From Betamax to YouTube: How *Sony Corporation of America v. Universal City Studios, Inc.* Could Still Be a Standard for New Technology

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I. INTRODUCTION

If any conclusions can be drawn from the very recent history of copyright case law and new media, among them is this: both courts and lawmakers view users of peer-to-peer network technology as nearly universally made up of copyright infringers. Such networks have evolved from those like Napster (which used a centralized index server through which users could share and search for files)[1] to the software employed by Grokster (known as "Gnutella" technology), which allowed users to communicate searches and file-sharing directly between the users' computers.[2] Contrast this with Internet websites, specifically those that exist almost entirely for the purpose of encouraging, archiving, and displaying user-generated content. Their structures include clear and centralized servers; hierarchies of web managers and maintainers; and in the case of sites such as Facebook, Google, and YouTube, a multimillion dollar industry.[3] All of these websites store and reproduce considerable amounts of copyrighted content, whether as the result of user submissions or their own practices. And yet unlike peer-to-peer networks, these sites have been affirmatively protected from copyright claims by the U.S. Congress through Section 512 (also known as the Safe Harbor provision) of the Digital Millennium Copyright Act ("DMCA").[4] The response of lawmakers and courts to the way copyrighted material has been reproduced and distributed online has not hinged on the nature and structure of the technologies involved. Rather, online content providers have proved to be political forces to reckon with, as recently demonstrated in the recent controversy concerning the proposed Stop Online Piracy Act ("SOPA") and the PROTECT IP Act ("PIPA").[5] SOPA and PIPA are largely

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1. *P2P*, ENCYCLOPEDIA BRITANNICA, http://www.britannica.com/EBchecked/topic/1055404/P2P (last visited Feb. 20, 2012).

2. MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 921–22 (2005).

3. *See, e.g.*, Geoffrey A. Fowler & Scott Morrison, *Facebook Shares Server Design*, WALL ST. J., Apr. 8, 2011, http://online.wsj.com/article/SB10001424052748704013604576248953972500040.html (Explanation of Facebook server design); *see also* David F. Carr, *How Google Works*, BASELINE, http://www.baselinemag.com/c/a/Infrastructure/How-Google-Works-1/ (last visited Feb. 20, 2012) (Description of Google server architecture and market share); Jeff Simmermon, *New Infographic: How Video Data Travels from a Phone to YouTube to a Laptop*, TIME WARNER CABLE UNTANGLED (Sept. 14, 2010, 9:47 AM), http://www.twcableuntangled.com/2010/09/new-infographic-how-video-data-travels-from-a-phone-to-youtube-to-a-laptop/ (Infographic illustrates upload of content to YouTube servers); *Google, Inc.*, N.Y. TIMES, http://topics.nytimes.com/top/news/business/companies/google_inc/index.html?scp=1&sq=google.com&st=cse (last visited Feb. 20, 2012) (Outlines market activity of Google and subsidiary YouTube).

4. Digital Millennium Copyright Act, 17 U.S.C. § 512 (1998).

5. *See* Sarah McBride and Lisa Richwine, *Epic clash: Silicon Valley blindsides Hollywood on piracy*, REUTERS, Jan. 22, 2012, http://www.reuters.com/article/2012/01/22/

concerned with curtailing access to such sites rather than the issue of infringement liability[6] and are particularly targeted toward sites based outside the United States.[7] However, these laws raised concerns about the potential for false claims of infringement, the blocking of sites with substantially noninfringing content, and the possible burden on service providers and search indexes to block certain sites.[8] The proposed laws, once considered very likely to pass, were met with such pushback from Internet services like Google and Wikipedia that their progress in the House and Senate were brought to a halt.[9] User-generated content sites and Internet search indexes quickly managed to harness an enormous amount of political and social power[10] that has not managed to save peer-to-peer file share networks, however.

The tension between new technology and copyright ownership is not a recent development; it predates the advent of the Internet and other "new" technologies.[11] But perhaps the first real test of copyright, new technology, and not only mass distribution but also mass reproduction, was the case of *Sony Corp. of America v. Universal City Studios, Inc*.[12] The case of *Sony* and its Betamax video recording device initiated a doctrine of "substantial noninfringing use," in a decision that ultimately favored the technology and arguably widened the scope of the fair use exception.[13] The issue would be revisited with the introduction of peer-to-peer software, in which *Sony* would be revised and technology would come out the unambiguous loser, with the courts finding liability at an almost unprecedented scale.[14] But

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us-congress-piracy-idUSTRE80L0VS20120122.

6. *See* Stop Online Piracy Act, H.R. 3261, 112th Cong. § 2(a)(2) (2011); Protect IP Act of 2011, S. 986, 112th Cong. § 6(b) (2011).

7. *See generally* Stop Online Piracy Act, *supra* note 6, at §§ 101–02.

8. *Sopa and Pipa Anti-piracy Bills Controversy Explained*, BBC, Jan. 17, 2012, http://www.bbc.co.uk/news/technology-16596577.

9. *See* Jonathan Weisman, *In Fight Over Piracy Bills, New Economy Rises Against the Old*, N.Y. TIMES, Jan. 18, 2012, http://www.nytimes.com/2012/01/19/ technology/web-protests-piracy-bill-and-2-key-senators-change-course.html?pagewanted =all.

10. *See, e.g.*, *id.* ("Phone calls and e-mail messages poured in to Congressional offices against the Stop Online Piracy Act in the House and the Protect I.P. Act in the Senate. One by one, prominent backers of the bills dropped off."); McBride & Richwine, *supra* note 5 ("The massive online protest last Wednesday, in which Wikipedia and thousands of other websites closed down or otherwise protested and helped to kill controversial online piracy legislation, was widely heralded as an unprecedented case of a grassroots uprising overcoming backroom lobbying.").

11. *See generally* LAWRENCE LESSIG, REMIX 23–25 (2008) (discussion of 1906 testimony before Congress of composers' intellectual property rights and a then-new technology, the phonograph).

12. 464 U.S. 417 (1984).

13. *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 442 (1984).

14. *See generally* MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 913 (2005); A&M

even before the DMCA, websites hosting user-generated content enjoyed protections under case law not afforded to peer-to-peer networks, increasing the tension between the copyright owners that wished to protect their products and the practical considerations of user-generated content sites.[15] Safe Harbor in the DMCA was a legal victory for technology, though not one without complication.

The purpose of this Note is to use the history of vicarious liability claims to examine whether this is a prudent standard for assessing secondary copyright liability with regard to the distribution of content on the Internet. If the language of Section 512 does not amount to a loophole in immunity, this Note will explore whether a clear alternate standard could be developed that both addresses the concerns of Congress as manifested in the language of the Section 512 provisions, while also providing a level of immunity greater than that afforded by common law secondary liability. The current methods of addressing infringement on user-generated content sites available to copyright owners have arguably limited effectiveness,[16] as they place the burden of enforcement on copyright owners, who themselves must monitor and report infringement. With no real preventative options, copyright owners often have no means of stopping infringing material from being uploaded to the site once more.[17] At the same time, practical considerations for the running of such sites limit the extent that a site can be held liable for its content. Forcing a site to monitor every submission may make that site generally unusable, and holding it liable if it does monitor submissions may simply dissuade such services from monitoring their submissions at all, leaving them open to hosting not only infringing material but also other undesirable content.[18]

Some compromise, based on the financial benefit exception to Section 512, may require a higher standard than typical secondary liability.[19] The issue of Section 512 exceptions and the potential for a vicarious liability "loophole" has become an open question,[20] with some commentators

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Records v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2000) (In both cases, the Supreme Court finds that *Sony* does not protect this Peer-to-Peer file-sharing technology).

