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## Internet Piracy: Is Protecting Intellectual Property Worth Government Censorship?

Grace Espinosa

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# INTERNET PIRACY: IS PROTECTING INTELLECTUAL PROPERTY WORTH GOVERNMENT CENSORSHIP?

By: Grace Espinosa

## ABSTRACT

*Intellectual property law has struggled to keep up with new technologies and the issues posed by new mediums of communication. With the rise of the Internet, digital piracy has led to millions of dollars worth of losses in American intellectual property. The Digital Millennium Copyright Act ("DMCA") was intended to address some of the problems related to online infringement; however, at the time the DMCA was drafted, the legislature did not foresee that peer-to-peer file sharing software would give millions of users instant illegal access to copyrighted works.*

*In response to lobbying for an expansion of copyright protection, the Senate introduced the Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act. The Act will give the Attorney General the power to bring an action against websites dedicated to online infringement. If the Attorney General is successful, the court may issue an order to internet service providers to block access to the infringing site, to financial institutions to stop providing online payment systems to infringing sites, and to online advertisers to prevent them from purchasing ad space on the infringing website. Additionally, the Act will require Internet service providers to block all access to foreign infringing web pages from within the United States.*

*Proponents of the Act are certain that it will help decrease the prevalence of online infringement; however, critics of the Act argue that it is overly broad and will trample over free speech. This Comment discusses the history of modern copyright law, including the rise of digital piracy, and the implications of the proposed Intellectual Property Act.*

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## I. INTRODUCTION

Intellectual property (“IP”) law grants rights and protections to “commercially valuable products of the human intellect.”<sup>1</sup> Protecting an individual’s intellectual property is consistent with John Locke’s labor theory that a person has a natural right of ownership to items derived from his own labor.<sup>2</sup> IP law faces a unique challenge not relevant to traditional real property law. Real property—such as real estate and other physical property—is tangible and exhaustive, which means that an owner of real property can exclude others from his property, and the property itself has limitations of possession and enjoyment. For example, a landowner can put up a fence to keep out trespassers and can call the police if there is a trespasser on his land. In property disputes, a given lot of land, trust, or physical item may be granted to one party or partitioned between multiple parties, but ultimately, a fixed amount of property is at stake.

1. BLACK’S LAW DICTIONARY 881 (9th ed. 2009).

2. *Id.* at 1024.

In contrast, intellectual property—such as movies, music, and computer software—is non-exhaustive because multiple people can possess and duplicate the work without lowering each party's use and enjoyment of the property. Additionally, intellectual property is not alienable because an author, unlike a landowner, has no way to keep other people from copying his works. As a result, intellectual property holders must rely solely on the government, namely civil courts, to protect their rights. In theory, the government is in a better position to protect intellectual property because the government can define what is protected, the scope of protection, and the remedies available against IP thieves.

In order to protect intellectual property, governments have enacted copyright laws. Copyright law purports to protect the original and creative works of an author that are fixed in a tangible medium.<sup>3</sup> The term “copyright” first appeared in Blackstone's Commentaries of 1767.<sup>4</sup> Blackstone proposed that:

[w]hen a man, by the exertion of his rational powers, has produced an original work, he seems to have clearly a right to dispose of that identical work as he pleases, and any attempt to vary the disposition he has made of it appears to be invasion of that right.<sup>5</sup>

Copyright law grants authors and assignees the exclusive right to reproduce and adapt their works; however, copyright enforcement can prove difficult as infringers develop new and sophisticated methods of infringement.<sup>6</sup> The development of the Internet and technologies that have made the Internet cheap and accessible to the general public has given rise to a set of new copyright issues in the form of digital piracy.<sup>7</sup>

#### A. *What is Online Piracy?*

“If piracy is the act of copying and distributing intellectual property without authorization from the rights holder, then online piracy is any act of piracy that uses computer networks as a mechanism for copying and distributing.”<sup>8</sup> More specifically, online piracy includes, but is not limited to, selling counterfeit merchandise through the Internet, sharing protected works or files through the Internet, or posting protected content without authorization of the copyright holder on a website. This Article will focus on the illegal sharing of protected files using Peer-to-Peer (“p2p”) file sharing software.

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3. 17 U.S.C. § 102 (2006).

4. R.R. BOWKER, COPYRIGHT, ITS HISTORY AND ITS LAW: BEING A SUMMARY OF THE PRINCIPLES AND PRACTICE OF COPYRIGHT WITH SPECIAL REFERENCE TO THE AMERICAN CODE OF 1909 AND THE BRITISH ACT OF 1911 2 (1912).

5. *Id.*

6. 17 U.S.C. § 502 (2006).

7. NATHAN W. FISK, UNDERSTANDING ONLINE PIRACY 27 (2009).

8. *Id.* at 4 (emphasis omitted).

### B. *The Rise of Digital Piracy*

The release of Napster in 1999 marked the start of massive p2p file sharing.<sup>9</sup> Originally, Napster creator Shaun Fanning only intended to share his music files with a small group of university friends; however, the software quickly spread throughout the Northeastern University campus.<sup>10</sup> Napster, which started with only thirty users during beta testing, had approximately thirty-two million users at the end of 2000, and it continued to grow at a rate of one million users per month until it was shut down in 2001.<sup>11</sup>

Online file sharing already existed when Fanning created Napster; however, most file sharing technology was too complicated for the average Internet user to figure out.<sup>12</sup> Fanning's user friendly and accessible system turned Napster into a household name, and it gave people the impression that it was not an unlawful method of acquiring copyrighted material.<sup>13</sup> Additionally, the average personal computer was equipped with the processing power and storage capacity to run the software.<sup>14</sup> As more households installed broadband and high-speed Internet, "it became fast, easy, and cheap to download and store a massive digital music library."<sup>15</sup>

The end of Napster did not mark the end of illegal file sharing. As the company was shut down, a myriad of sites, such as Limewire and Isohunt, quickly took Napster's place.<sup>16</sup>

### C. *How p2p File Sharing Really Works*

Prior to p2p file sharing, one server transmitted information to other computers through the Internet.<sup>17</sup> Computers connected to the server could only download information, and download speed fluctuated depending on the uploading capacity of the centralized server.<sup>18</sup> Using a centralized server was an ineffective method of piracy because law enforcement agencies could shut down the entire system by merely locating and turning off the main server.<sup>19</sup>

In contrast, Napster's hybrid system<sup>20</sup> used the processing and bandwidth power of individual personal computers connected to the

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9. *Id.* at 11.

10. *Id.*

11. *Id.* at 26.

12. *Id.*

13. *Id.* at 27.

14. *Id.*

15. *Id.*

16. *Id.* at 28.

17. *Id.* at 33.

18. *Id.*

19. *Id.* at 34.

