Internet Service Providers' Liability in the Field of Copyright:

A Review of Asia-Pacific Copyright Law

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A/Prof Daniel Seng
Faculty of Law, National University of Singapore

Internet Intermediaries

- Who is an Internet “service provider”?
  - Infrastructure intermediaries e.g. Internet Access Service Providers, proxies, DNS
  - Services intermediaries e.g. search engines, archives
  - Software developers of networks and connectivity tools e.g. FreeNet, Kazaa, Morpheus
  - Operators and hosting companies e.g. content hosts, exchange platforms, forums
  - Diverse types of intermediaries with different roles offering different services
- Are intermediaries liable for:
  - Direct liability e.g. reproductions, communication of works on their infrastructure?
  - Indirect/secondary liability e.g. authorising or facilitating the infringement of their users/subscribers?

Developments Worldwide

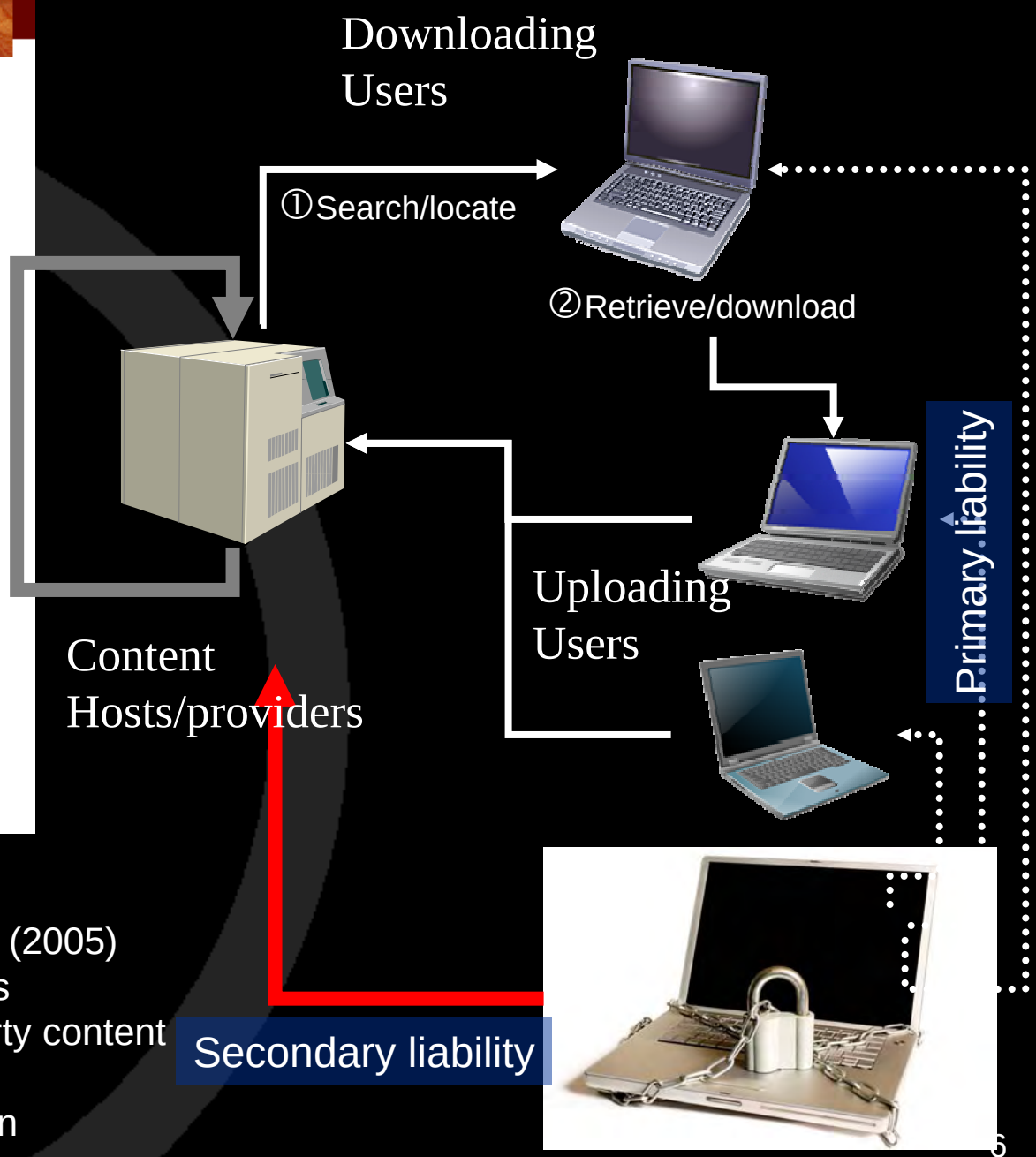
- Legislative Developments to Protect Internet Service Providers
  - WIPO Copyright and Performances and Phonograms Treaties 1996
  - US Digital Millennium Copyright Act 1998
  - Australian Copyright Amendment (Digital Agenda) Act 2000
  - EU Information Society and E-Commerce Directives 2001
  - Singapore Copyright Amendment Act 2005
  - HK Copyright (Amendment) Bill (proposed, 2007)
  - New Zealand Copyright (New Technologies) Amendment Act 2008
  - France, “Three-Strikes” Law (4 Nov 2008); cf: U.K.’s “Graduated Response” Law