15. *See, e.g.*, Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., 907 F.Supp. 1361 (N.D. Cal. 1995).

16. *See* Jane C. Ginsburg, *User-Generated Content Sites and Section 512 of the US Copyright Act*, *in* COPYRIGHT ENFORCEMENT AND THE INTERNET 182, 186 (Irini A. Stamatoudi ed., 2010).

17. *Id.*

18. *See* Zeran v. America Online, Inc., 129 F.3d 327, 333 (4th Cir. 1997).

19. Edward Lee, *Decoding the DMCA Safe Harbors*, 32 COLUM. J.L. & ARTS 233, 245 (2009).

20. *See, e.g.*, *id.*; Jason C. Breen, *YouTube or YouLose: Can YouTube Survive a Copyright Infringement Lawsuit?*, 16 TEX. INTELL. PROP. L.J. 151 (2007); Mike Scott, *Safe*

interpreting the DMCA as having raised the standard for actionable vicarious liability against Internet Service Providers ("ISPs"), including user-generated content sites,[21] as well as affording greater protection for copyright owners.[22] However, this Note will emphasize that the determination concerning the Betamax VCR in *Sony* is a possible alternative standard. Though the Supreme Court has since moved away from *Sony*, such as in the case of peer-to-peer networks like Grokster, its example is an identifiable and sensible means of balancing the interests of copyright owners against those who manage Internet sites.

This Note will focus on the history of secondary copyright liability, its application to new technology, and how it has been subsequently applied following the passage of the DMCA. Part II of this Note will deal with common law vicarious liability and how it has applied to new technology. This Part will begin with assessing how secondary liability and, in particular, vicarious liability has been applied to copyright infringement cases using the well-known case of *Fonovisa v. Cherry Auction*.[23] *Fonovisa* applies the doctrine of vicarious liability to what may be considered a more "traditional" copyright infringement case—the production and sale of counterfeit copies of copyright-protected music records.[24]

Part II of this Note will also outline the *Sony* case, a development in copyright case law that applied the standards of infringement to a technological possibility that had not previously existed[25]—the availability of recording and "time-shifting" programs, which would be the Supreme Court's focus in developing the doctrine of "substantial noninfringing use" and the application of fair use to certain copying and viewing practices.[26] This Part will go on to assess the subsequent cases and technologies of *A&M Records, Inc. v. Napster, Inc.*[27] and *MGM Studios, Inc. v. Grokster, Ltd.*,[28] including their impact on both the *Sony* standard and on previous understandings of vicarious copyright liabilities and their illustration of the

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Harbors Under the Digital Millennium Copyright Act, 9 N.Y.U. J. LEGIS. & PUB. POL'Y 99 (2006).

21. *See, e.g.*, Lee *supra* note 19, at 245.

22. *See generally* Adam Shatzkes, Note, *The Destruction of an Empire: Will Viacom End YouTube's Reign?*, 26 TOURO L. REV. 287 (2010).

23. 76 F.3d 259 (9th Cir. 1996).

24. *Id.* at 261.

25. *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

26. *Id.* at 442.

27. A&M Records v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2000).

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

response to technologies that have not been found to be ISPs for the purposes of DMCA.

Part III of this Note will analyze Section 512 of the DMCA and what it has meant for ISPs and user-generated content. This discussion will begin with an assessment of the treatment of ISPs, and, in particular, websites that hosted user-generated content prior to the passing of the DMCA, illustrating courts' inclinations toward limited liability even before it was codified into law.[29] It will review the language of the Section 512 Safe Harbor provisions and the similarity of this language to common law vicarious liability. Additionally, this Part will analyze courts' mixed responses to Section 512's comparisons to vicarious liability. While courts have both accepted[30] and rejected[31] this standard, they have consistently applied a higher standard of liability, even when using common law language.[32]

Finally, Part IV of this Note will propose a return to the *Sony* standard in assessing vicarious liability issues concerning ISPs, particularly in the form of websites that host user-generated content. This Note will assert that the current system is inadequate to protect copyright owners from infringement, but that, at the same time, the practical realities of ISPs and user-generated content sites limit what can be done to prevent infringement. As a compromise, this Note will propose an interpretation of the Section 512 exceptions based on the *Sony* standard of substantial noninfringing use. This Note proposes that liability can only be claimed if the copyright owner can show that a web service provides no substantial noninfringing use, that it deals with no substantial exception in copyright infringement, and that it derives a direct financial benefit from the infringement.

II. VICARIOUS LIABILITY AND EARLY TECHNOLOGY: *SONY*'S ADOPTION AND DIMINISHMENT

A. Common Law Secondary Liability

In its ruling in *Fonovisa, Inc. v. Cherry Auction, Inc.*, the Ninth Circuit Court of Appeals described the history of vicarious liability "as an

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29. *See, e.g.*, Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc., 907 F.Supp. 1361 (N.D. Cal. 1995).

30. *See, e.g.*, Costar Grp., Inc. v. Loopnet, Inc., 164 F. Supp. 2d 688 (D. Md. 2001).

31. Viacom Int'l, Inc. v. YouTube, Inc., 718 F.Supp.2d 514, 526 (S.D.N.Y. 2010) ("To such a provider, the DMCA gives a safe harbor, even if otherwise he would be held as a contributory infringer under the general law.").

32. *See* Lee, *supra* note 19, at 240.

outgrowth of the agency principles of respondeat superior."[33] It described the inception of such liability as a means of "enforcing copyrights against a defendant" that had financially benefited from infringement but did not necessarily employ the infringer.[34] The court found that Cherry Auction, a flea market that rented out space to various vendors, including vendors who sold counterfeit recordings, could be found vicariously liable for their vendors' actions.[35] The relationship between lessee vendors and the leasing owner was distinguished from a relationship akin to a landlord-tenant, on the grounds that Cherry Auction administrators retained the right to supervise and evict vendors, as well as to control customer access to the market area.[36] The court found that Cherry Auction also met the requirement of reaping a financial benefit from their vendors' actions, both in the low rent paid to them by the vendors but also in income received through parking, access, and concession fees that Cherry Auction charged its customers.[37] The opinion describes pirated music as a "draw" for the market,[38] suggesting that it contributes to the liability in that the money made from customers who came to the market for the purpose of buying counterfeit recordings is directly attributable to the original direct infringement. Cherry Auction had met the two prongs of vicarious liability: financial benefit and ability to monitor the infringer.[39] Thus, the court created an aspect specific to vicarious copyright infringement: that such infringement can be found when a business's appeal includes access to infringing work.

