201.0.pdf>.

8. *Id.*

9. *See id.* at § 3.

10. See Organisation for Economic Co-operation and Development Directorate for Science, Technology and Industry, Committee for Information, Computer and Communications Policy, Participative Web: User-Created Content at 13-18, DSTI/ ICCP/IE (2006)7 final (Apr. 12, 2007), available at <http://www.oecd.org/dataoecd/57/14/38393115.pdf>.

11. *See id.* at 8-9.

12. UGC provided users a significantly easier and more intuitive method for contributing their knowledge to the Web.

13. “A wiki is a Web site that allows users to add, remove, and otherwise edit and change content (usually text) collectively.” DSTI/ ICCP/IE (2006)7 final, *supra* note 10, at 18.

14. *Id.* at 16. *See, e.g.*, On the Tip of My Fingers, <http://chele76.blogspot.com/> (last visited Mar. 21, 2010).

15. *See* User Generated Content Principles, <http://www.ugcprinciples.com/> (last visited Apr. 7, 2010).

16. *See* DSTI/ ICCP/IE (2006)7 final, *supra* note 10, at 18.

17. *See e.g.*, YouTube- Broadcast Yourself, <http://www.youtube.com/> (last visited Apr. 9, 2010).

B. *User-Generated Content Develops*

UGC sites appeared in droves in the early 2000s,¹⁸ breaking away from the mold of simple text-based communication. Sites, such as Facebook¹⁹ and MySpace,²⁰ allow users to send messages, upload and “tag” photos, and reconnect with long-lost associates.²¹ While the number of users and amount of revenue generated from UGC sites grew exponentially,²² UGC sites expanded still further into new realms, including the realm of video games.²³

YouTube²⁴—a site where users can upload, watch, and download copies of both home-made and professionally created movies and songs²⁵—currently represents the most public example of UGC sites. In 2006, talk surrounded YouTube²⁶ as the future of communication²⁷ and content interaction among individuals.²⁸ YouTube became such an important business and communications asset that, in October of that same year, Google acquired YouTube for \$1.65 billion.²⁹ Since acquisition, YouTube’s user base has increased eighty-four percent from previous years³⁰ with daily uploads of over 100 million new videos.³¹

18. See DSTI/ ICCP/IE (2006)7 final, *supra* note 10, at 61. These included sites, such as YouTube, <http://www.youtube.com> (last visited Apr. 9, 2010), MySpace, <http://www.myspace.com> (last visited Apr. 9, 2010), and Facebook, <http://www.facebook.com> (last visited Apr. 9, 2010).

19. Facebook, *supra* note 18.

20. MySpace, *supra* note 18.

21. See, e.g., Facebook, *supra* note 18.

22. For instance, in 2007, Facebook was valued at an estimated \$300 million, with over forty million users. Emma Carroll, *The Battle for Facebook*, THE INDEPENDENT, Sept. 26, 2007, available at <http://www.independent.co.uk/news/business/analysis-and-features/the-battle-for-facebook-403557.html>.

23. Scott Sharkey, *Why User Generated Content Has Failed To Change the Face of Gaming*, IUP.COM, Mar. 11, 2009, <http://www.iup.com/do/feature?cId=3173199>. For example, the video game *Little Big Planet* provides users the tools necessary to create levels and upload them for others’ use. See *id.* See also LittleBigWorkshop.com, <http://www.littlebigworkshop.com/en-us/> (last visited Apr. 9, 2010).

24. See YouTube- Broadcast Yourself, Company History, http://www.youtube.com/t/company_history (last visited Apr. 9, 2010).

25. See *id.*

26. See, e.g., Daniel Henninger, *What’s YouTube? After \$1.65 Billion, It’s Time To Learn*, WALL ST. J., Oct. 13, 2006, available at <http://www.opinionjournal.com/columnists/dhenninger/?id=110009081> (discussing the background and future implications of YouTube); Yuki Noguchi & Sara Kehaulani Goo, *To the Media, YouTube Is a Threat and a Tool*, WASH. POST, Oct. 31, 2006, at D1 (addressing the potential uses of YouTube).

27. See Henninger, *supra* note 26.

28. *Id.*

29. Paul R. La Monica, *Google To Buy YouTube for \$1.65 Billion*, CNNMONEY.COM, Oct. 9, 2006, <http://money.cnn.com/2006/10/09/technology/googleyoutube/index.htm>.

30. Eric Auchard, *YouTube Helps Video Creators Track Viewership*, REUTERS, Mar. 27, 2008, available at <http://www.reuters.com/article/idUSN2627925720080327>. This is an

C. Two Types of UGC Emerge

Despite all the praise UGC received,³² it ultimately fractured into two types of content: lawful and unlawful. Lawful content—original UGC uploaded to a UGC site³³—operates in accordance with copyright law. However, unlawful content—third-party-created content, such as commercial movies, uploaded by a user to a UGC site³⁴—operates in violation of copyright law. This second form of UGC creates the underlying problems facing many UGC sites.

III. COPYRIGHT INFRINGEMENT DEGRADES USER-GENERATED CONTENT SITES

Initially, UGC sites, such as YouTube, were developed to host only original content created by users. However, other sites³⁵ were developed specifically to host user-uploaded, third-party-created copyrighted content. While only this second group of UGC sites intended to infringe on copyright laws, the lines between the two types of UGC sites soon blurred.³⁶ Eventually, UGC sites that were created with no intent to host copyrighted content uploaded by users nonetheless became repositories for copyrighted material, in violation of copyright laws. Innocently created YouTube provides such an example. Shortly after its creation, YouTube stored and made available for copying thousands of pieces of user-uploaded, copyright-infringing material on its site.³⁷

Because of the uploading and downloading of copyrighted content by UGC sites' users, secondary liability may exist for UGC sites like

increase to over 269 million monthly users worldwide in February 2008. *Id.* This includes over seventy-two million users in the United States alone in January 2009. Site Profile for YouTube.com (rank #5), <http://siteanalytics.compete.com/youtube.com?metric=uv> (last visited Apr. 9, 2010).

31. *YouTube Serves up 100 Million Videos a Day Online*, USA TODAY, July 16, 2006, available at http://www.usatoday.com/tech/news/2006-07-16-youtube-views_x.htm.

32. See, e.g., Camille Beredjick, *YouTube a Candid Camera for Our Generation*, TAMPA BAY ONLINE, May 2, 2008, available at <http://www.tbo.com/content/2008/may/02/na-youtube-a-candid-camera-for-our-generation/>.

33. For example, a home video that is later uploaded to a UGC site.

34. For example, a commercially produced movie that is uploaded to a UGC site.

35. For example, TVOkay facilitates users uploading pirated movies for other users to stream. See Tvokay, Frequently Asked Questions, <http://tvokay.com/faq.html> (last visited Apr. 14, 2010).

36. For example, pirated content became available on "legitimate" UGC sites, such as YouTube. See, e.g., *Viacom Int'l v. YouTube, Inc.*, 540 F. Supp. 2d 461 (S.D.N.Y. 2008).

37. Within one year of operation, YouTube faced a lawsuit from a video photographer. Soon after, it received over 30,000 takedown notices and faced several lawsuits for the infringing content on its Web site. John B. Meisel, *Economic and Legal Issues Facing YouTube and Similar Internet Hosting Web Sites*, J. INTERNET L., Feb. 2009, at 1, 8.

