

A NEW (OLD) SOLUTION FOR ONLINE COPYRIGHT ENFORCEMENT AFTER *THOMAS* AND *TENENBAUM*

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I. INTRODUCTION

Following ten years of rapid growth, online copyright infringement still represents a significant challenge to modern copyright owners. Over the past decade, the Recording Industry Association of America (RIAA) engaged in two major litigation campaigns to combat the spread of online music piracy: (1) against the companies that facilitated unauthorized online music sharing, and (2) against individual users who distributed copyrighted music. Towards the end of the first campaign, Professors Mark A. Lemley and R. Anthony Reese proposed an alternative system for resolving copyright disputes that would offer copyright owners a better means of enforcing their rights online.¹

Prior to Lemley and Reese's proposal, the RIAA began a challenging task: attempting to collect damages from online infringers within the framework of the 1976 Copyright Act. Given the practical challenges of gathering infringement evidence, the RIAA's litigation strategy focused on testing new arguments for liability and damages. Although most defendants settled, those who fought the RIAA countered with their own theories of liability, defenses, and damages.

By the summer of 2009, juries returned verdicts in the only two cases to proceed through the entire trial process: *Capitol Records, Inc. v. Thomas-Rasset* and *Sony BMG Music Entertainment v. Tenenbaum*.² Although these cases helped clear up some of the remaining uncertainty over how to apply existing copyright jurisprudence to online infringement by individuals, they had no effect on RIAA litigation strategies. The RIAA had announced the end of its campaign against individual infringers more than a year earlier, after finding that it proved costly, ineffective, and harmful to its clients' public images.

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1. Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004). *See infra* Section IV.

2. *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Dec. 7, 2009); *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497, slip op. (D. Minn. June 19, 2009).

The RIAA's attorneys spent years developing a strategy for establishing peer-to-peer copyright infringement liability, only to find that the drawbacks of using it outweighed its benefits.

This Note examines the RIAA's approach in further detail, and proposes an alternative solution: the same system that Lemley and Reese described six years ago. Although they intended to solve a different set of problems, their proposal could address many of the shortcomings of the current system. Parts II and III discuss the RIAA's first and second litigation campaigns, as well as the relevant legal precedents settled in each phase regarding direct copyright infringement online. Part IV describes Lemley and Reese's proposal, and explains why the current state of affairs is unacceptable for copyright owners and for alleged defendants. The Note concludes with a discussion of the advantages of implementing the Lemley and Reese system.

II. PHASE ONE: THE RIAA'S LAWSUITS AGAINST FACILITATORS

The RIAA, in service of its mission to "protect intellectual property rights worldwide,"³ first responded to the threat of online music sharing by filing lawsuits against the companies that released file sharing software or operated peer-to-peer networks. The first Section of this Part discusses the litigation against Napster and other facilitators of online infringement. The second Section examines the aftermath of this initial campaign.

A. THE RIAA'S CLASHES WITH NAPSTER AND ITS COHORTS

On June 1, 1999, Shawn Fanning began a limited test of his project Napster, a system that would allow individual users to search for and download digital recordings of songs from the collections stored on fellow users' hard drives.⁴ By October, Napster traffic was taking over university networks, and its users had downloaded a million songs.⁵ Although savvy Internet users had been able to download digital audio recordings before Napster, the new network's growth rate and buzz was unprecedented.⁶ While

3. RIAA, Who We Are (Aug. 22, 2008) (previous version of web page, on file with author). As the trade group representing the record labels responsible for 85% of American music production and sales, the RIAA strives to "foster a business and legal climate that supports and promotes [its] members' creative and financial vitality." *Id.*

4. Spencer E. Ante, *Inside Napster*, BUS. WK., Aug. 14, 2000, available at http://www.businessweek.com/2000/00_33/b3694001.htm.

5. *Id.*

6. See Chuck Phillips, *Humming a Hopeful Tune at Napster*, L.A. TIMES, July 19, 2000, available at <http://articles.latimes.com/2000/jul/19/business/fi-55152> (mentioning that Napster had "the fastest adoption rate of any new technology on the Internet").

this news excited Fanning and music fans, it deeply concerned the record industry. Mass quantities of copyrighted songs were being traded online, and business negotiations between Napster and major record labels to legitimize the service fell through in late 1999.⁷

After the failure of these negotiations, the RIAA's member labels filed suit against Napster on December 7, 1999.⁸ The district court found that the labels' claims of contributory and vicarious infringement of sound recording copyrights were likely to succeed, and granted a preliminary injunction against further unauthorized distribution.⁹ Napster appealed the order, arguing that there was no showing of likelihood of irreparable harm to the labels, and claiming several defenses including fair use.¹⁰ These arguments failed to persuade the Ninth Circuit, which upheld the preliminary injunction.¹¹ The district court issued a modified injunction on March 5, 2001.¹²

Although this injunction effectively shut down Napster's illegal trading, by that time other peer-to-peer file-sharing networks existed that allowed users to exchange music with similar ease. The RIAA's member labels sued at least eight other companies operating peer-to-peer networks.¹³ The most notable of these cases, *MGM Studios Inc. v. Grokster, Ltd.*, culminated in a U.S. Supreme Court decision addressing the standard for secondary liability for copyright infringement.¹⁴

7. Ante, *supra* note 4.

8. *Id.*

9. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 925–27 (N.D. Cal. Aug. 10, 2000).

10. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014–19, 1024–27 (9th Cir. 2001).

11. *Id.* at 1027–28. Although Judge Beezer held that the district court was correct to grant the injunction, she found it to be “overbroad,” and instructed the district court on remand to require the labels to provide notice of infringement to Napster, while still requiring Napster to “polic[e] the system within the limits of the system.” *Id.* at 1027.

12. *A&M Records, Inc. v. Napster, Inc.*, 2001 U.S. Dist. LEXIS 2186 (N.D. Cal., Mar. 5, 2001).

13. ELECTRONIC FRONTIER FOUNDATION, *RIAA v. THE PEOPLE: FOUR YEARS LATER 2* (2007) http://w2.eff.org/IP/P2P/riaa_at_four.pdf (providing cites for cases against Scour, Aimster, AudioGalaxy, Morpheus, Grokster, KaZaA, iMesh, and LimeWire).

14. 545 U.S. 913 (2005). The Court clarified that the “staple article of commerce” safe harbor from *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984), only “limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product;” where other evidence of intent exists, the *Sony* rule does not apply. *Id.* at 933–35. The Court held that one who distributes a device (such as file-sharing software) “with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement” will be liable for secondary infringement, even where the device has substantial noninfringing uses. *Id.* at 936–37.

B. THE AFTERMATH OF THE LAWSUITS AGAINST FACILITATORS

Despite the RIAA's successes in court against the operators of peer-to-peer networks, the popularity of file sharing over the Internet continued to grow. Penetration of broadband Internet access was forty-eight times higher in Q4 2003 than it was in 1998, so more people could download songs at a faster rate.¹⁵ Moreover, shortly after Napster began facing legal troubles, programmers started developing alternative peer-to-peer networks designed to avoid a key vulnerability of the Napster system.¹⁶ These "decentralized" file-sharing networks did not need a central server to operate, and thus could not be taken down by an injunction against a single operator. Whereas the original incarnation of the Napster network was shut down within two years of its creation, file sharing on the decentralized Gnutella network continued in abundance at least seven years after it first came online.¹⁷

Although polling indicated that a majority of Napster users would be willing to pay a fee for music downloads,¹⁸ successful online stores for authorized downloads took much longer to open. By 2001, the five major record companies formed joint ventures to operate MusicNet and PressPlay, legal services that offered users new features such as streaming songs and exclusive remixes not available on CDs.¹⁹ However, customers were disappointed by the stores' limited selections and upset by the technical restrictions on their purchases (such as expiration after a certain time or number of plays),²⁰ and ultimately the services failed.²¹ Learning from these

15. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, BROADBAND PENETRATION, HISTORICAL TIME SERIES (2009), <http://www.oecd.org/sti/ict/broadband>.

16. Two examples of such networks are Gnutella and FreeNet, both of which were released in 2000, after the filing of the first Napster suit. See Howard Weaver, *New Secrecy, Anonymity Can Change Networked World*, THE SACRAMENTO BEE, Apr. 3, 2000, at B5.

17. Eric Bangeman, *Study: BitTorrent Sees Big Growth, LimeWire Still #1 P2P App*, ARS TECHNICA, Apr. 21, 2008, <http://arstechnica.com/old/content/2008/04/study-bittorrent-sees-big-growth-limewire-still-1-p2p-app.ars> (citing a study reporting that Gnutella traffic made up 40.5% of peer-to-peer traffic in 2007).

18. Press Release, Angus Reid Group, Inc., *Napster Users Just Want More Music, Not Necessarily for Free* (Aug. 2, 2000), available at <http://www.ipsosmediact.com/download/pr.aspx?id=1424>.

19. Amy Harmon, *Congress Getting a Preview of Online Music Service*, N.Y. TIMES, May 17, 2001, at B1.

20. See Richard Menta, *MusicNet and Duet: Downloads Expire After 30 Days*, MP3NEWSWIRE.NET, May 17, 2001, <http://www.mp3newswire.net/stories/2001/expire.html>.

21. See Dan Tynan, *The 25 Worst Tech Products of All Time*, PC WORLD, May 26, 2006, available at http://www.pcworld.com/article/125772-3/the_25_worst_tech_products_of_all_time.html (calling the services the ninth worst tech product of all time).

mistakes, Apple Computer licensed songs from all five major record companies and offered permanent copies to users for a flat rate from the successful iTunes Music Store.²²

The *Napster* injunction eliminated the Napster network, but online music downloads continued. Illegal networks multiplied despite further lawsuits, and programmers released new systems that could not be shut down. By the time the iTunes Music Store provided a viable legal alternative, the damage was done: the RIAA labels' record sales had been dropping since 1999, the year of Napster's introduction.²³ The RIAA needed a new legal strategy to protect its member labels' intellectual property rights.

III. PHASE TWO: THE RIAA'S CAMPAIGN AGAINST INDIVIDUAL PEER-TO-PEER SOFTWARE USERS

On September 8, 2003, the RIAA's member labels filed "the first wave of what could ultimately be thousands of civil lawsuits against major offenders who have been illegally distributing substantial amounts . . . of copyrighted music on peer-to-peer networks."²⁴ The RIAA cited two primary motivations for the campaign. First, it emphasized that these lawsuits came at the end of a multi-year campaign designed to raise public awareness of the illegality of unauthorized downloading, and were meant to "send a strong message" about the consequences of distributing copyrighted music online.²⁵ Second, they hoped to motivate Internet users to begin choosing legal methods to acquire music online.²⁶ Ultimately, the RIAA filed charges against approximately 35,000 individuals over the course of five years,²⁷ which in turn forced courts to apply the Copyright Act to the realm of online digital copyright infringement.

Section III.A examines trends in the theories of liability argued by the plaintiffs and defendants in individual file sharing cases. Section III.B

22. John Markoff, *Apple Sells 70 Million Songs in First Year of iTunes Service*, N.Y. TIMES, Apr. 29, 2004, available at <http://www.nytimes.com/2004/04/29/technology/29apple.html>.

