

given by Delhi High Court. Serious doubts have been raised by the content owners in its actual deterrence in bringing down the instances of piracy in India.⁴⁷⁹

The cases related to criminal copyright in India have failed to produce real and deterrent results. In practice bail is made available on the very day of arrest, although copyright piracy is a non-bailable offense. Though equipment utilised for manufacturing infringing goods may be subject to seizure, there exists no provisions for forfeiture of pirate product. Generally the duration of criminal prosecutions is considerably lengthier. As a result, at the relevant time, witnesses and officers become not traceable. Another significant issue is compromise of witnesses which increases acquittals. In plea bargains⁴⁸⁰ or even convictions, fines remain low and non-deterrent, with most falling under US\$1,000. The experiences of the industries with criminal cases differ by region, but overall, further training of prosecutors⁴⁸¹ and police officers on the seriousness of IP offenses, linkages to organized crime, and the importance of investigating up the chain, would be helpful.⁴⁸²

CHAPTER V

ENFORCEMENT OF COPYRIGHT LAW IN UNITED KINGDOM, UNITED STATES OF AMERICA, AND INDIA: A COMPARATIVE STUDY

THE FRAME

The legal system in all the three jurisdictions, i.e., United Kingdom, United States and India falls under common law system. The legal system in both United Kingdom and United States of America have codified copyright law long back and have established a robust statutory mechanism for enforcing copyright. Judiciary in both the jurisdictions have contributed significantly in enforcing the same. Thus, these jurisdictions have established dedicated machinery for copyright

⁴⁷⁹ Ibid.

⁴⁸⁰ The recording industry reports more than 50 plea bargains in 2014

⁴⁸¹ There are no dedicated or IP expert prosecutors

⁴⁸² International Intellectual Property Alliance 2015 Special 301, Report on Copyright Protection and Enforcement (2015).

law enforcement and are considered to be forerunners in protection of copyright. Though, different reports and statistics have portrayed a picture of ‘piracy’ affected entertainment and content industry in United Kingdom and United States of America in respect of online and physical world, resulting into trade, revenue, employment losses and many other implications. Both the jurisdictions have introduced specific legislations recently to curb copyright infringement over the internet. Online enforcement of copyright law has heralded a new turn with these attempts.

In the previous chapter, a detailed account of copyright enforcement under Indian legal framework has been given. Attempts have been made to identify the different issues arising out of enforcement of copyright law. Indian legal system is trying hard to make the copyright law enforcement compatible with the recent technological advances and ensure better copyright protection for the stakeholders. Law of copyright in India is, to a larger extent, based on the English copyright law. Striking similarity has been observed between Indian and American copyright enforcement mechanism. In this juncture, it becomes very much pertinent to understand the different issues, which the copyright enforcement mechanism in United Kingdom and United States of America, are facing. With the introduction of legislations specifically oriented towards determination of liability of the Internet Service Providers for prohibiting copyright infringement in Digital Millennium Copyright Act of United States of America and European Union Directives, the detailed analysis of the same in this chapter will help in developing a better and comprehensive understanding can be arrived into in respect of Indian legislative and judicial endeavours in identification of liability of the Internet Service Providers for copyright infringement in India.

THE FOCUS

The rationale behind studying the legal framework meant for enforcing copyright law in United Kingdom and United States of America is that legal system in both the jurisdiction falls under common law system. However, both the legal system have codified copyright law long back and have established a robust statutory mechanism for enforcing copyright. Judiciary in both the jurisdictions have contributed significantly in enforcing the same. Thus, these jurisdictions have established dedicated machinery for copyright law enforcement and are considered to be forerunners in protection of copyright. Though, different reports and statistics have portrayed a picture of ‘piracy’ affected entertainment and content industry in United Kingdom and United

States of America in respect of online and physical world, resulting into trade, revenue, employment losses and many other implications. Both the jurisdictions have introduced specific legislations recently to curb copyright infringement over the internet. Online enforcement of copyright law has heralded a new turn with these attempts. Therefore, it becomes pertinent to have a comparative understanding of the present status of copyright enforcement in the above mentioned jurisdictions.

THE OBJECTIVE

The present chapter seeks to elaborate the existing legal status regarding enforcement of copyright in online medium, especially against the file sharing services in the specific jurisdictions of United Kingdom and United States of America. The legal framework specifically dedicated to the determination of the liability of Internet Service Providers for copyright infringement and the immunity given to them under the ‘safe harbour’ provisions will be analysed in details. In United Kingdom, the EU Directives as well as the Digital Economy Act and in United States of America, the provisions of Digital Millennium Act are intended to be examined in this regard. An attempt will made to understand the different implications of the recent cases of online copyright enforcement against major file sharing services. Various allied laws brought into force both under the jurisdiction of United Kingdom and United States of America for effective protection of copyrighted material over internet will also be studied.

V.1. Copyright Law Enforcement in United Kingdom

The present segment of this chapter focuses on the legal framework which enforces copyright law in United Kingdom. It starts with a brief description of present status relating to consumption of music in United Kingdom, especially an account of ‘pirated’ music shared among the file sharing services. Then it makes a detailed study of the civil and criminal remedies under the Copyright, Designs and Patents Act, 1988. Then efforts have been made to trace the liability of the ISPs for distribution of infringing copyrighted material and the immunity given to them for sharing third party contents under EU Directives. The last part of this statement gives a highlight of the recent introduction of graduated response system, the purpose of which is to prohibit online copyright infringement in United Kingdom.

V.1.i. Digital Music Landscape in United Kingdom

A significant moment in the history of the UK music business occurred in the first quarter of 2012⁴⁸³. The singles market is now 99.6% digital and in the albums market, almost a third of all albums in the UK were sold digitally in 2012. However, the piracy and counterfeit of music in Britain has pinned the British Music Industry and the music artists against the internet service providers, the government and the consumers. The BMI is blaming the internet service providers for not policing illegal downloads of music and has asked them to disconnect people who ignore requests to stop sharing music. Data from UKOM/Nielsen, who measure actual website usage monthly, shows that around 7 million individuals in the UK use at least one service where content is hosted illegally each month, from P2P networks and stream-ripping applications and unlicensed streaming services. Moreover, 40, 00,000 people regularly engages in file sharing in the UK; 14.5% of Brits use P2P networks to fileshare music.

Before the closure, Megaupload had more users than any other locker site in the UK, averaging 1.3 million each month in 2011. UKOM/Nielsen's data shows that in the UK at least 1.5 million use locker services each month. BitTorrent and P2P are the most popular methods of obtaining copyrighted material illegally with around 4 million people in the UK using them each month. 345, 000,000 tracks were downloaded using BitTorrent between January and June 2012. In February 2012, the High Court ordered UK ISPs to block access to The Pirate Bay and from April 2012 the blocks were implemented. According to UKOM/Nielsen data, usage of the site has plummeted by over 70% as a result.

Monitoring service MusicMetric's first Digital Music Index report estimated that over 43 million downloads were made via BitTorrent alone in just the first six months of 2012. Of these 78% were albums and 22% single tracks, equating to 345 million tracks downloaded illegally via BitTorrent. Over the same period 91.7 million tracks and 14.7 million albums were downloaded from iTunes, Amazon and other licensed services, which equate to 239 million tracks. Thus, it can be observed that, legally purchased tracks represented less than half the number of tracks downloaded in total from illegal sites and BitTorrent.

⁴⁸³ The British recorded Music Industry, Digital Music Nation - The UK's Digital Music Landscape (2013).

Illegal downloading is holding back the digital growth not just of music, but also of other creative sectors like publishing, sport, TV and film. The prevention of access to sites hosting illegal content has some precedent in the UK in the actions against Newzbin and The Pirate Bay. Support for this course of action is solid. Over half (56%) of respondents to a 2012 AudienceNet survey agreed that sites which distribute music illegally without paying artists should be blocked or closed down. 42% of file-sharers agreed that the blocking of a site would stop them acquiring infringing content. Two-thirds of respondents in the survey of 2, 000 adults believe search engines should direct people to legitimate sites ahead of illegal ones.

According to the British Music Industry, the people who download illegally generally spend less on music than people that don't. It results in undermining investment in new music. BMI attributes the increase in piracy to the piecemeal enforcement by the government. According to BMI, owners of markets where counterfeits are sold should be prosecuted. In addition, BMI wants stricter financial punishment for counterfeiters in order to have a sufficient deterrent effect in civil cases. BMI would like to see the trading standards officers granted the duty, power and resources to tackle copyright offences. BMI is of the opinion that the police and trading standards officers are operating with very limited resources. BMI attributes the problem of piracy to ISPs. BMI believes that if the ISPs do not help with the fight against music piracy, then the government will bring in legislation to make them cooperate which may include legal sanctions against the ISP firms.

V.1.ii. Enforcement of Copyright Law under Copyright, Designs and Patents Act, 1988

The Copyright, Designs and Patents Act, 1988 was enacted by the Parliament of the United Kingdom. The Act got Royal Assent on 15 November 1988. This 1988 Act repealed the whole of the Copyright Act, 1956. The 1988 Act included the previous ad hoc amendments to the 1956 Act which provided with the remedies against piracy and protection to computer software and cable programmes. Criminal provisions were incorporated to deal with piracy and counterfeiting. Chapter VI of the Copyright, Designs and Patents Act, 1988 provides with the remedies for copyright infringement. From the Copyright Act of 1709 till the end of the 19th century, infringers were not liable to be imprisoned. Under many of the previously existing copyright statutes infringers were liable in summary proceedings brought by the copyright owners to financial penalties and infringing copies were liable to be forfeited. The Musical (Summary Proceedings)

Copyright Act, 1902 which is considered to be the origin of the Musical Copyright Act, 1906 directed at pirated copies of musical works and particularly preventing the increasing practice of selling pirated sheet music in the streets at very low prices. The pirated copies did not carry the name of their printer and accordingly copyright owners experienced difficulties in finding a substantial person to proceed against. The 1902 Act provided for seizure of such copies by constables and for their destruction, forfeiture or delivery up by order of a court, although criminal liability was not established thereby. Under the 1906 Act, making or dealing with pirated copies of sheet music became punishable on summary conviction by a fine. Second offenders were liable to imprisonment for up to two months. The burden of proving lack of guilty knowledge was on the defendant.

In the 1986 White Paper, the Government asserted that the deterrent effect of the increased penalties for offences in relation to sound recordings, films and computer programs had been very successful, especially in case of video piracy and that it therefore proposed to extend the increased penalties to all categories of copyright materials. In accordance with the Whitford Committee Report, the Government proposed to make unauthorised public performance of sound recordings and films an offence and to make possession of infringing copies of any type of work an offence. The government also observed that, establishing guilty knowledge could be a major and costly obstacle for the prosecution, as for a plaintiff and this could discourage the initiation of proceedings. It accordingly proposed a “relaxation” of the requirements of guilty knowledge in criminal proceedings in identical terms to that proposed in civil proceedings for secondary infringements. Under the 1988 Act, copyright infringement is enforced by the copyright owner as the infringement of a property right. Sec. 96 of the 1988 Act provides for remedies by way of damages, injunctions and accounts. Moreover, Sec. 97A empowers the High Court in Scotland and the Court of Sessions to grant an injunction order against service provider, which has actual knowledge of another person utilising their service to violate copyright.

V.1.ii.a. Civil Remedies

A. Interim Injunction

Copinger and Skone James considers injunction to be the most important remedy for copyright infringement. Interim injunction applications are preferred in copyright infringement cases, since

in many cases damages are not considered to be a suitable relief for the injury sustained by the claimant.⁴⁸⁴ In order to apply for a quia timet injunction, claimant does not necessarily exhibit a real threat of future infringement. Evasion of the claimant's rights by the defendant may be enough.⁴⁸⁵ Interim injunction provides temporary protection to claimant against damage by the continuing violation of rights which cannot be satisfactorily compensated by damages in the action. This type of relief is temporary and discretionary in nature.

In *American Cyanamid v. Ethicon*⁴⁸⁶ the House of Lords laid down the general applications to be applied on applications for interim injunctions. Firstly, whether the claimant has shown that there is a serious question to be tried. If not, the application will be refused. If so, the next question is whether, if the claimant were to obtain a permanent injunction at trial, he would be adequately compensated by an award of damages for the loss he had sustained before the trial as a result of the continuing acts of the defendant. If damages would not be an adequate remedy for the claimant's claim appears to be.

In *Series 5 Software Ltd. v. Clarke, Laddie J.* refined the principles granting interim injunctions, which are as follows: (i) interim injunction is a discretionary relief, depending on the facts of the case; (ii) rules regarding grant of interim injunction should be kept flexible; (iii) chief factors to be kept in mind are: (a) the extent to which the remedies are likely to be an adequate remedy for each party and the ability of the other party to pay; (b) the balance of convenience, and (c) the maintenance of the status quo.

- Search Orders

On an application made to the court by a claimant without notice and in private, the High Court has jurisdiction to make a mandatory order requiring a defendant to permit or allow the claimant and his representatives to enter the defendant's premises in order to inspect articles and documents relevant to the proceeding and to remove them or take copies of them and even to take the proceeds of infringing articles. Regarding search orders the following points can be considered.

⁴⁸⁴ *Coral Index Ltd. v. Regent Index Ltd.* [1970] R.P.C. 147.

⁴⁸⁵ *Linpac Mouldings Ltd. v. Eagleton Direct Export Ltd.* [1994] F.S.R. 545.

⁴⁸⁶ [1975] A.C. 396.

Firstly, in many copyright cases, this form of order has proved to be one of the greatest efficacy, as the defendant is taken completely by surprise before he is able to deal further with the documents and articles relating to the offending acts. The defendant knows nothing of the proceedings until he is required by the order to admit the claimant and his representatives to the premises.

Secondly, three conditions must be satisfied before the courts make such an order: the claimant must show that he has an extremely strong prima facie case; the claimant must show that he has suffered, or is likely to suffer, very serious and irreparable injury if the order is not made; and there must be clear evidence that the defendant has in his possession incriminating documents or things and that there is a real possibility that he may destroy such material before any application can be made on notice.

Thirdly, the order must be served and carried out in the presence of a supervising solicitor, who is wholly independent of the claimant and his solicitors.

Fourthly, if the defendant wishes to apply to the court to discharge the order as having been obtained improperly, he is allowed to do so.

Fifthly, as a matter of the law of evidence, information derived or obtained as a result of a search order which ought never have to have been obtained is inadmissible.

Sixthly, the applicant is under a duty to make full disclosure to the court and to act in the utmost good faith.

Through this type of search order, in a copyright action the claimant can obtain from retailers the details of infringing goods as to the wholesale or manufacturing sources of supply. The jurisdiction to order disclosure exists if three conditions are satisfied: First, the third party has become mixed up in the transactions of which disclosure is required. It is sufficient to show that there is "a good indication" of wrongdoing but not every piece of a pleaded case is in position. Secondly, the order for disclosure must be for a legitimate purpose. It is not necessary for the applicant to show he intends to sue the person so identified. For instance, it is sufficient that he wants to dismiss a wrongdoer who is an employee. Thirdly, the procedure must not offend against the "mere witness" rule which prevents a person from obtaining disclosure from someone who would be compellable to give the information as a witness, either orally or on a summons to produce document.

The frequent use of search orders in proceedings for copyright infringement coupled with orders to give disclosure of names and addresses of suppliers and related documents used to give rise problems with the privilege against self-incrimination. The circumstances in which infringement takes place frequently involves the commission of criminal offences or subjects the defendant to penalties. The infringement may even involve a criminal conspiracy to defraud. In such cases, the defendant used to be able to claim the privilege against self-incrimination to set aside an order for disclosure or production of documents or information. To meet this circumstance the position as to the privilege against self-incrimination was altered by section 72 of the Supreme Court Act, 1981. The privilege has been withdrawn from a party and his or her spouse in the proceedings and circumstances specified in section 72. The withdrawal of the privilege applies to civil proceedings in the High Court for infringement of right pertaining to any “intellectual property” – i.e., “patent, trademark, copyright, design right, registered design, technical or commercial information or other intellectual property” – or for passing off. It also applies to proceedings to obtain disclosure of information relating to the infringement of such a right.

B. Permanent Injunction

If the claimant succeeds at the trial in establishing infringement of copyright, he will be entitled to a permanent injunction to restrain future infringements.⁴⁸⁷ There is no need for claimant to prove actual damage.⁴⁸⁸ An injunction is a discretionary remedy and general equitable principles will apply the “clean hands” principle.⁴⁸⁹ The claimant must show positively that the defendant is likely to continue his infringement in cases where the prima facie position is that the infringement has occurred once and for all and is finished and done with.⁴⁹⁰

However, in *Shelfer v. City of London Electric Lighting Co.*⁴⁹¹, the court observed that a “good working rule” will be that if the injury to the claimant’s rights is small and capable of being estimated in money and can be adequately compensated by a small money payment and the case

⁴⁸⁷ *Weatherby & Sons v. International Horse Agency and Exchange Ltd.* [1910] 2 Ch. 297.

⁴⁸⁸ *Smith v. Johnson* (1863) 33 L.J.Ch. 137; *Hawkes & Son (London) Ltd. v. Paramount Film Service Ltd.* [1934] Ch 593.

⁴⁸⁹ *Ocular Sciences Ltd. v. Aspect Vision Care Ltd.* [1997] R.P.C. 289.

⁴⁹⁰ *Performing Rights Society Ltd. v. Berman* [1975] F.S.R. 400.

⁴⁹¹ [1895] 1 Ch. 287.

is one in which it would be oppressively to grant an injunction, the court may award damages in substitution for an injunction. In *Banks v. CBS Songs Ltd. (No. 2)*,⁴⁹² a record company argued that a songwriter's claim to an injunction should be refused. The court rejected this submission since the copyright might last another century it was impossible to say that the claimant could be adequately compensated by a small money payment.

C. Damages

A successful claimant is entitled to recover damages for the infringement of his right. Infringement of moral rights, performers' non-property rights and the rights of persons having recording rights are considered as breaches of statutory duty.⁴⁹³ The measure of damage for copyright infringement is the depreciation caused by the infringement to the value of the copyright as a chose in action.⁴⁹⁴ The principles set out in *General Tire and Rubber Co. v. Firestone Tyre and Rubber Company Ltd.*⁴⁹⁵ are held to be applicable in copyright cases.⁴⁹⁶ In the case of any 'economic tort', the general rule is that the measure of damages is to be that sum of money which will put the injured party in the same position as he would have been in if he had not sustained the wrong. There are two essential principles in valuing the claim: first, that the claimant has the burden of showing his loss and, secondly that the defendant being a wrongdoer, damages should be liberally assessed but that the object is to compensate the claimant and not punish the defendant.⁴⁹⁷

There are three main groups of reported cases which show the court's approach to such situations. The first is where the claimant is a manufacturer who exploits his right to make articles or products which he sells at a profit. The benefit of the right is realised through the sale of the article or product. In this way the infringement diverts sales from the right owner to the infringer. Usually, the measure of damages is the profit which would have been realised by the right owner if the sales had been made by him. The second group of cases is where the right is exploited by the grant of licences for royalty payments. If the infringer uses the right without a licence, the measure of

⁴⁹² [1996] E.M.L.R. 452.

⁴⁹³ Copyright, Designs and Patents Act, 1988 §103(1) and 194.

⁴⁹⁴ *Sutherland Publishing Co. Ltd. v. Caxton Publishing Co. Ltd.* [1936] Ch. 323 at p. 336.

⁴⁹⁵ [1976] R.P.C. 197.

⁴⁹⁶ *Blayney v. Clogau St David's Gold Mines Ltd.* [2003] F.S.R. 19

⁴⁹⁷ *Pneumatic Tyre Co. Ltd. v. Puncture Proof Pneumatic Tyre Co. Ltd.* (1899) 16 R.P.C.209.

damages is the amount he would have had to pay by way of royalty instead of acting illegally.⁴⁹⁸ In the third group of cases the court seeks to assess the price which could reasonably have been charged for a licence. The assumption is that the actual licensor and the actual infringer are willing to negotiate with each other as they are, with their strengths and weaknesses, in the market as it exists.

However, the damages will not include loss suffered because of the commission by a third party of another tort, which has been facilitated, by the defendant's copyright infringement. The ordinary rules as to causation, foreseeability and remoteness will be applied. If it was reasonably foreseeable that the defendant's acts of infringement would cause a particular head of damage to the claimant, damages under that head ought to be recoverable. But the infringement must be an effective cause of the damage. In *Work Model Enterprises Ltd. v. Clix Interiors Ltd.*,⁴⁹⁹ the defendant copied the claimant's technical brochure and used the infringing copy for the purpose of the selling a competing product, it was held that the claimant's loss of sales was due to lawful competition and was not caused by the infringement. In *Columbia Pictures Industries v. Robinson*⁵⁰⁰, it was observed that the burden is on the claimant to prove damage, but not to a degree of certainty. Once it is shown that pirate marketing has taken place, some loss of sales will be assumed.

D. Additional Damages

In an action for copyright infringement, the court has the power to grant such additional damages as the justice of the case may require after having regard to all the circumstances and in particular to the flagrancy of the infringement and any benefit ensuing to the defendant because of infringement.⁵⁰¹ The remedy is discretionary and additional damages cannot be awarded to a claimant who has elected for account of profits.⁵⁰² 'Flagrancy' is not a necessary ingredient of additional damages, but it is a factor taken into account if it is present. It implies scandalous conduct or deceit, including deliberate and calculated infringement where a defendant reaps a pecuniary advantage in excess of the damages he would otherwise have to pay. Where the

⁴⁹⁸ Examples in copyright cases are *Brin Bros Ltd. v. Keene & Co. Ltd.* [1918] 2 Ch. 281 and *Columbia Pictures Industries v. Robinson* [1988] F.S.R.531.

⁴⁹⁹ [1996] F.S.R. 356; *Peninsular Businesses Services Ltd. v. Citation plc* [2004] F.S.R. 17.

⁵⁰⁰ [1988] F.S.R. 531.

⁵⁰¹ Copyright, Designs and Patents Act, 1988, § 97 (2).

⁵⁰² *Redrow Homes Ltd. v. Bett Brothers Plc* [1988] F.S.R. 345.

infringement has been carried out in breach of court order, it is described as ‘flagrant’.⁵⁰³ The ‘benefit to the defendant’ factor permits the court to incorporate an element of restitution in its award, having regard to the benefit gained by the defendant, for instance when the normal compensation awarded to the claimant leaves the defendant still enjoying the benefit of the infringing activities. Such a remedy sometimes overlaps to a certain extent with the remedy of an account of profits, but it is not co-extensive with it because it permits the court to take account of benefit which is not profit, for instance where a defendant has established himself in the market and generated a goodwill by a flagrant infringement.⁵⁰⁴

An award of additional damages may not necessarily contain a purely punitive damage. The rationales for this include the pertinent statutory offence and the risk that an infringer in case of concurrent copyrights be exposed to successive actions by the owners of different copyrights, each seeking punishment in respect of his own interest. However, exemplary damages may include a punitive element and are now available for infringement of copyright and the other rights covered in this work.

