On uploading and downloading copyrighted works: The potential legality of the users' interest in engaging in such acts - The case of the EU and the US paradigm

By Vasiliki Samartzi*

1 The position of the end-user in the context of file-sharing

1.1 Introduction

This work examines the scope of the reproduction for private use copyright exception in the context of file-sharing. Private use should be differentiated from commercial conduct that takes place in private. According to the Court in the Napster case, an example of commercial conduct that can take place in private is the downloading and sharing of content. The Court said that the trading of music online was commercial in nature even though no money exchanged hands [*A&M Records, Inc. v. Napster, Inc*., 2001]. It has been suggested that the questions 'is private use noncommercial?' and 'can commercial use take place in private?' are two different questions [Creative Commons, 2009]. It has also been pointed out that users consider less commercial the personal or private use than creators and this difference may be a cause or effect of file-sharing in which 'no money changes hands' [Creative Commons, 2009]. This article does not examine whether private use in the context of file-sharing networks is commercial or noncommercial but, instead, it simply examines the scope of application of the private use exception in the context of file-sharing networks. However, even though the commercial or not character of the use is not examined, the premise is that the act is not commercial, otherwise, the exception for private copying could not apply in the first place [Directive 2001/29 EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society].

Between September 2003 and June 2005, the Recording Industry Association of America (RIAA) sued thousands of individuals who allegedly traded copyright music files illegally using P2P file-sharing software programs [Rimmer, 2007; RIAA, 2005]. The copyright holders alleged primary liability for copyright infringement, that arises when a user without permission from the rightholder reproduces or distributes a copy of the protected work. Apart from the US, the International Federation of the Phonographic Industry (IFPI) has also co-ordinated suits against individuals who uploaded copyrighted songs onto file-sharing networks and legal actions were brought in 18 different countries [IFPI, 2006].

* Centre for Commercial Law Studies, Queen Mary, University of London

Correspondence: v.samartzi@qmul.ac.uk

In the context of file-sharing, two main acts can be identified. These are, first, the downloading of the work, which allows the user to retrieve the file made available by another user, and, second, the making available of the work, which gives third parties the ability to access the work. The unauthorized downloading, which allows the creation of a copy, could infringe the exclusive reproduction right [*A&M Records, Inc. v. Napster, Inc*., 2001], while the unauthorised act of making the file available could infringe the exclusive communication to the public right including the making available right [Institute for Information Law, University of Amsterdam, 2007]. Thus, when a work is downloaded or made available for download without the consent of the right holder, there will be an infringement of intellectual property rights. If the answer to the question 'who should be sued' is the internet user who performs the downloading, then it would be important to see whether copyright limitations could be applied in the user's interest [Bernault and Lebois, 2005]. Moreover, if the supplier of the P2P software or the internet service provider is to be sued by the rightholders alleging secondary liability for copyright infringement, then the application of a copyright exception is also important since the existence of infringement in the first place by the user is a pre-condition for a finding of secondary liability [Hays, 2006].

1.2 Short description of the file-sharing technologies

A report prepared by the Federal Trade Commission (FTC) identified as one of the differences between P2P file-sharing technologies and technologies that use central server or other pre-P2P models the default sharing of files in P2P models in contrast to manually sharing of files in previous models [FTC, 2005]. Three broad categories of P2P file-sharing technology were identified by the FTC. First, there is the centralized model, e.g. the Napster model [FTC, 2005]. Napster operated a centralized directory of files which was located on a centralized server or set of servers to which user computers ("peers") could connect via an Internet connection. An individual user could download the Napster software, connect to the server, and then send a query for a particular file she wanted to obtain. The server would respond with information indicating which other peers had the file and the user who made the query could then request the file directly from the other peer.

Second, there is the decentralized mode, where the P2P network exists without a central server or rigid hierarchy, e.g. Gnutella [FTC, 2005]. Third, there is the hybrid model which is a combination of centralized and decentralized topologies [FTC, 2005]. For example, the FastTrack protocol, uses a two-tiered system consisting of "super nodes" and ordinary nodes rather than a central server. Each node consists of an individual user's computer. "Super nodes" essentially perform the directory role that the centralized server provided in the original Napster architecture. Using the file-sharing software, an ordinary node connects to a super node and sends a query for a file, and then the super node checks its index of files and sends the ordinary node a list of any matches. The user can then click on a match to establish a direct P2P connection and obtain the file from the selected peer [FTC, 2005].