23. RIAA News Room, *Frequently Asked Questions about File Sharing Litigation*, <http://www.riaa.org/newsitem.php?id=6822F971-3C75-1823-E095-5FE523CE62FC> (last updated Sept. 8 2003).

24. RIAA News Room—Recording Industry Begins Suing P2P File Sharers Who Illegally Offer Copyrighted Music Online, http://www.riaa.org/newsitem.php?news_month_filter=9&news_year_filter=2003&resultpage=2&id=85183A9C-28F4-19CE-BDE6-F48E206CE8A1 (last updated Sept. 8, 2003).

25. *Id.*

26. *Id.*

27. Sarah McBride & Ethan Smith, *Music Industry to Abandon Mass Suits*, WALL ST. J., Dec. 19, 2008, at B1.

discusses damage awards in these cases. Section III.C analyzes the implications of *Thomas* and *Tenenbaum* on file sharing cases. Section III.D gives an overview of the results of the RIAA's lawsuit campaign against individuals.

A. THE PARTIES' COMPETING THEORIES OF LIABILITY

Although unauthorized sharing of copyrighted songs online was a serious problem for the RIAA's member labels, the RIAA struggled to prove that particular users had actually committed any infringing acts. The RIAA could search a peer-to-peer network for a particular song and receive a list of other users offering that song for download, presumably in violation of copyright law. However, since there was no information about the source of the audio files, they also could have been purchased legally or transcoded from rightfully-owned compact discs. Although each user could have illegally distributed his copyrighted works to millions of other users, there were no records to prove or disprove such a claim. Therefore, RIAA lawyers and file sharing defendants' counsels clashed over what type of showing would be necessary to establish online infringement, resulting in several competing theories.

1. *Statutory Sources of Liability for Infringement*

Direct copyright infringement requires two elements: "(1) the plaintiff must show ownership of the allegedly infringed material and (2) they must demonstrate that the alleged infringers violate at least one exclusive right granted to copyright holders under 17 U.S.C. §106."²⁸ Since the RIAA's member labels almost always succeeded in establishing their ownership of the allegedly infringed material, a defendant's liability in an individual file sharing case usually turned on the court's interpretation of the exclusive rights.

a) The RIAA's Successful Arguments for the "Making Available" Distribution Standard

The RIAA had difficulty establishing that uploaders violated the traditional exclusive rights enumerated in 17 U.S.C. §106. The RIAA's investigators, working for companies such as MediaSentry, developed a system for establishing an evidentiary record that an Internet user at a

28. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001). Section 106 grants the owner of a copyright (or his agent) the exclusive rights to do and to authorize reproduction of the copyrighted work, preparation of derivative works based on the copyrighted work, distribution of copies or phonorecords of the copyrighted work to the public, and several other more specific exclusive rights. 17 U.S.C. §106.

particular IP address had offered copyrighted works for download.²⁹ However, the distribution of the work to a MediaSentry investigator would be the only instance of actual distribution that the RIAA could prove.³⁰ RIAA attorneys countered that the uploaders' offense was not a single distribution of copyrighted works to MediaSentry, but instead the act of making those works available for millions of other peer-to-peer network users to download.³¹

RIAA attorneys initially argued that defendants violate plaintiffs' exclusive right of distribution merely by making plaintiffs' copyrighted works available for download by the public, even without actual direct proof of distribution. This "making available" language is not found in the statutory text of the Copyright Act,³² but appears to have been introduced as a basis for liability in *Hotaling v. Church of Jesus Christ of Latter-Day Saints*.³³ In that case, the defendant made unauthorized copies of plaintiff's copyrighted work and almost certainly distributed them to the public by offering them in a library, but the statute of limitation on infringement by reproduction had passed.³⁴ The circuit court held,

When a public library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public, it has completed all the steps necessary for distribution to the public. . . . Were this not to be considered distribution within the meaning of § 106(3), a copyright

29. See Kim F. Natividad, Note, *Stepping It Up and Taking It to the Streets: Changing Civil & Criminal Copyright Enforcement Tactics*, 23 BERKELEY TECH. L.J. 469, 472 n. 15 (2008) (describing the steps taken by MediaSentry investigators to find IP addresses of suspected infringers).

30. There is some disagreement over the admissibility of such evidence generally, but on the matter of infringement more specifically as well. Some defendants and commentators have alleged that, as an agent of the copyright owner, it would be impossible for MediaSentry to engage in infringement. See Robert Kasunic, *Making Circumstantial Proof of Distribution Available*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1145, 1157 (2008). But see Marc E. Mayer, *Distributive Principles: The Determination of Copyright Infringement May Hinge on Whether "Actual Distribution" or Mere "Making Available" Has Occurred*, 32 L.A. LAWYER 35, 40 (2009).

31. See Plaintiffs' Motion to Dismiss Counterclaims at 5, *Sony BMG Music Ent. v. Tenenbaum*, Civil Action No. 07cv11446-NG (D. Mass. Oct. 6, 2008) (arguing that the defendant "had 816 music files in the share directory on his computer and was distributing them to millions of persons who use peer-to-peer networks"); Plaintiffs' Response to Motion to Suppress Evidence at 19, *Capitol Records, Inc. v. Thomas-Rasset*, Civil File No. 06-1497 (D. Minn. June 4, 2009) (concluding that "recordings in Defendant's shared folder could have been downloaded by any one of the millions of users of the FastTrack network").

32. See 17 U.S.C. §106.

33. 118 F.3d 199 (4th Cir. 1997).

34. *Id.* at 201-03.

holder would be prejudiced by a library that does not keep records of public use, and the library would unjustly profit by its own omission.³⁵

The “making available” theory was applied in a scenario involving electronic distribution a few years later in *New York Times Co. v. Tasini*.³⁶ The *Tasini* plaintiffs were freelance authors who sold their work to periodicals for publication, only to have their articles sold by those periodicals to database vendors who made the articles available for end users to download.³⁷ Despite lacking evidence that the database owners actually allowed end users to access or download the articles,³⁸ the Court found that defendants’ system “effectively overrides the Authors’ exclusive right to control the individual reproduction and distribution of each Article.”³⁹

The Ninth Circuit supported a concept of liability by “making available” without direct evidence of distribution during the initial *Napster* preliminary injunction appeal.⁴⁰ Affirming the district court’s finding that Napster users’ file sharing constituted copyright infringement, the circuit court held that “Napster users who upload file names to the search index for others to copy violate plaintiffs’ distribution rights.”⁴¹ As in *Tasini*, the opinion does not explain the principle leading to this result,⁴² but *Napster* stands as a particularly convincing precedent since the subject matter discussed is similar to that in the later individual file sharing cases.⁴³

In 2006 and 2007, a series of cases strengthened the “making available” theory of liability in individual file sharing cases. First, district courts in four separate opinions denied a defendant’s motion to dismiss RIAA infringement

35. *Id.* at 203.

36. 533 U.S. 483 (2001).

37. *Id.* at 488–91.

38. See John Horsfield-Bradbury, Note, “*Making Available*” as *Distribution: File-Sharing and the Copyright Act*, 22 HARV. J. LAW & TECH. 273, 284 n. 66 (2008).

39. *Tasini*, 533 U.S. at 503–04.

40. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001).

41. *Id.*

42. The court may have found it unnecessary to elucidate a principle to justify finding the users’ behavior to be infringement, as “[t]he district court also noted that ‘it is pretty much acknowledged... by Napster that this is infringement.’” *Id.* (referring to the behavior of “a majority of Napster users”).

43. See, e.g., *Fonovisa, Inc. v. Does 1-9*, No. 07-1515, 2008 WL 919701, at *2 (W.D. Pa. Apr. 3, 2008) (citing *Napster* to support an argument that offering to distribute copyright material constitutes violation of the owner’s exclusive distribution right); *Atlantic Recording Corp. v. Anderson*, No. H-06-3578, 2008 WL 2316551, at *7 (S.D. Tex. Mar. 12, 2008) (citing *Napster* for the proposition that “availing unauthorized copies of sound recordings for download using an online file-sharing system” violates the owner’s exclusive distribution right).

claims for a failure to prove that copyrighted works were actually distributed to the public.⁴⁴ Though the courts denied the motions based on different analyses, each court decided that actual dissemination was not required to establish an infringement of the owner's distribution right.⁴⁵ Second, two courts granted motions for summary judgment to plaintiffs alleging infringement on "making available" theories.⁴⁶ This series of decisions established a body of case law supporting liability on the basis of "making available" in peer-to-peer file sharing cases.

b) Defendants' and Scholars' Successful Arguments for the Actual Dissemination Standard

In opposition to the "making available" theories of liability, many defendants in individual file sharing cases and several academics fought for a standard of liability that required proof of actual distribution of copyrighted content.⁴⁷ These opponents found support in *National Car Rental System v. Computer Associates International, Inc.*⁴⁸ The district court in that case held that the plaintiff's state breach of contract action sought to pre-empt the Copyright Act's exclusive distribution right.⁴⁹ The circuit court reversed, explaining that "[t]he copyright holder's distribution right is the right to distribute *copies*," and that the court could not conclude that "an allegation

44. *Interscope Records v. Duty*, No. 05-CV-3744-PHX-FJM, 2006 U.S. Dist. LEXIS 20214 (D. Ariz. Apr. 14, 2006) (holding that "the mere presence of copyrighted sound recordings in Duty's share file may constitute copyright infringement"); *Warner Bros. Records v. Payne*, No. W-06-CA-051, 2006 WL 2844415 (W.D. Tex. July 17, 2006) (equating "distribution" with "publication," which is defined to include "offering to distribute copies or phonorecords . . . for purposes of further distribution . . ."); *Fonovisa, Inc. v. Alvarez*, No. 1:06-CV-011-C ECF, 2006 WL 5865272 (N.D. Tex. July 24, 2006) (following the precedents of *Duty* and *Payne*); *Arista Records LLC v. Greubel*, No. 4:05-CV-531-Y, 453 F. Supp. 2d 961 (N.D. Tex. Sept. 1, 2006) (equating "distribution" with "publication" and following *Duty*, *Payne*, and *Alvarez*).

45. See *Horsfield-Bradbury*, *supra* note 38 at 288–89 (discussing the rulings in these four cases).

46. *Universal City Studios Prods. LLLP v. Bigwood*, 441 F. Supp. 2d 185 (D. Maine July 25, 2006) (holding that "by . . . mak[ing] copies of the Motion Pictures available to thousands of people over the Internet, Defendant violated Plaintiffs' exclusive right to distribute the Motion Pictures"); *Motown Record Co., LP v. DePietro*, No. 04-CV-2246, 2007 WL 576284 (E.D. Pa. Feb. 16, 2007) (mentioning that "the Court is convinced" that a plaintiff can establish infringement of the distribution right "by proof of actual infringement or by proof of offers to distribute, that is, proof that the defendant 'made available' the copyrighted work").

47. See, e.g., *Horsfield-Bradbury*, *supra* note 38, at 275 (arguing that "the 'making available' doctrine has no basis in the text of the Copyright Act, the Act's legislative history, or appellate jurisprudence, and thus should be abolished").

