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Author

Kariyawasam, Kanchana, Austin, Anthony

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YOUTUBE, INTERNET FILE SHARING AND COPYRIGHTS

Dr Kanchana Kariyawasam and Anthony Austin***

Introduction

YouTube is one of the most influential websites in the world.¹ In November 2006, within a year of its launch, Google acquired YouTube for US\$1.65 billion, one of the most talked-about acquisitions ever.² Google Sites, driven primarily by video viewing at YouTube.com, ranked as the top online video content property in September 2011 with 161 million unique viewers.³ YouTube generated US \$727 million in revenue in 2009 and US \$945 million in 2010, and is expected to pass US \$1 billion in 2012.⁴ Video streamed by YouTube users constitutes 60 per cent of all video watched online, with over 20 million visits by individual users per month.⁵

YouTube was created in February 2005 as a user-generated content ('UGC') provider platform for people around the world to discover, watch and share videos. However, the phenomenon of YouTube and its functions that enable users to upload user-generated content, images, books, video clips and movies to the site and share them with others has been the focus of much controversy. In particular, the legal issues related to user-generated intermediaries, such as YouTube, has produced one of the most controversial and far from settled debates in recent times. In fact, the disputes between copyright owners and user-generated intermediaries such as YouTube are emergent because of the vast disparity between the operation of digital content sites, such as YouTube, and conventional law as described in copyright law.

* Dr Kanchana Kariyawasam, PhD (Griffith), LL.M (Advanced) (UQ), LL.B (Hons) (Colombo), Senior Lecturer in Business Law, Griffith University.

** Anthony Austin, LLB (QUT) Grad. Dip. LP (QUT) LLM (QUT), Sessional Lecturer and Tutor in Business Law, Griffith University.

1 Web 2.0 is the business revolution in the computer industry caused by the move to the internet as a platform, and an attempt to understand the rules for success on that new platform: see Tim O'Reilly (2006-12-10), 'Web 2.0 Compact Definition: Trying Again', last visited on 11 March 2011.

2 Tom Krazit, 'Google makes video play with YouTube buy' (2006) CNET News http://news.com.com/Google+makes+video+play+with+YouTube+buy/2100-1030_3-6124094.html last visited on 10 December 2010.

3 Press Release, 'comScore Releases September 2011 U.S. Online Video Rankings' at http://www.comscore.com/Press_Events/Press_Releases/2011/10/comScore_Releases_September_2011_U.S._Online_Video_Rankings last visited on 10 January 2012.

4 See 'YouTube Revenue Approaching \$1 Billion Per Year (REPORT)' at <http://mashable.com/2010/03/05/youtube-revenue-2010/> last visited on 14 June 2011.

5 Buckley, B., 'SueTube: Web 2.0 and Copyright Infringement' *The Columbia Journal of Law & the Arts* at 235.

The aim of this article is to analyse Australian copyright law and user-generated intermediaries' liability for alleged infringed content placed by a third party on host sites. The article also discusses some of the Australian legal cases involving UGC host liability for third-party created copyright content and examines many of the legal challenges presented, as well as the discrepancies between Australian and American copyright law.

User-generated content providers' copyright liability

YouTube is a user-generated content provider or web hosting service that supplies a framework in which users can upload content to the internet.⁶ Even though the UGC provider encourages users to upload wholly original and authorised user-generated audio and video content, this policy is not strictly enforced. The content uploaded by users is likely to include, either partially or entirely, copyright works owned by third parties.⁷ The use of protected material without the owner's permission raises many challenges and concerns for the law in reference to intellectual property ownership and, especially, copyrights.⁸

The most significant concern for any UGC portal is that the host provider may be liable for copyright infringement when a user uploads content that infringes the copyright of a third party. However, whether and to what extent UGC providers, which simply offer a hosting service to their users, should be held liable for copyright infringement arising from UGC remains undecided, particularly if copied works are hosted on the user's machine or another party's server. On one hand, copyright law violation creates a difficult tug-of-war among copyright holders trying to protect their rights.⁹ On the other hand, UGC portals that provide a desired service to the public¹⁰ struggle to avoid having infringing UGC posted to their sites. While some jurisdictions reject direct liability infringement claims against UGC providers, others hold UGC providers liable for copyright infringement even when they are not themselves directly engaged in the activities that infringe the copyright. This situation reflects a disturbing lack of clarity as to the circumstances for which the UGC provider becomes liable for the actions of its users who infringe the copyright work of others.

6 It is complexly different from an internet service provider ('ISP'), which refers to dial-up providers, often telecom service providers. At present there is no obligation on ISPs actively to monitor content posted by their users.

7 Holmes, S. and Ganley, P., 'User-generated Content and the Law' (2007) 2 (5) *Journal of Intellectual Property Law & Practice* 338 to 344.

8 Copyright is the legal right which the author of an original literary, dramatic, musical or artistic work (among others) has with respect to controlling use and access to his/her work. See: UK Copyright Designs and Patents Act 1988: http://www.opsi.gov.uk/acts/acts1988/Ukpga_19880048_en_2.htm#mdiv1, quoted in George, C. and Scerri, J., 'Web 2.0 and User-Generated Content: legal challenges in the new frontier' (2007) 12 (2) *Journal of Information, Law & Technology* 1 at 10.