Litigation Worldwide

- Exposure of developers and Internet service providers to actions for civil and criminal copyright liability
  - *Metro-Goldwyn-Mayer Studios Inc v. Grokster* (US Supreme Court, 2005)
  - *Universal Music Australia v. Cooper* (Australian Federal Court, 2005); *Universal Music Australia v. Sharman License Holdings Ltd* (Australian Federal Court, 2005)
  - TDC, Danish ISP (Feb 2006), Tele2 (Oct 2006), DMT2/Tele2 (Feb 2008), Danish Supreme Court
  - Professor Isamu Kaneko (convicted of the offence of "conspiracy to commit copyright violations" for developing WinNY P2P program) (Kyoto District Court, 13 Dec 2006)
  - *EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd.* (2007) (Beijing District No. 1 Intermediate People's Court), *Go Eastern Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd.* (2007)
  - *"Soribada" decision* (Korean Supreme Court, 25 Jan 2007)
  - *Scarlet Extended SA* (Belgium Court of First Instance, June 2007, reversed in October 2008)

Introduction

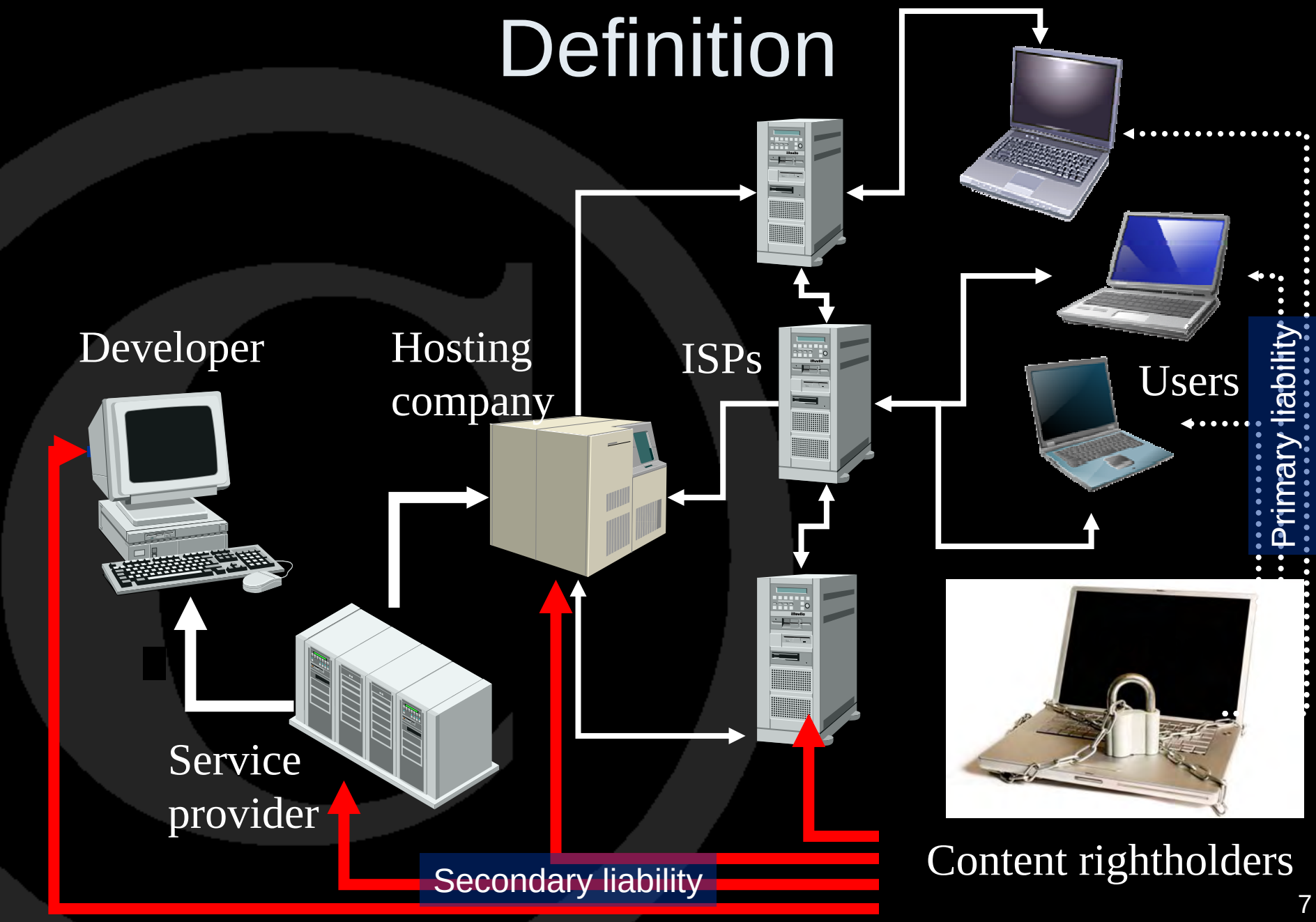
- International developments
  - WIPO Copyright and Performances and Phonograms Treaties allude to indirect liability
  - Creation of safe harbour defences for Internet intermediaries in domestic national legislation
  - Elements unclear and domestic national treatment varies
- Increasing use of indirect/secondary liability as a substitute for primary liability
  - *E.g.* actions by Viacom against YouTube (Google), Perfect10 against Google
  - New business models and their developers and intermediaries that promote engagement e.g. Web2.0 versus their obligations to rightholders (if any)