B. The Betamax Player and Sony Corp. v. Universal City Studios, Inc.

In 1984, the Supreme Court was faced with a case that applied the common law vicarious liability standard, applied in *Fonovisa*, to an entirely new medium and brand new technology: Sony's Betamax video tape recorder.[40] *Sony* set a precedent that would later be relied on unsuccessfully by defendants such as Napster and Grokster: the "substantial noninfringing use" standard. This standard[41] concerned what the Court termed "time-

33. 76 F.3d 259, 261–62 (9th Cir. 1996).
34. *Id.* at 262.
35. Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 263 (9th Cir. 1996).
36. *Id.*
37. *Id.* at 263.
38. *Id.*
39. *Id.* at 261–65.
40. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 419 (1984).
41. The standard was conceived in a time that largely predated the widespread legal distribution of media through the sale of video cassettes as video rental stores were still developing, and the early video format wars were ongoing. *See* Jen Chaney, *Parting Words*

shifting": the use of video recorders like the Betamax to record television programs so as to view them after their original airdate.[42]

The implications of imposing liability on the manufacturers of a technology like the Betamax recorder, as opposed to its users, would have significant implications.[43] As the Court noted:

> If vicarious liability is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory.[44]

The Court further concluded that in determining such secondary liability, the law must "strike a balance between a copyright holder's legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce."[45] Thus, a technology capable of infringing use is not necessarily subject to secondary copyright liability simply because of this capability. "Indeed, it need merely be capable of substantial noninfringing uses."[46]

As the Court noted in this case, there are limitations even to the exclusive rights of copyright owners over their works; the primary example is the notion of "fair use." Fair use is an affirmative defense to a copyright infringement claim, analyzed using four factors:

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
> (2) the nature of the copyrighted work;
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
> (4) the effect of the use upon the potential market for or value of the copyrighted work.[47]

In this case, though the nature of the copyrighted work was fairly straightforward, and the amount of copying substantial, the Court emphasized that the "time-shifting" use of the Betamax recorder was not commercial in nature and asserted that it would not substantially affect the

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for VHS Tapes, Soon to Be Gone With the Rewind, WASH. POST, Aug. 28, 2005, http://www.washingtonpost.com/wp-dyn/content/article/2005/08/26/AR2005082600332.html.

42. *Sony*, 464 U.S. at 421.
43. *See id.* at 440 (Justice Stevens's analogy to patent law).
44. *Id.* at 439.
45. *Id.* at 442.
46. *Id*.
47. 17 U.S.C. § 107 (2006).

market for the copyrighted programs.[48] Though it is an affirmative defense, the Court determined that fair use was a "noninfringing use": an act that does not violate the rights of copyright holders and does not constitute infringement.[49] Without direct infringement, no vicarious liability can be claimed, thus absolving Sony and its product of the claims against it for the purpose of time-shifting.[50] The act of copying copyrighted works thus constituted fair use, and any other uses for the Betamax recorder that did not fall under fair use or any other noninfringing activity were outweighed by the substantially legal ways in which the device could be used.[51] With the development and widespread use of peer-to-peer networks, this reasoning came under significant scrutiny.

C. The New Technology: Napster *and* Grokster

The Ninth Circuit's decision in the case of *A&M Records, Inc. v. Napster, Inc.* was a resounding legal blow to the use of peer-to-peer network software, but it presents a clear case of how judges viewed such technologies as compared to how they viewed technology such as websites like Amazon.com and Google.[52] To distinguish from both later instances of peer-to-peer file-sharing and Internet user-generated content, the nature of Napster's file-sharing technology must be understood. In this case, there is one clear point of interest: Napster's centralized server structure.

Individuals who used the Napster program to share files did so by downloading its software, which enabled them to create personal file libraries. Creating an account with Napster would then allow them to upload their listed files from their computers to Napster's servers.[53] Users could then search these servers by file name and download other files from them. Essentially, the Napster software enabled users to list music files on their own computers and put them into a central Internet hub, which could then be accessed by anyone else with Napster software and an account.[54] Music files were only identifiable by the filenames given to them by the original users.[55] Given the obvious potential use of such software, as well as the lines of communication Napster created and maintained for the purposes of illegally distributing copyrighted works, it is not surprising that

48. *Sony*, 464 U.S. at 449–52.
49. *Id.* at 455–56.
50. *Id.* at 442.
51. *Id*. at 418.
52. *See generally* Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007).
53. A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1011–12 (9th Cir. 2001).
54. *Id.* at 1012.
55. *Id*.

Napster faced lawsuits from the recording industry.[56] But portions of the Ninth Circuit's methodology in discerning infringement warrants examination, particularly concerning the very different treatment lawmakers have afforded to websites.

Napster's initial defenses drew from the primary sources concerning copyright and new technology: the DMCA and *Sony*.[57] Its claim that peer-to-peer networks qualified as ISPs under the DMCA's Section 512 provisions was questioned by the District Court, which refused to hold this as a matter of law.[58] The Court of Appeals agreed,[59] though it disagreed with the lower court's reasoning on one particularly relevant point. The lower court held that the DMCA provisions did not protect parties from secondary liability, but the Court of Appeals refused to affirm this.[60] However, Napster's attempt to seek immunity under Section 512 failed, with the court quoting the lower opinion: "[a]ny destruction of Napster, Inc. by a preliminary injunction is speculative compared to the statistical evidence of massive, unauthorized downloading and uploading of plaintiffs' copyrighted works—as many as 10,000 files per second by defendant's own admission."[61]

The impact of a file-sharing service such as Napster was clear; allowing it to continue would allow blatant, large-scale copyright infringement. Napster noted that its noninfringing uses included its users engaging in acts such as sampling, "space-shifting" (downloading music files they already owned), and the use of the technology by independent artists to permissively distribute their works.[62]

The space-shifting argument, in particular, seems to echo *Sony*'s establishment of "time-shifting" as fair use in that its purpose is not to illegally obtain and keep a file without compensation to its creator, but to allow some convenience to the user without denying the creator the original payment. The court refused to apply *Sony*'s reasoning, however, holding that "time or space-shifting of copyrighted material [as in *Sony*] exposed the material only to the original user," and did not involve the mass distribution of copyrighted material.[63] Yet the opinion does note that under

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56. *See, e.g.*, *Napster Lawsuit Continues*, BBC, Nov. 1, 2000, http://news.bbc.co.uk/2/hi/business/1000463.stm.

57. *See id.* at 1020, 1025.

58. A&M Records, Inc. v. Napster, Inc. 2000 WL 573136 at *8 (N.D. Cal 2000).

59. A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1025 (9th Cir. 2001).

60. *Id*.

61. *Id*. (quoting A&M Records, Inc. v. Napster, Inc., 114 F. Supp. 2d 896, 926 (N.D. Cal. 2000)).

62. *Id*. at 1014.

63. *Id*. at 1019.