9 See Szabo, C.M., 'Thwack: Take That, User-Generated Content: *Marvel Enterprises v. CSoft*' (2010) 62 (3) *Federal Communications Law Journal* 541 at 547.

10 *Ibid* at 547.

The Copyright Act 1968 (Cth) ('the Copyright Act') of Australia states that a copyright protects any original literary, musical, dramatic and artistic works and other subject-matter, including published editions, film, video and sound recordings, radio and TV broadcasts.¹¹ The copyright law gives the holder a limited monopoly on reproduction, distribution and display of the created work. An infringement of a copyright occurs when a copyrighted work is substantially produced or other copyright use is made of it without the consent of the copyright owner.¹² Section 13(2) of the Australian Copyright Act states that the exclusive right to engage in an act in relation to a work or an adaptation of a work or any other subject-matter includes the exclusive right to authorise a person to do that act in relation to that work, an adaptation of that work or other subject-matter.¹³ Thus, Australian copyright law deems that infringement of the exclusive rights of a copyrighted work may occur in one of two ways: either directly through the express actions of the infringer or indirectly through the act of authorising another party (the direct infringer) to commit the infringing act.¹⁴ Moreover, sections 36(1) and 101 of the Act provide that authorising a person to infringe a copyright without the licence of the copyright owner is itself infringement of a copyright.¹⁵ Sections 36(1) and (1A) have the same wording as section 101(1) and (1A), with the exception that section 36 specifically refers to the doing or authorisation of infringement of a copyright in any 'literary, dramatic, musical or artistic work'.¹⁶

Section 101 does not limit itself to a specific action by the 'person' in relation to copyright-protected subject-matter. No reference exists to a person 'using' or 'uploading'; rather, it could be 'any act comprised in the copyright'. Such an 'act' encapsulates every right of a copyright owner under sections 85 to 87 of the Act in relation to sound recordings, films, TV broadcasts and sound broadcasts, such as copying, making recordings heard or seen in public or communicating these to the public. This section immediately applies to the action of uploading or downloading UGC material, because these actions either copy, make heard or seen, or communicate copyright-protected subject-matter to the public. Technically, YouTube allows users only to upload videos, not download them; however,

11 See 'Youtube, Myspace and Copyright Law – An Australian and United States comparison of Copyright' at http://www.timdavis.com.au/Papers/Youtube_US_Aus_Copyright.pdf last visited on 16 May 2011.

12 Copyright Act 1968 (Cth) sections 36(1), 101(1).

13 Section 13(2) of the Australian Copyright Act, See also, Lim, Y.F., 'Is it really just a game? Copyright and Online Role-Playing Games' (2006) 1 (7) *Journal of Intellectual Property Law & Practice* 481 to 491.

14 Ricketson, S. and Ginsburg, J.C., 'Inducers and Authorisers: A Comparison of the US Supreme Court's Grokster Decision and the Australian Federal Court's KaZaa Ruling' (2006) Columbia Law School, Columbia Public Law & Legal Theory Working Papers at <http://lsr.nellco.org/cgi/viewcontent.cgi?article=1022&context=columbia/pllt> last visited on 26 June 2011.

15 See Sections 36(1) and 101 of the Act.

16 Section 36(1) Copyright Act 1968 (Cth). Subject to this Act, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorises the doing in Australia of, any act comprised in the copyright.

arguably the playing of a video still constitutes an 'act comprised in the copyright' because the video is seen, heard and communicated to the public.

Section 101(1A) leaves completely to the courts the issue of determining whether a host is liable for 'authorising' the infringement of copyright-protected subject-matter and the Act provides no further guidance. Therefore, the words 'must be taken into account' and 'include' mean that the three criteria in 101(1A)(a) to (c) represent a non-exhaustive list of matters for determining authorisation and leave scope for any other matter deemed appropriate for inclusion in the determination. In addition, no other section provides any further definition of 'prevent' (section 101(1A)(a)), 'relationship' (section 101(1A)(b)) or 'reasonable steps'. These terms are deliberately drafted in a broad manner to avoid placing restrictions on the court's ability to interpret these criteria and their applicability. Of course, the problem with such broad drafting is that one court's interpretation will change to the next as different technology and authorisation scenarios are decided before the courts.

Whilst section 101(1A) seems to provide hosts with 'defences' against liability for authorising infringement by another person, namely a user (the extent of the host's power to prevent users uploading or downloading copyright-protected content, the nature of the relationship between hosts and users and whether the host took reasonable steps to prevent the infringing act), these defences ultimately depend on the facts of each case and the court's interpretation of them. Clarifying these matters in definition sections under the Act is difficult simply because a new technology that falls outside the definition creates a loophole for the application of section 101. In all likelihood, the drafters deliberately made section 101(1A) broadly open to court interpretation, hoping that the courts would use a broad interpretation to keep pace with changing technologies, rather than definition sections waiting for legislative amendments to keep pace with changing technologies.

The Australian courts strictly defined the authorisation liability in *UNSW v Moorhouse*,¹⁷ a case in which a university library was held to have authorised copyright infringement by allowing students access to photocopying machines located in the library.¹⁸ The High Court decided that a copier in the library effectively extended an invitation to infringe, but the library did not take sufficiently reasonable steps to prevent copyright infringement nor did it monitor the use of the photocopier.¹⁹ This case suggests that liability for authorisation may arise even when authorisers have no power to prevent the infringement, such as when they deliberately put

17 [1975] HCA 26; (1975) 133 CLR 1.