YouTube.³⁸ This type of copyright law violation creates a difficult tug-of-war among copyright holders trying to protect their rights; UGC sites, which provide a desired service; and the public, which depends upon the communication outsourcing that UGC sites provide.

While UGC sites provide a significant public good, they must also ensure that they safeguard the interests of all parties affected. As the backlash by copyright holders against UGC sites increases,³⁹ a third-party solution may provide a solution for all parties involved.

IV. THE LEGAL STATE OF SECONDARY INFRINGEMENT

The concept of unjustified income permeates law and judicial decisions.⁴⁰ For example, a neighbor cannot freely feed his cattle from another person's crop, and a worker must be paid for tasks completed. These examples delineate clearly that benefits should be compensated for when they are earned at another's detriment.

The concept of unjustified income extends to copyright law when one party, without permission, generates a financial benefit from the copyrighted material of another.⁴¹ Courts sometimes attempt to rectify unjustified benefit by adjusting legal concepts in the interest of fairness.⁴² Currently, courts use the concepts of contributory infringement and vicarious liability as starting points to rectify this imbalance as it affects online copyright law.⁴³

A. Secondary Infringement—Defining Contributory Infringement and Vicarious Liability

Secondary infringement stems from tort law.⁴⁴ Under secondary infringement, as opposed to direct liability, the liable party is a secondary

38. See, e.g., *Viacom Int'l v. YouTube, Inc.*, 540 F. Supp. 2d 461 (S.D.N.Y. 2008).

39. This is best seen by the increasing number of lawsuits against YouTube for copyright infringement. See Meisel, *supra* note 37.

40. See, e.g., 42 C.J.S. *Implied and Constructive Contracts* § 5 (2008) (“A subcontractor cannot sue on quantum meruit for work done under an express contract with another person . . . [and w]here there is a contract between two persons for the furnishing of services to a third, the latter is not liable on an implied contract simply because he or she has received such services.”).

41. See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940) (stating that copyright laws were written to prevent free riding).

42. For example, the Supreme Court created the active inducement test as an attempt to maintain fairness in copyright law. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 914 (2005).

43. See *infra* Part IV.B.

44. See C. Colin Rushing, *Grokster, the Supreme Court, and You: Why the VC Community Should Care About Contributory and Vicarious Copyright Infringement*, VENTURE CAPITAL REV., Spring 2005, at 17, available at <http://www.wilmerhale.com/files/Publication/08fb9f14-2028-47ab-b1ad-0518b97eca3a/>

party to the infringement, not the infringing party itself.⁴⁵ Thus, under secondary infringement, the liable party need not commit the actual copyright infringement, but only involve itself in the infringement to a significant degree.⁴⁶ Courts have applied the concept of secondary infringement to copyright law in the form of either contributory infringement or vicarious liability, or both.⁴⁷

In copyright law, contributory infringement and vicarious liability establish the requisites for determining a secondary party's involvement in an instance of copyright infringement.⁴⁸ Contributory infringement originally required that the secondary party, "[1] with knowledge of the infringing activity, [2] induces, causes or materially contributes to the infringing conduct of another."⁴⁹ Similarly, vicarious liability required that the secondary party "(1) has the right and ability to control the infringer's acts and (2) receives a direct financial benefit from the infringement."⁵⁰ Despite the differing definitions, contributory infringement and vicarious liability tend to blend together in case law.⁵¹ Nonetheless, these definitions provide a strong springboard for the application of secondary infringement to copyright law.

B. *Applying Secondary Infringement to Network Administrators*

The courts regularly adapt their original interpretations of contributory infringement and vicarious liability to meet the needs of

Presentation/PublicationAttachment/956b926f-831d-47c5-b1d3-14731b0e4125/VCopyright Infringement_WH.pdf.

45. This is "intended to impose copyright liability on those who are not direct infringers but who are sufficiently related to the infringing activity that courts think they *should* be liable for the infringement." *Id.*

46. *Id.*

47. *See, e.g.,* Sony v. Universal City Studios, 464 U.S. 417, 439 (1984). The copyright law interpretations of contributory infringement and vicarious liability stem from patent law. *Id.* at 440-42.

48. Contributory infringement and vicarious liability represent a form of enterprise liability. 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04[A][2], at 12-68 (1992).

49. Gershwin Publ'g Corp. v. Columbia Artists Mgmt., 443 F.2d 1159, 1162 (2d Cir. 1971) (internal citations omitted). *See also* CoStar Group, Inc. v. LoopNet, Inc., 373 F.3d 544, 550 (4th Cir. 2004).

50. Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., 907 F. Supp. 1361, 1375 (N.D. Cal. 1995). *See also* Shapiro, Bernstein & Co. v. H. L. Green Co., 316 F.2d 304, 307-309 (2d Cir. 1963).

51. When looking at a copyright suit involving both contributory infringement and vicarious liability, the Supreme Court in *Sony* stated, "the lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn." 464 U.S. at 435 n.17 (internal quotation marks omitted).

changing communications technology, changes that began in 1984⁵² and continue today.⁵³

In 2001, due to increased peer-to-peer⁵⁴ online copying of copyrighted material, the Ninth Circuit, in *A&M Records, Inc. v. Napster, Inc.*, changed the definition of contributory copyright infringement as applied to network administrators.⁵⁵ As a result, courts now hold a network administrator responsible for not halting infringing uses of its products when knowledge thereof, and capacity to do so, exists.⁵⁶ Thus, the two prongs of contributory infringement are (1) failure to prevent distribution of infringing works and (2) reasonable knowledge of an infringing use.⁵⁷

Due to Napster's maintenance of a centralized supernode, a conduit through which all potentially infringing transfers begin,⁵⁸ the Ninth Circuit held that Napster was aware⁵⁹ and capable⁶⁰ of stopping illegal file transfers.⁶¹ Since Napster failed to do so, the court found Napster liable for contributory copyright infringement.⁶²

Napster was also found vicariously liable.⁶³ Using the classic rule of vicarious copyright liability,⁶⁴ the Ninth Circuit found that Napster fulfilled both prongs of vicarious liability by (1) having a centralized server system

52. See *Sony*, 464 U.S. 417.

53. In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), the Supreme Court failed to apply existing contributory infringement and vicarious liability rulings to Grokster and instead created active inducement, a legal theory that does apply to Grokster. Note that this Article does not address the decisions in *Grokster*. The issues affecting *Marvel* and UGC sites alike fall within the auspices of contributory infringement and vicarious liability, and not active inducement.

54. "Peer to peer computer networks are based on transferring information between computers rather than on downloading from a central server. Filesharing applications are a kind of P2P networks [sic]." Dictionary of Net Neutrality, Peer to Peer, <http://netneutrality.koumbit.org/en/node/7> (last visited Apr. 9, 2010).

55. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020-23 (9th Cir. 2001).

56. See *id.*

57. *Id.*

58. Napster employed a supernode at its main indexing servers. When a user engaged in a search, the Napster supernode would search all computers and return the ones that contained the desired files. The centralized supernode allowed Napster full control of all file transfers. Jeff Tyson, How the Old Napster Worked, <http://computer.howstuffworks.com/napster.htm> (last visited Apr. 9, 2010).

59. *Napster*, 239 F.3d at 1021-22.

60. *Id.* at 1022.

