

User Generated Content and Copyright

Michael Naphthali discusses the treatment of user generated content in copyright law and questions whether a 'fair use' exception should be introduced in Australia.

Web 2.0¹ is an internet topic *du jour*. Web 2.0 platforms support multi-way interactive media communications between internet users, an increasingly popular exemplar of which is 'user generated content' (**UGC**).

The purpose of UGC is to facilitate the 'using', 'generating', 'sharing'² and 'transforming'³ of extant works. In such environs participants are not mere passive receivers of information.⁴

A recent KPMG Report, *The Impact of Digitalization*,⁵ (**KPMG Report**) suggests that the drivers of Web 2.0 include: (a) declining costs of media production; (b) the ability to put devices and tools of increasing technological power and sophistication in users' hands; and (c) the rise of a culture of sharing (or, as Professor Benkler called it, a 'participatory culture' of 'social production',⁶ an obvious example of which is the Wikipedia online encyclopaedia).

Marking the social importance that Web 2.0 represents, *Time* magazine broke with tradition in 2006 when it announced its Person of the Year as, simply, 'You'.⁷ Consequently, we find no shortage of learned legal commentary discussing the Web 2.0 phenomenon.⁸

In adding to the debate, this article takes the view that, in light of recent Australian authority, for those who promote Web 2.0 websites a tougher test for, and thus risk of, liability for copyright infringement exists in Australia when compared with the United States.

A crucial distinguishing factor is the decidedly pro-technology jurisprudence United States courts have applied to the doctrine of 'fair use.' Fair use is a concept presently alien to Australian copyright law. Recent parliamentary reviews notwithstanding, when account is taken of the social impact

of Web 2.0 and similar user-empowering technology, the need for clarity in the digital age suggests that a strong case exists for a US-style fair use exception in Australian copyright law.⁹

Definitions

There is no agreed definition of UGC. A recent OECD Report¹⁰ (**OECD Report**) says it is constituted by:¹¹

1. content that is made publicly available over the internet;
2. which reflects a certain amount of creative effort; and
3. is created outside of professional routines and practices.

Another defines UGC as simply 'content filmed, edited and submitted by site users.'¹² Both are apt, and both impliedly beg questions about copyright ownership and infringement.

The following are some examples of UGC platforms noted by the OECD Report:¹³

- **Blogs** (eg BoingBoing and Engadget; Blogs on sites such as LiveJournal; MSN Spaces; CyWorld; Skyblog)
- **Wikis and Other Text-Based Collaboration Formats** (Wikipedia; Sites providing wikis such as PBWiki, JotSpot, SocialText; writing collaboration sites such as Writely)
- **Feedback Sites** encouraging commentary on written works (eg FanFiction.Net)
- **Podcasting** (eg iTunes, FeedBurner, iPodderX, WinAmp, @Podder)
- **Social Network Sites** (eg MySpace, Facebook, Friendster, Bebo, Orkut, Cyworld)

Volume 26 N° 3
May 2008

Inside
This Issue:
Focus On New Media

User Generated Content
and Copyright

The New Game in Town -
An Update on the Players and
Deal Structures in the Video
Game Industry

Search Engine Marketing -
Click or Trick?

Risk Issues for Web 2.0 -
To Block or Not to Block Facebook

Are You With Us or What? The
Use of Personal Images Online

Communications Law Bulletin

Editors: Matt Vitins, Page Henty &
Lesley Hitchens

Printing & Distribution: BEE Printmail

Website: www.camla.org.au

Contents

User Generated Content and Copyright

Michael Naphali discusses the treatment of user generated content in copyright law and questions whether the concept of 'fair use' should be introduced in Australia.

The New Game in Town - An Update on the Players and Deal Structures in the Video Game Industry

Nick Abrahams and Kate Hynes survey the video game industry and typical deal structures in video game production.

Search Engine Marketing - Click or Trick?

Ken Shiu and Matt Vitins review some of the legal issues associated with search marketing.

Risk Issues for Web 2.0 - To Block or Not to Block Facebook

Nick Abrahams and Robert Rudolf look at how organisations might respond to Web 2.0 in the work place.