18 *Ibid.* See Fen, L.Y., 'Multimedia: Authorisers of Copyright Infringement' (1994) (19) 5(2) *Journal of Law, Information and Science* 306; see also Scott, B., 'Kazaa: Time to Rethink Authorization?' at <http://opensource.law.biz/publications/papers/bscott%20kazaa%20judgment%20first%20instance%20050910%20lowres.pdf> last visited on 10 July 2011.

19 [1975] HCA 26; (1975) 133 CLR 1.

themselves in a position in which they cannot intervene to prevent the infringement.²⁰ Although UNSW did not itself directly commit the infringement, the court held it liable for the infringement because it controlled and supervised the copying machine and had reasonable grounds to suspect that infringement *would* happen.²¹

This raises the question of the extent to which UGC providers should be held liable for copyright infringement performed by their users. Sections 39B and 112E and Division 2AA of the Copyright Act²² provide that a person, including a carrier or carriage service providers ('CSPs'),²³ is not to be held to have authorised any copyright infringement 'merely' because the facilities provided by them for making a communication are used by someone else to infringe a copyright.²⁴ These provisions highlight the fact that CSPs who make available the infrastructure-transmitting infringing material will not be liable for copyright infringement 'merely' because alleged infringers used their facilities.²⁵ In fact, sections 39B and 112E protect the messenger or CSPs on the basis that they are not content providers, but rather provide infrastructure or a network or server over which such content travels.²⁶

However, in *Universal Music Australia Pty Ltd v Cooper*,²⁷ the court read 39B and 112E quite narrowly, and decided that the 39B and 112E defences do not apply to anything that the host does beyond 'merely' providing facilities, unless the host proves that any other UGC website's activities (beyond merely providing facilities) did not in any way authorise infringement. This could be quite a heavy evidentiary burden for a UGC host to discharge to trigger the defences. In this case, the Federal Court held that,

20 Ricketson, S. and Ginsburg, J.C., 'Inducers and Authorisers: A Comparison of the US Supreme Court's Grokster Decision and the Australian Federal Court's KaZaa Ruling' (2006) Columbia Law School, Columbia Public Law & Legal Theory Working Papers at <http://lsr.nellco.org/cgi/viewcontent.cgi?article=1022&context=columbia/pllt> last visited on 26 June 2011.

21 See Hot Topics, 'The Beginning of the End for P2P Technology?' European IP Bulletin, issue 25, September 2005.

22 The Copyright Amendment (Digital Agenda) Act 2000 ('the Digital Agenda Act') made amendments to the law inserting subsection 36(1A) (and section 101(1A)) and section 39B (and section 112E) into the Act.

23 A CSP is person that supplies a carriage service to the public using a telecommunications network unit. CSPs can include organisations that resell time on a carrier network for phone calls, provide access to the internet (internet service providers) or provide telephone services over the internet (VoIP service providers). CSPs are not required to obtain a licence from ACMA to supply a carriage service to the public, at http://www.acma.gov.au/WEB/STANDARD/pc=PC_310722 last visited on 22 November 2011.

24 Copyright Act 1968 (Cth) sections 39B, 112E.

25 Merely being the carrier of infringing material is insufficient for liability.

26 See Charbonneau, J., 'Protecting the Messenger: Carriage Service Providers' Liability for Third Party Copyright Infringement' (2006) 13(2) *Murdoch University Electronic Journal of Law* at 37 to 50.

27 [2005] FCA 972. As per Branson J: 'Having taken into account the matters identified above, and the name of his website, I conclude that Mr. Cooper infringed the Record Companies' respective copyrights in sound recordings by in Australia authorizing internet users to do acts comprised in those copyrights, namely make copies of the sound recordings. I also conclude that Mr. Cooper infringed the Record Companies' respective copyright in sound recordings by authorizing operators of remote websites to communicate those sound recordings to the public in Australia.'

rather than simply providing a facility for communication, Cooper (the hosting site) designed its website to facilitate and encourage its users to download copyrighted music files. The court focused on the word 'merely' in these sections and said that the host carried out acts *far beyond* just or 'merely' providing a facility for making a communication.²⁸ The court argued that the hosting site was aware of, and benefited from, the traffic generated by infringing users and took no action to prevent the infringement from occurring.

In this decision, the court also judged that Cooper had the power to prevent the infringement under section 101(1A)(a) but took no reasonable steps to do so as per section 101(1A)(c). Accordingly, if a host arguably has knowledge of the infringement, then authorisation liability under 101 applies. In this case, the court found that MP3s4Free had, through the deliberate design of a website to facilitate downloading of infringing material from remote websites, 'knowingly permitted or approved' this result and that this 'approval' by a host equals authorisation. The judge referenced the likely inference that, before establishing the website, the host sought advice as to how to allow this result.²⁹ The case clearly shows that knowledge of user infringements can be evidenced by an approval of user infringements by the host through the manner in which the UGC site operates and is constructed.