61. Because all searches went through Napster's centralized supernode, Napster possessed a valve to shut down the illegal file sharing; however, Napster failed to use it. Napster also could have restricted the searches for and transfer of copyrighted MP3s, but it chose not to do so. *Napster*, 239 F.3d at 1020-25.

62. *Id.* at 1022.

63. *Id.* at 1024.

64. Unlike the definition of contributory infringement, the Ninth Circuit did not alter the definition of vicarious liability. See *id.*

that provided Napster the “right and ability to supervise” its customers⁶⁵ and by (2) receiving a direct financial benefit from an increased customer base as a result of the infringing content.⁶⁶

The *Napster* case imposed on public servers of content a higher legal burden and a potential need for self-policing. Through the decisions in *Napster*, and later *Grokster*,⁶⁷ the courts established a reasonably clear rule to determine when secondary copyright infringement occurs in these types of technologically controlled situations.

V. SUPERHEROES ARE ENTITLED TO COPY PROTECTION TOO

While copyright cases regarding superheroes⁶⁸ date back to the 1930s,⁶⁹ determining what specific content about superheroes is copyrightable remains in question. Initially, the courts attempted to parse the difference between a stock character, one who is not copyrightable, and a unique character, one who *is* copyrightable.⁷⁰ Ultimately, the courts decided that, once a character is drawn and named, copyright protection transforms the character from stock to unique.⁷¹ The courts then delineated the factors to consider when determining if copyright infringement has occurred.⁷² In general, the courts look to a confluence of the following factors in making their decisions:⁷³ a superhero’s costume, name, powers,

65. *Id.* at 1023. The Ninth Circuit took a stern look at the actions of Napster. It stated that “[t]he ability to block infringers’ access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise,” and that “[t]o escape imposition of vicarious liability, the reserved right to police must be exercised to its fullest extent. Turning a blind eye to detectable acts of infringement for the sake of profit gives rise to liability.” *Id.*

66. “Financial benefit exists where the availability of infringing material acts as a ‘draw’ for customers.” *Id.* (internal quotation marks omitted).

67. *See supra* note 53.

68. Defined as “a fictional hero having extraordinary or superhuman powers.” Merriam-Webster Online Dictionary, <http://www.merriam-webster.com/dictionary/superhero> (last visited Apr. 9, 2010).

69. The first instance of comic-book superhero copy protection arose from a suit for copyright infringement of Superman in 1939. *See Detective Comics v. Bruns Publ’ns*, 28 F. Supp. 399 (S.D.N.Y. 1939).

70. *See, e.g., Gaiman v. McFarlane*, 360 F.3d 644 (7th Cir. 2004).

71. Once a character is drawn to paper and named, the courts grant high deference toward finding a unique expression rather than simply the idea of a stock character. *Gaiman v. McFarlane*, 360 F.3d 644, 661 (7th Cir. 2004).

72. *See infra* note 74-76.

73. Courts start by breaking down the alleged copy into different factors. *See Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1443 (9th Cir. 1994) (“[W]hen it comes to the ultimate question of illicit copying, we use analytic dissection to determine the scope of copyright protection before works are considered ‘as a whole.’”); *Warner Bros. v. ABC, Inc.*, 720 F.2d 231, 241 (2d Cir. 1983) (“In determining whether a character in a second work infringes a cartoon character, courts have generally considered not only the visual resemblance but also the totality of the characters’ [sic] attributes and traits.”). For

and plot.⁷⁴ The courts find whether copyright infringement has occurred by comparing the traits of the protected character and those of the allegedly infringing one,⁷⁵ and then determining if the allegedly infringing character is similar enough to remind a viewer of the original superhero.⁷⁶

Each factor pertains to key identifying information about the superhero. Given the importance and distinctive nature of the superhero's costume (i.e., the visible "look" that distinguishes one superhero from another), courts focus on a superhero's costume⁷⁷ by analyzing its shape, color, and accessories.⁷⁸ For most, a popular superhero's name alone conjures discrete images and background information about that superhero which are, themselves, copyrightable.⁷⁹ Similarly, a superhero's particular

examples, see, e.g., *Sid & Marty Krofft TV Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1167-69 (9th Cir. 1977); *Detective Comics v. Bruns Publ'ns.*, 111 F.2d 432, 433 (2d Cir. 1940); *Warner Bros., Inc. v. Film Ventures Int'l*, 403 F. Supp. 522, 525 (C.D. Cal. 1975).

74. "In analyzing the similarities or differences in comic book characters, a reader must take notice of more than the characters [sic] name, powers, and costume. The reader must consider the character's background story, which includes the story of origin and the character's alter ego, personality, and mission." *In re Marvel Entm't Group*, 254 B.R. 817, 824 (D. Del. 2000). *See also* *D.C. Comics Inc. v. Unlimited Monkey Bus.*, 598 F. Supp. 110, 117 (N.D. Ga. 1984) (making its decision, in part, based upon the similarity of "plot structure, phrases, costumes, and names"); *Warner Bros.*, 720 F.2d at 241 (analyzing "not only the visual resemblance but also the totality of the characters' attributes and traits").

75. In *National Comics Publications v. Fawcett Publications*, the plots of the potentially infringing and the copyrighted material failed to overlap. Despite the plaintiff's failure to show substantial similarity on this factor, the court, nonetheless, found infringement due to the other existing factors. 191 F.2d 594, 603 (2d Cir. 1951). The court further emphasized a balancing of factors test by stating that "a plagiarist can never excuse his wrong by showing how much he did not plagiarize." *Id.*

76. When a "new" superhero is so substantially similar to an existing one as to remind a viewer of the original, then courts can find copyright infringement. *See, e.g., Warner Bros.*, 720 F.2d at 243 (deciding that "a concept broad enough to include Superman's costume, his abilities, the well-known lines associated with him—in short, anything occurring in the *Hero* works that might remind a viewer of Superman" constitutes infringement).

77. A majority of courts analyzing the existence of copyright infringement of superheroes look at the actual similarities of the costumes, finding in some instances that "close[] imitating [of a superhero's] costume or appearance in any feat" constitutes infringement. *Detective Comics*, 111 F.2d at 434. *See also Warner Bros.*, 720 F.2d at 242 (spending much of its analysis comparing the potentially infringing superhero's costume to the copyrighted one, and deciding that "the visual perception of the character tends to create a dominant impression against which the similarity of a defendant's character may be readily compared, and significant differences readily noted").

78. In *DC Comics*, the court analyzed all the different components that create Superman's costume: the "blue, skin-tight suit with a yellow, five-sided shield on the chest, emblazoned with the red letter 'S'; a red cape, trunks, and boots; and a gold belt." 598 F. Supp. at 112. *See also Nat'l Comics Publ'ns.*, 93 F. Supp. at 355 (using Superman's costume as a factor in determining copying).

79. For example, the name Superman is typically associated with a blue shirt, a red cape, and the ability to fly. *See, e.g., DCU Comics*, <http://www.dccomics.com/dcu/comics/?cm=10918> (last visited Apr. 9, 2010). Similarly, the name "Spiderman" is

powers can distinguish the superhero from an ordinary person or another superhero. As such, the courts recognized that a superhero's powers define elements of the individual character.⁸⁰ Finally, the courts analyze the plots of the stories that surround the superhero, including both the character's history and adventures.⁸¹

The courts have spent over seventy years⁸² determining which aspects of a superhero deserve copyright protection and under what circumstances that protection has been infringed. While not spelled out with precision in the case history, the underlying logic governing the decisions is to first find a character worthy of copyright protection, balance the four factors stated above, and then decide the degree of infringement.