Sec. 97(2) of CDPA is a wide provision which allows the court to take account of the matters admitted as aggravation at common law that is damages purported to take account of injury to the claimant’s proper feelings of pride and dignity, humiliation, distress, insult or pain caused by defendant’s conduct. There are number of cases, reported under the 1988 Act where additional damages have been awarded. *Springsteen v. Flute International Ltd.*,⁵⁰⁵ was a case concerned with manufacture and sale of infringing CDs and the infringement had not been particularly beneficial to the defendants, the court had in mind a sum of one pound per infringing CD produced and not sold and five dollar per infringing CD sold. In *Nottinghamshire Healthcare National Services Trust v. News Group Newspapers Ltd.*⁵⁰⁶, when a newspaper had published a stolen photograph of an inmate of a mental hospital, ordinary damages were assessed at 450 pound and additional damages were assessed at 9,000 pound each.

E. Account of Profits

⁵⁰³ *Sony Computer Entertainment Inc. v. Owen* [2002] EWHC 45.

⁵⁰⁴ *ZYX Music Ltd. v. King* [1995] F.S.R. 566.

⁵⁰⁵ [1999] E.M.L.R. 180.

⁵⁰⁶ [2002] EWHC 409

An alternative remedy to damages is an account of profits, which was originally an equitable remedy incidental to the right of an injunction.⁵⁰⁷ The account is of net profit; for example, the sale price of the infringing article, less manufacturing and delivery costs.⁵⁰⁸ The court will grant an account where there has been deliberate, knowing infringement, but it appears that it may refuse an account if the infringement has been entirely innocent. The court will not refuse to grant an account merely because damages might be an adequate remedy.⁵⁰⁹ In *Colburn v. Simms*,⁵¹⁰ the principle of granting account was laid down. It was stated,

“It is true that the court does not by an account, accurately measure the damage sustained by the proprietor of an expensive work, from the invasion of his copyright by the publication of a cheaper book. It is impossible to know how many copies of the dearer book are excluded from sale by the interposition of the cheaper one. The court, by the account as the nearest approximation it can make to justice, takes from the wrongdoer all the profits he has made by his piracy and gives them to party who has been wronged. In doing this the court may often give the injured party more, in fact, than he is entitled to, for non constat, that a single additional copy of the more expensive book would have been sold, if the injury by the sale of the cheaper book and had not been committed. The court of equity, however, does not give anything beyond the account.”⁵¹¹

An account of profits will not extend to the matters not quantifiable as “profits”, such as the acquisition of an enhanced position in the market.⁵¹² For these purposes, the accounting defendant is treated as if he had carried on his business on behalf of the claimant. However, a claimant cannot increase his claim by arguing that the defendant could or should have generated higher profits. It is no answer to a claim for an account that the defendant could have made the same profits by following an alternative, non-infringing course.⁵¹³ Although an account of profits is an effective remedy, it is very difficult to take where part only of the defendant’s material infringes the claimant’s copyright. In those cases, attempt should be made to apportion profits according to the

⁵⁰⁷ Copyright, Designs and Patents Act, 1988 § 96(2).

⁵⁰⁸ *My Kinda Town v. Soll* [1983] R.P.C. 15.

⁵⁰⁹ *Wienerworld Ltd. v. Vision Video Ltd.* [1988] F.S.R. 832.

⁵¹⁰ (1843) 2 Ha. 543.

⁵¹¹ *Ibid.*

⁵¹² *Redrow Homes Ltd. v. Betts Brothers Plc.* [1999] 1 A. C. 197.

⁵¹³ *Celanese International Corp. v. B P Chemicals Ltd.* [1999] R.P.C. 203.

value of the infringing and non-infringing material. Where the infringement was only part of a larger enterprise which generated profits, it is for the defendant to show that it is inequitable to order an account of the whole profits, by demonstrating that only a proportion of the profits were made by means of the infringement.⁵¹⁴ If the defendant cannot establish that not all profits made were attributable to the infringement, the result will be that it must account for the whole of the profit made by the enterprise.⁵¹⁵

- Election between damages and account of profits:

A successful claimant is usually entitled to an inquiry as to damages, or at his election, an account of profits. He is not entitled to both, since the principle which lies behind the equitable remedy of an account of profits is that the claimant condones the infringement and takes the profits made by the infringer for the use of his property. The remedies are mutually inconsistent and the claimant must elect between the two. Furthermore, a claimant who has chosen to sue more than one member of a chain of distribution may not elect for damages against one defendant and profits against another. The election should be made at the latest when infringement is established, but the claimant cannot be forced to make an election before then.

F. Delivery up

The court has a statutory power to make an order for delivery up.⁵¹⁶ A copyright owner or exclusive licensee may apply for an order for delivery up to him or to such other person as the court may direct of (a) infringing copies in a person's possession, custody or control in the course of a business and (b) articles in a person's possession, custody or control specifically designed or adapted for making copies of a copyright work which that person knows or has to reason to believe have been used or are to be used to make infringing copies. There is no "guilty knowledge" provision under (a). An application for an order for delivery up may not be made after the end of six years from the date on which the infringing copy or article, illicit recording of infringing article or thing in question was made.⁵¹⁷ Delivery up is a discretionary remedy and will not be ordered in cases where its effect

⁵¹⁴ Zupanovich Pty Ltd. Beale Nominees Pty Ltd. [1995] FCA 561.

⁵¹⁵ Ibid.

⁵¹⁶ Copyright, Designs and Patents Act, 1988 § 99(1).

⁵¹⁷ Copyright, Designs and Patents Act, 1988 § 99(2).

is disproportionate and would cause greater harm than is necessary in order to safeguard the legitimate interests of the claimant.⁵¹⁸ The relief of delivery up should be limited to what is necessary for the protection of the claimant's rights, not the punishment of the defendant.⁵¹⁹ Thus the relief will not be granted if the articles can be rendered non-infringing, nor if the articles have been taken out of the jurisdiction and there is no evidence of an intention to reimport them.⁵²⁰ Where a defendant has mixed the claimant's work with work of his own, then, if it is physically possible to sever one from the other, the order for delivery up will apply only to the infringing material, but where the parts are physically inseparable the order for delivery up may extend to the whole of the article.

V.1.ii.b. Criminal Remedies

The parliamentary debates on the criminal remedies provided through 1988 Act show that while drafting the provision imposing criminal liability for copyright infringement, the government was concerned both to increase protection for the rights of the copyright owner and to protect consumers from poor quality counterfeit goods. Copyright infringement was considered to be equivalent of theft. As far as the government's concern regarding "infringement is equivalent to theft" is concerned, it had been echoed by the Court of Criminal Appeal in *R. v. Carter*, that the making and distribution of counterfeit video films in a serious offence amounting in effect to the theft of the copyright owner's intellectual property. In addition to that, it had been observed that, section 107 of the 1988 Act is not confined to cases of "piracy" and that the section may therefore be used by a collecting society against a person who is alleged to have distributed infringing copies of copyright works belonging to one of the society's members even though there has been a pre-existing commercial relationship between the society and the alleged infringer.⁵²¹

- Copyright Offences

Section 107 (1) of CDPA, 1988: Offences involving making, possession or dealing with infringing copies. A person commits an offence who, without the license of the copyright owner, does any of

⁵¹⁸ *Ocular Sciences Ltd. v. Aspect Vision Care Ltd.* (No. 2) [1997] R.P.C. 289.

⁵¹⁹ *Vavasseur v. Krupp* (1879) 9 Ch.D 351 at 360.

⁵²⁰ *Roussel Uclaf v. Pan Laboratories Pty Ltd* (1994) 29 I.P.R. 556.

⁵²¹ *Thames and Hudson Ltd. v. Design and Artists Copyright Society Ltd.* [1995] F.S.R. 153.

the acts in relation to an article which is and which he knows or has reason to believe is, an infringing copy of a copyright work. The acts in question are making for sale or hire; importing into the United Kingdom otherwise than for his private and domestic use; possessing in the course of a business to commit any act infringing the copyright; in the course of a business selling or letting for hire, offering or exposing for sale or hire, exhibiting in public or distributing; and distributing otherwise than in the course of business to such an extent which affect prejudicially the copyright owner.

The point to be understood here is that the only types of infringement which are considered as criminal offences are infringements with obvious commercial purposes. Moreover, no offence is committed by doing any act unless the accused has the requisite state of mind. Thirdly, the state of mind required to be proved by the prosecution is expressed in identical terms to that required to be proved by a claimant in a civil action for secondary infringement, namely knowledge or reason to believe that the copy is an infringing one.

Sec. 107 (2): Offences in relation to articles designed for making copies of copyright works. Other offences are committed by a person who makes an article specifically designed or adapted for making copies of a particular copyright work, or has such an article in his possession, if in either case he knows or has reason to believe that article is to be used to make infringing copies for sale or hire in the course of a business. In addition to that, section 107 (2A) makes it an offence to infringe the copyright in a work by communicating that work to the public either in the course of business or to such an extent as to affect prejudicially the copyright owner. The offence is only committed if the accused knew or had reason to believe that copyright in the work would thereby be infringed. Criminal offences may also be committed in relation to the public performance of works. Where copyright is infringed, otherwise than by reception of a communication to the public, by the public performance of a literary, dramatic or musical work or by the playing or showing in public of a sound recording or film, any person who caused the work to be so performed, played or shown is guilty of an offence if he knew or had reason to believe that copyright would be infringed.⁵²²

⁵²² Copyright, Designs and Patents Act, 1988, § 107 (3) (a) and (b).

The Dramatic Copyright Act, 1833 as extended by the Copyright Act, 1842 imposed liability on a person who caused a musical or a dramatic work to be represented without the license of the copyright owner and accordingly, these authorities are pertinent to the interpretation of section 107(3). A person is not liable for causing a work to be represented unless he was actually responsible for bringing the representation about. Thus, a company which made and supplied film versions of a dramatic work to music halls and theatres which were then shown to the public did not cause the dramatic work to be represented, even though the supplier knew that films would be so shown. This decision would no doubt be of equal application to be those who supply sound recordings to discotheques and nightclubs. Where the owner of a theatre let a play to a person who put on an infringing production of a play, the owner was held not to have caused the performance to be represented even though he had supplied equipment and scene shifters, had paid for printing and advertising and was paid by a share of gross receipts.⁵²³ However, where the owner of a theatre who also employed its company, including his son, who was the stage manager, let out the theatre and the company to his son, who put on an infringing production of a play to be represented because he retained control and because what was done with his permission.⁵²⁴ Where the owner of a music hall engaged a singer to sing whatever songs the singer wished and the singer performed a song without a licence to do so, the owner was held liable since the singer sang as its agent.⁵²⁵ In *French v. Day, Gregory and others*⁵²⁶, it was observed that the general manager of a theatre who had no power to engage or dismiss its artists, who acted at all times in accordance with the proprietor's instructions and who obtained no financial benefit from the production did not cause a work to be represented even though he had authority to stop it: he was merely the 'mouthpiece' of the proprietor.

Offences of making, dealing with and using illicit recordings under section 198 of the CDPA, 1988. These offences fall into three broad categories. First, a person commits an offence if, without sufficient consent, he does one of a number of acts in relation to a recording which is and which he knows or has reason to believe is an illicit recording. Those acts are: making for sale or hire;⁵²⁷

⁵²³ *Lyon v. Knowles* (1863) B & S 556.

⁵²⁴ *Marsh v. Conquest* (1864) 17 C.B.N.S. 418.

⁵²⁵ *Monaghan v. Taylor* (1886) 2 T.L.R. 685.

⁵²⁶ (1893) 9 T.L.R. 548.

⁵²⁷ Copyright, Designs and Patents Act, 1988 § 198(1) (a).

importing into the United Kingdom otherwise than for his private and domestic use,⁵²⁸ possessing in the course of a business with a view to infringing any of the rights conferred by Part II of the 1988 Act⁵²⁹ and in the course of a business selling or letting for hire, offering or exposing for sale or hire, or distributing.⁵³⁰ Secondly, a person who infringes a performer's making available after October 31, 2003 in the course of a business or otherwise, so as to affect prejudicially the owner of making available right, commits an offence if he knows or has reason to believe that by doing so he is infringing the making available right in the recording.⁵³¹ Thirdly, a person also commits an offence who causes a recording of performance made without sufficient consent to be shown or played in public or communicated to the public, thereby infringing any of the rights under Part II of the 1988 Act if he knows or has reason to know that those rights are thereby infringed.⁵³²

A recording is only illicit if it is a recording of the whole or a substantial part of the performance and has been made otherwise than for private purposes.⁵³³ If those pre-conditions are satisfied, then so far as concerns criminal proceedings, the recording is illicit whether it is 'illicit' for the purposes of a performer's rights or for the purposes of a person having recording rights in the performance.⁵³⁴ The extended definition of 'illicit recording' contained in section 197(5) applies to criminal proceedings. It is provided that for the purposes of determining whether a recording is an illicit one it is immaterial where it was made.⁵³⁵ The offences of making for sale or hire, importing and distributing are triable either way. They carry a maximum penalty on summary conviction of imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum or both; but on conviction on indictment they carry a maximum penalty of imprisonment for ten years or an unlimited fine or both.⁵³⁶

Subsections (1) to (3) of section 198 of 1988 Act have the effect of making most civil infringements of rights in performances criminal offences. However, the main differences are as follows: Firstly, all the criminal offences require 'guilty knowledge'. Many civil infringements do not. Secondly,

⁵²⁸ Copyright, Designs and Patents Act, 1988 § 198(1) (b).

⁵²⁹ Copyright, Designs and Patents Act, 1988 § 198(1) (c).

⁵³⁰ Copyright, Designs and Patents Act, 1988 §198(1) (d).

⁵³¹ Copyright, Designs and Patents Act, 1988 §198 (1A).

⁵³² Copyright, Designs and Patents Act, 1988 § 198 (2).

⁵³³ Copyright, Designs and Patents Act, 1988 § 197(2) and (3).

⁵³⁴ Copyright, Designs and Patents Act, 1988 § 197 (4).

⁵³⁵ Copyright, Designs and Patents Act, 1988 § 197 (6).

⁵³⁶ Copyright, Designs and Patents Act, 1988 § 198 (5).

the civil infringement of broadcasting live a qualifying performance without consent is not made a criminal offence. Thirdly, rights at civil law are infringed by the possession of an illicit recording in the course of a business; a criminal offence is only committed by a person who possesses an illicit recording in the course of a business; a criminal offence is only committed by a person who possesses an illicit recording in the course of a business if that possession is with a view to infringing any rights in performances. Fourthly, there are no criminal provisions in relation to performers' property rights. Finally, the offence in the third broad category is committed in relation to recordings made without sufficient consent.

- Advantages of criminal proceedings

Criminal proceedings have two obvious advantages to a copyright owner faced with an infringement. For some defendants, a criminal conviction may be more of a deterrent to future infringement than an injunction limited to a particular work or works. It is recognised that penalties for second and further offences are generally greater than those for first offences. In addition the rules as to costs in respect of indictable offences are generally quite favourable to a prosecutor who is not a public authority. First, in any case the court may order the defendant to pay a successful prosecutor's costs. On the other hand, in determining the amount of any costs order, the court is obliged to take account of a number of factors which would not be relevant in a civil case. Secondly, however, in proceedings for an indictable offence, the court has the power to make an award of prosecution costs out of central funds whether the defendant is convicted or acquitted. The practice is that such an order should be made save where there is good reason for not doing so, for example, where proceedings have been instituted or continued without good cause.

- Disadvantages of criminal proceedings

Firstly, there is no entitlement to an injunction or to an inquiry as to damages or an account of profits. Secondly, subject to what is said below about the burden of proof, the prosecution must establish guilt beyond reasonable doubt rather than merely on the balance of probabilities. Thirdly, it is necessary in criminal proceedings for copyright offences to prove knowledge or reason to believe even in respect of primary infringements. Fourthly, the presumptions contained in sections 104 and 105 of the 1988 Act do not apply in criminal proceedings.

V.1.ii.c. Search Warrant under the 1988 Act

In enforcement of copyright law, search warrants were first introduced in the Musical Copyright Act 1906 which empowered justices to issue them in respect of pirated sheet music. Specific provision for the issue of search warrants in relation to other copyright offences was first made by the Copyright (Amendment) Act of 1983. It provided for the issue of warrants in respect of the offences of making, importing and distributing infringing copies of sound recordings and films. Sections 109 and 200 of the 1988 Act extended these powers to offences of making, importing and distributing infringing copies of copyright works of all types and illicit recordings. Sections 109 and 200 provide that where a justice of the peace is satisfied by information on oath given by a constable that there are reasonable grounds for believing that an offence of making, importing or distributing an infringing copy, communication to the public, making, importing or distributing an illicit recording or making available has been or is about to be committed in any premises and that evidence that such an offence has been or is about to be committed is in the premises, he may issue a search warrant.⁵³⁷

- Delivery up under section 108 of the 1988 Act

The court under section 108 of the 1988 Act may, if satisfied that at the time of his arrest or charge he had in his possession, custody or control in the course of a business an infringing copyright work, order the infringing copy to be delivered up to the copyright owner or to such other person as the court may direct.⁵³⁸ A conviction is not a pre-condition for the making of an order for delivery up. The same provision applies to articles specifically designed or adapted for making copies of a particular copyright work, provided the person knew or had reason to believe that the article had been or was to be used to make infringing copies.⁵³⁹

V.1.ii.d. Forfeiture in Criminal Proceedings

Statutory provisions as to forfeiture apply generally to all criminal cases. There are two regimes which are relevant to the offences under the 1988 Act. The first one applies where a person has

⁵³⁷ Copyright, Designs and Patents Act, 1988 § 109(1) and 200(1).

⁵³⁸ Copyright, Designs and Patents Act, 1988 § 108.

⁵³⁹ Ibid.

been convicted of an offence. In such a case the court may order forfeiture of any property which it is satisfied has been lawfully seized from that person or was in possession or control at the time when he was apprehended for the offence or when a summons was issued in respect of it. Before a forfeiture order may be made under this provision, the court must be satisfied that the property in question has been used for the purpose of committing or facilitating the commission of an offence or was intended by the defendant to be used for that purpose. The second regime applies where a person has been convicted of an offence and that offence, or another offence which has been taken into consideration on sentence, consists of the unlawful possession of property which has been lawfully seized from the defendant or was in his possession at the time of arrest or the issue of summons. In that case, the court may make a forfeiture order irrespective of whether the property had been or was intended to be used for the commission or to facilitate of an offence. Under each regime, the forfeiture power is discretionary and the court is obliged to have regard to the value of the property and to the likely effect of a forfeiture order on the offender. The Copyright, etc. and Trade Marks (Offences and Enforcement) Act 2002 introduced new provisions in respect of infringing copies, articles specifically designed for making copies, illicit recordings and unauthorised decoders.

Section 114A of the 1988 Act applies where infringing copies or articles specifically adapted or designed for making copies or articles specifically adapted or designed for making copies of a particular copyright work have come into the possession of any person in connection with the investigation or prosecution of a 'relevant' offence.⁵⁴⁰ Thus they apply not only where a police officer has seized an infringing copy in the course of an arrest but also where a private investigator has been handed an infringing copy by an informer. The provisions discussed here are applicable in respect of illicit recordings⁵⁴¹ and unauthorised decoders.⁵⁴²

The court may make only a forfeiture order if it is satisfied that a relevant offence has been committed in relation to the infringing copies or articles.⁵⁴³ In reaching its decision, the court is expressly permitted to infer that a relevant offence has been committed in respect of any infringing

⁵⁴⁰ Copyright, Designs and Patents Act, 1988 § 114A (1).

⁵⁴¹ Copyright, Designs and Patents Act, 1988 § 204A.

⁵⁴² Copyright, Designs and Patents Act, 1988 § 279C.

⁵⁴³ Copyright, Designs and Patents Act, 1988 § (4).

copies or articles if it is satisfied that such an offence has been committed in relation to the same of which the infringing copies or articles in question are representative. There is a lack of clarity regarding whether sec. 114A is intended to achieve, since even in the absence of such a provision there would be no obstacle to the court reaching its conclusions from inference. Moreover, the provision fails to make clear exactly what type of inferences may be drawn. For instance, a consignment of 1,000 counterfeit music CDs, found in defendant's possession. Assuming that a consignment is made up of 100 batches, each of which consists of 10 identical CDs. In this circumstance, practically the prosecution may be forced to limit the charges to possession of one CD from each of say 15 of the 100 batches. On conviction it will certainly be open to the court to order forfeiture of the whole contents of those 15 batches. However, does the mere fact that the court has found that the contents of those batches are counterfeit entitle it to infer that the contents of the other 85 batches are also counterfeit? In practice, defendants in this situation are seldom unduly concerned to retain possession of the goods in question and can frequently be persuaded to sign a disclaimer in respect of any of the rights they may have in them.

V.1.ii.e. Search by Customs of Imported Copies

Before the passing of 1911 Act, provision already existed for a copyright owner to notify Customs of his interest to prohibit the importation of infringing books. The 1911 Act extended this to copies of all copyright works. Similar provision was made by the 1956 Act, but this was expressly limited to infringing copies of published literary, dramatic and musical works. Sec. 111 of the 1988 Act re-enacted these provisions of the 1956 Act and extended them to infringing copies of sound recordings and films. The first Community legislation of this type was the Council Regulation of 1986 which was aimed at preventing the importation into the Community of goods which infringed a trade mark registered in a member state. The 1986 Regulation was repealed by Council Regulation 3295/94 ("the 1994 Regulation). The Counterfeit and Pirated Goods (Customs) Regulations 1995 ("the 1995 Customs Regulations) and the Counterfeit and Pirated (Consequential Provisions) Regulations 1995 ("the 1995 Consequential Regulations") contained provisions designed to implement the Council and Commission Regulations in the United Kingdom. Against a background of mounting concerns about the extent of the trade in counterfeit and pirated goods,

the 1994 Regulation was in turn replaced by a new Council Regulation (“the Council Regulation”) with effect from July 2, 2004.