48. 991 F.2d 426 (8th Cir. 1993).

49. *Id.* at 429.

that National ‘permitted the use’ necessarily amounts to an allegation of the actual distribution of a copy of the program.”⁵⁰

The “actual distribution” doctrine made its way into Internet copy infringement jurisprudence almost a decade later via *Arista Records, Inc. v. MP3Board, Inc.*⁵¹ MP3Board operated an online message board that provided links to downloads of copyrighted audio recordings that were not located on their own servers. Citing *National Car Rental*, the court denied a motion for summary judgment against MP3Board because there was no showing that the defendants had actually distributed unlawful copies.⁵² Notably, the court limited the “making available” liability from *Hotaling* to “particular instances” where “the proof is impossible to produce because the infringer has not kept records of public use.”⁵³

Surprisingly, the district court of the Northern District of California adopted an actual dissemination standard in *In re Napster, Inc. Copyright Litigation*⁵⁴ after having allowed a “making available” standard in the *Napster* preliminary injunction appeal a few years earlier. Considering the same types of claims as in *A&M Records, Inc. v. Napster, Inc.* several years prior,⁵⁵ Judge Patel followed Ninth Circuit authority requiring a showing of actual dissemination of copyrighted content to find direct infringement.⁵⁶ The court also held that, “to the extent that *Hotaling* suggests that a mere offer to distribute a copyrighted work gives rise to liability under section 106(3),” it is contrary to both the weight of authority and the text and legislative history of the Copyright Act.⁵⁷

In 2008, after two decisions that supported “making available” theories of liability,⁵⁸ the tide began to turn in favor of an actual dissemination

50. *Id.* at 430 (original emphasis).

51. No. 00 Civ. 4660 (SHS), 2002 U.S. Dist. LEXIS 16165 (S.D.N.Y. Aug 29, 2002).

52. *Id.* at 5–6, 13–14; *see also* Perfect 10, Inc. v. Google, Inc., 416 F. Supp. 2d 828, 844 (C.D. Cal. 2006), *rev’d in part on other grounds sub nom.* Perfect 10, Inc. v. Amazon.com, Inc., 487 F.3d 701 (9th Cir., 2007) (holding that a search engine that linked to websites featuring unauthorized copies of the plaintiff’s photos did not infringe the plaintiff’s exclusive distribution right because “it is *those* websites, not Google, that transfer the full-size images to users’ computers”).

53. *Arista*, 2002 U.S. Dist. LEXIS at *14.

54. 377 F. Supp. 2d 796 (N.D. Cal 2005).

55. 114 F. Supp. 2d 896, 925–27 (N.D. Cal. Aug. 10, 2000); *see supra* Section II.A (discussing this case).

56. *Id.* at 802 (citing *National Car Rental* and *MP3Board*, among others).

57. *Id.* at 803.

58. *Fonovisa, Inc. v. Does 1-9*, No. 07-1515, 2008 WL 919701 (W.D. Pa. Apr. 3, 2008) (denying a defendant’s motion to dismiss for lack of proof of distribution); *Atlantic Recording Corp. v. Anderson*, 2008 WL 2316551 (S.D. Tex. Mar. 12, 2008) (holding that sharing sound recordings on the KaZaA peer-to-peer network constitutes distribution).

requirement. In February 2008, in an order denying the RIAA's motion for default judgment, a district court described the plaintiff's "making available" claims as "problematic," holding that "without actual distribution of copies . . . there is no violation [of] the distribution right."⁵⁹ Two separate file sharing opinions released on March 31 undermined the *Hotelling* decision and took issue with "making available" theories in general.⁶⁰ And on April 28, in an opinion denying plaintiffs' motion for summary judgment, another court adopted an actual dissemination standard and dismissed all of the standard "making available" arguments.⁶¹ By mid-2008, this series of opinions noticeably weakened the credibility of "making available" theories.

2. *Rejection of Fair Use Defense*

Even if a copyright owner manages to prove that the defendant committed an act of infringement, the Copyright Act provides a defense for certain unauthorized "fair" uses.⁶² However, courts began to cast doubt on fair use as a defense to end user peer-to-peer infringement during the RIAA's first litigation campaign. The most thorough rebuttal took place in the Circuit Court opinion on the *Napster* preliminary injunction.⁶³ Defending against a secondary liability claim by arguing that its users had not infringed copyrighted sound recordings, Napster maintained that they were engaging in one of two fair uses: "sampling" music before deciding to purchase it legally, and "space-shifting" to listen to copies of music legally purchased elsewhere.⁶⁴ After performing an extensive fair use analysis, the court held that "plaintiffs will likely succeed in establishing that Napster users do not have a fair use defense"⁶⁵ and agreed with the district court's conclusion that "Napster users are not fair users."⁶⁶ The Supreme Court returned to the subject of fair use in the *Grokster* opinion, but only in the offhand mention that "there has been no finding of fair use and little beyond anecdotal evidence of noninfringing uses."⁶⁷

59. *Atlantic Recording Corp. v. Brennan*, 534 F. Supp. 2d 278, 281–82 (D. Conn. 2008) (quoting 4 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 13:9 (2007)).

60. *Elektra Ent. Group, Inc. v. Barker*, 551 F. Supp. 2d 234 (S.D.N.Y. 2008); *London-Sire Records, Inc. v. Doe*, 542 F. Supp. 2d 153 (D. Mass. Mar. 31, 2008).

61. *Atlantic Recording Corp. v. Howell*, 554 F. Supp. 2d 976 (D. Ariz. 2008).

62. 17 U.S.C. §106 (2006); *see also* *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

63. *See* *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014–19 (9th Cir. 2001).

64. *Id.* at 1018–19.

65. *Id.* at 1019.

66. *Id.* at 1015.

67. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 945 (2005).

Despite such precedents, courts occasionally seemed to validate fair use defenses in peer-to-peer end user infringement cases. In *Brennan*,⁶⁸ the court listed fair use among the defendant's possible meritorious defenses in an opinion denying the plaintiffs' motion for summary judgment.⁶⁹ In his order granting a new trial in *Capitol Records, Inc. v. Thomas*,⁷⁰ Chief Judge Davis made the following statement of law: "A person who makes an unauthorized copy or phonorecord of a copyrighted work for the purposes of uploading it onto a peer-to-peer network, absent a defense such as fair use, violates the reproduction right."⁷¹ However, in an order before the retrial, Chief Judge Davis held that the defendant had waived the fair use defense by failing to assert it during the first trial or at any point earlier than two weeks before the retrial.⁷² Thus the applicability of the fair use to file sharing defendants remained unclear at the end of 2008.

B. THE SCOPE OF DAMAGES IN FILE SHARING CASES

If a copyright owner managed to establish a peer-to-peer defendant's liability, the court then had to consider the matter of remedies. Plaintiffs would often seek monetary damages as well as injunctions to prevent the uploaders from continuing to distribute their works online. Given the lack of evidence discussed in Section III.A, plaintiffs had no way of knowing how much damage the defendants' infringement caused. The Copyright Act offers statutory damages without proof of harm, allowing the plaintiff to collect damages within a very broad range. Within this range, the proper amount of statutory damages to award per infringed work had not yet been determined for online peer-to-peer activity.

1. *Applicable Law*

In addition to injunctive relief, the Copyright Act offers the owner of a copyright the choice of two monetary damage remedies upon infringement. Where the owner has proof of damages suffered by the owner, profits earned by the infringer as a result of the infringement, or both, the owner may recover the sum of these damages and profits.⁷³ Alternatively, if the infringed

68. *Atlantic Recording Corp. v. Brennan*, 534 F. Supp. 2d 278, 281 (D. Conn. 2008).

69. *Id.*

70. 579 F. Supp. 2d 1210 (D. Minn. 2008); *see infra* Section III.C (discussing other aspects of this case).

71. *Id.* at 1225.

72. Memorandum of Law and Order at 22–25, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. June 11, 2009).

73. 17 U.S.C. § 504(b) (2006).

works have been previously registered,⁷⁴ the owner may elect to receive damages selected from within a range set out in the statute, without having to show proof of damages or profits.⁷⁵ The standard range of statutory damages is between \$750 and \$30,000 per infringed work, “as the court considers just,” but several factors may affect this range.⁷⁶ If the infringement was committed “willfully,” meaning “with knowledge that the defendant’s conduct constitute[d] copyright infringement,”⁷⁷ the maximum award increases to \$150,000 per work.⁷⁸ On the other hand, if the infringer proves that he “was not aware and had no reason to believe that his or her acts constituted an infringement of copyright,” the court may decrease the minimum award to as low as \$200 per work.⁷⁹ Finally, if the infringer “believed and had reasonable grounds for believing” that his use of the work constituted a fair use, or in very narrow circumstances involving libraries and public broadcasting entities, statutory damages may be remitted entirely.⁸⁰

2. *Statutory Damages Awarded in File Sharing Cases*

Notwithstanding the large number of suits the RIAA filed, rulings on statutory damages were rare, as the vast majority of defendants chose to settle out-of-court rather than fight.⁸¹ Once courts began awarding statutory damages, they appeared to set a precedent for awards on the low end of the statutory range. In *Atlantic Recording Corp. v. Lopez*,⁸² and in *Atlantic Recording Corp. v. Howell*,⁸³ courts awarded the plaintiffs the statutory minimum of \$750 per infringed work.

However, these awards were unusual for at least two reasons. First, perhaps because neither defendant had legal representation—Lopez defaulted and Howell appeared *pro se*—the plaintiffs requested only minimum

74. See 17 U.S.C. § 412 (2006).

75. 17 U.S.C. § 504(c) (2006).

76. *Id.*

77. 4 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 14.04[B][3][a] (2009).

78. 17 U.S.C. § 504(c)(2) (2006).

79. 17 U.S.C. § 504(c)(2) (2006). In practice, courts have made this a particularly difficult standard to meet—“even an innocent defendant generally cannot remit statutory damages below the mandatory minimum, unless the subject work was unpublished, bore an invalid notice, or was inaccessible to that defendant.” NIMMER, *supra* note 77 at § 14.04[B][2][a].

80. 17 U.S.C. § 504(c)(2) (2006).

81. See Editorial, *Stopping Music Piracy*, CHI. TRIB., Dec. 27, 2008 at 28 (“Most of the targets . . . settle and agree to pay. Cases almost never go to trial.”).

82. 2007 WL 2010752 (S.D. Tex. July 5, 2007)

83. 2007 U.S. Dist. LEXIS 61268 (D. Ariz. Aug. 20, 2007), *rev’d*, 554 F. Supp. 2d 976 (D. Ariz. Apr. 28, 2008).

statutory damages.⁸⁴ Second, a judge determined each damage award because neither case reached a jury. Thus, although courts awarding statutory damages in earlier file sharing cases favored the low end of the statutory range, these cases differed enough from a typical trial to jury verdict that there was reason to doubt their precedential value.