VI. A CASE FOR SECONDARY INFRINGEMENT THROUGH USER-GENERATED CONTENT: *MARVEL V. NCSoft*

A. Background of the Case

Marvel v. NCSoft is one of the first cases directly addressing UGC. It centered on three companies: (1) Marvel Enterprises, an entertainment company that holds copyrights for over 5,000 characters;⁸³ (2) the NCSoft Corporation,⁸⁴ and (3) Cryptic Studios.⁸⁵ The latter two companies are computer software companies responsible for the creation of online virtual worlds.⁸⁶

In 2004, NCSoft Corporation and Cryptic Studios (collectively NCSoft) created a new "massively multiplayer online role-playing game" (MMORPG):⁸⁷ *City of Heroes*.⁸⁸ MMORPGs are computer-created worlds

associated with a red suited "webslinger." See, e.g., Spider - - Marvel Universe: The definitive online source for Marvel super hero bios, <http://www.marvel.com/universe/Spider-Man> (last visited Apr. 9, 2010).

80. See, e.g., *Warner Bros.*, 720 F.2d at 243-44 (using a comparison of Superman and Hinkley's powers as a factor in its decision); *Nat'l Comics Publ'ns*, 93 F. Supp. at 355 (using in its analysis the various "feats" each of the superheroes could perform).

81. See, e.g., *Detective Comics*, 111 F.2d at 433 ("Each at times conceals his strength beneath ordinary clothing but after removing his cloak stands revealed in full panoply in a skin-tight acrobatic costume.").

82. For the earliest case addressing the copyright protection of superheroes, see *Detective Comics, Inc. v. Bruns Publications, Inc.*, 28 F. Supp. 399 (S.D.N.Y. 1939).

83. Marvel.com Help Page, <http://www.marvel.com/company/index.htm> (last visited Apr. 9, 2010).

84. NCSoft, <http://www.ncsoft.net/global/ir/corporate.aspx> (last visited Apr. 9, 2010).

85. Cryptic Studios, About Cryptic Studios, http://crypticstudios.com/index.php?option=com_content&task=view&id=83&Itemid=35 (last visited Apr. 9, 2010).

86. See Charles Herold, *GAME THEORY; Invent Your Own Superhero, or Enlist a Star*, N.Y. TIMES, July 8, 2004, available at <http://www.nytimes.com/2004/07/08/technology/game-theory-invent-your-own-superhero-or-enlist-a-star.html>.

87. What Is MMORPG? A Word Definition From the Webopedia Computer Dictionary, <http://www.webopedia.com/TERM/M/MMORPG.html> (last visited Apr. 9,

in which live users interact and work in real time with other live users to accomplish various tasks.⁸⁹ In *City of Heroes*, users utilize NCSoft's servers to create superheroes, and, in collaboration with other users, vanquish virtual evil.⁹⁰ Using NCSoft's character creation system, users generate their superhero's name, powers, and origin from a predetermined list⁹¹ and design their superhero's costume.⁹²

Following *City of Heroes*' release, in one of the first instances of UGC, users began to create their own avatar⁹³ heroes.⁹⁴ However, users soon began to use the game's character creation system to develop their own versions of copyright-protected characters, characters similar to those for which Marvel held a copyright.⁹⁵ As a result, on November 10, 2004, Marvel filed for an injunction against NCSoft on the grounds of trademark and secondary copyright infringement.⁹⁶

Soon after this suit was filed, the judge of the Central District Court of California found no likelihood of consumer confusion about the avatars and quickly rejected Marvel's trademark infringement claim.⁹⁷ However,

2010) ("MMORPGs are online role-playing multiplayer games which allow thousands of gamers to play in the game's evolving virtual world at the same time via the Internet.").

88. See Scott Steinberg, *Wanted: Heroes to Rescue City*, WIRED, May 18, 2004, available at <http://www.wired.com/gaming/gamingreviews/news/2004/05/63410>.

89. See Devon Welles, *A Call for New Worlds: The Future of MMORPG*, ARS TECHNICA, Aug. 3, 2004, <http://arstechnica.com/gaming/news/2004/08/gars-08032004.ars>. These games can be as expansive as imagined and often provide users with an ever-expanding universe in which to play. See *id.*

90. Motion of Defendant to Dismiss Plaintiff's Second Amended Complaint at 1, *Marvel Enters. v. NCSoft Corp.*, No. 04CV9253, 2005 WL 4748150 (C.D. Cal. Feb. 7, 2005).

91. Herold, *supra* note 86. See also Complaint para. 18, *Marvel Enters. v. NCSoft Corp.*, No. 04CV9253, 2004 WL 3770845 (C.D. Cal. Nov. 10, 2004) (stating that NCSoft's character creation system allows users to choose from one of five "Origins," one of five "Archetypes," one of six "Primary Power Sets," and one of four "Secondary Power Sets").

92. Complaint, *supra* note 91, para. 16.

93. The created superhero in *City of Heroes* constitutes a user's avatar in that online world.

94. Motion of Defendant to Dismiss, *supra* note 90, at 1: 13-14.

95. Complaint, *supra* note 91, paras. 18-21.

96. See *id.* at paras. 56-106.

97. *Marvel Enters. v. NCSoft Corp.*, No. CV 04-9253RGKPLAX, 2005 WL 878090, at *4 (C.D. Cal. Mar. 9, 2005) (stating that "there is no likelihood of confusion" and agreeing with defendant's claims that allegedly trademarked items are "obviously not a reproduction").

the copyright infringement claim remained,⁹⁸ leading to NCSOft and Marvel settling the suit out of court.⁹⁹

B. Applying Secondary Infringement to NCSOft

Had a decision ensued, the case of *Marvel v. NCSOft* could have further elaborated on the secondary infringement liability of a UGC provider, particularly had the court held NCSOft liable.

1. Existence of Direct Infringement by a Primary Infringer

If the case had gone to trial, Marvel would have been required to prove contributory infringement and vicarious liability by first showing a direct infringement of its copyright by a primary infringer.¹⁰⁰ Because the defendant in secondary infringement suits (in this case, NCSOft) is not the primary copyright infringer,¹⁰¹ Marvel likely sought proof of direct infringement by a user of NCSOft's product. Proof of direct copying could be inferred through circumstantial evidence of (1) the infringer's access to, and (2) substantial similarity with, the plaintiff's work.¹⁰²

NCSOft did not challenge the first prong of the direct copying, access to Marvel's work,¹⁰³ but did assert that the characters in *City of Heroes* and

98. *Id.* at *3-4 (looking to *Sony* and *Napster* to determine that a valid complaint for contributory infringement and vicarious liability exists, stating that “[Marvel has] clearly pled a causal connection between the alleged infringement by game users, and a financial benefit to [NCSOft].”).

99. See Daniel Terdiman, *NCSOft Happy with Marvel Settlement*, CNET, Jan. 7, 2006, http://news.cnet.com/8301-10784_3-6023179-7.html.

100. The prima facie case for either contributory or vicarious copyright infringement requires the existence of a direct infringement. See *supra* Part IV.A (defining the criteria of contributory infringement and vicarious liability). Without the direct infringement, no damages could exist and no claim could follow.