Are You With Us or What? The Use of Personal Images Online

Pam Foo considers whether Australian law protects against the unauthorised use of personal images on the internet.

- **Citizen Journalism** (eg sites such as OhmyNews, GlobalVoices and Now-Public; photos and videos of news-worthy events; blog posts reporting from the site of an event; co-operative efforts such as CNN Exchange)

That a legal tension exists in this space has not dulled the commercial attraction of UGC as a business model. The following are some prominent UGC acquisitions:

1. Google paid US\$1.65 billion (in shares mostly) to acquire video sharing site, YouTube;
2. New Corp paid US\$580 million to purchase of the social networking site MySpace;¹⁴ and
3. AOL paid US\$850 million to purchase the third largest social networking site, Bebo.¹⁵

Some overarching themes

It was not to be long before the liability of Web 2.0 technology for copyright infringement would be tested in court. Such is the case presently in the United States¹⁶ where eyes are trained on a suit filed by Viacom against UGC video website YouTube¹⁷ (*Viacom v YouTube*) in which Viacom is seeking \$1 billion in damages for YouTube's 'brazen' copyright infringement.

In response,¹⁸ YouTube has asserted numerous affirmative defences¹⁹ as to why it is not liable for copyright infringement, including: (a) 'safe harbour' protection for Internet intermediaries under the *Digital Millennium Copyright Act 1998* (DMCA); (b) express and implied licenses; (c) fair use; (d) Viacom's failure to mitigate damages; (e) YouTube's innocent intent; (g) Viacom's misuse of copyright; (h) estoppel; (i) waiver; (j) Viacom's unclean hands; (k) laches; and

(l) the fact that YouTube has substantial noninfringing uses.

The risk of mass copyright liability from the design and use of digital technology – of which Web 2.0 is merely a current instance – has reignited calls for new exceptions²⁰ in Australian copyright law.

Whereas the right to 'copy' has expanded over time from a dedicated printer's right²¹ to a broad low-threshold²² test granting copyright to any 'author'²³ of an 'original' work,²⁴ then in the digital age the 'greater protection of authors and rights-holders'²⁵ provided by the Internet Treaties²⁶ focuses attention once more on how the balance ought best be struck between rights owners and content users.²⁷ With regard to Web 2.0 technology, the issue is set in relief because of the paradox that 'in a networked society, copying is not only easy, it is a sine qua non of transmission [and] storage.'²⁸

Thus, it is said, the social reality of our 'participatory culture' should now be properly recognised by way of statutory protection which places content users on a par with rights owners. This argument is often framed in terms of a US-style 'fair use' exception (practicalities surrounding the three-step test²⁹ notwithstanding).³⁰ Despite recent parliamentary examination,³¹ neither Australia³² nor Britain³³ has an analogy of America's First Amendment-informed fair use defence.³⁴ Rather, several more narrow and specific 'fair dealing' exceptions exist.³⁵

Identifying a related aspect of this problem, Justice Kirby recently commented that in technology cases 'in default of legislation, court decisions will often draw the boundaries, effectively writing them on a blank page.'³⁶ In this light, for those who propose to invest in new technology such a scenario

can imply substantial, if not insurmountable, commercial uncertainty.

Confronted by copyright's 'opaque'³⁷ and unclear historical intent,³⁸ a 'fair use' exception amendable to flexible³⁹ application would, at least in part, help provide for citizens what is presently an arbitrary boundary. Unfortunately, the piecemeal 'policy on the run' approach to digital issues in Australian copyright law has come to resemble building an aeroplane in flight. By way of contrast, the UK's recent *Gower's Review* has recommended an exception be adopted along the line of the US doctrine of 'transformative' use.⁴⁰ As the issues raised by UGC show, Australia must also catch up.

Given the noted risks for those who promote UGC websites, protection from copyright and other liability is invariably sought through compendious warranties and indemnities.⁴¹ Concurrently, website terms and conditions also generally purport to grant to the website promoters an irrevocable, royalty-free licence to commercially exploit any UGC users upload.

These two motivations can be a double-edged sword because, for the purposes of copyright infringement, matters of private contract law are questions distinct from claims brought by third parties. More particularly, the enjoyment of a pecuniary gain could well disentitle a UGC website from certain safe harbour protections (although, as we see, the presumptive entitlement of UGC websites to safe harbour protections is doubted by some).