Section 111 of the 1988 Act originally applied to all infringing printed copies of published literary, dramatic or musical works and to all infringing copies of sound recordings or films which were imported into the United Kingdom. However, in 1995, the scope of the section was curtailed to give effect to the Community obligation to establish the internal market. The owner of the copyright in any of published literary, dramatic or musical work may give notice to the Commissioner of Customs and Excise requesting them to treat as prohibited goods printed copies of the work which are infringing copies⁵⁴⁴. The notice must state that the person giving it is the owner of the copyright in the work and must specify the period during which the goods are to be treated as prohibited. The period must not exceed five years and shall not extend beyond the period for which copyright is to subsist.⁵⁴⁵ The owner of the copyright in a sound recording or film may also give notice in writing to the Commissioners with a view to prevent the importation of infringing copies. The notice must state that he is the owner of the copyright in the work that infringing copies of the work are expected to arrive in the United Kingdom at a time and place specified in the notice, and that he requests the Commissioner to treat the copies as prohibited goods.⁵⁴⁶

In all cases, a copy of the copyright work must be supplied to the Commissioners with the notice. At the same time or at the time the goods to which the notice relates are imported, the person giving the notice must provide the Commissioners with such evidence as they may reasonably require to enable them to establish that he is owner of the copyright in the work and that any goods detained are infringing copies. The person giving the notice must give the Commissioners such security as they may suffer as a result of the notice and must keep them indemnified against such liability and expense. When a notice under section 111 of the 1988 Act is in force, the importation of goods to which it applies is prohibited.⁵⁴⁷ However, the prohibition does not render the importer liable to any penalty other than the forfeiture of the goods.⁵⁴⁸

⁵⁴⁴ Copyright, Designs and Patents Act, 1988 § 111 (1).

⁵⁴⁵ Copyright, Designs and Patents Act, 1988 § 111 (2).

⁵⁴⁶ Copyright, Designs and Patents Act, 1988 § 111 (3).

⁵⁴⁷ Copyright, Designs and Patents Act, 1988 § 111 (4).

⁵⁴⁸ Ibid.

V.1.iii. Copyright Enforcement against Online File Sharing Services in United Kingdom

The law relating to copyright infringement in the UK is contained within the Copyright, Designs and Patents Act 1988⁵⁴⁹ (CDPA). It specifies the criminal offences and provides the means for rights holders to protect their rights through the civil court process in line with European legislation, namely European Union Directive on E-Commerce 2000/31/EC of the European Parliament.⁵⁵⁰ The United Kingdom was the first European country to specifically adopt legislation to limit online intermediary liability prior to the introduction of the E-Commerce Directive.⁵⁵⁰ The Preamble to the Directive in Recital 50 explicitly states that the directive seeks to establish a clear framework of rules relevant to intermediary liability for copyright infringement.⁵⁵¹

There are two approaches to deal with the liability of an ISP. In a vertical approach, different liability regimes apply to different areas of the law.⁵⁵² This is the approach adopted by the United States. The Digital Millennium Act deals with copyright issues, whereas the Telecommunications Act of 1996 deals with liability derived from violations of other types of laws. In a horizontal approach, there is one liability regime applicable to any infringement regardless of the area of law. Thus the same regime will be applicable to any type of infringement, whether it is copyright, defamation or privacy rights. The horizontal approach is used by the EU Directive.⁵⁵³ Horizontal approach is argued to be favourable since ISPs do not have to monitor the content of the material published by their customers.⁵⁵⁴ In case of vertical approach, ISPs would have been obliged to decode the bits that form the data and analyse all the content (music, images, etc.) before posting. However, this would be an extremely weighty burden to place on the ISPs' shoulders.⁵⁵⁵

⁵⁴⁹ Elizabeth Jones, *The UK Experience of Tackling Online IP Infringement*, WIPO Advisory Committee Report on Enforcement, (Jan. 31, 2015, 8 PM) http://www.legislation.gov.uk/ukpga/1988/48/contents_

⁵⁵⁰ EU Study on the Legal Analysis of a Single Market for the Information Society – New rules for a new age? (Feb. 2, 2015, 6 PM) <https://ec.europa.eu/digital-single-market/en/news/legal-analysis-single-market-information-society-smart-20070037>.

⁵⁵¹ Aditya Gupta, *The Scope of Online Service Providers' Liability for Copyright Infringing Third Party Content under the Indian Laws – The Road Ahead*, 15 Journal of Intellectual Property Rights. 34, 35-36 (2010).

⁵⁵² Pablo Baistrocchi, *Liability of Intermediary Service Providers in the EU Directive on Electronic Commerce*, 19 Santa Clara High Technology Law Journal, 117 (2003).

⁵⁵³ Ibid.

⁵⁵⁴ Ibid.

⁵⁵⁵ Ibid.

The Directive does not establish a general liability regime applicable to ISPs. Instead it provides for a system of specific liability exemptions. Therefore, in cases where the ISPs provide a specific service (mere conduit, caching and hosting) and comply with a series of requirements, they will not be held liable for the services performed. The Directive only provides for a system of liability exemptions for ISPs. Thus, if an ISP does not qualify for an exemption under the Directive, its liability will be determined by the national laws of the respective Member States. The E Commerce Directive introduced a set of special liability rules, which are set forth in section 4 of the Directive (articles 12 to 15). It provides for a “safe heaven” regime, under which three types of service providers are exempt from liability under certain conditions.⁵⁵⁶

- “Mere conduit” service providers deliver either network access services or network transmission services.⁵⁵⁷ The service provider, involved here, are traditional internet access providers and backbone operators. The liability exemption only applies when the service provider is passively involved in the transmission of data. When the transmission would be initiated, selected or modified by the service provider, or when the receiver of the data would be selected by the service provider, the exemption does not apply.
- “Caching” providers temporarily and automatically store data in order to make the onward transmission of this information more efficient.⁵⁵⁸ The service envisaged here is a “proxy server”, which stores local copies of websites accessed by a customer. ISPs cannot be held liable when they perform caching on the condition that: the provider does not modify the information; the provider complies with conditions on access to the information; the provider must not interfere with the lawful use of technology that is widely recognised and used by industry to obtain data on the use of the information.
- Hosting providers store data provided by their users.⁵⁵⁹ The data being stored is specifically selected and uploaded by a user of the service and is intended to be stored for an unlimited point of time. Hosting providers can only benefit from the liability exemption when they

⁵⁵⁶ Elizabeth Jones, *The UK Experience of Tackling Online IP Infringement*, WIPO Advisory Committee Report on Enforcement, (Jan. 31, 2015, 8 PM) <http://www.legislation.gov.uk/ukpga/1988/48/contents>.

⁵⁵⁷ European Union Directive on E-Commerce 2000/31/EC § 12.

⁵⁵⁸ European Union Directive on E-Commerce 2000/31/EC § 13.

⁵⁵⁹ European Union Directive on E-Commerce 2000/31/EC § 14.

are “not aware of facts or circumstances from which the illegal activity or information is apparent” or they “do not have actual knowledge of illegal activity or information.”

- No general obligation to monitor. Article 15 of the Directive States shall not impose a general obligation on providers to monitor the information they transmit or store when they are performing one of the services analysed above, namely mere conduit, caching and hosting and also cannot compel them to seek facts or circumstances indicating illegal activity. The second paragraph imposes a duty of communication from the ISPs to the competent authorities in the case of suspected illegal activities.

It is contended that the EU Directive has some loopholes that need to be addressed. Specifically, there is a lack of a “notice and takedown” procedure, which threatens freedom of expression; and the fact that the current regime may actually promote unfair competition in some situations.⁵⁶⁰ The lack of a notice and take down procedure causes the ISPs to become a sort of censorship body, in order to avoid liability when they opt to take down a Web page upon receipt of a claim regarding the content on that page. This threatens freedom of expression as long as customers are without protection against unfounded complaints.⁵⁶¹

V.1.iv. Online Copyright Enforcement through Graduated Response Systems in United Kingdom

V.1.iv.a. Concept

The utter breakdown of public copyright enforcement mechanism has stimulated content owners to seek out their own solutions to piracy.⁵⁶² In the past few years, the entertainment industry has deployed different tactics towards individual end-users, Internet service providers⁵⁶³ and other third

⁵⁶⁰ Pablo Baistrocchi, *Liability of Intermediary Service Providers in the EU Directive on Electronic Commerce*, 19 Santa Clara High Technology Law Journal, 130 (2003).

⁵⁶¹ *Ibid.*

⁵⁶² Rachel Storch, *Copyright Vigilantism*, 16 Stanford Technology Law Review, 463 (2013).

⁵⁶³ In the view of International Federation of the Phonographic Industry (IFPI), “Actions against individual uploaders are onerous and expensive and we should not have to be taking them. That job should not be ours – it should be done by the gatekeepers of the web, the Internet Service Providers, who unquestionably have the technical means to deal with copyright infringement, if only they would take responsibility for doing so.” Further IFPI claimed that, “with cooperation from ISPs, it could make huge strides in tackling content piracy globally and argued that “disconnection of serious copyright offenders by ISP is the easiest and most practical response to illegal file sharing.” [International Federation of Phonographic Industry, Digital Music Report (2007)].

parties. In response to these copyright owners are increasingly adopting “graduated response” system. This system provides an alternative enforcement mechanism⁵⁶⁴ through which ISPs can take a wide variety of actions after giving users warnings about their potentially illegal online file sharing activities. These actions include, among others, suspension and termination of service, capping of bandwidth and blocking of sites, portals and protocols. This system seeks to strike a middle ground by providing sufficient warning to internet sites who might have engaged in illegal online file sharing activities, while also protecting the interests of copyright holders.⁵⁶⁵

V.1.iv.b. Justification

The push for graduated response comes as the copyright industry begins to move away from a strategy of suing individual file sharers. Copyright owners have sought to introduce graduated response schemes in two main ways: by direct legislative action, and linking them to the threat of secondary liability.⁵⁶⁶ This system have been or are in the process of being implemented in various forms through court sanctioned contractual arrangements; by administrative and Ministerial order; by legislatively supported industry code and by judicial determination supported by administrative bodies.⁵⁶⁷

The argument for the introduction of graduated response schemes rests on two main justifications: that they will provide a cheaper enforcement mechanism necessary to stem the tide of copyright infringement⁵⁶⁸ and that ISPs have a social obligation to participate in the enforcement process because they otherwise derive an unfair benefit from infringing behaviour on their network.⁵⁶⁹ The graduated response system provides benefits to three group of stakeholders in the copyright system: copyright holders, ISPs and those internet users who do not participate in illegal file-sharing activities. Since school and college age internet users highly value their internet connections, such

⁵⁶⁴ Alain Strowel, *Internet Piracy as a Wake-up Call for Copyright Law Makers – Is the “Graduated Response” a Good Reply?*, 1 WIPO Journal, 75 (2009).

⁵⁶⁵ Peter K. Yu, *The Graduate Response*, 62 Florida Law review, 75 (2010).

⁵⁶⁶ Nicolas Suzor and Brian Fitzgerald, *The Legitimacy of Graduated Response Schemes in Copyright Law*, 34 UNSW Law Journal, 3, 4-5 (2011).

⁵⁶⁷ Ibid.

⁵⁶⁸ Olivier Bomsel and Heritiana Ranaivosan, *Decreasing Copyright Enforcement Costs: The Scope of a Graduated Response*, 6 Review of Economic Research on Copyright Issues, 13 (2009).

⁵⁶⁹ Annemarie Bridy, *Graduated Response and the Turn to Private Ordering in Online Copyright Enforcement*, 89, Oregon Law Review, 81, 83-84 (2010).

a system is likely to have a strong deterrent effect. The prospect of losing one's internet connections and the attendant embarrassment and social isolation may instil substantial fear among high school and college students. In United Kingdom, "a test of the graduated response system showed that 70% of customers stopped infringing in the six month period after receiving the first notice, with a further 16% stopping after the second notice."⁵⁷⁰

V.1.iv.c. Legal Framework

The framework for the United Kingdom's graduated response is contained in the Digital Economy Act 2010, which amended the Communications Act 2003. In 2014 the U.K. Government announced that representatives of the country's creative industries and ISPs had agreed to a new scheme, the Creative Content UK. The Creative Content UK has an educational purpose: to promote and notify the public of legal methods of obtaining digital entertainment. Its goal is to generate awareness of lawful means of obtaining copyrighted content and of the prevalence of internet copyright infringement. The government hopes that by educating the public about legal ways of obtaining copyrighted works, internet users will develop more 'confidence' when they purchase online content. The creative organisations and ISPs developed the notification system through a memorandum of understanding.

The UK scheme talks about a two-tiered response to allegations of repeat infringements. The 'initial obligations' require the ISPs to notify subscribers of allegations of infringement made by rights holders, in accordance with detailed procedures set out within the Act. The second obligation, 'technical obligations' is to maintain infringement lists, which must be provided to rights holders upon requests. The scheme utilises a 'notice and notice' framework, rather than a 'notice and sanction' one, as the initial obligations do not impose any penalties on repeat infringers.

Potential infringers will be sent a maximum of four alerts within a one-year timespan. After the first copyright infringement report for any given user is sent to an ISP by a rights holder, the ISP must match the IP address and send an "initial notification" to the associated subscriber. On the second occasion, an "intermediate notification" must be sent alerting the subscriber to the allegation and warning him that a third notification may result in his inclusion on a copyright

⁵⁷⁰ Peter K. Yu, *The Graduate Response*, 62 Florida Law review, 74 (2010).

infringement list. If a third copyright infringement report is made against the same subscriber within the twelve-month period, the ISP must notify the account holder of the allegation and explain that, upon request, a statement setting out the infringement reports made by a particular copyright owner in relation to them may be provided to that copyright owner. The notice must explain that, while the subscriber's identity will not be disclosed, the rights holder may seek a court order for disclosure and may bring legal action against the subscriber for infringement.

Fourth and subsequent notifications must be issued in a similar ways. Rights holders are permitted to seek a list of subscribers who have reached the "three strike" threshold from each ISP up to once a month, and ISPs must comply within ten working days. The lists will contain only the allegation(s) of infringement referable to the requesting rights holder. Copyright infringement reports will remain active for twelve months after receipt by the ISP.

The alert program will not involve a law enforcement feature nor will it implement any mitigating measures, such as the termination of Internet service. Rather, Creative Content UK focuses on tactics such as blocking access to websites and collaborating with advertisers to limit revenue to sites that illegally host copyrighted works. As a result, if account holders disregard the warnings, the ISPs will not take any additional action. Numerous commentators consider the Creative Content UK to be a "watered-down" version of the first graduated response system, the Digital Economy Act.

V.1.iv.d. Advantages

The graduated response system can help exact retribution for the infringers' wrongful conduct. By encouraging one to respect the intellectual assets of others, the system helps fosters respect for the rule of law and the legal rights of society's creative citizens. As shown by the copyright holders' long and unsuccessful fight against online file sharers, the system may be effective for couple of reasons. By doling out penalties, the system creates a disincentive for those internet users who make unauthorised downloads of copyrighted materials without thinking about legal consequences. Since a small minority of uploaders supplied the infringing materials for others to download, the system may greatly strengthen the protection for copyright holders by altering the behaviour of some active uploaders.

The goal of the graduated response system is not to eliminate once and for all massive online copyright infringement. Rather the goal is to reduce leakage to ensure reasonable and adequate compensation for the copyright holders' creative endeavours. As Professor Alain Strowel observed, "A solution that would eliminate all piracy would seem dangerous or at least dubious for both individual liberties and technological innovation."

The graduated response system helps ensure that ISPs can continue to develop and improve their service without worrying about the constant need to respond to lawsuits and the high costs of legal defense. The system acknowledges the fact ISPs often do not have control over the considerable amount of copyrighted materials stored on their websites or disseminated through their networks. In the words of Professor Strowel, "Graduated response..... goes beyond the classical 'notice and take down approach and implies an educational notification mechanism for alleged online infringers before more stringent measures can be imposed. The 'graduated response' is another word for improved ISP co-operation."⁵⁷¹ The system provides a win-win-win for copyright holders, ISPs and those users who do not participate in illegal file sharing activities.⁵⁷²

The graduated response system provides an attractive alternative to the lawsuits the entertainment industry has filed against more individual file sharers.⁵⁷³ This system helps alleviate some of the public concern over the lack of proportionality between the award of heavy statutory damages in some recent high profile cases⁵⁷⁴ and the harm caused by individual file sharing activities. The system provides an attractive alternative to many of the unpopular legal tactics employed in civil lawsuits and criminal prosecutions.⁵⁷⁵ The system is also rather different from a choice between the monetary settlement and internet disconnection. It can be considered as an improvement over what Professor Lawrence Lessig described as a "mafia-like choice" between a costly settlement and an outrageously high legal bill incurred in defending the lawsuit.⁵⁷⁶ Moreover, high costs of program to rehabilitate "copyright criminals" will be a burden on taxpayers with "no guarantee that

⁵⁷¹ Alain Strowel, *Internet Piracy as a Wake-up Call for Copyright Law Makers – Is the "Graduated Response" a Good Reply?*, 1 WIPO Journal, 75 (2009).

⁵⁷² Peter K. Yu, *The Graduate Response*, 62 Florida Law review, 74 (2010).

⁵⁷³ Fred von Lohmann, *RIAA v. The People Turns from Lawsuits to 3 Strikes*, (Feb. 4, 2015, 10 AM) <http://www.eff.org/deeplinks/2008/12/riaa-v-people-turns-lawsuits-3-strikes> (Dec. 19, 2008)

⁵⁷⁴ Pamela Samuelson and Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 William & Mary Law. Review, 439, 440-41 (2009).

⁵⁷⁵ Peter K. Yu, *The Graduate Response*, 62 Florida Law review, 89 (2010).

⁵⁷⁶ LAWRENCE LESSIG, *FREE CULTURE* 51 (1st ed. 2004).

criminalisation would induce the creation of more socially beneficial works or that citizens could be more law-abiding outside the copyright world.”⁵⁷⁷

V.2. Copyright Law Enforcement in United States of America

This segment investigates the legal framework related to enforcement of copyright law in United States of America. Firstly, an overview of the overview of the copyright industry of USA is given along with some statistics depicting an estimate of the loss caused to the industry due to copyright infringement. The next segment comprehensively deliberates the different civil and criminal remedies as conferred by the Copyright Act of 1976. The related provisions of DMCA in respect of determination of ISP liability for copyright infringement has been analysed. The failure of the law in respect of enforcement against P2P networks have been highlighted. The litigation method adopted by the entertainment industry, especially RIAA, as a mode of enforcement against individual file-sharers have been stressed upon. Moreover, challenges in criminal enforcement of copyright law against online file sharing services have been elaborated. This segment delves with how the entertainment industry and internet service providers have entered into memorandum of understanding to privately enforce copyright law against the online file sharing services, accused of sharing illegal files. This private enforcement of copyright law is known as Copyright Alert System in USA. The implications arising out of such private enforcement mechanisms have been identified. The last part studies the recent legislative attempt, such as introduction of Stop Online Piracy Act and Protection of Online Piracy Act, to restrict access notorious P2P sites for better enforcement of copyright in the internet.

V.2.i. Overview of Copyright Industry in United States of America

Copyright Industries in the US Economy: The 2014 Report⁵⁷⁸, prepared on behalf of the IIPA, provided that the US copyright industries contribute significantly to the US. The creative industries continue to outpace the rest of the economy in real growth. In 2013 the value added by the core

⁵⁷⁷ Ibid.

⁵⁷⁸ This study reflects the use of industry data classifications adopted under the North American Industry Classification System (NAICS) which has been widely implemented by US statistical agencies. It also continues to follow the international standards and recommendations propounded by the World Intellectual Property Organisation in 2003 regarding the development of economic and statistical standards to measure the impact of domestic copyright industries on domestic economies.

copyright industries⁵⁷⁹ to US GDP reached more than \$1.1 trillion dollars (\$1,126.59 billion), accounting for 6.71% of the US economy. In 2013 the value added by the total copyright industries⁵⁸⁰ to GDP exceeded \$1.9 trillion (\$1,922 billion) accounting for 11.44% of the US economy. The total copyright industries employed more than 11.2 million workers in 2013, accounting for 8.26% of all US employment or 9.85% of all private employment in the United States. During 2009-2013, the core copyright industries grew at an aggregate annual rate of 3.9%.

The US recorded industry continued its transition to more digital and more diverse revenue streams in 2015.⁵⁸¹ Overall revenues in 2015 were up to 0.9% to \$7.0 billion at estimated retail value. The continued growth of revenues from streaming services offset declines in sales of digital downloads and physical product. 2015 was a milestone for streaming music.⁵⁸² For the first time, streaming was the largest component of industry revenues, comprising 34.3% of the market, just slightly higher than digital downloads. Digital music accounted for 70% of the overall market by value, compared with 67% in 2014. Even though digital download revenues declined 10% to \$2.3 billion, the total value of digitally distributed formats was up 6% to \$4.8 billion, compared to \$4.5 billion in 2014.

Overall the data for 2015 shows a music industry that continues to adopt digital distribution platforms for the majority of its revenues.⁵⁸³ While overall revenue levels were only up slightly, large shifts continued to occur under the surface as streaming continued to increase its market share. In 2015, the industry had the most balanced mix in recent history, with just about 1/3 of revenues coming from each of the major platform categories: streaming, permanent downloads and physical sales.

V.2.ii. Estimates of Sound Recording Piracy in United States of America

⁵⁷⁹ The “core” copyright industries whose primary purpose is to create, produce, distribute or exhibit copyright materials.

⁵⁸⁰ The “total” copyright industries include not only the core copyright but also partial copyright, non-dedicated support and interdependent industries.

⁵⁸¹ Joshua P. Friedlander, News and Notes on 2015 RIAA Shipment and Revenue Statistics (2015).

⁵⁸² Ibid.

⁵⁸³ Ibid.

“Piracy” of recorded music costs the US sound recording industries billions of dollars in lost revenue and profits.⁵⁸⁴ Piracy of these works harms the intellectual property owner, who loses the revenue that would have been gained had the legitimate recording been purchased. These “direct” losses represent only part of the story. Piracy also causes significant and measurable harm to the “upstream” suppliers and “downstream” purchasers who also would have benefited from the sale of legitimate, copyright protected sound recordings.⁵⁸⁵ The harms that flow from pirate activities produce a cascading effect throughout the economy as a whole. These harms include lost economic output, lost employee earnings, lost jobs and lost tax revenues. The true cost of sound recording piracy far exceeds its impact on US producers and distributors of sound recordings. Piracy harms not only the owners of intellectual property but also U.S. consumers and taxpayers.⁵⁸⁶

In the early 1980s, the annual output of the music industry was somewhere in the neighbourhood of 600 million units.⁵⁸⁷ Piracy, counterfeiting and bootlegging in the course of that year represented .02 percent of the whole, approximately one illegal object for every five thousand legal objects.⁵⁸⁸ In 1977 and 1978 sales soared, growing at a rate of 25% per year. No doubt there was some substantial amount of piracy going on.⁵⁸⁹ Then came a period of decline. Sales fell off about 12% in 1979 and then more or less at a flat annual rate until 1984, when growth assumed. However, the contribution of piracy in this regard was doubtful.⁵⁹⁰

In the mid-1980s the RIAA added a new category to its annual report, listing the number of labels seized.⁵⁹¹ This statistics by implication gave a larger volume to piracy actions, indicating in effect how many objects the pirates might have created if they had not been stopped before the labels were affixed to recorded objects. The period April 1984 to March 1985 was a quiet year for confiscation, roughly 60,000 objects and 5,55,000 labels. The next twelve month period was an active one: about 5,50,0000 objects seized, together with 4 million labels.⁵⁹²

⁵⁸⁴ Stephen E. Siwek, *The True Cost of Sound Recording Piracy to the U.S. Economy*, Policy Report No. 188 (2007).