101. The entire premise of secondary infringement is that, while the defendant themselves did not commit the infringement, their actions led to the infringement. See *id.*

102. “Copying may be shown by circumstantial evidence of *access* and *substantial similarity* of both the general ideas and expression between the copyrighted work and the allegedly infringing work.” *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1442 (9th Cir. 1994) (citing *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1472 (9th Cir. 1992) (emphasis added)). See also *Langman Fabrics v. Graff Californiawear, Inc.*, 160 F.3d 106, 115-16 (2d Cir. 1998) (discussing the need for the plaintiff to show only access and substantial similarity); 4 MELVILLE NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.01[B] (1998) (“It is generally not possible to establish copying as a factual matter by direct evidence, as it is rare that the plaintiff has available a witness to the physical act of copying Therefore, copying is ordinarily established indirectly by the plaintiff’s proof of access and ‘substantial’ similarity.”).

103. Due to the expansive array of magazines, comic books, and movies containing Marvel superheroes, see *Marvel.com Help Page*, *supra* note 83 (Marvel has “a proven library of over 5,000 characters featured in a variety of media over seventy years . . . including feature films, consumer products, toys, video games, animated television, direct-

Marvel's catalogue were not substantially similar.¹⁰⁴ However, Marvel cited eleven examples of direct infringement in NCSoft's *City of Heroes*,¹⁰⁵ including infringement of Marvel superheroes' names,¹⁰⁶ powers,¹⁰⁷ and costumes.¹⁰⁸ Since the eleven examples met three of the four factors used in superhero copyright decisions, it is likely that direct infringement by a primary infringer occurred in this case.

While direct infringement likely occurred, ultimately a decision relating to the substantial similarity of characters, in particular superheroes, must be done on a case-by-case basis by a fact finder.¹⁰⁹ Consequently, for the purposes of the subsequent Sections of this Article, a presumption of direct infringement by a primary infringer is made.

2. Finding Secondary Infringement

NCSoft's liability for contributory infringement and vicarious liability, like Napster's,¹¹⁰ grows from its reliance on a centralized server-based system¹¹¹ and its financial benefit from copyrighted content.¹¹²

a. *Contributory Infringement*

To prove its case against NCSoft for contributory infringement, Marvel was required to show that direct infringement by a third party occurred¹¹³ and that NCSoft "[1] with knowledge of the infringing activity, [2] induce[d], cause[d] or materially contribute[d] to the infringing conduct of" one of its users.¹¹⁴

to-DVD and online"), the argument of lack of access is an untenable one. As such, NCSoft did not bother to raise it. *See* Motion of Defendant to Dismiss, *supra* note 90, at 8-13.

104. *See* Motion of Defendant to Dismiss, *supra* note 90, at 9 (stating that "a simple visit to Marvel's [W]eb site shows that its claims of similarity are far overstated").

105. *See* Complaint, *supra* note 91, paras. 24-29.

106. Marvel cites to the misuse of copyrighted superheroes names, such as the Hulk and Wolverine. *Id.* paras. 19-20.

107. Marvel cites to the powers of regeneration, claws, and mutant origins. *Id.* para. 18.

108. Marvel claimed that NCSoft copied costumes, such as those of Captain America and Wolverine. *Id.* para. 29.

109. *See, e.g.,* Detective Comics, Inc. v. Bruns Publ'ns., 111 F.2d 432, 433-34 (2d Cir. 1940).

110. *See supra* Part IV.B (discussing A&M Records, Inc. v. Napster, Inc.).

111. "City of Heroes can only be played online and only by way of [NCSoft's] servers." Complaint, *supra* note 91, para. 39.

112. Users of *City of Heroes* pay NCSoft \$14.95 each month to access the service. *Id.* para. 48. This creates a financial benefit to NCSoft if that access includes copyrighted material.

113. *See supra* Part VI.B.1.

114. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). *See also* *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004).

Demonstrating NCSOft's knowledge of the infringing action only required proving NCSOft's constructive knowledge of the action, not actual knowledge.¹¹⁵ Following the Ninth Circuit's holding in *Napster*, a network administrator can have constructive knowledge of infringement when such content exists on the administrator's network.¹¹⁶ In this case, NCSOft, the network administrator of *City of Heroes*,¹¹⁷ had constructive knowledge of the users' infringing content. NCSOft monitored the *City of Heroes* discussion boards,¹¹⁸ a venue where copyrighted characters are discussed,¹¹⁹ substantiating a greater presumption of NCSOft's constructive knowledge of infringing activity in *City of Heroes*. Therefore, due to its network administration and actions regarding infringing content, NCSOft fulfilled the first prong of contributory copyright infringement.

NCSOft's actions added further credence to Marvel's infringement claim by fulfilling the second prong of contributory infringement: material contribution. The Ninth Circuit's holding in *Napster* states that, when a computer system operator learns of infringing content and fails to remove it, the operator contributes to the infringement.¹²⁰ Since NCSOft did not prevent the uploading of, or engage in the removal of, the user-created superheroes that infringed on Marvel's copyrighted superhero names, powers, costumes, or origins,¹²¹ NCSOft contributed to the infringement of Marvel's copyright. NCSOft also facilitated the infringement by creating and providing its users with the tools used to create the infringing

115. "[A] finding of contributory infringement has never depended on actual knowledge of particular instances of infringement; it is sufficient that the defendant have reason to know that infringement is taking place." *Sony v. Universal City Studios*, 464 U.S. 417, 487 (1984). *See also Gershwin Publ'g Corp.*, 443 F.2d at 1162 ("a person who has promoted or induced the infringing acts of the performer has been held jointly and severally liable as a 'vicarious' infringer, even though he has no actual knowledge that copyright monopoly is being impaired."); *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

116. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001) ("The district court found that Napster had both actual and constructive knowledge that its users exchanged copyrighted music.").

117. Since "City of Heroes can only be played online and only by way of [NCSOft's] servers," Complaint, *supra* note 91, para. 39, NCSOft represents the administrator and storage site for *City of Heroes*.

118. On these discussion boards, users can post images of their superheroes, and discuss superhero origins and powers. *See id.* *See also* *City of Heroes Forums*, <http://boards.cityofheroes.com/> (last visited Apr. 9, 2010).

119. Complaint, *supra* note 91, para. 39.

120. *Napster*, 239 F.3d at 1021 ("[I]f a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.").

121. Users of *City of Heroes* created avatars similar to the Marvel copyrighted characters Wolverine, the Thing, and the Incredible Hulk, each with their copyright-associated powers, costumes, and origins. None of these creations were prohibited or removed by NCSOft. *See* Complaint, *supra* note 91, paras. 15-20, 40, 43.

content.¹²² Finally, NCSOft engaged in the storage and copying of infringing content on its servers.¹²³ Through these practices, NCSOft established the means for users to craft infringing content and materially contributed to the infringing conduct by ignoring the infringing material's existence and copying the material when requested. Thus, NCSOft satisfied the second prong of contributory copyright infringement.

Because NCSOft fulfilled the two prongs of contributory copyright infringement, NCSOft is liable for the unauthorized violations of Marvel's copyrights.

b. Vicarious Liability

After establishing that direct infringement by a third party occurred,¹²⁴ NCSOft's vicarious liability for Marvel's copyright required that Marvel show that NCSOft "(1) ha[d] the right and ability to control the infringer's acts and (2) receive[d] a direct financial benefit from the infringement."¹²⁵

As the network administrator of *City of Heroes*,¹²⁶ NCSOft regulated users' accounts and interactions with the game,¹²⁷ including the ability to monitor, alter, and delete users' accounts and any copyright-infringing material.¹²⁸ Since NCSOft can control the acts of infringing users, NCSOft satisfied the first prong of vicarious copyright infringement.