20. A hybrid system utilizes one centralized server to disseminate the original file then links to individual computers connected to the networks and uses them to download and upload information. *Id.*

network.<sup>21</sup> Essentially, each computer running the software became a server.<sup>22</sup> As users downloaded content, they were also uploading it. Since users were sharing the information with each other, Napster did not rely on one centralized server.<sup>23</sup> Napster's downfall was that its software did not only enable p2p file sharing, but it actually copied copyrighted content onto its central server and it allowed users to search for copyrighted content from within the program.<sup>24</sup> Napster operated a hybrid p2p file sharing system, which allowed the authorities to shut down the company as a contributory infringer.<sup>25</sup>

The latest p2p file sharing technology, namely Bit Torrent, does not use a centralized server at all; all users are true peers acting as "clients" and servers at the same time.<sup>26</sup> Bit Torrent has become the most commonly used form of p2p file sharing because of its unique file sharing process.<sup>27</sup> Bit Torrent software does not allow users to search for content from within the program nor does Bit Torrent actually host any content.<sup>28</sup> Bit Torrent merely connects the computers to each other so that users can share files.<sup>29</sup> Bit Torrent users visit websites such as Piratebay.org or Isohunt.com to search for desired torrent files, including movies, TV shows, music, computer software, etc., then start downloading the file from the website's network. The operators of reputable torrent sites, such as Eztv.it, verify the authenticity and quality of torrent files so the site only needs to host one copy of each file. Bit Torrent "distributes many parts of a single file across multiple users and then allows the users to send and receive those parts among each other until all of them have received all of the parts."<sup>30</sup> Since all users are both uploading and downloading each file, Bit Torrent transfers are extremely fast and download speed increases as more users sign on to Bit Torrent.<sup>31</sup>

Bit Torrent software makes it difficult for the authorities to shut down infringing activity because it is legal to own the software itself and it has legitimate non-infringing uses. Most copyright litigation involving torrents is aimed at the sites that host infringing files, but as

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21. *Id.*

22. *Id.*

23. *Id.*

24. *Id.* at 35; *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011–12 (9th Cir. 2001).

25. *A&M Records*, 284 F.3d at 1095.

26. Fisk, *supra* note 7, at 38.

27. *Id.* at 41.

28. *Id.*

29. *Id.*

30. *Id.*

31. *Id.* at 42.

one site is shut down, many more pop up. And Bit Torrent software is compatible with any Torrent site.<sup>32</sup>

This Comment will give a brief history of copyright law, explore digital copyright enforcement under the current law, and explain the need for copyright law reform. Lastly, this Comment will focus on the future of copyright law under the proposed Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 and the implications of enacting the bill.

## II. EVOLUTION OF COPYRIGHT PROTECTION

### A. *A Brief History of Copyright Law*

Modern copyright law can be traced to the invention of the printing press.<sup>33</sup> In England, the Crown appointed a Royal Printer, whose primary task was to issue first printing “privileges.”<sup>34</sup> Privileges entitled the holder an exclusive right to copy or reproduce literary works for two years.<sup>35</sup> Originally, publishers, not authors, held these privileges, and in 1557, Queen Mary granted the Stationers’ Company an exclusive publishing and printing right.<sup>36</sup> In order to retain its exclusive publishing right and its profits, the Stationers’ Company often censored works that the Crown disliked.<sup>37</sup> Until 1694, royal decrees and non-comprehensive legislative acts comprised the English copyright system.<sup>38</sup>

As the House of Commons grew weary of censorship, it considered a new system of copyright protection, and in 1710, it enacted the Statute of Anne.<sup>39</sup> The Statute of Anne laid the foundation for the modern American framework of copyright protection as it granted authors and assigns the exclusive printing right for fourteen years with the option to renew for an additional fourteen-year term.<sup>40</sup> The Statute required that authors register works and deposit nine copies of it before the work would receive protection.<sup>41</sup>

In spite of copyright laws, piracy has been a consistent issue. In the 1900s, England faced a national piracy problem.<sup>42</sup> At that time, the Stationer’s Guild held printing rights almost exclusively, yet illegal publishers continued to sell sheet music at a fraction of the cost of the

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32. See generally *A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002); *Columbia Pictures Industries v. Fung*, No. 06-5578, 2009 WL 6355911 (C.D. Cal. Dec. 21, 2009).

33. ALFRED C. YEN & JOSEPH LIU, COPYRIGHT LAW 1 (2008).

34. BOWKER, *supra* note 4, at 19.

35. *Id.*

36. YEN & LIU, *supra* note 33, at 2.

37. *Id.*

38. *Id.*

39. YEN & LIU, *supra* note 33, at 2-3.

40. BOWKER, *supra* note 4, at 24.

41. *Id.*

42. FISK, *supra* note 7, at 10.

authorized copies—specifically, pirated copies sold at less than ten percent of the market price.<sup>43</sup> Authorities struggled to enforce copyright laws because the public sympathized with and supported illegal printers.<sup>44</sup> As American copyright law developed, copyright holders faced similar enforcement issues.

Since its inception, the United States has extended copyright protection to writers and artists. The Constitution empowers Congress to enact laws that “promote the [p]rogress of [s]cience and useful [a]rts, by securing for limited [t]imes to [a]uthors and [i]nventors the exclusive [r]ight to their respective [w]ritings and [d]iscoveries . . . .”<sup>45</sup> Although the concept of intellectual property and copyright protection has existed since the founding of the United States, the founding fathers did not work out the complexities of copyright law within the text of the Constitution. As a result, U.S. copyright law is primarily governed by statute.

Congress passed the first federal copyright law, based on the Statute of Anne, in 1790.<sup>46</sup> The Statute provided protection for maps, charts, and books for a term of fourteen years with the option to renew; authors were required to register the work, deposit a copy with the United States Secretary of State within six months of publication, give notice through a newspaper, and deposit a copy with the district clerk.<sup>47</sup> After the enactment of the 1790 statute, Congress, in response to public pressure, passed legislation extending the types of works protected and the scope of protection in 1909.<sup>48</sup>

In 1909, Congress repealed all previous copyright legislation and codified a comprehensive copyright system.<sup>49</sup> The 1909 act protected any writings of an author<sup>50</sup> and expanded protection from printing and vending rights to the right to perform, translate, adapt, and reproduce a work in any manner.<sup>51</sup> Additionally, the act extended copyright protection to two terms of twenty-eight years and lowered the requirements to registration with the Copyright Office and publication of the work with a copyright notice.<sup>52</sup> Although the 1909 act greatly expanded and streamlined copyright protection, American copyright law struggled to keep up with technology. The new system protected dramatic works, musical compositions, and art; however, it did not account for the development of radio, film, and in-home sound

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43. *Id.*

44. *Id.*

45. U.S. CONST. art. I, § 8, cl. 8.

46. BOWKER, *supra* note 4, at 24.

47. *Id.* at 35-36.

48. YEN & LIU, *supra* note 33, at 4.

49. BOWKER, *supra* note 4, at 39.

50. YEN & LIU, *supra* note 33, at 4.

51. BOWKER, *supra* note 4, at 39.

52. *Id.*



recording technologies.<sup>53</sup> Congress responded to these new inventions by amending the copyright code and slowly adding new copy-rightable media to the list.<sup>54</sup>

Until 1909, the primary expansion of copyright protection consisted of adding items such as illustrations or musical compositions to a list of protectable works. This method made it necessary for Congress to constantly enact new legislation as new literary and artistic media needed protection.<sup>55</sup> In 1976, Congress replaced the antiquated list of protectable works with a category-based method of grouping creative works.<sup>56</sup> Accordingly, new inventions and media of expression are automatically protected under one of the pre-existing categories.

The 1976 act, codified in Title 17 of the United States Code, is the source of current copyright law and has been amended over twenty times.<sup>57</sup> The most significant change to American copyright law since 1976 has been the inclusion of the Digital Millennium Copyright Act ("DMCA") in 1998. The current state of copyright law is discussed more thoroughly in Part III.

### B. *International Copyright Law*

The development of new technologies, ease of transcontinental transportation, and increase in global communication has turned copyright protection into an international issue. Accordingly, several international treaties specifically deal with international intellectual property concerns, such as the types of works protected, the extent of protection, and method of enforcement. The Berne Convention ("Berne") and Trade-Related Aspects of Intellectual Property Agreement ("TRIPS") set forth the current international regulations pertaining to copyright protection and to some degree address digital infringement.

#### 1. The Berne Convention

The Berne Convention of 1886 laid down the basic framework for international intellectual property law.<sup>58</sup> The United States signed the treaty in 1988 and implemented legislation to conform to its terms shortly thereafter.<sup>59</sup> Under the current version of Berne, any expression of literary and artistic works is protected including, but not lim-

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53. YEN & LIU, *supra* note 33, at 4.

