

## ***Distinguishing “Common Carriers” from “Common Thieves”:***

### ***Requiring Notice and Stay Down for “Structurally Infringing” Host Sites that Discourage Legitimate Electronic Storage, Incentivize Copyright Infringement, and Exploit the DMCA 512(c) Safe Harbor***

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#### **I. Introduction**

There is a loophole in Section 512 of the US Digital Millennium Copyright Act (“DMCA”) that allows certain content hosting web sites to claim entitlement to “safe harbor” protection from liability even while incentivizing copyright infringement on a massive scale. The sites in question -- part of the host site category commonly called “cyberlockers” – reap substantial profits from the content they exploit without having to invest a single dollar to develop, create, or publish it.<sup>1</sup> They are aptly called “structural infringers” because, while their technology is “content neutral” and they generally comply with DMCA takedown notices to claim refuge in the 512(c) safe harbor, their businesses are blatantly structured to encourage an ongoing supply of infringing music, movies, books and other copyrighted content. Infringements are the lifeblood of their business models.<sup>2</sup>

German courts, applying German law, EU law and cases decided by the Court of Justice of the European Union (CJEU), have looked beyond the structural infringers’ veneer of neutrality.<sup>3</sup> They require the sites to prevent recurring infringements regardless of whether they might qualify for an exemption from monetary liability under the EU safe harbor for host sites contained in Article 14 of the E-Commerce Directive,<sup>4</sup> which is nearly identical to the DMCA 512(c) safe harbor. The E-Commerce Directive permits member state courts to issue injunctions meant to prevent future infringements in addition to stopping existing infringements.<sup>5</sup> The sensible rationale for the relief is that sites employing business practices that substantially increase the risk of infringements should be required to take reasonable steps to prevent the activity.<sup>6</sup> Simply responding to repeated takedown notices for the same

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<sup>1</sup> NetNames, BEHIND THE CYBERLOCKER DOOR: A REPORT ON HOW SHADOWY CYBERLOCKER BUSINESSES USE CREDIT CARD COMPANIES TO MAKE MILLIONS (2014), p. 22 (hereinafter “NetNames Report”). The report can be accessed online at: <http://www2.itif.org/2014-netnames-profitability.pdf>.

<sup>2</sup> Id. at p. 13 (noting that cyberlocker revenues derive predominantly from the sale of subscriptions to premium accounts and from advertising, both of which are maximized by the “draw” of infringing content). See also, Disney Enterprises, Inc., et al. v. Hotfile Corp., et al., 2013 U.S. LEXIS 172339, at \*10-11, \*19 (SD Fla. 2013) (noting that defendant Hotfile’s sole source of income was subscription fees).

<sup>3</sup> See, e.g., Bundesgerichtshof [BGH] [Federal Court of Justice] July 12, 2012 (No I ZR 18/11) (Ger.) Atari v Rapidshare (“Alone in the Dark”); Bundesgerichtshof [BGH] [Federal Court of Justice] Aug. 15 2013 (No I ZR 79/12) (Ger.) Walther de Gruyter GmbH & Co. KG v Rapidshare at ¶ 13. Translation available at: [http://www.anti-piracy.nl/public/2013-08-15%20BGH\\_RapidShare\\_EN.pdf](http://www.anti-piracy.nl/public/2013-08-15%20BGH_RapidShare_EN.pdf).

<sup>4</sup> Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (hereinafter “E-Commerce Directive”).

<sup>5</sup> Id., Recital 45. See also, Case C-324/09 L'Oréal SA v eBay International AG (2011) ECR I-6011, ¶¶ 180-81.

<sup>6</sup> BGH Aug. 15 2013 (No I ZR 79/12) (Ger.) Walther de Gruyter GmbH & Co. KG v Rapidshare at ¶ 13.

material is not enough; reasonable efforts must be made to ensure that the content stays down. To date, no US rights holders appear to have litigated requests for injunctive relief under DMCA 512(j) to conclusion, even though the provision likewise allows for injunctive relief where the 512(c) host site might be exempt from monetary liability.<sup>7</sup>

This article discusses the business models and practices of certain host sites that expose them as structural infringers and contrasts them with responsible cloud storage and user generated content sites. While those sites of course have some infringing content on their platforms, unlike structural infringers they do not specifically organize their businesses to attract infringements and they make good faith efforts to address the activity. The article then discusses how the structural infringers' practices undermine the core consideration (takedowns) that they are supposed to provide to earn "common carrier" treatment and safe harbor protection in the first place, effectively denying rights holders the benefit of the bargain that was struck under the DMCA. The article next considers the injunctive relief remedies provided under the EU and US safe harbor regimes. It contends that developing law in the EU presents a common sense approach to address structural infringers and that US courts can likewise follow a sensible path to address the problem under DMCA 512(j). Last, the article explains why appropriately tailored injunctive relief will not preclude fair use or stifle free speech.

## II. The Earmarks of a Structural Infringer

Structurally infringing host sites reward anonymous users who upload copyrighted content to the site for access by other anonymous users all over the world. The rewards are based on the popularity of the content, measured by how many visitors download it or how many premium memberships are sold because of it, so it is no surprise that the payoff for uploaders comes from popular copyrighted works.<sup>8</sup> The visitors to these sites seek copies of high quality movies, books, music and other copyrighted content. The copyrighted content acts as a draw to millions of users, while the sites in turn serve advertisements to them or premium memberships that eliminate advertising and provide easier download capabilities. Advertising dollars and subscription fees driven by copyright infringement are usually their sole revenue sources.<sup>9</sup> Moreover, to further drive these incentives, some structurally infringing sites discourage less lucrative uploaders by deleting their files. They delete files that are only stored and not offered to the public at large or files that have content the uploaders

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<sup>7</sup>For example, claims seeking injunctive relief under 512(j) were asserted or mentioned in several cases, but the contours of 512(j) do not appear to have been fully litigated or discussed. *See, e.g.,* *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1154 (N.D. Cal. 2008) (stating that where defendant qualifies for 512(c) safe harbor, only relief available was 512(j) injunctive relief, but issue deemed moot after defendant removed infringing content); *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1111 (W.D. Wash. 2003) (noting that plaintiff could have sought 512(j) injunctive relief, but issue moot where defendant terminated infringing seller accounts); *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1148 (9th Cir. 2007) (noting that service providers could be subject to 512(j) injunctive relief, but not raising or discussing the issue in the case); *Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs.*, 351 F.3d 1229, 1235 (2d Cir. 2003) (citing to 512(j) distinctions between disabling access to internet and access to infringing content, but refraining from substantive discussion); *Arista Records, Inc. et al. v. AT&T Broadband Corp., et al.*, 02-Civ.-06554 (S.D.N.Y. 2002) (complaint that sought 512(j) injunctive relief to block access to infringing website voluntarily dismissed before elucidation of issue).

