Internet Law
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QUESTION 2

"The introduction of new technology is always disruptive to old markets, and particularly to those copyright owners whose works are sold through well-established distribution mechanisms."[1] Technological advancements such as the introduction of the printing press and other technological inventions such as radios and television broadcasting, the internet, compact discs (CD) and digital versatile disc (DVD), 'has affected both the form and substance of intellectual property rights'.[2] The main Intellectual Property Right (IPR) that WIPO is referring to is Copyright. The main aim of my work is to demonstrate using historical examples how the law of

[1] Judge Thomas, *MGM v Grokster Ltd* 380 F.3d 1154 (9th Cir. 2004) at p.1167.
[2] World Intellectual Property Organisation (WIPO), 'Intellectual Property On The Internet: A Survey of Issues,' December 2002

copyright has evolved in order to cope with the introduction of new technologies and particularly to deal with the ground-breaking file-sharing of the digital era of the internet.

Moreover, a critical evaluation will follow as to how effectively the law of copyright has responded to the issues raised by these developments, emphasizing on the copyright issues raised by the infamous file-sharing cases of *Napster*[3] and *Grokster*.[4]

A suitable starting point would be to introduce you to the basic concepts of copyright law by using the United Kingdom (UK) legislation as a basis (all members of the European Union (EU) as-well the United States (US) have similar legislation as will be seen further below). 'Copyright is a property right that subsists in certain specified types of works as provided for by the Copyright, Designs and Patents Act 1988 (CDPA 1988).'[5] The main protected works as provided by the CDPA 1988 include original literary work ("any work, other than a dramatic or musical work, which is written, spoken or sung"),[6] original dramatic work and original musical work,[7] original artistic work[8] including graphic work and photograph, film,[9] sound recording[10] and broadcast.[11]

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[3] *A&M Records, Inc. v Napster, Inc.* (9th Circuit), 25 March 2002
[4] *MGM v Grokster Ltd* 5445 U.S. 125 S. Ct 2764 (2005)
[5] David I. Bainbridge, *Intellectual Property* (6th edn Pearson Education, Harlow 2007) 27
[6] Copyright, Designs and Patents Act 1988 s.1, 3 (1) (a)
[7] Ibid s.3 (1)
[8] Ibid s.3 (1) (a), (4)
[9] Ibid s.5B
[10] Ibid s.5A
[11] Ibid s.6

The copyright owner has the exclusive right of selling the copies of the work, broadcasting it, making copies of it, to rent or lend the work to the public, to perform show or play the work in public, to communicate the work to the public or to make an adaptation of the work.[12] Copyright law can restrict such acts. The copyright owner can also authorise others to do such acts.[13] Where a person performs such an act without the consent or license of the copyright owner, the owner can sue for infringement of his copyright and claim for remedies such as damages or an injuction.[14]

Moreover, multiple copyrights can exist in relation to one piece of work, for example an mp3 file contains a literary work (the words), a musical work (the music) and a sound recording. Therefore, for example in a dispute over file-sharing on the internet there can be many claimants such as the creators of the material and a big media company (that made the sound recording).[15]

The physical medium is not an important issue in relation to a copyright. Therefore, a copyright can subsist on paper or on disk or on the internet. 'A work does not have to be a particular type of physical thing but can be a digital artefact.'[16]

[12] Copyright, Designs and Patents Act 1988 ss.16-21
[13] ibid
[14] ibid
[15] Internet Law Lecture Workbook page 32
[16] Ibid page 32

Copyright protection is given to 'authors'. The CDPA 1988, s.9 (1) provides that the 'author' of a LDMA (literary, dramatic, musical or artistic work) is 'the person who creates the work'.
In cases of works such as a sound recording where there is no obvious 'creator' the author is usually the person who makes the arrangements necessary for the production of the work. For example the CDPA 1988, s.9 (2) (a) states that in the case of a sound recording the producer is deemed to be the 'author'.

Moreover, we will now briefly look at copyright infringement. Infringement is the performing of any of the 'restricted acts' mentioned above. There are 3 forms of infringement: "primary infringement" (performing the acts mentioned above without the consent or license of the owner) governed by ss.16-21 of the CDPA 1988, "authorising" another person to do any of the 'restricted acts' governed by s.16 (2) and various forms of "secondary infringements" governed by ss.22-26.