Universal Music Australia v. Cooper (2005)

- music portal to facilitate downloads
- third party submissions of third party content
- hyperlink-based model
- centralized selection & organization

Definition


Developer
Hosting company
ISPs
Users
Primary liability
Service provider
Secondary liability
Content rightholders

Outline

- Part 1: Case Law Developments
  - Singapore, Australia, U.S.
  - China, South Korea
- Part 2: Summary & Analysis
- Conclusion

Part 1:

Anglo-American Jurisprudence

Singapore (pre-Safe harbour), Australia and U.S.

Scope of Indirect Liability in Singapore (pre-Safe Harbour)

- "Authorising infringement" as indirect liability
  - Leading authority is *Ong Seow Pheng v. Lotus Development* (Sing. Court of Appeal, 1997)
  - Based on UK decisions of *CBS Songs v. Amstrad* and *CBS v. Ames Records*
  - Secondary defendant only liable if it had "authorised", i.e. "sanctioned, approved or countenanced" the primary infringer's infringement
  - There can only be "authorisation" if there is control by the secondary defendant over what the primary defendant would do with the infringing material
  - "Facilitation" is not the same as "authorisation"

Scope of Indirect Liability in Australia

- "Authorising infringement" as indirect liability
  - Evolved from UK concept of "authorisation"
  - De-emphasizes free will of primary infringer
  - *Moorhouse v. University of NSW* test emphasizes secondary defendant's:
    - knowledge of the infringing activity
    - power to control and prevent the infringing activity
    - University library had control of means of infringement (books, reprographic machines) and knowing or having reason to suspect, omits to take reasonable steps to limit its use to legitimate purposes (no librarians on duty, no notices on machines)
  - Cf. Tape Manufacturers Association v. Australia (1993) – manufacturer/vendor of tape recording equipment not liable because it had no control over purchaser's use of equipment/tape

Scope of Indirect Liability in Australia

- Australian Copyright Act, Section 101
  - (1A) In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in a copyright subsisting by virtue of this Part without the licence of the owner of the copyright, the matters that must be taken into account include the following:
  - (a) the extent (if any) of the person's *power to prevent the doing of the act concerned*;
  - (b) the nature of any relationship existing between the person and the person who did the act concerned;
  - (c) whether the person took *any other reasonable steps to prevent or avoid the doing of the act*, including whether the person complied with any relevant industry codes of practice. [emphasis added]