C. RECENT DEVELOPMENTS IN FILE SHARING CASE LAW: *THOMAS* AND *TENENBAUM*

In the summer of 2009, juries returned verdicts in *Capitol Records Inc. v. Thomas* and *Sony BMG Music Entertainment v. Tenenbaum*, the only two individual file sharing cases defended all the way to a jury verdict. Each of these decisions offered insight into how courts would apply the theories of liability and damages discussed *supra* in Sections III.A and III.B absent settlements and summary judgments.

1. *Shifting Standards of Liability in Thomas*

The first district court trial of *Capitol Records Inc. v. Thomas*,⁸⁵ decided in late 2007, followed the “making available” theories enjoying considerable success at the time.⁸⁶ Investigators hired by the RIAA found that an individual using the IP address assigned to Thomas shared 1,702 music files over the KaZaA network, including at least twenty-four recordings copyrighted by the plaintiffs.⁸⁷ Jury Instruction No. 15 plainly stated that “[t]he act of making copyrighted sound recordings available for electronic distribution on a peer-to-peer network . . . violates the copyright owners’ exclusive right of distribution, *regardless of whether actual distribution has been shown.*”⁸⁸ Following this instruction, the jury found that Thomas had infringed all twenty-four recordings in question.⁸⁹ With this verdict, a court based its final judgment in an online infringement case on the “making available” theory of liability for the first time.

However, the wave of file sharing cases in 2008 that upheld an actual dissemination standard⁹⁰ made an impression on the judge who presided over

84. *Lopez*, 2007 WL 2010752, at *1 n. 1; *Howell*, 2007 U.S. Dist. LEXIS 61268, at *12.

85. *Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn. Oct. 5, 2007).

86. *See supra* Section III.A.1.a).

87. Statement of Case at 2, *Virgin Records America, Inc. v. Thomas*, No. 06-1497 (D. Minn. Sept. 17, 2007). In this statement of the plaintiff’s case, they allege investigators found 26 infringing songs, but by the time of trial there were only 24 in question. *Id.*

88. Final Jury Instructions at 18, *Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn. Oct. 4, 2007) (emphasis added).

89. Special Verdict Form, *Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn. Oct. 4, 2007).

90. *See supra* Section III.A.1.b).

the original *Thomas* trial. Concerned that the “making available” language in Jury Instruction No. 15 had been contrary to Eighth Circuit precedent and based on an authority overturned by *Atlantic Recording Corp. v. Howell*, Chief Judge Davis ordered the parties to submit briefs on the issue.⁹¹ After considering the parties’ arguments, he ordered a new trial.⁹² The order discussed at length all of the most common arguments of “making available” proponents,⁹³ but found them insufficiently persuasive. It concluded that since *National Car Rental* was not only binding but also consistent with “the logical statutory interpretation of §106(3), the body of Copyright Act case law, and the legislative history of the Copyright Act,” proof of actual dissemination is required to prove distribution.⁹⁴

On retrial, the district court issued a modified version of the instruction on proving distribution that read “[t]he act of distributing copyrighted sound recordings to other users on a peer-to-peer network, without license from the copyright owners, violates the copyright owners’ exclusive distribution right.”⁹⁵ The jury found in favor of the plaintiffs once again, despite the lack of “making available” language in the new instruction.⁹⁶ Barring another doctrinal shift, Chief Judge Davis is unlikely to overturn this verdict as being contrary to the law. In his opinion ordering a retrial, he held that even if the only evidence available is proof that an investigator downloaded a copyrighted recording, “distribution to an investigator, such as MediaSentry, can constitute unauthorized distribution.”⁹⁷ He later held that plaintiffs may use circumstantial evidence to prove actual dissemination.⁹⁸

91. Order, *Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn. May 15, 2008).

92. *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008).

93. Including plain meaning of the word “distribution;” equation of “distribution” with “publication;” an act which does not require actual dissemination; a theory of infringement based on authorizing distribution; an opinion letter by the Register of Copyrights supporting liability by making available, and other arguments based on legislative history, U.S. treaty obligations, and so on. *Id.* at 1216–26.

94. *Id.* at 1226.

95. Final Jury Instructions at 21, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. June 18, 2009) (“The act of distributing copyrighted sound recordings to other users on a peer-to-peer network, without license from the copyright owners, violates the copyright owners’ exclusive distribution right.”).

96. Special Verdict Form, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. June 18, 2009).

97. *Thomas*, 579 F. Supp. 2d at 1216.

98. *Id.* at 1225; see Kasunic, *supra* note 30, at 1160 (“The production of evidence of a defendant’s distribution of a copyrighted work to an agent constitutes direct evidence of infringement of the work or works distributed to the agent. But such evidence may also be used as circumstantial evidence of additional infringement.”).

Therefore, Chief Judge Davis clarified that liability for distribution of copyrighted works requires proof of actual dissemination, but the *Thomas* retrial demonstrated that this standard is not as distinct from the “making available” standard as it once seemed. Under the evidentiary standards established in the retrial order, the type of evidence gathered by the RIAA to prove that a defendant made works available will likely suffice as circumstantial evidence of actual dissemination.

2. *Support for Fair Use in Tenenbaum*

In a recent order in *Sony BMG Music Entertainment v. Tenenbaum*,⁹⁹ Judge Gertner offered the first in-depth consideration of fair use in the context of a peer-to-peer file sharing case. The defendant was a KaZaA user, like many defendants in peer-to-peer cases, but with a twist: Tenenbaum admitted sharing copyrighted music over the network for years, but argued that his actions constituted a fair use of the copyrighted works.¹⁰⁰ His primary argument was that his private enjoyment of the songs did not “diminish[] the record companies’ revenues nor curtail[] overall artistic creation,” but he offered no factual evidence to dispute the plaintiffs’ argument to the contrary.¹⁰¹ This showing failed to impress Judge Gertner, who granted partial summary judgment for the plaintiffs.

However, Judge Gertner made interesting remarks in dicta regarding when a file-sharing defendant “could assert a plausible fair use defense.”¹⁰² She acknowledged that, in the late 1990s, paid outlets were not readily available and both law and technology were unsettled.¹⁰³ “A defendant who shared files during this interregnum but later shifted to paid outlets once the law became clear,” in Judge Gertner’s view, “would present a strong case for fair use.”¹⁰⁴ Returning to the considerations of modern defendants, she suggested that a defendant who space-shifted by ripping MP3s of legally purchased audio CDs, or a defendant who sampled copyrighted songs and then deleted the files, could plausibly claim fair use as well.¹⁰⁵ Thus far, these

99. Memorandum and Order, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Dec. 7, 2009).

100. *Id.* at 5–6.

101. *Id.* at 6.

102. *Id.* at 35.

103. *Id.* at 35–36.

104. *Id.* at 36. *But see* *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930–32 (2nd Cir. 1994) (holding that, although copyright holder had not established a “conventional market” for the works being infringed, market harm to an alternative licensing system was a substantial factor favoring the copyright holder in a fair use analysis).

105. Memorandum and Order at 35–37, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Dec. 7, 2009).

theories have not been tested in court, but they offer reassurance that file sharing defendants can plausibly use the fair use doctrine.

Moving for new trial or remittitur, Tenenbaum raised several new fair use arguments. First, he insisted that Judge Gertner's "interregnum" period should not have ended in August 2004, but rather should have continued until 2007.¹⁰⁶ He reasoned that all of the songs available from legitimate online music stores featured cumbersome Digital Rights Management (DRM) protection until 2007, so there was no legally available alternative to the unencumbered songs available through peer-to-peer networks.¹⁰⁷ Second, Tenenbaum argued that the record companies' "aggressive promotion" of their works distributed on unprotected audio CDs, combined with their refusal to offer legal DRM-free downloads, created a sort of digital "attractive nuisance" that should have been weighed in the fair use consideration.¹⁰⁸ Finally, he contended that the court erred by considering the adverse effects on the plaintiffs of holding file sharing such as Tenenbaum's to be fair use, without balancing those costs against "the effects on everyone else of *not* recognizing a defense of fair use."¹⁰⁹ The court has not responded to these arguments at the time of writing.

3. *Statutory Damages Disputes in Thomas and Tenenbaum*

The verdict in the first *Thomas* trial set a dramatically different precedent from earlier statutory damages awards, assessed at summary judgment or default.¹¹⁰ Some authors had been reluctant to believe that juries would order statutory damages awards against individual uploaders,¹¹¹ but the *Thomas* jury dispelled such concerns. They found that the defendant willfully infringed all twenty-four songs in question, and awarded the plaintiffs \$9,250 per work, for a total of \$220,000.¹¹² Although well within the specified statutory range

106. Defendant's Motion and Memorandum for New Trial or Remittitur at 1–4, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Jan. 4, 2010).

107. *Id.*

108. *Id.* at 5–6 ("They failed to fence off the songs they published on CD by encrypting them, and they refused to provide an unencrypted online alternative for obtaining them. In consequence Tenenbaum, along with millions of others like him, fell into the vast, unfenced pool of unauthorized peer-to-peer file-sharing.").

109. *Id.* at 7.

110. *See supra* Section III.B.2.

111. *See, e.g.*, Lemley & Reese, *supra* note 1, at 1404 (expressing "skepticism that severe civil or criminal sanctions will really be enforced. It is true that a large number of people participate in p2p file sharing, and it is possible that they would . . . serve on juries and return nullifying verdicts")

112. Special Verdict Form, *Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn. Oct. 4, 2007).

per work for willful infringement, Thomas argued that the amount of the total award was “excessive and in violation of . . . Due Process” and moved for a new trial or remittitur.¹¹³

When a retrial was granted (albeit on other grounds),¹¹⁴ the jury awarded a greater amount.¹¹⁵ The jury once again found that the defendant had infringed all of the works in question willfully, but this time awarded the plaintiffs \$80,000 per work, for a total of \$1.92 million.¹¹⁶ The defendant has appealed this award.

In her motion appealing the damage award, Thomas argued that the ratio of actual harm suffered by the plaintiff to the total statutory damages awarded is so high as to be “grossly excessive.”¹¹⁷ Upon this point she built two arguments against the award: First, it should be set aside because it is so excessive that it is punitive rather than compensatory, and as such violates the protections of the Due Process Clause under the precedents of *State Farm Mutual Automobile Insurance Co. v. Campbell*¹¹⁸ and *BMW of North America, Inc. v. Gore*.¹¹⁹ Alternatively, the amount of the award is sufficiently “shocking” and “monstrous” that remittitur is appropriate “as a matter of federal procedural law.”¹²⁰

The RIAA countered that the damages were appropriate, given the fact that the defendant was sharing as many as 1,700 songs over a long period of time, and considering her reprehensible conduct involving perjury and

113. Defendant’s Motion for New Trial, or In the Alternative, Remittitur at 1, Capitol Records, Inc. v. Thomas, No. 06-1497 (D. Minn. Oct. 15, 2007).