The fundamental right under copyright law is the right not to have your work copied.[17] It is a copyright infringement to copy a work or any substantial part of it, as s.16 of the CDPA states. In addition, digital copies are also caught; data copied to and retained on a disk, data communicated over the internet and data held temporarily or transiently shown on a screen or through a browser.

[17] Also known as the 'reproduction right' under Directive 2001/29/EC article 2

Furthermore, copyright protection for LDMAs and films lasts for the life of the author plus 70 years and for other types of work the term for which copyright protection lasts is generally 50 years from the creation or publication of the work.[18]

To continue, it is very important to emphasize that Copyright laws are similar throughout the whole world as Intellectual property law has been set upon an international stage.[19] The European law develops within the framework of International Treaties and conventions which aim for greater harmonisation of the laws relating to IPRs.[20] Some of the most important Conventions are: The Berne Convention 1886 (Paris Act of 1971) and the TRIPs agreement (on Trade-related Aspects of Intellectual Property Rights) 1994.

With the introduction of these treaties and the harmonisation through directives such as the Directive 2001/29/EC 'Copyright and related rights in the information society' ('InfoSoc'), there is an internationally fairly harmonised system of copyright law. The UK laws mentioned above are mostly determined at European level with most countries having similar legislation. The vast majority of the developed nations are members of the international conventions, many of them which are administered by the WIPO.[21]

[18] Copyright, Designs and Patents Act 1988
[19] David I. Bainbridge, *Intellectual Property* (6th edn Pearson Education, Harlow 2007) 15
[20] Ibid
[21] Ibid p.16

As there is a fairly harmonised system of copyright law, case law and legislative developments in other jurisdictions can be influential outside their own territories but particular copyright disputes nevertheless must be fought out under the law of the state where the action is brought.[22]

To continue, the introduction of the internet did not require any significant change or extensions and additions to copyright laws.[23] Most material or types of work on the internet were already included in the existing laws relating to copyright.[24] As regards harmonisation, "'cyberspace' exists trans-nationally so issues of jurisdiction and harmonisation naturally ensue."[25]

Copyright law has been greatly challenged as policing cyberspace is not effective as there are huge numbers of individual users and there is a great deal of freedom as to when and where material is accessed. "'Personal use' or 'free use' such as home taping and copying of music and films has been impossible to stop and would be uneconomical to police."[26]

"Flexibility is the defining feature of regimes of copyright law, the ability to grow and adapt to incorporate new subject-matter and new rights…The digitalisation of copyright subject-matter and the ease with which digital copies can be manipulated and disseminated

[22] Internet Law Lecture Workbook page 33
[23] Internet Law Lecture Slides on: Copyright and the Internet
[24] ibid
[25] ibid
[26] Margaret Jackson & Maria Shelly, 'Black Hats and White Hats: Authorisation of copyright Infringement in Australia and the United States' (2006) IJL&IT 14 (28)

over the internet is the greatest test of this flexibility for at least a century;"[27] as Thomas Hays commented, the 'regimes of copyright law' are put under the hardest test with the introduction of digital copyright subject-matters.

Before introducing you to what exactly is peer-to-peer file sharing (P2P) and the issues which were raised in the infamous *Napster* and *Grokster* litigations, a historical background of cases dealing with technological advancements and the law of copyright will be given.

The big issue here is that assuming that there has been infringement by an individual, will the person who provides the facilities for committing that infringement (secondary infringement) liable for secondary infringement?[28] US law allows personal copying and has a private copying scheme that applies to digital music recordings.[29]

For others, there are two forms of secondary infringement; 'contributory' and 'vicarious'. In 'contributory' the copyright owner must establish that direct infringement has occurred and that either the defendant knowingly contributes to that direct infringement in some way, or provides services a machine or technology which enables the infringement to occur. 'Vicarious' infringement derives from employment law and requires the plaintiff to show that the

[27]Thomas Hays, 'The evolution and decentralisation of secondary liability for infringements of copyright-protected works: Part 1' (2006) E.I.P.R. 28(12), 617

[28] Internet Law Lecture Workbook page 38

[29] Internet Law Lecture Slides on: Napster & Grokster

defendant has the 'right and ability to supervise the infringing activity and also has a direct financial interest in such activities.'[30] For both 'contributory' and 'vicarious' infringements there is no need for a link with the primary infringer.