<sup>8</sup> *NetNames Report*, p. 24

<sup>9</sup> *Id.* at p. 3

created themselves, which do not draw enough visitors to whom ads can be served or premium memberships can be sold.<sup>10</sup>

The incentives (and disincentives) offered by the structurally infringing host sites ensure that they can offer scores of popular copyrighted songs, movies and books from the sites at any time, notwithstanding the DMCA 512 takedown regime. When an artist or rights holder sends a takedown notice, the structurally infringing site usually removes or disables the specific infringing material or link, which entitles the site to the DMCA safe harbor from monetary liability if the site also meets other statutory criteria.<sup>11</sup> The original uploader or some other user, however, often re-uploads the same work to the site, or the file itself is not removed, only the specific link, leaving other links to the file available. The now ubiquitous term “whack-a-mole” describes this situation, where one instance of the infringing work gets “whacked” but another simply takes its’ place. By way of illustration, on behalf of my employer, the science publisher Elsevier, I cited in Congressional testimony numerous instances where the company had issued take down notices for the same science and medical books on the same sites *hundreds of times each* in a single year.<sup>12</sup> The whack-a-mole phenomenon undoubtedly occurs on an even larger scale for popular cultural entertainment with wider public appeal, like blockbuster movies, hit songs, and bestselling novels. The incentives dangled at uploaders fuel this de facto effort to defeat the effectiveness of the takedown notices sent by artists and rights holders.

Moreover, the structural infringers’ motives are laid bare by these practices: they prefer that their users’ “lockers” are empty of low value content and not even used for real storage, but rather as a collective and fluid distribution hub for illegal content.<sup>13</sup> Their economic viability does not depend on selling services to individuals or businesses that need the space and infrastructure to legally store, access and share data with family, friends, personal acquaintances or business associates. They make their money from the users who visit the hub to get pirated content.

### **III. Legitimate Cloud Storage and User Generated Content sites**

In contrast to structural infringers, legitimate cloud services do not depend on copyright infringements by their customers to generate revenue. They do not reward customers who grant the widest indiscriminate and anonymous access to copyrighted materials to the general public so that they can sell more ads or premium subscriptions. Instead, cloud service sites primarily provide storage and backup services to businesses and individuals. They have reasonable business practices governing who can store and access files in their system. On the site DropBox, for example, customers may elect to keep their files private (without risk of deletion) or to share them with selected parties. And although the site also permits public sharing of documents, it does not incentivize public sharing, limits it on a daily basis, and prevents the sharing of documents for which it has previously received DMCA takedown

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<sup>10</sup> See Hotfile 2013 U.S. Dist. LEXIS 172339 at \*19 (noting that Hotfile deleted stored files that were not downloaded frequently).

<sup>11</sup> 17 USC § 512(c) and 512(i)

<sup>12</sup> Hearing on Section 512 of Title 17, Before the H. Comm. on the Judiciary, Subcomm. on Courts, Intellectual Property and the Internet, 113 Cong. (2014) (statement of Paul F. Doda, Global Litigation Counsel, Elsevier).

<sup>13</sup> See Hotfile, 2013 U.S. Dist. LEXIS 172339 at \*13-14 (Plaintiffs’ statistical analysis concluded that 90.2% of daily downloads on the Hotfile site were downloads of infringing or highly infringing content).

notices. As a result, Dropbox and sites that employ similar reasonable business practices do not have the same high level of infringements on their systems as structurally infringing sites.<sup>14</sup>

Legitimate user generated content sites also can be distinguished from structural infringers. The site Storyful, for example, is a video news agency that accepts user contributions of newsworthy or entertaining video content.<sup>15</sup> It secures licenses to the users' works and shares with them as creators and contributors the revenue that is generated from distributing their works through YouTube and other media outlets. YouTube itself, one of the most well-known user generated content site in the world, employs a ContentID filtering system to prevent uploading of copyrighted works without permission or to allow rights holders to monetize the downloading activity.<sup>16</sup> Structurally infringing host sites do not employ these legitimate models or reasonable practices to limit infringements.

#### **IV. Structural Infringers Sabotage the DMCA Bargain**

The DMCA reflects a bargain brokered by Congress between the interests of rights holders and service providers. Service providers must take certain actions concerning infringements on or through their systems to earn an exemption from liability to rights holders. Viewed through the lens of this deal, the practices of legitimate storage and user content sites mentioned above demonstrate their intention to honor the bargain, while the practices of structural infringers reveal their intention to undermine it.