⁵⁸⁵ *Ibid.*

⁵⁸⁶ *Ibid.*

⁵⁸⁷ BARRY KERNFELD, *POP SONG PIRACY – DISOBEDIENT MUSIC DISTRIBUTION SINCE 1929 195* (1st ed. 2011).

⁵⁸⁸ *Ibid.*

⁵⁸⁹ *Id.*, at p.197

⁵⁹⁰ *Ibid.*

⁵⁹¹ *Id.*, at p. 196

⁵⁹² *Ibid.*

The advent of the compact disc revitalised the recording industry⁵⁹³. As legitimate business flourished, so too did piracy flourish. For the first half of 1988, the RIAA reported seizures of just over three hundred thousand unauthorised recordings and 4 million labels, in the context of a legitimate volume of about 380 million units for the half year. This boils down to an intended piracy rate of about 1.1% (one piratical object or label seized for every ninety-five legitimate objects sold).⁵⁹⁴ A year later, for the six month period extending from January to June 1989, the numbers were 3,60,000 discs and tapes are confiscated, 4.6 million labels confiscated and 400 million legitimate units. This boils down to a rate of 1.15% (one piratical object or label for every eighty-seven legitimate objects).⁵⁹⁵ In 1990 the rate was higher still, as the RIAA reported unprecedented numbers of items seized. Beginning in 2000, the quantities of CDs sold declined. In 2002 the IFPI asserted that 40 million pirate recordings had been seized at the European Union's external borders during the previous years and the organisation claimed that levels of record piracy were in excess of 50% in Bolivia, Brazil, Bulgaria, China, Ecuador, Estonia, Greece, Indonesia, Kenya, Latvia, Lithuania, Malaysia, Mexico, Nigeria, Pakistan, Paraguay, Peru, the Philippines, Romania, Russia, the Ukraine and the former Yugoslavia. This report appeared in various sources under headlines such as the following: "CD Burning the Chief Cause of a \$3.3 Billion downturn in World Record Sales Last Year."

The full impact of sound recording piracy is not limited to the U.S. companies that create and sell copy protected music products. In particular, US retailers of CDs face reduced sales and lower profits as a result of private activities that occur in the United States. IFPI has reported that in 2005, US sales of recorded music generated record company "trade" revenues of \$7.012 billion. At the retail level, however, these same sales of recorded music in the US cost consumers \$12.270 billion. Clearly, in the US recorded music piracy hurts both producers and retailers of recorded music.

In "Digital Opportunity: A Review of Intellectual Property and Growth", released in May 2011, Ian Hargreaves, while summarised his finding, observed that: "No one doubts that a great deal of copyright is taking place, but reliable data about scale and trends is surprisingly scarce." The April 2010 Report, "Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated

⁵⁹³ Id., at p. 198.

⁵⁹⁴ Ibid.

⁵⁹⁵ Ibid.

Goods” sent to US Congressional Committees published by United States Government Accountability Office determined that the “US government did not systematically collect data and perform analysis on the impacts of counterfeiting and piracy on the U.S. economy and based on our review of literature and interviews with experts, we concluded that that it was not feasible to develop our own estimates or attempt to quantify the economic impact of counterfeiting and piracy on the US economy.”

The IP Commission Report on the Theft of American Intellectual Property, published by the National Bureau of Asian Research in May 2013 states that copyright infringement is the most costly form of IP loss for the United States. IP theft has hurt the information services industry the most with losses in 2009 of nearly \$26 billion. “The annual losses are likely to be comparable to the current annual level of US exports to Asia – over \$300 billion.” Yet the true cost remains unknown for numerous and sometimes contradictory reasons. “The exact figure is unknowable, but private and governmental studies tend to understate the impacts due to inadequacies in data or scope.”

Following in the footsteps of Former President George W. Bush, President Barack Obama has noted that “It’s been estimated that alone cyber criminals stole intellectual property from business worldwide worth up to \$1 trillion. In short, America’s economic prosperity in the 21st century will depend on cybersecurity.”⁵⁹⁶ While it is not clear where the \$1 trillion figure comes from and critics have often denounced such high numbers as being inaccurate,⁵⁹⁷ it should be noted that the facts have not gotten in the way of political rhetoric and the pirate remains an important “threat” to fight. In the popular pro-IP discourse of piracy, the pirate takes what isn’t theirs and their actions result in billions of dollars of loss to the victims – the IP industries. According to the argument, the pirate is among the most dire threats facing our economic security in the twenty-first century.⁵⁹⁸

Piracy has long been the evil against which pro-IP forces align and serve as the justification for enhanced protection. Piracy is what William Patry calls a “moral panic”.⁵⁹⁹ The Global Intellectual

⁵⁹⁶ DEBORA J. HALBERT, *THE STATE OF COPYRIGHT* 61 (1st ed. 2014).

⁵⁹⁷ *Ibid.*

⁵⁹⁸ *Ibid.*

⁵⁹⁹ PATRY, *MORAL PANICS AND THE COPYRIGHT WARS* (1st ed. 2009).

Property Center, funded by the U.S. Chamber of Commerce, is at the forefront of identifying the threat to US business from piracy. In their report, “Intellectual Property: Creating Jobs, Saving Lives, Improving the World,” the GIPC claims that the current assault on IP is coming from two forces that must be countered. In the words of the GIPC, “The first threat comes from criminals who have built a \$600 billion global criminal enterprise of counterfeiting and piracy that destroys jobs, undermines innovation and endangers consumers.”⁶⁰⁰ The second threat comes from a growing movement of anti-IP activists, drawn from universities, foundations, non-governmental organisations, ideologically driven interest groups and even governments.⁶⁰¹ These activists promote the idea that IP rights should not be recognised and that the protection of IP impedes progress and hurts the poor. In a statement associated with the release of the 2010 Special 301 review United States Trade Representative Ambassador Ron Kirk commented about IP piracy: “Piracy and counterfeiting undermine the innovation and creativity that is vital to our global competitiveness. These notorious markets not only hurt American workers and business, but are threats to entrepreneurs and industries around the world...”⁶⁰²

The Policy Report No. 188, titled as “The True Cost of Sound Recording Piracy to the US Economy, published in August 2007 demonstrated that as a consequence of global and US based piracy of sound recordings, the US economy loses \$12.5 billion in total output annually. Output includes revenue and related measures of economic performance.”⁶⁰³

As a result of sound recording piracy, the US economy loses 71,060 jobs. Of this amount 26,820 jobs would have been added in the sound recording industry or in downstream retail industries, while 44,200 jobs would have been added in other US industries. Because of sound recording piracy, US workers lose \$2.7 billion in earnings annually. Of this total, \$1.1 billion would have been earned by workers in the sound recording or in downstream retail industries while \$1.6 billion would have been earned by workers in other US industries. As a consequence of piracy, US federal, state and local governments lose a minimum of \$422 million in tax revenues annually. Of this

⁶⁰⁰ DEBORA J. HALBERT, *THE STATE OF COPYRIGHT* 68 (1st ed. 2014).

⁶⁰¹ *Ibid.*

⁶⁰² Office of the United States Trade Representative, *USTR Announces Results of Special 301 Review of Notorious Markets* (2011).

⁶⁰³ Stephen E. Siwek, *The True Cost of Sound Recording Piracy to the U.S. Economy*, Policy Report No. 188 (2007).

amount, \$291 million represents lost personal income taxes while \$131 million is lost corporate income and production taxes.⁶⁰⁴

The amount of total loss to US retail industries from piracy of sound recording products amount to \$1.041. Out of which physical format accounts for \$0.151 and digital format accounts for \$0.890. The US recorded music industries sustain losses not only from physical piracy but also increasingly from illegal downloads of recorded music. Many of these songs are downloaded from peer-to-peer (P2P) networks whose users increasingly are responsible for recent declines in the number of legitimate CD sales in the US. IFPI estimated that in 2005, 20 billion songs were illegally downloaded worldwide. As per the report the estimated download piracy losses to US integrated firms' counts for \$3.703.⁶⁰⁵

V.2.iii. Enforcement of Copyright Law under Copyright Act, 1976

In United States of America, the Copyright Act of 1976 provides for several coercive remedies, including temporary and final injunctive remedy, impoundment and destruction. Courts exercise their statutory authority to grant temporary injunctive relief more readily in copyright actions than in any other intellectual property cases. Final injunctive relief is also ordinarily available though it is similarly discretionary. A copyright plaintiff during the pending trial may obtain an order impounding allegedly infringing copies and phonorecords. Upon a final judgement in its favour, the plaintiff may obtain an order for the destruction or other reasonable disposition of these articles. The Copyright Act also authorises monetary and criminal sanctions to deter infringement. Courts will give declaratory relief to producers, distributors or performers who fear that their activities may later be held to infringe another's copyright and who wish to have their liability resolved before they invest further in the possibly infringing enterprise.

V.2.iii.a. Injunctive Relief

Sec. 502 (a) of the Copyright Act provides that "any court having jurisdiction of a civil action arising under this title may grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain copyright infringement." The issuance of the injunction is

⁶⁰⁴ Ibid.

⁶⁰⁵ Id., at p. 7

discretionary with the court, except that no injunctions may be issued against the United States. In defining the scope of an injunction, a court must also be careful to consider what conduct may be prohibited or required as a practical matter. In *A&M Records, Inc. v. Napster*, Napster, a ‘peer-to-peer’ file sharing software allowed users to share and download MP3 music files with other users logged on to site. The Ninth circuit uphold the issuance of an injunction by the district court, but reversed on the grounds that the scope of the injunction was overly broad. The appellate court observed:

“The preliminary injunction which we stayed is overbroad because it places on Napster the entire burden of ensuring that no “copying, download, uploading, transmitting or distributing” of plaintiff’s works occur on the system. As stated, we place the burden on plaintiff to provide notice to Napster of copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content. However, Napster also bears the burden of policing the system within the limits of the system. Here, we recognise that this is not an exact science in that the files are user named. In crafting the injunction on remand, the district court should recognise that Napster’s system does not currently appear to allow Napster access to users’ MP3 files.

V.2.iii.b. Temporary Relief – Preliminary Injunctions

Copyright owners frequently need more immediate protection than a final injunction entered after trial can offer. A copyright owner may need relief pending trial to protect against the unauthorised publication of an unpublished work; to protect against the loss of a seasonal market or to protect against injury to its reputation from shoddy pirated goods. The injunctive relief available under Sections 502 and 503 of the Copyright Act authorise courts to grant temporary restraining orders, temporary injunctions and impoundment orders.

- Temporary Restraining Order

A copyright owner that requires immediate relief and that can show that it will suffer irreparable harm from the delay entailed in giving notice to the infringer and participating in an adversary hearing, may obtain a temporary restraining order upon an *ex parte* application.⁶⁰⁶ To obtain a

⁶⁰⁶ Title 17 of the United States Code, Copyright Act, 1976 § 502 (a)

temporary restraining order for copyright infringement, the plaintiff must abide the requirements necessary for any type of temporary restraining order as set forth in the Federal Rules of Civil Procedure. Since the purpose of a temporary restraining order is to preserve the status quo until a preliminary injunction hearing can be held, cases indicate that the plaintiff must make a showing of at least the standards imposed for preliminary injunction.⁶⁰⁷ The extraordinary remedy of the remedy and the relative brevity of the plaintiff's injury before a preliminary injunction can be entered suggest that the irreparable harm standard for temporary restraining orders should be more rigorous than the irreparable harm standard for preliminary injunction.

- Temporary (Preliminary) Injunction

Section 502 (a) of the Copyright Act authorises a court having jurisdiction over a civil action arising under the Act to grant "temporary injunctions "on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." To obtain a temporary injunction, a copyright owner ordinarily will file a motion together with a complaint, supporting affidavits, a memorandum of law, a proposed order and the certificate of registration for the copyright work in suit. The copyright owner must also serve notice on the adverse party. Section 502 (b) of the Copyright Act authorises nationwide service and enforcement of temporary injunctions. Courts in the Second and Ninth Circuits weigh three factors in deciding whether to grant a temporary injunction: whether the copyright owner is likely to succeed on merits, whether the injury is irreparable and whether the balance of hardships tips in the copyright owner's favour. Other circuits add a fourth factor – promotion of the public interest.

- a. Likelihood of success on merits

Probability of success on merits is the most important factor bearing on temporary injunctive relief. If the plaintiff can demonstrate a probability of success on the merits, it will usually obtain preliminary relief without a detailed factual showing of irreparable harm. In demonstrating likelihood of success on the merits, a copyright owner will not be required to make the same evidence showing that it would at trial. However, the plaintiff must at least establish some

⁶⁰⁷ Horn Abbot Ltd. v. Sarsaparilla Ltd. 601 F. Supp. 360; O'Neill Devs., Inc. v. Galen Kilburn, Inc. 524 F. Supp 710.

probability of success on the two elements of a copyright infringement case – that it owns a valid copyright and that the defendant has infringed the copyright.⁶⁰⁸

b. Irreparable harm

If a copyright owner establishes a reasonable probability of success on the merits a court will usually presume irreparable harm.⁶⁰⁹ In cases where preliminary relief is sought following breach of a copyright license or other agreement, the court must initially determine whether the breach was of a condition or other material contract term, or of an independent covenant. Courts do not consider all copyrighted works equal for purposes of the presumption of irreparable harm. Courts will more readily presume irreparable harm in cases involving works possessing limited original content.⁶¹⁰ Similarly courts will require a stronger showing of irreparable harm if the work infringed is peripheral to the copyright owner's business.⁶¹¹ In cases where the presumption of irreparable harm does not arise – either because the copyright owner has failed to prove likelihood of success on the merits or because the copyrighted work is one that does not enjoy the presumption – courts will determine whether, in fact, the plaintiff's harm cannot be redressed by monetary relief and by the eventual grant of a permanent injunction.⁶¹²

c. Balance of hardships

The principal factor that courts weigh in close cases to determine whether the balance of hardship tips in the plaintiff's or the defendant's favour is the nature of each party's competitive position. Courts will find that the balance tips in the defendant's favour where a temporary injunction would impair its ability to sell materials that do not infringe the plaintiff's copyrights or enter markets that the plaintiff is not likely to enter.⁶¹³ However, if the defendant's competitive position rests squarely on its appropriation of protected material from the plaintiff's work, thus hobbling the plaintiff's

⁶⁰⁸ *Midway Manufacturing v. Bandai-America Inc.* 546 F. Supp 125.

⁶⁰⁹ *Triad Sys. Corp. v. South-eastern Express Co.* 64 F.3d 1330.

⁶¹⁰ *Rice v. American Program Bureau* 446 F.2d 685.

⁶¹¹ *Marco v. Accent Publishing Co.* 969 F.2d 1547.

⁶¹² *Kontes Glass Co. v. Lab Glass Inc.*, 373 F.2d 319.

⁶¹³ *Consumers Union of the United States, Inc. v. General Signal Corp.*, 724 F.2d 1044.

ability to compete in the marketplace, courts usually find that the balance tips in plaintiff's favour.⁶¹⁴

d. Public interest

In cases where the plaintiff has not demonstrated a probability of success on the merits, courts will sometime weigh a defendant's assertion that a competing public interest in the free dissemination of information, requires that the injunction not be issued.⁶¹⁵ But courts generally give these assertions no weight if the plaintiff has demonstrated a probability of success on the merits.⁶¹⁶

V.2.iii.c. Final (Permanent) Injunction

Section 502 (a) of the Copyright Act authorises a court having jurisdiction over a civil action arising under the Act to grant "final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." Courts generally grant final injunctions upon a finding of copyright infringement. Several reasons underlie the permissiveness in providing permanent injunctions in copyright cases. However, in unusual circumstances, courts have granted injunctions even before a finding of infringement. In *Leeds Music Ltd. v. Robin*,⁶¹⁷ permanent injunction was granted even defendants had plans to infringe copyrighted work and "intended to act on them unless restrained from doing so by court order."

Primarily copyright interests are difficult to value and an injunction can make the copyright owner whole while avoiding the time and expense of calculating future damages and profits that can only approximate the copyright owner's losses. When the defendant threatens to publish a yet-unpublished work, injunctive relief assures the copyright owner continued control over the often critical decision on when the work should be first exposed to the public. Unauthorised dissemination of a work, particularly in a shoddy edition or in questionable surroundings, may require injunctive relief to secure the copyright owner's reputation; injunctive relief will be doubly justified if the infringer is indigent.

⁶¹⁴ *West Publishing Co. v. Meta Data Cent., Inc.* 799 F.2d 1219.

⁶¹⁵ *Keep Thomson Governor Comm. v. Citizens for Gallen Comm.* 457 F. Supp 957.

⁶¹⁶ *West Publishing Co. v. Mead Data Cent., Inc.* 616 F. Supp 1571.

⁶¹⁷ 358 F. Supp 650 (1973).

Once a court determines that the defendant has infringed the plaintiff's copyright and is likely to continue infringing the copyright in the future, it has limited discretion to withhold a final injunction.⁶¹⁸ The decision not to exercise this limited discretion is certainly appropriate in cases where the defendant has copied wholesale from the plaintiff's work and added no original expression of its own. From the standpoint of public policy, injunctive relief becomes more problematic when granted against works that draw only in part from the copyrighted work and contain substantial value of their own. The public policy problem raised by injunctions against works that only partially infringe a plaintiff's copyright is that injunctions in these cases can deprive the public of the original elements that the defendant added and that are unavailable from the plaintiff or from others. Armed with such an injunction, the copyright owner can extract not only the value of the infringing portion of the defendant's work, but also some part of the work's value that is attributable to the defendant's independent effort. An injunction in these circumstances gives the copyright owner a greater scope for exercising its exclusive rights than is justified by its investment and may inhibit others from investing independent effort in developing original works.

However, injunctive relief rewards a copyright owner for no more than the value than its work contributes to the defendant's work. It enables the courts to sidestep the all-or-nothing aspect of injunctive relief – an aspect that may lead a court to find against the infringement rather than to find infringement and order an injunction. In *Universal City Studios Inc. v. Sony Corp. of America*,⁶¹⁹ the Ninth Circuit Court of Appeals held the defendants to be liable for contributory infringement through the sale of videocassette recorders used in copying the plaintiff's works off the air from television broadcasts. The Court observed that “the relief in question is exceedingly complex and the difficulty in fashioning relief may well have influenced the district court's evaluation of the liability in issue. The difficulty in fashioning relief cannot dissuade the federal courts from affording appropriate relief to those whose rights have been infringed.”

V.2.iii.d. Impoundment

Section 503 (a) of the Copyright Act provides that, at any time an action under the Act is pending “the court may order the impounding, on such terms as it may deem reasonable, of all copies or

⁶¹⁸ *A&M Records Inc. v. Napster Inc.*, 239 F. 3d 1004 (9th Cir. 2001).

⁶¹⁹ 659 F. 2d 963 211 U.S.P.Q. 761 (9th Cir. 1981).

phonorecords claimed to have been made or used in violation of the copyright owner's exclusive rights and of all plates, moulds, matrices, masters, tapes, film, negatives or other articles by means of which such copies or phonorecords may be reproduced." According to the House Report on the 1976 Act, allegedly infringing articles may be seized "as soon as suit has been filed and without waiting for an injunction." Impoundment complements temporary restraining orders and injunctions. Temporary restraining orders and injunctions prohibit further infringement pending trial; impoundment secures that prohibition by sequestering the products and instruments of infringement.⁶²⁰

Section 503 (a) provides that a court "may" impound infringing and related materials leaves no doubt that the decision to issue the order lies within the court's discretion⁶²¹ as does the decision to vacate the order.⁶²² In exercising this discretion, courts have as general rule required the copyright owner to meet the same standards that courts impose for temporary restraining orders and injunctions. Although this is probably a satisfactory minimum standard, it is arguably unsatisfactory as an exclusive standard. Impoundment may represent a harsher remedy than a temporary restraining order or injunction if it requires the defendant to surrender copies or phonorecords that only partially infringe the copyrighted work or requires the defendant to surrender equipment or material that, though used in the alleged infringement, is itself non-infringing.

The purpose of section 503 (a) is to confiscate present and prospective infringing goods from commerce during the pendency of an infringement action and "to maintain the feasibility of the eventual destruction of items found at trial to violate the copyright laws by safeguarding them during the pendency of the action."⁶²³ Impoundment is "not meant to give the copyright holder a means to preserve evidence generally."⁶²⁴ In one case a court of appeals overturned an ex parte district court order that allowed the copyright owner not only to seize the defendant's allegedly computer software for impoundment, but also to copy the defendant's business records, including

⁶²⁰ PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT, (3rd ed. 2007)

⁶²¹ RCA Records v. Allfast System Inc. 594 F. Supp 335 (S.D.N.Y. 1984).

⁶²² Midway Manufacturing Inc. v. Omni Video Games Inc., 668 F.2d 70 (1981).

⁶²³ Midway Manufacturing Inc. v. Omni Video Games Inc., 668 F.2d 70 (1981).

⁶²⁴ First Tech. Safety System Inc. v. Depinet, 11 F.3d 641 (1993).

invoices, purchase orders, customer lists and other customer related information held by the defendants.⁶²⁵

From a constitutional vantage, ex parte impoundment proceedings are open to serious question.⁶²⁶ At this outset, there is a substantial First Amendment question. It is clear that impoundment results in a suppression of “speech” in that further dissemination of the copies and phonorecords thereby seized is restrained. If the copies or phonorecords seized and impounded are indeed infringements, or if they have been performed or otherwise used in an infringing manner, their further suppression might not violate the right to free speech.⁶²⁷ But seizure and impounding, without a prior hearing, permits the suppression of materials as to which there is nothing more than a unilateral claim of infringement.⁶²⁸ Supreme Court decisions in other contexts strongly suggest that such a procedure violates the First Amendment. Given the fact that a large proportion of copyrightable works presumably contain expression protected by the First Amendment, the provisions allowing ex parte seizure of such works fly in the face of the fundamental freedom.⁶²⁹

It is also debatable that ex parte impoundment proceedings violate the Fifth Amendment guarantee against seizure of property without due process of law⁶³⁰. There are number of cases where it has been held that ex parte seizures of property violate due process. The invalidity holds true, moreover, even if the relevant provision allows for a prompt post-taking hearing. Accordingly, one court declined to order impoundment of allegedly pirated movies.⁶³¹ An additional argument arises that ex parte impoundment proceedings violate the Fourth Amendment prohibition against unreasonable searches and seizures, which applies to both civil and criminal actions.⁶³² Seizures extend to “other articles” by means of which the copies and phonorecords may be reproduced,

⁶²⁵ Ibid.

⁶²⁶ *Paramount Pictures Corp. v. Does*, 821 F. Supp 82 (E.D.N.Y. 1993).

⁶²⁷ In the context of copyright seizure, a court stated “The first amendment was not intended to protect infringers of copyrights or misappropriators.” *Dealer Adver. Dev., Inc. v. Barbara Allan Fin. Adver Inc.* 197 U.S.P.Q 611.

