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**TOPIC**

**AN ANALYSIS OF THE DOCTRINE OF SECONDARY LIABILITY  
UNDER COPYRIGHT LAW**

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## **CERTIFICATE**

This is to certify that this dissertation titled as “**An Analysis Of The Doctrine Of Secondary Liability Under Copyright Law**” submitted by Nehal Ahmad (ID No: LLM/943/2020) to National Law School of India University, Bangalore for the degree of Master of Law is the original work carried out by the assigned candidate under my guidance. Any part of the dissertation is not submitted anywhere for the award of degree or diploma.

**Date:**

**Place:**

**Signature of the Supervisor**

**Name: Prof. (Dr.) Yashomati Ghosh**

## DECLARATION

I, Nehal Ahmad, do hereby declare that this dissertation titled as “**AN ANALYSIS OF THE DOCTRINE OF SECONDARY LIABILITY UNDER COPYRIGHT LAW**” submitted to National Law School of India University, Bangalore, is an original work of research carried out solely by me in partial fulfillment of the requirement of LL.M (Business Laws) under the supervision of Prof. (Dr.) Yashomati Ghosh. Nothing has been concealed. I further declare that no part of the dissertation has been submitted anywhere to award a degree or diploma.

Nehal Ahmad

LL.M (Business Laws)

Date: 21.08.2021

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## CHAPTER 1

### 1. INTRODUCTION

#### a. Meaning and Concept of Secondary Liability under Copyright Law

Secondary liability refers to liability on the account of acts committed by another. It is imposed on someone who is not directly involved in the infringement activity, but would be considered as responsible for facilitating, encouraging, and profiting from such activity. Meaning thereby, certain people should be held liable for harms even if they did not directly participate in such activity. There are two grounds for rationalizing the secondary liability doctrine, for instance, economic efficiency ground and moral ground.

As per the economic efficiency grounds, it shifts the injury costs to such defendants who have the ability to prevent future injuries. As far as the moral ground is concerned, it refers that those who intentionally commit any tortious activity, they should be considered responsible, even though their actions do not reflect the direct cause of harm for victim.<sup>1</sup> Many scholars are of the opinion that secondary liability owes its origin to “Common law of Torts” and “Agency”. There is no any statutory provision available against secondary infringers in the Copyright Act, 1909 in the United States (US). Consequently, the provisions of secondary liability under Copyright law are a judge-developed.

Secondary liability under copyright law has evolved from various types of internet crimes because of the advancement of science and technology. It consists of illegal selling and distribution of copyrighted music and video files over the peer-to-peer network. Now the simple question for us is that what will be considered as secondary liability? It simply means that when an infringing activity takes place intentionally and knowingly through direct inducement or encouragement and assistance; one gains direct benefit from such infringement, it is known as the secondary liability.

The large scale copyright infringement that the internet and personal computers have jeopardized has left no option for copyright owners except to sue software and service providers as facilitators under doctrine of secondary liability. The most landmark and unprecedented lawsuits have been brought against sellers of peer-to-peer file sharing software-Napster, Aimster, and Grokster-who have been deemed to be liable under the

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<sup>1</sup> Mark Bartholomew & John Tehranian, *the Secret Life of Legal Doctrine: The Divergent Evolution of Secondary Liability in Trademark and Copyright Law*, Berkeley Technology Law Journal, 1366, Vol. 21, No. 4 (Fall 2006).



prominent judicial doctrines of vicarious liability and contributory infringement on the grounds of the copyright violations committed by their users or consumers. It goes beyond any reasonable doubt that these secondary liability doctrines are well established and further structured through judicial pronouncement in copyright law, the Napster and Aimster decisions have made an expansion of the role that illicit intent to profit from others' copyrighted works are able to play a pivotal role for the purpose of determining the secondary liability.

This paper will analyze these issues through four substantive chapters, analyzing the evolution of secondary liability in the United States in the light of leading judgments. It further examines the knowledge, intention and material contribution for constituting the secondary liability under Copyright law. Later on, it discusses the intermediary liability in India and whether India is moving away from secondary liability principle. Finally, it examines the challenges pertaining to secondary liability and provides suggestions and conclusions.

## **2. RESEARCH DESIGN**

### **a. Aims and Objective**

The aim of this study is to analyze and evaluate the concept of secondary liability under Copyright Law in the light of landmark judgments. The study targets to evaluate the secondary liability jurisprudence given the development of two leading jurisdictions namely the United States and India in particular and other jurisdictions in general. The focus of this study is to examine how intention, knowledge or material contribution plays such a vital role for evolution of secondary liability under Copyright law. The researcher aims to put forward a pragmatic method to analyze the inducement theory, constructive knowledge and willful blindness. The research will also see whether the existing safe harbor provisions under the Information technology Act is a viable for growth of secondary liability jurisprudence in India, and therefore, whether the changes are required or not. Additionally, other objectives of the research are:

- To understand the intermediary liability framework in India in the light of leading judicial pronouncement; whether it strikes a balance between the users and intermediary's interest.

- To understand the scope of secondary liability, whether India is trying to escape from the secondary liability rules.
- To understand the challenges faced by the software industry and to what extent the new development is beneficial.

**b. Hypothesis**

The secondary liability jurisprudence of Copyright law developed and interpreted by the Courts are not able to strike a balance between the rights of intermediaries, creators and consumers.

**c. Research Questions**

1. How the jurisprudence of secondary liability under Copyright law has evolved?
2. What kinds of knowledge, intention or material contribution would be sufficient to constitute the secondary liability? Is there any difference between willful blindness and the duty of care?
3. What is the objective of Digital Millennium Copyright Act and what have been its implications on safe harbor provisions?
4. What is the scope of secondary liability under Copyright Law and whether is India moving away from secondary liability rules?
5. What are the new IT guidelines for intermediary liability in India and whether it is beneficial to address the future challenges?
6. How to protect the rights of the intermediaries, creators, innovators, manufacturers and consumers while maintaining the principle of public policy and inclusive development?

**d. Research Methodology**

This research is fundamentally an exercise in qualitative research in order to understand, study, explore and analyze the legal regulatory framework pertaining to secondary liability under Copyright law and the numerous challenges it faces for determining secondary liability. Hence, the doctrinal method has been adopted to prepare this research given the parameters of descriptive-analytical method of research.

**e. Scope and Limitations**

Through this research, I aim to analyze the secondary liability under Copyright law at the conceptual level, and analyze the efficacy of knowledge, intention or material contribution in establishing the liability. The research is focused on the secondary liability jurisprudence evolved in the United States and India in particular and other jurisdictions in general. No comparison has been drawn on the secondary liability between copyright and trademark. Similarly, the application of secondary liability under Copyright law has critically analyzed based on the doctrines evolved in India and the United States. Furthermore, the research is analytical in nature which analyzes the potential problems and challenges faced by the secondary liability doctrine under Copyright law in both the countries. More importantly, the research restricts its scope to just examine the solutions provided by the different organizations and judicial institutions.

**f. Sources of Data**

Data, information and literary materials used at the time of research were primarily collected from primary and secondary sources.

Primary sources: As far as the primary research is concerned, it included the statutory enactments and governmental data of India and United States.

Secondary sources: Similarly, the secondary sources used during this research include books, research papers, articles, journals and online database.

**g. Research Gap**

While there is plethora of existing literatures on the ‘Secondary Liability under Copyright Law’ from the Sony to Grokster doctrine, there exists a viable gap in comprehensive evaluation from intention, knowledge or material contribution perspective. The existing literatures are majorly based on the intermediary liability in India, but did not identify the India’s approach on secondary liability in the light of the new IT guidelines.

**h. Contribution of the Study**

This study aims to bridge the identified gap by analyzing the potential role of knowledge, intention or material contribution in the secondary liability jurisprudence under Copyright law. The researcher attempts to identify the grey areas from the perspective of intermediary liability in India which needs rethinking and interpretation.

### 3. Chapter Scheme

Chapter 1: Introduction

Chapter 2: Evolution of Secondary Liability under Copyright Law

Chapter 3: Application of Principles of Secondary Liability under Copyright Law

Chapter 4: A Comparative Study of Secondary liability under Copyright Law

Chapter 5: Indian Safe Harbour Provisions and Secondary Liability

Chapter 6: Suggestions & Conclusions

### 4. Review of Literature

1. Patrica Akester & Francisco Lima, *Copyright and the P2P: Law, Economics and Pattern of Evolution*, European Intellectual Property Review, (2006).

In this article, the author analyzes the collusion between copyright and P2P technology. The author tries to explain whether the displacement effect occurred for the purpose of sale of music and films and performing the unauthorized file-sharing. This article helped me in understanding the impact of these strategies and various business models which are considered as suitable for this kind of environment.

2. Andrews T K, *Control content, not innovation: Why Hollywood should embrace peer-to- peer technology despite the MGM v Grokster battle*, Loyola Los Angeles Entertainment Law Review, 25 (2005) 392.

In this article, the author argues the current speed of technological and market development. It illustrates the institutional limitations of the courts for providing fair, efficient, effective standard. It helps me understand the different narratives of Sony and Grokster doctrine like the interests of the copyright owners, innovators and consumers.