Bit torrent is a different example of a hybrid P2P protocol [FTC, 2005]. Bittorrent has many unique characteristics that make it possible for users to create an independent, distributed P2P network with an Internet connection and basic computer knowledge. One peer has a particular file and acts as a "seed" node. The seed node then breaks the file into a number of pieces of equal size and distributes them to several other peers

that are seeking to obtain the file; each peer receives one piece. Those other peers then exchange pieces with each other until each peer has obtained a full copy of the original file. Because the seed node sends only one copy of the file-in pieces, to the other peers-the "sharing" process is more efficient and requires less bandwidth than if the seed node had to send a full copy of the file to each of the other peers. Moreover, instead of searching other users' hard drives, a BitTorrent user must search for a website that has the so-called "torrent" file associated with the file the user ultimately wants to download. The "torrent" file contains information about the location of the computer with the "seed" node for a particular file, and the location of the server, known as a "tracker," that is currently coordinating the exchange of pieces of that file. Clicking on the "torrent" file allows a BitTorrent user to join this exchange process. As soon as the user downloads a piece of the desired file, BitTorrent automatically begins uploading that piece to other users who are looking for that file [FTC, 2005; Edstrom and Nillson, 2009].

Finally, there are the new one-click hosters like RapidShare. RapidShare is not operating any type of index or search engine that would make files stored on its servers publicly accessible. Instead, the users decide whether or not to publish a link to files they have uploaded. Actually, the entire file is uploaded with a single click on their webpage. The company then sends the user a download link that he can use and give to others to use to make available the work to third parties. Thus, one cannot retrieve the file without knowing the link. RapidShare allows their users to upload a file without prior registration. Downloaders have to click through to the hosting website to access the file. Paying members get access to the files they want right away while all other users have to wait in line.

1.3 The legal battles against individuals who trade copyrighted material - primary liability

1.3.1 Uploading

Uploading of unauthorized works generally infringes the making available right. This right was formulated to cope with the particularities of digital transmissions. Digital interactive transmissions blur the borderline between copy-related economic rights and non-copy-related economic rights [Ficsor, 2006]. Arguably, this occurs, firstly, because dissemination of protected material in interactive networks may take place with the application of technological measures which allow access and use only if certain conditions are met by the user [Ficsor, 2006]. Thus, the actual extent of the use is not always determined at the moment of making available of a work and by the person who carries out the act of making available. It is the given member of the public, who may obtain access and who chooses whether the use will be deferred, that is by obtaining a more permanent instead of transient copy, or direct, such as on-line studying of a database, on-line watching of moving images, on-line listening to music [Ficsor, 2006]. Secondly, this occurs because some hybrid forms of the making available of works emerge which do not respect the pre-established border between copy-related and non-copy-related rights. For example, a copy obtained through the transmission of electronic impulses and a protected material used on-line, even in real time, entails the making of temporary copies [Ficsor, 2006].

Given the particularities of interactive transmissions, the various countries disagreed on which of the copy-related rights/non-copy-related existing rights should cover such transmissions. Two major trends emerged, one trying to base the solution on the right of distribution and another preferring a kind of general communication to the public right [Ficsor, 2006]. In the end, the 'umbrella solution' of making available to the public right was preferred by the Diplomatic Conference. The umbrella solution uses the term 'communication to the public' and the publication-related term 'making available' in order to cover every possibility, that is a given country's domestic laws provide for a distribution right, a publication right, or a communication to the public right [Art.8 WIPO Copyright Treaty 1996]. For example, the U.S. has chosen to use the distribution right [Ficsor, 2006]. However, even though sufficient freedom was left to national legislation in respect of the legal characterization of the exclusive right, Ficsor notes that "the acceptability of the differing legal characterizations of acts depends on whether or not the obligations to grant a minimum level of protection, in respect of the acts concerned, are duly respected" [Ficsor, 2006].