Exploring the historical context and basis for the bargain with host sites highlights how it is undermined by structural infringers. The bargain has roots in the historical treatment of "common carriers."<sup>17</sup> As passive transporters of packages for others on a large scale, common carriers generally are not liable for the contents of the packages, whether they are physical packages transported by railroads, or in later less tangible form, data packages transmitted over phone lines, cable lines or wirelessly. The notion is that responsibility and liability for the contents of the packages remain with the sender alone.<sup>18</sup>

The common carrier analogy applies more readily to passive Internet Service Providers (governed by DMCA 512(a)), which transmit data transiently (like rail lines carry physical cargo), than it does to host sites (governed by DMCA 512(c)), which store content and thereby exercise more control over it. For that reason, under the DMCA, host sites have the additional responsibility of removing or disabling access to infringing materials for which they have notice, while ISP's do not.<sup>19</sup> Honoring

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<sup>14</sup> For instance, a review of Google's Transparency Reports, which report on takedowns of links to infringing content by Google, show substantially fewer take down requests related to content stored on Dropbox compared to content hosted by well-known cyberlocker websites Uploaded.net and 4shared.com. Compare <http://www.google.com/transparencyreport/removals/copyright/domains/dropbox.com/>, with <http://www.google.com/transparencyreport/removals/copyright/domains/uploaded.net/> and <http://www.google.com/transparencyreport/removals/copyright/domains/4shared.com/>.

<sup>15</sup> See <https://storyful.com/> (Last visited Nov. 19, 2015).

<sup>16</sup> See <https://support.google.com/youtube/answer/2797370?hl=en> (Last visited Nov. 19, 2015).

<sup>17</sup> Anne Marie Bridy, *Graduated Response and the Turn to Private Ordering in Online Copyright Enforcement*, 89 Or. L. Rev. 81, 89 (2010).

<sup>18</sup> *Id.* at 108

<sup>19</sup> 17 USC § 512(a)

takedowns can be viewed as a host site's principal ticket to the common carrier exemption from liability that is more logically accorded to true conduits like ISP's. A leading internet commentator and author, Cory Doctorow, has explained the DMCA bargain for host sites and the role of takedowns this way:

Strict liability just doesn't scale. "Common carrier" law *does* scale, but the entertainment industry (or the publishers and investors behind it, at least) has never been a fan of the notion. After all, common carriers have virtually no duties to industry, apart from dealing fairly and evenly with all comers.

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The Goldilocks middle ground here is Notice and takedown ... Takedown works pretty much like it sounds; if you think a file hosted on my server is infringing on your copyright, you tell me (Notice) and I have to remove it (Takedown). As long as I do so, I'm considered a common carrier – no matter what happens in the ensuing legal battle, I'm not liable for it. If I don't take it down, I'm in strict-liability land: if you win a judgment against the guy who's using my server to infringe on your copyright, you can sue me for damages.<sup>20</sup>

Whether publishers are fans of having common carrier principles govern host sites is beside the point when it comes to structural infringers. With the deal having been struck, even advocates for the exemption would agree that both parties should honor it in good faith. For rights holders, that means issuing take down notices with a good faith belief that the hosted material is infringing.<sup>21</sup> For host sites, it should be as simple as honoring those takedown requests without deploying business practices that blatantly undermine their effectiveness. Host sites that incentivize mass infringements, align their economic interests with the infringements, and render takedown notices useless against the onslaught of uploads -- in other words, sabotage the very mechanisms that justify their liability exemption -- logically should not be immune from liability. Along these lines, the respected US copyright scholar Jane Ginsburg has said that "if the entrepreneur is not neutral, and in fact is building its business at the expense of authors and rights owners, it should not matter how anodyne in the abstract the technology may be."<sup>22</sup> To date, however, DMCA jurisprudence does not adequately consider a host site's good faith when assessing its compliance with the statute's safe harbor requirements. To the contrary, one court has come close to saying that good faith means nothing at all, holding that host sites can "welcome" the infringing activity so long as they remove specific infringements upon receiving specific notice of them.<sup>23</sup>

The continued explosion of online infringement on hosting platforms since Professor Ginsburg's exploration of this issue might suggest that it's time to revisit her ideas concerning good faith and

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<sup>20</sup> CORY DOCTOROW, INFORMATION DOESN'T WANT TO BE FREE, LAWS FOR THE INTERNET AGE 77 (2014).

<sup>21</sup> 17 USC § 512(c)(3)(A)(v)

<sup>22</sup> Jane Ginsburg, *Separating the Sony Sheep from the Grokster Goats*, 50 Ariz. L. Rev. 577, 579 (2008)

<sup>23</sup> *Viacom Int'l, Inc. v. YouTube, Inc.*, 940 F. Supp. 2d 110, 118 (SDNY 2013).

entrepreneurial neutrality in relation to the DMCA safe harbors. At the very least, it suggests that injunctive relief should be considered to address 512(c) host sites that are not neutral entrepreneurs, which is the approach German courts have taken.

## V. The Case for Injunctive Relief against Structural Infringers

The US Copyright Act, including DMCA 512, is a federal law applicable to all US states. In the EU, various Directives, which are transposed into national laws, harmonize specific aspects of copyright law among the EU member states.<sup>24</sup> The harmonized areas include service provider liability privileges and the availability of injunctive relief, with the conditions and procedures for injunctions left to member state national laws.<sup>25</sup>

Although the DMCA singularly covers the field on these specific issues and EU law is a patchwork of Directives, implementing legislation and national laws, the US and EU legal regimes are substantially aligned on key issues. The EU E-Commerce Directive, which was adopted soon after the DMCA, limits the liability of certain intermediaries, including host sites, in terms that are nearly identical to the DMCA safe harbors.<sup>26</sup> Likewise, the EU Copyright Directive and Enforcement Directive require EU member states to ensure that rights holders can seek injunctions against intermediaries, in recognition that they might be best placed to stop infringements notwithstanding their possible exemption from monetary liability.<sup>27</sup> This too is similar to the DMCA, under which Congress intended 512(j) injunctions to remain available “to secure cooperation of those with the capacity to prevent ongoing infringement.”<sup>28</sup>

At the same time, both regimes recognize that injunctive relief should balance the need to stop and prevent infringements with the goal of encouraging legitimate online businesses and activities. As a result, the E-Commerce Directive precludes member states from imposing on service providers a “general obligation . . . to monitor” or a “general obligation actively to seek facts or circumstances indicating illegal activity” when providing their services.<sup>29</sup> The DMCA provides that the service provider’s safe harbor from monetary liability cannot be conditioned on “monitoring its service or affirmatively

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<sup>24</sup> The EU exemptions from liability for service providers also cover potential liability for user content beyond copyright claims, such as claims for trademark infringement and defamation. *See* E-Commerce Directive, Art. 12 (requiring member states to exempt service providers from liability for “information transmitted” by users, not just copyright claims related to the information); *See also* L’Oreal v. eBay at para. 132.