The issues of copyright liability concerning UGC can be narrowed as follows:

- (a) Who owns the UGC content?

- (b) On whom does liability fall for the uploading and communication of UGC?
- (c) In the event a UGC site is liable, what defences, if any, may apply?

In examining these questions, this article looks at recent Australian authority which has considered the scope of liability of persons who, through the provision of certain online 'facilities,' are said to 'authorise' the infringing conduct of others. The cases are *Sharman*;⁴² *Cooper*,⁴³ and the *Cooper Appeal*.⁴⁴ Relevant United States decisions are also compared.

UGC and copyright Substantiality

As a preliminary matter, infringement lies only when a substantial part of a work is taken.⁴⁵ Although substantiality is perhaps the most common and difficult of all questions which arise in copyright cases,⁴⁶ it is not without significance to UGC which uses small (often *de minimis*) portions of extant works. Relevance is given by Professor Ricketson's observation that 'there are some uses and applications of copyright works which are truly *de minimis* or incidental in character, and can lead to no measurable detriment to the interests (economic and non-economic) of authors.'⁴⁷ The observation buttresses the argument in favour of a fair use defence in Australia.

Although questions of substantiality are assessed by reference to the quality and importance of that taken from the original work,⁴⁸ some query whether, as a matter of practical reality concerning how people access and use information in the networked world, tests of substantiality - which thus inform infringement - require reconsideration.⁴⁹

With this issue merely noted, let's proceed on the basis that, as it concerns UGC, the test of substantiality has been satisfied.

An illustrative example

On February 17, 2008 the Sydney Morning Herald carried a story⁵⁰ about Hugh Atkin, a political parodist who created and uploaded to YouTube a series of short films. Unexpected celebrity greeted Atkin following the posting of two particular films involving the editing together (a so-called 'mash-up')⁵¹ of footage from a recent Tom Cruise interview of him talking about Scientology, with that of Senator Hilary Clinton responding to questions asking 'how do you it?' (in reference to the rigours of the campaign trail).⁵² In a second film Atkin edited together footage of Presidential candidates repeating the word 'change' in synchronisation with the David Bowie song *Changes*.⁵³

Clever, innovative and original? Yes. An infringement of copyright? Most probably, also yes.

Direct infringement

Sections 36(1) and 101(1) of the *Copyright Act 1968* (Cth) (**Copyright Act**) deem the purported exercise of a copyright owner's exclusive rights an infringement when effected without licence or consent. The sections further deem it an infringement when a person 'authorizes' the doing in Australia of any act comprised in copyright.⁵⁴ Thus, the sections create two separate 'kinds'⁵⁵ of infringement.⁵⁶

(A) Users' direct infringement

Let's look first at direct infringement from the content creator's perspective. Absent consent or licence and with no fair dealing defences applying,⁵⁷ in our example Mr Atkin risks liability for the direct infringement of the following exclusive rights:

- reproduction and communication of a cinematograph film⁵⁸ or television broadcast⁵⁹ (eg the footage of Cruise and Clinton);
- reproduction⁶⁰ and communication⁶¹ of a sound recording (eg Bowie's 'Changes');
- reproduction⁶² and communication⁶³ of underlying literary works (eg the words and music in 'Changes')

This analysis represents a relatively orthodox assessment of direct infringement, and would likely apply to most UGC containing unauthorised content.⁶⁴ For pragmatic commercial reasons noted below,⁶⁵ however, it is unlikely that rights owners will pursue direct infringers.

Unlike Australia, UGC creators in the United States would be entitled to raise the defence of fair use.⁶⁶ Although the success of the defence is often difficult to forecast, it is broad and amenable to novel contexts⁶⁷ such that a fair use is more likely to prevail if the use is *productive* than if it is merely *reproductive*.⁶⁸

Let's consider UGC generally, having regard to the elements⁶⁹ courts must consider in determining if a 'use' is 'fair':

1. The *purpose* and *use* of UGC is often commentary, if not also as parody or satire (as in Mr Atkin's case), and thus weighs in favour of UGC demonstrating a 'transformation' of subject works;⁷⁰
2. Where the use made of extant works in UGC is to entertain, this might weigh against fair use as the use may be too similar in purpose to the *nature* of the work taken;
3. Where the *amount* taken is small or *de minimis* relative to the original, this will weigh in favour of fair use (indeed YouTube deliberately only permits clips of a few minutes duration); and
4. Perhaps most significantly, courts would be unlikely hold that UGC rep-

resents an economic *substitute* for the original works (in the sense of being a free rider).