114. See *supra* Section III.A.1.b) (discussing Judge Davis’s order for a new trial).

115. Judgment in a Civil Case, Capitol Records, Inc. v. Thomas-Rasset, No. 06-1497 (D. Minn. June 19, 2009).

116. Special Verdict Form, Capitol Records, Inc. v. Thomas-Rasset, No. 06-1497 (D. Minn. June 18, 2009). Some have suggested that the increased damages resulted from the jury’s perception that Thomas was dishonest. See Nate Anderson, *Thomas Verdict: Willful Infringement, \$1.92 Million Penalty*, ARS TECHNICA, June 18, 2009, <http://arstechnica.com/tech-policy/news/2009/06/jammie-thomas-retrial-verdict.ars> (reporting that Thomas’s counsel believed “the jury thought Thomas-Rasset was a liar and were ‘angry about it,’ thus leading to the \$80,000 per-song damages”).

117. Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment at 2–4, Capitol Records, Inc. v. Thomas, No. 06-1497 (D. Minn. July 6, 2009). Thomas’s counsel notes that each song in question could be purchased on iTunes for \$1.29, but was the subject of \$80,000 of statutory damages in the award in question, a ratio of 1:62,015. *Id.*

118. 538 U.S. 408 (2003).

119. 646 So. 2d 619 (Ala. 1994) (*per curiam*). Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment at 4–10, Capitol Records, Inc. v. Thomas, No. 06-1497 (D. Minn. July 6, 2009); see also Pamela Samuelson and Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WILLIAM & MARY L. REV. 439, 464–97 (2009).

120. Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment, *supra* note 117, at 4–10.

destruction of evidence.¹²¹ The plaintiff argued that the *Gore* and *Campbell* standards cited by the defendant were improper because they apply to punitive damages, rather than statutory damages, and because their motivating concern is a lack of notice, which does not apply when the range of damages is given in the statute.¹²² Rather, the correct standard is the one established under *St. Louis, I.M. & S. Railway Co. v. Williams*,¹²³ which is “extraordinarily deferential” to damage awards within statutory limits, and which has never been used to reduce or eliminate an award for due process concerns.¹²⁴ The RIAA further argued that the award was not “grossly excessive” enough to justify altering the jury’s award via remittitur.¹²⁵

The court recently issued an order finally addressing the substance of these arguments.¹²⁶ Without ruling on the constitutionality of copyright statutory damages,¹²⁷ the opinion discussed appropriate amounts of damages at length.¹²⁸ The court held that “statutory damages must still bear *some* relation to actual damages,” even though plaintiffs are not obligated to show proof of actual damages.¹²⁹ The court explained that the high statutory damages maximum was meant to be a deterrent against the “enormous and enticing” gains of commercial infringement, but determined that deterrence alone cannot justify granting such high awards against individual infringers.¹³⁰

121. Plaintiffs’ Response in Opposition to Defendant’s Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment at 8–10, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. Aug. 14, 2009).

122. *Id.* at 13–14.

123. 251 U.S. 63 (1919).

124. Plaintiffs’ Response in Opposition to Defendant’s Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment at 15–17, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. Aug. 14, 2009). The United States Department of Justice submitted a memo in defense of the constitutionality of the statutory damages provision of the Copyright Act, and agreed with the rejection of *Campbell* and *Gore* and the application of *Williams* as the appropriate standard in this question. United States of America’s Memorandum in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. §504(c) at 10–14, *Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn. Aug. 14, 2009).

125. Plaintiffs’ Response in Opposition to Defendant’s Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment at 21–24, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. Aug. 14, 2009). The RIAA acknowledged the possibility of an acceptable remittitur in the interest of helping to end costly litigation, but urged the court to be guided by the damage amounts awarded by the juries in the *Thomas* trials and in *Tenenbaum*. *Id.*

126. Memorandum of Law and Order, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. Jan. 22, 2010).

127. *Id.* at 26.

128. *Id.* at 8–26.

129. *Id.* at 2.

130. *Id.* at 15.

Acknowledging Thomas's willful misconduct and lack of remorse,¹³¹ Chief Judge Davis ruled that remittitur to three times the statutory minimum would be appropriate.¹³² Therefore, he reduced the damages award to a total of \$54,000, an amount he nonetheless described as "significant and harsh" and "higher . . . than the Court might have chosen to impose in its sole discretion."¹³³

The damages awarded in the *Tenenbaum* trial offered an idea of what types of damages a jury might award in a rather different scenario. In this instance, the defendant confessed to sharing copyrighted music online, and his defense strategy focused on convincing the jury to grant a minimal statutory damages award.¹³⁴ The result fell between the two *Thomas* awards. The jury found that the defendant had willfully infringed all thirty songs at issue, and awarded the plaintiffs \$22,500 per song, for a total award of \$675,000.¹³⁵

In his motion for new trial or remittitur, Tenenbaum advanced several theories to argue that this award was excessive.¹³⁶ Like Thomas, he argued that the awards raise due process concerns under the precedents of *Gore* and *Campbell*.¹³⁷ However, he also attacked the award under the *Williams* standard, contending that the damages were "so severe and oppressive as to be wholly disproportioned to the offense" and offering contrasts to the circumstances in *Williams* in areas such as the defendants' abilities to pay, the reprehensibility of the defendants' actions, and the ratio of penalty to actual damages.¹³⁸ Finally, he asserted that the award might constitute an "excessive

131. *Id.* at 21.

132. Memorandum of Law and Order at 22–26, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. Jan. 22, 2010).

133. *Id.* at 3. Considering the likelihood that Thomas-Rasset would infringe again in the future, the court also permanently enjoined her from future infringement of the plaintiffs' sound recordings. *Id.* at 29–35.

134. See Greg Sandoval, *Joel Tenenbaum Follows in Jammie Thomas' Footsteps*, CNET NEWS, July 28, 2009, http://news.cnet.com/8301-1023_3-10298079-93.html?part=rss&subj=news&tag=2547-1_3-0-20.

135. Jury Verdict Form, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. July 31, 2009).

136. See Defendant's Motion and Memorandum for New Trial or Remittitur, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Jan. 4, 2010).

137. *Id.* at 15–17. In response to the constitutional question, the Department of Justice submitted a brief in which they asserted that the *Gore* and *Campbell* standards do not apply to statutory damages, as they did in response to the appeal in *Thomas*. United States of America's Memorandum in Response to Defendant's Motion for New Trial or Remittitur and in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. §504(c), *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Jan. 19, 2010).

138. Defendant's Motion and Memorandum for New Trial or Remittitur at 11–14, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Jan. 4, 2010).

fine” under the Eighth Amendment.¹³⁹ Tenenbaum also argued that Congress never intended for statutory damages amounts in the Copyright Act to apply to noncommercial consumer infringement,¹⁴⁰ or for such awards to be determined by a jury,¹⁴¹ and urged the court to remit the damages award to the statutory minimum.¹⁴²

One striking similarity between the two cases is that both Chief Judge Davis and Judge Gertner inserted pleas to Congress for statutory damage reform into opinions addressing the subject. In his order for a new trial, Chief Judge Davis “implore[d] Congress to amend the Copyright Act to address liability and damages in peer-to-peer network cases.”¹⁴³ He emphasized that Thomas’s acts of infringement were for personal reasons and were not comparable to the activities of a large-scale commercial infringer.¹⁴⁴ As such, he considered the damages awarded in the first trial to be “unprecedented and oppressive,” yet still not a deterrent against for-profit piracy.¹⁴⁵ Echoing Chief Judge Davis’s language, Judge Gertner urged Congress to amend the Copyright Act in her order granting summary judgment for the RIAA on the fair use defense.¹⁴⁶ Acknowledging the harm caused by infringement, she nevertheless found “something wrong with a law that routinely threatens teenagers and students with astronomical penalties for an activity whose implications they may not have fully understood.”¹⁴⁷ But despite the judges’ sympathy, they appear to acknowledge that these high statutory damage awards are proper under the current Copyright Act.

D. THE MIXED RESULTS OF THE RIAA’S LITIGATION CAMPAIGN AGAINST INDIVIDUALS

Over the course of five years, the RIAA filed lawsuits against about 35,000 uploaders,¹⁴⁸ but achieved only mixed success in its stated goals of

139. *Id.* at 17–18 (arguing that Tenenbaum “does not fit into the class of persons for whom the statute was principally designed” as he download music for noncommercial, personal use and the Copyright Act was intended to deter commercial infringement (quoting *United States v. Bajakajian*, 524 U.S. 321, 337 (1998))).

140. Defendant’s Motion and Memorandum for New Trial or Remittitur at 19–23, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Jan. 4, 2010).

141. *Id.* at 23–25.

142. *Id.* at 25–26.

143. Memorandum of Law & Order at 41, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-1497 (D. Minn. Sept. 24, 2008).

144. *Id.* at 41–42.

145. *Id.* at 41–43.

146. Memorandum and Order at 34, *Sony BMG Music Ent. v. Tenenbaum*, No. 07cv11446-NG (D. Mass. Dec. 7, 2009).

147. *Id.* at 34–35.

148. McBride & Smith, *supra* note 27.

increasing public awareness of the illegality of file sharing and shifting downloaders to legal markets. Survey evidence shows that the awareness prong of the campaign was quite effective. One RIAA representative reported that the portion of those surveyed who believed that file sharing was illegal rose from thirty-seven percent in 2003 to seventy-three percent in 2008.¹⁴⁹ Another survey from 2004 indicated that eighty-eight percent of children between eight and eighteen years of age believed that peer-to-peer music downloading was illegal.¹⁵⁰ Sales of sound recordings in legal online markets have soared since the beginning of the campaign. The iTunes Store has sold 8.5 billion songs since 2003,¹⁵¹ and became the largest music retailer in the United States in 2008.¹⁵² Other companies, such as Amazon.com and Wal-Mart, have introduced successful music stores as well.¹⁵³

However, the campaign's effectiveness in deterring illegal file sharing is debatable. One survey conducted between fall 2006 and fall 2007 indicated that the portion of teenagers downloading music over peer-to-peer networks had decreased, and the portion purchasing music from legitimate online stores had increased.¹⁵⁴ In contrast, a study by piracy consulting firm Big Champagne indicated that the number of people sharing music on peer-to-peer networks and over the newer BitTorrent protocol increased between 2006 and 2007.¹⁵⁵ Although data from a consulting firm cited by the RIAA in 2008 indicated that the percentage of Internet users who illegally download music had remained constant for several years, it also showed that the volume of shared music had increased.¹⁵⁶ In total, the International

149. David A. McGill, *New Year, New Catch-22: Why the RIAA's Proposed Partnership with ISPs Will Not Significantly Decrease the Prevalence of P2P Music File Sharing*, 27 ENT. & SPORTS LAW. 7, 9 (2009).

150. Dave McGuire, *Kids Pirate Music Freely*, WASHINGTONPOST.COM, May 18, 2004, <http://www.washingtonpost.com/wp-dyn/articles/A37231-2004May18.html>.

151. Bakari Chavanu, *Take iTunes to the Cloud*, APPLE MATTERS, Sept. 18, 2009, <http://www.applematters.com/article/take-itunes-to-the-cloud/> (quoting sales figures announced at Apple product introduction event).

152. Press Release, Apple Computer, iTunes Store Top Music Retailer in the US (Apr. 3, 2008), available at <http://www.apple.com/pr/library/2008/04/03itunes.html> (citing data from NPD Group's MusicWatch sales survey).