122. *Id.* paras. 18, 39 (discussing the character creation tools for *City of Heroes* that are accessible to any subscribing user).

123. City of Heroes User Agreement, <http://us.ncsoft.com/en/legal/user-agreements/city-of-heroes-user-agreement.html> (last visited Apr. 9, 2010) ("Member Content. Members can upload to and create content on our servers in various forms, such as in selections you make and characters."). When a user accesses *City of Heroes* through NCSOft's servers, NCSOft transmits copies of other user-generated superheroes to the requesting user regardless of whether the copies infringe on preexisting copyrights. *Id.* para. 41.

124. *See supra* Part VI.B.1.

125. *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc.*, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995). *See also* *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963).

126. Since "City of Heroes can only be played online and only by way of [NCSOft's] servers," Complaint, *supra* note 91, para. 39. NCSOft represents the administrator and storage site for *City of Heroes*.

127. Marvel addressed NCSOft's network administration in its complaint. *See id.* para. 48. Similarly, NCSOft did not bother disputing its ability to control users' accounts. *See* Motion of Defendant to Dismiss, *supra* note 90, at 12-13.

128. City of Heroes User Agreement, *supra* note 123 (stating that "NC Interactive reserves the right, in its sole discretion, to (1) delete or alter any Character Name or (2) terminate any license granted herein, for any reason whatsoever, including, without limitation, any suspected or actual infringement of any trademark or trade name right, copyright, or other proprietary right" and that "[a]ny violation of this term or rules of conduct may, in the sole discretion of NC Interactive, lead to the temporary removal of the character's ability to communicate, the Account being suspended for a set period of time, or lead to permanent Account closure.").

To prove that NCSOft profited from the infringing content, Marvel needed only to demonstrate that the *availability* of infringing content acted as a draw for users; it did not need to show that it realized income from the infringing content.¹²⁹ This made proving infringement easier for Marvel because “[t]here is no requirement that the draw be ‘substantial,’”¹³⁰ only that “a causal relationship [exist] between the infringing activity and any financial benefit [NCSOft] reaps, regardless of *how substantial* the benefit.”¹³¹ Through *City of Heroes*, NCSOft received a financial benefit from a monthly fee of \$14.95 paid by each user.¹³² While the receipt of this monthly fee alone fails to establish a benefit from infringing content,¹³³ if the ability to create a copyrighted superhero draws *any* paying users, NCSOft benefits. Since copyrighted superheroes were found in *City of Heroes*,¹³⁴ *some* paying users were drawn to NCSOft’s products and paid NCSOft the monthly fee with the intent to violate superhero copyrights. Thus, NCSOft benefited financially from the copyrighted material, satisfying the second prong of vicarious copyright infringement.

By possessing the ability to control, monitor, and profit from Marvel’s copyrights, NCSOft is vicariously liable for copyright infringement.

In conclusion, NCSOft’s character creation system enabled UGC superheroes to populate *City of Heroes*. At the same time, this system also created contributory infringement and vicarious liability for NCSOft by enabling its users to create and maintain superheroes on NCSOft’s Web site that substantially resembled Marvel’s copyrighted characters.

VII. FINDING HARMONY BETWEEN COPYRIGHT AND USER-GENERATED CONTENT

Examining the way in which *Marvel* might have been decided had it gone to trial helps assess the likely outcomes for pending and future copyright infringement suits brought against other UGC sites.¹³⁵ NCSOft’s

129. “Financial benefit exists where the availability of infringing material acts as a ‘draw’ for customers.” *Ellison v. Robertson*, 357 F.3d 1072, 1078 (9th Cir. 2004) (internal quotation marks omitted).

130. *Id.* at 1079.

131. *Id.*

132. Complaint, *supra* note 91, para. 48. This fee, paid by over 180,000 users of *City of Heroes*, *id.* para. 49, would provide NCSOft monthly revenues of roughly \$2.69 million.

133. “[R]eceiving a one-time set-up fee and flat periodic payments for service . . . ordinarily would not constitute receiving a ‘financial benefit directly attributable to the infringing activity.’” *Ellison*, 357 F.3d at 1079 (citing S. REP. NO. 105-190, at 44) (internal quotation marks omitted).

134. Second Amended Complaint para. 32, *Marvel Enters. v. NCSOft Corp.*, No. 04CV9253, 2005 WL 878090 (C.D. Cal. Jan. 25, 2005).

135. *See, e.g., Viacom Int’l v. YouTube, Inc.*, 540 F. Supp. 2d 461 (S.D.N.Y. 2008).

failure to regulate UGC on its networks represents just one example of the growing epidemic of copyright infringement in cyberspace.¹³⁶ The continued growth of UGC sites demands more thorough and continuous monitoring of UGC sites that contain potentially copyrighted material.

*A. The Future of Piracy Through User-Generated Content:
YouTube as a Model*

YouTube represents a leading source for UGC worldwide,¹³⁷ acting as a poster child for UGC and serving as a model for problems with, and the potential regulation of, all UGC sites.

1. YouTube's Course for a Marvel Iceberg

YouTube provides an open and notorious venue for infringing content¹³⁸ routinely uploaded by users,¹³⁹ such as songs embedded in videos,¹⁴⁰ clips from television shows,¹⁴¹ and even movies.¹⁴² Like most UGC sites, YouTube falls into some of the same secondary liability traps as NCSOFT due to its technological structure and the profits associated with its provision of copyrighted content.¹⁴³

136. See Garrett, *supra* note 7, at § 2.

137. In March 2008, YouTube constituted 73.18 percent of the Internet video sector. Marshall Kirkpatrick, *Report: YouTube Dominates Video More Than Google Dominates Search*, READWRITEWEB, Apr. 14, 2008, http://www.readwriteweb.com/archives/youtube_dominates_video.php.

138. See, e.g., Saul Hansel, *A Bet That Media Companies Will Want To Share Ad Revenue*, N.Y. TIMES, Sept. 30, 2006, at C1.

139. “[O]rdinary people routinely post potentially infringing or actually infringing films—including episodes of movies, political news and campaign speeches.” Erika Morphy, *Fox Subpoenas YouTube over “24” Episodes*, TECHNEWSWORLD, Jan. 25, 2007, <http://www.technewsworld.com/story/55380.html?wlc=1236358302> (quoting David A. Furlow, First Amendment attorney for Thompson & Knight, LLP).

140. See David Kravets, *Universal Sues Video-Sharer Veoh, Alleging Copyright Violations*, WIRED, Sept. 6, 2007, http://www.wired.com/politics/onlinerights/news/2007/09/veoh_lawsuit.

141. Viacom alleges that YouTube's site included copyright infringing clips of television shows produced by Viacom-owned channels. *Viacom Will Sue YouTube for \$1bn*, BBC NEWS, Mar. 13, 2007, <http://news.bbc.co.uk/1/hi/business/6446193.stm> [hereinafter *Viacom Will Sue YouTube*]. Similarly, episodes of Fox's hit television shows *24* and *The Simpsons* appeared on YouTube before their official air dates. See Morphy, *supra* note 139.