An important early US law case is the case of *Sony Corp*.[31] Sony manufactured videocassette recorders (VCRs) and the issue which arose was whether they were liable for the copyright infringement that may have resulted. By a majority vote of 5-4 the Supreme Court held that Sony was not liable. It was held that the sale of VCRs does not constitute contributory infringement as the 'product is widely used for legitimate, unobjectionable purposes.' Based on the facts found by the District Court, the majority of the potential uses of the device are non-infringing, thus the 'Betamax is capable of commercially significant non-infringing uses.' The court ruled that the incidental uses (such as the video recording) were not important enough.

Most countries have very similar rules in their copyright systems as mentioned above. The analogous rules addressing such issues ('contributory' and 'vicarious' liability) in the UK are 'authorisation'[32] and 'joint tort'. There is a stricter test for 'authorisation' than 'contributory' infringement; the defendant

[30] Ibid
[31] *Sony Corp v Universal City Studios Inc.* (Sony-Betamax) 464 U.S. 417 (1984)
[32] Copyright, Designs and Patents Act 1988 s.16 (2) authorising someone of performing any of the restricted acts.

accused of authorising infringement should have either the power to prevent it or control over the means by which it is occurring.[33]

In the UK case of *Amstrad*[34] the defendants were a company (Amstrad) which made twin-deck tape-recording machines enabling you to make duplicate recordings from one cassette to another. The appellants were record companies who brought an action to restrain the defendants from selling the machines without ensuring that their copyright in sound recording was not infringed. The appeal was dismissed and the House of Lords held that the advert of the hi-fi system did not authorise unlawful copying. It is up to the buyer to decide whether to copy and Amstrad merely facilitated the copying but did not authorise it. Furthermore, there was no joint infringement with the buyers who used the machines unlawfully, since the hi-fis were capable of being used both lawfully and unlawfully, and there was no common design between them and the users to infringe copyright.

It is important to note that Lord Templeman estimated that for every authorised copy of a record, two infringing copies were made.

In the Australian case of *Moorhouse*[35] a university was held liable for providing photocopiers in their library without taking reasonable steps to prevent unlawful copying. It was held that the

[33] Internet Law Lecture Slides on: Napster & Grokster
[34] *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013
[35] *Moorhouse v University of New South Wales* [1976] RPC 151

notices to the students which were attached to the machines, informing them of possible copyright breaches were inadequate and misleading, setting out the wrong section of the Copyright Act 1968 s.40. The University facilitated the copying and failed to take reasonable steps to limit the use of the machines in a legitimate way, thus authorising any infringements that resulted from their use (in this case the infringement was photocopying parts of a book).

In *Amstrad*, Lord Templeman stated that 'Whatever may be said about this proposition, Amstrad have no control over the use of their models once they are sold'. This is the distinguishing point between *Amstrad* and *Moorhouse* as the latter had control over their machinery and because they failed to take reasonable steps to prevent infringement were held liable.

Moreover, in the case of *Law Society*[36] a law Society library was not held liable for maintaining a photocopier. The law society posted a warning against infringement of copyright. The reason that they were not held liable is because "even if there were evidence of the copiers having been used to infringe copyright, the Law Society lacks sufficient control over the Great Library's patrons to permit the conclusion that it sanctioned, approved or countenanced the infringement."

To continue, we will now focus on the latest technological advancement, the 'peer-to-peer file sharing,' which raised many

[36] *Law Society of Upper Canada v CCH Canadian Ltd* [2004] 1 SCR 339

issues as regards copyright infringements. 'File-sharing is a social phenomenon of the digital era.'[37] Mostly all types of works such as films, music and works of literature can be transmitted over the World Wide Web (WWW).

Millions of users around the world can share, virtually all their files over the internet through particular software for free. "The law of copyright, however, protects the rights in these media of the original authors or owners, many of whom claim that file-sharing not only infringes their legal rights but also seriously harms their financial interests."[38] "File sharing and illegal downloads of content have resulted in millions of dollars of losses for many companies and substantial lawsuits by trade groups and entertainment companies."[39]

Peer-to-peer file-sharing (P2P) networks were pioneered by Napster.[40] This was a software application that enabled its users to exchange their music files through a very simple 'search and find' process. However, the Napster system did not actually copy the content of files to its own system but only the users made copies. With the use of this technology each digital copy of the file suffered no loss of quality and this has caused a great problem to the

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[37] Martina Gillen, 'File-sharing and individual civil liability in the United Kingdom: a question of substantial abuse?' (2006) Ent. L.R. 17(1), 7-14