Another case in point is *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd*.³⁰ In this case, Wilcox J found that Sharman was liable for copyright infringement because Kazaa software enabled users to share any material, mostly copyright-protected musical works, without the licence of the copyright owner.³¹ The court found that the respondents knew that users were undertaking infringement activities but failed to implement any of the available technical measures to reduce the incidence of copyright infringement.³² Therefore, Sharman was held liable for authorisation of copyright infringement, as it provided that 'something more' is required than mere facilitation. The judge stated in his decision:

I accept that Parliament intended to 'protect the messenger', although only to the extent indicated by the Act; notably s112E. However, on my findings, Sharman is and was more than a 'messenger'. Whether it is 'unrealistic and unfair' that a software provider in Sharman's position should be held to have authorised copyright infringement by users of the software is a matter of opinion. The Court must take guidance from the Act, as elucidated by relevant judicial decisions. It is not for the Court to reject that guidance on the basis that the particular judge considers the result to be unrealistic and unfair. If Parliament thinks that is, indeed, the result of applying the Act, the remedy is in its hands.³³

28 See *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972 Tamberlin J at 99.

29 See Tamberlin J at 84.

30 [2005] FCA 1242.

31 See Jackson, M., 'Black Hats and White Hats: Authorisation of Copyright Infringement in Australia and the United States' (2006) 14 (1) *International Journal of Law and Information Technology* 28 to 46.

32 *Ibid.*

33 [2005] FCA 1242.

The above decisions show that 39B and 112E provide a defence for the service provider but the provider's actual knowledge is a deciding factor in determining whether the authorisation of an infringement occurred.³⁴ In fact, carriage providers may be found liable if they had a 'certain degree of knowledge' of a third party's infringing activities. In the aforementioned case studies, the capacity of the technology to infringe on a copyright was not the issue; rather, the 'actual knowledge' of the defendants in inciting and encouraging others to use the technology to infringe was the key.³⁵ At the end, the word 'merely' in the section implies that if the host does something else beyond the provision of 'facilities' that contributes to the users' infringement, then that additional factor may deprive the host of this defence.

The above decisions also demonstrate that the service provider could incur liability simply by not taking 'reasonable steps' to prevent copyright infringement. However, what constitutes a 'reasonable step' is undefined and open to judicial interpretation. Professor Ricketson states that Australian law makes it clear that a person cannot be said to authorise an infringement of copyright unless he or she has some power to prevent it.³⁶ However, Ricketson simultaneously cautions that laying down any precise rule as to how much control is required before authorisation can be inferred is not possible.³⁷ Thus, these 'defences' appear to provide no practical protection to the service provider³⁸ which has been criticised by Phillips Fox in the final report of the *Digital Agenda Review*:

Section 39B (and section 112E) has not achieved its objective of clarifying the liability of Service Providers in relation to authorisation of infringement of copyright. There is also significant uncertainty as to the meaning of section 39B (and section 112E) and what has to be done by a Service Provider (or any other person who provides communication facilities) in order to avoid liability under section 36 (or section 101)...³⁹

34 See Bryan Mercurio, 'Internet Service Provider Liability for Copyright Infringements of Subscribers: A Comparison of the American and Australian Efforts to Combat the Uncertainty' (2002) 9 (4) *Murdoch University Electronic Journal of Law* (online).

35 See Jackson, M., 'Black Hats and White Hats: Authorisation of Copyright Infringement in Australia and the United States' (2006) 14 (1) *International Journal of Law and Information Technology* 28 to 46.

36 See Ricketson S., *The Law of Intellectual Property: Copyright Designs and Intellectual Property* (Lawbook Co., looseleaf service) page 184, quoted in Napthali, M., 'Unauthorised: Some thoughts upon the doctrine of authorisation of copyright infringement in the peer-to-peer age' (2005) at <http://www.frankellawyers.com.au/media/article/Unauthorised.pdf> last visited on 02 September 2011.

37 *Ibid.*

38 See Weatherall, K., 'Part V Division 2AA of the Copyright Act 1968 (Cth) Limitation on Remedies Available against Carriage Service Providers: Does the Scheme Need to be Expanded?' (2005) Response to Attorney-General's Department at <http://www.ipria.org/publications/submissions/KWeatherallSubmission1safeharbour.pdf> last visited on 23 October 2011.

39 Phillips Fox, *Digital Agenda Review: Report and Recommendation* (2004).

Clearly, like the drafting examined in section 101, certain key words such as 'merely' and 'facilities' were not defined to allow judicial interpretation and, perhaps, court discretion decisions on these defences. The lack of clarity in these provisions has created considerable uncertainty in copyright law, which places an increased compliance burden on the technology provider.

User-generated intermediaries and safe harbours

The recent US Free Trade Agreement Implementation Act 2004 ('the Implementation Act') inserted Division 2AA into the Copyright Act 1968 (Cth) to make provisions for safe harbours that reduce or eliminate carriage service providers' (CSPs') liability, including for ISPs. These provisions are similar to those in section 512 of the US Copyright Act and provide a measure of protection to online service providers that have little or no control over the actions of their users.⁴⁰

The safe harbour provisions are vitally important, as they protect the online service provider from liability for any copyright infringement performed by its users.⁴¹ However, they do not automatically guarantee protection of certain activities that qualify as infringements. In other words, these new provisions do not create exclusions from copyright infringement; instead, they limit the remedies for copyright infringement involving certain categories of online activities, provided that the CSPs in question comply with specific conditions. The provider may qualify for safe harbour protection under one of the following categories:

- (a) Category A activity: providing facilities or services for transmitting, routing or providing connections for copyright material, or the intermediate and transient storage of such material in the course of transmission, routing or provision of connections.⁴²
- (b) Category B activity: caching of copyright material through an automatic process. The carriage service provider must not manually select the copyright material for caching.⁴³
- (c) Category C activity: at the direction of a user, storing copyright material on a system or network controlled or operated by or for a carriage service provider.⁴⁴
- (d) Category D activity: referring users to an online location using information location tools or technology.⁴⁵

40 See Middleton, G.L., 'Copyright Conundrum – Liability of ISP for Online Copyright Infringement', in *ACSW Frontiers 2005: Proceedings of the 2005 Australasian workshop on Grid computing and e-research* (2005), pages 109 to 118.