3. Aradhya Sethia, *The Troubled Waters of Copyright Safe Harbour in India*, Journal of Intellectual Property Law & Practice 12(5) 398 (2017).

The author discusses the common law doctrine of secondary liability. So that it could be proved to be beneficial to understand the doctrinal foundations of statutory safe harbor. This piece was useful to understand the comparative analysis of knowledge standard.

4. Connie Davis Powell, *the Saga Continues: Secondary Liability for Copyright Infringement Theory, Practice and Predictions*, Akron Intellectual Property Journal, pp. 190-191, Vol.3, (2009).

In this the author has discussed the climate of judicial expansion pertaining to statutory liability. It explains the fact that how the inducement theory under Grokster was the turning point for intellectual property owners on the account of filing the infringement action. It was beneficial in analyzing the fact that the limits of secondary liability has expanded after pronouncement of inducement theory in Grokster.

5. Danny Friedman, *Sinking the Safe Harbour with the Legal Certainty of Strict Liability in Sight*, 9 (2), Journal of Intellectual Property Law & Practice 148 (2014).

The author argues that safe harbor provisions should be substituted by the strict intermediary liability, since it will be difficult to escape from this liability.

6. Deborah Hartnett, *A New Era for Copyright Law: Reconstituting the Fair Use Doctrine*, 34 New York Law School Law Review 267,267 (1989).

The researcher states that fair use is considered as an affirmative defense in relation to Copyright infringement. Further it argues that fair use fundamentally strikes a fine balance between author's interests so far as the commercial exploitation of the work is concerned and public interest for the purpose of free flow of information and ideas. It was useful to think that a fair balance is necessary for protecting the interests of users and developers.

7. Gavin Sutter, *Rethinking Online Intermediary Liability: In Search of the 'Baby Bear' Approach*, Vol. 7, Indian Journal of Law and Technology, 33 (2011).

This paper evaluates the different national methods for regulations of online contents. It explains the liability of intermediary service providers on the accounts of data given by the third parties.

8. Jeffrey R. Armstrong, *Sony, Napster, and Aimster: An Analysis of Dissimilar Application of the Copyright Law to Similar Technologies*, DePaul Journal of Art, Technology and Intellectual Property Law, Vol.13 Issue 1, Spring (2003).

The paper gives a historical analysis of the US copyright Act in relation to right to copy and distribution of copyrighted materials. This paper helped me in analyzing the evolution of secondary liability under Copyright law in the United States.

9. Lee A J, *MGM Studios Inc v. Grokster Ltd & In Re Aimster litigation: A study of secondary copyright liability in the peer-to-peer context*, Berkeley Technology Law Journal, 20 (2005) 487.

The author examines the two P2P cases Grokster and Aimster and attempted to make an analysis of the decisions made by respective courts pertaining to secondary liability under copyright law. It helped me understand the interpretation made by the Seventh Circuit and Ninth Circuit Courts related to Sony.

10. Mark Bartholomew & John Tehranian, *the Secret Life of Legal Doctrine: The Divergent Evolution of Secondary Liability in Trademark and Copyright Law*, Berkeley Technology Law Journal, 1366, fall 2006, Vol. 21, No. 4 (Fall 2006).

The author analyses the fact that why the courts have created a two-tier system of secondary liability. The author makes an assessment as to why the law of secondary copyright and trademark liability fails to provide a reasonable ground for resolving the complex issues of technological change. The author has not touched the aspect of safe harbor doctrine.

11. Robert M. Hirning, *Contributory And Vicarious Copyright Infringement In Computer Software Harming One Form Of Intellectual Property By Protecting Another*, Chicago-Kent Journal of Intellectual Property (2006).

The author discusses the historical development of indirect infringement law and the author has also argued how different computer technologies are affected by infringement liability. The article helped me in understanding the vicarious infringement.

## CHAPTER II: THE EVOLUTION OF SECONDARY LIABILITY UNDER COPYRIGHT LAW

### a. Nature and scope of secondary liability

There are two forms of secondary liability: contributory infringement and vicarious liability. Contributory infringement will arise if someone causes, induces or materially contributes to the infringing conduct of another with the knowledge of infringing activity. Vicarious liability arises when someone has the capacity, right and ability to supervise and take care of the infringing activity along with direct financial interest in such activity.<sup>2</sup> There is no any requirement of knowledge of tortious act in vicarious liability. Hence, a direct infringement is necessary to take place before claiming the contributory or vicarious liability which would be imposed any on third party. As a matter of fact copyright law does not expressly contain the vicarious liability, but the approach of the courts has been consistently imposing vicarious liability in the presence of two factors: “*it reflects the right and ability to supervise*” the primary infringer and it reflects “*direct financial interest pertaining to the exploitation of the copyrighted material*”. Contributory liability means liability where a person may be held liable where, if the existence of knowledge of the infringing activity was there. It causes or materially contributes to the infringing activity of another. In contributory liability, the essential elements of knowledge and participation are benchmark.

In India, the law pertaining to secondary liability is prescribed under the Copyright Act of 1957 in section 51 (a) (ii) and (b).<sup>3</sup> Under these two provisions, a person is liable for infringing act done in assistance with primary infringement and who intensifies the effect of a primary infringement.<sup>4</sup> Under Section 51 (a) (ii), the defense will be taken, if the infringer is able to prove on the basis of reasonable ground such communication to the public would come under an infringing activity.<sup>5</sup>

### b. Evolution of Secondary Liability Doctrine under Copyright Law

There is no uniform standard for determining the secondary liability under the Copyright Law. To resolve this issue, the Courts have adopted different approaches. For instance, it is incumbent upon the copyright owner to reflect that the accused (third party) intentionally or

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<sup>2</sup> *Id.*

<sup>3</sup> S. 51 of the Copyright Act, 1957.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

knowingly caused the infringement or facilitates the means for the primary infringer to commit the infringement. The copyright owner also needs to prove that the third party earned profits from such infringement. There are series of landmark cases which led to the evolution of secondary liability under Copyright law.

The first issue related to secondary liability arose in 1911 in *Kalem Company v. Harper Brothers*<sup>6</sup>. The case marked the beginning of development of law which established the liability even for those who contributed to the infringement of Copyright. Most importantly, it stated that if a supplier of the means has sufficient knowledge of the infringement or has the ability to control the use of copyrighted works by others and authorizes the use without prior approval of the Copyright owner can be deemed to be liable and accountable for infringement.<sup>7</sup>

The first landmark judgment which explains the provision relating to the imposition of the secondary liability is *Sony Corp. of Am. v. Universal City Studios, Inc.*<sup>8</sup> Some of the people, who purchased the home video tape recorder from the petitioner, recorded the broadcasts.<sup>9</sup> In other words, Sony Corp reproduced the copyright works without any permission. The issue before the court was whether the airwaves video recording by the consumers could be considered as a copyright violation. The Supreme Court reversed the decision of the Ninth Circuit and held that Sony is not liable for the contributory infringement stating the facts that Sony could have been liable for the copyright infringement if Betamax could have been primarily been used for infringing purpose. But given “*the non-infringing time shifting use of VCR*” justice Brennan decided that Sony is not liable for contributory infringement.

The decision of the Apex Court was based on traditional patent laws “*staple article of commerce doctrine*”.<sup>10</sup> It says that if you distribute a component of a patented device it will not violate the patent if it is suitable for use in another ways. The Court further held that if a product is capable of other non-infringing and ‘substantially lawful’ uses, the producer would not be held liable. *The staple article of commerce restricts the liability in terms of more acute fault than the mere understanding that one’s products will be misapplied.* Therefore, the Betamax VTR was deemed to have substantial non-infringing use and Sony was not held as

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<sup>6</sup> *Kalem Co. v. Harper Bros.* 222 U.S. 55, 63 (1911).

<sup>7</sup> Connie Davis Powell, *the Saga Continues: Secondary Liability for Copyright Infringement Theory, Practice and Predictions*, Akron Intellectual Property Journal, pp. 190-191, Vol.3, (2009).

<sup>8</sup> *Sony Corporation of America v. Universal City Studios Inc.* 464 U.S. 417 (1984).

<sup>9</sup> <https://cyber.harvard.edu/people/tfisher/1984%20Sony%20Abridged.pdf>.