[38] ibid

[39] Michael Nwogugu, 'The economics of digital content and illegal online file sharing: some legal issues' (2006) C.T.L.R. 12(1), 5-13

[40] Simone Blakeney, 'Peer-to-peer file sharing under assault' (2006) C.T.L.R. 12(2), 55-57

recording industry, as CD burners (devices copying data such as music on a CD) are widely available.[41]

The possible infringing actions by an individual involved in file-sharing are: copying audio/video from a CD/DVD to a computer hard disk, or vice versa and uploading or downloading a file.[42] The primary possible breach of UK/EU copyright law is infringement by copying under the CDPA 1988 s.17.[43] Moreover, the 'Infosoc' directive provides that 'communication to the public' of a work, infringes the copyright in it.[44] Furthermore, defences such as 'innocence' and 'private use' which need not to be considered here are not applicable.

There is the big question as to 'whom do you sue' in file-sharing cases. The actions in *Napster* and *Grokster* were not against the individuals who copied music, or allowed their music to be copied. However, the recording and the film industries have recently waged a campaign of suing the individual file-sharers ('up-loaders' and 'down-loaders').[45]

The issue which arose in the cases of Napster and Grokster is as mentioned above for the previous cases; assuming that there has been infringement by an individual, is the person who provides

[41] ibid
[42] Internet Law Lecture Workbook page 38
[43] ibid
[44] Directive 2001/29/EC 'Copyright and related rights in the information society'
[45] Internet Law Lecture Workbook page 38

the facilities for committing that infringement liable for secondary infringement?

Napster was created in 1999 to aid college students trace music files which had been compressed using the MP3 format. 'It was a precursor to the peer-to-peer file sharing networks in use now.'[46] (It was not exactly a P2P network) Napster uses a centralized server which acts as a search engine to assist its users to download music from the computer hard drives of other Napster users.[47] The actual form of a P2P network however does not use a centralised server, but purely a connection between users.[48] The central server did not store the files. The music files remained on the individual user's computers. The Napster software was provided for free to users to download.[49]

Representatives of a number of recording studios took action against Napster in 2000 claiming that it was assisting and promoting users to infringe copyright. Napster relied in its defence on the *Sony* case. However, *Sony Corp* as seen above only had constructive knowledge about the VCR users making copies, whereas Napster was shown to have actual knowledge of

[46] Margaret Jackson & Maria Shelly, 'Black Hats and White Hats: Authorisation of copyright Infringement in Australia and the United States' (2006) IJL&IT 14 (28)
[47] World Intellectual Property Organisation (WIPO), 'Intellectual Property On The Internet: A Survey of Issues,' December 2002
[48] Maureen Daly, 'Life after Grokster: analysis of US and European approaches to file-sharing' (2007) E.I.P.R. 29(8), 319-324
[49] Margaret Jackson & Maria Shelly, 'Black Hats and White Hats: Authorisation of copyright Infringement in Australia and the United States' (2006) IJL&IT 14 (28)

infringements as well.[50] Following the *Sony* decision however, 'contributory' liability could not be proved if a manufacturer was only providing the means to commit an infringing activity and the Napster software was also capable of commercial non-infringing uses. (Same as the use of VCRs)

In considering the issue of 'vicarious' liability, the claimant had to show that the defendant had a supervisory role in the infringing activity and a direct financial interest in such activity. Both the District Court and Appeal Court (9th Circuit) found that Napster had a direct financial interest in such activity and that it also had some ability to 'police' files made available, (as it had a central server) thus a 'vicarious' liability could be shown. 'In July 2001, Napster was ordered by the Court to shut down all its servers.'[51]

Moreover, we will now consider the Grokster case. "It has proven more difficult to regulate other P2P systems with different network architecture that does not require a centralized server to process search requests and downloads, such that each user's computer acts as a search engine (such as the defendants; Grokster and Streamcast both using the FastTrack networking technology)."[52]

[50] ibid
[51] ibid
[52] World Intellectual Property Organisation (WIPO), 'Intellectual Property On The Internet: A Survey of Issues,' December 2002

The 9th Circuit says that Grokster did not provide a facility for direct infringement and that there was no actual knowledge of infringement, as the defendant had no control over the index files available for sharing (unlike Napster because there was no central server) thus there was no 'contributory' infringement.[53]