This assessment has practical significance when it's estimated that anywhere between 30 and 70 percent of the content on YouTube is made up of unauthorised copyright material.⁷¹ In Australia, the 'transformative' qualities of UGC are presently an irrelevant consideration.

The internet, however, is a pan-global network of which Australia is unavoidably as much a part as any nation. Could it thus be said that to deny users (and courts) the ability to conduct a fair use assessment of the forgoing kind is inconsistent with the reality of the 'global village?' More particularly, is it not also inconsistent with the 'harmonisation'⁷² process so often promoted as a uniting thread of modern copyright policy? In the event a more nuanced policy-based argument in favour of a fair use exception is desired, one lies in the measured analysis of Dr Melissa de Zwart who posits that in the digital age a fair use exception in Australia would help protect 'the public interest in freedom of communication.'⁷³ This theme is revisited below.

(B) UGC website direct liability

The *Digital Agenda Act 2000* (Cth) (**DAA**) inserted Section 22(6)⁷⁴ into the *Copyright Act*. In *Sharman*, Wilcox J endorsed Tamberlin J's reasoning in *Cooper*⁷⁵ and held that the 'communication' of an audio-visual item is made by 'a user who determines the content of the material that he or she will download from another user's computer.'⁷⁶ Thus, direct infringement of an owner's exclusive right to 'communicate' a work online will not likely attach to an intermediate website per se even if it provides hyperlinks to infringing works hosted elsewhere.

Where, however, a UGC website actually *hosts* the content, it is more likely to be characterised as having 'communicated' the works. Liability for direct infringement might similarly follow where the hosting involved the UGC website making a 'copy' of the subject work.⁷⁷

Two further factors increasing risk of liability should also be considered. First, although section 43A of the *Copyright Act* affords protection for 'temporary reproductions made in the course of communication,' it expressly excludes reproductions made from infringing works - of which, it was noted above, those on UGC websites constitute a considerable proportion. Second, the wider meaning given in 2004 to 'material form' now encompasses storage 'whether or not the work... or a substantial part of the work ... can be reproduced.'⁷⁸ By contrast, it is noted that a recent US decision⁷⁹ held that it may be possible to establish an implied licence for a search engine to engage in data caching.⁸⁰

The reasoning of *Cooper* and *Sharman* concerning who is the 'communicator' finds support in US authorities. In *Perfect 10 v Google*⁸¹ the mere provision by the 'Google Image Search' of 'in-line' hyperlinks to the plaintiff's original images was not a 'display' (ie 'communication') of those images.⁸² Indeed, it was further held that although Google's reproduction of low-resolution 'thumbnails' was a direct infringement, it was a 'fair use' of the plaintiff's work because 'Google's use ... is highly transformative'⁸³ and had a substantial 'public benefit'.⁸⁴

Preceding the issue of who is the 'communicator,' however, is the threshold question of whether UGC websites are 'mere conduits' of data presumptively immune from copyright liability by virtue of the safe harbour defences for Internet intermediaries? This is the public position of Australia's largest ISP, Telstra Bigpond.⁸⁵

The safe harbour concept has its genesis in s 512 of the DMCA. Australia harmonised with the DMCA⁸⁶ in 2004 via Division 2AA of the *Copyright Act*⁸⁷ and Part 3A of the *Copyright Regulations 1969* (Cth). A similar scheme exists in the UK⁸⁸ to protect 'information society services'⁸⁹ which host information 'provided by a recipient of the host' where the host does not have 'actual knowledge' of unlawful activity.⁹⁰

A key difference between Australia and US, however, is that the Australian scheme limits the protection narrowly to just 'carriage service providers'⁹¹ (**CSP**); whereas s 512(k) (1) of the DMCA uses broad language referring to a 'service provider' the definition of which expressly includes 'online services.' Thus, it is likely that a UGC website hosted in the US would come within this definition and presumptively be immune from liability⁹² (subject to the existence of other disentitling conduct).