<sup>25</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (hereinafter “Copyright Directive”), Recital 59

<sup>26</sup> E-Commerce Directive, Articles 12-14

<sup>27</sup> Copyright Directive, Article 8(3) and Recitals 58 and 59 (these provisions do not refer specifically to the liability limitations in the E-Commerce Directive (only the temporary copy exception in Article 5) but have been interpreted uniformly as applying notwithstanding the liability limitations); *See also*, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the on the enforcement of intellectual property rights, Article 11 (Hereinafter “Enforcement Directive”). Moreover, the E-Commerce Directive does not affect the possibility for court orders requiring service providers to terminate or prevent infringement. *See* Articles 12(3), 13(2) and 14(3) and Recital 45.

<sup>28</sup> H.R. Rep. 105-551, Part 2, at 11.

<sup>29</sup> E-Commerce Directive, Article 15

seeking facts indicating infringing activity.”<sup>30</sup> Both regimes similarly require that courts consider freedom of expression and other user interests when imposing injunctive relief.<sup>31</sup>

These similarities suggest that when considering the possibility of injunctive relief against structurally infringing host sites in the US, it is worthwhile to consider how EU and member country laws have been applied to these sites.

## **a. Injunctive Relief against Structural Infringers in the EU**

### **1. The injunctive relief available under EU law**

While the Copyright and Enforcement Directives mandate the availability of injunctive relief that can bind intermediaries, the E-Commerce Directive dictates the type of relief that should be available.<sup>32</sup> It broadly provides for “the possibility of injunctions of different kinds” and that “such injunctions can in particular consist of orders by courts or administrative authorities requiring the termination or prevention of any infringement, including the removal of illegal information or the disabling of access to it.”<sup>33</sup>

### **2. The equitable analysis under EU law**

Even though the conditions for imposing injunctions are left to member state national laws, the member states “are not completely at liberty to design the injunctions at their own discretion.”<sup>34</sup> The familiar refrain applies that the relief must be “fair and equitable.”<sup>35</sup> It must be “effective, proportionate and dissuasive”<sup>36</sup> and courts should consider cost, degree of complication, issues of timing and delay, and whether the relief would impede legitimate activities.<sup>37</sup>

Rulings by the CJEU make clear that the “efficacy, dissuasiveness and proportionality” requirements apply to injunctions against host service providers.<sup>38</sup> Under German court decisions governed by these parameters, some of the relevant specific considerations are the “intensity of the risk, commercial advantage of the hosting provider from the infringement, weighing of interests of copyright holder and host provider, expense of limiting risk of infringement, [and] lack of or existing possibilities to stop infringement.”<sup>39</sup> The threshold of what is “proportionate” rises the more that a

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<sup>30</sup> 17 USC § 512(m)

<sup>31</sup> See, e.g., Enforcement Directive, Recital 2 and the DMCA at 17 U.S.C. § 512(j)(2)(C).

<sup>32</sup> E-Commerce Directive, Recital 45.

<sup>33</sup> Id.

<sup>34</sup> UPC Telekabel Wein GmbH v. Constantin Film Verleih GmbH Case C-314/12 (2014) at \*73; see also, Jan Bernd Nordemann, *Internet Copyright Infringement: Remedies Against Intermediaries – the European Perspective on Host and Access Providers*, 59 J. Copyright Soc’y, 773, 779 (hereinafter, “Nordemann, *European Perspective*”).

<sup>35</sup> Enforcement Directive, Article 3(1).

<sup>36</sup> Enforcement Directive, Article 3(2). See also L’Oreal at paras. 180-81; UPC Telekabel at para. 26.

<sup>37</sup> Enforcement Directive, Article 3(2).

<sup>38</sup> See L’Oreal v. eBay, C-324/09 [2011] E.C.R. I-6011 at \*179-80.

<sup>39</sup> Jan Bernd Nordemann (2011), *Liability for Copyright Infringement on the Internet: Host Providers (Content Providers) – the German Approach*, 2 JIPITEC, 37, para 39 (hereinafter, “Nordemann, *German Approach*”). German cases finding a high risk of infringement and commercial advantages by the host provider associated with the

host's behavior encourages its users' infringements.<sup>40</sup> These specific equitable considerations from German case law look familiar to US counsel practicing under the DMCA, because they have much in common with the equitable considerations codified under DMCA 512(j). Given the dearth of case law discussing 512(j), a brief discussion of the application of these considerations by a German court is also helpful.

In *Walther de Gruyter GmbH & Co. vs. Rapidshare*, the German Federal Court of Justice, Germany's highest court of civil and criminal jurisdiction, upheld injunctive relief requiring the host site Rapidshare to prevent specific, previously identified, infringing works from reappearing on its servers through a combination of targeted searching and filtering techniques.<sup>41</sup> The national law basis for injunctive relief in *Rapidshare* was the German law of *Stoererhaftung* ("responsibility of the disquieter"), which allows injunctions against a host site as an indirect infringer, where the site (i) contributes to the infringement in an adequately causal way; (ii) has been made aware of the infringements; and (iii) can prevent future infringements.<sup>42</sup> The lower appellate court found that the infringements were made available to the public by way of download links from Rapidshare's service (an adequate contribution to the infringement), that Rapidshare had notice of the infringements, and that Rapidshare could have prevented future infringements. The court thus found that Rapidshare had a duty of care to prevent specific future infringements through reasonable means, the failure of which could be remedied by injunction.