Sony at that point in time, the Napster technology could not be solely judged on its infringing uses but on its *capability* for use in noninfringing activities.[64]

In addition to direct infringement, the Ninth Circuit also found that Napster could be held liable for secondary infringement, including vicarious infringement.[65] The opinion addresses both requirements of vicarious liability, claiming that Napster meets both,[66] though its points concerning the financial benefit prong in particular are arguably specious. In assessing financial benefit, the court relied on the "draw for customers" issue raised in *Fonovisa*.[67] As with *Fonovisa*, the fact that counterfeit recordings could be obtained through Napster's services was a primary means through which Napster added to its user base.[68]

The fundamental difference between the cases was that Napster did not receive any payment associated with its services. Unlike Cherry Auction, Napster did not charge for access to its "vendors," did not make sales to those who accessed its servers, and did not receive any sort of revenue from its vendors.[69] The court points out that growth in its user base was beneficial for Napster, as it increased the quantity and quality of the files available in its servers. But its source of actual financial benefit is that "ample evidence supports the district court's finding that Napster's future revenue is directly dependent upon 'increases in userbase [sic].'"[70] In other words, the court found liability from a theoretical line of revenue that did not yet exist. Such an expansion of what may be considered a "financial benefit" certainly has significant implications for the nature of vicarious liability, particularly in relation to infringement through new media.

The court's analysis of Napster's ability to supervise and control the nature of the content shared through its technology had particular implications for how later peer-to-peer systems would attempt to sidestep such liability. Napster's centralized servers were clearly within their purview, and Napster had the power to terminate user accounts and block individuals from accessing its servers.[71] The right to terminate user accounts was openly reserved by Napster, and the only leniency the court afforded in its analysis was in situations when Napster itself could not read

64. *Id*. at 1020–21 (emphasis added).
65. *Id*. at 1020, 1024.
66. *Id* at 1022–24.
67. *Id.* at 1023.
68. *Id*. at 1022.
69. *Id.* at 1011.
70. *Id*. at 1023.
71. *Id*.

the music files uploaded into its servers beyond the filenames.[72] However, the evidence supported the assertion that protected material could be easily found among the user-assigned filenames and that Napster was capable of detecting and policing the inclusion of such material.[73] Unlike websites and other ISPs, Napster could not simply wait until such infringement was called to their attention.[74]

Following judgments against Napster, Grokster marketed its own form of peer-to-peer software, including depicting it as an alternative to Napster.[75] Grokster's software operated differently from Napster in that rather than having users share files by uploading them into a primary server, Grokster products allowed users to transfer files directly to each other, thus truly encompassing the concept of "peer-to-peer." This decentralized structure meant that, in theory, Grokster, as purveyors of the technology, had no means of knowing or policing the files that were being shared with its product.[76] While Napster's software required a user to access a central server, meaning Napster could control such access and monitor the files available through this server, Grokster's software worked entirely through communicating between computers without any such need of an intermediary server.[77] Thus Grokster called into question the potential for any form of secondary liability attributable to the infringing actions of their users.

The Ninth Circuit relied on *Sony* to find that Grokster could not face secondary liability, because the decentralized structure meant that the company was not aware of specific infringing activities.[78] This is a level of awareness that the lower courts derived from *Sony*, which involved a technology that could have a substantial noninfringing use.[79] Grokster products also notably did not receive revenue from users, but instead made money from streaming advertisements visible in their software.[80]

Upon reviewing the case, the Supreme Court reversed the prior rulings by holding that the lower courts had misread *Sony*. Its reasoning and analysis focused heavily on Grokster's business practices and advertising, specifically those which essentially characterized it as a new

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72. *Id*. at 1024.
73. *Id.*
74. *See* 17 U.S.C. § 512(c)(1) (2006).
75. MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 939 (2005).
76. *Id*. at 923–24.
77. *See id.* at 919, 934.
78. *Id.* at 928.
79. *Id.* at 927–28.
80. *Id*. at 940.

Napster.[81] In *Sony*, the Court held that a technology capable of a "substantial noninfringing use" could not face wholesale injunction without evidence of constructive knowledge of specific instances of infringement.[82] In other words, like a landlord and tenant, Sony could not be responsible for the actions of some users of its product if such a use did not reflect its intent for the product, the product's necessary use (as in, it could have another), or Sony's general knowledge about its use. Sony would simply be akin to the landlord renting a space to someone who happened to commit infringement. The Court in this case, however, looked to the evidence of Grokster's specific stated desire to attract former Napster customers and maintain a library of popular copyrighted works flowing through its user base in order to attract customers[83] and contrasted it with the position of Sony.[84] Grokster was not an innocent, unknowing lease owner but specifically profited from the distribution of protected works. Essentially, the courts need not demand evidence of constructive knowledge in the face of obvious intent. Grokster had used a technology for the purpose of selling advertising space by drawing advertisement viewers with the promise of access to infringing content.

While the cases of *Sony* and *Grokster* are distinguishable, the latter decision does raise serious questions about the continuing application of *Sony*. Of course, Betamax was a very different technology from software such as that used for peer-to-peer networks; Betamax's overall copying capabilities were far less significant than that of software that can digitally copy and distribute content to an essentially infinite degree. Moreover, the mere fact that the Betamax was a piece of hardware, a physical technology, may set it apart in the view of judges and lawmakers. The *Sony* decision drew several analogies between copyright and patent liability,[85] analogies that may seem clear with a physical device like a VCR but less obvious with a software program that has clearly fallen within the realm of copyright law.[86] The implications of liability against a manufacturer may appear very different from those against the distributer of a computer program. However, the decisions in *Napster* and *Grokster* suggest that "merely" proving substantial noninfringing use is no longer enough for some new technologies to avoid liability. Meanwhile, a different form of

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81. *Id*. at 934, 938.

82. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984).

83. *Grokster*, 545 U.S. at 938–40.

84. *Id.* at 936–37.

85. *Sony*, 464 U.S. at 440–42.

86. 17 U.S.C. § 101 (2006) ("A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.").

new technology, ISPs, has been afforded strong immunity from such claims.

III. USER-GENERATED CONTENT, ISPS, AND THE DMCA

A. User-Generated Content Pre-DMCA

Three years prior to the passage of the DMCA, the 1995 case of *Religious Technology Center v. Netcom On-Line Communications Services* addressed the issue of liability for copyright infringement as part of user-generated content on an Internet bulletin board service ("BBS").[87] Plaintiffs sued the operator of the BBS and the ISP, Netcom, which allowed access to the BBS for direct and secondary liability.[88] The court distinguished the case from previous cases involving similar services by holding that ISP and BBS operators are not directly liable for a BBS user's violation of a copyright owner's reproduction right.[89] The court also denied a finding for vicarious liability on the basis that the plaintiffs could not establish that either Netcom or the BBS had a direct financial benefit from the infringement. It did allow for a genuine question of contributory infringement, though this could be found only after the service's failure to act after being notified of the infringing content.[90] The court concluded on the issue of direct liability that when it came to user-generated content and the potential liability of ISPs and the operators of similar Internet forums, it could not "find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonably be deterred."[91]

Also of interest is the court's analysis on the defendant's potential vicarious liability. The court did find a genuine issue in the copyright owners' assertion that Netcom had the ability to police its subscribers through suspending the accounts of those who had posted obscene material and commercial advertising, in addition to the fact that the company could potentially delete specific posts.[92] However, the court refused to consider the fees that Netcom charged its subscribers to be a "direct financial benefit" from the infringement,[93] and dismissed the plaintiff's contention that the operator of the BBS received a fee from users.[94] The most

87. Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., 907 F. Supp. 1361, 1365 (N.D. Cal. 1995).