142. See *Viacom Will Sue YouTube*, *supra* note 141.

143. YouTube earns profits from advertisements found on its Web site. YouTube-Broadcast Yourself, Advertising, <http://www.youtube.com/t/advertising> (last visited Apr. 9, 2010). Since YouTube earns revenue from advertisements on its site, including those placed next to copyrighted material, YouTube earns income every time a user views copyrighted material on its site, regardless of YouTube's knowledge of the infringing content.

Relying on a structure similar to NCSOFT, by storing the UGC on its servers,¹⁴⁴ YouTube makes itself liable for secondary copyright infringement from copyrighted content uploaded by its users. The maintenance of UGC on these servers, without which infringement could not occur, leads to the conclusion that YouTube materially contributes to unlawful copying.¹⁴⁵ Like NCSOFT, YouTube has constructive knowledge of the infringing content uploaded by users through their servers.¹⁴⁶ Further, while YouTube's terms of service empower its administrators to control and supervise the content on its servers, similar to NCSOFT, YouTube often fails to remove infringing content from its servers.¹⁴⁷ Finally, both NCSOFT and YouTube profit from infringing content, whether through increased subscriptions for NCSOFT or increased advertising revenue for YouTube.¹⁴⁸ From these similarities, YouTube becomes liable for contributory infringement and vicarious liability in the same ways as NCSOFT.

Due to YouTube's secondary copyright infringement liability, uncertainty for the future of UGC exists, requiring a new solution for the conflict of UGC and copyright.

2. Common Problems Facing YouTube and, in Turn, User-Generated Content

YouTube has already tried unsuccessfully to combat the growth of infringing content on its site. It altered its terms of service, warning users not to upload infringing content¹⁴⁹ and instructing them on ways to recognize potentially infringing content.¹⁵⁰ However, this action proved ineffective since the upload of infringing content continues to occur.¹⁵¹

144. Data created by users of NCSOFT and YouTube reside on each company's respective servers. See Complaint, *supra* note 91, para. 39, First Amended Complaint for Declaratory and Injunctive Relief and Damages and Demand for Jury Trial paras. 37-38, *Viacom Int'l, Inc. v. YouTube, Inc.*, No. 1:07-cv-02103, 2008 WL 2062868 (S.D.N.Y. 2008).

145. First Amended Complaint for Declaratory and Injunctive Relief and Damages and Demand for Jury Trial, *supra* note 144 at paras. 31-33.

146. *Id.* para. 83 (alleging both actual and constructive knowledge).

147. *Id.* paras. 41-43, 83.

148. YouTube profits from an increased user base stemming from the copyrighted material stored on its servers. *Id.* paras. 37-38.

149. YouTube's terms of service state that "[p]osting copyright-infringing content can lead to the termination of your account, and possibly monetary damages if a copyright owner decides to take legal action." YouTube- Broadcast Yourself, Copyright Tips, http://www.youtube.com/t/howto_copyright (last visited Apr. 9, 2010).

150. For the benefit of users, YouTube lists examples of copyrighted materials and "guiding principles" for identification of copyrighted material. See *id.*

151. See Mike Swift, *Google executives called YouTube a 'pirate' site*, MERCURYNEWS, Mar. 18, 2010, available at http://www.mercurynews.com/breaking-news/ci_14701491.

Next, YouTube initiated a system of automated takedowns¹⁵² of copyrighted material. Unfortunately, not only did this system prove unable to eliminate all copyrighted content,¹⁵³ but it was more restrictive than Digital Millennium Copyright Act fair use.¹⁵⁴ Similarly, a recent court decision, *Lenz v. Universal Music Corp.*, held that automated take-down notices violated provisions of the DMCA,¹⁵⁵ drawing the legality of YouTube's automated system into question. These failures led to a pending billion-dollar lawsuit brought by copyright holders against YouTube for copyright infringement.¹⁵⁶

As the usage and number of uploads of videos to YouTube continues to grow,¹⁵⁷ this problem may only get worse for copyright holders and YouTube alike, calling for identification and implementation of a new solution to the copyright infringement dilemma.

3. Inability of Current Solutions to Fix User-Generated Content

Previously suggested methods, outlined below, attempted to solve the UGC-copyright conflict through existing statutes, as well as technological, litigious, and legislative processes. However, these attempts lacked either the correct balance between the interests of UGC sites, their users, and copyright holders, or failed on their face.

An existing statute, the 1998 Digital Millennium Copyright Act (DMCA) grants legal safe harbor to a UGC site for copyrighted content when uploaded by a user, provided that the site responds to proper orders to take down the infringing content.¹⁵⁸ As such, copyright holders use take-

152. In April 2007, YouTube began work on an automated filter designed to appease copyright holders by taking down any infringing content. Andy Greenberg, *YouTube's Filter Fails To Please*, FORBES, Oct. 18, 2007, http://www.forbes.com/2007/10/18/google-viacom-video-tech-cx_ag_1018youtube.html. A takedown is a legal order to remove infringing content. See Robert Kleinman, *Digital Millennium Copyright Act (DMCA)—The Law and How To Use It*, GIMMELAW.COM, <http://www.gimmelaw.com/the-digital-millennium-copyright-act-dmca-the-law-and-how-to-use-it>.

153. See Greenberg, *supra* note 152. The filter failed to appease all the concerns of copyright holders. See *id.*

154. See Tim Arango, *As Rights Clash on YouTube, Some Music Vanishes*, N.Y. TIMES, Mar. 23, 2009, at B1.

155. A California district court recently ruled that a copyright holder must engage in a full good faith evaluation of potentially infringing content for possible DMCA violations before sending a takedown notice. *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150, 1155-56 (N.D. Cal. 2008).

156. Frank Ahrens, *Viacom Sues YouTube over Copyright*, WASH. POST, Mar. 14, 2007, at D2, available at <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/13/AR2007031300595.html>.

157. See Auchard, *supra* note 30.

158. 17 U.S.C. § 512(c)(1) (2006).

A service provider shall not be liable for . . . equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides

down notices to compel UGC sites to remove infringing content.¹⁵⁹ However, due to UGC sites' monitoring of uploading content, questions exist as to whether UGC sites may legally exercise the DMCA safe harbor,¹⁶⁰ possibly eliminating UGC sites' incentive to comply with the notice.

A primary technological option attempted to cure the UGC-copyright issue was the use of automated take-down notices sent by copyright holders to UGC sites. Under the DMCA, in order to remove copyrighted content from UGC sites, copyright holders must send take-down notices for each piece of infringing content.¹⁶¹ However, the volume of uploaded content to UGC sites prevents copyright holders from manually patrolling these sites,¹⁶² forcing them to rely on automated processes. Consequently, some copyright holders use computer algorithms to analyze UGC sites, find copyrighted material, and, where applicable, send that UGC site a mechanically generated DMCA takedown notice.¹⁶³ This system allows copyright holders to request automatically the removal of unauthorized content from UGC sites. However, some courts find that this automated process violates the DMCA,¹⁶⁴ making this option unreliable and, perhaps, unlawful.

on a system or network controlled or operated by or for the service provider, if the service provider . . . upon notification of claimed infringement . . . responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

Id.

159. See Ian Chuang, *Be Wary of Adding Your Own Soundtrack: Lenz v. Universal and How The Fair Use Policy Should Be Applied To User Generated Content*, 29 LOY. L.A. ENT. L. REV. 163, 185 (2009).