With regard to Rapidshare's duty of care and "proportionality" under EU law, the lower court held that Rapidshare could be required to do more to prevent infringing activity on its system because its business structure and practices significantly increased the risk of infringements.<sup>43</sup> The court noted that, unlike cloud computing services, Rapidshare did not charge for storage space but rather was exclusively dependent on the sale of premium accounts that were salable largely because popular copyrighted content created demand for the accounts.<sup>44</sup> The court also held that rewarding users who uploaded files based on the download frequency of the files by other users encouraged infringements because attractive copyrighted content increased downloads.<sup>45</sup> These incentivizing practices and policies, along with the anonymous usage of the service, supported the conclusion that more could reasonably be required of Rapidshare to prevent infringements.<sup>46</sup>

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infringement include Higher Regional Court (OLG) Munich, May 7, 2015, File No. 29 U 4729/14 (unpublished), District court (LG) Munich I, July 11, 2014, File No. 21 O 8154/13, ZUM 2015, 160 and District court (LG) Frankfurt, February 5, 2014, File No. 2 06 O 319/13, ZUM-RD 2015, 118. In these cases, German courts also imposed the obligation to pay damages because the host provider did not comply with imposed measures to stop infringements.

<sup>40</sup> Nordeman, *German Approach*, ¶ 39.

<sup>41</sup> [BGH] [Federal Court of Justice] Aug. 15 2013 (No I ZR 79/12) (Ger.) *Walther de Gruyter GmbH & Co. KG v. Rapidshare* at ¶¶ 38, 51-57.

<sup>42</sup> *Id.* at ¶¶ 11, 12. *See also* Nordeman, *German Approach*, ¶ 15.

<sup>43</sup> *Id.* at ¶¶ 33, 37-38, 51-57.

<sup>44</sup> *Id.* at ¶¶ 13, 32-36, 53-54.

<sup>45</sup> *Id.* at ¶¶ 32-36.

<sup>46</sup> *Id.* at ¶¶ 37-38.

The Federal Court of Justice upheld these lower court findings and required Rapidshare to (i) search link libraries for links to the works to be removed from its servers; (ii) use major search engines and implement web crawlers to determine further infringing links and link resources for the works to be removed; and (iii) use hash and word filtering to check stored files and to prevent the upload of new files containing the works. The court held that these forms of injunctive relief did not “go beyond the limits of that which is reasonable” and complied with the standards for injunctive relief established by the CJEU.<sup>47</sup> Regarding the eCommerce Directive’s prohibition on “generalized” monitoring (as implemented under German law), the high court found that monitoring in *specific* cases to prevent *certain unlawful activities* -- such as to prevent the recurrence of the same and similar infringements for which there had been previous notices -- was permitted.<sup>48</sup>

The imposition of injunctive relief against host sites in the EU has been criticized for reducing the legal certainty provided by the safe harbor and thereby weakening its role in encouraging start-up companies and technological development.<sup>49</sup> That concern, however, ignores the statutory scheme, which expressly entrusts courts to consider inherently flexible forms of injunctive relief under settled equitable principles, and to deny relief where the law and equity militate against it. Indeed, the CJEU has effectively drawn limits on the availability of injunctive relief in this area by rejecting injunctions sought against an ISP and a social networking site, which, it can be noted, generally are not the types of sites that would be considered structural infringers based on the earmarks identified in this article.<sup>50</sup> Host sites with reasonable business practices and true entrepreneurial neutrality can remain secure in their safe harbor protection, while structurally infringing host sites should be subject to closer judicial scrutiny and possible injunctive relief. This is a reasonable balance: start-ups should not be grounded unduly, but nor should they be permitted to use intellectual property owned by others to generate their start-up funds.<sup>51</sup>

### **b. Injunctive Relief against Structural Infringers in the US**

In the US, the host site’s common law liability for copyright infringement is a prerequisite for injunctive relief under DMCA 512(j), while EU law provides for the possibility of injunctive relief independent of the host site’s liability.<sup>52</sup> As a result, it is appropriate to first briefly consider the likely basis for common law liability against a structural infringer under US law, before turning to discussion of

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<sup>47</sup> Id. at ¶¶ 38, 54, 57.

<sup>48</sup> Id. at ¶ 38.

<sup>49</sup> The Center for Democracy and Technology, *Cases Wrestle with Role of Online Intermediaries in Fighting Copyright Infringement*, 8 (June 26, 2012).

<sup>50</sup> *Scarlet Extended SA v Societe Belge des Auteurs, Compositeurs et Editeurs SCRL (SABAM) (C-70/10)* and *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV (C-360/10)*

<sup>51</sup> Ginsburg, *Grokster Goats*, at 577.

<sup>52</sup> See *UPC Telekabel*, at ¶¶ 91-93 (holding that injunctive relief ordering specific preventive measures is possible regardless of whether the provider has a contractual relationship with the infringing parties or is itself liable for infringement). It has been suggested that the German “disquieter” doctrine requirement that there be a breach of duties of care by the host site may be inconsistent with the European Commission’s view that the Copyright Directive and Enforcement Directive do not require liability before imposition of injunctive relief. See Nordemann, *German Approach*, para 16. The German law requirements, in any event, seem to bring German law closer to US law, which requires that there be a basis for common law liability before 512(j) injunctive relief is available.

the relevant type, criteria and scope of injunctive relief available in the US and the application of US law to structurally infringing host sites.