88. *Id.*

89. *Id*. at 1370–71. However, the court did not address the issue of distribution rights.

90. *Id.* at 1371.

91. *Id*. at 1372.

92. *Id.* at 1376.

93. *Id*. at 1377.

94. *Id*. at 1382.

interesting argument on the financial benefit subject was the plaintiffs' contention that unlike other ISPs of its time, such as AmericaOnline and CompuServe, Netcom advertised itself as "easy, regulation-free Internet access" for the purpose of attracting copyright infringers.[95] Though the court rejected this theory, it is a clear reference to vicarious liability that "direct financial benefit" can be ascertained based on solicitation of infringement and presence of any sort of cash flow. As already discussed, the Ninth Circuit later held that vicarious liability could be found not only from the "direct financial benefit" reaped from solicitation for a fee-paying service (based on the theory that such solicitation depended on the service's use for infringement), but also that such a benefit could exist even when such fees were just a future possibility.[96]

The passage of the DMCA answered many of the questions concerning copyright infringement and the Internet that courts, as in *Netcom*, were grappling with or outright avoiding. Specifically, how does one discern copyright violations when the simple operations of transmitting data and computer caching could make "the entire Internet" liable? Could technologies harboring user-generated content be effectively dissuaded from policing their forums if doing so could result in their liability? The 1996 Communications Decency Act had already partially insulated ISPs and websites from liability from nonfederal torts such as defamation.[97] This allowed them the ability to police their content without concern for liability but expressly excluded intellectual property law from such immunity.[98] The DMCA's Section 512 Safe Harbor and Notice-and-Takedown provisions thus did not afford protection to "innocent" service providers unaware of infringing content on their sites, but it also did not impose the burden of anticipating and policing content for infringement, as may have been the case under the Communications Decency Act.[99] While a service would lose such protection if it had "constructive knowledge" of its use for the purpose of infringement,[100] the simple fact that its technology could be used for such infringement is not enough to constitute such knowledge with

95. *Id*. at 1377.

96. A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1022 (9th Cir. 2000) (emphasis added).

97. 47 U.S.C. § 230 (2006); *see* Zeran v. America Online, Inc., 129 F.3d 327 (4th Cir. 1997) (finding that the "computer service provider" was not liable for defamatory postings).

98. § 230(e) ("Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property.").

99. Ginsburg, *supra* note 16, at 186.

100. *Id*.

the notice-and-takedown system, which requires copyright holders to pursue infringing materials on protected sites.[101]

B. The DMCA's Outline for Limited Liability

The DMCA's Section 512 limitations on liability relating to material online, or Safe Harbor provisions, encompass a wide range of potential ISPs and potential copyright infringing actions, which include affording a level of immunity to service providers that transmit material[102] and general temporary storage of materials that takes place when a browser accesses and displays a website.[103] The subsequent sections of Section 512 describe sites devoted to user-generated content like YouTube and indexing and search engines like Google.[104] Their copyright immunity is described as:

> (c) Information Residing on Systems or Networks At Direction of Users.—
>
> (1) In general.—A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider . . . .[105]
>
> (d) Information Location Tools.—A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link . . . .[106]

Each of these provisions is followed by a number of exceptions, including a process through which copyright owners may petition websites to remove infringing material. However, both sections include an exception, identically worded, which has been viewed by some commentators[107] as a potential loophole in the law that could negate the benefits of Section 512 immunity. These provisions state that a service provider will not be held liable for monetary or injunctive relief if the service provider "does not receive a financial benefit directly attributable to

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101. For further information on the Notice-and-Takedown procedure, see *The Digital Millennium Copyright Act of 1998 U.S. Copyright Office Summary*, U.S. COPYRIGHT OFFICE, 11–12 (December 1998), http://www.copyright.gov/legislation/dmca.pdf.

102. 17 U.S.C. § 512(a) (2006).

103. § 512(b).

104. § 512(c)–(d).

105. § 512(c).

106. *Id.*

107. *See* Lee, *supra* note 19, at 234.

the infringing activity, in a case in which the service provider has the right and ability to control such activity . . . ."[108]

The potential for a Section 512 loophole through this language is drawn from the fact that it strongly echoes the language of common law secondary copyright liability. While websites may be barred from liability in direct infringement, the language tying a party to potential infringement through financial gain, and a failure to control such activity when able, is strikingly similar to the language of common law vicarious liability. In *Nimmer on Copyright*, Melville Nimmer describes vicarious infringement as existing "when two elements are present. First, the defendant must possess the right and ability to supervise the infringing conduct. Second, that defendant must have 'an obvious and direct financial interest in the exploitation of copyrighted materials.'"[109] Vicarious infringement does not require knowledge of the infringement[110] but instead, like the DMCA exception, only requires a form of financial benefit and the "right and ability to supervise the infringing conduct."[111] Case law concerning this interpretation has been mixed and inconclusive,[112] and the legislative history indicates that allowing for a vicarious liability claim against service providers was not the intent of Congress when drafting the statute.[113] However, the 1998 law was followed by holdings in *Napster* and *Grokster* in 2005 that, while certainly concerning technologies not covered under the DMCA limited liability provisions,[114] also extended notions of vicarious liability, particularly in what may be considered "financial gain," beyond what had been covered previously. In other words, peer-to-peer networks were held fully liable for the infringing actions of their users, whereas websites hosting even substantial amounts of infringing content have been largely protected.

C. What the DMCA Has Meant for ISPs

How the Section 512 exceptions involving "a financial benefit directly attributable to the infringing activity"[115] should be applied, and

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108. § 512(c)(1)(B); § 512(d)(1)(C)(2).

109. MELVILLE NIMMER, NIMMER ON COPYRIGHT § 12.04[A][2] (2010) (footnotes omitted).

110. *Id*.

111. *Id.*

112. *See* Lee, *supra* note 19, at 237–40.

113. *Id.* at 237 (quoting H.R. Rep. 105-551, pt. 2, at 50 (1998), which incorrectly states the provision would "protect qualifying service providers from liability for all monetary relief for direct, vicarious, and contributory infringement.").

114. *See* A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1025 (9th Cir. 2000).