Interactive transmissions have also another particularity, namely the difficulty in identifying where making available takes place, an issue closely connected to the identity of the uploader. It could be argued that the making available takes place either where the uploader uploaded the work or where the server or the internet service provider is based or at the reception point. There are two main theories. The first theory states that the communication takes place at the point of the initial transmission (emission theory) while the second theory states that the act of communication covers the whole process of transmission and reception (communication theory). Legal scholars argue in favour of the communication theory in the internet context which embraces both initiation and reception [Reinbothe, J., and S von Lewinski, 2002; Ficsor, 2002], however, a recent UK case seems to accept the emission theory [*Football Dataco Ltd and others v Sportradar GmbH and another*, 2010].

In the US, copyright holders own the exclusive right to distribute copies of their works to the public under §106(3) of the Copyright Act. However, there is a fight over the scope of the distribution rights in the P2P context and the question arises whether copies must actually be created on other users' computers or whether it is enough that the defendant offer or make them available for download. This debate is closely connected to the debate on whether the US copyright law grants a making available right to copyright owners. In particular, the making available right has been defined by legal scholars as

> an exclusive right to make a work available, (i.e., to offer copies of it), over the Internet or a similar network to members of the public who can decide whether to access or copy it. Such a "making-available right" could be infringed by either a person posting a work on a web site or by someone "sharing" it with specially designed "piracy machines," like the file-sharing programs Grokster, Morpheus, or KaZaA [Sydnor, 2009].

At the centre of the problem lies the proper interpretation of the terms 'to distribute', that defines the scope of the distribution right that replaced the publication right granted by every prior U.S. copyright act since 1790, and 'to authorize', that defines the scope of all exclusive rights, in 17 U.S.C. §106(3). 17 U.S.C. §106(3) provides that

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: […] (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending […].

The Copyright Act does not define the word 'distribute.' However, it defines the term 'publication' in 17 U.S.C. §101 as including

> the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication.

Moreover, it is said that "A public performance or display of a work does not of itself constitute publication."

Even though the Copyright Act does not define distribution, according to one view, this term encompasses offers or making works available, regardless of whether copies are actually disseminated [*Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 1997; *A&M Records, Inc. v. Napster, Inc.*,2001]. According to a second opinion, distribution requires actual dissemination [*Perfect 10 v. Amazon.com, Inc.*, 2007]. According to another opinion, 'distribution' is equated with 'publication' and, thus, simply making available works does not infringe the distribution right since, according to the definition of publication given above, 'publication' requires "the offering to distribute […] for the purposes of further distribution." In other words, copies must be actually disseminated (and copies must actually be created on other users' computers) [*Harper & Row, Publishers, Inc. v. Nation Enters*., 1985]. Arguably, obtaining works for further distribution is differentiated from obtaining them for personal use and it would usually be difficult to show that one who makes recordings available to a P2P network can be aware of the way in which the copies of the works he shared will be obtained.

In this complex context, three district court cases decided recently that making copyrighted works available for possible download through P2P networks is by itself not enough to violate the distribution right. In the first case, *London-Sire Records, Inc. v. Doe 1*, the court stated that merely listing music files as available for downloading on a P2P network did not itself infringe the distribution right and that actual distribution of the works was necessary. In the second case, *Elektra Entertainment Group*, the court held that distribution has the same meaning as publication and in light of the statutory definition of publication, merely "making [copyrighted works] available" did not violate the distribution right. Instead, plaintiffs would have to prove that the defendant distributed copies of phonorecords to a group of persons "for purposes of further distribution." Finally, in *Atlantic Recording Corp. v. Howell*, the court agreed with

> the great weight of authority that §106(3) is not violated unless the defendant has actually distributed an unauthorized copy of the work to a member of the public. […] Merely making an unauthorized copy of a copyrighted work available to the public does not violate a copyright holder's exclusive right of distribution.