<sup>10</sup> Lee A J, *MGM Studios Inc v Grokster Ltd & In Re Aimster litigation: A study of secondary copyright liability in the peer-to-peer context*, Berkeley Technology Law Journal, 20 (2005) 487.



liable of contributory infringement. Furthermore, the Court traced the time-shifting doctrine. If Sony is held liable for authorized time shifting, it would have a negative effect on the production and distribution and sell of VCRs, and those copyright owners who authorized time shifting would get frustrated in their works to access more television viewers by doing such thing.<sup>11</sup> An unlicensed use of the copyright will not be considered as an infringement until and unless it contradicts with the specific exclusive rights provided by the copyright statute.<sup>12</sup>

The next landmark and unprecedented judgment on contributory infringement is *A & M Records Inc. v. Napster Inc.*<sup>13</sup> It is a controversial case which appeared in the judicial history of US between the Recording Industry of America (RIAA) and Napster. The music industry expressed concern over this use of MP3 and P2P sharing technology, since it could have hampered and reduced their business and music distribution in the shape of downloadable MP3. Given this, the major companies filed a suit against Napster on the basis of contributory and vicarious infringement thereby claiming their copyright.<sup>14</sup> Napster argued that their service was none other than a “*staple article of commerce*” capable of “*Substantial Non-Infringing Use*”. The District Court did not agree as distinguished it from the Sony case.<sup>15</sup>

There was a minor difference between Sony and Napster. For instance, in the Sony case, the only contact between Sony and the consumers of Betamax was at the time of sale whereas this is not the case with Napster.<sup>16</sup> In Napster’s case, it was not only Napster Inc. who maintains the system, but it also supervises an integrated system which is accessed by its consumers for uploading and downloading files.<sup>17</sup> Therefore, Napster’s fundamental role is that of facilitating of copying without prior permission. Hence, Sony doctrine is inapplicable. The contention was rejected by the Judge that Napster had the capability to be used for SNIU at the level of the District Court.<sup>18</sup> It was held that the Napster service has the potential of SNIU. The Court further said that Napster could have denied the access but it could not do so. Thus, Napster was directed to take responsibility of preventing the infringing activities on

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<sup>11</sup> Termini M, *Time-Shifting in The Internet Age: Peer-To-Peer Sharing of Television Content*, Columbia Journal of Law & Social Problems, 38 (2005) 422.

<sup>12</sup> *Sony Corporation of America v. Universal City Studios Inc.* 464 US 417 at 447.

<sup>13</sup> *A & M Records Inc. v. Napster Inc.* 114 F. Supp. 2d 896 (N.D. Cal. 2000).

<sup>14</sup> Lisa M. Zepeda, *Copyright : Digital Media : Digital Music Distribution A&M Records, Inc. V. Napster, Inc.* Berkeley Technology Law Journal Vol. 17, No. 1, Annual Review of Law and Technology (2002), pp. 71-90.

<sup>15</sup> *A & M Records Inc. v. Napster Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

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

its system thereby discontinuing the access to infringing materials. The plaintiff alleged that Napster was liable for contributory infringement as well as vicarious infringement. Napster facilitated the consumers with the software called Music-share through which a user could upload and download songs with the help of P2P network. Further, Napster did provide technical support searching of MP3 files.<sup>19</sup> Thus, they tried to shield itself from Sony doctrine by contending that he is not liable for secondary liability.<sup>20</sup> It was surprisingly observed that 87 percent of the materials on Napster were deemed as copyrighted. Out of which 70 percent of the copyrighted works available on Napster belonged to plaintiff. It established the liability of direct infringement.<sup>21</sup> Moreover, the constructive knowledge of the infringer and the material contribution at the same time is essential to establish the secondary liability.

Another important case in which the issue of contributory copyright infringement raised was *Re Aimster Copyright Litigation*.<sup>22</sup> Like Napster, the American Recording Companies filed a suit against Aimster for contributory copyright infringement.<sup>23</sup> The Court held that there is a huge difference between Sony and Aimster, since Aimster was a service not a product. The Court held that it is essential to treat these two things in a different way.<sup>24</sup> It was further held that the VCR was essentially a product which did not maintain any relationship as such between the manufacturer and the user whereas this is not the case with Aimster file. In fact, Aimster's wilful blindness was vehemently condemned and considered it to knowledge of guilt. There was refusal to provide any relief which was based on Aimster's refusal to discover to such extent to which its system was being operated to violate copyright.

In *Metro Goldwyn Mayer Studios v. Grokster*<sup>25</sup> the doctrine of secondary liability was again raised in this case. The fact of this case is that Grokster Ltd. and StreamCast gave out free software for the purpose of sharing the files through P2P network. Since the software had not sought the help of central server it worked quite faster.<sup>26</sup> Whether or not the software distributors would as liable for copyright infringement at a time when the products were used

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<sup>19</sup> Akester P, *Copyright and the P2P Challenge*, European Intellectual Property Review, 27(3) (2005) 106-112.

<sup>20</sup> Andrews T K, *Control content, not innovation: Why Hollywood should embrace peer-to-peer technology despite the MGM v Grokster battle*, Loyola Los Angeles Entertainment Law Review, 25 (2005) 392.

<sup>21</sup> Myrick R M, *Peer-to-peer and substantial non-infringing use: Giving the term 'substantial' some meaning*, Journal of Intellectual Property Law, 12 (2005) 546.

<sup>22</sup> *Re Aimster Copyright Litigation*, 334 F.3d 643 (7th Cir. 2003).

<sup>23</sup> Jeffrey R. Armstrong, *Sony, Napster, and Aimster: An Analysis of Dissimilar Application of the Copyright Law to Similar Technologies*, DePaul Journal of Art, Technology and Intellectual Property Law, Vol.13 Issue 1, Spring (2003).

<sup>24</sup> *Id.*

<sup>25</sup> *Metro Goldwyn Mayer Studios v. Grokster* 545 U.S. 913, 125 S. Ct. 2764 (2005).

<sup>26</sup> <https://www.casebriefs.com/blog/law/property/property-law-keyed-to-singer/intellectual-property/metro-goldwyn-mayer-studios-inc-mgm-v-grokster-ltd/>.

by the third party. The Court manifestly said that the software distributor is liable for contributory copyright infringement on the ground of not using the tools for diminishing the copyright infringement. The Supreme Court has basically maintained a balance between the creative pursuit and restricting the copyright infringement for the sake of the innovation of the technology. The court further opined that there was the presence of inducement unlike Sony case.<sup>27</sup>

Consequently, MGM complained about the same activity by stating that P2P software was used by the respondent to transfer the copyrighted files.<sup>28</sup> The District Court did not hold the respondent company liable for contributory or vicarious infringement. The Supreme Court relied upon four important contentions in order to derive an inevitable conclusion. The first contention is “*non-filtration of copyrighted materials*”. The court found that there was the absence of any constructive act for the purpose of filtering out the contents of infringing works. The second important contention is “*taking over from Napster*”. The intention for involvement in the non-infringing activity is apparently clear. The third contention is “profit motive”. The last contention is “practical alternative”. According to this contention, the distributors had knowledge of the unlawful activity. Most importantly, the Court actually failed to indicate the application of Sony principles. The certain questions were left unanswered.

**c. The DMCA safe harbors and the doctrines of secondary liability**

It is interesting to mention that *Viacom v. YouTube* provides a good opportunity to think on the very meaning and operation of the hosting safe harbor and its ability to exercise legal certainty for user-generated content (hereinafter referred to as UGC) platforms and other Web service providers.<sup>29</sup> Since the DMCA is meant to strike a fine balance between the interests of service providers and copyright owners, the parties involved in the lawsuit seem to have strongly different views and opinions as to how some of the key points of the statute are supposed to be understood. In *Viacom Intern Inc. v. YouTube, Inc.*<sup>30</sup> In its lawsuit against YouTube, Viacom contended that defendants are held to be liable under both doctrines of

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<sup>27</sup> Nayomi Goonesekere, *A Critical Analysis of secondary liability under Copyright Laws in the United States and in India*, Volume 5, Issue 2 Westminster Law Review.

<sup>28</sup> Oppenheimer M S, *Yours for keeps: MGM v Grokster*, John Marshall Journal of Computer & Information Law, 23 (2005) 209.

<sup>29</sup> Priyambada Mishra, Angsuman Dutta, *Striking a Balance between Liability of Internet Service Providers and Protection of Copyright over Internet: A need of the hour*, Journal of Intellectual Property Rights, Vol.14, July, (2009).

<sup>30</sup> *Viacom Intern. Inc. v. YouTube, Inc.* 2010 WL 2532404.

secondary liability. First, it contends defendants are held liable under ambit of the inducement rule which was adopted in *Grokster*, a contributory liability on the ground of “intentionally using YouTube as a haven for widespread infringement.”<sup>31</sup> Second, it contends defendants are vicariously to be held liable since they “extract a direct financial benefit from infringement activity. In this regard, it is clear that they had the right and ability to control.” both the contentions were vehemently rejected by YouTube since they are entitled to the DMCA hosting safe harbor<sup>32</sup>, which gives protection against all liability claims. To put more simply, even if YouTube could be deemed to be liable under the common law’s doctrines of secondary liability—which it strongly denies—they would be exempted from that liability on the account of the hosting safe harbor provision. Viacom asserted that they do not exempt defendants from secondary liability claims. More specifically, Viacom stressed upon the fact that the DMCA does not provide protection to defendants against liability for inducement.<sup>33</sup> Moreover, it does not protect them against vicarious liability as well.