115. § 512(c)(1)(B).

their potential connection to vicarious liability, is an unsettled issue in the courts. The DCMA itself has been described as "not a model of clarity,"[116] and, even with its guidance, the courts face the same dilemma which they did before. It is unclear how to balance the interests of copyright owners with the practical issues associated with Internet technologies, particularly those that allow or envision input from a large user base. In *Costar Group v. Loopnet, Inc.*, the U.S. District Court of Maryland stated in dictum, "[b]asically, the DMCA provides no safe harbor for vicarious infringement because it codifies both elements of vicarious liability."[117] This is not a statement supported by the legislative history, which instead describes the exception as follows:

> In determining whether the financial benefit criterion is satisfied, courts should take a common-sense, fact-based approach, not a formalistic one. In general, a service provider conducting a legitimate business would not be considered to receive a "financial benefit directly attributable to the infringing activity" where the infringer makes the same kind of payment as noninfringing users of the provider's service.[118]

Aside from the point that a common sense, nonformalistic approach is unlikely to be used in a federal copyright case any time soon, the comment describes a noninfringer—that is, a "legitimate business"—but provides little help in describing what would constitute an actual infringer. Does "legitimate business" mean that the presence of infringement in the user-generated content on a site should be incidental to that which is legal? Is there some percentage of content at which a site stops being legitimate and its financial benefit becomes directly attributable to the infringing activity? Can a site avoid liability by not promoting itself as a prime location for obtaining infringing materials, as the Supreme Court so emphasized in *Grokster*? Can the liability be found for a site simply being used for infringement, even if not clearly advertised, as in *Napster* and *Fonovisa*?

The record also indicates that "a one-time set-up fee and flat periodic payments for service" could not constitute a direct financial benefit.[119] Perhaps this is in contrast to the swap meet entrance fee of *Fonovisa*, though not the streaming advertisements that funded *Grokster*. It seems clear that regardless of the record, some protection for copyright owners was intended in these exceptions, particularly under conditions that have

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116. Lee, *supra* note 19, at 237–38.

117. 164 F. Supp. 2d 688, 704 (D. Md. 2001).

118. NIMMER, *supra* note 109, at § 12B.04[A][2][b] (citation omitted).

119. Ellison v. Robertson, 357 F.3d 1072, 1079 (9th Cir. 2004) (quoting S. REP. No. 105-190, at 44–45).

typically been associated with vicarious liability. But how, as a practical matter, should that protection be applied?

Despite *Costar*'s *in dictum* comments, Nimmer's treatise makes the case that the standard used in *Costar* was one higher than common law secondary liability.[120] He observed that the courts have applied a standard in which the financial benefit must be *directly* attributable to the infringement, though previous cases (such as *Cherry Auction* and *Napster*) had found vicarious liability through what was essentially indirect attribution to any financial benefit.[121] The Ninth Circuit case of *Ellison v. Robertson* similarly required a "causal relationship between the infringing activity and any financial benefit a defendant reaps," regardless of how substantial the potential benefit was to an Internet service or content provider.[122] Though the Ninth Circuit would later conclude that the similarity of the exception's language to common law vicarious liability means it should be read as such,[123] it also continued *Ellison*'s approach of applying a standard requiring a causal relationship between the infringing activity and the financial benefit, and additionally applying a relatively high standard of proof that such a relationship existed.[124] Despite repeatedly tying the language of Section 512 exceptions to that of vicarious liability, the courts have, with some consistency, applied a higher standard than that traditionally used for such liability, or else have failed to apply traditional liability with the reasoning that Section 512 forbids it.[125]

The most prominent, current test case for exceptions to limited liability may be that of *Viacom International, Inc. v. YouTube, Inc.*, a case involving two colossal entities with corporate copyright ownership on one side, and one of the most popular Internet forums for user-generated content on the other.[126] In its complaint against YouTube, Viacom

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120. NIMMER, *supra* note 109, at § 12B.04 ("In the context of this safe harbor, Judge Chasanow in *Costar Group Inc. v. Loopnet, Inc* [sic] took the requirement of 'direct financial benefit' literally. That construction stands in contrast to the gloss on 'direct financial benefit,' an element of vicarious liability as defined at common law--in which courts are so non-literal as to be willing to construe past judicial references to 'direct' as meaning, essentially, 'indirect.'").

121. *Id.* For example, the sale of admission tickets to a market is indirectly attributable to the draw of counterfeit recordings.

122. *Ellison*, 357 F.3d at 1079.

123. *See* Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1117 (9th Cir. 2007).

124. *Ellison*, 357 F.3d at 1079 ("The record lacks evidence that AOL attracted or retained subscriptions because of the infringement or lost subscriptions because of AOL's eventual obstruction of the infringement."). *Id.*

125. Lee, *supra* note 19, at 237–40.

126. Miguel Helft and Geraldine Fabrikant, *Whose Tube? Viacom Sues Google Over Video Clips*, N.Y. TIMES, March 14, 2007, http://www.nytimes.com/2007/03/14/technology/14viacom.html?ref=viacominc.

specifically asserts that the website falls under the "financial benefit" exception, claiming that through advertising the site "has built an infringement-driven business by exploiting the popularity of Plaintiffs' copyrighted works (and the works of other copyright owners) to draw millions of users to its website."[127]

While the complaint concedes that "YouTube's website purports to be a forum for users to share their own original 'user generated' video content," it still contends that a "vast" amount of that content is in fact copyright-protected work, that YouTube "induces" this content, and that it even uses the presence of such content in negotiating license agreements with copyright holders.[128] Effectively, Viacom argues that YouTube is not the legitimate business that Congress envisioned in drafting Section 512, but rather is a technology used for massive infringement with a substantial financial interest in this infringing use.[129] The case was filed in the U.S. District Court for the Southern District of New York in 2007,[130] with both Viacom and YouTube moving for summary judgment on the issue of whether YouTube qualified for Section 512 protections.[131]

In 2010, the trial court ruled for YouTube, finding that it was protected by Section 512 and rejecting Viacom's arguments that YouTube fell under Section 512's exceptions.[132] Judge Louis Stanton emphasized the necessity of the defendant to have the "right and ability to control" the infringing content, noting in particular that "the provider must know of the particular case before he can control it,"[133] and thus finding the notice-and-takedown process to be sufficient. Judge Stanton also explicitly rejected any comparison to *Grokster*:

> The Grokster model does not comport with that of a service provider who furnishes a platform on which its users post and access all sorts of materials . . . while the provider is unaware of its content, but identifies an agent to receive complaints of infringement, and removes identified material when he learns it infringes.[134]

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127. Complaint for Declaratory and Injunctive Relief and Damages at para. 37, Viacom Int'l, Inc. v. YouTube, Inc., 718 F. Supp. 2d 514 (2010) (No. 1:07CV02103).

128. *Id*. at para. 3.

129. "150,000 unauthorized clips of their copyrighted programming on YouTube that had been viewed an astounding 1.5 billion times . . . ." *Id.* at 3. Compare that with the 10,000 files per second once shared over Napster's servers. A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1025 (9th Cir. 2000).

130. Miguel Helft, *Judge Sides With Google in Viacom Video Suit*, N.Y. TIMES, June 23, 2010, http://www.nytimes.com/2010/06/24/technology/24google.html.