A similar requirement of actual distribution of the work for the purposes of further distribution does not seem to exist in EU law. For example, in the *Pirate Bay* case, the prosecutor did have evidence of copying made by the plaintiffs of their own works, which showed that works were unlawfully communicated to the public, but the plaintiffs could not show evidence of downloading by users of the Pirate Bay [Edstrom and Nillson, 2009; Manner, Siniketo and Polland, 2009; Wistam and Andersson, 2009]. The fact that no evidence of downloading by users of the Pirate Bay was obtained prevented the finding of unlawful reproduction and an infringement of the reproduction right, but allowed the finding of unlawful communication to the public and infringement of the making available right. Therefore, it could be assumed that the 'actual distribution' of a work to the public which results in the creation of copies on other users' computers is not a prerequisite for a finding of infringement of the making available right.

In the course of uploading there is also the possibility that the uploader will infringe the reproduction right by making a temporary copy. It has been suggested that given that the right of communication to the public (including making available) is specifically tailored to apply to acts of digital transmissions, it would make sense for it not to overlap with the right of reproduction [Institute for Information Law, University of Amsterdam, 2007]. Towards this aim, it has been suggested to reduce the scope of the right of reproduction in line with a normative interpretation of the right in the context of which the purpose of the reproduction will be examined each time to determine whether the right holder's authorization is needed in order to make the reproduction [Institute for Information Law, University of Amsterdam, 2007]. Generally, if both notions of 'reproduction' and 'make available' are not interpreted as technical and merely descriptive notions, but instead as normative (man-made) and purpose-oriented notions that are used to define and delimit existing proprietary rights, then the act of uploading will not infringe the reproduction right. Conclusively, the copier is the downloader who makes the copy. This provides a starting point when one examines the potential infringement of the exclusive reproduction right in the course of downloading.

Another important issue in the case of the exclusive right to make available to the public is the definition of 'public.' The meaning of 'public' does not include the close family and friends' circle of the user. However, the argument suggested by users of P2P networks that they do not communicate the work to the public but they simply communicate it to their close circle of friends has been rejected because in the case of P2P file-sharing the exchange of file does not take place among individuals who are known or connected in another way to each other [*A&M Records, Inc. v. Napster, Inc.*, 2001]. In the same spirit, the webpage where copyrighted works were posted was not considered a 'virtual private home', the reproduction of the works there did not constitute reproduction for private use, and the fact that others could access the webpage did constitute communication to the public, according to a French decision of 1996 [TGI Paris (réf.), 14 août 1996].

Therefore, arguably, the uploader could not take advantage of the private copy exception in the course of making a copy of the work since it cannot be said that he uses the work for his private use. However, a different answer may apply in the case when one uses one-click hosters and uploads the works and gives only to certain members of the public, i.e. his family and close friends, the URL to access this works

[Westkamp 2007]. Moreover, an issue is that the reproduction for private use provides an exception when the reproduction right and not when the making available right is infringed and a normative interpretation of the reproduction and the making available rights would mean that in the case of uploading there is an infringement of the making available right and that the exception that covers reproduction for personal use could not apply.

Apart from the above-mentioned issues, there are some specific issues regarding the making available right that arise in the context of the Bittorent technology due to the particularities of this technology. The Bittorent technology allows the works to be transmitted in small fragments. An argument which is sometimes raised in favour of excluding the requirement of authorization to make works available supposes that the partial or fragmented transmission of a work does not constitute an act of communication to the public. Even though this is an unsettled area of law, some writers argue that there is a communication to the public as soon as the individual makes the protected work available, on the open part of his hard disk, "regardless of the fact that only a few bytes of data are transmitted or that the file had been 'cut' and transmitted in 'packets' that travel different paths through the peer-to-peer system and when received are reordered and decoded by the computer of the downloader" [Bernault and Lebois, 2005].

Another particularity of the Bittorent technology closely linked to the above mentioned fragmented transmission of works is that every Bittorent user with a copy of the torrent files contributes a piece to the overall downloading. Where the making available of the work to the public and the reproduction of the work are happening simultaneously, the question arises whether the technically making available of the work to the public that takes place automatically when downloading the work (the downloader shares at the same time the work with others) infringes the making available right. The software that is used by the user does not give him the possibility to choose whether he will make available the work he is downloading to the public but instead the making available takes place automatically while reproducing the work. In that case, the making available of the work is 'passive' and it does not infringe the making available right since the user usually has not actual knowledge or the ability to control the making available of the work.

