

Ninth Circuit Upholds Liability of BitTorrent Website for User Copyright Infringement

By Luke Platzer and Rochelle Lundy

The Ninth Circuit Court of Appeals recently affirmed that the operators of a group of popular BitTorrent indexing websites were secondarily liable for their users' infringement of copyrights held by major movie studios. [*Columbia Pictures Industries, Inc. v. Fung*](#), No. 10-55946, 2013 WL 1174151 (9th Cir. Mar. 21, 2013) (Pregerson, Fisher, Berzon, JJ.). The decision represents the first appellate-level decision to affirm liability under the "inducement" standard for secondary copyright infringement liability created by [*Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*](#), 545 U.S. 913 (2005) ("*Grokster*") and clarifies both the application of the inducement liability standard and its interaction with the safe harbor in Section 512 of the Digital Millennium Copyright Act ("DMCA").

Background

In 2006, a group of movie studios filed suit against Gary Fung ("Fung") and his company, isoHunt Web Technologies, Inc., alleging that they operated websites that induced users of the sites to download unauthorized, infringing copies of the studios' copyrighted films and television shows. These websites, including flagship website isohunt.com ("isoHunt"), index and direct users to BitTorrent files that provide access to copyrighted content.

BitTorrent is a protocol that facilitates sharing of electronic files between users across the Internet. The protocol requires the use of smaller files known as "torrents" that allow the user's computer to locate, download, and properly assemble each file from files hosted on other BitTorrent users' computers (each "torrent" matches up with a specific named file). Websites like isoHunt and Fung's other sites collect and organize these torrent files, allowing users to easily acquire torrents that then in turn enable them to locate, download, and assemble infringing content

(including movies and TV episodes) hosted by other BitTorrent users. Fung's sites, among other things, allowed users to search for torrents by keyword or category and also made available lists of the "top" or "most popular" current searches.

The District Court for the Central District of California held Fung and his company secondarily liable for copyright infringement on summary judgment, finding that they had induced users to infringe the studios' copyrighted material. Fung argued that he was eligible for protection under the "safe harbors" of the Digital Millennium Copyright Act ("DMCA"), but the District Court concluded that these safe harbors were not applicable to Fung's behavior because it was intentional. The District Court subsequently entered a permanent injunction against Fung that prohibited him from knowingly engaging in activities that have the object or effect of fostering infringement of plaintiffs' copyrighted material, including (but not limited to) specific activities itemized in the injunction. It also required that Fung filter from his website files matching film and television titles provided by the plaintiffs.

The Ninth Circuit Decision

The Ninth Circuit affirmed the District Court's holding that Fung was liable for secondary copyright infringement because he had induced users to violate plaintiffs' copyrights through his websites. In doing so, it followed the theory of inducement liability articulated by the Supreme Court in *Grokster*: "[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." 545 U.S. at 936-37.

(Continued on page 10)

The Ninth Circuit affirmed the District Court's holding that Fung was liable for secondary copyright infringement because he had induced users to violate plaintiffs' copyrights through his websites. In doing so, it followed the theory of inducement liability articulated by the Supreme Court in *Grokster*.

(Continued from page 9)

As a threshold matter, the Court affirmed that the plaintiffs had proved that users of Fung’s websites had in fact infringed the plaintiffs’ copyrighted works, relying primarily on statistical evidence submitted on summary judgment. 2013 WL 1174151, at *10-11. It then went on to affirm that “[t]here is more than enough un rebutted evidence in the summary judgment record to prove that Fung offered his services with the object of promoting their use to infringe copyrighted material” as required for *Grokster* inducement liability. *Id.* at *12. This holding was predicated upon evidence of Fung’s personal involvement in the operation of the site in an infringing manner: he had not only solicited and encouraged users to upload torrents for copyrighted content, but had also responded to and assisted users seeking help to upload, locate, and assemble infringing material and featured lists of torrents associated with copyrighted films currently popular at the box office on his sites. *Id.* at *12-13. The Court also found it highly relevant to the inducement analysis (though not independently sufficient) that Fung had failed to use available filtering mechanisms to prevent infringement on his sites and that Fung generated revenue on the sites almost exclusively through advertisements and thus profited from increased traffic attracted by the availability of copyrighted content. *Id.* at *13.

The Ninth Circuit’s holdings on those questions closely track the Supreme Court’s analysis in *Grokster*. However, the Ninth Circuit further clarified the *Grokster* standard in several additional respects. First, it held that “inducement” liability is equally applicable to the provision of “services available on the Internet,” such as Fung’s websites, and is not limited to the distribution of devices or products, as was the case in *Grokster* itself. *Id.* at *10. Second, the Court clarified that a defendant’s clear expression of an intent to foster infringement is not itself an element of *Grokster* liability. Rather, an improper object of fostering infringement is the relevant element, and a defendant’s clear expression of such an object is merely a highly relevant form of evidence thereof. *Id.* at *11-12.

The Ninth Circuit held, “if one provides a service that could be used to infringe copyrights, with the manifested intent that the service actually be used in that manner, that person is liable for the infringement that occurs through the use of the service.”