Indirect liability and *Sharman Holdings*

- "Authorising infringement" as applied to P2P software in *Sharman Holdings* (Kazaa decision) (2005)
  - *Moorhouse* test emphasises control
  - Wilcox J found "control" that P2P developers could exercise over activities of Kazaa users through "built-in" adult search terms filter
  - Wilcox J took the view that filter *could be* adapted to filter out unlicensed works and prevent copyright file sharing
  - Another technique is gold file flood filtering – "false positives" method – to "drive [the users] mad" when they search for infringing works
  - P2P developers' failure to take preventive measures (to do something within their power) amounted to "authorizing the users' infringement" and subjected Sharman Holdings to liability

Scope of Indirect Liability in Australia

- Reasoning “leap” in *Kazaa*:
  - A person is said to authorize an infringement of copyright under section 101(1A) if he has some power to prevent it but fails to take any such preventive measures: *per* Wilcox J in *Kazaa*
  - “Authorisation” becomes issue of software design: whether the developers *could have* designed the device to prevent unlicensed replication or dissemination
  - The “power to prevent an infringing activity” is elevated to the status of being determinative of authorisation
  - No questions raised about whether such measures are relevant or effective or even reasonable (*cf.* s 101(1A)(c))
  - *E.g.* Wilcox J required search term filters to be modified to exclude copyright files even though:
    - at the time of liability, there did not exist any list of copyright files for the filters to operate on
    - filters suffer from the problem of false positives and false negatives

Scope of Indirect Liability in US

- Three forms of indirect liability under US copyright law:
  - "vicarious liability"
    - Shapiro, Bernstein v HL Green (1971)
  - "contributory infringement"
    - Universal City Studios v Sony (1984)
  - "inducing infringement"
    - MGM v Grokster & Morpheus (2005)

Scope of Indirect Liability in US

- Vicarious liability
  - Right and ability to supervise (“control”)
  - Obvious and direct financial interest in the exploitation of the copyright materials (“benefit”)
- US courts have applied vicarious liability to P2P software
  - 1st generation of P2P software *e.g.* Napster – liability established for Napster could “control” through its central index server, terminate offending users’ accounts and had plans to increase its future revenue
  - 2nd generation of P2P software *e.g.* Grokster, Morpheus – liability not established in the absence of “control” because these were “serverless” P2P networks

Scope of Indirect Liability in US

- Contributory infringement: *MGM v. Grokster*
  - where a party, with knowledge (both actual and constructive) of the infringing activity (“knowledge”)
  - induces, causes or materially contributes to the infringing conduct of another (“material contribution”)
- US courts have applied contributory infringement to P2P software
  - 1st generation of P2P software e.g. Napster – liability established for Napster had actual “knowledge” (from cease and desist letters) and constructive “knowledge” (from industry knowledge) and “materially contributed” by providing support services to enable Napster users to find and download music
  - 2nd generation of P2P software e.g. Grokster, Morpheus – liability *prima facie* established as well (no doubts that developers had knowledge and were aware that users were using software primarily to download copyrighted files)
  - However, Grokster and Morpheus escaped liability for contributory infringement by successfully relying on the *Sony* defence
  - MGM and other plaintiffs appealed

Scope of Indirect Liability in US

- U.S. Supreme Court found Grokster potentially liable in “inducing infringement”
  - “[W]here evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, Sony’s staple-article rule will not preclude liability. ...
  - … We [hold] that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties. The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.”
  - Evidence that Grokster and Morpheus had taken active steps to foster infringement e.g. promotional materials advertising themselves as the best Napster alternative, advertisement driven business models and failure to develop filtering tools or other mechanisms to hinder or diminish any infringing uses
  - Case remitted to US District Court for rehearing; District Court found against Streamcast

Scope of Indirect Liability in US

- Observations:
  - Liability in “inducing infringement” is founded on culpable “intent”
  - “Intent” had to be inferred from circumstantial evidence (unlikely after *MGM v. Grokster* that secondary defendants will leave a paper trail behind)
  - Inferring intent
    - From equivocal circumstantial evidence (and then inferring liability from intent) e.g. “adware” or advertising in software
    - From technical features e.g. “Top 10” lists in *MGM v. Grokster*, *Cooper* (positive feature - facilitated user searches); e.g. encryption in *Aimster, Grokster* (negative feature – interfered with detection of infringement)
    - From failure to mitigate abusive use of its technology e.g. keyword and metadata filtering, acoustic fingerprinting filtering
  - *Grokster II* suggests that evidence of such failure, together with evidence of an illicit business model, may be evidence of intent to induce infringement

Part 2:

Asian Jurisprudence

Singapore (post-Safe harbour), China, South Korea

Scope of Indirect Liability in Singapore (post-Safe Harbour)