⁶²⁸ *Time Warner Entertainment Co. v. Does Nos. 1-2*, 876 F. Supp 407, 412 (E.D.N.Y. 1993).

⁶²⁹ *Fort Wayne Books Inc. v. Indiana* 489 U.S. 46, 109 S. Ct 916.

⁶³⁰ *Sniadach v. Family Finance Corporation* 395 U.S. 337, 89 S. Ct 1820.

⁶³¹ *Paramount Pictures Corp. v. Does*, 821 F. Supp 82 (E.D.N.Y. 1993).

⁶³² *Time Warner Entertainment Co. v. Does Nos. 1-2*, 876 F. Supp 407, 412 (E.D.N.Y. 1993).

potentially extending to such blank tapes and duplication equipment. It may be that seizure or destruction of such neutral devices constitutes a violation of the Fourth and Fifth Amendments.⁶³³

V.2.iii.e. Destruction of Infringing Articles

Sec. 503 (b) of the Copyright Act provides that, as part of a final judgment or decree, the court “may” order the destruction “or other reasonable disposition” of “all copies or phonorecords found to have been made or used in violation of the copyright owner’s exclusive rights and of all plates, moulds, matrices, masters, tapes, film negatives or other articles by means of which such copies or phonorecords may be reproduced.” Before such a remedy may be invoked it is of course, necessary that the infringement first be judicially established.⁶³⁴ Moreover, it seems clear that remedy of forfeiture and destruction is not available against an innocent third party who acquires infringing copies or articles, but does not himself engage in any act of infringement.⁶³⁵

In *Encyclopaedia Britannica Educational Corp. v. Crooks*,⁶³⁶ the court provided that, before ordering disposition of the infringing copies, “the parties should be afforded some opportunity to meet and determine whether some type of purchasing or other agreement can be reached concerning the collection of existing infringing copies.”⁶³⁷ As the infringing copies consisted of videotape, reproductions, the court indicated that, failing such an agreement within 30 days, it would order erasure, not destruction of the tapes. In *Jones Bros. Co. v. Underkoffler*,⁶³⁸ the court approved an award of separate damages as compensation for plaintiff’s waiver of the right of destruction. In other cases, instead of ordering destruction of infringing copies, the courts ordered that such copies be delivered to the possession of the plaintiff.⁶³⁹ Another court ordered counterfeit videocassettes destroyed and the seized TV/VCR units donated to local charity.⁶⁴⁰

⁶³³ *Porno Inc. v. Municipal Court of Los Angeles Judicial Dist.*, 33 Cal. App. 3d 122.

⁶³⁴ *Lampert v. Hollis Music Inc.* 105 F. Supp. 3 (E.D.N.Y. 1952).

⁶³⁵ *Foreign & Domestic Music Corp. v. Licht* 196 F.2d 627 (1952).

⁶³⁶ 542 F. Supp 1156 (W.D.N.Y.1982).

⁶³⁷ *Ibid.* at 1188; *CBS, Inc. v. Pennsylvania Record Outlet Inc.*, 598 F. Supp 1549 (1984).

⁶³⁸ 35 U.S.P.Q. 448 (1937).

⁶³⁹ *Cipes v. Mikasa Inc.* 404 F. Supp 2d 367 (2005).

⁶⁴⁰ *Universal City Studios Inc. v. Ahmed* 31 U.S.P.Q 2d 1839 (1994)

Another remedy was adopted in *Foreign Car Parts Inc. of New England v. Auto World Inc.*,⁶⁴¹ where only a small portion of defendant's publication consisted of infringing matter. In those circumstances, the court refused to order destruction and instead ordered the defendant to block out all infringing matter contained in the previously printed copies. However, all plates, moulds and matrices for making infringing copies were ordered delivered up for destruction of existing CDs of which only a small portion consisted of infringing content.⁶⁴² Instead it ordered defendant not to engage in future production of works containing the infringing content.⁶⁴³ In case neither the plaintiff nor the defendant any longer possesses any copies of the infringing work, in *Blue Pearl Music Corp. v. Bradford*,⁶⁴⁴ it was held that it is an abuse of discretion for a court to order the defendant to recreate a copy of the infringing work for the plaintiff. While rendering the obiter dicta, the court in this case suggested that such an order to recreate might be proper "if, for example, the record disclosed that the [defendant] had stolen the only copies of the musical works in question from the [plaintiff] and then destroyed them and the record further disclosed that she had committed the work to the memory, that she was technically competent to re-create them and that she was the only person in the world who could re-create the lost material."⁶⁴⁵

V.2.iii.f. Provisions for Monetary Recovery

The most important and most utilised remedies for copyright infringement are the provisions for monetary recovery. Three purposes are served by the damage provisions: compensation of the copyright owner, prevention of the infringer's unjust enrichment and deterrence of future infringement.

- Actual Damages and Profits

As per section 504 (a) of the Copyright Act, 17 USC, an infringer of copyright is liable for either the copyright owner's actual damages and any additional profits of the infringer; or statutory damages. The statute wording indicated that actual damages and infringer's profits are to be

⁶⁴¹ 366 F. Supp 977 (1973).

⁶⁴² *TVT Records v. Island Def Jam Music Group*, 279 F. Supp 2d 366 (S.D.N.Y. 2003).

⁶⁴³ *Ibid.*

⁶⁴⁴ 728 F. 2d 603 (1984).

⁶⁴⁵ *Ibid.*

cumulative rather than alternative and most courts have accepted this interpretation.⁶⁴⁶ The first sentence of section 504 (b) treats damages and profits as two different types of monetary recovery and then seemingly conflates profits with “damages” when it provides that the copyright owner is entitled to recover both damages and profits when profits attributable to the infringement are not taken into account in computing damages. However, when profits represent the whole of plaintiffs’ damages, the plaintiff cannot recover both. Plaintiff’s lost profits have been designated as damages because he or she arguably would have realised such profits absent defendant’s infringing conduct. While those profits realised by the defendants are categorised and treated solely as profits. The former type of profits are to compensate the plaintiff for its loss (therefore damages), while the latter is to force the defendant to disgorge the gains realised by its infringing acts.

- Actual Damages

The language of Section 504 (b) of the Act leaves it to the courts to provide a working definition of the term “actual damages” used in the statute.⁶⁴⁷ The term “actual” was employed to distinguish those damages from “statutory damages”. In the committee reports, The House Representative provide additional information to define damages by describing their purpose and how they differ from profits when it states that “damages are awarded to compensate the copyright owner for losses from the infringement and profits are awarded to prevent the infringer from unfairly benefitting from a wrongful act.” The basis for an award of damages is injury to the value of the infringed work. In establishing injury there are two basic theories on which an award may be based: (1) lost sales or revenues; and (2) an imputed license fee for the value of the work infringed.

It is the plaintiff’s burden to establish the proximate cause between the infringement and lost revenue. In *Data General Corporation v. Grumman Systems Support Corporation*⁶⁴⁸, the First Circuit employed such “tort law damage” principles in defining the plaintiff’s burden of proof when it observed that “it is useful to borrow familiar tort law principles of causation and damages.

⁶⁴⁶ *Peter Pan Fabrics Inc. v. Jobela Fabrics Inc.*, 329 F. 2d (2d. Cir. 1964).

⁶⁴⁷ Copyright Act, 1976 § 504 (b). The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenue and the infringer is required to prove his or her deductible expenses and the elements of profits attributable to factors other than the copyrighted work.

⁶⁴⁸ 36 F. 3d 1147 (1st Cir. 1994).

Thus the plaintiff should first establish that the infringement was the cause-in-fact of its loss by showing with reasonable probability that, but for the defendant's infringement, the plaintiff would not have suffered the loss." It is also to be noted that when the infringer has destroyed the total value of the work, the award of damages will be for the full value of the infringed work.⁶⁴⁹

- Computation of Actual Damages

The Act provides that the "copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement."⁶⁵⁰ Yet neither its text nor the committee reports attempt to define the nature of those actual damages. A large number of cases have grappled with the standards for computing both plaintiff's damages and the defendant's profits.

A. Injury to market value of copyrighted work

Actual damages represent the extent to which infringement has injured or destroyed the market value of the copyrighted work at the time of infringement.⁶⁵¹ If the infringement has entirely destroyed the value of the work, the damages then equal the full value.⁶⁵² The copyright proprietor is competent to testify as to such value, except perhaps, where the proprietor manifestly has no knowledge about it. Damages may be reduced if it can be shown that plaintiff's work had been infringed by another work prior to its being infringed by defendant's work, to the extent that the evidence shows reduction of its value due to the third-party infringement at the time of defendant's infringement.⁶⁵³ Likewise damages may be reduced if, prior to infringement, a license agreement has been executed by the plaintiff that in itself reduces the market value of the copyrighted work to the plaintiff as of the time of infringement.

⁶⁴⁹ *Golding v. RKO Pictures Inc.*, 35 Cal. 2d 690, 221 P.2d 95 (1950).

⁶⁵⁰ Copyright Act, 1976 § 504 (b).

⁶⁵¹ *In Design v. K-Mart Apparel Corp.* 13 F.3d 559, 563 (2d Cir. 1994).

⁶⁵² *Golding v. RKO Pictures Inc.*, 35 Cal. 2d 690, 221 P.2d 95 (1950).

⁶⁵³ *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F. 2d 354 (9th Cir. 1947).

1. Lost Revenue: The basic rule for computing injury to the market value of a copyrighted work arising from infringement is to inquire what revenue would have accrued to plaintiff but for the infringement. The plaintiff has the burden “of establishing with reasonable probability the existence of a causal connection between defendant’s infringement and loss of anticipated revenue.”⁶⁵⁴ Once the plaintiff has met this burden of showing a causal connection, “the burden then properly shifts to the infringer to show that this damage would have occurred had there been no taking of the copyrighted expression.”⁶⁵⁵

The determination of injury to market value may be often most difficult.⁶⁵⁶ Courts are therefore inclined to look to indirect evidence.⁶⁵⁷ Thus the plaintiff’s damages may be said to equal the profits that the plaintiff might have accrued but for the defendant’s infringement.⁶⁵⁸ However, this measure is not to be confused with the right to recover defendant’s profits.⁶⁵⁹ The profits in fact accrued by the defendant are not necessarily equal to the profits that the defendant are not necessarily equal to the profits that the plaintiff would have derived but for the infringement. Because of different costs, production and selling techniques and goodwill the defendant’s actual profits may be either more or less than the plaintiff’s lost profits.⁶⁶⁰ If plaintiff’s lost profits are less than defendant’s actual profits, plaintiff may recover its lost profits under the rubric of actual damages and may further recover the difference between its lost profits and defendant’s actual profits under the rubric of defendant’s profits.⁶⁶¹ A plaintiff may not recover its full lost profits plus all of the defendant’s profits, for this would constitute a forbidden double recovery.⁶⁶²

2. Indirect Damage: In addition to the primary measure of value of the work infringed, the plaintiff may be able to recover certain supplemental items of actual damages. One example is the cost of making changes in plaintiff’s publication necessitated by their prior

⁶⁵⁴ *Banff Ltd. v. Express Inc.* 921 F. Supp 1065, 1068 (S.D.N.Y. 1995).

⁶⁵⁵ *Harper & Row, Publishers Inc. v. Nation Enterprises* 471 U.S. 539, 567 2d 588 (1985).

⁶⁵⁶ *Fitzgerald Publication Co. v. Baylor Publication Co.* 807 F. 2d 1110, 1118 (2d Cir. 1986).

⁶⁵⁷ *Davis v. The Gap, Inc.*, 246 F. 3d 152 (2d Cir. 2001).

⁶⁵⁸ *Ibid.*

⁶⁵⁹ *United States v. King Features Entertainment Inc.* 843 F.2d 394, 400 (9th Cir. 1988).

⁶⁶⁰ *Peter Pan Fabrics Inc. v. Jobela Fabrics Inc.* 329 F. 2d 194 (2d. Cir. 1964).

⁶⁶¹ *Taylor v. Meirick* 712 F. 2d 1112 (7th Cir. 1983).

⁶⁶² *Hamil Am Inc. v. GFI* 193 F. 3d 92, 108 (2d Cir. 1999).

appearance of defendant's infringing work.⁶⁶³ A plaintiff who has produced a completed work, even if unpublished may be entitled to reimbursement of travel and research expenses.⁶⁶⁴ If a plaintiff is a professional writer, he may be entitled to reimbursement for the value of the time expended in writing his work.

3. Ability to Quantify: Uncertainty will not preclude recovery of actual damages if the uncertainty is as to amount, not as to whether actual damages are attributable to the infringement.⁶⁶⁵ The courts make the best possible appraisal of value,⁶⁶⁶ looking if necessary to such additional factors as inherent value of the work and utility value. If the special value of the work to the plaintiff is greater than its market value, he may claim such greater measure. In determining such special value to the plaintiff, the court may look to the nature of the work itself, its particular utility to the plaintiff and to whether it can be reproduced. However, actual damages may be particularly difficult to ascertain and hence statutory damages particularly appropriate to the extent that the value of the copyrighted work resides not in its intrinsic value, but rather in its tendency to promote sales of other products

B. Value of Use of the Copyrighted Work (The Imputed License Fee)

When losses to the copyright owner are difficult to quantify, it is better to look to defendant's profits. When the infringement produces no gain to the infringer, the circumstances are ripe for awarding statutory damages. To the extent that all those circumstances merge, the spectre arises of the copyright owner being unable to win any recovery at all, even if the infringer acted wilfully and deliberately.

a. Profits

Since the term "profit" is not defined in the Copyright Act, the word has been given its usual meaning, such as excess of return over expenditures realised from the conduct of a business or the

⁶⁶³ *Atlantic Monthly Co. v. Post Publishing Co.* 27 F.2d 556 (D. Mass 1928).

⁶⁶⁴ *Smith v. Little Brown & Co.* 273 F. Supp 870 (S.D.N.Y. 1967).

⁶⁶⁵ *Davis v. The Gap, Inc.*, 246 F. 3d 152 (2d Cir. 2001).

⁶⁶⁶ *Computer Associates International Inc. v. Altai Inc.* 775 F. Supp 544, 571 (E.D.N.Y 1991).

gain derived from an investment represented by the difference between its selling price above its cost.⁶⁶⁷ Procedurally, section 504 (b) provides the order of proof: (1) to establish the infringer's profits the copyright holder need only present proof of the infringer's gross revenues; (2) the burden of proof then shifts to the infringer to prove "his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work."⁶⁶⁸ This unadorned language of Section 504(b) of the Act thus leaves it to the courts to provide working definitions of the terms "actual damages" and "profits" used in the statute. The term "actual," one may conclude, was employed to distinguish those damages from "statutory damages."⁶⁶⁹

Indirect Profits

Indirect profits flow directly from the infringement and require a causal link to the infringement before they can be recovered. The language of section 504 (b) provides that "the copyright owner is entitled to recover any profits of the infringer that are attributable to the infringement." In using the words "any profits" Congress drew no distinction between direct and indirect profits. The courts, however, in applying tort principals of proximate cause, have provided a sufficient body of law to apply to this issue. Its application often depends on the business involved in the infringement and the factual situation, which in effect are built into the conduct of those businesses.

In *Frank Music Corporation v. Metro-Goldwyn-Mayer, Inc.*,⁶⁷⁰ involving a musical revue that used songs from plaintiff's play, the City of Las Vegas, Nevada, was a serendipitously perfect setting provided by a city whose main industry is gambling with the added inducements of headline entertainers and hit shows. In that case, plaintiff music publisher claimed that MGM had infringed its copyrights to several songs from the Broadway musical *Kismet* by having them performed without authorization in *Hallelujah Hollywood*, a musical revue show presented at the MGM Grand Hotel in Las Vegas. In addition to direct profits, plaintiff sought recovery of indirect profits from MGM's earnings from hotel and gaming operations in qualifying the amount of profits attributable to the infringement. The lower court declined to award actual damages as it was not convinced that

⁶⁶⁷ *In Design v. K-Mart Apparel Corp.* 13 F. 3d 559, 563 (2d Cir. 1994).

⁶⁶⁸ Copyright Act, 1976 § 504 (b)

⁶⁶⁹ RONALD S. ROSEN, *MUSIC AND COPYRIGHT* 77 (1st ed. 2008).

⁶⁷⁰ 772 F.2d 505 (9th Cir. 1985).

the value of plaintiff's work was diminished as a result of defendant's infringement and instead, based its computation of the recovery solely on profits earned on the production of Hallelujah Hollywood.

In rebuffing the defendant's claim that Hallelujah Hollywood was a profit center, just as their objective was to turn a profit from all their operations, the Ninth Circuit court stated, "that fact does not retract from the promotional purposes of the show – to draw people to the hotel and the gaming tables..... Given the promotional nature of 'Hallelujah Hollywood', we conclude indirect profits from the show itself, are recoverable if ascertainable."⁶⁷¹ The court also cautioned that "at the same time, a court may deny recovery of a defendant's profits if they are only remotely or speculatively accountable to the infringement."⁶⁷²

In *Cream Records Inc. v. Jos Schlitz Brewing Company*, the Ninth Circuit affirmed an award for profits from Schlitz's unauthorised use of the song "Shaft" in a television commercial. In *Cream Records*, the plaintiff also introduced evidence that another advertiser requesting a license for the same from "Shaft" backed out when the Schlitz commercial aired on television. The jury returned a verdict of \$12, 000 that was reversed by the Ninth Circuit, which concluded that the award was insufficient.

V.2.iii.g. Computation of Defendant's Profits

The copyright owner prevailing in a statutory infringement action is entitled to recover "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages."⁶⁷³ The purpose of the award of the defendant's profit is "to prevent the infringer from unfairly benefiting from a wrongful act."⁶⁷⁴

- A. Basic Standards for Establishing Profits: Once the factfinder deducts appropriate expenses and apportions the amounts due to the infringement, the balance represents defendant's profits.⁶⁷⁵ It has been held that "profits" for purposes of the Copyright Act refer to

⁶⁷¹ Ibid.

⁶⁷² Ibid.

⁶⁷³ Copyright Act, 1976 § 504 (b).

⁶⁷⁴ *In re Independent Service Organisations Antitrust Litigation*, 23 F. Supp. 2d 1242, 1250 (D. Kan 1998).

⁶⁷⁵ NIMMER'S COPYRIGHT, (Indian Reprint 2013).

“entrepreneurial or employer income as distinguished from wages or rent.”⁶⁷⁶ Thus, a salary paid to one liable as an infringer is not subject to recovery as infringer’s profits.⁶⁷⁷

- B. Gross Receipts: The Copyright Act provides that, “in establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenues and the infringer is required to prove his or her deductible expenses.”⁶⁷⁸ Accordingly, “all gross revenue is presumed to be profit ‘attributable to the infringement,’ unless the infringer is able to demonstrate otherwise.” What is the reason for displacing the plaintiff’s normal burden of proof onto the shoulders of the defendant? In *Johnson v. Jones*,⁶⁷⁹ the court recognises the rationale for this reversal as follows:

“Very often the act of infringement allows the infringer to pocket as net profit a much larger percentage of his gross revenue than he could have absent the infringement. It is for precisely this reason that the Copyright Act shifts the burden of proving deductible expenses to the defendant after the plaintiff has proven gross revenue.”⁶⁸⁰

- C. Extent of Deductible Amounts: Defendant may deduct the amount of royalties paid to defendant’s writer, though such writer may himself be liable to pay such royalties to the plaintiff in a separate action.⁶⁸¹ Defendant’s publication costs may not be reduced by the full cost of its printing plates, if such plates are salvageable.⁶⁸² Defendant may not deduct the cost of those infringing copies from which no gross revenues were derived because they either were not “sold” or were later returned.⁶⁸³ In general, it may be said that only those expenses that are proven with some speciality to relate to the infringing work may be

⁶⁷⁶ *MCA Inc. v. Wilson* 677 F. 2d 180 (2d. Cir. 1981).

⁶⁷⁷ *Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*, 886 F. 2d 1545, 1555 (9th Cir. 1989).

⁶⁷⁸ Copyright Act, 1976 § 504 (b).

⁶⁷⁹ 149 F. 3d 494, 506 (6th Cir. 1998).

⁶⁸⁰ *Ibid.*

⁶⁸¹ *Smith v. Little Brown & Co.* 273 F. Supp 870 (S.D.N.Y. 1967).

⁶⁸² *Ibid.*

⁶⁸³ *Dolori Fabrics Inc. v. Limited Inc.*, 662 F. Supp 1347, 1356, 1357 (S.D.N.Y. 1987).

deducted in determining the profits attributable to such work.⁶⁸⁴ However, expenses incurred in order to conceal an infringement are not deductible.⁶⁸⁵

D. Apportionment of Profits: Regarding computation of profits for which the defendant is liable under section 504 (b) the problem arises when the infringing work inextricably intermingles non infringing material with the plaintiff's protectable material with the plaintiff's protectable material. For example, a motion picture may be based on the plaintiff's story and hence constitute an infringing work. Nevertheless a substantial portion of the revenue derived from the picture may due to non-infringing elements such as the talent and popularity of the actors and the artistic and technical contributions made by the director, the producer and many others.⁶⁸⁶

It was formerly of the view that, if the infringing and non-infringing elements could not readily be separated, then plaintiff should recover all profits.⁶⁸⁷ *Callaghan v. Myers*⁶⁸⁸ reasoned that the defendant must bear the burden of paying all profits, given that he caused the mingling of the infringing and non-infringing elements. *Sheldon v. Metro-Goldwyn Pictures Corp*⁶⁸⁹ modified this rule. The Supreme Court there approved an apportionment of twenty percent of defendant's profits from the motion picture *Letty Lynton* to plaintiff's work, holding plaintiff entitled to that portion of the total profits. However, *Sheldon* did not purport to overrule *Callaghan* decision.⁶⁹⁰ Rather it construed *Callaghan* as prohibiting apportionment of profits only when the evidence is not "sufficient to provide a fair basis of division so as to give to the copyright proprietor all the profits that can be deemed to have resulted from the use of what belonged to him."⁶⁹¹

⁶⁸⁴ *Caffey v. Cook* 409 F. Supp 2d 484, 503-504 (S.D.N.Y. 2006).

⁶⁸⁵ *Syigma Photo News Inc. v. High Society Magazine Inc.*, 778 F. 2d 89, 93 (2d Cir. 1985).

⁶⁸⁶ *Abend v. MCA Inc.*, 863 F. 2d 1465, 1478 (1978).

⁶⁸⁷ *Belford v. Scribner* 144 U.S. 488 (1892).

⁶⁸⁸ 128 U.S. 617, 9 S. Ct 177 (1888).

⁶⁸⁹ 309 U.S. 390, 60 S. Ct 681 (1940).

⁶⁹⁰ 128 U.S. 617, 9 S. Ct 177 (1888).

⁶⁹¹ 309 U.S. 390, 60 S. Ct 681 (1940).