41 See Neuerburg, M., 'The DMCA's Safe Harbour Provisions just got a little bit safer' (2009), at <http://jolt.unc.edu/blog/2009/01/09/dmca-safe-harbor-provisions-just-got-little-bit-safer> last visited on 24 February, 2011.

42 116AC Category A activity.

43 116AD Category B activity.

44 116AE Category C activity.

45 116AF Category D activity.

Interestingly, the conditions set out in 116AH for CSPs are fairly clear with respect to what exactly a CSP has to do to take advantage of this Division if found liable for copyright infringement. Four different categories of CSPs are defined under the Division to which differing conditions apply, but common themes arise from the various conditions, including having policies for terminating users who repeatedly infringe copyright material, not interfering with technology that identifies and protects copyright material, whether or not the CSP obtains a financial benefit from the infringement and taking immediate steps to remove or disable access to copyright material on becoming aware of the infringing content.⁴⁶ Importantly, none of the conditions is taken to imply a duty upon a CSP to monitor copyright infringement by users or to take steps to discover infringing activity by users, provided that the CSP does not do anything that interferes with technology that identifies and protects copyright material.⁴⁷ This defence is significant for CSPs in terms of authorisation liability because it reduces such liability for CSPs under 39B, 101 and 112E to only situations in which they have failed to remove infringing content after being contacted by the copyright owner or licensee or in which they have failed to comply with the conditions of 116AH.

Basically, if a CSP complies with the applicable conditions, section 116AG will operate to limit the remedies of any order against a CSP for copyright infringement to only an order requiring the CSP to disable access to or remove copyright infringing material that users may have uploaded. Provided that the CSP has complied with the conditions, a court order cannot be made forcing the CSP to pay any form of damages or other monetary compensation if found liable for copyright infringement.⁴⁸ Therefore, if a CSP is found to have authorised infringement under 39B, 101(1) and (1A) and 112E, the CSP will not suffer any financial loss. Practically, section 116AG may serve to prevent CSPs from even being joined in legal actions for copyright infringements by users, as a CSP could simply remove infringing content through copyright infringement notification processes before going to court if the complainant made the CSP aware of the infringement (such as YouTube's copyright infringement notification process). If a CSP was joined into a matter, it would probably obtain an order for dismissal subject to removing the content or obtain a costs order against the complainant for not notifying it of the alleged infringement prior to proceedings. The sum of all these factors is to put the damages claim for the copyright infringement solely on the shoulders of the user.

User-generated content (UGC) sites seem likely to fall under a Category C activity, as this category involves storing material on a system or network at the direction of a user. Most CSPs' activities likely fall under a combination of different categories, in which case a CSP may have to fulfil conditions from different categories to obtain the benefit of the 116AG

46 See section 116AH Copyright Act 1968 (Cth).

47 See section 116AH(2) Copyright Act 1968 (Cth).

48 See sections 116AA(1) and 116AG Copyright Act 1968 (Cth).

defence.⁴⁹ However, UGC site hosts may face a problem in taking advantage of the Division 2AA defence, as Division 2AA only applies to carriage service providers. The Act defines a 'carriage service provider' as having the same meaning as in the Telecommunication Act 1997 (Cth) ('the TCAct').⁵⁰ Under the TCAct, section 87 defines carriage service providers as persons supplying listed carriage services using actual physical line links that create a network of lines for a telecommunications network.⁵¹ This definition appears to apply more to organisations such as Telstra and ISPs because a line link within a network is categorised as a connection of physical mediums, such as wires, cables, optical fibres and waveguides.⁵² Arguably, this definition of carriage service provider does not extend to or include hosts of UGC sites because they simply do not provide this type of telecommunications network.

This issue raises the question of whether this defence will apply to user-generated intermediaries such as YouTube, which simply provide the facility to host user-generated content.⁵³ Section 87 of the TCAct⁵⁴ applies only to CSPs that supply a carriage service to the public using a network; it does not apply to service providers ('SPs') such as YouTube that do not provide internet access to the public.⁵⁵ As neither YouTube nor other user-generated intermediaries provide internet access or any other facilities encompassed within this definition, that the court would provide them with statutory protection under this section seems highly unlikely.

Interestingly, section 15 of the TCAct provides several separate definitions for a 'content service', including an online information service, an online entertainment service or any other online service,⁵⁶ which sounds like the definition could extend to a UGC host. Section 97(1) of the TCAct

49 See sections 116AC to AF and section 116AH Copyright Act 1968 (Cth).

50 See section 10 Copyright Act 1968 (Cth): definition of carriage service provider.

51 Section 87 Telecommunications Act 1997 (Cth): 'Carriage service providers. Basic definition (1) For the purposes of this Act, if a person supplies, or proposes to supply, a listed carriage service to the public using: (a) a network unit owned by one or more carriers; or (b) a network unit in relation to which a nominated carrier declaration is in force; the person is a carriage service provider.'