However, on the contrary it could be argued that there is infringement irrespectively of the actual knowledge of the user of his inability to control the actual dissemination of the work by way of analogy to the above mentioned argument that there is a communication to the public as soon as the individual makes the protected work available, on the open part of his hard disk. Even if one accepts a stretched interpretation of the communication to the public right, that a work may be communicated to the public in disjoined fragments, the Court in the *PirateBay* judgment stretched the meaning of the communication right even further to encompass situations where the technology is such that copyrightable works will actually never be downloaded from an individual user, but by numerous users simultaneously. In the view of certain writers, the Court has applied general criminal law principles and considered all participants in a 'swarm' to be accomplices of the same crime of communication to the public [Edstrom and Nillson, 2009].

1.3.2 Downloading

It has already been said that downloading infringes the reproduction right because it involves reproduction of the work without the rightholder's permission and that the person who copies is the downloader. In *BMG v G*onzales and in *Napster* it was debated whether the users of P2P file-sharing networks can claim fair use of the work. In *BMG v Gonzales,* the defendant was downloading songs on her computer using the Kazaa P2P file-sharing network. The court rejected the defendant's fair use defence that she was merely sampling songs with the intention to buy the ones she enjoyed. It was said that sampling musical works was not fair use since in that case it substituted purchased music and competes with licensed broadcasts and undermines the income available to authors. Instead, it was said that Gonzales could have listened to streaming music or sampled musical works from authorized and legitimate music services.

In *Napster,* it was held that the defendant, Napster, was liable for vicarious and contributory liability for infringement of the plaintiffs' copyrights. Both the District Court and the Court of Appeal held that Napster users were engaging in primary infringement of the plaintiffs' copyrights. In particular, it was said that sampling, where users made a temporary copy of the work to sample it before purchase was not fair use because it was in fact permanent and complete reproduction of the work. Space-shifting or works the users already owned to Napster was also not fair use because the work was made available to millions of other users as well and, therefore, the traditional shifting as fair use analysis found in the *Betamax* decision or the *RIAA v Diamond Multimedia* decision did not apply in this case. The court made a distinction between the legitimate practice of time-shifting and the illegitimate practice of library-building and downloading and retaining MP3 files instead of making ephemeral copies. It was also concluded that the Audio Home Recording Act 1992 does not cover downloading either.

In particular, in the Sony Betamax case, it was held that the making of individual copies of television shows for purposes of time-shifting does not constitute copyright infringement. In the Diamond Multimedia, Diamond Multimedia distributed the Rio, a device that allows a user to listen to MP3s through headphones. RIAA brought a suit to enjoin the manufacture and distribution of Rio. The District Court denied RIAA's motion for a preliminary injunction finding that the Audio Home Recording Act 1992 exempted hard drives and computers and as such it did not apply to the Rio. The Appellate Court affirmed the District Court's denial of a motion for preliminary injunction because the Rio is not a digital audio recording device. The Court held that the Rio could only make copies from MP3s stored on computer's hard drives which were specifically exempted from the Audio Home Recording Act and that the Rio's operation facilitates personal use in accordance with the Act's purposes.

In the EU, arguably, downloads will not constitute infringement if they fall within the scope of the private copy exception, as reformed after the implementation of the European Copyright Directive by the Member States. Regarding the proper scope of the concept of the private copy and 'private use,' if the user is only downloading and is not making files available to others, e.g. in the case of one-click hosters, then it could be argued that he could take advantage of the private copy exception. Moreover, the focus would not necessarily be on the private use of the copier since the concept of private use could also include a copy made in the family circle [Westkamp, 2007]. In the same spirit, a German higher regional court on appeal

recently dismissed a lower court verdict against RapidShare. RapidShare had been sued by rightsholders for distributing copies of movies and a lower court issued a preliminary injunction against RapidShare. The German superior regional court noted that RapidShare cannot control file uploads without possibly restricting local fair use laws [OLG Dusseldorf, Judgment of 22.03.2010]. Regarding the private copying exception, the German higher regional court said that German copyright law allows users to make copies of music and movies for their own use, as well as to share them with a limited number of close acquaintances [§53 UrhG Reproduction for private and personal use] and that automated filters would make it impossible for users to save a legal back-up copy of a movie on RapidShare's servers [OLG Dusseldorf, Judgment of 22.03.2010].