Following the decision of Sheldon, in *Bruce v. Weekly World News Inc.*,⁶⁹² the court allocated to plaintiff's photograph of Pres. Clinton, 50% of defendant's profits, allowing defendant to ascribe the other half to its own efforts at developing the "star power" of The Space Alien with whom the president was depicted shaking hands. In affirming the First Circuit tracked the various species of actual damages and non-duplicative profits. In *Three Boys Music Corp. v. Bolton*,⁶⁹³ the jury awarded \$5.4 million in profits from a single infringing song on a particular album. The Ninth Circuit sustained its verdict "that 28% of the album's profits derived from the song and that 66% of the song's profit resulted from infringing elements."⁶⁹⁴

IV.2.iii.h. Statutory Damages

Under section 504 (c) of the 1976 Act, the plaintiff may elect under the terms of the statute, elect statutory damages as the remedy instead of actual damages and defendant's profits "for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally."⁶⁹⁵ In addition the election of statutory damages as the remedy is within the sole discretion of the copyright owner who may make his or her election "at any time before final judgement is rendered."⁶⁹⁶ However, he may make such an election regardless of the adequacy of the evidence offered as to his actual damages and the amount of defendant's profits and even if he has intentionally declined to offer such evidence, although it was available.

A question of timing arises here. According to the statute, the copyright owner may elect to recover statutory damages at any time before the final judgement is rendered. Accordingly a plaintiff who does not affirmatively make such an election prior to judgement will be limited to monetary recovery of actual damages and defendant's profits.⁶⁹⁷ Now, what if the plaintiff is unsatisfied with the jury award and so thereafter elects statutory damages instead? In *Branch v. Ogilvy & Mather*

⁶⁹² 150 F. Supp 2d 313318 (D. Mass 2001).

⁶⁹³ 212 F. 3d 477, 480 (9th Cir. 2000).

⁶⁹⁴ *Ibid.*

⁶⁹⁵ Copyright Act, 1976 § 504 (c) (1)

⁶⁹⁶ *Ibid.*

⁶⁹⁷ *Oboler v. Goldin* 714 F. 2d 211 (2d Cir. 1983).

Inc.⁶⁹⁸ after the jury awarded only \$1 in nominal damages, the court allowed plaintiff to choose statutory damages. But in 1998, the Supreme Court ruled that there is a constitutional right to jury trial on the question of statutory damages. It accordingly invalidated contrary features of the statute.

The Copyright Act of 1976 allows an award of statutory damages in such amount “as the court considers just.”⁶⁹⁹ Presently, the Copyright Act allows an award for knowing infringement in the range from \$750 to \$30,000.⁷⁰⁰ Congress arrived at those figures via the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999. At its passage the current Act set the minimum statutory damages for knowing infringement of the copyright in any work at \$250⁷⁰¹ and the maximum statutory damages at \$10,000.⁷⁰² However, if the defendant sustains the burden of proving that she was not aware and had no reason to believe that her acts constituted a copyright infringement and the courts so finds, the court may reduce the applicable minimum. One case declined to find innocence based on advice of counsel, when defendant declined to furnish its attorney’s written opinion.⁷⁰³ In any event, the reduction is discretionary; even for an innocent defendant, the court may still choose to award damages up to the maximum amount.⁷⁰⁴

- Enhanced and Remitted Statutory Damages

In keeping with one of the objectives of awards of statutory damages, the courts are given a range of damages to provide each judge with the discretion to accomplish the following: (1) to make an award approximating actual damages and/or profits; or (2) where both are difficult to prove or profits are non-existent to make a reasonable award, given the facts of each case. In addition to the range permissible for ordinary infringements - \$750 to \$30,000, section 504 (c) (2) provides for enhanced damages to a maximum of \$1, 50,000 per work when the infringement is “wilful”. At the other end of the continuum are reduced or remitted damages of not less than \$200 when the

⁶⁹⁸ 772 F. Supp 1359 (S.D.N.Y. 1991).

⁶⁹⁹ Copyright Act, 1976 § 504 (c) (1)

⁷⁰⁰ Ibid.

⁷⁰¹ Ibid.

⁷⁰² Ibid.

⁷⁰³ NFL v. Primetime 24 Joint Venture 131 F. Supp 2d 458 (S.D.N.Y. 2001).

⁷⁰⁴ Ibid.

infringement is innocent.⁷⁰⁵ In *UMG Recordings Inc. v. MP3.Com Inc.*,⁷⁰⁶ the defendant copies unlicensed music onto MP3 files for downloading by its subscribers over the internet. The court held that the defendant's copying was not a fair use. Thereafter, in a final judgement and order, the court found MP3.Com's conduct wilful and awarded plaintiff's \$25,000 per CD infringed, or \$1, 18,000,000 in statutory damages.⁷⁰⁷

In a case where the infringer sustains the burden of proving and the court finds that such infringer was not aware and had no reason to believe that his or her act constitute copyright infringement, the court may reduce the award of statutory damages to a sum of not less than \$200.⁷⁰⁸ Immediately prior to the release of the motion picture 'Batman', Warner Bros. discovered that two categories of two defendants – three retail stores and two flea markets – were selling Batman merchandise in violation of the plaintiff's copyrights.⁷⁰⁹ Warner Bros. commenced separate actions against the retail store and flea markets. Some of the defendants defaulted while others consented to “an injunction ‘permanently prohibiting [them] from dealing in goods that display or depict the Batman symbol.’”⁷¹⁰ The district court explained to the defendants, who were Asian immigrants who spoke little or no English, the effect of the injunction and of the plaintiff's request for damages and attorney's fees. The district court found the defendants to be innocent infringers in that they barely understood English, if at all, and did not have the sophistication to “make [an] inquiry for the purpose of determining whether [they are] or [are] not violating some copyright law.”⁷¹¹ Therefore the trial judge found all of the infringements to be innocent and awarded \$200 statutory damages against both the consenting and defaulted defendants. The appellate court reversed as to the defaulted defendants because, having defaulted they did not meet their burden to prove that the infringements were innocent as required under Section 505 (c) (2) of the Act. The court vacated the award of damages against the defaulted defendants, increasing the statutory damage award to \$500 and affirmed the judgment as modified. The court did not award costs to any of the parties.⁷¹²

⁷⁰⁵ Copyright Act, 1976 § 504 (c) (2).

⁷⁰⁶ 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

⁷⁰⁷ *Ibid.*

⁷⁰⁸ Copyright Act, 1976 § 504 (c) (2).

⁷⁰⁹ *D. C. Comics v. Mini Gift Shop* 912 F. 2d 29 (2d Cir. 1990).

⁷¹⁰ *Ibid.*

⁷¹¹ *Ibid.*

⁷¹² *Ibid.*

The statute also provides a safe harbour for particular classes of employees and entities who “believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use.”⁷¹³

V.2.iii.i. Criminal Infringement of Copyright

Criminal punishments for copyright infringement have been provided with for a long time.⁷¹⁴ Congress adopted the first criminal provision in 1897. The 1897 provision applied only to unauthorised performances of plays and music, not to the reproduction of books or maps. Later the owners of copyrighted plays had complained about the futility of trying to enforce their copyright when “the performances are usually given at points remote from the location or headquarters of the dramatic author or producer and by irresponsible persons, who jump their companies nightly from town to town.” Given the difficulty of detecting and punishing these very localised and very mobile infringements, Congress acted in 1897 to increase the applicable penalties.⁷¹⁵ Congress broadened the range of infringements that qualified as criminal violations in 1909, including within the criminally prohibited reach all types of infringements, not just performances.⁷¹⁶

As originally enacted in 1976, the statute conferred misdemeanour status – a fine of not more than \$25,000 and imprisonment for not more than one year – on criminal copyright infringement of either the reproduction, distribution or performance right in motion pictures, or of the reproductions, adaptation or distribution right in sound recordings.⁷¹⁷ All other acts of criminal copyright infringement (of motion pictures, or sound recordings or of any other works) constituted misdemeanours of even less magnitude – subject to a maximum fine of \$10,000 and likewise imprisonment for not more than one year.⁷¹⁸

Amendment in 1982 raised the maximum fine vis-à-vis sound recordings and motion pictures to \$2,50,000, limited to infringement of the reproduction and distribution rights.⁷¹⁹ In terms of

⁷¹³ Copyright Act, 1976 § 504 (c) (2).

⁷¹⁴ Trotter Hardy, *Criminal Copyright Infringement*, 11 William & Mary Bill of Rights Journal, 305, 314-15 (2002).

⁷¹⁵ House Representative Report No. 91 -53 (1894).

⁷¹⁶ Copyright Act of 1909.

⁷¹⁷ Copyright Act, 1976 § 506 (a).

⁷¹⁸ Ibid.

⁷¹⁹ Copyright Act, 1976 § 506 (a).

criminal conduct undertaken prior to the 1992 amendment the law imposed a fine of not more than \$2,50,000 or imprisonment for not more than two years, or both, so long as the offence “involves the reproduction or distribution, during any 180 day period of not more than 100 but less than 1000 phonorecords or copies infringing the copyright in one or more sound recordings; or . . . involves the reproduction or distribution, during any 180 period of more than seven but less than 65 copies infringing the copyright in one or more motion pictures or other audio-visual works.”⁷²⁰ The same maximum fine of \$2,50,000, but a more severe sentence of not more than 5 years’ imprisonment applies if the offense “involves the reproduction or distribution, during any 180 period, of at least 1000 phonorecords or copies infringing the copyright in one or more sound recordings; [or] involves the reproduction or distribution, during any 180 period, or at least 65 copies infringing the copyright in one or more motion pictures or other audio-visual works” or constitutes a second or subsequent offense if the fine for the prior offense(s) could have been a maximum of \$2,50,000.⁷²¹

After 1984, computers and computer software exploded in growth with the development and rapid adoption of desktop “personal computers.” That same decade saw comparable growth in consumer digital audio equipment from the development of the “compact digital” or “CD” recording format. Both developments consequently paralleled the similar explosion of home video and home analog music recording equipment – with VCRs and cassette tape recorders – that had happened a decade earlier.⁷²² This growth caused Congress once again to turn its attention to criminal copyright infringement. This time, the previously different treatments of infringement according to the different types of copyrighted works at issue were made consistent.

In 1992 Congress again altered the penalties for criminal copyright infringement. Under this new scheme, the basic offense, warranting imprisonment for up to five years, consist of the reproduction or distribution, during any 180 day period of at last 10 copies or phonorecords, of one or more copyrighted works, with a retail value of more than \$2,500.⁷²³ For second or subsequent offenses

⁷²⁰ Copyright Act, 1976 § 2319 (b) (2).

⁷²¹ Copyright Act, 1976 § 2319 (b) (2).

⁷²² *United States v. LaMacchia* 871 F. Supp 535, 540 (D. Mass 1994); The home computing and software industry underwent a period of explosive growth paralleling the expansion in the 1960s and 1970s of the recording and motion picture industries.”

⁷²³ Copyright Act, 1976 § 2319 (b) (1) (1992)

of that same provision, the penalty is heightened to imprisonment for up to 10 years.⁷²⁴ All other criminal violations remain misdemeanours, punishable by imprisonment for not more than one year.⁷²⁵

The primary difference between this 1992 amendment and previous law is its elimination of any distinction between audio and video piracy, on the one hand and all other types, on the other.⁷²⁶ Under the scheme of 1992, the same penalty applies, even to bootlegging software or books, for instance, as would apply to film or music piracy.⁷²⁷

By the mid-1990s, the “new breed” of copyright infringer, which is characterised as falling between “good” and “bad” ones clearly appeared on the scene. University student Brian LaMacchia paved the arrival. LaMacchia started an online computer service with commonly available file uploading and downloading facilities. He encouraged his users to upload commercial software packages for the privilege of being able to download still other commercial packages that other users had uploaded. He did not charge any fee or receive monetary compensation for this entirely unauthorised service. The lack of any purpose of “commercial advantage or private financial gain” meant that LaMacchia, although responsible for the production of perhaps thousands of infringing copies of commercial software, could not be charged with criminal copyright infringement. He was charged with the closest applicable criminal offense – wire fraud. The trial court found that the government could not establish the elements of that offense and so he was exonerated. In reaching the conclusion, the court essentially invited Congress to correct the problem of the inapplicability of criminal copyright infringement statutes to activities like those undertaken by LaMacchia.

Most applications of the criminal sanction during the first two decades of the Copyright Act applied to large-scale sound recording or film piracy.⁷²⁸ Otherwise application of the criminal copyright provision was rare⁷²⁹. As the copyright law started to rotate around a new dimension with the

⁷²⁴ Copyright Act, 1976 § 2319 (b) (2) (1992)

⁷²⁵ Copyright Act, 1976 § 2319 (b) (3) (1992)

⁷²⁶ S. Rep No. 102-268, 102d Cong., 2d Sess. 2 (1992).

⁷²⁷ 138 Cong. Rec H111130 (1992).

⁷²⁸ *United States v. Sam Goody Inc.* 675 F. 2d 17 92d Cir. 1982).

⁷²⁹ DAVID NIMMER, *NIMMER’S COPYRIGHT*, (Indian Reprint 2013), 15.01.

emergence of the digital era, so the availability of electronic bulletin boards from which infringing products could be downloaded gratis⁷³⁰ challenged the criminal sanction to adapt to new times.

The Congress responded by passing the “No Electronic Theft” (NET Act). The purpose of this statute was to reverse the practical consequences of *United States v. LaMacchia*. Congress accepted the court’s suggestion for additional penalties applicable to the type of conduct evidenced in *LaMacchia* case by adopting this statute. The House Representative Report No. 105-339 of 1997 provides for the rationale behind the statute.

“It criminalises computer theft of copyrighted works, whether or not the defendant derives a direct financial benefit from the act(s) of misappropriation thereby preventing such willful conduct from destroying business, especially small business that depend on licensing agreements and royalties for survival.”

The NET Act provides for the two historic prerequisites for criminal copyright infringement, wilfulness and commerciality. Regarding the first point, previous amendments to criminal copyright doctrine had left the necessary conduct that qualifies as “willful” enunciated.⁷³¹ But the NET Act departs from tradition.⁷³² In particular, it explicitly provides: For purposes of this subsection, evidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish wilful infringement.⁷³³

As to the second prerequisite for criminal liability, the NET Act likewise works a significant change. Prior law limited criminal conduct to that undertaken “for purposes of commercial advantage or private financial gain.”⁷³⁴ That standard continues under the NET Act.⁷³⁵ The NET Act redefines “financial gain” to include “receipt, or expectation of receipt of anything of value, including the receipt of other copyrighted works.”⁷³⁶ This language was intended to “enable

⁷³⁰ 143 Cong. Rec. H9885 (1997); “This situation has developed because the authors of our copyright laws could not have anticipated the nature of the Internet; which has made the theft of copyrighted works virtually cost-free and anonymous.”

⁷³¹ House Representatives Report No. 102-997, 102d Cong. 2d Sess. 5 (1992).

⁷³² Nimmer on Copyright, 15-17

⁷³³ Copyright Act, 1976 § 506 (a)

⁷³⁴ Copyright Act, 1976 § 506 (a) (1978)

⁷³⁵ Copyright Act, 1976 § 506 (a) (1) (1997)

⁷³⁶ Copyright Act, 1976 § 101 (1997)

authorities to prosecute someone who steals or helps others to steal copyrighted works but who otherwise does not profit financially from the theft.”⁷³⁷

V.2.iv. Digital Millennium Copyright Act and Online Copyright Enforcement

The Digital Millennium Copyright Act was enacted in 1988 to minimise obstacles growth for both content providers, who would not expand the digital distribution of their works without assurances that they would be protected from “massive piracy” and “service providers”,⁷³⁸ who would not expand their sites and networks without assurances that they would be protected from massive liability for copyright infringement.⁷³⁹ It can be understood as a mechanism for simultaneously scaling up online copyright enforcement and scaling back online copyright liability. It is a unified solution designed to give right owners the security necessary to expand content distribution and service providers the security necessary to expand applications and network infrastructure.⁷⁴⁰

The DMCA scales up enforcement while scaling back liability through provisions in Title I that prohibit circumvention of technological protection measures⁷⁴¹ and provisions in Title II that create safe harbours for service providers, conditioned on their assisting rights owners in the expeditious resolution of online copyright infringement disputes.⁷⁴² There are two provisions from Title II on which copyright owners have relied heavily in their efforts to make enforcement scale for digital environment. The second title of the DMCA is entitled the “Online Copyright Infringement Liability Limitation Act. Sec. 512 (c) of DMCA establishes the notice and take down framework

⁷³⁷ House Representative Report No. 105-339, 105th Congress, (1997)

⁷³⁸ In the statute, the term “service provider” is defined broadly to include both providers of Internet access (ISPs) and providers of online services. See 17 USC, section 512(k)

⁷³⁹ Refer S. Rep No. 105-190 (1998) [“Due to ease with which digital works can be copied and distributed worldwide virtually instantaneously, copyright owners will hesitate to make their works readily available on the Internet, without reasonable assurance that they will be protected against massive piracy.... At the same time, without clarification of their liability, service providers may hesitate to make necessary investment in the expansion of the speed and capacity of the Internet.”]

⁷⁴⁰ Annemarie Brindy, *Is Online Copyright Enforcement Scalable?*, 13 Entertainment and Technology Law, 712 (2011).

⁷⁴¹ Copyright Act, 1976 § 1201

⁷⁴² Copyright Act, 1976 § 512(a)

for which the DMCA is most well-known⁷⁴³ and Sec. 512 (h) allows rights owners to serve subpoenas on service providers outside of litigation to obtain the identities of alleged infringers.⁷⁴⁴

Section 512 (c) of the DMCA contains procedures wherein the service provider is required to remove or disable access to material that is claimed to infringing or subject of infringing activity. The procedural requirements for notification under DMCA are elaborate, in that the specific contents of the notification are provided for under Section 512 (c)(3)(A). Further the DMCA recognises the immense potential for abuse posed by the notice and take down procedure⁷⁴⁵ and in this regard the DMCA contains counter notification procedures, stating essentially that service provider is legally obligated to restore access to material at the direction of an alleged infringer who feels he or she has been wronged by an infringement allegation.⁷⁴⁶ Where the alleged infringer receives notice from the service provider that his or her material is going to be removed due to a claim of infringement alleged by another party, or where the material has already been removed, the alleged infringer may send the service provider a counter notice that the material in question is not infringing. On the receipt of counter notification the service provider must then inform the copyright holder that the counter notice has been filed and that the material will be replaced or restored, it must then file a suit in an appropriate federal district court within 10 days. If the copyright holder intends to pursue the matter and prevent the material from being replaced or restored, it must then file suit in an appropriate federal district court within 10 day period and obtain an order restraining the subscriber from engaging in infringing activity. In absence of any notice by the complainant regarding the filing of such a suit, the service provider is required to replace the removed material and cease disabling access to the material in not less than 10 days and not more than 14 days from the receipt of the counter notice.

⁷⁴³ Copyright Act, 1976 § 512(c)

⁷⁴⁴ Copyright Act, 1976 § 512 (h): “A copyright owner or a person authorised to act on the owner’s behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer.... The request may be made by filing with the clerk.... a copy of a notification described in subsection (c) (3)(A); a proposed subpoena; and a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting the rights under this title.”

⁷⁴⁵ Aditya Gupta, *The Scope of Online Service Providers’ Liability for Copyright Infringing Third Party Content under the Indian Laws – The Road Ahead*, 15 Journal of Intellectual Property Rights, 35, 38-39 (2010).

⁷⁴⁶ Id., at p. 39.

- Conditions required for limiting liability of Service Provider

Sec 512 sets forth at some length three conditions in order for a service provider to limit its liability for responding to user requests. The first two deal with knowledge and financial benefit. The third introduces an innovation into the copyright world by regulating the removal or disabling of access to copyrighted material.⁷⁴⁷

[1] Knowledge of Infringement: The first condition for an ISP to take advantage of this exemption is that it must lack knowledge that it is carrying infringing material. Three components apply here:

(a) The service provider must ‘not have actual knowledge that the material or an activity using the material on the system or network is infringing.’⁷⁴⁸

(b) The statute adds that “in the absence of such actual knowledge, [the service provider must not be] aware of facts or circumstances from which infringing activity is apparent.”⁷⁴⁹ This standard “can be best described as a ‘red flag’ test.”⁷⁵⁰ It differs from previous standards “under which a defendant may be liable for contributory infringement if it knows or should have known the material was infringing.” In other words, the standard is not what a reasonable person would have deduced given all the circumstances; it is whether the service provider deliberately proceeded in the face of blatant factors of which it was aware.

(c) Although a service provider “need not monitor its service or affirmatively seek facts indicating infringing activity,”⁷⁵¹ it nonetheless cannot simply adopt struthious behaviour by leaving its head permanently buried in the sand.

[2] Benefit/Control: The first requirement here is that the service provider cannot “receive a financial benefit directly attributable to the activity.”⁷⁵² The second requirement applicable here is

⁷⁴⁷ DAVID NIMMER, NIMMER’S COPYRIGHT, (Indian Reprint 2013) 12B.51

⁷⁴⁸ Copyright Act, 1976 § 512 (c)(1)(A)(i)

⁷⁴⁹ Copyright Act, 1976 § 512 (c)(1)(A)(ii)

⁷⁵⁰ DAVID NIMMER, NIMMER’S COPYRIGHT, (Indian Reprint 2013) 12B.53

⁷⁵¹ Ibid.

⁷⁵² Copyright Act, 1976 § 512(c)(1)(B)

that the safe harbour applies only “in a case in which the service provider has the right and ability to control such [infringing] activity.” Thus even an entity that receives a direct financial benefit from infringement falls within the safe harbour, so long as it has no right to control that conduct.

[3] Disabling Access: On receiving notification of that claimed infringement in proper form, the service provider must respond “expeditiously to remove, or disable access to, the material that is claimed to be infringing or be the subject of infringing activity.” This “notice and take-down” procedure represents “a formalisation and refinement of a cooperative process that has been employed to deal efficiently with network-based copyright infringement.”⁷⁵³ “Copyright owners are not obligated to give notification of claimed infringement in order to enforce their rights.” They may instead prevail if they prove that a provider ignored a “red flag” that was waving in its face – or if they shoulder the even greater challenge of showing the service provider’s actual knowledge.