54. *Id.*

55. *Id.*

56. See 17 U.S.C. § 102 (2006).

57. *Id.* at 12.

58. See Peter Burger, *The Berne Convention: Its History and Its Key Role in the Future*, 3 J.L. & TECH. 1, 11–15 (1988) (discussing the historical events leading up to the ratification of the Berne Convention of 1886).

59. Susan Stanton, Comment, *Development of the Berne International Copyright Convention and Implications of United States Adherence*, 13 Hous. J. INT'L L. 149, 149 (1990).

ited to books, art, music, dramatizations, and film.<sup>60</sup> Member countries extend the same protections to foreign citizens as they would their own residents.<sup>61</sup> Berne extensively describes the scope of protection, limits on protection, and sets minimum guidelines for each member country to model; however, as with most international treaties, there are no methods for international enforcement.<sup>62</sup> As a result, member countries are expected to comply with the terms of the agreement but face no consequences for failure to enforce it.<sup>63</sup> Subsequently, the Trade-Related Aspects of Intellectual Property Agreement addressed the enforcement issue and expanded protections.

## 2. Trade-Related Aspects of Intellectual Property

The Trade-Related Aspects of Intellectual Property Agreement incorporated the terms of Berne and holds member nations accountable for violations of the treaty. The World Trade Organization ("WTO") can sanction member nations.<sup>64</sup> Under TRIPs, copyright protection is extended to computer programs and data, recordings, and broadcasting organizations.<sup>65</sup> Works are protected during the life of the author plus fifty years.<sup>66</sup> In accordance with TRIPs, the United States amended a few provisions of the 1976 Copyright Act and eventually passed the Digital Millennium Copyright Act.<sup>67</sup>

## III. CURRENT APPROACH TO DIGITAL COPYRIGHT ENFORCEMENT

### A. *The United States Code*

U.S. copyright law is codified in Title 17 of the United States Code. Under the U.S.C., copyright protection is extended to "original works of authorship fixed in any tangible medium of expression, now known or later developed . . . ."<sup>68</sup> Works of authorship include: 1) literary works; 2) musical works; 3) dramatic works; 4) pantomimes and choreographic works; 5) pictorial, graphic, and sculptural works; 6) audiovisual works; 7) sound recordings; and 8) architectural works.<sup>69</sup>

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60. Berne Convention for the Protection of Literary and Artistic Works art. 2, World Intellectual Property Organization, Sept. 9, 1886; revised July 24, 1971; amended Sept. 28, 1979, *available at* [http://www.wipo.int/export/sites/www/treaties/en/ip/berne/pdf/trtdocs\\_wo001.pdf](http://www.wipo.int/export/sites/www/treaties/en/ip/berne/pdf/trtdocs_wo001.pdf) [hereinafter Berne Convention].

61. *Id.*

62. Burger, *supra* note 58, at 15–16 (parenthetical suggested to explain lack of international enforcement).

63. *Id.*

64. Trade-Related Aspects of Intellectual Property arts. 41–61, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 318, *available at* [http://www.wto.org/english/docs\\_e/legal\\_e/27-trips\\_01\\_e.htm](http://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm) [hereinafter TRIPs].

65. *Id.* arts. 10, 14.

66. Burger, *supra* note 58, at 30.

67. YEN & LIU, *supra* note 33, at 5.

68. 17 U.S.C. § 102(a) (2006).

69. *Id.*

Copyright protection gives the copyright holder and assigns the exclusive right to: 1) reproduce the work; 2) prepare derivative works; 3) distribute copies for sale, rental, or lending; 4) perform the work publicly; 5) display the work publicly; and 6) perform sound recordings through digital audio transmission.<sup>70</sup>

### B. *The Digital Millennium Copyright Act*

In response to digital piracy, Congress enacted the Digital Millennium Copyright Act in 1998. The DMCA addressed digital piracy through the “circumvention of copyright protection systems” provisions.<sup>71</sup> The DMCA specifically prohibits the circumvention of any copyright protection technology put in place by the copyright holder. Additionally, no one may manufacture or in any way distribute a product that is primarily designed to circumvent technological measures intended to protect a copyrighted work.<sup>72</sup> Circumventing includes descrambling, decrypting, or any action designed to bypass or deactivate the security measures of a work without the authorization of the copyright holder.<sup>73</sup>

In *Realnetworks, Inc. v. DVD Copy Control Association, Inc.*, the DVD Copy Control Association (“CCA”) sued RealNetworks (“Real”) for developing and subsequently selling software that enables users to bypass the encryptions of copyrighted DVDs and save the content onto a hard drive.<sup>74</sup> The CCA<sup>75</sup> purposely developed the encryption technology to prevent illegal duplication of movies, and RealDVD circumvented these protections. CCA brought an action against Real for violating the anti-circumvention provisions of the DMCA and sought a Temporary Restraining Order (“TRO”) to prevent Real from manufacturing and distributing RealDVD or any other software with the same capabilities.<sup>76</sup> The court granted the TRO because in “addition to permitting storage of DVD content on a hard drive, [RealDVD] also allows for portability of the DVD content by allowing users to create and save personal copies of DVDs onto a laptop computer or portable hard drive.”<sup>77</sup> Essentially, once a user

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70. 17 U.S.C. § 106 (2006).

71. 17 U.S.C. § 1201 (2006).

72. *See id.* § 1201(a)(2)(A).

73. *See id.* § 1201(a)(3)(A).

74. *Realnetworks, Inc. v. DVD Copy Control Ass’n, Inc.*, Nos. C 08-4548 MHP, C 08-4719 MHP, 2010 WL 145098, at \*1–2 (N.D. Cal. Jan. 8, 2010).

75. The DVD CCA is comprised of movie studios, consumer electronic companies, and computer manufacturers who seek to protect their works from illegal reproduction. *Id.* at \*1.

76. *Realnetworks*, 2010 WL 145098, at \*2.

77. *Realnetworks, Inc. v. DVD Copy Control Ass’n, Inc.*, 641 F. Supp. 2d 913, 925 (N.D. Cal. 2009).

rips<sup>78</sup> a DVD, the content can be copied onto multiple DVDs and even shared on the Internet.<sup>79</sup> As of 2010, the case has yet to be tried, but the TRO stands because the court found RealDVD likely violates the DMCA.<sup>80</sup>

In addition to outlawing anti-circumvention technologies, the DMCA also corrected the overly broad liability of Internet service providers (“ISPs”) under the 1976 Copyright Act. Prior to the DMCA, ISPs and website operators were exposed to copyright infringement liability because every time a user accesses infringing content, the provider’s server is reproducing a copy of protected material. Under the 1976 Copyright Act, any reproduction of a copyrighted work without consent of the copyright holder or assigns constitutes copyright infringement.<sup>81</sup> The safe harbor provisions of the DMCA grant ISPs immunity as long as the infringing material is transmitted, edited, or posted by a user, and the ISP does not edit the content or store a copy of the infringing file.<sup>82</sup> In order to qualify for immunity, an ISP must remove infringing material upon the receipt of a take-down notice from a copyright holder. Additionally, if an ISP has knowledge of infringing material on its server, it must expeditiously remove it.<sup>83</sup>

The safe harbor provisions allow websites such as YouTube and Facebook—which primarily rely on user-created content—to operate without facing civil liability for copyright infringement. In *Viacom International v. YouTube*, Viacom brought suit against YouTube for “direct[,] . . . contributory and vicarious copyright infringement and . . . sought damages in excess of \$1 billion.”<sup>84</sup> YouTube, “an online video hosting service that enables users to share their personal and original video clips across the Internet through websites, mobile devices, blogs, and electronic mail,”<sup>85</sup> claimed immunity under the safe harbor provisions of the DMCA; YouTube argued that it was immune as long as it timely responded to takedown notices from copyright holders.<sup>86</sup> YouTube also pointed out that the Ninth Circuit has held that the burden of policing copyright infringement lies with the copyright holder and YouTube has no duty to search for infringing material on its site.<sup>87</sup> In

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78. Ripping refers to the act of bypassing encryptions, and saving an exact copy onto a hard drive. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (9th Cir. 2001).