### **1. Common Law theories of Secondary Liability under US Law<sup>53</sup>**

Under US law, host site users who upload infringing content typically would be directly liable for the activity, while the host sites themselves face secondary liability based on contributory infringement, inducement or vicarious liability theories.<sup>54</sup> Vicarious liability requires “a right and ability to control the infringing activity” and a “direct financial interest in the activity.”<sup>55</sup> The site is not required to have intended for the infringements to occur or to have specific knowledge of them.<sup>56</sup> The provision of hosting facilities and infrastructure has been found to satisfy the control prong of vicarious liability.<sup>57</sup> The financial benefit prong has been found where the infringements are a “draw” for users who buy subscriptions.<sup>58</sup> As a result, structurally infringing host sites are particularly vulnerable to claims based on vicarious liability because they provide the platform for infringing users and the infringements draw users to the site.<sup>59</sup> That is not to say that structural infringers are not also vulnerable to common law secondary liability claims based on contributory or inducement theories, but pursuit of those theories will usually require additional fact finding concerning the site’s knowledge or intent.<sup>60</sup>

### **2. The injunctive relief available under US law**

Section 502 of the US Copyright Act provides for injunctive relief to “prevent or restrain infringement of a copyright.”<sup>61</sup> Under DMCA 512(j)(1), Section 502 injunctions are available against host site that qualify for a safe harbor from liability.<sup>62</sup> The forms of available injunctive relief are set forth in Section 512(j)(1)(A):

- (i) An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network.

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<sup>53</sup> This article focuses on the requirements for obtaining injunctive relief in the US and EU notwithstanding the host site safe harbor. Therefore, for present purposes, safe harbor protection is assumed, notwithstanding that the safe harbor of structural infringers is vulnerable to defeat based on, among other potential deficiencies, the lack of adequate repeat infringer policies or adequate implementation of such policies. See, e.g., *Hotfile*, 2013 U.S. Dist. LEXIS 172339 at \*66-68. Discussion of the direct liability of the structural infringers’ users who upload infringing content is also beyond the scope of this article, because such liability is often beyond dispute.

<sup>54</sup> *Arista Records, LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124 (SDNY 2009); *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 US 913 (2005).

<sup>55</sup> *Usenet.com, Inc.*, 633 F. Supp. at 156.

<sup>56</sup> *Id.*

<sup>57</sup> *Hotfile* 2013 U.S. Dist. LEXIS 172339 at \*129.

<sup>58</sup> *Id.* at \*127-128.

<sup>59</sup> *Id.* at 127-134.

<sup>60</sup> *Id.* at 93.

<sup>61</sup> 17 USC § 502

<sup>62</sup> 17 USC § 512(j)(1)

(ii) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(iii) Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.<sup>63</sup>

Subsections (i) and (iii) seem to provide the most suitable forms of injunctive relief to address the constantly recurring infringements that are encouraged by structurally infringing host sites, particularly when Congressional intent and rules of statutory interpretation are considered.<sup>64</sup>

Under Subsection (i), user “lockers” on the structural infringer’s system should be construed as “particular online sites” where infringing activities and materials can be addressed by way of injunctive relief. The Congressional record, in fact, refers to the “specific *location* on the provider’s system” when referring to the particular online site where activities or materials can be blocked or removed.<sup>65</sup> It follows that injunctive relief should be available to restrain attempted upload activity to user lockers to prevent ongoing access to the same infringing materials when repeated takedown notices have failed to do so. Moreover, construing the provision in this manner fulfills Congress’s intention that 512(j) injunctive relief should remain available to bind service providers that have “the capacity to *prevent* ongoing infringement.”<sup>66</sup> It also serves Congress’ intent that the DMCA should provide “strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringement.”<sup>67</sup>

It must be noted that the Congressional record also says that Subsection 512(j)(1)(A)(i) gives rights holders a second chance to get material taken down from host sites.<sup>68</sup> But if that were the *only* utility of the provision, it would be meaningless. Host sites have to comply with takedown notices as a

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<sup>63</sup> 17 USC § 512(j)(1)(A)

<sup>64</sup> The DMCA was drafted against the backdrop of internet technologies and activities that existed in 1998, making it more difficult to apply the statute to today’s host sites and other service providers, which now have vastly different practices and technologies. Courts turn to the Congressional record and rules of statutory construction in circumstances where statutory provisions need interpretation. *Cablevision Sys. Dev. Co. v. Motion Picture Assn. of Am.* 836 F2d 599, 608 (D.C. Cir. 1988).

<sup>65</sup> H.R. Rep. 105-551, Part 2 (1998), at 62-63 (emphasis added).

<sup>66</sup> H.R. Rep. 105-551, Part 2 at 11 (emphasis added).

<sup>67</sup> H.R. Rep. No. 105-796 (1998), at 72.

<sup>68</sup> H. R. Rep. 105-551, Part 2, at 62-63 (“This is essentially an order to take the actions identified in new subsection [512](c)(1)(C) to ‘remove, or disable access’ to the material that is claimed to be infringing or to be the subject of infringing activity.”)

threshold requirement.<sup>69</sup> If they do not honor takedown requests, they lose the safe harbor and are not only subject to claims for damages but also injunctive relief under *Section 502*, including orders to remove infringing material.<sup>70</sup> In light of the availability of Section 502 relief in this scenario, reading Subsection 512(j)(1)(A)(i) to only provide a second bite at the takedown apple would render the provision “superfluous, void or insignificant.”<sup>71</sup> Statutory interpretations that lead to such a result are roundly disfavored and should be avoided.<sup>72</sup>

Nonetheless, even if subsection 512(j)(1)(A)(i) does not provide a source of relief against structural infringers, the broad “catch-all” provision 512(j)(1)(A)(iii) should. Under that subsection, courts can order any “other injunctive relief” that they consider necessary to prevent infringements at particular online locations, so long as the relief is “the least burdensome to the service provider” among “comparably effective” preventive measures.<sup>73</sup> The “least burdensome” requirement is explored in more detail below because it is also a factor that 512(j) directs courts to consider in deciding whether to grant injunctive relief. It is sufficient to say here that injunctive relief should be available against structural infringers under subsection 512(j)(1)(A)(iii) if it is the least burdensome effective relief that can be imposed and the balancing of the other factors bearing on injunctive relief favor the rights holder.