The claim that a defendant who would be considered as liable under spectrum of common law’s criteria of derivative liability as well as inducement. This is not protected by the DMCA safe harbors. There are two reasons for such arguments. First, by demonstrating that the terms and conditions by the DMCA for the purpose of benefitting from the safe harbors fundamentally track the common law standards of secondary liability and thus, and if anyone is held liable under common law criteria of secondary liability, it would lead to failure to meet the DMCA statutory requirements. Second, taking into consideration the purpose of the statute in terms of reasoning that the safe harbors, it was never intended for application of to an intentional wrongdoer.<sup>34</sup> As a consequence of this, where a defendant fulfills the standard on inducement, section 512 would not be required to come into play. Section 512(c) provides an exemption to a service provider from liability for all monetary relief. The limitation of liability is subject to several terms and conditions.

It is pertinent to mention that the DMCA meant to provide legal certainty to internet entrepreneurs pertaining to potential copyright liability. Following this approach, it provides some clear rules constituting safe harbors from liability, even if the circumstances protected under those harbors might have given rise to liability irrespective of the fact whether it is a

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<sup>31</sup> *Id.*

<sup>32</sup> Section 512 (c) Safe Harbor.

<sup>33</sup> *Id.*

<sup>34</sup> Miquel Peguera, *Secondary Liability for Copyright Infringement in the Web 2.0 Environment: Some Reflections on Viacom v. YouTube*, *Journal of International Commercial Law and Technology*, Vol.6 Issue 1, (January 2011).

direct or secondary liability.<sup>35</sup> From this historical point of view, it can be said that all this was meant for the protection of online providers from facing excessive risk in terms of potential liability, or to liberate them from having to invest too much in policing and effectively preventing their users' infringements.<sup>36</sup> Though it is meant to strike a fine balance between the interests of copyright owners and service providers, the DMCA is seems to be turning out to be easier for the purpose of fulfillment than expected almost converting into a mere takedown notice statute.<sup>37</sup>

#### **d. Secondary liability doctrine of Copyright law in India**

There have been no cases dealing with contributory infringement so far in India. India is witnessing a rapid technological development. Due to this, Indian judiciary as well is about to face similar cases in future. To fill up the gap, it is imperative for the Indian judiciary to look at the principles of common law. While doing so, the judiciary can take the reference from *Grokster* but they have to be cautious while applying the principle, since the judgment cuts the heart of scientific innovation. Additionally, given the Indian IPR regime, there is no specific provision related to contributory infringement.

There are two types of secondary infringement. The first one is that which is done in assistance of primary infringement, and the one which emphasize the effect of a primary infringement that has already occurred.<sup>38</sup> So far as the Section 51 (a) (ii) of the Copyright Act 1957 is concerned, it covers that which is done in assistance of primary infringement.<sup>39</sup> For example, allowing for profit at any place which would be used for communication of the ongoing work to the public at large, if such communication itself would violate the copyright. The defense which would be pleaded is that the person was not aware of infringement or there was the absence of reasonable ground to believe that such communication would be the root-cause of the copyright violation.

It is pertinent to mention that section 52 (1) (k) of the Copyright Act 1957 would not be considered as an exception for making a person liable for secondary infringement under the ambit of section 51 (a) (ii) of the Copyright Act 1957. Furthermore, it is actually an exception to the unauthorized communication of sound recording to the public will be treated as an act

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<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> Justice P.S. Narayana, *Intellectual Property Law in India*, 773 (2nd edn, 2003).

<sup>39</sup> Section 51 of the Copyright Act, 1957.

of primary infringement. If a person is unable to satisfy the condition for defense section 51 (a), if a person rents out a venue for conducting a live band, and meanwhile, he did not seek permission from the very owner of the sound recording, will be eventually deemed liable for secondary copyright infringement. There are four different acts which cannot be committed and if it is committed, it does result in copyright violation. For instance, *selling or hiring by way of trade and business* or displaying the infringing copies, *distributing on account of trade* in such a way as it affects biasedly the owner of the copyright or doing exhibition of such copies publicly in terms of trade and subsequently, importing such copies into India.<sup>40</sup> Hence, if a person commits any of the abovementioned acts would be treated to have committed the secondary copyright infringer under section 51 (a) (ii) or (b).<sup>41</sup>

#### **e. Application of Sony and Grokster in India**

There is no doubt that the widespread piracy issues questioned the specific enumeration of infringing circumstances given under section 51.<sup>42</sup> The regulatory institutions and organizations have been facing major challenges particularly in India about the question whether the software developer can be held liable in such a scenario as a secondary infringer? The Indian judiciary did not face questions of this kind, the two path breaking and unprecedented decisions of the U.S. Supreme Court in Sony and Grokster say that the extension of secondary infringement is more than what is enumerated under section 51 (a) (ii) and (b). Furthermore, the robust principles which have been laid down in Grokster are specifically of relevance for technologies that enable file transferring and technological protection measures. In such situations, the promoters of such technology will be culpable.<sup>43</sup>

#### **f. Theories of Secondary Liability under Copyright Law**

The contributory and vicarious infringement liability under copyright law has undergone a rapid transformation in the last couple of years. The reason of such transformation is extension of liability from manufacturers to distributors on the account of consumer products, computer technologies and peer-to-peer file sharing software. According to *Black Law Dictionary*<sup>44</sup>, contributory copyright infringement means “active inducement”, causation, material contribution related to the infringing conduct of another person, providing the goods

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<sup>40</sup> V.J. Taraporevala, *Law of intellectual property*, 278, (2nd edn, 2013).

<sup>42</sup> Ananth Padmanabhan, *Intellectual property rights – Infringement and remedies* (1st edn, 2012) 401.

<sup>43</sup> *Id.*

<sup>44</sup> <https://www.latestlaws.com/wp-content/uploads/2015/04/Blacks-Law-Dictionary.pdf>.

or facilitating the goods, doing its arrangement for another person to infringe. A full and concise determination is necessary for products and technology for effect of indirect infringement liability under copyright law.

The concept of contributory liability originates from law of torts. It is considered as a judicial tool evolved to bridge the gap created by the legislature. The purpose of contributory copyright liability is the empowerment of copyright owners to sue the root cause of numerous infringements, rather than having to sue a ‘multitude of individuals’ for committing direct infringements.<sup>45</sup> The essential elements of contributory infringement liability is that it either takes place through encouragement or assistance for conduct or through machinery or goods which acts as facilitation for infringement. Additionally, the infringer knowingly aid or induce the infringing act. The development of vicarious liability may be traced from “dance hall” case<sup>46</sup>, wherein the dance hall operator was held liable for getting profits from the acts of performers. The presence of profits is a requirement of vicarious liability from such act of infringement. Though, they could have taken place to stop the same. The difference between contributory and vicarious infringement liability is that contributory infringement is supposed to meet the higher standards. However, where the knowledge aspect is incomplete, the vicarious liability would be a viable option. According to the Supreme Court, there is no clear demarcation between the vicarious and the contributory infringement.

The Grokster judgment was vehemently criticized on the basis that contributory infringement goes against Article 1, Section 8, of the US Constitution, since the Constitution of US provides guarantee that the ‘creators of expressive works are conferred a limited monopoly not as an individual reward,<sup>47</sup> but rather as an incentive given the creation of future creative work. Thus, it is apparent that excessive rights on the account of copyright protection are being provided which is an assault on the inclusive growth of communication technologies.

The decision of Ninth Circuit court was appealed before the Supreme Court, wherein a new theory was propounded by the court i.e. “inducement theory”. As per this theory, “one, who makes distribution of a device with the object of promoting and advertising its use to infringe copyright, as reflected by clear expression or other affirmative step taken for infringement, is held liable for infringement by third parties.”. The Supreme Court has taken many factors

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<sup>45</sup> Moyer J M, *How Sony survived: peer-to-peer software, Grokster, and contributory copyright liability in the twenty first century*, North Carolina Law Review, 84 (2006) 646.

<sup>46</sup> *Foreningen Af Arbejdsledere i Danmark v Daddy’s Dance Hall A/S* [1988] IRLR 315, ECJ.

<sup>47</sup> Carter E L and Frank A, *The day Grokster ate Sony: Examining the rationale behind the Supreme Court’s new rule of copyright infringement liability for inducement*, Intellectual Property Law Bulletin, 10 (2006) 115.

into consideration while arriving at such decision. For instance, absence of safety filters. It means if it is claimed that there was no intention to commit infringement on the part of defendants, they could have used safety filters for the purpose of filtering out contents of infringing works. Another important factor is substituting Napster. As per the observation of the court the aim of respondents was to satisfy the rise in demand which happened due to closure of Napster. The factor of profit motive was also taken into account. The business model of the two companies was of different nature that the companies would gain more revenue by way of selling advertising space.



### III. APPLICATION OF PRINCIPLES OF SECONDARY LIABILITY UNDER COPYRIGHT LAW

#### a. Knowledge, intention and material contribution

Fault may be of various kinds. Intention and knowledge are the most important among them.<sup>48</sup> Moreover, there are different standards of knowledge like actual knowledge or constructive knowledge.<sup>49</sup> When it comes to actual knowledge, it requires the infringer to actually know.<sup>50</sup> As far as the constructive knowledge is concerned, it exists even if the person should have known.