In Australia, however, a CSP is defined as an entity which 'supplies a carriage service to the public.' O'Brien and Fitzgerald conclude that it is unlikely that a UGC website in Australia would fall within this definition 'as they do not supply a carriage service to the public, unlike internet service providers.'⁹³ Matthew Rimmer agrees with this view.⁹⁴ The unsatisfactory state of definitional clarity in the Australian internet space is further highlighted with there being no apparent consensus about what qualifies as an 'online service'⁹⁵ – indeed the *Broadcasting Services Act 1992* (Cth) does not actually define what is a 'service.' Nonetheless, laws regulating online content do purport to limit the liability of 'carriage services.'⁹⁶

As for the OECD's view, it simply hedges: 'whether UGC platforms can be treated as a "mere conduit" under exceptions for online intermediaries is an ongoing question.'⁹⁷

A further notable explanation for the jurisdictional difference is the enduring affect of

the First Amendment's protection of freedom of speech. As the internet has developed, early US safe harbour jurisprudence shows a clear preference to exempt those communication 'conduits' which 'merely' facilitate others to exercise their right to free speech.⁹⁸ On this basis, Web 2.0 technologies are also mere facilitators of the others' speech. For example, US cases like *Netcom*⁹⁹ (now reflected in legislation)¹⁰⁰ have cast the safe harbour defence widely to immunise Internet Service Providers (**ISP**) from the liability of users' defamatory speech via online 'bulletin boards' which they host. Following passage of the DMCA, the ratio of *Netcom* has been endorsed in *Loopnet*.¹⁰¹

Comparatively, a recent British case¹⁰² involving the liability of an ISP for a user's defamatory statements invoked copyright authorisation principles¹⁰³ to hold that the defendant ISP had not, through mere hosting, 'knowingly authorised, sanctioned or participated in any of the relevant publications.'¹⁰⁴ Conversely, a NSW Supreme Court decision recently found an ISP liable for a user's defamatory publication.¹⁰⁵ Recent reform of Australian defamation legislation now provides a statutory defence of 'innocent dissemination'.¹⁰⁶

For those online services which *do* come within the safe harbour defence, a crucial benefit is their express removal of the obligation to *actively* monitor and remove allegedly infringing content. Rather, the services are protected from liability so long as they delete infringing material after notification by rights owners.¹⁰⁷ This is precisely YouTube's position in reply in *Viacom v YouTube*.¹⁰⁸

What will take one outside being a 'mere conduit' is when, in the language of *Loopnet*, 'something more' is being done: that is, when there is 'a nexus sufficiently close and causal' between the provider of services and the acts of infringing copying.¹⁰⁹ Evidence sustaining such a finding might include circumstances where an online service permanently archives¹¹⁰ or hosts content for access at the user's convenience. It need not be added that this is what YouTube does.

In preference, then, to seeking relief against direct infringers, an alternative is to sheet home to those who provide the facilities, the responsibility for the infringing use made thereof by users. Whether 'something more' existed to suggest 'a nexus sufficiently close and causal' for such liability to follow was a key issue considered in *Sharman*.¹¹¹

Authorisation liability

By conferring on owners the exclusive right to 'authorise' others to do an act comprised in copyright,¹¹² the *Copyright Act* grants a separate right distinct from direct infringement.¹¹³ Being an exclusive right, section

101 of the *Copyright Act* will afford an owner relief where a defendant, by act or omission and without the consent or licence of the owner, purports to authorise another to infringe an owner's copyright.¹¹⁴

Of all the propositions in the authorisation authorities, principle among them is the statement that authorisation requires a putative grantee to 'sanction, approve, or countenance'¹¹⁵ the conduct of the direct infringer.