### 3. The equitable analysis under US law

The well-settled considerations for injunctive relief under US law apply in the context of copyright claims. There must be: (i) irreparable harm; (ii) remedies at law, such as money damages, are inadequate to compensate the harm; (iii) the harm to the plaintiff if the relief is not granted must outweigh the potential harm to the defendant if it is granted; and (iii) the public interest must not be disserved by the proposed equitable remedy.<sup>74</sup> In addition, Section 512(j)(2) requires that courts take into account “additional considerations” specific to the online environment:

- (A) whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this subsection, would significantly burden either the provider or the operation of the provider’s system or network;
- (B) the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;

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<sup>69</sup> 17 USCS § 512(c)(1)(C)

<sup>70</sup> The section 512(j) rules for injunctions apply “against a service provider that is not subject to monetary remedies under this section [DMCA 512],” in other words a service provider with DMCA safe harbor protection from liability. Thus, if the service provider is not entitled to DMCA safe harbor protection, then the 512(j) rules for injunctions do not apply, section 502 alone governs.

<sup>71</sup> *TVI, Inc. v. InfoSoft Technologies, Inc.*, 2006 US Dist. LEXIS 71240 at \*7-8 (E.D. Mo. Sept. 29, 2006) (quoting *Duncan v. Walker*, 533 U.S. 167, 174 (2001)).

<sup>72</sup> *Id.*

<sup>73</sup> 17 USC § 512(j)(1)(A)(iii)

<sup>74</sup> *WPIX Inc. v. ivi Inc.*, 765 F. Supp. 2d 594, 601 (S.D.N.Y. 2011) (citing *Salinger v. Colting*, 607 F.3d 68, 79-80 (2d Cir. 2010)).

- (C) whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to non-infringing material at other online locations; and
- (D) whether other less burdensome and comparatively effective means of preventing or restraining access to the infringing material are available.<sup>75</sup>

The combination of these traditional and DMCA-imposed factors essentially requires US courts to (i) employ the traditional equitable analysis turning on the parties' respective harm, interests and burdens in the context of the claims and relief sought, while (ii) also considering the feasibility and effectiveness of the proposed injunctive relief in the online context; whether there are less burdensome comparably effective alternatives; and whether the relief would interfere with legitimate user access to non-infringing material. Discussed below is how structural infringers should fare under this equitable analysis.

*Irreparable harm/inadequate remedies at law:* Structural infringers perpetuate viral infringement by countless unknown users, which has been recognized as serious harm that cannot be addressed adequately by monetary remedies.<sup>76</sup> Similarly, the encouragement of continuing infringements by structurally infringing host sites can constitute irreparable harm.<sup>77</sup>

*Consideration of Interests, Burdens and Equities:* Rights holders suffer harm from the mass infringement that takes place on structurally infringing host sites. The harm is exacerbated by practices and policies that incentivize infringement and defeat the utility of takedowns. Meanwhile, by virtue of its' practices and policies, the structural infringer's burden to prevent recurring infringements is largely self-inflicted: if the site did not encourage the continual re-posting of the same infringed works, it would not be called upon to prevent the activity. The burden, moreover, is tempered to the extent the injunction applies to specifically identified works previously removed from the site numerous times before. It is also tempered because the site is only being asked to use information already in its possession – DMCA notices and the offending files – to prevent attempts to re-upload the same works. The expanding availability and use of filtering mechanisms by hosting platforms like Scrib'd and Dropbox suggest that the burden is manageable, especially for structural infringers that in effect earn millions of dollars from content owned by others. Last, the public interest is not disserved by an injunction that protects rights holders and preserves their incentives to continue creating and publishing.<sup>78</sup> Nor is it disserved by relief that narrowly prevents recurring infringements while leaving undisturbed non-infringing posts and activities.

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<sup>75</sup> 17 U.S.C. § 512(j)(2).

<sup>76</sup> See, e.g., *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1217 (C.D. Cal. 2007); *Arista Records LLC v. Lime Wire LLC*, No. 06-Civ-05936, 2010 U.S. Dist. LEXIS 145967, at \*3 (S.D.N.Y. Aug. 9, 2010).

<sup>77</sup> See, e.g., *Warner Bros. Entm't, Inc. v. RDR Books*, 575 F. Supp. 2d 513, 553 (S.D.N.Y. 2008); *Pearson Education, Inc. v. Vergara*, 2010 U.S. Dist. LEXIS 101597 at \*11-12 (S.D.N.Y. Sept. 27, 2010); *Elektra Entm't Group, Inc. v. Carter*, 618 F. Supp. 2d 89, 95 (D. Me. 2009); *BMG Music v. Marsters*, 616 F. Supp. 2d 151, 156 (D. Me. 2009)

<sup>78</sup> *Salinger*, 607 F.3d at 82-83.

*Technical Feasibility and Comparable Effectiveness:* The growing use of filtering technologies illustrates their technical feasibility and utility. The feasibility of other remedies ordered by German courts, such as the use of targeted searches of specific linking sites and search engines to identify infringing content on the host site, likewise does not seem in doubt. By contrast, the removal of infringements hundreds of times followed by immediate re-uploads of the same works demonstrates that takedowns are not a comparably effective means to stop the infringement. Nor is the prospect of suing uploaders for direct infringement a comparably effective solution. When a book or movie, for example, is posted hundreds or thousands of times, by scores of different users, rights holders cannot be expected to pursue mass lawsuits to stop the infringement of a single title, and to repeat that exercise for the many other titles for which takedowns have failed.<sup>79</sup>

*Access to Non-infringing Material:* Requiring structural infringers to take steps to prevent previously identified infringing works from being re-uploaded does not interfere with access to non-infringing works. Section 512(j) injunctive relief is, in fact, surgical compared to criminal actions that immediately shut down sites and civil judgments awarding massive statutory damages that in effect have the same result. Some commentators have criticized criminal actions and large civil awards that lead to site closures for broadly cutting off access to legitimate users and usage.<sup>80</sup> But injunctive relief is a measured response that does not expose the site to the death knell of immediate criminal seizure or a massive damages award, gives the site the opportunity to continue its business without the problematic incentivizing practices, and encourages cooperation between the host site and rights holders, the latter of which is a primary goal of the DMCA.<sup>81</sup>

In sum, both EU and US law provide paths to injunctive relief to prevent serial re-uploading of infringements on host sites. That relief can consist of filtering and other measures that increasingly are being adopted by good faith host sites. In addition, there are substantial similarities between the relevant equitable considerations that govern the imposition of injunctions in each legal regime. Both EU and US law consider (i) the parties' respective interests, burdens and equities; (ii) the feasibility of the requested relief; (iii) the potential effectiveness of the relief; (iv) whether there are alternative effective measures; and (v) whether the relief would interfere with non-infringing material (or legitimate trade, in the EU formulation). The analysis of these equitable factors warrants the imposition of injunctive relief against structurally infringing host sites, whether that relief is sought in Germany, elsewhere in the EU, or in the US.