153. Jasmine France, *Online Music Store Guide*, CNET REVIEWS, Sept. 29, 2009, http://reviews.cnet.com/2719-11297_7-284-2.html?tag=page;page. Notably, Napster, Inc. now operates a legal music store as well. *Id.*

154. Antony Bruno, *Report: Teens Moving From P2P To Paid Services*, BILLBOARD.BIZ, Oct. 10, 2007, http://www.billboard.biz/bbbiz/content_display/industry/e3ib81ef268e9ef9966f958b982e713a769.

155. Eric Bangeman, *P2P Traffic Shifts Away From Music, Towards Movies*, ARS TECHNICA, July 5, 2007, <http://arstechnica.com/tech-policy/news/2007/07/p2p-traffic-shifts-away-from-music-towards-movies.ars>.

156. McBride & Smith, *supra* note 27.

Federation of the Phonographic Industry (IFPI) Digital Music Report 2009 found that “around 95 per cent of music tracks are downloaded without payment to the artist or the music company that produced them.”¹⁵⁷

Considering this mixed record, the RIAA’s exact reasons for ending their campaign are unclear. The RIAA suggested that the move resulted from a strategic shift from individual lawsuits to larger-scale agreements with Internet Service Providers (ISPs).¹⁵⁸ However, others felt that the lawsuits “had outlived their usefulness,”¹⁵⁹ and an RIAA spokesperson admitted that the record labels had lost money on the program.¹⁶⁰ Despite the campaign’s success in raising public awareness, it attracted negative attention from both the public¹⁶¹ and the courts.¹⁶²

By the time the RIAA concluded its campaign, the numerous lawsuits it pursued across a wide variety of districts offered judges the opportunity to fit the modern problems of peer-to-peer file sharing within the paradigms of the 1976 Copyright Act. Courts considered new theories of liability, novel applications of existing doctrines, and creative arguments against prevailing interpretations. However, the recent *Thomas* and *Tenenbaum* decisions show that these innovations have not found favor in the eyes of the law. Liability for distribution once again requires proof of actual distribution, despite the difficulty of establishing this proof in peer-to-peer cases. Courts accepted no new applications of the fair use defense, and they upheld traditional statutory damage awards even while decrying their injustice to defendants. In the end,

157. IFPI, DIGITAL MUSIC REPORT 2009: NEW BUSINESS MODELS FOR A CHANGING ENVIRONMENT 22 (2009) (available at <http://www.ifpi.org/content/library/DMR2009-real.pdf>). The IFPI “represents the recording industry worldwide with some 1400 members in 66 countries and affiliated industry associations in 45 countries.” IFPI – ABOUT, http://www.ifpi.org/content/section_about/index.html (last visited Mar. 15, 2010).

158. McBride & Smith, *supra* note 27.

159. *Id.*

160. Eric Bangeman, *RIAA Anti-P2P Campaign a Real Money Pit, According to Testimony*, ARS TECHNICA, Oct. 2, 2007, <http://arstechnica.com/tech-policy/news/2007/10/music-industry-exec-p2p-litigation-is-a-money-pit.ars>; see also Lemley & Reese, *supra* note 1, at 1376 n. 121 (citing an economic survey examining the median costs of infringement lawsuits).

161. See Natividad, *supra* note 29, at 472 n. 15 (noting that “[t]he RIAA’s suits against direct infringers have resulted in negative publicity because of the general unpopularity of the suits . . . and the outcry of civil rights organizations and public interest groups”); see also McBride & Smith, *supra* note 27.

162. Decision and Order to Show Cause, *Elektra Ent. Group, Inc. v. O’Brien*, No. 06-5289 (C.D.Cal. March 2, 2007), available at http://www.ilrweb.com/viewILRPDF.asp?filename=elektra_obrien_070302Decision (expressing concern that “in these lawsuits, potentially meritorious legal and factual defenses are not being litigated, and instead, the federal judiciary is being used as a hammer by a small group of plaintiffs to pound settlements out of unrepresented defendants”).

the current state of the law seems much like the status quo from five years ago.

IV. A PROPOSAL TO ADAPT LEMLEY AND REESE'S 2004 PROPOSAL

In response to the problems apparent at the end of the first phase of RIAA lawsuits, Professors Mark A. Lemley and Anthony R. Reese proposed a new system for copyright owners to enforce their rights more effectively in their 2004 paper, *Reducing Digital Copyright Infringement Without Restricting Innovation*.¹⁶³ Although content providers face a different set of problems today, the system that Lemley and Reese proposed five years ago could improve upon shortcomings in the current state of the law in ways that would benefit both copyright owners and alleged infringers.

Section IV.A describes Lemley and Reese's original proposal. Section IV.B explains why reform is still necessary, even though the RIAA has ended their end user litigation campaign. Section IV.C discusses how the Lemley and Reese approach would address some of these needs, and how it could prove advantageous for both copyright holders and the public. Section IV.D recommends a few modifications to the original proposal to account for modern developments. Section IV.E addresses some of the criticisms of Lemley and Reese's original proposal.

A. LEMLEY AND REESE'S 2004 PROPOSAL

When Lemley and Reese wrote their original paper, the RIAA had recently filed its first rounds of lawsuits against a few hundred individuals.¹⁶⁴ Thus, they were writing at the end of several years of lawsuits against the operators of networks that facilitated copyright infringement.¹⁶⁵ They argued that shutting down peer-to-peer distribution networks failed to address the burgeoning end user distribution problem and imposed societal costs in the form of lost efficiency.¹⁶⁶ Lemley and Reese contended that injunctions against facilitators would practically lump together legal and illegal conduct,¹⁶⁷ and facilitators policing content would "tilt[] the [balance of] the law too far in favor of copyright owners" without proper incentives to avoid removing lawful content.¹⁶⁸ They used the experiences of Napster as a case study

163. Lemley & Reese, *supra* note 1.

164. *Id.* at 1399 n. 15.

165. *See supra* Part II.

166. Lemley & Reese, *supra* note 1, at 1375–83.

167. *Id.* at 1379–81.

168. *Id.* at 1385–86.

supporting the idea that requiring facilitators to police their own content is infeasible.¹⁶⁹ Finally, they posited that enforcement actions against facilitators “restrict[] innovation directly, and therefore reduce[] social welfare by the net social value of that innovation.”¹⁷⁰

Lemley and Reese recognized two alternative approaches to online infringement: increasing the “effective sanctions” on end users by seeking civil or criminal penalties against large-scale infringers, or lowering the cost of enforcement.¹⁷¹ They discussed the former approach rather briefly. Conceding that the criminal penalties and civil statutory damages available for copyright infringement should be sufficient to deter at least some infringement,¹⁷² they claimed that these penalties had not yet served as compelling deterrents because the record industry had only recently begun suing individual uploaders at the time of writing.¹⁷³ Still, the authors acknowledged that a small percentage of peer-to-peer users perform the majority of the uploading, and that sanctions against a portion of this group might “significantly reduce widespread peer-to-peer infringement.”¹⁷⁴

However, the authors identified several problems with this approach. They worried that imposing stiff penalties on a few users in order to deter many times more would seem “unfair and disproportionate.”¹⁷⁵ They recognized that such a lawsuit campaign could also impose costs on the wrongfully targeted, and could deter potentially fair uses.¹⁷⁶ Finally, they expressed concern that U.S. Attorneys and jurors in civil trials might be unwilling to enforce judgments against individuals for engaging in an activity as common as file sharing.¹⁷⁷

169. *Id.* at 1383–85. Lemley and Reese note that, even in its modified form, the *Napster* injunction served as “an outright prohibition on the Napster system” because of lengthy (and costly) disagreements over how to redesign the network to comply. *Id.*

170. *Id.* at 1386–90.

171. Lemley & Reese, *supra* note 1, at 1395–1425.

172. *Id.* at 1395–96 (describing the statutory damages range as probably “ample” to deter major uploaders, and “arguably far too high already to do much good” against college students).

173. *Id.* at 1398–99; *see supra* Part III (discussing the RIAA’s litigation campaign against end users).

174. Lemley & Reese, *supra* note 1, at 1399–1401. The authors estimated that of 3 million users of the Morpheus network, 90,000 might be “high-volume uploaders,” and “su[ing], and impos[ing] severe sanctions on” 1,500–4,500 of these uploaders might be enough. *Id.*

175. *Id.* at 1405 (arguing that “we put up with random enforcement of traffic offenses because the sanction is so minor, but we might feel differently if speeders had to spend a year in jail”).

176. *Id.* at 1402–03.

177. *Id.* at 1403–04.

In response to these concerns, Lemley and Reese recommended two ways of lowering enforcement costs: charging a compulsory license fee on acts such as downloading, and establishing a quick and inexpensive alternative to the court system for resolving online copyright disputes.¹⁷⁸ Both methods had existing precedents: compulsory licenses in the Audio Home Recording Act of 1992 and in systems in Canada and several European nations,¹⁷⁹ and an alternative dispute resolution model in the Uniform Dispute Resolution Policy (UDRP) used for trademark disputes involving Internet domain names.¹⁸⁰ While lauding the benefits that a compulsory license would offer in the realms of enforcement costs and reasonable penalties, the authors conceded that rate-setting and measurement would present difficulties.¹⁸¹

In light of these shortcomings, and inspired by the success of the UDRP,¹⁸² the authors ultimately recommended that Congress amend the Copyright Act to offer copyright owners the option to pursue certain copyright claims in a quick and inexpensive proceeding in front of a Copyright Office administrative judge.¹⁸³ The system would be available only in limited circumstances—where the alleged uploader had made available “at least one copy of at least 50 copyrighted works during any 30-day period”¹⁸⁴ and the infringement did not involve edge cases like a wrongly identified defendant or distribution of out-of-print works.¹⁸⁵ Rather than a face-to-face proceeding, the parties would present their respective evidence online.¹⁸⁶ The plaintiff would need to show proof of registration and ownership of the copyright to the works, documentation that they were distributed at a certain time from a given IP address, and some evidence that the IP in question was assigned to the defendant at the time of infringement.¹⁸⁷ In response, the defendant would have to provide convincing evidence supporting any applicable defenses such as fair use.¹⁸⁸

178. *Id.* at 1405–06.

179. *Id.* at 1406–07.

180. Lemley & Reese, *supra* note 1, at 1411.

181. *Id.* at 1409–10.

182. *Id.* at 1411–12.

183. *Id.* at 1413–25; *see also* Mark A. Lemley & R. Anthony Reese, *A Quick and Inexpensive System for Resolving Peer-to-Peer Copyright Disputes*, 23 CARDOZO ARTS & ENT. L.J. 1 (2005).

184. Lemley & Reese, *supra* note 1, at 1413.

185. *Id.* at 1415–17. Claims falling outside of the system’s limits or presenting “plausible disputes of law or fact that are better resolved in court” would be dismissed from the alternative proceeding. *Id.* at 1417–18.

186. *Id.* at 1417–18.

187. *Id.* at 1413–15.

188. *Id.* at 1417.