52 See sections 26 to 27 for a definition of 'network' and section 30 for a definition of 'Line Links' Telecommunications Act 1997 (Cth). Also see section 7 Telecommunications Act 1997 (Cth). 'Definition of Line. Line means a wire, cable, optical fibre, tube, conduit, waveguide or other physical medium used, or for use, as a continuous artificial guide for or in connection with carrying communications by means of guided electromagnetic energy'.

53 See O'Brien, D., 'Viacom v Youtube & Google: Copyright Challenges for User Generated Intermediaries' at <http://eprints.qut.edu.au/7754/2/7754.pdf> last visited on 8 July 2011.

54 The term 'carriage service provider' is defined in section 87 of the Telecommunications Act 1997 to include a person who supplies, or proposes to supply, a listed carriage service to the public using a network unit owned by one or more carriers or a network unit in relation to which a nominated carrier declaration is in force.

55 See O'Brien, Damien and Fitzgerald, Brian, 'Digital copyright law in a YouTube world' (2006) 9(6 & 7) *Internet Law Bulletin* pages 71 to 74.

56 See section 15 Telecommunications Act 1997 (Cth). 'Section 15(1) Content service (1) For the purposes of this Act, a content service is: (a) a broadcasting service; or (b) an on line information service (for example, a dial up information service); or (c) an on line entertainment service (for example, a video on demand service or an interactive computer game service); or (d) any other on line service (for example, an education service provided by a State or Territory government); or (e) a service of a kind specified in a determination made by the Minister for the purposes of this paragraph.'

also defines a 'content service provider' as a person who uses a listed carriage service (that is, a carriage service provider registered with the Telecommunications Authority as such) to supply content services to the public. The problem for UGC hosts is that section 87 which defines 'carriage service providers' does not expressly state that this definition includes a content service provider. Sections 87 and 97(1) seem to provide distinctly separate definitions, meaning that USG-hosted sites may be excluded from the definition of carriage service provider under Division 2AA of the Copyright Act and, accordingly, from the benefit of the reduction in liability for authorised infringement under 116AG.

Therefore, unless a USG site is provided by a listed carriage service provider, that UGC site is excluded from the definition of carriage service provider under Division 2AA of the Copyright Act. Accordingly, hosts do not have the benefit of 116AG of having liability reduced to simply removing infringing content if directed to do so by a court and avoiding any form of damages or other monetary compensation for authorising infringing content. However, Kimberley Weatherall argued against using definitions from the TCAct in identifying the parties who qualify for 'safe harbour'.⁵⁷ In her opinion, 'the definitions in the Telecommunications Act have been drafted for the purposes of determining the applicability of general telecommunications regulation as found in the Telecommunications Act 1997'.⁵⁸ She said that 'they were not drafted with the control of copyright infringement in mind'.⁵⁹

In summary, the purpose of safe harbour provisions was to protect service providers against infringement liability. However, safe harbour provisions in the Copyright Act 1968 are intended to protect network owners rather than content providers, as discussed above. This omission has become a major concern, especially for user-generated intermediaries. The Phillips Fox Digital Agenda Review experienced that 'it is clear that there is real uncertainty as to what steps service providers need to take in order to protect themselves from liability for authorisation of copyright infringement and as to when, and the manner in which, copyright owners can legitimately complain about a Service Provider's conduct'.⁶⁰ The Australian safe harbour provisions have attracted significant criticism for failing to clarify whether UGC hosts are entitled to safe harbour protection under provisions that remain noticeably more restrictive than those in the United States.

57 Weatherall, K., 'Part V Division 2AA of the Copyright Act 1968 (Cth) Limitation on Remedies Available against Carriage Service Providers: Does the Scheme Need to be Expanded?' (2005) Response to Attorney-General's Department at <http://www.ipria.org/publications/submissions/KWeatherallSubmission1safeharbour.pdf> last visited on last visited on 23 October 2011.

58 *Ibid.*

59 *Ibid.*

60 Phillips Fox, 2004, Digital Agenda Review, Canberra: Attorney General's Department, at <http://www.ag.gov.au/DigitalAgendaReview/reportrecommendations>, quoted in Rimmer, M., 'Robbery under Arms: Copyright Law and the Australia-United States Free Trade Agreement' at http://outreach.lib.uic.edu/www/issues/issue11_3/rimmer/index.html last visited on 18 July 2011.

How do American laws differ from Australian laws?

In 1998, the US Congress passed the Digital Millennium Copyright Act ('DMCA'). Section 512⁶¹ of the DMCA was created to establish a proper standard of liability for internet service providers. Accordingly, a party seeking the benefit of this section must qualify as a 'service provider'. In fact, the Act has broadened the definition to include not only ISPs but also UGC hosts. According to the Act, the term 'service provider' means 'an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received'.⁶² Thus, other than subsection (a), 'service provider' includes a provider of online services or network access, or the operator of such facilities.⁶³ Damian O'Brien has argued that this broad definition therefore includes virtually anyone offering online services or network access, or the operator of the underlying structure.⁶⁴ The DMCA states that the following conditions must be met to be eligible for protection:

- (a) the provider must not have actual knowledge that the material or an activity using the material on the system or network is infringing;
- (b) the provider must not receive a financial benefit directly attributable to the infringing activity in a case in which the service provider has the right and ability to control such activity; and
- (c) upon notification of claimed infringement, the provider must respond expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.⁶⁵

Therefore, under section 512(c), a service provider will not be liable for copyright infringement resulting from activity by a user if the service provider lacks knowledge of the infringing activity, does not receive a financial benefit directly attributable to the infringement and acts expeditiously to remove or block access to the infringing content once notice is given.⁶⁶ It has been argued that this broad definition under the DMCA

61 The four safe harbors provided by Congress, in the following subsections of section 512, are: (a) transitory digital network communications, (b) system caching, (c) information residing on systems or networks at the direction of users, (d) information location tools.