Over time, this phrase has enjoyed substantial judicial gloss. For example, it has been held that 'it may also be possible to imply ... permission from the surrounding circumstances.'¹¹⁶ Thus, declining to interfere in infringing conduct may constitute acquiescence.¹¹⁷ Although the alleged authoriser must possess the ability to *control* or *prevent* the infringing conduct,¹¹⁸ this presumes that the defendant has the requisite degree of *knowledge*¹¹⁹ about the acts of infringement (although for rights owners the significance of this factor in the UK has, it seems, been somewhat neutralised insofar as ISPs are concerned).¹²⁰ A sufficiency of *control* might be demonstrated by showing that a person has made a 'deliberate choice'¹²¹ to do, or refrain from doing, something within their power that would prevent the infringing act. Crucially, knowledge of *specific acts* of infringement need not necessarily be proved, provided the circumstances invite a reasonable person to infer that infringement may occur.¹²²

These principles have been held in *Sharman* to offer a continuing 'flexibility and relevance'¹²³ in the digital era, and have since been codified¹²⁴ in section 101 (1A)¹²⁵ of the *Copyright Act* which sets out factors against which impugned conduct must be assessed. Other relevant factors may also be taken into account such as, for example, 'the respondent's knowledge of the nature of the copyright infringement.'¹²⁶

Cooper concerned the provision of website facilities (mp3s4free.net) via which users could obtain infringing recordings, while *Sharman* involved the provision by the respondent of the Kazaa software which enabled users to share material whether or not that material was subject to copyright. The United States Supreme traversed issues similar to those in *Sharman* in *MGM Studios v Grokster Ltd*¹²⁷ (**Grokster**).

In both *Cooper* and *Sharman*, the respondents sought the protection of sections 39B and 112E for those who provide communication facilities. Their effect is to 'qualify'¹²⁸ the scope of authorisation liability, in the sense that, like the safe harbour provisions, they are intended to 'protect the messenger.'¹²⁹ They do so by deeming a person who provides 'facilities' as not having authorised infringement 'merely because' another person uses those facilities to infringe copyright.¹³⁰

Although the respondents in both *Cooper* and *Sharman* did provide statutory 'facilities',¹³¹ in both cases reliance on the defence was denied¹³² because they did more than 'merely'¹³³ provide those facilities. In so holding, section 112E was said by Wilcox J to 'not preclude the possibility that a person who falls within the section may be held, for other reasons, to be an authoriser'.¹³⁴ Similarly, Tamberlin J held that the respondent 'has been far more involved than just providing the facility that has been used to make the communication.'¹³⁵

Here we encounter Wilcox J's consideration of conduct which takes a defendant beyond being a 'mere' provider of facilities. It is when 'something more' is done.¹³⁶ By any measure this is an imprecise term, the precise meaning of which reasonable minds would doubtless differ. Some clarity can be found, however, in his Honour's further comment that 'something more' was, in *Sharman*, constituted by a finding that the 'predominant use'¹³⁷ of the Kazaa software was copyright infringement.

Given that (a) Australia does not enjoy a *Sony*-style bright-line rule which presumptively favours new technology possessing 'substantial non infringing uses',¹³⁸ and (b) nothing approaching a fair use defence exists, some argue a new 'design duty' gloss can be identified requiring technology to possess about it a 'predominant use' which is non-infringing.¹³⁹ The obvious problem for those who may wish to develop and market new technology is the apparent need to now divine just what, among a panoply of possible uses, fits that which is 'predominantly' non-infringing?

We can compare this test – if indeed that is what the phrase 'predominant use' represents – with the new 'inducement' test for contributory liability enunciated in *Grokster*. Focusing on the 'actual intent'¹⁴⁰ of the provider of technology (rather than the uses to which the technology may be put), liability attaches when each element of the test is satisfied, namely when: a person 'distributes a device' with the object of promoting its use to infringe copyright as shown by 'clear expression or affirmative steps,' and such conduct does in fact 'foster infringement.'¹⁴¹

On comparing the reasoning in *Sharman* with *Grokster*, Ginsburg and Ricketson have concluded that 'it is possible that facilitators of online infringements may now be more vulnerable in Australia than in the US'¹⁴² because under the *Sharman* standard 'liability may arise where there is knowledge of infringing activities, coupled with a failure to take steps to prevent this occurring.'¹⁴³ Although in this respect *Grokster* conforms with the gloss added to the *Sony* rule by *Napster*¹⁴⁴ (to the effect that 'where there is specific knowledge and control, the *Sony* standard will not apply,')¹⁴⁵ *Grokster* is nonetheless a tougher test of liability than *Sharman* would appear to set in Australia.