79. Many piracy sites rip DVDs using this type of software then make the files available through p2p technologies.

80. *Realnetworks*, 2010 WL 145098, at \*8.

81. 17 U.S.C. § 106 (2006).

82. 17 U.S.C. § 512(a) (2006).

83. *See id.* § 512(c)(1)(A)(iii).

84. *Viacom Int’l, Inc. v. YouTube, Inc.*, No. C-08-80211, 2009 WL 102808, at \*1 (N.D. Cal. Jan. 14, 2009).

85. *Id.*

86. *Id.* at \*2.

87. *Id.*

June 2010, the court granted summary judgment in favor of YouTube and found that it qualified for protection under the safe harbor provisions as long as it continued to remove infringing material upon notification.<sup>88</sup>

The anti-circumvention and safe harbor provisions have created a new set of legal questions that remain unanswered in the context of digital copyright enforcement.

### C. Remedies for Copyright Infringement

Copyright holders have three main remedies under the United States Code: injunctions, confiscation, and damages. A court may issue an injunction, which “shall be operative throughout the United States.”<sup>89</sup>

In addition, a copyright holder may sue for actual damages and may recover profits from the infringer.<sup>90</sup> Copyright holders also have the option to sue for statutory damages, which would entitle the copyright holder to damages between \$750 and \$30,000 per violation.<sup>91</sup> If the defendant proves he had no knowledge of the infringement, the court may lower the statutory damages to no less than \$200, but if the plaintiff proves the defendant willfully infringed, then the court may raise the statutory damages up to \$150,000 per violation.<sup>92</sup> Although it seems like monetary damages are an equitable remedy for copyright holders, winning an online infringement suit can be troublesome because of evidentiary hurdles and limitations on copyright protection.

### D. Limitations on Copyright Protection

Copyright law balances the private rights of artists to control and benefit from their works against the benefit the public reaps from access to creative works. Accordingly, the U.S.C. grants a limited exception to copyright protection in the form of fair use.<sup>93</sup> Fair use allows third parties to reproduce protected works for the purpose of social criticism, teaching, research, or news reporting.<sup>94</sup> In fair use cases, the court considers whether the use of the copyrighted material was commercial in nature, the nature of the copyrighted work itself, the proportion of copyrighted material used, and the effect of the use on the market value of the copyrighted work.<sup>95</sup>

A practical limitation of copyright enforcement is the limited scope of U.S. jurisdiction. Injunctions are only enforceable in the United

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88. *Viacom Int'l, Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514, 529 (S.D.N.Y. 2010).

89. 17 U.S.C. § 502(b) (2006).

90. 17 U.S.C. § 504(b) (2006).

91. 17 U.S.C. § 504(c)(1) (2006).

92. 17 U.S.C.A. § 504(c)(2) (West Supp. 2011).

93. 17 U.S.C. § 107 (2006).

94. *Id.*

95. *Id.*

States; therefore, foreign domain names are not subject to a court order.<sup>96</sup> Similarly, copyright holders may bring an action for damages against online infringers; however, U.S. courts only have jurisdiction over U.S. residents—unless the foreign person or legal entity is subject to jurisdiction under personal and subject matter jurisdiction principles.<sup>97</sup> U.S. copyright holders could take legal action against infringers in the infringers' country of residence because the Berne Convention and TRIPs require that member countries grant foreigners the same protections as nationals.<sup>98</sup> However, pursuing an infringement action in a foreign country is not particularly practical. First, the legal system of many countries is completely different from that of the U.S., and foreign nations offer varying levels of protection which may be substantially less than in the U.S.<sup>99</sup> Second, the cost of maintaining a litigation team in a foreign nation for the duration of a trial is prohibitive for many copyright holders.

Copyright holders also face an unusual obstacle against digital piracy in the form of p2p file sharing. As explained in the introduction, p2p file sharing takes place when data is transferred directly from one computer user to another through the Internet.<sup>100</sup> Most of these interactions are anonymous; therefore, if a copyright holder wants to pursue an infringer, it must first identify him.<sup>101</sup>

In order to discover an infringer's identity, the copyright holder may download his own copyrighted work through a Bit Torrent program. As the file is downloaded, the p2p program shows the Internet Protocol<sup>102</sup> ("IP") address of any person who is either uploading material to the copyright holder or downloading from him. The copyright holder can compile a list of all the IP addresses then file a John Doe lawsuit against all the infringing IP addresses.<sup>103</sup> Unfortunately, there is no automatic log kept of IP addresses that download or upload content. Accordingly, any person who downloads content prior or subsequent to the copyright holder policing a specific file will get away with pirating the content.

In order to obtain the identity of the defendants, the copyright holder must ask for leave of court to conduct an expedited discovery and issue subpoenas to the ISPs that control the infringing IP ad-

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96. See 17 U.S.C. § 502 (2006).

97. U.S. CONST. art. III, § 2, cl. 1.

98. Berne Convention, *supra* note 63, art. 5; TRIPS, *supra* note 64, art. 1.

99. LONG & D'AMATO, *supra* note 58, at 298.

100. FISK, *supra* note 7, at 34.

101. See *West Bay One, Inc. v. Does 1-1,653*, 270 F.R.D. 13, 14-15 (D.D.C. 2010) (balancing plaintiff's needs against defendant's privacy and granting a subpoena for plaintiff).

102. An IP address is a unique number assigned to devices connected to a network which helps identify them and allows them to communicate with each other. *United States v. Vosburgh*, 602 F.3d 512, 517 n.3 (3d Cir. 2010).

103. *West Bay One*, 270 F.R.D. at 14-15.

addresses.<sup>104</sup> Once the copyright holder receives the personal information of the IP account holder from the ISPs, the plaintiff amends the petition and continues the lawsuit against the account holder.<sup>105</sup> Unfortunately, ISPs have been hesitant to cooperate with copyright holders<sup>106</sup> and have gone as far as to limit the amount of IP addresses for which it will provide information per month. P2p file sharing suits are particularly difficult because the IP address can only identify the account holder and the Internet connection used to download the file, but the IP address cannot narrow down which member of a household downloaded the infringing content—which poses a troubling evidentiary issue given that most households have multiple residents and computers.

Since suing individual infringers exposes copyright holders to bad press and additional discovery issues with little chance of recovery, it is more convenient for copyright holders to sue Torrent websites like Limewire and Isohunt. Unfortunately, the litigation process is so drawn out that it can take years before a copyright holder successfully takes down one of these websites.<sup>107</sup> The Movie Picture Association of America (“MPAA”) faced this particular issue when it sued Gary Fung, owner of the Torrent site Isohunt, for copyright infringement.<sup>108</sup> The MPAA filed suit in September of 2006, but the court did not issue summary judgment in favor of the plaintiffs until December of 2009.<sup>109</sup> By the time that Isohunt was officially shut down, other sites such as Pirate Bay<sup>110</sup> had gained popularity and quickly filled the void left by Isohunt.

Copyright law has historically struggled to keep up with technology and the development of new media of communication and art. This premise also applies to cyber law and digital enforcement. The court in *RIAA v. Verizon* acknowledged this issue when it stated: “the legislative history of the DMCA betrays no awareness whatsoever that internet users might be able directly to exchange files containing copyrighted works. That is not surprising; p2p software was ‘not even

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104. *Id.*

105. The RIAA was highly criticized for its copyright infringement lawsuits because the infringer was often not the IP account holder but the minor child or even grandchild of the account holder. 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, 133 (2006).