131. Viacom Int'l, Inc. v. YouTube, Inc., 718 F. Supp. 2d 514, 516 (2010).

132. *Id.* at 529.

133. *Id.* at 527.

134. *Id.* at 526.

The court also clearly distinguished the Section 512 exceptions from secondary liability under the common law, finding that "the DMCA gives a safe harbor, even if otherwise he would be held as a contributory infringer under the general law."[135] Viacom will appeal the ruling.[136]

Peer-to-peer networks and sites that host user-generated content are mechanically very different examples of Internet technologies and new media. The former involves software programs a user installs (rather than accesses remotely) and uses to share files directly with other users.[137] The latter can be a host of different websites, from those that are effectively the web version of classified ads, such as Craigslist.com or the comment pages of news stories, or a site like YouTube, which is capable of hosting legal content as well as infringing files.[138] In cases such as *Napster* and *Grokster*, it was not a difficult matter to target the technology itself, as the Supreme Court chose not to do in *Sony*. But the more substantial questions are whether the practical differences for copyright claims and infringement are great enough as to warrant the very different ways in which their respective mediums are treated, and whether anything can be learned from the effect the law has on the sharing of protected media.

IV. REVIVING THE *SONY* STANDARD FOR NEW TECHNOLOGY

A. The Need for a Standard in Understanding Section 512 Exceptions

While legal and practical changes could be made to the practice of copyright law, the process by which copyright owners may assert their rights to their works in the context of user-generated content on the Internet may often be ineffective and unsubstantial,[139] or may be used for improper purposes (when the purpose is to silence a critic rather than make a valid copyright claim, a takedown notice may be much easier to produce than an infringement complaint).[140] This hurdle has been mitigated somewhat by

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135. *Id*.

136. Helft*, supra* note 130.

137. For a more detailed analysis of peer-to-peer networks, see RALF STEINMETZ & KLAUS WEHRLE, PEER-TO-PEER SYSTEMS AND APPLICATIONS 7–16 (Ralf Steinmetz & Klaus Wehrle eds., 2005).

138. *See generally* SACHA WUNSCH-VINCENT & GRAHAM VICKERY, ORG. FOR ECON. CO-OPERATION AND DEV., PARTICIPATIVE WEB: USER-CREATED CONTENT 4–20 (2007) (overview of user-generated content, content-hosting websites, and the impact of their use), http://www.oecd.org/dataoecd/57/14/38393115.pdf.

139. *See* Second Amended Class Action Complaint at para. 116, Football Ass'n Premiere League Ltd. v. YouTube, Inc., 2008 WL 5596002 (S.D.N.Y. 2008) (No. 07 Civ. 3582) [hereinafter Complaint].

140. Rossi v. Motion Picture Ass'n of Am., Inc., 391 F.3d 1000, 1007 (9th Cir. 2004)

sites like YouTube actively making licensing agreements with copyright owners.[141] However, the exceptions in Section 512, rather than being essentially meaningless or amounting to a loophole in liability, can give rise to some middle ground between copyright owners and Internet distributors, as well as the Internet users who are ultimately the direct infringers.

Though perhaps abandoned in the wake of *Grokster*, the reasoning of *Sony* is a good starting point. The *Sony* case involved a new technology where it was unlikely that anyone wanted to see it stifled entirely. Universal had sought an injunction against the "manufacture and marketing" of the Betamax VTRs but also "money damages and an equitable accounting of profits."[142] A means by which Universal could obtain royalties through the use of the Betamax would likely have been the most ideal outcome of the case for Universal, though the Supreme Court's decision did not offer them the leverage to negotiate this with Sony. Despite this, it is certainly the case that copyright owners were later able to work the new technology into their own marketing. VTRs and VCRs could play legally distributed video tapes as well as the "time-shifting" created ones that had so irked Universal. The unease of Justice Stevens in ordering an injunction concerning the technology is expressed in his prediction that ruling for Universal "would enlarge the scope of respondents' statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection."[143] To some extent, copyrighted works and the media through which they can be distributed must have some line drawn between them, and the line the Court draws is that of the technology's capability for noninfringing use.

Despite this language separating a technology from its possible use in aiding infringement, the Court in *Grokster* revised its position on *Sony*. However, this was primarily because Grokster was open about its intentions as a space for sharing protected works, even if the program itself would be capable of a noninfringing use. While the fact that peer-to-peer file sharers failed to qualify as an ISP for the purpose of the DMCA is more or less settled,[144] the principal difference between Grokster and a piece of

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(holding that a "good faith belief" that infringement exists, rather than objective knowledge, is sufficient to file a takedown notice).

141. *See, e.g.*, Miguel Helft, *Google Courts Small YouTube Deals and Very Soon, a Larger One*, N.Y. TIMES, March 2, 2007, at C1.

142. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 420 (1984).

143. *Id*. at 421.

144. *See* A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1025 (9th Cir. 2001). It should be noted that not all peer-to-peer technology has been marketed for the purpose of file sharing with one prominent example being the Internet phone service Skype. Charlie

technology like the Betamax player, which could also directly be used for the purpose of infringement and a peer-to-peer network, is the simple fact that those who maintained such networks were not only aware of those who used them for the purpose of infringement but also actively encouraged this behavior.

The "draw" of Grokster and Napster was ultimately their potential for illegal distribution of copyrighted works.[145] Even the practices Napster put forth as consistent with fair use were rejected.[146] But limiting these technologies also meant limiting their potential for future legal use. Unlike Betamax, and later the protected-status sites such as YouTube, copyright owners have largely sought to shut down peer-to-peer systems rather than analyzing whether they could be a beneficial medium through which to distribute their works.[147]

Typical user-generated content sites may lie somewhere between the justifications found in the *Sony* and *Grokster* decisions. Such sites involve content that could be substantially made up of copyrighted works. As with peer-to-peer networks, these sites can generally limit or prevent a user from accessing or uploading content on a site.[148] Many such sites also take in most of their revenue from the use of streaming advertisements on their sites, thus encouraging sites to attract as many viewers as possible.[149] For instance, Viacom has counted the number of times its protected content has been viewed on YouTube at over one billion,[150] suggesting that the accessibility of copyrighted material is part of the site's "draw." But the site plainly has noninfringing uses, between the submission of original videos by users and the licensing agreements the site can form with copyright owners to allow their work to be distributed via the site. Setting aside the DMCA provisions, if user-generated content websites were judged by the same standards that networks like Grokster and Napster

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Savage, *U.S. Is Working to Ease Wiretaps on the Internet*, N.Y. TIMES, September 27, 2010, at A1.

145. *See Napster*, 293 F.3d at 1023; MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 928–29 (2005).

146. *See Napster*, 293 F.3d at 1014–15.

147. *See, e.g.*, Tim Arango, *Judge Tells LimeWire, the File-Trading Service, to Disable Its Software*, N.Y. TIMES, October 27, 2010, at B3.