160. Regarding the liability of UGC sites, "the law is undeveloped as to whether Section 512 can provide a safe harbor for direct infringement liability." John B. Meisel, *Entry into the Market for Online Distribution of Digital Content: Economic and Legal Ramifications*, 5 *SCRIPTED* 50, 64 (Apr. 2008), available at <http://www.law.ed.ac.uk/ahrc/script-ed/vol5-1/meisel.asp>. See also *Io Group v. Veoh Networks*, 586 F. Supp. 2d 1132 (N.D. Cal. 2008) (noting that a site is liable for content where "red-flags" appear; the DMCA safe harbor is denied in such circumstances).

161. See *Hendrickson v. Amazon.com*, 298 F. Supp. 2d 914, 917 (C.D. Cal. 2003) (finding that a take-down notice only applies to the copyright infringing version at issue, not any subsequent versions).

162. For example, one company that monitors for infringing content on UGC sites issues one million take-down notices each month, showing the impossibility of any one copyright holder properly monitoring their copyrights. See ComCorp The Blog, <http://www.comcorp.com/articles/news/artists-get-royalties-from-youtube-clips.html> (Sept. 8, 2007).

163. See Chuang, *supra* note 159, 183-84.

164. Because fair-use analysis must occur on a case-by-case basis, see e.g., *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150, 1154-56 (N.D. Cal. 2008), an automated process is likely in violation of the district court's decision.

A litigious recourse provides an alternative method. However, legal recourse requires significant time and effort by copyright holders in monitoring UGC sites for instances of infringing content. Furthermore, after identifying infringing content, legal action often takes months, even years, to resolve.¹⁶⁵ Finally, removing infringing content fails to prevent its re-uploading to the same UGC site, rendering a court's decision moot. Thus, a litigious method of resolution most often proves both time consuming and impractical.

Finally, legislative action would likely also fail to alleviate the problem. Legislated options to the UGC-copyright problem would most likely either provide more protection to UGC sites and impinge on the rights of copyright holders, or overprotect copyright holders at the significant expense of UGC sites. Consequently, a balanced solution lies beyond the realms of the judicial and legislative branches of government, possibly residing in the executive branch.

Since existing solutions to prevent the uploading of copyrighted content to UGC sites seem unlikely to succeed, and the number of lawsuits against UGC sites for copyrighted content continues to grow, few options remain. The remaining options are either for UGC sites to cease providing a free realm for consumers¹⁶⁶ or for another new method of resolution to be identified and instituted.

B. Revenue-Based Reapportionment

Since the heart of the problem is the unjustified income that UGC sites derive from another's copyrighted content, an administrative solution might be to reallocate the unjustified income to the copyright holder. To achieve this reallocation, a federal agency, such as the Copyright Royalty Board,¹⁶⁷ could conduct an annual audit of UGC site content to determine the proportion of copyrighted content hosted relative to the content as a whole.¹⁶⁸ The federal agency would then determine and reallocate an appropriate sum from the UGC site's annual revenue to the original

165. For example, Viacom's suit against Google took over two years ago and still remains an open question. See e.g. Abigail Field, *Viacom vs. YouTube/Google: A Piracy Case in Their Own Words*, DAILYFINANCE, Mar. 21, 2010, available at <http://srph.it/aD6zdM>.

166. This would require UGC sites to either limit user-uploaded content to the point that each piece of content can be individually analyzed or cease providing UGC features.

167. The Copyright Royalty Board oversees the obtaining and using of licenses of copyrighted works. See Copyright Royalty Board: Background, <http://www.loc.gov/crb/background/> (last visited Apr. 9, 2010). The regulation of the revenue-based reapportionment would be within the Board's current mandate.

168. Only content registered through the Copyright Office would be included in a search for copyrighted material since registration would provide notice to both the UGC site and the agency analyzing UGC sites.

copyright holders.¹⁶⁹ Thus, the federal agency pays the proper owner and leaves the UGC site's revenue based exclusively on non-copyrighted content.¹⁷⁰

C. *Benefits of Revenue-Based Reapportionment*

Reapportionment not only eliminates the fiscal inequality associated with unjustified income but also creates several benefits to adversarial parties while generating economic efficiencies and public gain. The benefits include (1) striking an appropriate balance among the interests of copyright holders, UGC sites, and public interests; (2) properly compensating for work; (3) creating net savings by avoiding the costs of litigation; and (4) eliminating excess costs to all parties involved.

Copyright holders would receive financial and time-saving benefits from reapportionment. The designated federal agency, as opposed to the copyright holders, would patrol the UGC sites for misuse of copyrights, affording copyright holders more time to create new copyrightable products. Similarly, copyright holders would also receive relatively quick financial compensation without lengthy and expensive legal recourse. Finally, while copyright holders would lose the right to refuse use of their content,¹⁷¹ they would receive both financial compensation and public exposure, leading to increased demand for their works.¹⁷²

UGC sites would also reap significant benefits. Despite UGC sites' complaints about the loss of revenue, revenue from illegal copyright use would have been lost through legal actions anyway. Under revenue-based reapportionment, UGC sites would be free from costly legal actions and would no longer have to spend money on technologies to remove infringing content. UGC sites would be free to engage in providing a repository for user-created content without concerns of legal intrusion.

Finally, the public would benefit from the protection of content on UGC sites. Users would no longer fear removal of their content due to

169. Registration of the copyright at the Copyright Office would be required for the copyright holder to be compensated since "no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title." 17 U.S.C. § 411(a) (2004 & Supp. 2009).

170. For example, if YouTube is found to have infringing content equal to twenty percent of its total content and YouTube earns revenues of \$100, \$20 will be transferred to the copyright holders whose copyrighted material existed on YouTube's site.

171. The Copyright Act affords the copyright holder the exclusive right to control the reproduction of the copyrighted work. 17 U.S.C. § 106 (2006).

172. For example, songs played on the radio often result in greater sales of the associated albums. Should Radio Stations Have to Pay Performers for Airing Songs?, <http://radio.about.com/b/2009/07/26/should-radio-stations-have-to-pay-performers-for-airing-songs.htm> (July 9, 2009).

possible infringement.¹⁷³ Similarly, since uploaded content remains on the UGC site regardless of its actual fair use, arguments addressing whether content on UGC sites constitutes fair use would disappear, allowing users to upload content with confidence.

Revenue-based reapportionment solves many of the problems created by UGC and ensures that all interests are protected. Through revenue-based reapportionment, copyright holders would be properly compensated for their work, UGC sites could continue to offer services to users, and the public would retain a service on which they now depend.

VIII. CONCLUSION

UGC continues to develop. Eventually, a judicial decision in a case similar to *Marvel* is likely to determine the future of UGC sites and copyright law. Judging by the facts in *Marvel*, such an outcome likely would favor copyright holders, potentially damaging the continued operability of UGC sites. Until that time, the federal government has the opportunity to intervene in a way that ensures the future of UGC sites, copyright law, and the public interest. UGC sites and copyright holders might still live in harmony on the Internet; the opportunity still exists. If the government acts correctly, this new technology could avoid possible harm and instead fulfill its role as the technology of the next revolution.

173. See, e.g., Arango, *supra* note 154. See also *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150, 1152 (N.D. Cal. 2008) (plaintiff faced the removal of an uploaded video of her baby dancing due to the presence of a copyrighted song in the background of the video).