The first sustained battle under the Online Copyright Infringement Liability Limitation Act occurred in *A&M Records Inc. v. Napster Inc.*⁷⁵⁴ A consortium of eighteen record companies (later joined by various music publishers) banded together as plaintiffs to sue “an Internet start-up that enables users to download MP3 music files without payment. Napster offered on its website file sharing software; those who downloaded that proprietary software to their own personal computers could then log onto the Napster system and share MP3 files with anyone else simultaneously logged on. In granting a preliminary injunction, the district court reviewed the evidence of market harm to plaintiffs from defendant’s service.⁷⁵⁵ It found that “Napster use is likely to reduce CD purchases by college students, whom defendant admits constitute a key demographic.” Although plaintiffs’ expert conceded that college students’ use of Napster “helped them make a better selection or decide what to buy,” her overall conclusion was that Napster usage decreased their music purchases. In reply, defendant maintained that Napster actually stimulated record sales; the district court rejected defendant’s expert’s report based on methodological flaws. It concluded that in

⁷⁵³ DAVID NIMMER, *NIMMER’S COPYRIGHT*, (Indian Reprint 2013) 12B.59

⁷⁵⁴ 114 F. Supp. 2d 896 (N. D. Cal. 2000)

⁷⁵⁵ Preliminarily, the court noted that Napster invested nothing in the content of music, whereas the record companies invested millions. Those plaintiffs relied on the revenue from 10-15% of their recordings that become “hits,” essentially all of which recordings were available for free on Napster. In addition, the court recited that the record companies had invested millions in schemes to allow digital downloads for a fee, as well as promotional samples (i.e., less than an entire song), also for a fee.

choosing between the free Napster service and pay-per-download sites, consumers are likely to choose Napster.” The district court concluded that Napster users engaged in direct copyright infringement, unexcused by a valid fair use defense. It concluded that Napster was both vicariously liable for its users’ infringement and a contributory infringer with them, outside the protection of the staple article of commerce doctrine.

The district court also found that Napster actually knew about the infringing uses to which its service was being put, given its executives’ references to “pirated music”,⁷⁵⁶ had actual notice of infringement via notices served by the RIAA, trade association for the record companies; and “at the very least ... had constructive knowledge of its users’ illegal conduct.” The constructive knowledge consisted of filing a trademark suit against a rock band that had copied the Napster logo, Napster executives’ downloading infringing materials to their own PCs, and their promotion of a “website with screen shots listing infringing files.” Based on such constructive knowledge, the court dismissed Napster’s “persistent attempts to invoke the protection” of Section 512.

The Ninth Circuit promptly stayed the preliminary injunctions. But after months of consideration, it affirmed the district court’s substantive rulings, modifying only the scope of the injunction. The Ninth Circuit concluded that evidence of Napster’s “actual knowledge that specific infringing material is available using its system, that it could block access to the system by suppliers of the infringing material and that it failed to remove the material” likely rendered it a contributory infringer. The district court concluded that Napster’s status as a contributory infringer rendered it outside the protection of the instant section 512(d) safe harbour added by the Online Copyright Infringement Liability Limitation Act. The Ninth Court disagreed with that blanket pronouncement.

With the demise of Napster, digital song sharing became decentralised.⁷⁵⁷ A single popular host for song sharing was replaced by choice of a new hosts and the new hosts used software programs that did away with the concept of a hub and instead spread MP3 files throughout the world. The most prominent unauthorised successors to Napster lacked central servers and thus eliminated

⁷⁵⁶ “Napster co-founder Sean Parker mentioned the need to remain ignorant of users’ real names and IP addresses since they are exchanging pirated music” 239 F. 3d at p. 1020.

⁷⁵⁷ BARRY KERNFELD, POP SONG PIRACY – DISOBEDIENT MUSIC DISTRIBUTION SINCE 1929 208 (1st ed. 2011).

identifiable distributors for their musical components. The rival song-sharing sites included, among others, MusicCity's Morpheus, Audiogalaxy, KaZaa, BearShare and LimeWire. LimeWire and BearShare utilised the Gnutella network. It did away with centralised company computers together, instead connected personal computers directly from one to the next.

Even if MP3 files were scattered through the electronic ether, each of these sites still functioned in some sense as a conceptual hub and the recording industry attempted to suppress them by pursuing an argument similar to that applied to Napster. But this path to prosecution hit a temporary roadblock in April 2003 when Federal District Court Judge Stephen Wilson ruled in Los Angeles that SteamCast Networks and the file sharing company Grokster were not to be held legally responsible if individuals used their products to infringe on copyright. While upholding the decision in the Court of Appeals, Judge Sidney R. Thomas supplied an unusual judicial acknowledgment of the role of new products play in challenging copyright owners. "The introduction of that new technology is always disruptive to old markets and particularly to those copyright owners whose works are sold through well-established distribution mechanisms. Yet history has shown that time and market forces often provide equilibrium in balancing interests, whether the new technology be a player piano, a copier, a tape recorder, a video recorder, a personal computer, a karaoke machine or an MP3 player. Thus it is prudent for courts to exercise caution before restructuring liability theories for the purpose of addressing specific market abuses, despite their apparent present magnitude." However, the Grokster decision was overturned.

Another complication was the relationship between physical retail outlets and "virtual" Internet outlets. How could subscriptions to songs be priced without threatening price structures at record stores that were, at that time, the retail backbone of the industry? As it turned out, record stores were dying, giving way to the acquisition of songs over the Internet in either format, CD or MP3, legitimate or not. By mid-decade most record stores would go out of business, with CD sales transferring to Internet-based corporations such as CD-Now, Amazon and Half.com.

In mid-2003 iTunes made its debut. Steve Jobs, the head of Apple Computer tried to win recording industry executives over to his conception of an unauthorised song sharing service. Apart from the legitimacy that downloading from iTunes offered, and the question of whether the general public actually cared about that legitimacy, the service provided a reliability that the world of uncontrolled

and unauthorised song sharing could not match. Apple rose in the distribution of recorded songs to a position of power that made the major companies uncomfortable and they continued to attempt to develop alternatives. Apple's iTunes dominated the legal market, but by 2008 its growth had begun to level off. Meanwhile, unauthorised song sharing has persisted through the decade.

V.2.v. Copyright Enforcement against Online File-sharing Services in United States of America

With the development of internet, copyright infringement resulting from "online file sharing has become a serious problem."⁷⁵⁸ Reliable and independent numbers are elusive when it comes to measuring file sharing's economic impact on the copyright industries and the US economy as a whole. The MPAA asserted that online infringement costs U.S. creative industries billions of dollars and hundreds of thousands of jobs annually. As required by the Prioritising Resources and Organisation for Intellectual Property Act of 2008 (PRO-IP Act), the General Accounting Office examined existing research on the economic effects of counterfeiting and piracy. In a report released in 2010, the GAO concluded that economic loss estimates widely cited by the government could not be substantiated due to the absence of underlying studies. In attempting to discover the origin of the estimates, the GAO learned from governmental officials that the numbers came directly from industry; they were neither independently reviewed nor supported by any disclosure of data or methodology. The GAO report stands as a reminder to policy makers of the need for disinterested data gathering and assessment.

However, there is truth behind hype. Notwithstanding the copyright industries' propensity to exaggerate their losses or the fastness and looseness with which their statistics are (re)circulated by uncritical government officials and media outlets, there can be little question that P2P networks have facilitated large-scale infringement or that the volume of files traded illegally by means of such networks has been and remains large and revenue-depleting. As the GAO concluded, without factitious precision, "the problem is sizeable."

Peer-to-peer systems especially have become bastions of Internet piracy. Based on a sample of 1021 BitTorrent files from the Mainline DHT system, a study found that 99% of the sample was

⁷⁵⁸ Capital Records, Inc. v. Thomas-Rasset, 692 F. 3d 899, 908 (8th Cir. 2012).

likely infringing. A different study used server scrapes to gather information on one thousand BitTorrent transfers and found that 97.9% of non-pornographic torrents were likely infringing. In *Arista Records LLC v Lime Group LLC*, Dr. Richard P. Waterman testified to his findings that nearly 98.8% of files on the LimeWire peer-to-peer system were copyrighted and likely distributed without authorisation. In *Columbia Pictures Industries Inc. v. Fung*, Dr. Waterman testified for the plaintiffs that approximately 95% of downloads through the Torrentbox and IShonut sites infringed copyright. The Digital Music Report of 2012, published by International Federation of the Phonographic Industry, estimated that 28% of the internet users access unauthorised content services each month. Copyright infringing exchanges have been accounted for more than 17% of all U.S. internet traffic.

However, as discussed previously there is wide-ranging disagreement about the effects such piracy on content owners and on creativity in general. A study prepared for the Computer and Communications Industry Association attempted to show that losses from piracy are largely offset by economic gains in industries making uncompensated “fair use” of copyrighted material. It found that fair use industries accounted for 16.2% of US GDP in 2007.

As discussed above, in 1997, No Electronic Theft Act was passed and the impetus of this law was filesharing services that allowed free downloads. The prosecution of the popular online storage website, ‘Megaupload’, for criminal copyright infringement is the latest in a series of recent criminal prosecutions of online file-sharing services. The success of The Pirate Bay prosecution has been called a harbinger of actions like the one against Megaupload. Yet criminal prosecution of filesharing services is a new development in the United States. The future holds many questions. What pushes a legitimate online filesharing business into the territory of criminal enterprise? How might criminal copyright enforcement differ materially from civil enforcement?⁷⁵⁹

In 2005, Kim Dotcom founded Megaupload⁷⁶⁰, an online Hong Kong based company operating a number of online services related to file storage related to file storage, viewing and sharing.⁷⁶¹

⁷⁵⁹ Benton Martin and Jeremiah Newhall, *Criminal Copyright Enforcement against Filesharing Services*, 15, North Carolina Journal of Law and Technology, 101, 105-06 (2013).

⁷⁶⁰ Known for the high traffic websites, like megaupload.com and megavideo.com.

⁷⁶¹ Daniel Levin, Samuel Doran and Leslie A. Maria, *Megaupload and Criminal Charges*, (Feb. 12, 2015, 6 PM) peri.difusionjuridica.es/index.php/RERI/article/download/44/42.

Users could upload material to Megaupload's sites, which then would create a link that could be distributed by the users. The sites included video, music, etc. It did not provide search capabilities but rather relied on others to publish the links. At one point, megaupload.com was estimated to be the 13th most frequently visited website on the Internet. Megaupload's income derived from premium subscriptions and online advertising, which generated more than \$175 million annually.⁷⁶² The FBI said Dotcom personally made \$40 million from Megaupload in 2010 alone.⁷⁶³

Megaupload's domain names were seized and the sites were shut down by the United States Department of Justice on January 19, 2012, following the indictment and arrests of Dotcom and six other executives in New Zealand.⁷⁶⁴ The DOJ alleged that Megaupload ran a massive online piracy scheme by facilitating and encouraging the copying and sharing of pirated material. It is claimed that Megaupload fostered copyright infringement of movies "often before their theatrical release, music, television programs, electronic books and business and entertainment software on a massive scale."⁷⁶⁵ The DOJ estimated that the harm to copyright holders caused by Megaupload's file sharing was "well in excess of \$500 million."⁷⁶⁶ It was contended that Megaupload had numerous servers in the United States and that these servers were aware that these servers were hosting and distributing copyrighted material. These servers and payments from individuals in America, appear to be the primary connection Megaupload has with the United States. It was contended that the defendants are liable to plaintiffs for direct copyright infringement; for inducement of infringement, contributory infringement and vicarious infringement and also for actively promoting, enabling and profiting from the copyright infringement of Megaupload users.

The arrest of Kim Dotcom and his fellow Megaupload executives raise a series of challenging questions about the future of copyright enforcement, the challenges of extradition and about the reach of national criminal laws in an increasingly interconnected and information based world.

⁷⁶² United States v. Dotcom, et al. E.D. Va, Criminal No. 1:12-CR 3.

⁷⁶³ Ibid.

⁷⁶⁴ The indictment was handed down in the United States District Court for the Eastern District of Virginia. United States v. Dotcom, et al. E.D. Va, Criminal No. 1:12-CR 3.

⁷⁶⁵ David Kravets, *Feds Shutter Megaupload, Arrest Executives*, WIRED, (Jan 19, 2012, 10 AM) <http://www.wired.com/threatlevel/2012/01/megaupload-indicted-shuttered/>.

⁷⁶⁶ Ibid.

Criminal enforcement of copyright should proceed only on established theories of liability.⁷⁶⁷ The theory of secondary liability is established to proceed with prosecution against services like Megaupload. The government should target prominent services. Megaupload is a good example. When indicted, the company claimed to be pulling in 4% of all Internet traffic and averaging 50 million daily visits. This notoriety, or “big fish” factor, is important because many users of filesharing services are low-cost infringers, using search-engines to pirate 99% songs or \$10 movies.⁷⁶⁸ Criminal copyright enforcement has to be limited to circumstances where there is evidence that civil litigation will be futile. The most obvious way that this futility arises is when operators of a file sharing service refuse to respond to civil means of copyright enforcement.

The file sharing services, which demonstrates an egregious disregard for copyright law, should be criminally demonstrated. What shows prosecutable contempt for the law are the steps the operators took to scorn takedown complaints and profiteer from blatant infringement. Megaupload made millions by selling ads on infringing content while its employees allegedly joked about aiding piracy and dodged takedown requests by reposting links to infringing content. Although potentially necessary, imprisonment of copyright infringers is not ideal. Prison creates a host of societal losses. The expense of running jails, the lockup of wage earners, the potential for civil-rights violations. Moreover, when imprisonment is rarely imposed, as in copyright cases, the deterrent effect is decreased.⁷⁶⁹

The potential for imprisonment is not the only reason why prosecutors might choose to pursue file sharing services through a criminal rather than civil proceeding. There are five procedural benefits to the government in criminal proceedings and they presents hardships for file sharing services.⁷⁷⁰ Firstly, many of the file sharing services are headquarters overseas, making civil litigation against them difficult. Second, the federal government has the authority to quickly shutter infringing sites.in a criminal. Thirdly, the government is able to freeze or seize all sorts of assets it believes are instruments or proceeds of criminal activity. Moreover, there are potential benefits to pursue criminal restitution rather than civil damages. In a criminal copyright case, criminal restitution may

⁷⁶⁷ Benton Martin and Jeremiah Newhall, *Criminal Copyright Enforcement against Filesharing Services*, 15, North Carolina Journal of Law and Technology, 101, 138-39 (2013).

⁷⁶⁸ *Id.*, at p.141.

⁷⁶⁹ *Id.*, at p. 143.

⁷⁷⁰ *Id.*, at p. 144.

limit an injured part's recovery. The Mandatory Victim Recovery Act in USA authorised compensation only for victims' actual losses; recovery of an infringer's profit is saved for civil means. Moreover, actual losses can be especially hard to prove in copyright infringement cases because the number of people who download free or reduced-price infringing products may not accurately reflect the size of those products' legitimate customer base. Restitution may be preferable when the potential victims are numerous, as is the case with file-sharing services.

There are advantages and efficiencies to criminal prosecutions over civil lawsuits.⁷⁷¹ The federal government wields power to seize sites, to extradite, to freeze assets, and to record internal conversations surreptitiously as means to deter those file sharing services refusing to comply with civil enforcement efforts. Prosecutors should look for situations where liability under civil law is clearly established and civil enforcement is likely to be futile and they should aim to prosecute the most prominent infringing services fitting those criteria.

However, it is also observed that the prosecution seeks to hold Megaupload and its executives responsible on the theory of criminal secondary copyright infringement. The problem with the theory is that secondary copyright infringement is not – nor has it ever been a crime in the United States.⁷⁷² The federal courts lack any power to criminalise secondary copyright infringement. The U.S. Congress alone has such authority and it has not done so. This Megaupload prosecution is unprecedented. Previous instances in which courts have imposed civil liability for secondary copyright infringement, do not apply in criminal proceedings, as federal crimes are 'solely creature of statute.' The Copyright Act creates civil and criminal liability for various acts of copyright infringement, but it does not expressly give rise to liability for infringement committed by third parties.

In Sony Betamax case⁷⁷³ U.S. Supreme Court established that distributors of products or services capable of substantial non-infringing uses are not liable for secondary infringement. It is contended that the vast scope and scale of non-infringing uses for Megaupload's cloud storage service are so

⁷⁷¹ Id., at p. 151.

⁷⁷² Robert R. Amsterdam and Ira P. Rothken, *Megaupload the Copyright Lobby and the future of Digital Rights – The U.S. v. You (and Kim Dotcom)* (Mar. 15, 2015, 11 AM) <http://kim.com/whitepaper.pdf>.

⁷⁷³ Sony Corp. of America v. Universal City Studios, Inc., 464, U. S. 417 (1984).

obvious that they should require no further elucidation. Most of Megaupload's hundreds of millions of hosted files were downloaded less than 10 times,⁷⁷⁴ many of them are not at all contrary to the picture portrayed by the U.S. government- indicates a very high level of protected and lawful use. The plaintiffs in this case contended that Megaupload's "Uploader Rewards" program aimed to provide "financial incentives to its premium subscribers to upload copies of popular works" to the site and thereby encourage or contribute to infringement. This argument is countered by observing that this program was not designed to facilitate piracy and its purpose was to grow the user base of the cloud storage site and attract new paying premium members in a copyright-agonistic manner.

Moreover, it is argued that the U.S. government is wrong to assert that DMCA's safe harbour provisions do not apply to Megaupload. Conversely, Megaupload went well beyond legal compliance procedure with the DMCA's safe harbour provisions.. Megaupload cooperated with copyright owners by following the "notice and takedown" procedures described in DMCA and it designated an agent to receive notices from copyright owners. Megaupload has a number of strong potential defences for its users' activities including section 512(c). The U.S. government's takedown of Megaupload and Kim Dotcom have been criticised to give rise to alarming precedent for regulation of the Internet, freedom of expression, privacy rights and the very rule of law.⁷⁷⁵

V.2.vi. Enforcement against Individual File-sharers

In autumn 2003 the RIAA initiated a campaign designed to intimidate the general public, by filing civil suits against individuals who made large numbers of MP3 song files available for downloading. RIAA filed suits seeking large monetary awards for copyright infringement. In September 2003 a suit was filed against Sarah Ward, a 66 year old Newbury, Massachusetts, resident whom the RIAA threatened with a liability of \$1, 50,000 per song for more than 2000 songs she had allegedly downloaded through KaZaa. The charge was not only because she had done it, but because she had a Macintosh computer and KaZaa only ran on Windows system.

In 2005 the RIAA sued Patti Santangelo for illegal downloading. She denied any wrongdoing. In November 2006 the organisation claimed that two of her children, Michelle, then 19 years of age

⁷⁷⁴ Id., at p. 24.

⁷⁷⁵ Id., at p. 48.

and Robert, aged 15 years, were the offenders and RIAA charged Patti with 'secondary infringement' for allowing her children to take the alleged actions. Michelle, not responding to the lawsuits was then hit with a \$30,750 fine in absentia. In January 2007 Robert denied the charges and demanded a trial by jury. Among many other things, it was claimed that the major corporations were acting in collusion as a conspiracy to defraud American courts and as a cartel to prosecute individuals "in an identical manner and through common lawyers," and that the RIAA was seeking damages that were excessive, in violation of the Constitution. In March 2007 Judge Colleen McMahon denied a motion from the RIAA's lawyers to dismiss the case against Patti Santangelo "without prejudice", that is to say, with neither side responsible for legal fees. Two years later the Santangelo family and the RIAA reached a confidential settlement. So the outcome of the contest is unknown, but the substantial publicity that it received showed that there might be viable paths to opposing the institutional campaign.

Here a case of two other wrongfully accused individuals is noteworthy. Initially the case was filed against Debbie Foster. In the first case, discovering an initial mistake in the charges against Debbie Foster, the RIAA shifted its accusations to her adult daughter, Amanda, but refused to drop the charges against Debbie and she was charged as a 'secondary infringer'. Amanda failed to answer the suit and the RIAA was awarded a default judgement in her name. The RIAA then moved to drop its suit against Debbie, but she filed a counterclaim. In mid-2006 judge Lee R. west dismissed both suits, while declaring Debbie Foster the prevailing party, with prejudice, and awarding her around \$68, 000 in attorneys' fees.

In another case, Tanya Anderson was wrongly accused of downloading illicit copies of "gangsta rap." After the RIAA agreed to settle the suit in her favour, "with prejudice," Anderson filed a class action countersuit. Both the suits were dismissed and Anderson got a rule in her favour, with prejudice, which obliged the RIAA to pay her approximately \$1, 08,000 in legal fees.

During the same period RIAA charged Jammie Thomas with downloading 24 songs through KaZaa. Found guilty in a trial, she was fined \$2, 22, 000. In 2008, Federal District Judge Michael J. Davis reconsidered his ruling and ordered a new trial. Judge Davis decided that he had been mistakenly convinced by arguments from lawyers for the RIAA that Jasmine Thomas's actions constituted "making available" and an "offer to distribute" the songs that she downloaded. Without

contesting that she had participated in infringement by downloading songs from KaZaa, the judge noted that she neither sought nor gained from that activity.

Whether the cases of Santangelo, Foster, Andersen and Thomas had caused the RIAA to rethink its policies, is unknown, but it seems likely. In any event, the organisation said that it would turn its attention toward trying to compel Internet service providers to monitor their traffic in songs. This track had already been re-enabled in 2005, when the U.S. Supreme Court overturned the Grokster and StreamCast decision. They had distributed technology that promoted copyright infringement and therefore the court ruled that, they were liable for the resulting infringement, even if their products also had lawful uses. Grokster stopped distributing its software and maintaining its network late in 2005. StreamCast continued on. In a related case, Sherman Networks, the owners of KaZaa reached a settlement in which it agreed to pay \$115 million to the RIAA, while installing filters on its networks that would somehow prevent users from sharing copyrighted songs.

Recording industry's copyright enforcement through litigation continued. In 2012 *Capitol Records Inc. v. Thomas-Rasset*,⁷⁷⁶ the defendant argued that her children or boyfriend might have illegally downloaded and shared songs under her username and that she was not liable. However, the English Circuit upheld Thomas-Rasset's conviction for wilfully infringing the recording companies' rights under the Copyright Act, and held that the record companies were entitled to "damages of \$2, 22,000 and a broadened injunction. The court originally ordered her to pay a \$1.5 million fine, which it later reduced to @2, 22,000, the equivalent of \$9, 250 per song. Subsequently in *Sony BMG Music Entertainment v. Tenenbaum*, the First Circuit affirmed the decision that damages of \$6, 75,000 or \$22, 500 for each of the thirty pirated songs, was appropriate. Tenenbaum appealed the award of damages and argued that the sum was disproportionate to the actual injury – which he estimated at a maximum of \$450, and thus violated his due process rights. However, the court opined that the damage was appropriate because Tenenbaum had unlawfully shared copyrighted music. Similarly, in *Atlantic v. Howell*, seven major record labels sued KaZaa to share 4000 songs. United States District Court for the District of Arizona found Howell liable for distributing fifty four copyrighted songs and awarded the plaintiffs \$40, 500 or \$750 per song.

⁷⁷⁶ 692 F.3d 899 (8th Cir. 2012).