Third, the Court reached a significant holding as to the causation element of copyright inducement liability. It held that a defendant liable for inducing copyright infringement is liable for all acts of infringement to which it contributed with an improper object, and that its liability is thus not limited only to infringements tied to specific instances in which the defendant expressed its infringing intent. *Id.* at *13. As the Ninth Circuit held, “if one provides a service that could be used to infringe copyrights, with the manifested intent that the service actually be used in that manner, that person is liable for the infringement that occurs through the use of the service.” *Id.* In the case of Fung, the Court concluded that he had made his services available with the clear aim of promoting their use for infringement and was therefore liable

for all infringements resulting through his service – and thus not only for the smaller set of infringements that could be tied to instances in which he himself personally encouraged users to infringe copyrights. *Id.* at *13-16. This holding may prove highly significant in future inducement cases as evidence of a defendant’s expression of improper, infringing object frequently takes the form of specific incidents or anecdotes.

The Ninth Circuit’s opinion also addresses the intersection between secondary copyright infringement liability for inducement and the safe harbor provision in Section 512 of the DMCA. While many cases address the interplay

between the safe harbor and more traditional forms of secondary copyright liability (i.e., vicarious liability and contributory infringement), fewer cases have addressed how the safe harbor operates in a case where the defendant’s liability arises from intentional conduct. As an initial matter, the Court held that Fung’s actions did not fall within the broad safe harbor for transmission services in 17 U.S.C. § 512(a) because the torrent files that Fung distributed did not merely provide a means for users to communicate information of their choosing, but rather themselves played a role in selecting which users communicated with one another and which data was communicated. *Id.* at *17-18.

(Continued on page 11)

(Continued from page 10)

More significantly, the Ninth Circuit held that Fung could not avail himself of the safe harbors for storage or for information location tools (at 17 U.S.C. § 512(c) and 512(d), respectively), which would otherwise apply to the services his websites provided, because he was disqualified from DMCA protection by both the so-called ‘red flag’ and the ‘financial benefit and control’ exception to those safe harbors. *See* 17 U.S.C. §§ 512(c)(1)(A)(ii) & 512(d)(1)(B) (“red flag” exception) and §§ 512(c)(1)(B) & 512(d)(2) (“financial benefit and control” exception).

As to the “red flag” exception, the Ninth Circuit held that because “the record is replete with instances of Fung actively encouraging infringement,” Fung undoubtedly had disqualifying “red flag knowledge” of infringing activity on his websites. *Id.* at *20. The Court also noted that the material available through Fung’s sites “was sufficiently current and well-known that it would have been objectively obvious to a reasonable person that the material solicited and assisted was both copyrighted and not licensed to random members of the public, and that the induced use was therefore infringing.” *Id.*

The Ninth Circuit also found that Fung was independently disqualified from the 512(c) and 512(d) safe harbors because he received a financial benefit from the infringing activity of his users while having the right and ability to control that infringing activity. The Court determined that Fung’s advertising revenue was directly linked to the presence of infringing content on the websites as indicated by evidence showing that 90% of the material available on his sites was infringing and by Fung’s own marketing of the site to advertisers as indexing copyrighted content. *Id.* at *21-22. Fung also had the right and ability to control the infringement on his websites, as evidenced by the actions he took to induce infringement among his users. *Id.* at *22.

Although the Ninth Circuit declined to state that *Grokster* inducement liability categorically removes a defendant from DMCA protection (as the District Court had done), it found that the same factors that demonstrate inducement also

indicate a “substantial influence on the activities of users,” implying that DMCA protection will infrequently be available to those who induce infringement. *Id.* The Court notably also rejected the argument that a plaintiff must show an ability to control each specific instance of infringement at issue, stating that the “financial benefit and control” exception to the safe harbor of “rest[s] on the overall relationship between the defendant and the infringers, rather than on specific instances of infringement.” *Id.* at *23. Thus, under the ruling, a plaintiff need only show a defendant website’s generalized control over infringement by its users, and not control over each individual act of infringement.

The Court concluded by substantially upholding the permanent injunction the District Court imposed on Fung, requesting modification only of select phrases within it as vague and of an employment-related provision as unduly burdensome. *Id.* at *24-25. The Ninth Circuit expressly rejected Fung’s argument that the injunction was impermissibly extraterritorial, noting that it applied only to infringement taking place within the United States. *Id.* at *24 n. 22.

Conclusion

This ruling by the Ninth Circuit makes clear that copyright inducement liability – despite having been infrequently imposed by the courts since the Supreme Court decided *Grokster* – is a highly viable theory for holding defendants accountable when their contribution to infringement by others is intentional. It also suggests that although the DMCA may nominally still be available as a defense in cases where *Grokster* liability is at issue, it will be difficult for defendants charged with such liability to maintain their eligibility for the safe harbor.

Luke Platzer is a partner and Rochelle Lundy an associate with Jenner & Block LLP. Plaintiffs were represented by partners Steven Fabrizio, Paul Smith, and Gianni Servodidio, also of Jenner & Block LLP, and by Karen Thorland of the Motion Picture Association of America. Defendants were represented by Ira Rothken, Robert Kovsky, and Jared Smith of Rothken Law Firm LLP.

This ruling by the Ninth Circuit makes clear that copyright inducement liability – despite having been infrequently imposed by the courts since the Supreme Court decided *Grokster* – is a highly viable theory for holding defendants accountable.