Can it be said, then, that those who promote UGC websites are 'merely' doing so? If not, do the normal authorisation principles mean liability should then follow?

Let's consider some findings of fact which proved determinative of authorisation liability in *Cooper* and *Sharman*. First, positive exhortations to infringe and the provision of active hyperlinks to infringing works, (hosted elsewhere) constituted a *countenancing* of infringement.¹⁴⁶ Second, there was *knowledge* of infringing acts being committed via the 'mp3s4free' website and Kazaa software, but a disinclination to do anything about it.¹⁴⁷ Third, unlike in the sale of video recorders or blank tapes, the respondents were sufficiently able to control users' infringing conduct.¹⁴⁸ Fourth, the respondents generated a profit from the distribution of the facilities.¹⁴⁹ Fifth, no reasonable steps were taken to prevent infringement.¹⁵⁰

Let's recall the massive sums involved in commercial transactions in the UGC space. *Cooper* and *Sharman* indicate that when courts assess the proscribed factors under section 101(1A), it will weigh strongly against a finding that the respondent had *not* authorised infringement when evidence shows they have enjoyed a commercial return. It will also be the case where no

'effective' notice-and-take down procedure is in force.¹⁵¹ Reinforcing this view, whether a party is entitled to enjoy the safe harbour provisions, Div 2AA makes pointed reference to receipt of any pecuniary gain.¹⁵²

Similarly, in *Grokster*, it was held that the defendants had structured their business model to profit directly from users' infringing conduct. Thus, 'affirmative intent' was demonstrated by *Grokster* advertising its software's infringing uses and the way it compared itself to *Napster*. Also relevant was that the company's business model depended solely on advertisement revenue driven by the number of users, and that the company made no effort to filter out copyrighted works.¹⁵³ Relevantly, the OECD Report notes that 'advertising is often seen as a more likely source of revenue surrounding UGC and [is] a significant driver.'¹⁵⁴

As a defensive position UGC websites tend now have strict 'notice and take down' procedures. This is sensible. For while debate might continue in Australia as to whether a UGC website is presumptively entitled to safe harbour immunity, it is notable that in the US sites like YouTube expressly assert their reliance on the defence on the basis of being a 'service provider'¹⁵⁵ (recall, by comparison, that Div 2AA refers to a 'CSP' and an 'information society service' in the UK).

In circumstances where YouTube has an 'ability to control' the UGC content, its ability to sustain the defence will thus be determined by reference to how much of its commercial activity constitutes a 'direct financial benefit' and what reasonable technical measures it had taken to prevent infringement.¹⁵⁶ In short, 'inducement' liability under the Grokster test will more likely follow when evidence shows that a UGC website has 'intentionally structured its business around infringing material.'¹⁵⁷ That intention is an element of proof of liability thus sets a high threshold for plaintiffs in the US; a result which may be distinguished from Australia's substantially tougher test requiring a technology's 'predominant use' be non-infringing.

Conclusions

No one knows how or if the *Viacom v YouTube* litigation will be decided. In the absence of further clarity, prudent practice would require that promoters of UGC websites:

1. cast widely the net of warranty and indemnity protection received from users;¹⁵⁸
2. reserve the right to remove offending content for the purposes of demonstrating:
 - (a) compliance with notice and take down provisions under the various safe harbour schemes; and
 - (b) discharge of the evidential burden under s 101(1a)(c) concerning the taking of 'reasonable steps to prevent or avoid the doing of the act.'¹⁵⁹
3. be conscious that a UGC website's business structure (eg how advertisements are caused to appear on the website) can provide powerful evidence from which an inference of 'authorisation' or 'inducement' might be drawn.