62 512(k)(1)(A) of Digital Millennium Copyright Act.

63 512(k)(1)(B) of Digital Millennium Copyright Act.

64 O'Brien, D., 'Copyright Challenges for User Generated Intermediaries: Viacom v YouTube and Google' at http://ses.library.usyd.edu.au/bitstream/2123/2347/1/CopyrightAsiaPacific_Ch11.pdf last visited on 19 June 2011; see also Wolf, C., *The Digital Millennium Copyright Act: Text, History, and Caselaw* (2003, Pike & Fischer Inc, United States) at 54.

65 Section 512(c) of Digital Millennium Copyright Act.

66 See Christopher Wolf, *The Digital Millennium Copyright Act: Text, History, and Caselaw* (2003, Pike & Fischer, Inc, United States) at 57.

'seeks to balance the interests of content owners, on-line and other service providers, and information users in a way that will foster the continued development of electronic commerce and the growth of the Internet'.⁶⁷ UGC hosts such as YouTube surely welcomed this provision because, upon acquisition of YouTube, Google was reported to have 'set aside over \$200 million to cover losses and damages stemming from copyright infringement lawsuits brought against the video sites'.⁶⁸

Nonetheless, the DMCA does not allow service providers to take advantage of the safe harbour provision if the network owner has the right and ability to control the infringing activity and receives a financial benefit directly attributable to the infringing activity.⁶⁹ Simply, an ISP must expeditiously remove such material upon becoming aware or receiving notice of an infringement and must not receive a financial benefit directly attributable to the infringing activity over which the ISP has the right and ability to 'control'.⁷⁰ Damian O'Brien has argued that under DMCA:

Service providers are given a degree of certainty, in that they need not actively monitor their services for copyrighted material, whilst copyright owners receive the benefit of expedited procedures to remove infringing content. The safe harbors were not designed to protect service providers who fail to satisfy the necessary preconditions.⁷¹

The benefits of the DMCA safe harbour provisions are highlighted in the *Universal Music Group ('UMG') v Veoh*⁷² litigation. The plaintiff (UMG) in this case is the world's largest music label, controlling the rights to millions of copyrighted sound recordings and musical compositions.⁷³ The defendant, Veoh Networks, Inc. ('Veoh'), a video hosting company operating, like YouTube, an internet-based service that enables users to share videos freely with each other, was sued by UMG for the activities of its users, including uploading copyright infringing material in the form of music videos. UMG argued that hosting companies should be held liable for every bit uploaded by their users. US District Court Judge Howard Matz

67 H.R. Rep. 105-551(II), at 21 (1998), quoted in Cendali, D.M. and Marden, D.C., 'Service Provider Protections for User Generated Content under the DMCA' at <http://www.omm.com/files/upload/usergeneratedcontent.pdf> last visited on 30 October 2011.

68 See G. Duncan (2006), Google Stashes \$200 Mln for YouTube Suits: 16th November 2006 (Digital Trends) <http://news.digitaltrends.com/article11763.html> last visited on 12 December 2008.

69 See Richard Keyt, Digital Millennium Copyright Act ('DMCA') - Sec. 512 - Limitations on Liability Relating to Material Online, Nov. 16, 2002, <http://www.keytlaw.com/Copyrights/dmca.htm>, quoted in Horowitz, K., 'Copyright Liability for Those Who Provide the Means of Infringement: In light of the RIAA lawsuits, who is at risk for the infringing acts of others?', 4 Shidler J. L. Com. & Tech. 8 (2/25/2008), at <http://www.lctjournal.washington.edu/Vol4/a08Horowitz.html> last visited on 23 June 2011.

70 (512(c)(1)(C)).

71 See O'Brien, D., 'Copyright Challenges for User Generated Intermediaries: Viacom v YouTube and Google' at http://ses.library.usyd.edu.au/bitstream/2123/2347/1/CopyrightAsiaPacific_Ch11.pdf last visited on 19 June 2011.

72 Not reported in F.Supp.2d, 2008 WL 5423841 (C.D.Cal).

73 *Ibid.*

ruled that the federal DMCA's safe harbour section protects UGC providers such as Veoh from civil liabilities 'for infringement of copyright by reason of the storage at the discretion of a user of material that resides on a system or network controlled or operated by or for the service provider'.⁷⁴ This ruling confirms that the safe harbour provision in the DMCA protects UGC providers from liability as long as they remove infringing content after being presented with a takedown notice. This decision encourages technology companies to continue developing platforms that allow open access to user-generated content.