The first RIAA case targeted 261 John Doe defendants and by late 2008, it had sued more than 30,000 individuals. The total number of new copyright cases filed between 2001 and 2003 was 6,599. Between 2004 and 2006, that number swelled to 12,736. New copyright case filings at just under 14,000 between 2006 and 2008.⁷⁷⁷ Operating as the U.S. Copyright Group, the D.C. area firm of Dunlap, Grubb & Weaver filed suits in 2010 on behalf of a handful of independent filmmakers alleging infringement by over 14,000 individual John Doe file sharers. In a single filing over 4,500 individuals were sued for using BitTorrent to download the film *Far Cry*⁷⁷⁸. In another case 5,000 Does were accused of illegally downloading *The Hurt Locker*. Attempting to enhance copyright infringement litigation by naming hundreds or thousands of John Doe defendants in a single action created insoluble due process problems relating to joinder, venue and personal jurisdiction.

V.2.vii. Copyright Alert System - Online Copyright Enforcement through “Graduated Response”

In the online world, the anonymity of the internet and the architecture of peer-to-peer networks create frustrating procedural barriers to enforcement.⁷⁷⁹ Moreover, direct lawsuits against online infringers are negatively perceived by the public, who see them as instances of media corporations ganging up against vulnerable consumers to force easy settlements. One possible mechanism for uncovering an infringer’s identity is the ISP subpoena provided for in section 512(h) of DMCA.⁷⁸⁰ However, section 512(h) only allows a subpoena to be issued to an ISP that is storing infringing content on their servers, not to an ISP that merely carried infringing traffic on their network. Although early P2P networks did store information about infringing files on a centralised server, later decentralised P2P networks and modern BitTorrent networks connect users to each other without storing information on the ISP’s servers. This change in architecture enables ISPs to avoid secondary copyright liability. Thus, deprived of the DMCA subpoena as a tool to identify infringers, the challenges to discovering the identities of direct infringers and getting them into court form a rigorous procedural labyrinth.

⁷⁷⁷ Id., at p. 724.

⁷⁷⁸ Ibid.

⁷⁷⁹ Rachel Storch, *Copyright Vigilantism*, 16 *Stanford Technology Law Review*, 463 (2013).

⁷⁸⁰ Id., at p. 458.

In December 2008, the Recording industry Association of America (RIAA) made a formal public announcement of its change of focus toward greater cooperation with ISPs. This new collaborative effort seeks to replace the highly unpopular lawsuits the industry has filed against individual file-sharers. Subsequently, in 2011, content industries in U.S. adopted a new strategy.⁷⁸¹ At the behest of the Obama and Cuomo administrations,⁷⁸² the largest internet service providers entered into a Memorandum of Understanding with the major entertainment industries and firms to implement a Copyright Alert System.⁷⁸³ The Copyright Alert System is popularly known as “six strikes” program. Unlike graduated response programs in other countries, Copyright Alert is an entirely private and contractual scheme, not an administrative program instituted through legislation. The MOU was signed on July 6 2011. This six stage graduated response is coupled with creation of Center for Copyright Information, a private regulatory body.

The responsibility for detecting instances of online infringement falls on the RIAA and MPAA. These organisations are empowered to send notices to the signatory ISPs containing the IP addresses and other identifying information of alleged infringers. The notifications must contain a detailed description of the work allegedly infringed and the basis for believing it was infringed. In addition, the Content Owner Representatives agree to identify infringement only through methodologies that have been reviewed by an independent expert and to avoid cases of de minimus infringement. These safeguards are designed to provide some measure of protection to internet users by minimising wrongful or arbitrary notices.

On receiving a notice from a Content Owner Representative, ISPs are required to respond in accordance with the Copyright Alert System.⁷⁸⁴ By requiring the ISPs to independently enforce the program, Copyright Alert addresses few privacy concerns that have attended copyright

⁷⁸¹ Ban Depoorter and Alain Van Hiel, *Copyright Enforcement: Six Strikes and Privacy Harms*, 39 Columbia Journal of Law and the Arts, 245 (2015).

⁷⁸² Although it is a self-regulatory body, the CAS program is a part of informal guidance by government officials. The Governor of New York, Andrew Cuomo, enabled the negotiations and the Obama Administration endorsed the plan. Justice Department officials informally vetted the program.

⁷⁸³ Content owner parties to the agreement are Walt Disney Studios Motion Pictures Corp.; Sony Pictures Entertainment Inc.; Twentieth Century Fox Film Corp.; Universal City Studios LLC; Warner Bros. Entertainment Inc.; UMG Recordings, Inc.; Warner Music Group; Sony Music Entertainment; and EMI Music North America. The ISP parties to the agreement are AT&T Inc.; Verizon; Comcast Cable Communications Management, LLC; Time Warner Cable Inc.; and the New York, New Jersey, and Connecticut cable systems operated by CSC Holdings, LLC

⁷⁸⁴ Rachel Storch, *Copyright Vigilantism*, 16 Stanford Technology Law Review, 453, 465-66 (2013).

infringement litigation. ISP can simply match IP addresses from received notices to subscriber names and implement an appropriate response on their own. Every CAS consists of six graduated responses to infringement. For the first two notices, ISPs will do no more than send a warning to the subscriber. This is called the “Initial Educational Step.” The next two responses are known as “Acknowledgment Step” and it entails warnings to the subscriber. The second warning will require subscribers to “acknowledge” receipt of the warning. This acknowledgment is treated as consent for the ISP to release subscriber information to copyright owners or law enforcement in the event that further instances of alleged infringement lead to a review proceeding.

After sending of five notices relating to the same account, the ISP will move to the “Mitigation Measures Step.” The ISP will take disciplinary action against the subscriber, including throttling Internet speeds, stepping down the subscriber’s service tier, or restricting Internet access. The sixth step, “Post Mitigation Measures Step,” warns them of the possibility of legal action under the DMCA. Subscribers are given a seven day grace period between alerts and a year without any notices will “reset” a given subscriber’s account back to the Initial Educational Step. The details of each ISP’s CAS are to be included in the Acceptable Use Policies or Terms of Service between the ISP and their subscribers. It will bind the Internet users to the contractual scheme.

- **Challenges to Copyright Alert System**

CAS raises the question of whether private actors are competent to enforce copyright because it is argued that they cannot adequately address sophisticated equitable concerns, such as those involved in the defense of fair use, or because they are biased and thus unable to fairly assess infringement.⁷⁸⁵ Either variety of incompetence could lead to under – or more likely over – enforcement of copyright. The competence of private actors to enforce copyright law could also be undermined by bias. Both CAS itself and the private review program provided for in the MOU are overseen and funded by copyright owners and ISPs. Each of these groups may have the incentive to over-enforce a copyright, punishing internet users who have not violated the law actually. In the realm of DMCA takedown requests, a study cited by Google in their Transparency Report found that 31% of sampled takedown requests presented a substantive copyright law question, such as a fair use or

⁷⁸⁵ Id., at p. 469.

uncopyrightable subject matter argument. The participation of ISPs in the CAS is not likely to counterbalance over-enforcement by copyright owners. Concerns about fairness and over-enforcement also have the potential to tarnish the reputations of copyright owners and ISPs, harming their relationships with their customers. CAS is unlikely to change public attitudes towards the morality of piracy if users feel that it unfairly punishes them.

The CAS has also raised concerns of fairness and prejudice to small business owners.⁷⁸⁶ Its focus is solely on residential Internet access, rather than all types of internet access, including business class. The CAS could harm numerous types of small businesses including cafes, coffee shops, restaurants, bars, hair salons, bookstores and more.⁷⁸⁷ These types of establishments often use residential Internet accounts. CAS could create a situation in which local small businesses are seen as hotbeds of internet pirates.⁷⁸⁸ While consumers could remain anonymous at large businesses, customers would likely to flock to the larger establishments simply because they do not have speed or landing page issues as they are not subjected to the ISPs mitigating measures. In addition, a small business owner cannot always prevent illegal internet use.⁷⁸⁹ Unless the business has a sophisticated IT department, it is nearly impossible for it to supervise and regulate what its customers do on the internet. Another shortcoming of the CAS is that it identifies alleged infringers through IP addresses, which does not automatically imply guilt to the owner of the IP address.⁷⁹⁰ This is more problematic in case of small business owners. Large businesses have already certain advantages due to their size and are not within the scope of CAS. In contrast small businesses may be subjected to CAS alerts and their ability to maintain fast and reliable internet access could be disadvantaged.⁷⁹¹

In its first annual report, the non-profit Center for Copyright Information (CCI) reported that CAS sent more than 1.3 million Copyright Alerts to account holders in the first ten months of operation. The vast majority of the notifications delivered to account holders (more than 70%) were limited

⁷⁸⁶ Rachel Schneidman, *The Copyright Alert System: A Potential Unfair Burden on Small Business Owners*, *Journal of Law and Policy*, 397, 433-34 (2014).

⁷⁸⁷ *Id.*, at p. 436

⁷⁸⁸ *Id.*, at p. 437

⁷⁸⁹ *Id.*, at p. 438

⁷⁹⁰ *Id.*, at p. 439

⁷⁹¹ *Id.*, at p. 440.

to the initial educational stages, with less than 3% of the notifications reaching the final mitigation stage. According to survey data gathered by CCI, the majority of surveyed users reported that they would stop their copyright infringing activities upon receiving an alert, while 62% of respondents believe that “it is never acceptable to engage in infringing activity.”⁷⁹² However, according to Rebecca Giblin of Monash University, the six strike policy in US has not been effective in reducing copyright infringement, but rather it has pushed infringers to seek alternative ways to make their IP addresses private.⁷⁹³ Such a threat to deterrence was likely, which is why solely going after consumers is a flawed approach and the incorporation and/or balance between user targeted and website blocking should be taken. Furthermore, the prior point that preventing even some infringers, current or near-future, whether it is through fear of receiving alerts or punishment imposed, is far more beneficial to societal values of fairness in business practices through copyright protection and compensation than no deterrence or compensation at all.

V.2.viii. Recent Legislative Efforts to Restrict Access to P2P networks

The problem of online piracy continues to grow in the absence of stronger government action. As discussed previously, online piracy is not only limited to college students trading files in their hostel rooms, it has grown into a multi-million dollar international business and widely affects the producers of movies, music, software, books, video games and other forms of digital content. In this backdrop, in September 2010, Senators Patrick Leahy and Orrin Hatch introduced section 3804, the Combating Online Infringement and Counterfeits Act (COICA).⁷⁹⁴ A modified version of COICA was introduced in 2011 in section 968, the Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act (PROTECT IP Act or PIPA). Most recently, Rep. Lamar Smith and his co-sponsors introduced the Stop Online Piracy Act (SOPA).⁷⁹⁵

V.2.viii.a. Stop Online Piracy Act

⁷⁹² Ban Depoorter and Alain Van Hiel, *Copyright Enforcement: Six Strikes and Privacy Harms*, 39 *Columbia Journal of Law and the Arts*, 245, 246-47 (2015).

⁷⁹³ Rebecca Giblin, *Evaluating Graduated Response*, 37 *Columbia Journal of Law and Arts*, 147, 149-50 (2014).

⁷⁹⁴ Daniel Castro, *PIPA/SOPA: Responding to Critics and Finding a Path Forward*, The Information Technology and Innovation Foundation, December 2011, available at <http://www.itif.org/files/2011-pipa-sopa-respond-critics.pdf>

⁷⁹⁵ *Id.*, at p. 2

The proposed ‘SOPA’ intends to “To promote prosperity, creativity, entrepreneurship and innovation by combating the theft of U.S. property and for other purposes.” It provides that an Internet site is “dedicated to theft of U.S. property” if it “is marketed by its operator for use, in offering goods or services in a manner that engages in, enables, or facilitates” copyright infringement.⁷⁹⁶

This “enable or facilitate” language is broad. It would punish not only sites that themselves directly infringe the copyright laws but also those that help others infringe. It would do so in a manner expansive enough to target any computer, communication tool, user-generated-content website, search engine, e-mail and storage locker. Any means making it easier for others to access copyrighted content could be punished.⁷⁹⁷

SOPA is divided into two parts. Title I provides mechanisms for Internet intermediaries to directly combat online piracy and grants immunity to Internet intermediaries that take voluntary action against sites infringing on U.S. I.P. Title I also contains provision directing the U.S. Intellectual Property Enforcement Coordinator to report to Congress specify policy recommendation to deter “notorious foreign infringers.” Title II includes a number of provisions that increase the penalties and sentencing guidelines for those convicted of illegally streaming copyrighted works, trafficking inherently dangerous counterfeit goods and conducting foreign and economic espionage.

The supporters of the Bill include American Society of Composers, Authors and Publishers (ASCAP), Disney Publishing Worldwide, Inc., Recording Industry Association of America (RIAA), Motion Pictures Association of America (MPAA), National Cable and Telecommunications Association (NCTA), CBS.com, Warner Music Group and several hundred other businesses. They have argued this broad power was necessary to avert persuasive copyright piracy. They claimed that creative advancements and jobs in “content-creating industries” were vulnerable to prevalent piracy. They contended that these overseas websites acted as asylum for internet pirates.

⁷⁹⁶ Draft Stop Online Piracy Act § 103(a)(1)(B) .

⁷⁹⁷ Michael A. Carrier, *SOPA, PIPA, ACTA, TPP: An Alphabet Soup of Innovation-Stifling Copyright Legislation and Agreements*, 11 North Western Journal of Technology and Intellectual Property, 22 (2013).

V.2.viii.b. Protection of IP Act:

PROTECT IP Act (PIPA), a Senate version bill that was introduced was introduced with the goal of curbing access to rogue websites registered outside the US that are dedicated to the sale of infringing or counterfeit goods.⁷⁹⁸ This bill would potentially allow the IP right holder or Attorney General to file an action against of a registrant of a domain name used by an allegedly infringing website, the owner or operator of the infringing website, or against the domain registrar. If enacted, it would also allow the court, after receiving the filing, to issue a temporary restraining order or an injunction against the domain name registrant, or owner and operator of the website, requiring him to cease or desist infringing activity if the domain name is used for accessing infringing website from US and directing business to US residents and harming US. I.P. right holders.⁷⁹⁹

SOPA/PIPA and DMCA both enforce secondary liability on indirect infringing parties who facilitate the direct infringing party with or without knowledge. However, there are also differences among the approaches and intended objectives of these statutes.

DMCA focus narrowly on accused parties posting infringing materials on websites and holds all relevant third parties liable unless they are shielded by the safe harbour. DMCA does not specify whether the contents are domestic or overseas. As a matter of fact, 37% of notices sent to Google target sites outside of the U.S. Along that line, SOPA/PIPA similarly target non-U.S. websites that are designed and dedicated to conducting infringing activities while engaging U.S. internet users, yet relevant non-US parties could not be reached by conventional U.S. law enforcement. This problem is not being addressed by DMCA's safe harbour provisions. SOPA/PIPA proposes to track down to the source of the domain name used by the infringing website and if the domain name is outside U.S., to trace to the end U.S. customer who requests access to the website. The approach is more stringent than DMCA.

V.2.viii.c. Issues Concerning SOPA/PIPA

⁷⁹⁸ Yue Mathew Ma, *Stop Online Piracy Act: The Next Step in Copyright Protection or Censorship of Online Expression*, (Mar. 14, 2015, 7 PM) http://scholarship.shu.edu/student_scholarship/655.

⁷⁹⁹ *Id.*, at p. 4

While most supports are from IP right holders, e.g., entertainment industry including media content providers, cable companies and pharmaceuticals who vested in their own interest of protecting from infringing activities, the majority of the internet community is quite negative.⁸⁰⁰ Some of the major concerns are:

- The proposed bill could lead to censorship on the internet and other constitutional issues. It gives individuals and corporations unprecedented power to silence online speech.⁸⁰¹ It is argued that under SOPA/PIPA, the traditional powerful copyright holders would be able to label sites as persistent infringement inducers and shut them out from the most lucrative market in the world. Domain name is a property, thus the removal of web sites from the internet would be considered property seizure with the accused website or domain name owners being unrepresented. This raises the issue of government removing protected speech from the internet.
- The proposed bill is taking away the DMCA safe harbour provisions.⁸⁰² Under DMCA, copyright owners who object to the use of their specific content may trigger an individual response by issuing a take-down notice, whereas a significant minority of copyright owners are now happy to share their work online without receiving remuneration or requiring advance approval. User driven sites have flourished under the DMCA, which exempts online service providers from liability should they promptly follow the notice and take-down procedure. Opponents of the SOPA/PIPA argue that DMCA has already achieved the effect intended by the new bill, and therefore, the new bill is argued to be taking away safe harbour protection for service providers.
- SOPA would chill the growth of social media and force sites to adopt a new role as content police. Under SOPA, general –purpose social media sites with no bad intent could be argued to “facilitate” infringement – and thus get tagged as theft sites – simply by virtue of providing the platforms for users’ content.

⁸⁰⁰ Yue Mathew Ma, Stop Online Piracy Act: The Next Step in Copyright Protection or Censorship of Online Expression, Law school Student Scholarship, 2015, (Mar. 15, 2014, 6 PM) http://scholarship.shu.edu/student_scholarship/655.

⁸⁰¹ Center for Democracy and Technology, The Stop Online Piracy Act: Summary, Problems and Implications (Apr. 18, 2014, 4 PM) <https://cdt.org/insight/the-stop-online-piracy-act-summary-problems-and-implications-1/>.

⁸⁰² Ibid.

- SOPA would not stop online piracy. The powerful tools granted to the Attorney General would present major obstacles to casual users, but would be trivial for dedicated and technically savvy users to circumvent.⁸⁰³

V.2.viii.d. Opposition against SOPA/PIPA

The bills faced fierce hostility from individuals and P2P websites. In opposition to the bills, more than one hundred thousand websites joined forces in an internet strike.⁸⁰⁴ Some sites temporarily shut down while others posted information about SOPA and PIPA, and provided directions on how users could contact Congress about their concerns with the bills. Taking this hint, internet subscribers, fervently protested the bills through phone calls to Congress, social media postings, online petitions and emails. These objections were effective “as the stated positions by members of Congress on SOPA and PIPA shifted overnight from 80 for 31 against to 55 for and 205 against.”⁸⁰⁵ The Senate postponed its votes on PIPA because of the demonstration. Subsequently, Congress temporarily shelved the legislation, but negotiation on the bill continued.⁸⁰⁶

V.3. Chapter conclusion

As far as the civil and criminal remedies conferred by codified copyright law is concerned, the laws in India, UK and USA are almost very close to each other. The principal form of remedies for copyright law are at par in all the jurisdictions. However, some insight is required as far as the online enforcement of copyright and determination of ISP liability is concerned. Enforcement of copyright over internet can be improved by graduated response. Graduated response can harness their respective powers to create an enforcement scheme that aims at protecting the rights of copyright owners as well as fair treatment of the internet users. By bringing together copyright owners and ISPs under the watchful eyes of the State

⁸⁰³ Ibid.

⁸⁰⁴ Yafit Lev-Aretz, *Copyright Lawmaking and Public Choice: From Legislative Battles to Private Ordering*, 27 Harvard Journal of Law and Technology, 203 (2013).

⁸⁰⁵ Ibid.

⁸⁰⁶ Michael A. Carrier, *SOPA, PIPA, ACTA, TPP: An Alphabet Soup of Innovation-Stifling Copyright Legislation and Agreements*, 11 North Western Journal of Technology and Intellectual Property, 22 (2013).

Regarding determination of ISPs' liability and their immunity is concerned in respect of Indian and USA laws, some important observations are pertinent here. Under Indian law, the scope of ISP liability for copyright infringing third party content has seen a paradigm shift with the Information Technology (Amendment) Act, coming into force.⁸⁰⁷ In the amended IT Act, under sec. 79 India has its own 'safe harbour provision' which provides immunity to intermediaries for third party information, data or communication link hosted or made available. It is important to note that the immunity given to ISPs in section 79(2) of the It Act is largely based on Regulation 17 of the Electronic Commerce (EC Directives) Regulations, 2002. However, the ISPs cannot claim blanket immunity under section 79 of the IT Act. At the same time the proviso to section 81 of the amended IT Act⁸⁰⁸ has to be analysed while considering the question of intermediary liability in the copyright context. The purpose of this amendment will be defeated if section 81 is read as having overriding effect over section 79 to the extent that the immunity under section 79 shall not be available in cases of liability for copyright infringement. The scope of the provision is likely to become unduly narrow if the intermediaries are disentitled to avail the immunity for copyright infringing third party content.

As discussed previously, section 512(c) of DMCA in USA contains procedures wherein the service provider is required to remove or disable access to material that is claimed to be infringing or subject of infringing activity. However, the procedural requirements of notification are provided for under section 512(c) (3) (A) of DMCA. The IT (Amendment) Act, 2008 lacks similar provisions, thereby failing to strike a balance between the interests of right holders and those of the ISPs and presents immense potential for abuse. Though the IT (Amendment) Act has significantly clarified the position regarding immunities available to ISPs, it provides only limited immunity to ISPs with respect to materials hosted or transmitted by them. However, the Copyright Act, 1957 remains unamended and the imposition of liability on ISPs in cases where the immunities are not available remains a tedious task, which requires expansive interpretation to traditional sections not intended to be applied in cases of ISPs liability.⁸⁰⁹

⁸⁰⁷ Aditya Gupta, *The Scope of Online Service Providers' Liability for Copyright infringing Third Party Content under the Indian Laws – The Road Ahead*, 15 Journal of Intellectual Property Rights. 34, 43-44 (2010).

⁸⁰⁸ The proviso to section 81 of the Information Technology Act, 2000 provides that as 'nothing contained in this Act shall restrict any person from exercising any right under the Copyright Act, 1957 or the Patents Act, 1970.

⁸⁰⁹ Id., at p. 43

Therefore, it is argued that the law relating to ISP liability in India is vague which is facilitating an unjust shift in the liability of wrongful users on ISPs, making them the scapegoat of inadequate legal framework.⁸¹⁰ Furthermore the Indian legal system should distinguish liability of ISPs relying on concepts of direct, contributory and vicarious infringement.⁸¹¹

The United States is the hub for the entertainment industry that supplies content to users worldwide. Thus, its law on IP enforcement, as an 'IP exporting' country is based on concerns over increasing trade in and access to 'counterfeits' as it destroys markets for the originals and deceives consumers. Entertainment conglomerates and music companies find the lack of adequate IP enforcement in markets abroad a key obstacle to international trade in IP protected goods.⁸¹² On the other hand, 'IP-importing' countries see these laws as 'protectionist'. In a nation like India, which has its own expanding entertainment industry, whose produce is very popular worldwide, a strong IP enforcement law is desirable. However, the law relating to ISP liability and online copyright infringement enforcement laws are recently amended.

CHAPTER VI

⁸¹⁰ Priyambada Mishra and Angsuman Dutta, *Striking a Balance between Liability of Internet Service Providers and Protection of Copyright over the Internet: A Need of the Hour*, 14 *Journal of Intellectual Property Rights*, 321, 325-26 (2009).

⁸¹¹ *Ibid.*

⁸¹² Ruse, H G Khan, *IP Protection and enforcement – A barrier to 'legitimate trade'?*, 30th ATRIP Congress: IP Law at the Crossroads of Trade, National University Singapore, July 2011, p. 25027.