106. Greg Sandoval, *ISP won't reveal names of alleged porn pirates*, CNET (Dec. 27, 2010), [http://news.cnet.com/8301-31001\\_3-20026654-261.html](http://news.cnet.com/8301-31001_3-20026654-261.html).

107. *See generally* Columbia Pictures Indus. v. Fung, No. CV 06-5578, 2009 WL 6355911 (C.D. Cal. Dec. 21, 2009); *see also* Arista Records v. Lime Grp. LLC, No. CV 06-5936, 2010 WL 4720338, at \*1 (S.D.N.Y. Nov. 19, 2010) (stating that summary judgment was granted in favor of the plaintiffs on May 11, 2010, but the case is still in the damages phase).

108. *Columbia Pictures*, 2009 WL 6355911, at \*1.

109. *Id.*

110. Pirate Bay is a torrent site that remains operational. *See generally* THE PIRATE BAY, <http://www.piratebay.org> (last visited Aug. 27, 2011).

a glimmer in anyone's eye when the DMCA was enacted.'"<sup>111</sup> Accordingly, there is a push for new legislation specifically intended to deal with the complex problems related to online infringement and p2p file sharing.

#### IV. THE FUTURE OF IP PROTECTION: COMBATING ONLINE INFRINGEMENT AND COUNTERFEITS ACT

Digital piracy in the form of p2p file sharing and the sale of counterfeit goods over the web has significantly affected American IP rights.<sup>112</sup> Accordingly, major studios and media conglomerates have been lobbying Congress for legislation to address this problem.<sup>113</sup> On September 20, 2010, Congress responded by introducing the Combating Online Infringement and Counterfeits Act.<sup>114</sup>

##### A. *History of the Counterfeits Act*

On June 23, 2010, the Senate Committee on the Judiciary heard testimony from the Office of the Intellectual Property Enforcement Coordinator and the CEOs of top entertainment companies such as Warner Bros.<sup>115</sup> At the hearing, the Senate received data indicating American intellectual property amounts to over \$5 trillion, and intellectual property related jobs employ over eighteen million people.<sup>116</sup> Victoria Espinel of the Office of Intellectual Property Enforcement stated, "Protecting American intellectual property from theft is therefore critical to our Nation's prosperity and welfare. The theft of American intellectual property threatens that prosperity."<sup>117</sup> To support these claims, the FBI introduced data estimating an annual economic loss of \$200-\$250 million due to counterfeit merchandise.<sup>118</sup>

Shortly thereafter, Senator Leahy and Senator Hatch introduced the Combating Online Infringement and Counterfeits Act ("Counterfeits Act").<sup>119</sup> Since its introduction on September 20, 2010, nineteen

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111. *Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs., Inc.*, 351 F.3d 1229, 1238 (D.C. Cir. 2003) (citing *In re Verizon*, 240 F. Supp. 2d 24, 38 (D.D.C. 2003)).

112. S. REP. NO. 111-373, at 3-4 (2010).

113. Carol Thomas, *Nora Roberts endorses 'Combating Online Infringement and Counterfeits Act'*, EXAMINER.COM (Feb. 20, 2011), <http://www.examiner.com/nora-roberts-in-national/nora-roberts-endorses-combating-online-infringement-and-counterfeits-act>.

114. S. REP. NO. 111-373, at 9 (2010).

115. *Id.*

116. *Oversight of the Office of the Intellectual Property Enforcement Coordinator: Hearing Before the S. Comm. on the Judiciary*, 111th Cong. 4 (2010) (written statement of David Hirschmann, President and CEO, Global Intellectual Property Center, U.S. Chamber of Commerce).

117. S. REP. NO. 112-39, at 2 (2011).

118. S. REP. NO. 111-373, at 2 n.4 (2010).

119. *Id.* at 9.



senators have co-sponsored the bill.<sup>120</sup> On November 18, 2010, the Judiciary Committee positively reported on the bill to the Senate; however, the bill was not voted on prior to the end of the Congressional Session and expired.<sup>121</sup>

On January 11, 2011, Senator Leahy stated that he would be re-introducing the bill this legislative session.<sup>122</sup> Senator Leahy believes that the “government must take action against ‘online criminals’ who harm American jobs by obtaining the nation’s intellectual property without paying for it.”<sup>123</sup> Accordingly, Senator Leahy reintroduced the bill on May 12, 2011, as the Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 (“Intellectual Property Act”).<sup>124</sup> The Intellectual Property Act incorporates almost all of the Counterfeits Act, but does grant more protections. The differences between the Acts will be discussed more thoroughly in Part V.

### B. *Applicability of the Counterfeits Act*

The Counterfeits Act is an amendment to the federal criminal statutes governing copyright infringement that would allow the Attorney General to commence an *in rem* action against any Internet site whose primary purpose is infringement.<sup>125</sup> The Counterfeits Act considers a website “dedicated” to infringement if it is “primarily designed, or has no demonstrable commercially significant purpose or use other than . . . facilitat[ing] violation[s] of title 17, United States Code . . . .”<sup>126</sup> Under the Act, any website that violates the current copyright protections that are set forth in the United States Code would be subject to an injunction by the Attorney General. Infringing activities include linking and embedding content,<sup>127</sup> streaming copyrighted works, circumvention of copyright protecting technology, selling counterfeit merchandise, using an infringing domain name in violation of the Lanham Act, and displaying protected content or trademarks.<sup>128</sup>

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120. Combating Online Infringement and Counterfeits Act, S. 3804, 111th Cong. (as reported by Sen. Leahy, Nov. 18, 2010).

121. *Id.*

122. Greg Sandoval, *Senate to try again on controversial antipiracy bill*, CNET (Jan. 11, 2011 11:28 AM PST), [http://news.cnet.com/8301-31001\\_3-20028167-261.html](http://news.cnet.com/8301-31001_3-20028167-261.html).

123. *Id.*

124. Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011, S. 968, 112th Cong. (as reported by Sen. Leahy, May 26, 2011).

125. S. 3804 § 2(c).

126. *See id.* § 2(a)(1)(B)(i)(I).

127. Linking and Embedding involves embedding an object, file, or document into a web page, but the file retains its original format and link to an originating web site.

128. S. 3804 § 2(a); *see also* S. 968 § 2(8) (defining the Lanham Act).

C. *Enforcement of Copyrights Under the Counterfeits Act*

The Counterfeits Act would allow the Attorney General to block access to any domain name whose primary purpose is infringement.<sup>129</sup> Once the Attorney General begins an investigation and an *in rem* action against an alleged infringing website, the Attorney General may obtain a temporary restraining order or a preliminary injunction against the offending website.<sup>130</sup> The Attorney General must then notify the domain name holder of his intent to commence an action under the Counterfeits Act.<sup>131</sup>

Pursuant to the Counterfeits Act, the court may issue an order directed at ISPs, financial institutions, and online advertisers. ISPs must take all reasonable technical steps to prevent access to a blocked domain name through their servers.<sup>132</sup> Essentially, ISPs will be notified of any Internet address the Attorney General has deemed infringing (or blacklisted), and the providers must then prevent the web pages from loading on any computer accessing the Internet through their server. ISPs will also have to facilitate domain name look-ups, so the government can easily ascertain the identity of domain name holders.<sup>133</sup> With respect to domestic domain names, the Attorney General may also require individual ISPs to shut down an infringing page whose situs<sup>134</sup> is in their server; this method would take down the page at its source and would prevent all other ISPs from having to block the domain name.<sup>135</sup> Although the Counterfeits Act does not expand or limit the safe harbor immunity of the DMCA,<sup>136</sup> failure to comply with a court order pursuant to the Counterfeits Act would expose ISPs to liability.<sup>137</sup>

Besides preventing the transmission of digital infringing content, a primary goal of the Counterfeits Act is to prevent financial transactions that support the sale of counterfeit merchandise. Accordingly, financial institutions must reasonably enhance online payment systems so that blacklisted sites cannot complete payment transactions using their service.<sup>138</sup> Once a financial institution receives a court order, it must notify the site operator that all financial services will cease and inform the operator that the website “is not authorized to use the trademark of the financial transaction provider.”<sup>139</sup> Theoretically, if a

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129. S. 3804 § 2(b); S. 968 § 3(a)(1).