Two questions must be answered when examining the applicability of the private copying exception in the case of file-sharing networks. One question concerns the lawfulness of the source copy and another question concerns the satisfaction of the three-step test. Regarding the first issue, there is no definite answer. The lawfulness of the source is not an issue that must be considered when downloads are made from the Internet in Canada, France and Netherlands, while it is an issue in other countries, e.g. in Germany.

In particular, the Federal Court of Canada in a case between record companies and Canadian ISPs [*BMG Canada Inc. v. John Doe,* 2004] confirmed what had been proposed by the Canadian Copyright Board on copyright in its 2003 decision regarding the private copy exception [Copyright Board 2003]. In particular, the Board had said that said that "[…] the regime is not about the source of the copy. Part VIII does not require that the original copy is a legal copy. It is thus not necessary to know if the source of the copy was owned by the copier, a borrowed CD, or a downloaded file from the Internet." The Federal Court said that "Under the Act, subsection 80(1), the downloading of a song for a person's private use does not constitute infringement." It was also said that "[25] Thus, downloading a song for personal use does not amount to infringement."

Regarding the infringing nature of uploading it was said that

> [t]he mere fact of placing a copy on a shared directory in a computer where that copy can be accessed via a P2P service does not amount to distribution. Before it constitutes distribution, there must be a positive act by the owner of the shared directory, such as sending out the copies or advertising that they are available for copying.

However, on appeal, this conclusion was contested to the extent that it was said that conclusions regarding what would or what would not constitute infringement of copyright should not have been reached at the preliminary stages of the action, namely by the Federal Court [BMG Canada Inc. v. John Doe (F.C.A.), 2005].

In France, a computer sciences student was accused of copyright infringement for having reproduced on numerous CD-ROMs protected works downloaded from the Internet and for having made copies from CD-ROMs lent by friends. He then himself lent some of the CD-ROMs containing the reproduced works. Both the Rodez District Court and the Monpellier Court of Appeal held that the reproductions in question were covered by the private copy exception laid down in Art. L.122-5(2) of the

French IP Code and, thus, acquitted the student [Wekstein, 2005]. However, the Supreme Court accused the appellate court of not having taken into account the fact that the works reproduced had been made available to the public by means of P2P software and of not having held on the lawful nature of the source as being a condition for the application of the private copy exception. It sent the case back to the Aix-en-Provence Court of Appeal which convicted the student of copyright infringement by holding that the private copy exception did not apply in this case since it generally does not apply "to the loan of CD-ROMs to friends" as these are third parties [CourCass, crim., 30 mai 2006]. Unfortunately, the Aix-en-Provence Court of Appeal simply ignored the question of the lawfulness of the source [CA Aix-en-Provence, 5 septembre 2007; Thoumyre, 2007].

The reasons why the Aix-en-Provence Court of Appeal refused to hold on the lawfulness of the source requirement, although it was clearly invited to do so by the Supreme Court, are not clear. For example, it could be argued that the Court implied that the lawful origin of the work is irrelevant and that the French legislature could have decided to include it on the occasion of the copyright law reform, following the model of Germany [Geiger, 2008]. Irrespectively of the reasons behind this refusal, however, it has been argued that subjecting the application of all the copyright exceptions to the implied condition of the existence of a lawful source could be very problematic and "would call into question the equilibrium in copyright law," since, for example, a student who reproduces a passage from an unauthorized text without would have qualified as infringer in such a case, even though the student might reasonably think the exception covered the reproduction [Geiger, 2008].