Once the parties made their respective showings, the administrative judge assigned to the matter would then have two months to issue a short written decision¹⁸⁹ and, if necessary, to award monetary or nonmonetary relief.¹⁹⁰ The authors contended that a penalty of \$250 per work, or slightly greater than the statutory damage award for innocent infringement, would serve as a sufficient deterrent.¹⁹¹ As nonmonetary relief, the court could officially designate the defendant as a copyright infringer, which would help Internet service providers comply with their requirement under the Digital Millennium Copyright Act to terminate the accounts of “repeat infringers.”¹⁹²

Lemley and Reese added that this system would be flexible and would yield better outcomes for both sides of each dispute. They maintained that the system would reduce the costs of enforcement for copyright owners, while resulting in more reasonable penalties against uploaders.¹⁹³ They also described ways that it could be adapted for use in a hybrid approach with systems of levies, filtering, or collective licensing.¹⁹⁴ Other authors have since cited the proposals in articles about topics such as rebalancing the provisions of the Digital Millennium Copyright Act (DMCA)¹⁹⁵ and setting up an alternative system for the resolution of international copyright disputes.¹⁹⁶ Thus far their system has not been implemented.

B. THE CONTINUING NEED FOR REFORM

The vast majority of online copyright infringement litigation to date has involved copyrighted sound recordings, and the system’s inherent problems remain even though the RIAA is no longer suing individual uploaders.¹⁹⁷ Any type of creative work that can be stored in a digital format faces the threat of unchecked online infringement. Publishers have seen e-book infringement increase with the popularity of the Amazon Kindle and other e-book readers,¹⁹⁸ and a surprisingly high number of users illegally download iPhone

189. *Id.* at 1418.

190. Lemley & Reese, *supra* note 1, at 1418–22.

191. *Id.* at 1418.

192. *Id.* at 1420–22.

193. *Id.* at 1423–24.

194. *Id.* at 1424–25.

195. Martha Pollack, *Rebalancing Section 512 to Protect Fair Users From Herds of Mice-Trampling Elephants, or a Little Due Process is Not Such a Dangerous Thing*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 547 (2006).

196. Ted Solley, *The Problem and the Solution: Using the Internet to Resolve Internet Copyright Disputes*, 24 GA. ST. U.L. REV. 813 (2008).

197. *See supra* Section III.D.

198. *See* Motoko Rich, *Print Books Are Target of Pirates on the Web*, N.Y. TIMES, May 11, 2009, available at <http://www.nytimes.com/2009/05/12/technology/internet/12digital.html>.

applications that often cost little more than a song on iTunes.¹⁹⁹ Technological developments may expose previously “safe” industries to widespread piracy as well. In the same way that the spread of broadband Internet access facilitated music sharing²⁰⁰ and MP3 player ownership correlates with illegal downloading,²⁰¹ the deployment of even faster Internet access²⁰² and the growing popularity of mobile phones that play video²⁰³ may lead to increased piracy of movies and television programs. Even though the RIAA has stopped suing individuals, copyright owners in other industries may consider enforcing their copyrights against end users at some point.

However, the negative publicity effects of the RIAA’s campaign may discourage them from doing so.²⁰⁴ This negative attention was often a response to the magnitude of damage awards granted. As Lemley and Reese explained, the economics of modern copyright law were based on a premise that there would be few counterfeiters, because there would be significant costs to acquiring the necessary equipment, facilities, and materials to make perfect copies.²⁰⁵ Now that perfect digital copies can be made on a device as cheap and ubiquitous as a mobile phone, it seems disproportionate to apply the statutory damages originally intended for sophisticated and well-equipped counterfeiters to the non-commercial infringer.

At the same time, copyright owners have to seek high damages to justify the high costs of litigation. Lemley and Reese cite figures suggesting that it may cost \$250,000 to litigate a low-stakes copyright case to a final judgment, and over \$25 million for the high-stakes equivalent.²⁰⁶ Sony BMG’s head of litigation admitted that the company spent millions of dollars and lost money

199. See Paul Hyman, *iPhone Piracy: The Inside Story*, GAMASUTRA, Nov. 18, 2009, http://www.gamasutra.com/view/feature/4194/iphone_piracy_the_inside_story.php (revealing statistics that over 60% of iPhone applications have been pirated, and 90% or more of the copies of some popular applications are unauthorized).

200. See *supra* Section II.A.

201. See Thomas J. Holt and Robert G. Morris, *An Exploration of the Relationship Between MP3 Player Ownership and Digital Piracy*, 22 CRIM. JUST. STUD. 381 (2009).

202. See Stacey Higginbotham, *DOCSIS 3.0: Coming Soon to a Cableco Near You*, GIGAOM, Apr. 30, 2009, <http://gigaom.com/2009/04/30/docsis-30-coming-soon-to-an-isp-near-you/> (discussing competition among cable providers to offer faster Internet service).

203. See *A2/M2 Three Screen Report: Volume 6, 3rd Quarter 2009*, NIELSENWIRE, Dec. 18, 2009, http://blog.nielsen.com/nielsenwire/wp-content/uploads/2009/12/Three-Screen-Rpt_US_3Q09REV.pdf (reporting a 53% increase in Americans viewing video on mobile phones between the third quarters of 2008 and 2009, and predicting that “[a]s the penetration of smartphones increases and more mobile video options become available over mobile web, . . . this trend [will] continue its upward movement”).

204. See *supra* Section III.D.

205. Lemley & Reese, *supra* note 1, at 1373–78.

206. *Id.* at 1376 n.121.

on their enforcement campaign, which she described as a “money pit.”²⁰⁷ The costs of litigation present a paradox: the more expensive each enforcement action, the fewer actions a copyright owner can afford to bring, which lowers the probability that infringers will face consequences, thus necessitating that damages be higher to serve as an adequate deterrent, which in turn could heighten the sense that damages are unfairly high and lead to a public backlash. Defendants may find even settlement offers unfair when litigation costs are so high that they feel forced into settling.²⁰⁸

If this expensive, publicly damaging process resulted in reduced infringement, there would at least be an arguable benefit. However, as shown by numerous studies, the dozens of thousands of RIAA lawsuits had no clear deterrent effect.²⁰⁹ There is some evidence to suggest that this was because piracy was so widespread that infringers felt that they would not be among the relatively few infringers “caught,” even with thousands of lawsuits filed.²¹⁰ In short, the current system for enforcing copyrights against online infringement appears to be critically flawed.

C. THE ADVANTAGES OF THE PROPOSAL OVER TRADITIONAL LITIGATION

Two of the key benefits of the system proposed by Lemley and Reese are its quick pace and low cost. These features could prove invaluable for addressing the problems of traditional copyright litigation discussed in Section IV.B. If copyrights can be enforced against infringement for a lower cost, then copyright owners could seek lower damages and still recoup the

207. See Bangeman, *supra* note 160.

208. In one instance, a defendant to an RIAA infringement suit filed a counterclaim alleging that the RIAA engaged in extortion by simultaneously serving hundreds of defendants with both complaints and settlement papers. See *Defendant Demands a Trial by Jury*, Sony Music Ent. Inc. v. Scimeca, No. 03-5757 (D. N.J. Feb. 4, 2004), available at http://w2.eff.org/IP/P2P/RIAA_v_ThePeople/Sony_v_Scimeca/20040204_counterclaim.php; see also Assaf Hamdani & Alon Klement, *The Class Defense*, 93 Calif. L. Rev. 685, 688–89 (2005) (describing a situation where a defendant with a meritorious defense may settle rather than pay the cost of defending against the lawsuit).

209. See *supra* Section III.D.

210. See Jacqui Cheng, *Study Suggests Economics, Not Morality Key to Online Movie Piracy*, ARS TECHNICA, Jan. 25, 2007, <http://arstechnica.com/old/content/2007/01/8703.ars> (discussing a study that found that “[t]he illegal downloader looks at the risk vs. reward equation, factors in other terms like convenience and price, and ultimately finds the illegal download overwhelmingly more attractive than the legal download”); Posting of engimax to TorrentFreak, <http://torrentfreak.com/fearless-pirates-dont-care-about-lawsuits-071013/> (Oct. 13, 2007) (relating that “as ever more serious headline-grabbing events come and go, file-sharers are getting wise and making their own risk assessments, probably based on: ‘I’m clicking every day, they never find me. Or any of my friends. Or their friends’”).

costs of enforcement. Since the system in the Lemley and Reese proposal would need to be added as a new section of the Copyright Act, these lower damages could be implemented while leaving the higher range of statutory damages intact for use against offline infringers or large-scale online pirates. Moreover, lower costs would mean copyright owners could afford to engage in more enforcement actions, and the quick pace of the process would allow for more rapid turnaround than traditional lawsuits. Thus, although each individual damage award would be lower, the copyright owner would be able to act against more infringers, improving the overall deterrent effect.

Alleged infringers would likely find this process to be fairer than the existing system. Lemley and Reese specified that their process would be streamlined, allowing parties to submit arguments and evidence online.²¹¹ As a result, defendants would no longer need to bother hiring an expensive lawyer just to respond. They designed the process to be quick, so defendants would not have to spend years engaging in litigation, like Jammie Thomas. And the smaller awards would seem more just than the massive statutory damage awards seen in *Thomas* and *Tenenbaum*. By avoiding the apparent unfairness of the current system, this proposal would allow copyright owners to protect their works effectively without incurring the reputational harm the RIAA suffered in their aborted campaign.

D. SUGGESTED MODIFICATIONS TO THE ORIGINAL PROPOSAL

While the mechanics of Lemley and Reese's plan remain advantageous, some of the details must be changed for the system to be effective in modern online infringement scenarios.

First, the original system was designed to deal only with infringement taking place over peer-to-peer networks. Although infringement over peer-to-peer networks is still a problem today, pirates have turned increasingly to other sources for copyrighted content. The same evidence gathering strategies used over peer-to-peer networks can be adapted for use with any service where copyrighted content is sent directly from user to user. It would be elementary to modify existing investigation methods to identify users sharing files using older methods, such as serving files in IRC channels.²¹² With some effort, these same means could be adapted for use over the BitTorrent protocol, which has become an extremely popular means for sharing copyrighted content in recent years.²¹³ However, other common

211. Lemley & Reese, *supra* note 1, at 1417–18.

212. Internet Relay Chat (IRC) is a protocol that allows for text-based chat and other features, including file transfers.

213. See *supra* notes 17 and 155.

means of infringement, such as uploading files to online “cyberlockers” or storage sites, would not allow for the same type of evidence collection and would probably be better dealt with using DMCA takedown notices.²¹⁴

Second, Lemley and Reese’s plan set a fixed penalty of \$250 per work, and set a minimum threshold of fifty works distributed per month. If all possible works were approximately the same size and value, these hard limits would be more reasonable, but the types of copyrighted works distributed online vary greatly. An infringer should probably not face the same penalty for sharing a \$1.25 MP3 and a \$600 software suite, and the administrative court should not turn away cases involving the distribution of forty movies for being too frivolous, only to consider the distribution of fifty images to be substantial. There are simply too many different forms of digital media to be able to define and set independent rates for each category in the statute, and assessing a penalty based on the size of the files transferred would skew damages awards towards works such as movies and games and away from works such as songs and e-books.