130. S. 3804 § 2(b); S. 968 § 3(b)(1).

131. S. 3804 § 2(e)(1); S. 968 § 3(c)(1).

132. S. 3804 § 2(e)(2)(B)(i); S. 968 § 3(d)(2)(A)(i).

133. S. 3804 § 2(e)(1)(B)(I)(bb); S. 968 § 3(d)(2)(A)(i)(I)(bb).

134. Situs refers to the originating source of the web site. See BLACK'S LAW DICTIONARY 660 (3d ed. 1996).

135. S. 3804 § 2(b)-(c) (2010).

136. 17 U.S.C.A. § 512 (West 2011).

137. S. 3804 § 2(b), (e).

138. *Id.* § 2(e)(2)(B)(ii).

139. *Id.*

site does not have access to electronic payment systems, then it will not be able to sell as much counterfeit merchandise online and the market for counterfeit goods should decrease. Additionally, unauthorized file sharing websites, such as the now shut down Limewire,<sup>140</sup> would not be able to charge users for a subscription to their service directly from the web page. The Counterfeits Act will make it unprofitable and burdensome for file sharing websites to continue operating.

Although many file sharing web sites are supported through subscriptions, a vast majority of peer-to-peer Internet sites are ad supported. Under the Counterfeits Act, an advertisement company must take reasonable steps to “prevent its network from providing advertisements to an Internet site associated with [a blacklisted] domain name.”<sup>141</sup>

The Counterfeits Act accounts for the lack of United States jurisdiction around the globe. The Counterfeits Act empowers the Attorney General to take action against foreign sites if: U.S. users access the site; the site directs business at U.S. residents; or if the site harms U.S. intellectual property rights.<sup>142</sup> Once the Attorney General establishes the site is dedicated to infringing activities and marketed to U.S. users, the Attorney General may proceed in the same manner as it would with domestic sites.<sup>143</sup> Domestic and foreign protections differ in that the Attorney General’s main fighting tool for foreign protection is to block all domestic access to the foreign web page. The Attorney General cannot order foreign financial institutions or advertisers to block all services to a foreign site, thus the Attorney General will block all U.S. access to a foreign infringing site by requiring ISPs to block blacklisted domain names.<sup>144</sup> Once ISPs block a domain name, no computer accessing the web within the U.S. will be able to open a blacklisted site.

The Attorney General, in coordination with the Intellectual Property Enforcement Coordinator, will maintain a publicly available list of all blocked domain names.<sup>145</sup> Additionally, the Attorney General must put into place procedures for the public to report domain names dedicated to infringing activities.<sup>146</sup>

The Counterfeits Act is designed as a comprehensive digital infringement prevention tool. It will require Internet providers to block access to all infringing pages. Financial institutions must not provide online payment services to such pages, and advertisement companies may not buy ad space on infringing sites. Since the Counterfeits Act

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140. *Arista Records LLC v. Lime Grp. LLC*, No. 06 CV 5936 (KMW), 2011 WL 1742029, at \*15 (S.D.N.Y. May 2, 2011).

141. S. 3804 § 2(e)(2)(B)(iii).

142. *Id.* § 2(d)(2).

143. *Id.*

144. *Id.* § 2(e)(2).

145. *Id.* § 2(f).

146. *Id.* § 3(1).

requires such active cooperation from Internet service providers, financial institutions, and advertisers, the Act extends protections to entities acting in accordance with it.

#### D. *Immunity*

The Counterfeits Act does not extend or limit the immunity of ISPs under the safe harbor provisions of the DMCA; however, it does address liability issues arising out of the Act.<sup>147</sup> Pursuant to the Counterfeits Act, ISPs, advertisers, financial institutions, and government entities will have immunity for acting in accordance with a court order.<sup>148</sup> Additionally, the Counterfeits Act will grant immunity to any entity that voluntarily takes actions to enforce the Act.<sup>149</sup> For example, if an ISP shuts down a website it suspects is dedicated to infringing activity in violation of a service agreement, then the ISP would not be subject to liability.

#### E. *Safeguards*

The Counterfeits Act also accounts for the possibility that a website acting within the scope of the law is mistakenly taken down. The Counterfeits Act allows for the reinstatement of blacklisted domain names.<sup>150</sup> The operator of a blocked domain name may ask the court to vacate the injunctive order if the operator shows that the website was never dedicated to infringing activities or if the operator makes sufficient changes such that the web page is no longer infringing on American intellectual property.<sup>151</sup> On the other hand, if an operator owns or operates additional infringing pages that are substantially similar to the originally blocked page, then the Attorney General may ask the court to modify the court order to include other sites that are owned or registered by the same operator.<sup>152</sup> This provision should expedite the process of taking down infringing sites and increase efficiency. Once a domain name registration expires, the court may vacate the injunctive order so another user can re-register the domain name for non-infringing purposes.

The Counterfeits Act's design accounts for situations in which it could be misapplied, and it will prevent online pirates from creating additional pages in order to circumvent the Act's enforcement. Although the Counterfeits Act includes specific safeguards, some of its critics are concerned that the overly broad language of the Act could open the door to government digital censorship. Critics of the Counterfeits Act argued that the power of the courts over infringing sites

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147. *Id.* § 2(e)(5), (h)(3)(i); 17 U.S.C.A. § 512 (West 2005 & Supp. 2011).

148. S. 3804 § 2(e)(5).

149. *Id.* § 2(e)(5)(B).

150. *Id.* § 2(h)(2)–(3).

151. *See id.* § 2(h)(2)(A).

152. *See id.* § 2(h)(1).

should be limited, but the newly introduced Intellectual Property Act purports to extend protections beyond those contained within the Counterfeits Act.

V. PREVENTING REAL ONLINE THREATS TO ECONOMIC  
CREATIVITY AND THEFT OF INTELLECTUAL  
PROPERTY ACT OF 2011

The Intellectual Property Act<sup>153</sup> incorporates all the protections and enforcement procedures of the Counterfeits Act, but it also accounts for previously overlooked areas of piracy and allows intellectual property holders to be involved in the process.<sup>154</sup>

A. *Additional Plaintiffs Under the Intellectual Property Act*

Perhaps the most significant addition to the Intellectual Property Act that was not included in the Counterfeits Act is that intellectual property holders whose rights are being violated by an infringing site may bring suit on their own behalf.<sup>155</sup> The Intellectual Property Act allows a “qualifying plaintiff” to seek relief under one of the provisions of the Act.<sup>156</sup> Under the Counterfeits Act, only the Attorney General could bring suit to enjoin and seize an infringing site.<sup>157</sup>

The Intellectual Property Act greatly expands the legal recourse available to intellectual property holders because copyright, trademark, and patent holders will not have to wait for the Attorney General’s office to act, and in most cases, the intellectual property holders will do a more thorough job of policing their own intellectual property. This provision alone will have a substantial effect on the efficiency of the Intellectual Property Act because the limited resources available to the Attorney General’s office for handling all the infringement cases will not slow down the prosecution of infringement. Additionally, individual intellectual property holders are better suited to identify counterfeit merchandise and unauthorized sites.