In contributory copyright infringement, knowledge of the specific infringement and material contribution play such a pivotal role. When it comes to the question of knowledge requirement, some courts have taken the notice of the “knowledge of the specific infringement” others have thought of knowledge requirement in general. For instance, one of the courts decided that in order to establish the contributory copyright infringement, “reasonable knowledge” is all which is required. Though, the court has given a broader interpretation of the knowledge in *Grokster* case in order to satisfy the knowledge requirement.<sup>51</sup>

The first important question which arises is, whether ‘knowledge’ implies to actual knowledge or constructive knowledge? The second question is, whether the knowledge, actual or constructive, is considered as general or infringement-specific? For example, an intermediary is not necessary to have actual knowledge about a particular infringement, but it is possible that he may have constructive knowledge about it.<sup>52</sup> Furthermore, even if an intermediary doesn't have constructive knowledge of a specific infringement, it is possible that he may still have constructive knowledge of the activity of infringement generally happening on its platform. Nonetheless, the general knowledge is not applicable.

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<sup>48</sup> Kamiel J. Koelman, *Online Intermediary Liability*, Legal Aspects of Electronic Copyright Management, 10 (2000).

<sup>49</sup> *Id.*

<sup>50</sup> Danny Friedman, *Sinking the Safe Harbour with the Legal Certainty of Strict Liability in Sight*, 9(2), Journal of Intellectual Property Law & Practice 148 (2014).

<sup>51</sup> Mark Bartholomew, *Copyright, Trademark and Secondary Liability after Grokster*, Columbia Journal of Law & the Arts, (2009).

<sup>52</sup> Stefano Barazza, *Secondary Liability for IP Infringement: Converging Patterns and Approaches in Comparative Case Law*, 7(12) Journal of Intellectual Property Law & Practice, 879 (2012).

What would be the interpretation of “the reasonable knowledge” for establishing the contributory infringement is something which would depend on a person of the ordinary prudence and understanding. Since Groster case<sup>53</sup> is a suitable example of the broader interpretation that the court has adopted for showing the knowledge requirement, what the defendant here failed in doing was that they did not take any step to prevent the users of software from the infringement of copyrighted music and video files. They did not provide any tool to the users to diminish the infringing activity. Hence, it could be concluded that specific knowledge of the infringing activity is essential. Either he “*knows or has reason to know*” about the activity. The general knowledge would not be enough to constitute a contributory infringement.<sup>54</sup>

For example, in Sony case, it was proved that there was no direct relationship between the manufacturers and users. There was no instance of the material contribution as such to constitute the infringing activity. On the contrary, in Groster case, it was established that there was a link in terms of direct relationship between producers and the users of the software. Therefore, Groster was held liable for contributory infringement. It is important to mention that knowledge and material contribution to the infringement are the essential elements of contributory infringement.<sup>55</sup> Nonetheless, in Sony Corp, the court interpreted the doctrine of contributory infringement holding that if the commercial product has the potential of substantial non-infringing use, the distributor should be supposed to have actual knowledge of the specific infringement and subsequently failed to act on it.<sup>56</sup>

In other words, the secondary infringer is supposed to ‘know or have reason to know’ of direct infringement.<sup>57</sup> General knowledge is not sufficient that an infringement is about to occur,<sup>58</sup> rather it is necessary to have actual and constructive knowledge of the infringement activity. Hence, the court will be interested to look into the evidence of the defendant’s actual and constructive knowledge taking consideration of the defendant’s conduct.<sup>59</sup> If the product

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<sup>53</sup> Metro Goldwyn Mayer Studios v. Grokster 545 U.S. 913, 125 S. Ct. 2764 (2005).

<sup>54</sup> Sneha Jha & Samar Jha, *An Analysis of the Theory of Contributory Infringement*, Journal of Intellectual Property Rights, 319, Vol. 11, September (2006).

<sup>55</sup> Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913 (2005) “[A] defendant was liable as a contributory infringer when it had knowledge of direct infringement and materially contributed to the infringement”.

<sup>56</sup> Sony Corp v Universal City Studios, 464 U.S. 417 (1984).

<sup>57</sup> A&M Records, Inc v Napster Inc, 239 F 3d 1004 at 1020.

<sup>58</sup> Graves T, *Picking up the pieces of Grokster: A new approach to file sharing*, Hastings Communications & Entertainment Law Journal, 27 (2004) 148.

<sup>59</sup> Miles E, *In Re Aimster & MGM Inc v Grokster Ltd: Peer-to-peer and the Sony doctrine*, Berkeley Technology Law Journal, 19 (2004) 28.

is found to be capable of substantial non-infringing use, the issue of constructive knowledge of the defendant will not arise.

The district court came to the conclusion that Napster possessed both actual and constructive knowledge that its users exchanged copyrighted music. Conversely, absence to any specific information which makes identification of infringing activity, a computer system operator cannot be held liable for contributory infringement just because the structure of system permits for the exchange of copyrighted material.

### **Financial Benefit**

The district court held that plaintiffs had showed that they succeeded in claiming that Napster was involved in direct financial interest in the infringing activity. The existence of financial benefit would arise where the availability of infringing material “acts as a ‘draw’ for customers.” There is sufficient evidence to prove that the evidence corroborates the district court’s finding that Napster’s future revenue is directly based upon increasing and adding more user-base. More users will register and subscribe with the Napster system as the “*quality and quantity of available music increases and enhances.*” Thus, we say that the district court did not err in determining the fact that Napster was generating financial benefits from the availability and existence of protected works on its operating system.

### **b. Supervision**

The district court held that Napster has the potential and ability to supervise its users’ conduct. Napster has the ability to stop and block infringers’ access to a particular environment. Here, it was demonstrated by the plaintiff that Napster gains the right to control access to its system. The express reservation of rights policy was held by Napster, mentioning on its website that it has the discretionary right to refuse service and terminate accounts.

For imposing contributory infringement liability, knowledge of direct infringement is not by itself sufficient,<sup>60</sup> but it is necessary to show the intent for the purpose of distribution of an infringing product. Hence, question is what degree of knowledge, associated with a lack of action to stop infringement? If anyone discovers the internet review of the software indicating an infringing use, will it be considered sufficient? How about encouraging user who tries out “new file trading features”? Or what would happen in case of “unsolicited email from users”,

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<sup>60</sup> *Grokster*, 125 S. Ct. at 2780 (mere knowledge of infringement would "not be enough" to make a distributor liable).

pointing out towards the fact that they basically use the product for infringement, whether it will be sufficient?<sup>61</sup> The conclusion is that a distributor should not be liable for an illegal use if the affirmative steps have not been taken for the purpose of distribution or facilitation operation of the program.<sup>62</sup> In addition to this, on the basis of such standard, no court would impose liability for an unforeseen or unexpected use if it infringes the copyright.<sup>63</sup>

### **c. Fair Use and Substantial Non-infringing Use**

As far as the doctrine of fair use is concerned, it is used as a defense to a copyright infringement claim, and it maintains a balance between protecting the very exclusive rights of copyright owner and the interest of the public taking into consideration the free flow of information. Law certainly works like a shield in protecting a copyright owner, the fundamental purpose of a copyright is the promotion of learning and culture for the public welfare at large. The presence of "black letter" of fair use is available in a combination of case law and statutory provisions. According to the United States Supreme Court in *Sony Corp. of America v. Universal City Studios, Inc.*<sup>64</sup>, the privilege of fair use is available for every individual. It is important to mention that the copyright holder does not have the exclusive right to such a use. It was rightly said by a commentator that "fair use is fundamentally the privilege to use copyrighted material in a reasonable manner without consent." Specifically, 17 U.S.C. § 107<sup>65</sup> enumerate six different circumstances in which use might be treated as 'fair': criticism; comment; news reporting; teaching; scholarship or research; and parody."

It is mandatory upon the defendant to prove the affirmative defense of fair use doctrine. Moreover, § 107 provides a comprehensive factors to be considered in determining whether a use is a fair one or not: (1) one has to consider the purpose and character of the use along with the fact whether such use is of a commercial nature or is for nonprofit educational purposes; (2) it is essential to consider the nature of the copyrighted work; (3) one has to look the amount and substantiality of the portion used pertaining to the copyrighted work as a whole; and (4) and finally what is the effect of the use upon the potential market for figuring out the value of the copyrighted work.

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<sup>61</sup> In *Grokster*, the Court observed that the company received unsolicited emails on how to play copyrighted works, and responded with "guidance".

<sup>62</sup> Robert M. Hirning, *Contributory And Vicarious Copyright Infringement In Computer Software Harming One Form Of Intellectual Property By Protecting Another*, Chicago-Kent Journal of Intellectual Property (2006).

<sup>63</sup> *Id.*

<sup>64</sup> *Sony Corp. of America v. Universal City Studios, Inc.* 464 U.S. 417 (1984).

<sup>65</sup> 17 U.S.C. § 107: <https://www.law.cornell.edu/uscode/text/17/107>.