- *Jeyel Technologies v Perspective Models* ("Sggirls case") (2005)
  - Aggregation content hosting website that allows subscribers to upload photos of girlfriends (and categorize/tag them)
  - Website hosted 2 copyright photos of models from modelling agency
  - Agency sued for infringement; website held liable, ordered to pay damages and take down copyright photos
  - Observations: Failure to have contact information for take-down administrator; "safe-harbour" did not apply

Scope of Indirect Liability in People's Republic of China

- *EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd.* (2007) (Beijing District No. 1 Intermediate People's Court)
  - Biggest search engine in PRC Baidu sued for enabling "sampling", streaming and downloading of record labels' sound recordings
  - Take down notice issued
  - Defence: fully automated operations
  - Held: Baidu not liable. Search engine could not control contents on third party website it searches, could not explicitly regulate and limit searches, and has to act expeditiously in response to take-down notices
  - Parties settled before Beijing High Court
  - *Cf: Go Eastern Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd.* (2007) (search engine held liable for failing to act expeditiously in response to take-down notices)

Scope of Indirect Liability in South Korea

- "Soribada" decision (2007) (Supreme Court of South Korea)
  - Soribada defendants developed and distributed Soribada program which operated with Soribada services to allow users to share MP3s
  - Injunction sought by EMI and BMG against Soribada
  - Held: Injunction granted; Soribada liable for "all direct and indirect acts that facilitate the violation of … copyright".
  - Soribada was aware that service would let users infringe music producers' rights but nonetheless still developed and distributed Soribada program and operated Soribada services

Summary of Asian Jurisprudence

- Singapore (2000, 2004), PRC (2006), Hong Kong (proposed 2007), Taiwan (proposed 2008) have all developed or are starting to develop safe harbour defences in their copyright laws
- Notwithstanding safe harbours, intermediaries may still be liable for acts that facilitate infringement

Part 2:

Summary & Analysis

Assessing Secondary Liability #1

- Push to enact U.S. DMCA-equivalent safe harbour provisions in copyright laws around the world
  - *See e.g.* EU E-Commerce Directive, Articles 12-15, *esp*. Article 14(1)(a) (“provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent”)
  - U.S. Free Trade Agreements e.g. Singapore (2004), Australia (2005)
  - Arguably obligations placed on network service providers to “police” networks, e.g. “repeat offender policy” (U.S. DMCA, s 512(i)(1)(A)), “red flag rule about knowledge” (U.S. DMCA, s 512(c)(1)(A)

Assessing Secondary Liability #2

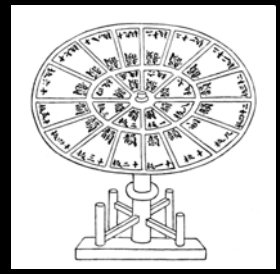
- Secondary/indirect liability where it is economically more efficient to hold liable the intermediary party whose product or service is used to commit widespread infringement
  - *Cf*. secondary liability as a substitute for primary liability – before an action for secondary liability can be maintained, there has to be primary infringement
  - *Cf*. secondary liability as a disincentive for rightholders to police their rights vis-à-vis primary infringers (end users)
- Law to preserve and protect critical roles served by intermediaries as developers and providers of replication and dissemination products and services in ensuring the continued accessibility of information and content

Assessing Secondary Liability #3

- Intentionally “aiding and abetting” infringing activity; “inducing infringement”
  - *Grokster*, *Cooper*, *Kazaa*, “Tudou”, “Soribada”, *cf: Ong Seow Pheng*
- Producing devices or services that users use to infringe
  - Steps taken by Internet “service providers” to limit or prevent infringement; liability for “knowingly” failing to act; no-liability for taking reasonable preventive measures within “safe harbours”
  - *“Baidu”*, *IO Group v Veoh*, cf: *Viacom v YouTube*

Guttenberg movable type machine (circa 1600s)

Revolving typesetting machine, Nong Shu (circa 1313)



Conclusion

- Indirect/secondary copyright liability an important right to protect rightholders from intermediaries whose actions "facilitated infringement"
- But copyright law to ensure that legitimate business activities with "staple" products and services are not adversely affected
- Piecemeal exceptions (ISP safe harbours) have been carved out for some types of predetermined intermediary activities e.g. Internet Access Service Providers, search engines; cf. "safe harbours" are not technologically neutral, operate as "procedural" defences
- Protection of rightholders to be balanced against intermediaries' right to develop technologies and business models that facilitate and enable reproduction and dissemination of digital information

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Email: lawsengd@nus.edu.sg