In considering 'vicarious' copyright infringement, Grokster did have a financial benefit as they received money from advertisements on their software. However, as they did not have the ability to supervise the infringing conduct (no central server) 'vicarious' liability could not be proved.[54]

However, the Supreme Court decided that the only way to enforce copyright holders' rights is to use the 'secondary' liability route. The Court found that the lower courts had erred in their broad interpretation of the *Sony* case that significant non-infringing uses of a product along with an absence of actual knowledge of any infringement would let off the software providers from secondary liability. 'It seems that the knowledge requirement has been replaced with intention.'[55]

In June 2005, the defendants surrendered and a judgement for 50 million dollars against them was given; the Supreme Court found evidence of Grokster's intention to facilitate the unlawful use

[53] Maureen Daly, 'Life after Grokster: analysis of US and European approaches to file-sharing' (2007) E.I.P.R. 29(8), 319-324
[54] ibid
[55] ibid

of the software by advertising their software program to users using Napster compatible programs; promoting the software's ability to provide copyrighted music; aiding users in locating and playing copyrighted material, 'and marketing to possible advertisers the potential to capture former Napster users.'[56]

Furthermore, in the case of *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242, the Australian court followed the decision of the Supreme Court in *Grokster*. The defendants were held liable for copyright infringement because they had knowledge of the copyright infringing uses of the software (Kazaa) and they have not "implemented any technical measures" to prevent the infringement" other than the pornography filters.[57]

Instead of examining the capacities of the technology created as in the *Sony* case, the courts now examine the economic impact of the technology. This is a major conceptual change in the jurisprudence.[58]

"By opening up the question of loss as a criterion in judging copyright breach, the judiciary have made it possible to steer a middle path between zero tolerance and permissiveness if they choose to take command of the situation and map their own

[56] Margaret Jackson & Maria Shelly, 'Black Hats and White Hats: Authorisation of copyright Infringement in Australia and the United States' (2006) IJL&IT 14 (28)
[57] ibid
[58] Internet Law Lecture Slides On: Napster&Grokster

course."[59] The advancements in technology and P2P file-sharing outpace the law.[60] The efforts by legislators in both the US and UK to deal with copyright infringement has proved problematic; in the US, the proposed American Inducing Infringement of Copyrights Act was abandoned and in the EU, a proposed draft Directive intending to enforce copyright rights through criminal measures is dealt with great antagonism. 'The global legal landscape is definitely uncertain.'[61]

It has been proven extremely difficult to balance the copyright owners' rights with the development of technological advancements and furthermore the introduction of the Internet and the digital era should not be considered as a way to infringe copyright.[62]

Even though copyright law systems in the US and EU have responded to some degree to these complicated issues of copyright infringement on the internet, there are still several P2P file-sharing software which millions of users around the globe use daily. It would be appropriate to say that copyright laws have 'gaps' which the companies take advantage of, in order to keep promoting their software without being held liable for infringement, as seen by the

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[59] Martina Gillen, 'File-sharing and individual civil liability in the United Kingdom: a question of substantial abuse?' (2006) Ent. L.R. 17(1), 7-14

[60] Maureen Daly, 'Life after Grokster: analysis of US and European approaches to file-sharing' (2007) E.I.P.R. 29(8), 319-324

[61] ibid

[62] Russell Frame, 'The protection and exploitation of intellectual property rights on the Internet: the way forward for the music industry' (1999) I.P.Q. 4, 443-470

above cases. Software such as Limewire and Morpheus still rely on the 'vicarious' and 'contributory' infringement 'gaps' of not having control over the files disseminated by the users, provided that the companies do not promote infringing uses of the software.

These ongoing battles will most definitely continue, until and if a middle ground is reached by both the software providers and the copyright holders which claim that their rights are infringed. In the meantime, we will have to wait and see whether the courts or legislators introduce a ruling or legislation which would significantly reduce the numbers of copyright infringements, as the rulings in *Napster* and *Grokster* are a form of response, but did not really make any significant difference as to the protection of copyright rights on the internet.

However, it is impossible to eradicate copyright infringement over the internet as it is impossible to monitor and police the millions of its users. Moreover, the users do not realise that they may be infringing copyrights nor do they believe that they are 'criminally' liable in any way. Besides, how many of them would walk to the record store and buy a music CD of their favourite artist costing 15 pounds, when they can simply download it for free over the 'ancestors' of Napster.

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