These issues were also explored in *MGM Studios Inc. v Grokster Ltd*,⁷⁵ in which the court considered the circumstances under which the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product.⁷⁶ The court balanced the two competing interests in the case – the need to protect the rights of copyright owners and the requirement to promote technological innovation. On conclusion, Souter J held that:

One who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties. We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly ... mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability.⁷⁷

However, the court held that, unlike the earlier case, *Grokster* showed clear expression to encourage copyright infringement; therefore, it was held liable and forced to pay \$50 million in compensation to the music and recording industries.⁷⁸

A couple of years after the *MGM v Grokster* decision, the *Viacom International, Inc. v YouTube, Inc.*⁷⁹ case challenged the existing protections of the DMCA that act to encourage the development of services like YouTube. A range of parties headed by Viacom International Inc. *et al.* ('Viacom') brought an action against YouTube, including Google as YouTube's owner ('YouTube'), alleging that YouTube was liable for intentionally direct and authorised infringement of 'thousands of Viacom's copyrighted works' by allowing videos to be viewed 'which were taken unlawfully from Viacom's copyrighted works without authorization' on

⁷⁴ *Ibid.*

⁷⁵ 545 U.S. 913 (2005).

⁷⁶ Michael Dennis Scott, James N. Talbott, *Multimedia Law* (2007, Aspen Publisher, United States) 4 to 81.

⁷⁷ 545 U.S. 913 (2005). See also Jeffrey F. Beatty, Susan S. Samuelson, *Business Law and the Legal Environment*, (Cengage Learning, 2006) at 1034.

⁷⁸ 545 U.S. 913 (2005).

⁷⁹ 718 F. Supp. 2d 514, District Court.

its website in views amounting to hundreds of millions.⁸⁰ Viacom further alleged that YouTube was not protected from liability for this infringement by section 512 of the US DMCA, also known as the 'safe harbour' provisions. This allegation was made on the basis that YouTube had actual knowledge and awareness of the alleged infringing activity by users but failed to act quickly to stop infringements, that YouTube received a financial benefit from this infringing activity, that YouTube had the ability to stop and control infringing activity, and that the infringement did not result only from 'providing storage at the direction of a user or any other internet function specified in section 512'.⁸¹

On one hand, YouTube has consistently argued that it is not responsible for the content uploaded by its users and that the DMCA's section 512(c) safe harbour provisions enable it to avoid liability as long as it responds properly to DMCA takedown notices. On the other hand, Viacom argued that YouTube's transmission of user uploaded videos fell outside 'storage at the direction of a user' on an SP's system or network under section 512(c)(1). However, the court thought this interpretation was a far too narrow reading of the section, because the transmission of such material falls within the safe harbour protections when it is facilitated by an ISP that offers transmissions or connections for digital online communications.⁸² The judge said that if Viacom's argument was valid, UGC hosts would simply stop providing access and information to the public.⁸³ The District Court finally decided that YouTube was eligible for safe harbour protection under section 512 despite the fact that it counted a single DMCA notice identifying multiple infringing videos as only one warning against a user and that it also counted multiple DMCA notices against an infringing user received in a two-hour period as, again, only one warning against a user.⁸⁴ Viacom commenced an action in the United States Court of Appeals for the Second Circuit to overturn the US District Court decision. The authors were waiting for the outcome of the appeal as of the date of submission to the publisher.

Interestingly, the attitude of the court and its interpretation of section 512(c) are in direct contrast to the approach taken by the court in *Universal Music Australia Pty Ltd v Cooper*, discussed above. In that case, the general possibility of users' infringing content triggered possible authorisation liability for the UGC host, rather than evidence of specific examples of identified items of content as in *Viacom v YouTube*. At least on the basis of *Cooper*, the Australian courts seem to focus more on the existence of infringing content to prove authorisation liability, in contrast to the US courts that seem to focus on the existence of non-infringing content when deciding authorisation liability.

⁸⁰ Stanton J at 516 and 519.

⁸¹ Stanton J at 516, see also Jonathan J. Darrow & Gerald R. Ferrera, 'Social Networking Websites and the DMCA: A Safe-Harbor from Copyright 'Infringement Liability or the Perfect Storm?' (2007) 6(1) *Northwestern Journal of Technology and Intellectual Property* 1–35.

⁸² As per the definition of service provider under DMCA § 512 (k)(1)

⁸³ Stanton J at 527 citing *UMG recordings, Inc v Veoh Networks, Inc* 665 F Supp 2d 1099 at 1109.

⁸⁴ Stanton J at 528.

In comparison, section 512 of the US DMCA seems similar to Division 2AA of the Australian Copyright Act (Cth) in that both pieces of legislation seek to remove the damages or monetary compensation component from any authorisation liability for infringing actions by users. However, one important difference exists. As discussed earlier, the wording of section 512 DMCA is broad enough to provide this defence for both ISPs and UGC hosts. However, the reduction in liability under Division 2AA is limited to ISPs and not UGC hosts because of the Copyright Act's reliance on the TCACT definition of 'carriage service provider'. This difference naturally begs the question of why UGC hosts under the DMCA should have the benefit of not being liable for damages or monetary compensation for authorised infringement when the same hosts under the Copyright Act have to bear the brunt of damages and compensation orders if they are found to have committed authorisation infringement. In this sense, US law is much more specific and detailed than the Australian provisions.

Conclusion

The above discussion shows that the enforcement of intellectual property rights for digital technology has become a real issue. Recent trends have shown that the balance between service providers' rights and intellectual property enforcement has shifted in favour of intellectual property owners.⁸⁵ How policymakers and legal regulators are to reach this precise balance remains to be seen, but this challenge must be faced without delay.

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