B. *Public Health Concerns*

When it comes to online and digital piracy, most people would not think of the pharmaceutical industry as being in danger; however, the ease of transcontinental and national transportation has created a

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153. Since the Intellectual Property Act adopts the Counterfeits Act in its entirety with only some minor changes discussed in Part V, this Comment does not list out all the provisions of the Intellectual Property Act.

154. *See generally* Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 S. 968, 112th Cong. (2011).

155. *See* S. 968 § 2(11) (defining a qualified plaintiff).

156. *Id.* (“The Attorney General of the United States or an owner of an intellectual property right, or one authorized to enforce such a right, harmed by the activities of Internet site dedicated to infringing activities occurring on that Internet site”).

157. S. 3804 § 2(c)(1).

large market for online shopping. In July 2011, Amazon reported its net sales for the second quarter increased by 51% to \$9.91 billion.<sup>158</sup> It was inevitable that the online trend would result in Americans purchasing pharmaceuticals through the Internet. Unfortunately, not all online stores follow federal law with respect to the quality control of drugs and some sell drugs that are still protected by patents. The Intellectual Property Act extends the Attorney General's powers to shut down websites engaging in infringing activity that endanger public health.<sup>159</sup>

A site endangers the public health if it is dedicated to the sale or distribution of counterfeit controlled or non-controlled prescription drugs.<sup>160</sup> Additionally, a site could be subject to seizure if it makes controlled medications available to the public without prescription or if it sells misbranded or adulterated non-controlled medications.<sup>161</sup> These provisions would protect not only the intellectual property of patent holders but would also protect American consumers from adulterated and potentially dangerous drugs.

### C. Clarifying Provisions

The Intellectual Property Act is substantially longer and more detailed than its earlier counterpart, the Counterfeits Act, and specifically sets forth the legislative intent. Accordingly, some of the Counterfeits Act's language was revised and clarified before being incorporated into the Intellectual Property Act.

The Intellectual Property Act describes in detail foreign sites subject to suit under the Act. The Counterfeits Act mainly states that any foreign site aimed at or used by Americans that infringes on American intellectual property could be blocked under the Counterfeits Act. The Intellectual Property Act clarifies that a site is aimed at American consumers: if it shows the purchase price in American currency; if the site is, in fact, providing goods or services to U.S. residents; if the site delivers the goods and services to users in the U.S.; or if there are reasonable measures available to prevent sale to U.S. users that are not in place.

The Intellectual Property Act also clarifies an advertiser's responsibility under a court order. Under the Counterfeits Act, an advertiser may not post an ad or provide advertising services to any site that is blacklisted.<sup>162</sup> The Intellectual Property Act explains that providing advertising services includes placing links on other non-blocked sites

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158. *Amazon.com Announces Second Quarter Sales up 51% to \$9.91 Billion*, AMAZON.COM (July 26, 2011), <http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-newsArticle&ID=1589157&highlight=> (last visited Aug. 29, 2011).

159. S. 968 § 5.

160. *Id.* § 5(B)(3)(b).

161. *Id.*

162. S. 3804 § 2(e)(2)(B)(iii).

that take users to the blocked page or placing hyperlinks that open up ads in the infringing page.<sup>163</sup> The Intellectual Property Act makes it clear to advertisers what kind of transactions would expose it to liability.

In addition, the Intellectual Property Act has extended a duty to search engines.<sup>164</sup> Under the Counterfeits Act, search engines were surprisingly not subject to liability.<sup>165</sup> The Intellectual Property Act corrects the oversight and requires search engines to take all reasonable steps to prevent a blacklisted web page from appearing in a search result.<sup>166</sup> For example, if Piratebay.org was blacklisted as a site dedicated to infringing activity, and the Attorney General gave Google a court order, then Google would have to take steps to prevent Piratebay.org from coming up on a search list. In addition, Google would have to take steps to disable hyperlinks to Piratebay.org.

#### D. *Status Report*

The Senate seems extremely concerned with the effect and effectiveness of the Intellectual Property Act. Accordingly, the Act will require the Attorney General to present a report to both the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives every year with respect to all the actions brought under the Act and the outcome of such suits.<sup>167</sup>

If passed, the Intellectual Property Act will be the largest expansion of intellectual property rights in over a decade. It will allow the Attorney General and intellectual property holders to seize or block access to infringing websites, and it will cut off infringing site's access to advertising and instantaneous online financial transactions.<sup>168</sup> Additionally, the Intellectual Property Act's savings clause states that the Act does not expand or restrict any other criminal or civil action that can be brought under applicable statutes of the United States Code.<sup>169</sup> As a practical matter, intellectual property holders could seek an immediate injunction under the Intellectual Property Act to prevent further dissemination of their protected work and then sue the infringer for damages under the current statutes.

### VI. IMPLICATION OF THE INTELLECTUAL PROPERTY ACT

Proponents of the Intellectual Property Act are extremely optimistic of the Act's potential to battle digital piracy because it was specifically drafted to prevent access to infringing sites and to shut down

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163. S. 968 § 3(d)(2)(C).

164. *Id.* § 3(d)(2)(D).

165. S. 3804.

166. S. 968 § 3(d)(2)(D).

167. *Id.* § 7(b).

168. *Id.*

169. *Id.* § 6(a).

pirates' revenue sources. However, the Intellectual Property Act may have more profound implications because it may, in fact, limit anonymous speech and create a slippery slope for government censorship.

### A. *Expansion of Online Protection*

The Intellectual Property Act's main effect is a significant expansion of digital copyright protection and federal power. The Act will allow copyright holders within the United States to battle infringement against foreign infringers in spite of jurisdictional limitations.

#### 1. Global Application

If enacted, the Intellectual Property Act will give copyright holders the ability to enforce their copyrights on an international scale.<sup>170</sup> Presently, the DMCA only allows copyright holders to enjoin or recover damages from domestic domain name holders.<sup>171</sup> Under the current law, copyright holders' only option is to nicely ask foreign infringers to stop infringing through cease and desist letters. The Intellectual Property Act will allow the Department of Justice to obtain injunctions when the domain name holder does not comply with a copyright holder's cease and desist letter so that infringing foreign torrent sites or merchandise-counterfeiting sites can be blocked.<sup>172</sup>

Accordingly, the Intellectual Property Act will prevent American residents from accessing the infringing foreign sites, downloading pirated content, or purchasing counterfeit merchandise. Essentially, the Act will remove American consumers from the international piracy market. Similarly, the Intellectual Property Act should greatly reduce domestic piracy as it targets infringing sites' revenue sources.

#### 2. Domestic Results

The Intellectual Property Act would lower the private cost of injunctive relief for copyright infringement to almost zero since the Attorney General can file the suits. Copyright holders could invest in an initial investigation and then report their findings to the Attorney General's office, but even this step would not be necessary. Since the burden of litigating falls on the Attorney General, copyright holders will not have to incur any litigation costs in order to enforce their copyright protections much like a homeowner does not have to pay the state for prosecuting a trespasser. The Intellectual Property Act is only an expansion of the criminal statutes, so copyright holders will

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170. See S. 3804 2(d)(2) (establishing jurisdiction over non-domestic entities that have sufficient contact with the U.S.).

171. 17 U.S.C. § 502 (2006).

172. S. 968.



retain all the civil remedies and may still sue for damages, confiscation, or injunctive relief.<sup>173</sup>

Additionally, the Intellectual Property Act will streamline online infringement litigation and speed up the entire process because the Attorney General can obtain a preliminary injunction once it begins an *in rem* action.<sup>174</sup> Once the court issues a court order enjoining a domain name, the Attorney General will be able to expeditiously modify the order to include additional websites if a person tries to set up another web page with similar infringing content.<sup>175</sup> Under the DMCA, if Shaun Fanning had created a new program identical to Napster, the RIAA would have had to start litigating another case against Fanning from scratch. In contrast, the Intellectual Property Act allows the Attorney General to bypass this step and immediately block the site if it shows the court that both sites are identical or serve the same purpose.