In overview, the forgoing has discussed a theme identified earlier by Justice Kirby, namely, how often 'in the field of computer law, we have come to realise that there is often a tension between the regulation of ... technology ... and competing interests in society.'¹⁶⁰

Web 2.0 technology places this tension in clear relief as we wait to see the leeway¹⁶¹ Australian courts will grant nascent technology and, more particularly, the degree to which they will 'take into account the need for, and ubiquity and value of, user driven distributed information sharing technologies.'¹⁶² The matter is of significance when we note the comment in *Cooper* that 'the question remains open as to what degree of connection or control is necessary between the alleged authoriser and the primary infringer.'¹⁶³ Some flesh was added to the bones of this proposition by Justice Branson

in the *Cooper Appeal* who made the curious obiter observation that the 'assumption that Google's activities in Australia do not result in infringements of the [Copyright] Act is untested.'¹⁶⁴ Naturally, Google has publicly rebutted such an argument.¹⁶⁵

In aggregate, the absence of a fair use defence, narrow safe harbour immunity, definitional uncertainty, and a possible 'design duty' requiring advance consideration of a technology's 'predominant uses' all combine, it is submitted, to suggest that, *ex hypothesi*, copyright law in Australia is less accommodating of technology like Web 2.0 than is the case in the US. If true, this is unfortunate and regressive.

The fact is, though, that the popularity of Benkler's 'participatory culture'¹⁶⁶ shows little sign of abatement.¹⁶⁷ And, frankly, why would it? The desire to share information, communicate and interact is one of humanity's deepest urges. The means by which this is facilitated should not be burdened by arbitrary rules unaccommodating of technological development. As much has been acknowledged by the BBC which recently declared that:

*"audiences of all ages not only want the choice of what to watch and listen to when they want, they also expect to take part, debate, create and control. Interactivity and user generated content are increasingly important stimuli for the creative process."*¹⁶⁸

At the same time, few would question the obvious public interest in ensuring that creators receive a fair reward for their endeavors.¹⁶⁹ The argument in favour of a fair use exception for Australia, however, does not deny this proposition but rather invites recognition of the reality of a modern networked world.¹⁷⁰

For example, the ongoing challenge for users and technology developers was illustrated clearly in the legislative amendments following the decision in *Sony v Stevens* which rendered it, effectively, moot.¹⁷¹ A progressive approach to copyright law in the form of a fair use exception would be a practical circuit-breaker which can offer much needed clarity for all who increasingly interact – almost inevitably so - with copyrighted works in the digital environment, while also effecting protection of society's interest in 'freedom of communication.'

In 1999 Professor Ricketson made the prescient observation that 'authors should henceforth concentrate on the value that they can extract from the new relationships which the Internet brings them.'¹⁷² It is submitted that a fair use exception would conform to the spirit of this proposition. Setting to one side the dubious strategic value of 'mega litigation' like *Viacom v YouTube*, practical market solutions (just as Ricketson encouraged) are indeed being settled.

YouTube, for example, has signed licensing deals with other major rights owners like Warner Music¹⁷³ and EMI.¹⁷⁴ Many of the major film studios have sought a practical détente by signing on to a strategy of outreach with the UGC community through a set of published 'Principles for User Generated Content Services'¹⁷⁵ – effectively 'rules of the game' for UGC websites and users.

Indeed, Professor Tim Wu has suggested that the rise of YouTube has, in effect, created a new quasi-legal category of exception in copyright law - not fair use, but 'tolerated' use - use that is technically illegal, but tolerated by rights owners because they desire the valuable publicity it yields.¹⁷⁶ This is a clear and practical example the kind of 'use' that is 'fair' and which Australian copyright law ought also to accommodate.

These developments all reflect the simple yet powerful assessment made by *Time* magazine that, lest any doubt remains, Web 2.0 is all about 'You.' To the extent that this examination of Web 2.0 and UGC websites suggests that Australia's copyright regime fails to accommodate this modern reality, and might also risk inhibiting technological development, Parliament should reconsider legislative reform (just as the UK is doing) in the form of a fair use defence.

**Michael Naphthali is a Sydney lawyer.
Email: enox31@yahoo.com.au**

Acknowledgement is made of comments provided by Justice Michael Kirby on an early draft of this paper, however the usual disclaimer applies as to all opinions expressed and any errors or omissions.

Notes for this article appear in the final pages of the Bulletin.