Perhaps the level of damages should be assessed as a multiple of the market value of the illegally shared media, instead of some fixed value per work. This way, the penalties assessed for a given set of works would be proportionate to the cost of legally purchasing them. At the same time, the minimum threshold for bringing an infringer before the proposed system could be set as a minimum damages amount rather than a minimum number of works shared, to take into account the differences in the number of files necessary to qualify as a high-volume uploader of large, expensive works as opposed to small, inexpensive works. Furthermore, the damages threshold should probably be raised, if the system is intended only for those engaging in large-scale uploading.²¹⁵

214. Users of peer-to-peer software transfer songs directly to each other, allowing an investigator to pose as another user and log the IP addresses of users distributing copyrighted media. Users of “cyberlocker” sites simply upload files to a general-purpose online storage service, and other users may later download those files from the same site. This leaves investigators no analogous means for recording the IP addresses of infringers. However, “cyberlocker” sites operating in America are likely to take advantage of the “safe harbor” provision offered under the DMCA for services that offer “storage at the direction of a user.” This protection requires such services to accept notifications of claimed infringement and to remove the content reported in these takedown notices. *See* 17 U.S.C. §512(c) (2006).

215. *See* Peter K. Yu, *P2P and the Future of Private Copying*, 76 U. COLO. L. REV. 653, 732 (2005) (noting that “fairly commonplace” practices “among teenagers and college students” would push them over the 50-work-per-month threshold from Lemley and Reese’s initial proposal).

To demonstrate how the above changes would work in practice, consider a damages multiplier of 100 times the retail value of the work and a minimum damages threshold of \$25,000. With these values, copyright owners could bring claims in the proposed system against an uploader who distributed 200 \$1.25 songs, around seventeen \$15.00 movies, five \$50.00 video games, or one \$250.00 software suite. Since the appropriate threshold level that indicates high-volume uploading, or the damages multiplier that serves as the most effective deterrent, may change over time, it may be preferable to set them in a periodically updated regulation rather than in the language of the statute itself.

Finally, in light of the deals that the RIAA has negotiated with universities and ISPs since the end of their litigation campaign,²¹⁶ it might be worth considering a hybrid approach that enlists the assistance of universities and ISPs in the dispute resolution process. Under the current system, many ISPs cooperate with the RIAA to provide escalating notice and sanctions to their subscribers in response to reports of alleged infringement.²¹⁷ If ISPs and universities operated administrative courts to resolve disputes in the manner described in this proposal, it could greatly reduce the burden on the Copyright Office. However, such an arrangement would probably lead to due process concerns over such matters as the objectivity of the private courts, uniform punishment of similar offenses across courts, and defendants' inability to appeal decisions to a higher court.

E. POTENTIAL DRAWBACKS TO THE ADAPTED PROPOSAL

First and foremost, the costs of proceedings under the proposed system must be significantly lower than the current system for it to offer the advantages discussed in previous sections. One author expressed concern that there would be “no incentive” to use Lemley and Reese’s system since it would lack the economies of the “‘assembly line’ litigation [strategy], where large numbers of individuals are sued in waves on virtually identical grounds” and the vast majority settle or default soon thereafter.²¹⁸ Although valid, this outlook discounts the impression that the “assembly line” strategy makes on both customers and courts and the cost of the associated reputational

216. See McBride & Smith, *supra* note 27.

217. See, e.g., Greg Sandoval, *Is AT&T Violating DMCA by Not Booting 'Repeat Infringers'?*, CNET NEWS, Apr. 1, 2009, http://news.cnet.com/8301-1023_3-10208747-93.html (describing AT&T’s policies, which include sending warning letters to alleged infringers, but relying on court judgments to identify “repeat infringers”).

218. Anthony Ciolli, *Lowering the Stakes: Toward a Model of Effective Copyright Dispute Resolution*, 110 W. VA. L. REV. 999, 1020–21 (2008).

harms.²¹⁹ Another factor to consider is that the discovery costs of hiring an agent such as MediaSentry to collect the necessary evidence are likely to remain constant. Perhaps investigators will achieve efficiencies with improved hardware, more experience, or sheer volume of work, but infringement cases for trial and for the proposed system require the same evidence. If Lemley and Reese's alternative system can operate as cheaply as they envisioned, it should be less expensive than the process used by the RIAA.²²⁰ Otherwise, copyright owners may continue to choose traditional litigation over the alternative system.

One commentator noted that this discretion given to the plaintiff to choose whether or not to bring claims in the alternative system could lead to unjust outcomes for defendants who cannot afford to fight in traditional courts.²²¹ The most just solution is probably the one proposed later in the same paper: to allow either party to a dispute to remove the matter to the alternative resolution system,²²² if it could adjudicate the claims involved.²²³ However, this solution fails to address the commentator's concern that the administrative courts must reject cases involving mistaken identity, fair use, and other complex determinations.²²⁴ Lemley and Reese wanted to "keep the process streamlined and focused on straightforward cases of infringement" by resolving such disputes in a traditional court,²²⁵ but regular court proceedings could unfairly burden poor defendants. While there is no easy solution to the problem of mistaken identity, Lemley and Reese imply that there is hope for fair users. They write that plausible fair use cases "should be considered and resolved in the *first instance* by a court."²²⁶ Perhaps after a traditional court has made a determination that a particular act qualifies as a fair use, later administrative judges can follow its precedent rather than summarily refusing to hear similar claims.

Others expressed concern over the proposed system's policy of targeting high-volume uploaders for various reasons. Some feared that a small number of offshore or anonymous high-volume uploaders, unreachable within the

219. See *supra* notes 161, 162, and 208.

220. See *supra* note 160.

221. Ciolli, *supra* note 218, at 1021–22.

222. *Id.* at 1024.

223. For instance, the courts discussed in this proposal would be unable to hear claims of copyright infringement in physical space, or over services such as "cyberlocker" sites. *Id.*

224. Ciolli, *supra* note 218, 218 at 1021–22; see Lemley & Reese, *supra* note 1, at 1415–17.

225. *Id.* at 1415.

226. *Id.* at 1416 (emphasis added).

proposed system, could sustain a viable peer-to-peer network.²²⁷ Lemley and Reese downplayed such concerns, pointing out that truly anonymous networks are difficult to scale, that infringers would be unable to take refuge in any of the hundreds of TRIPs or Berne signatory nations, and that these uploaders could evade lawsuits in ordinary courts just as easily.²²⁸ One author suggested that targeting “hard-core file sharers” was futile because they are unlikely to switch to legal channels for acquiring copyrighted media; instead, copyright owners should target “marginal file sharers” who are more likely to be swayed.²²⁹ Lemley and Reese’s proposal shares the same ultimate goal—making sharing less attractive for “marginal file sharers”—they just differed on how best to accomplish it. Noting that a small percentage of users upload the vast majority of the files on peer-to-peer networks,²³⁰ they hoped that enforcement against enough high-volume uploaders would lead to a cascade effect of deterrence that would eventually cut off the supply to the entire network, high-volume and marginal file sharers alike.²³¹

Finally, several authors have raised concerns about the ultimate fairness of the proposed system to defendants. Whereas UDRP proceedings only affected the ownership of a particular domain name, the administrative court in this proposed system would be able to award damages to plaintiffs.²³² Even the minimum damages award under this dispute resolution process would be much higher than the typical settlement amount in an RIAA individual file sharing lawsuit. This increase could lead to a different sort of public outcry, in spite of the fairness advantages of the alternative system.²³³ Concerned copyright owners could always continue offering cheaper settlements to alleged infringers, and defendants are less likely to see these offers as extortion since they would be able to present their side of a case cheaply and without counsel under the proposed system, but many defendants will probably still be upset. The “repeat infringer” designation also worried commentators, who feared that denial of Internet access to

227. Matthew Sag, *Piracy Twelve Year-Olds, Grandmothers, And Other Good Targets for the Recording Industry’s File Sharing Litigation*, 4 NW. J. TECH. & INTELL. PROP. 133, 148 (2006); see also Solley, *supra* note 196, at 836 (noting that the proposal “applies only to American parties,” as opposed to the international UDRP on which the proposal was modeled).

228. Lemley and Reese, *supra* note 1, at 1429–30.

229. Sag, *supra* note 227, at 146–47.

230. Lemley and Reese, *supra* note 1, at 1399–1400.

231. *Id.* at 1400–1401.

232. See Yu, *supra* note 215, at 731–32.

233. Of course, if the new system actually did serve as a more effective deterrent, this outcry might be limited to the early stages of implementation, before the more consistent assessment of penalties causes the number of infringers to decrease.

repeat infringers could lead to a “digital divide”²³⁴ or an “online class system.”²³⁵ These concerns are certainly valid, but the termination of repeat infringers is a requirement placed upon service providers by the DMCA, not by this dispute resolution system.²³⁶ Since the DMCA provides no definition for the term “repeat infringer,” Lemley and Reese proposed to give it a clear meaning.²³⁷ Moreover, this resolution process is a much fairer way of labeling a subscriber an infringer than simply accepting allegations from copyright holders without question, as many urge today²³⁸ and as future copyright legislation has proposed making the rule.²³⁹

V. CONCLUSION

Six years ago, Professors Mark A. Lemley and R. Anthony Reese proposed a dispute resolution process as an alternative to lawsuits against facilitators of peer-to-peer file sharing in an effort to combat online infringement without harming innovation. At the same time, technological developments were making lawsuits against facilitators impracticable. In the years that followed, RIAA attorneys and their opponents fought to establish a framework for enforcing copyrighted works against individual online infringers within existing doctrines of copyright law. Unfortunately, while such enforcement is possible, it has proven to be so problematic as to be unsustainable on a large scale. The process costs an obscene amount of money, fails to deter infringement, and appears to the public to force defendants into settling or accepting unfairly high damage awards.

With a few modifications to account for modern developments, Lemley and Reese’s proposal offers a superior alternative to the current process. The quick pace and low cost allow for lower damage awards that are fairer to defendants, and a higher rate of coverage that should improve deterrence. The streamlined proceedings, conducted online with no need for counsel, give defendants a chance to fight their charges instead of feeling coerced into

234. Yu, *supra* note 215, at 731–32.

235. David W. Opderbeck, *Peer-to-Peer Networks, Technological Evolution, and Intellectual Property Reverse Private Attorney General Litigation*, 20 BERKELEY TECH. L.J. 1685, 1748 (2005).

236. 17 U.S.C. §512(i)(1)(A) (limiting liability only for service providers who have “adopted and reasonably implemented . . . a policy that provides for the termination in appropriate circumstances of subscribers and account holders . . . who are repeat infringers”).

237. See Lemley & Reese, *supra* note 1, at 1420–21.

238. *Id.*

239. Gwen Hinze, *Leaked ACTA Internet Provisions: Three Strikes and a Global DMCA*, EFF DEEPLINKS, Nov. 3, 2009, <http://www.eff.org/deeplinks/2009/11/leaked-acta-internet-provisions-three-strikes-and->.

settling by prohibitive legal costs. With a little work, Lemley and Reese's proposal could give copyright holders and Internet users alike a fairer, more efficient, and more effective means of conflict resolution than our current system.