Intent and knowledge are interconnected and interdependent: courts may easily infer one from the other, but the Courts are usually unable to impose liability when one of the two elements seems to be absent.<sup>66</sup> Further, the two elements cannot be separated: the first one is the intention to induce infringement which reflects constructive knowledge of the subsequent infringing acts; and secondly the very intention to aid infringement originates from the choice of continuing to supply products used for infringement, once acquired actual knowledge of their unlawful use. Case law points out that intent can be shown by either ‘affirmative steps taken to foster infringement which symbolizes the use of the rule of inducement, or ‘affirmative steps that foster infringement’ which goes beyond the purview of ordinary commercial practices and does include the failure to adopt any preventive measures.<sup>67</sup>

The reasonable question which arises is how third parties can get specific knowledge of infringing acts. Specific procedures are laid down within the purview of online service providers. *In Perfect 10 Inc v CCBill LLC*,<sup>68</sup> the plaintiffs contended that the hosting provider could have easily recognized infringing websites, by observing their domain name as well as main content. The court, nonetheless, refused to interconnect liability to generic knowledge and to ‘place the burden of determining whether materials could be considered as illegal on a service provider’ or to ‘impose such investigative duties on service providers’. Applying the same principle, in *UMG Recordings Inc. and others v Shelter Capital LLC et al.*<sup>69</sup> it was propounded that, by not identifying to the service provider any specific infringing material hosted on its website, the plaintiff had removed itself the powerful evidence of a service provider’s knowledge which is none other than actual notice of infringement from the copyright holder.

#### **d. Willful blindness and constructive knowledge**

If one is not able to prove the actual knowledge, courts may look into the issue of ‘willful shutting of eyes, or where the person commits willful and reckless failure to do such inquiries being an honest and reasonable person would make or knowledge of circumstances which would demonstrate the facts to such a person’.<sup>70</sup> Willful blindness, red flags and constructive knowledge If actual knowledge is unable to be proved, courts may take into consideration the

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<sup>66</sup> LJ Oswald ‘*The Intent Element of “Inducement to Infringe” Under Patent Law: Reflections on Grokster*’ (2006).

<sup>67</sup> *DSU Medical Corp v JMS Co.* 471 F 3d 1293, 2006).

<sup>68</sup> *In Perfect 10 Inc v CCBill LLC*, 488 F 3d 1102 (2007).

<sup>69</sup> *UMG Recordings Inc. and others v Shelter Capital LLC*, DJDAR 18112 (2011)

<sup>70</sup> *Farah Constructions Pty Ltd v Say-Dee Pty Ltd* HCA 22, (2007).

‘willful shutting of eyes, or willful and reckless failure for conducting such enquiries as an honest and reasonable person would conduct, or, at least, knowledge of circumstances which would indicate the facts to such a person’.

**e. The duty of care**

The identification of fulcrum of secondary liability could come out from the duty of care, since it is imposed upon the third party for setting the balance between the competing interests at stake. A third party is required to take to ensure that its actions are not going to extend beyond the “maximum degree of indifference”, pertaining to other parties’ rights that the jurisdiction entertains.<sup>71</sup> The duty of care rests mainly upon “foreseeability” and “likelihood” “possibility” or knowledge of infringing use. It is pertinent to mention that in the recent YouTube judgment, a German court held that its scope is dependent upon the balancing of the interests and rights of all the parties who are genuinely involved on the account of reasonableness and proportionality. It further clarified that an excessive burden upon the third party should not be imposed in terms of duty, as its execution is expected to be financially and technically feasible.

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<sup>71</sup> MP McKenna ‘*Probabilistic Knowledge of Secondary Trade Mark Infringement*’ 10 Stanford Technology Law Review 1, (2010).

## CHAPTER IV: A COMPARATIVE ANALYSIS OF SECONDARY LIABILITY UNDER COPYRIGHT LAW

The fundamental question pertaining to quest for common structures of secondary liability on the account of the infringement of copyright law in Europe faces a double challenge. First, are there the existences of common principles of secondary liability in relation to different kinds of IPRs? As a matter of fact, the answer to this question along with the availability and conditions of actions regarding joint and contributory liability may vary in the laws of the different Member States.

### a. United Kingdom

So far as the secondary liability under Copyright law in the United Kingdom is concerned, The Copyright, Designs and Patent Act of 1988 grants certain exclusive rights on the copyright holder in various forms like the reproduction right, the distribution right; the performance right, communicate the work to the public-the new communication right, which overcomes the old broadcasting and addition in a cable programme right as well as the adaptation right.

*CBS Songs Ltd v Amstrad Consumer Electronics Plc.*<sup>72</sup> case shares the similarity with the Sony case discussed earlier, and took place after Sony. the House of Lords was supposed to consider whether Amstrad had committed a breach of the 1956 Copyright Act in terms of selling and advertising twin-deck tape recorders, which it knew would be operated for Lord Templeman. It was, therefore, held that neither the design of the product nor Amstrad's advertising campaign could be deemed as commanding or instructing unlawful copying, since the ultimate decision for the purpose of copying was made by the consumers.

As far as the ratio by House of Lords in Amstrad was concerned, it was propounded that where an article has the potential in terms of facilitation for infringement as well as non-infringing copying, it becomes mandatory for the suppliers to possess more than just generalized knowledge like illicit copying will take place before it will be held liable. In addition to this, it was generally construed that the reference to an article 'specifically designed or adapted for the purpose of making copies' was instructed at articles such as photographic negatives and master recordings that are designed to make copies of specific works, instead of generic copying equipment or instrument such as photocopiers or tape

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<sup>72</sup> CBS Songs Ltd v Amstrad Consumer Electronics Plc, [1988] RPC 567.

recorders. The decision took a stand similar to that taken by the US Supreme Court in the Sony case.

**a. Australia**

In *Australasian Performing Right Association Ltd v Jain*<sup>73</sup>, an Australian court derived the conclusion that a tavern owner, permitted the unlicensed performance of certain copyrighted works, was held liable for instruction of the infringement of copyright. The Court decided that the authorization was provided by Jain for the infringing performances since it was within his ability to prevent the infringements and he must have known it was likely that the performances would infringe copyright. A similar example was adopted earlier in *Winstone v Wurlitzer Automatic Phonograph Co of Australia Pty*<sup>74</sup> a case whose facts were similar to those in the Canadian case of Vigneux. The Court derived a different conclusion from that of the Privy Council on the ground that the owner of the jukebox divided in the revenue derived from the use of the jukebox. The Court decided that to have the power to prevent an infringement could be considered as a component, or even a corollary, of having the power to direct a copyright use. It can be concluded from the above-mentioned facts that intent and material as two fundamental criteria for considering contributory infringement were the basis of Court's reasoning.

**b. Canada**

The Gershwin case which the court in US confronted was not the first case pertaining to secondary liability, in fact, Canada had to face a similar situation in 1953. In *Muzak Corporation v Composers, Authors and Publishers Association of Canada Limited*<sup>75</sup>, the fact of the case is that sound recordings were leased out by Muzak for a big broadcasting corporation, wherein they played the recordings for sake of public performances without any license. Taking this issue into consideration, most of the judges of Supreme Court of Canada denied to consider liability upon Muzak as they did not consider that 'authorization' could be construed on the behalf of Muzak as they did nothing productively for the purpose of giving permission to such performance. On the basis of this parameter, it is reasonable to mention that this case was sharing a kind of tune with the earlier Privy Council decision, which

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<sup>73</sup> *Australasian Performing Right Association Ltd v Jain*, (1990) 18 IPR 663.

<sup>74</sup> *Winstone v Wurlitzer Automatic Phonograph Co of Australia Pty*, [1946] VLR 338.

<sup>75</sup> *Muzak Corporation v Composers, Authors and Publishers Association of Canada Limited*, [1953] SCR 182.



appeared in the case of *Vigneux v Canadian Performing Right Society Limited*.<sup>76</sup> The fact of the matter is that the case does not talk of the contributory infringement liability. Nonetheless, it is considered as significant since absence of requisite knowledge or intention was one of the main factors that significantly influenced and impacted the judges. It is arguable that if the case could have appeared now, judges might have decided and relied upon the principle of contributory infringement.

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<sup>76</sup> *Vigneux v Canadian Performing Right Society Limited*, [1945] A C 108.

## V. INDIAN SAFE HARBOUR PROVISIONS AND SECONDARY LIABILITY

### a. Intermediary Liability Framework in India

It is generally agreed that we shouldn't shoot the messenger when it comes to online transactions because legal systems around the world have been struggling for finding the right balance for safe harbor.<sup>77</sup> The intermediary liability framework in India is prescribed under Section 79 of the IT Act. It provides the relief in terms of "safe harbour" to online intermediaries for all types of liabilities.<sup>78</sup> Furthermore, Section 81 of the IT Act, which granted an overriding status to the IT Act over various other laws, sustained the standardization. The single judge bench of the Delhi High Court in its decision in the *Myspace*<sup>79</sup> (hereinafter "*Myspace I*") held that intermediaries are actually immune from liability against copyright infringement for third party content unless "actual knowledge" on their part can be demonstrated and proved. The judgment brings about the much needed clarification on the question of intermediary liability in India.<sup>80</sup> Nevertheless, the interpretation provided by the Single Judge on the interconnection between S.79 and 81 of the IT Act had resulted in an absurd end result.