### B. Overbroad Expansion of Federal Power

Although proponents of the Intellectual Property Act acclaim the Act's potential to deter infringement and to protect American intellectual property, critics of the Act worry that the Intellectual Property Act—and its earlier version the Counterfeits Act—may have the opposite effect.<sup>176</sup> Verizon's Vice President, Thomas Dailey, voiced that the Act may place an undue burden on ISPs, and that the Act could potentially hinder the nation's interest in imports and global access to the Internet.<sup>177</sup> Additionally, Dailey advocates that Congress revise the scope of the bill to only include national servers in order to avoid international conflicts.<sup>178</sup> Perhaps the most prevalent concern is that the Intellectual Property Act will open the door to government censorship and trample the First Amendment.

#### 1. Constitutional Considerations: Is the Act a Slippery Slope to Online Censorship?

The Electronic Frontier Foundation<sup>179</sup> ("EFF") has been very vocal about the possible censorship effect of the Counterfeits Act and its counterpart, the Intellectual Property Act. The EFF stated that free-

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173. *Id.* § 6(a).

174. *Id.* § 3(b)(1).

175. *Id.*

176. Alison Kelman, *Senate Judiciary Committee Addresses COICA Criticisms*, BROADBANDBREAKFAST.COM (Feb. 17, 2011), <http://broadbandbreakfast.com/2011/02/senate-judiciary-committee-addresses-coica-criticisms/>.

177. *Id.*

178. *Id.*

179. The EFF is a leading civil liberties group that defends individual rights, such as free speech and privacy, in an increasingly digital world. *See generally About EFF*, ELECTRONIC FRONTIER FOUNDATION, <http://www.eff.org/about> (last visited Aug. 29, 2011).

dom of speech is at the foundation of democracy, which is why the Constitution sets forth restrictions for suppressing speech.<sup>180</sup> Speech restricting legislation must be narrowly tailored to further a governmental interest, and the EFF contends that the Intellectual Property Act is too broad in the way it defines a site “dedicated to infringing activities.”<sup>181</sup> For example, YouTube, which heavily relies on user generated content, contains a large amount of infringing content that has been posted by users, and under the DMCA, YouTube is operating within the law as long as it expeditiously responds to a copyright holder’s takedown notices. Under the Counterfeits Act, the EFF contends that YouTube could be classified as a site dedicated to infringing activities and blacklisted.

Additionally, the Attorney General has the power to block an entire site and is not limited to the infringing parts, so the EFF is concerned that parts protected under the First Amendment will be censored.<sup>182</sup> For example, a site may illegally distribute copyrighted movies to users on one of its pages, but it may also have a forum or blog where users post movie reviews or other user-generated content. The user-generated content is protected under the First Amendment right to freedom of expression and the government has to meet a constitutional burden before chilling the speech; however, the Intellectual Property Act allows the Attorney General to blacklist the entire website, which includes both the infringing content and the protected speech.<sup>183</sup>

The EFF is also concerned with the message such legislation sends to the rest of the world.<sup>184</sup> The Intellectual Property Act may give other countries the impression that it is proper to block access to parts of the Internet that the government does not like.<sup>185</sup> Not only would the United States be promoting “unilateral censorship,” but also outlining how to do it.<sup>186</sup>

## 2. Public Policy Concerns: Will the Act Discourage Creation of New Technology?

Even supporters of extensive intellectual property rights are concerned that the overly broad language of the Intellectual Property Act which “target[s] any site that could ‘enable’ or facilitate copyright infringement” will put at risk the development of new technologies be-

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180. Richard Esguerra, *Censorship of the Internet Takes Center Stage in “Online Infringement” Bill*, ELECTRONIC FRONTIER FOUNDATION (Sept. 21, 2010), <http://www.eff.org/deeplinks/2010/09/censorship-internet-takes-center-stage-online>.

181. *Id.*

182. *Id.*

183. *Id.*

184. *See id.*

185. *Id.*

186. *Id.*

cause technologies that are typically protected for having non infringing uses may fall within the scope of the legislation.<sup>187</sup>

The Consumer Electronics Association (“CEA”) is particularly concerned about the effect that the Intellectual Property Act may have on the sale of legal consumer electronics such as printers and computers.<sup>188</sup> The CEA argues that the language is so broad that the Department of Justice could potentially seize printers and computers that are on sale at a retailer’s website because such products enable copyright infringement.<sup>189</sup> Obviously, the legislature does not intend to extend liability to legitimate manufacturers and retailers; however, the overly broad language of the Intellectual Property Act could expose them to liability.<sup>190</sup>

### C. *Status of the Bill*

In spite of all the freedom of expression and economic considerations argued by critics of the Act, the Senate Judiciary Committee unanimously voted to present the Intellectual Property Act to the Senate floor after “only two weeks of its introduction.”<sup>191</sup> However, Senator Ron Wyden, who aggressively opposed the Counterfeits Act, put a hold on the bill that must be overridden by a sixty-vote majority before the Senate can vote on the Intellectual Property Act.<sup>192</sup> Senator Wyden eloquently articulated his view that:

I understand and agree with the goal of the legislation, to protect intellectual property and combat commerce in counterfeit goods, but I am not willing to muzzle speech and stifle innovation and economic growth to achieve this objective . . . . At the expense of legitimate commerce, [the bill’s] prescription takes an overreaching approach to policing the Internet when a more balanced and targeted approach would be more effective. The collateral damage of this approach is speech, innovation, and the very integrity of the Internet.<sup>193</sup>

At this point, the Intellectual Property Act is co-sponsored by twenty-seven senators.<sup>194</sup> Unless the Senate can muster a sixty-vote

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187. *Make Sure “Rogue Websites” Legislation Doesn’t Target Legitimate Companies, Says CEA*, CONSUMER ELECS. ASS’N (Feb. 16, 2011), [http://www.ce.org/press/currentnews/press\\_release\\_detail.asp?id=12061](http://www.ce.org/press/currentnews/press_release_detail.asp?id=12061).

188. *Id.*

189. *Id.*

190. *Id.*

191. Grant Gross, *Senator Blocks Controversial Copyright Bill*, PCWORLD (May 27, 2011), [http://www.pcworld.com/businesscenter/article/228841/senator\\_blocks\\_controversial\\_copyright\\_bill.html](http://www.pcworld.com/businesscenter/article/228841/senator_blocks_controversial_copyright_bill.html).

192. *Id.*

193. *Id.*

194. Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011, S. 968, 112th Cong. (as reported by Sen. Leahy, May 26, 2011).

majority, it seems like the Intellectual Property Act is dead in its tracks and Senator Wyden will have successfully blocked the bill.

## VII. CONCLUSION

The Intellectual Property Act would greatly expand digital copyright protection and streamline copyright enforcement in the United States; however, the price of IP protection may be too high. The Intellectual Property Act will, in application, censor protected speech, which is not the intention of Congress. The most sensible solution is for the legislature to re-write the bill and limit its scope, such that the Attorney General will only be able to take down portions of a web page that are dedicated to infringing material as opposed to taking down an entire domain name, which may contain protected speech.

In addition, the government should spend more time enforcing current copyright statutes. Presently, the United States Code contains criminal statutes under which copyright infringement constitutes a felony with a maximum penalty of up to five years in prison and/or a \$250,000 fine.<sup>195</sup> If the operators of torrent websites—which host thousands of infringing files—were charged with criminal infringement and faced prison sentences, then potential pirates may be deterred.

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195. 18 U.S.C. §§ 2319(b), 3571(b)(3) (2006).