148. *See, e.g.*, *YouTube Community Guidelines*, YOUTUBE, http://www.youtube.com/t/community_guidelines?gl=GB&hl=en-GB (last visited Feb. 20, 2012) (detailing YouTube's ability to review uploaded content and terminate user accounts); *Statement of Rights and Responsibilities*, FACEBOOK, http://www.facebook.com/legal/terms (last visited Feb. 20, 2012) (outlines Facebook's Terms of Service and process of account termination).

149. *See* Bob Tedeschi, *Internet Banner Ads Look to Get More Interesting (and Thus Less Easy to Ignore)*, N.Y. TIMES, July 11, 2005, at C6.

150. Complaint, *supra* note 139, at para. 3.

faced, they also would likely be liable for vicarious infringement.[151] As it is, with a DMCA provision echoing vicarious liability, the question as to how it should be applied to websites, and what can be taken from the law's approach to other user submission-based forms of new media is left open.

B. Betamax and the World Wide Web: How Sony *Could Form a Compromise in Liability*

As discussed, case law following the passage of the DMCA has left the secondary liability issue unsettled. Despite legislative history to the contrary, courts seem inclined to apply the Section 512 exceptions as a rough equivalent to common law secondary liability. On the other hand, courts also seem disinclined to go as far as the liability standard established for peer-to-peer clients such as Napster and Grokster. Even with existing case law, there is no obvious middle ground from the language of the statute. Attempts to move away from the language of the common law still do not address how the exceptions should be implemented in dealing with the issue of infringement hosted by ISPs. While it is true that applying liability to a much greater extent may be impractical, the Court's *Sony* rule, even narrowed in light of *Grokster*, provides a potential standard that could be a compromise between the needs on both sides.

As was the case in *Sony*, the Internet (specifically, user-generated sites) presents a threat of substantial noninfringing uses. The legislative history of the DMCA appeared to indicate as much in its reference to "legitimate businesses" as ISPs.[152] Though capable of infringing use, the technology of the Internet has overwhelming capabilities for noninfringing activities. The standard should apply more specifically to individual sites as individual technologies—with the application of different coding and programming platforms, they often are essentially different forms of technology. Thus, the issue would be whether the purpose and use of the site is substantially noninfringing.

In many ways, this is already the question facing YouTube. While the technology of the site itself, in allowing users to load video clips for public viewing, has a clear noninfringing use, the question may become whether such use is substantial, or whether YouTube's business is substantially rooted in infringing content. In *Fonovisa*, secondary liability was grounded in Cherry Auction's benefit from the substantial amount of music piracy that occurred in the physical stalls it rented to vendors.[153] Its customers'

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151. *See Napster*, 239 F.3d at 1023; *Grokster*, 545 U.S. at 916.

152. *See* NIMMER, *supra* note 109, at §12B.04[A][2][b] (citing Commerce Rep. (DMCA)).

153. *See generally* Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).

awareness of the counterfeit records sold there was considered a major draw of the market, in turn producing various ticket and concession sales and fees to the market itself.[154] In contrast, the case of *Sony* involved a market in which the maintainer of the technology was very remote from its user, and its possible infringing use was only one aspect of a technology that could facilitate considerable noninfringing activities. There, the court concluded that there was no liability.[155]

In some ways, an Internet site seems more akin to Cherry Auction: it has substantially more power over and awareness of those who access the site than Sony had of those who bought the Betamax. Sites hosting user-generated content are often essentially virtual marketplaces, with customers paying their way by viewing advertisements while consuming the posted content. The logical follow up would be to consider whether the definite presence of copyrighted material among this content is enough to consider what revenue a site receives from its users as a trigger for the exceptions under Section 512. Under traditional common law, the answer may be yes, which would shift the burden of preventing and policing infringement to the site maintainers to a point that may be simply impractical. Public policy could lead to the conclusion that some measure of policing should be possible without making site maintainers subject to liability.

Inevitably, assessing issues of copyright protections and Internet business is likely going to come down to a balancing test—pitting the interests of copyright owners against both the interests of online businesses and the practical realities and implications of new technologies. The *Sony* case, decided in a situation where previous applications of copyright policy could have proven impractical, provided the doctrine of substantial noninfringing use.[156] The balance is adjusted somewhat toward benefiting new technology, but not so far as to leave copyright owners with no recourse. A test that examines the extent to which a site engages in, exists for the purpose of, and provides its technology to benefit financially from an infringing use would work as a practical alternative for dealing with user-generated content sites. It would give protection to sites that genuinely exist for the purpose of maintaining substantially noninfringing content, and it would protect copyright owners who are otherwise perpetually engaging in the Notice-and-Takedown System of sites that substantially use the property of others.

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154. *See id.* at 263.

155. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 456 (1984).

156. *But see id.* ("It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past.").

V. CONCLUSION

Legal approaches to new media, such as peer-to-peer networks and Internet forums of user-generated content, have been largely inconsistent. The passage of the DMCA in 1998 did not entirely address the dilemma facing courts, copyright owners, and website operators and maintainers: balancing the practical realities of the Internet against the rights of copyright owners. Legislation and case law have reflected the general sentiment that peer-to-peer networks like Napster and Grokster were primarily the domain of infringers encouraged by those who produced their software. This resulted in lawsuits that stretched the applications of direct and secondary (particularly vicarious) copyright liability. Websites that host user-generated content have received some immunity from liability in the form of Section 512 of the DMCA, but with notable exceptions, including those that strongly echo the language of vicarious liability. With the case law concerning these exceptions and their impact on Section 512 immunity still unsettled, the most practical way to view the exceptions would be to assess them through a lens that deals honestly with the continuing issues of large scale Internet infringement but also addresses the complications of pursuing copyright ownership online.

The DMCA liability exceptions evoke the two prongs of vicarious liability—financial benefit and ability to control the infringing activity. Though courts have consistently applied (if not stated) a higher bar for websites in what may constitute financial benefit, they have also noted the suggestions of vicarious liability in the statute, even though this is against its legislative history. Even prior to the passage of the DMCA, courts were hesitant in applying direct and secondary liability to ISPs and site managers for infringements committed by users. But it is also true that the differences between user-generated content sites and peer-to-peer networks are narrow. They both derive revenue from advertising and subscriptions, and they both rely on the content of their users in order to operate. While the Supreme Court had clear evidence of Grokster's desire to acquire copyright protected works in order to maintain its user base,[157] it could certainly be argued that YouTube similarly benefits from those who post and view copyrighted material on its site. Though the courts have interpreted the Section 512 exceptions to indicate that the financial benefit a site or business receives must be "directly attributable to the infringement"—meaning the lines drawn between the specific infringement and a financial benefit are clear—this may simply not be workable for copyright owners, even in the face of flagrant, widespread infringement. The more practical

157. *See* MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 928 (2005).

solution, though rejected by the Ninth Circuit in *Ellison*,[158] may be to instead assess how substantially a site's income is the result of its technology being used for a "legitimate business" purpose or is simply the product of the attraction of infringing works. Or, to reprise the standard of *Sony*, the primary inquiry should be whether the nature of the forum for user-generated content is one with a substantially noninfringing purpose.

158. *See* Ellison v. Robertson, 357 F.3d 1072, 1079 (9th Cir. 2004).