One of the demerits of such provision is that there is no uniformity in the judgments of the High Court pertaining to the exclusion of Section 79 from purview of copyright cases. *In Vodafone case*<sup>81</sup>, for instance, it was decided by the Madras High Court, Section 79 was applicable to copyright infringement as well whereas in *Myspace* case, the court failed in applying an important nuance.

It is important to mention that the moment, *Myspace* was decided there was no existence of separate safe harbor provision under the Copyright Act. This gap triggered a debate on the need for a safe harbour specifically for copyright infringement. When in the year 2012, the Copyright (Amendment) Act introduced Section 52(b) and Section 52(c) it actually appeared

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<sup>77</sup> Gavin Sutter, *Rethinking Online Intermediary Liability: In Search of the 'Baby Bear' Approach*, Vol. 7, Indian Journal of Law and Technology, 33 (2011).

<sup>78</sup> Prof. (Dr.) Tabrez Ahmad, Amartya Bag, *Contributory And Vicarious Copyright Infringement For Circumvention Access Of Password-Protected Copyrighted Works – An Analysis in the Indian Context*, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1839410](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1839410).

<sup>79</sup> *My Space Inc. v. Super Cassettes Industries Ltd*, 2011 (48) PTC 49 (Del).

<sup>80</sup> Balu Nair, *Delhi HC Division Bench Rules in Favour of Safe Harbour for Intermediaries in MySpace-T Series Copyright Dispute*, Spicy IP (December 25, 2016), <https://spicyip.com/2016/12/breaking-news-division-bench-rules-in-favour-of-safe-harbour-for-intermediaries-in-myspace-t-series-dispute.html>.

<sup>81</sup> *Vodafone India Ltd. v. R.K. Productions*, 2013 (54) PTC 149 (Mad) "Section 79 of the Information Technology Act specifically discharges the ISPs from any liability under any law which includes the Copyright Act in regards to their activities and that the present suit is liable to be rejected in line."

as a positive version of intermediary safe harbour provisions. Therefore, copyright safe harbours in India are currently consists of Section 51(a) (ii)<sup>82</sup>, Section 52(b) and Section 52(c) of the Copyright Act, 1957 read with Rule 75 of the Copyright Rules, 2013. In India, safe harbour is prescribed in terms of a ‘fair use’ exception.

The arrest of Avnish Bajaj<sup>83</sup>, CEO of Baazee.com a subsidiary of Ebay.com in December 2004 by the Delhi Police for failing to comply “due diligence” by permitting hosting of pornographic clip for sale by third party in his website. This case was that the law related the turning point for intermediary liability was unable to meet the need of the generation. On the other hand, the amendment of section 79 of the Information Technology Act expanded the ambit of intermediary liability in India on the lines of the safe harbour provisions under S.512 of DMCA.<sup>84</sup> The definition of intermediaries under Section 2 (w) was also made clear. The expression “intermediary” is defined as “*with respect to any particular electronic records, means any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record and includes telecom service providers, network service providers, internet service providers, web hosting service providers, search engines, online payment sites, online-auction sites, online-market places and cyber cafes.*”<sup>85</sup> The definition of intermediary as provided by the Act is inclusive in nature, which leaves possibility for a wider interpretation with the march of time and technological advancement.

As per the words of Section 79, “*an intermediary shall not be held liable for any third party information, data, or communication link made available or hosted by him*”<sup>86</sup> for third party information or user generated contents (hereinafter UGC) with an overriding effect in relation to the present laws.

However, there are two exceptions to the rule, where the intermediary will be liable. First, if he conspired or abetted in the commission of the unlawful act; and second, he will be liable upon receiving actual knowledge, or that he was notified by the appropriate Government or its agency that any information, data or communication link residing in or connected to a computer resource which is controlled and exercised by the intermediary is fundamentally being used to commit the unlawful act. Another essential element is that if the intermediary

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<sup>82</sup> Section 51(a) (ii) and Section 51(b), Copyright Act, 1957.

<sup>83</sup> Avnish Bajaj v. State, CrI. M.C. Appeal No. 3066 of 2006, (Del. H.C. May 29, 2008).

<sup>84</sup> Amlan Mohanty, *Intermediary Liability for Copyright Infringement in India: Few Thoughts in the Wake of Viacom v. Youtube* [Part I], Spicy IP Blog, <http://spicyipindia.blogspot.com/2010/07/intermediary-liability-for-copyright.html> Jul 8, 2010.

<sup>85</sup> Section 2 (w) of the IT Act, 2000.

<sup>86</sup> Section 79 of the IT Act, 2000.

possessed an actual knowledge and fails to remove it expeditiously, it will be liable for contravention which is commonly known as ‘notice and take down clause’. It is important to mention that a minor change was noticed in 2008 amendment from “knowledge” to “actual knowledge”, meaning thereby that only when the ISPs receive or get information about an infringement and fails to remove it, it will be made liable.

#### **b. New Development related to Intermediary Liability in India**

On February 25, 2021, the Ministry of Electronics and Information Technology of India announced the notification namely the *Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021*.<sup>87</sup> As per the Rule 4(1), a "significant social media intermediary"<sup>88</sup> like a social media intermediary who have more than 5 million registered users in India has to establish a three-tier mechanism for observation of due diligence within three months, consisting of a Chief Compliance Officer.<sup>89</sup> He shall be responsible to ensure compliance with the Act and rules. He shall be held liable in any proceedings pertaining to any relevant third-party information, data or communication link. It shall include a Nodal Contact Person for the purposes of coordination with law enforcement every time agencies and a Resident Grievance Officer, all the above-mentioned residing in India.<sup>90</sup>

According to Rule 4(2), a “significant social media intermediary”<sup>91</sup> who provides services fundamentally in the form of messaging, such as WhatsApp, Facebook Messenger, Telegram, etc., it is mandatory to them to enable the identification of the first originator of the information on its computer system as it is possible that it may be required by a judicial order passed by a competent Court or Authority.<sup>92</sup>

It is mandatory to them to observe the due diligence. It is necessary for them to have informed the users about the prohibited content. Moreover, upon receiving actual knowledge in terms of an order by a court or on being notified by the appropriate Government or its

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<sup>87</sup>[https://www.meity.gov.in/writereaddata/files/Intermediary\\_Guidelines\\_and\\_Digital\\_Media\\_Ethics\\_Code\\_Rules-2021.pdf](https://www.meity.gov.in/writereaddata/files/Intermediary_Guidelines_and_Digital_Media_Ethics_Code_Rules-2021.pdf)

<sup>88</sup> Sharad Vadehra, *Due Diligence to Be Observed by Social Media Intermediaries and Significant Social Media Intermediaries Under Information Technology Rules, 2021*, Global Advertising Lawyers Alliance (GALA), (April 29, 2021).

<sup>89</sup> Raj Dev Singh & Yash Raj, *Safe Harbour Principle and the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules (2021)* MONDAQ, (20 July 2021).

<sup>90</sup> Vibhuti Kaushik, *Brief Note On The Information Technology (Intermediary Guidelines And Digital Media Ethics Code) Rules, 2021*, mondaq, (28 May 2021).

<sup>91</sup> Sharad Vadehra, *An Update on India's Information Technology (Intermediary Guidelines And Digital Media Ethics Code) Rules, 2021*, MONDAQ, (02 June 2021).

<sup>92</sup> *Id.*

agency, the intermediary shall not host, store or publish anything related to prohibited information. It is also worthy to note that intermediary shall also preserve such information and associated records for one hundred and eighty days. Intermediaries are also required to expeditiously add information pertaining to verification of identity, or prevention, detection, investigation, or prosecution. The IT Rules 2021 have undoubtedly brought about a drastic and radical revolution to the requirements as compared to IT Rules 2011 that had gained minimal compliance for claiming safe harbour protection. The intermediary only works as a medium between the content creator and the consumers/viewers/users. Therefore, making an intermediary liable for anything which was posted on the platform by a third-party user is unreasonable, illogical just because of the vast amounts of data exchanged (between users) that is next to impossible to track continuously. It also leads to infringement to the freedom of speech and expression of the users owing to possible arbitrary censorship of online content. This is also problematic and difficult since it confers the power to decide the connotation of the freedom of speech and expression in the hands of private corporations. India ensures and cherishes its commitment, firm conviction and determination to the fundamental right to freedom of speech and expression and exchange of ideas. This commitment will have to be extended and widened to the intermediaries while examining and observing the validity of the IT Rules, 2021. It is essential to demonstrate that the balance will have to be maintained between the compelling state interest to maintain law and order situation, eradicate and combat social media manipulation and the necessity to confirm that the intermediaries are not supposed to lose their original character i.e., platforms which promotes the exchange of information. In addition to this, they also promote free and liberal debates on the very matters of public importance.