#### **4. Injunctive relief and the DMCA “no monitoring” provision**

Section 512(m) of the DMCA should not prohibit the imposition of reasonable and targeted injunctive relief against structural infringers under Section 512(j). First, 512(m) says that the DMCA safe

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<sup>79</sup> To “pursue the infringement to its source” is not practically possible compared to filtering and other scalable solutions. See 4 Nimmer on Copyright ¶ 12B.11[B].

<sup>80</sup> See Chloe Albanesius, *Recovering Legitimate Megaupload Files? Good Luck With That* (January 20, 2012), PCMag.com (discussing user frustration with the shutdown of the Megaupload site). The article can be accessed online at: <http://www.pcmag.com/article2/0,2817,2399162,00.asp>.

<sup>81</sup> H.R. Rep. No. 105-796 (1998), at 72.

harbors against *monetary liability* cannot be conditioned on a monitoring obligation.<sup>82</sup> The provision, on its face, does not apply when the issue is one of injunctive relief, not monetary liability. Rights holders should be able to argue persuasively that injunctions that prevent the recurrence of specifically identified and previously removed infringing materials are not precluded by 512(m). Second, even if 512(m) were held to limit the injunctive relief that can be imposed on host sites – similar to how the E-Commerce Directive prohibits *generalized* monitoring – it is reasonable to expect that US courts would assess, on a case-by-case basis, whether the injunctive measures sought are sufficiently specific and narrowly drawn, rather than broadly foreclosing all potential forms of injunctive relief that could prevent recurring infringements under 512(j).

## **VI. Appropriately Tailored Injunctive Relief does not preclude Fair Use or impinge Free Speech**

Requiring structurally infringing host sites to prevent previously removed infringements from being re-uploaded does not harm fair use or free speech. One way to assess whether those concerns are addressed is to measure the proposed relief against the *Principles for User Generated Content Services* (UGC Principles).<sup>83</sup> The UGC Principles were created collaboratively by copyright owners and 512(c) host providers to meet shared objectives for reducing infringing audio and video content while encouraging the creation and sharing of original content and respect for fair use. The UGC Principles recommend that host sites use content identification technologies and reference copies of copyrighted works to block matching content before it is made available on the site (or to permit licensing or other usage options upon direction of the copyright owner). The overarching goal of the UGC Principles is to ensure that only matches to known infringements are blocked so that fair use and free speech are protected.<sup>84</sup>

Measured against these principles, the injunctive relief awarded by German courts, and recommended for US courts in this article, adequately addresses these concerns. The relief only blocks or removes re-posted copies of the same works that were previously subject to takedown notices, which are required to be issued in good faith.<sup>85</sup> In addition, the host site has access to the files at issue containing the infringing works, which the site can use for matching purposes. Finally, the narrow framing of the relief to block or remove only infringing uploads, while leaving other files undisturbed, does no harm to the fair use or free speech rights of users who are posting or accessing non-infringing materials.

## **VII. Conclusion**

Rapid technological change since the DMCA was enacted in 1998 has rendered the statute's notice and takedown regime ill-suited to address the online infringement that occurs on certain hosting

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<sup>82</sup> 17 USC 512(m).

<sup>83</sup> The *Principles for User Generated Content Services* ("UGC Principles") can be accessed online at: <http://www.ugcprinciples.com/>.

<sup>84</sup> UGC Principles, ¶ 3.

<sup>85</sup> 17 U.S.C. § 512(c)(3)(A)(v). See also *Lenz v. Universal Music Corp.*, 801 F.3d 1126, 2015 U.S. App. LEXIS 16308 at \*23-24 (9th Cir. 2015) (noting that a copyright holder must form a subjective good faith belief that the offending activity is not a fair use).

platforms today. There was the belief back then that takedown notices alone could address what were expected to be relatively low volume instances where users posted copyrighted content on message boards, and that hosts would gladly take the material down to enjoy immunity from liability. To be sure, the notice and takedown system still works as intended for many sites today. But it is also true that certain hosting platforms that did not exist in 1998 have structured their businesses to exploit the DMCA cloak from liability. They do so by taking material down while at the same time rendering the notices meaningless by encouraging the reappearance of the same infringing works from a sea of ready replacements. These structural infringers cannot be counted on to voluntarily adopt anti-piracy measures, such as the reasonable filtering techniques currently being deployed by other platforms, because that would cripple their free-riding business model, which depends on their users' posted infringements to sell subscriptions and generate advertising revenue. The sites may not be "common thieves" in a strict sense, but by structuring their businesses to profit from the illegal conduct of other parties they are certainly closer to masterminds of large-scale theft than to neutral "common carriers."

US courts, like their counterparts in Germany, can begin to address the problem by issuing appropriately tailored injunctive relief that requires the sites to take reasonable measures to prevent the serial re-uploading of previously removed works. Injunctive relief can prevent structurally infringing host sites from continuing to undermine the DMCA's goals and takedown mechanisms. Without judicial intervention, these sites will continue to incentivize large scale copyright infringement with little concern over liability, responsibilities to rights holders, or the harmful consequences to individual artists, musicians and other creators. Finally, by narrowly basing the relief on infringing works previously identified by numerous DMCA takedown notices, the injunctions permit continued access and activities related to non-infringing materials, thereby preserving fair use and free speech.