## V: SUGGESTIONS AND CONCLUSIONS

### a. Future challenges regarding determining the proper scope of secondary liability in the digital age

The personal nature of the new technology is interesting phenomenon of the rapid evolution of digital technologies in the past decade. In the United States, we have observed companies installed peer-to-peer networking technology for taking advantage of this fact particularly registering millions of consumers into a network of copyright infringement on a quantity never seen before.<sup>93</sup> A lot of serious questions may arise through large and massive scale of infringement which usually occurred by the activities of individuals. It is difficult for copyright owners not just to identify and locate but also to bring enforcement actions against the large chunk of individuals who might be violating their works. Even if the owners are able to bring such actions, it is not usually possible that such individuals would be in such a situation pay for the damage their actions have brought up.<sup>94</sup>

An effective and efficient means of enforcement has been provided by imposing liability on those who are taking advantage from the infringement and these are in a position to control or restrain it. There is a huge possibility that these doctrines could play a much more important role in copyright in the future since more and more scientific and technological developments allow companies to take advantage of individuals and infringing activity. Even though, it is an international matter, there does not seem much uniformity so far as the national laws pertaining to secondary liability is concerned whether it is about the liability for a company that uses peer-to-peer technology for encouraging infringement or the liability as it was mentioned in the United States addressed in Title II of the DMCA, which is related to Internet service provider that gives facilities used by others to infringe.<sup>95</sup>

The acts and approaches taken by the various other jurisdictions depicts the picture of theoretical and practical differences, but the evaluation and analysis of a few common elements permitted to reaching astonishingly similar conclusions. Its significance seems to be the delimitation of the duty of care, which imposes obligation upon the third parties to take the necessary steps to prevent possible or known infringing acts. There are two fundamental problems related to this issue. First, the analysis of suspected infringing acts cannot be

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<sup>93</sup> Marybeth Peters , the challenge of copyright in the digital age, (2005),  
file:///C:/Users/Dell/Downloads/1402-Texto%20del%20art%C3%ADculo-5064-1-10-20101011.pdf

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

entirely inflicted upon the shoulders of service providers, because of relevant financial burden that such duty would ascertain the difficulty of assessing non-obvious infringements. Second, there is even option of an incorrect evaluation, which may be the cause of a breach of the contract with the customer. However, courts are supposed to provide precise and clear guidance as to the measures. They are actually required to discharge uniformly the duty of care. Third parties are still groping in the dark since their liability is dependent more upon constructive knowledge. They basically conclude that in the assessment of their material contribution to the infringement, the role of intention is there.

If there are clear rules and principles, it would help to impose the balance from an assessment of subjective elements which is intention and knowledge to a thorough evaluation and analysis of objective factors such as causation, proximity and duty of care. These steps may be beneficial and useful both to third parties, whose duty of care and liability would be anticipated in a more uniform and predictable and rationalized way. Moreover, it is beneficial to right holders, guaranteeing a more effective protection and enforcement of their rights.<sup>96</sup>

#### **b. Legal Challenges to Information Technology Rules 2021**

A petition was filed by Quint Digital Media Ltd, an online news portal namely 'The Quint' before the Delhi High Court thereby challenging the constitutionality of the IT Rules 2021.<sup>97</sup> A notice was issued by the same High Court. It was contended that it regulates the publishers of news and current affairs content. Interestingly, the petition has been combined with an earlier petition filed by the publisher of 'The Wire' against the same rules IT Rules.

In fact, WhatsApp has filed a Writ Petition<sup>98</sup> recently challenging the essential requirement in the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021 that it is mandatory for private messaging intermediaries to share "the identification of the first originator of the information" in India on their "end-to-end data encrypted messaging services" popularly referred to as "traceability" upon the order of Government or Court. They further argue that this essential requirement compelled them to break "end-to-end data

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<sup>96</sup> P Menell & D Nimmer 'Unwinding Sony' 94 California Law Review 941 1006 (2007).

<sup>97</sup> Shreya Agarwal, *IT Rules: Delhi High Court Refuses Interim Relief to The Wire And The Quint*, LiveLaw (7 July 2021). <https://www.livelaw.in/news-updates/it-rules-delhi-high-court-the-quint-the-wire-stay-for-compliance-176998>.

<sup>98</sup> Yuthika Bhargava, *WhatsApp moves Delhi High Court against India's new IT Rules*, The Hindu (May 26, 2021). <https://www.thehindu.com/sci-tech/technology/internet/whatsapp-sues-govt-says-new-media-rules-mean-end-to-privacy/article34646518.ece>.

encryption policy” on its messaging service.<sup>99</sup> Subsequently, it leads to the privacy principles underlying it.

## **Suggestions**

There is an urgent need for expedited judicial process for addressing unlawful online content which may be prescribed into the Indian framework. In addition to this, the issue of overburdened judicial systems and processes would have to be seriously taken into account and it has to be effectively addressed. As far as Section 79(1), consisting safe harbor is concerned, it should be separated from the responsibility for the purpose of taking down content upon issuance of a court order the extent of Section 79(3) (b).<sup>100</sup> The amendment should be made in the IT Act to incorporate the requirement prescribed in *Shreya Singhal*<sup>101</sup>. For instance, an intermediary shall only be liable to take down content upon notification by the court order. Additionally, it should only be limited for the period of time for which the illegality of the content seems to be persisted.

It is important to state that the scope of Section 79 should be clearly clarified and its application to the Copyright Act should be explicitly explained. The essential requirement under Copyright Rules relating to intermediary of 21 days cap for making the infringing disable are supposed to be deleted, if it is served without any judicial notice. Most importantly, Criminal sanctions imposed on intermediaries for non-compliance with government orders under the ambit of Blocking Rules should be repealed since such sanction is disproportionate and create a chilling effect on the freedom of expression.<sup>102</sup>

No fixed terrain of contributory infringement is there. The Supreme Court’s decision in *Grokster* depicts the picture about the over-arching influence of the big companies on the regime of intellectual property rights (IPR). The judgment is the root-cause of a cloud of uncertainty which leads to creation of a depreciation of innovation in the field of science and technology as the innovators and discoverers have to rethink and reimagine before getting entangled in the murky details of the ever confusing and uncertain regime of IPR and coming out with their products. Therefore, a uniform substantive approach to secondary liability

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<sup>99</sup> *Id.*

<sup>100</sup> Aradhya Sethia, *The Troubled Waters of Copyright Safe Harbour in India*, Journal of Intellectual Property Law & Practice 12(5) 398 (Oxford University Press, May, 2017).

<sup>101</sup> *Shreya Singhal v. Union of India*, (2013) 12 S.C.C. 73.

<sup>102</sup> Divij Joshi, *Indian Intermediary Liability Regime Compliance with the Manila Principles on Intermediary Liability*, The Centre for Internet and Society, India.



under copyright law might be preferable.<sup>103</sup> The courts should observe and evaluate the extensive monopoly issue clearly and such problems should be looked into contextually. It goes beyond any reasonable doubt that P2P networks are in huge demand. Hence, this is the reason for enterprises supplying for the same. Eventually, a clear line has to be somewhere drawn as to what extent court should interfere in cases that seem to curb technological innovation and scientific development. It has to be considered as to why courts could take up an active role in promoting and advancing technological growth.

## **Conclusion**

With the massive development of science and technology in terms of peer to peer network web browser, search engines etc. the legislature and the judiciary has been facing unimaginable legal issues to tackle with and adjudicate upon the secondary liability under the Copyright law. Maintaining the principle of public policy, research & development, the Court has to adopt a balanced approach while upholding the rights of the creator, innovators, manufacturers and the consumers. The crying need of the hour is the uniform law among the TRIPS member States for the purpose of determining the secondary liability under Copyright Laws. Not just the legislative requirement but some protective too to curb the infringing activity is also important. Common law doctrine for determining the contributory infringement is not sufficient rather the Courts should take a thorough examination of the facts involved.

More precisely, the Court's narrow interpretation of conditional safe harbour, through its interpretation of the 'actual knowledge' requirement, does not seem to strike a balance between the rights of a party affected by unlawful content, and the rights of the intermediary or general public who have the accessibility to such information. It is high time that India should take the lead when it comes to developing a legal framework based on due process and transparency requirements between intermediaries and their users.

There is a possibility of fear that unknown and unclear liability may affect the growth of internet thereby affecting the growth of scientific and technological advancement. If we look the situation between India and US from a comparative perspective, the law in India is vaguer and more unclear or ambiguous. No specific provisions have been enshrined to deal with the problem except Sec 79 of the IT Act 2000. There are certain terms which are supposed to

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<sup>103</sup> Graeme Dinwoodie, Rochelle C. Dreyfuss, & Annette Kur, *The Law Applicable to Secondary Liability in Intellectual Property Cases*, Chicago-Kent College of Law, (1-1-2009).

explained properly like 'due diligence' since the definition of such expression is not defined anywhere in the Act. In addition to this, the courts in US also played a crucial role in the substantial development of principles of secondary liability of ISPs. There is no doubt about the fact that Sony doctrine is still relevant, but there is an urgent need of modification in doctrine as per the changes in technology. So, there is a need to maintain a fine balance between the interests of both ISP's and Copyright owner. Additionally, economic interest of copyright owners should not be neglected.

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