Generally, in 2005 the application of the private copy exception in the case of downloading works from P2P networks was confirmed several times by the French courts [Tribunal de Grande Instance de Bayonne, 15 novembre 2005; TGI Meaux, correctionnel, 21 avril 2005; TGI Paris, 8 décembre 2005]. In one of these cases [TGI Paris, 8 décembre 2005], the French Supreme Court found the defendant not guilty both because his actions were exempted as reproduction for private use, and because there was also no infringement of the making available right. According to the Court, there is no element of bad faith in using P2P software and no evidence that the rightholders did not consent to the distribution of their works via P2P networks. It was accepted that the defendant when downloading the works simply placed a "copy" of the works in the shared folder to which the other users of the internet have access without having previously checked the databases of rightholders whether he has the right to distribute their woks and without knowingly infringing intellectual property rights. By accepting that the defendant simply placed a "copy" of the work in the shared folder, the court implicitly accepts that the making available/distributing the work to the public is simply a technical consequence of the creation of a copy (which is, in turn, exempted under the reproduction for private use).

However, more recent French cases accept that the legality of the source could be a precondition for the application of the private copy exception. For example the Tribunal de Grande Instance de Rennes decided that the private copy exception cannot be applied when the source of the copy is illegal [TGI Rennes, 30 novembre 2006]. Moreover, the Tribunal de Grande Instance de Montauban decided that user of the Kazaa software infringed the reproduction right and the making available right [TGI Montauban, 9 mars 2007].

In Netherlands, in a decision of 12 May 2004, the court of Haarlem rejected the claim of Stichting Brein, a local associate against piracy, by refusing to hold liable the search engine Zoekmp3 for any infringement because it provided links to Internet sites from which music could be downloaded in the MP3 format without the authorization of the rightful owners [Brandner, 2004]. According to the court, the action of directing users to websites which offered, without authorization, music files, was not illegal since, according to the websites, downloading of illegal files without sharing them is not contradictory to the copyright legislation [Brandner, 2004; Bernault and Lebois, 2005].

On the contrary, the lawfulness of the source explicitly determines the unlawful character of the download and precludes the application of the private copy exception in other countries. In Germany, for example, it was laid down on the occasion of the adoption of the law dated 10 September 2003 that the private copy exception did not apply when the original is an "obviously unlawful" source [Westkamp, 2007]. The same approach is adopted by Portugal, Norway, Sweden and Finland [Westkamp, 2007].

With regard to the satisfaction of the three-step test in the course of downloading, the first criterion, 'certain special cases', arguably can be easily satisfied. In particular, the act of reproducing in the course of downloading could be considered a special case that could be exempted under the first step of the three-step test. The second step, however, namely the absence of conflict with the normal exploitation of the work, is more demanding and could wipe out the private copy exception in the context of file-sharing. There are two interpretations of the second step of the test that could apply here. First, the question is whether downloaded work affects the sales of works and the legal systems of downloading works, such as music and video, since studies on the subject are contradictory; in particular, some studies conclude that downloads affect sales while some other studies reach the opposite conclusion [Oberholzer-Gee, Felix, and Koleman Strumpf, 2007; Liebowitz, 2006; Liebowitz, 2007; Andersen and Frenz, 2006; BPI Research & Information, 2009]. Second, an interpretation of the three-step test suggests that the 'normal exploitation' would simply be ways by which it is reasonable to believe that an author would exploit his work [Ricketson, 2003; Ricketson, 1998].

Regarding the first question on whether the sales of works are affected, one must be careful when interpreting the conclusions of the existing studies. Generally, it could be said that if rightholders lose money, it means that the users get for free something that they would have to pay for and thus the normal exploitation of the work is affected, and the other way round. Since the outcomes of the existing studies are contradictory, it would be better to follow the particular interpretation of the second step of the three-step test. Regarding this interpretation, it has been argued that there would never be a conflict with the normal exploitation of the work where there is no real possibility that the rightful owner could assert his right in prohibiting that exploitation or obtaining remuneration by free negotiation and contracting with users. Accordingly, downloads fulfill the second requirement of the three-step test because, in effect, authors and neigbouring right holders cannot practically control them, that is they cannot prohibit nor obtain remuneration using the individual management of rights, i.e. contracting with users.

Distributing works via P2P, however, would fail the third step since there would be "an unreasonable prejudice" to the legitimate interests of the rightholders. Therefore, in order to pass the third step of the test downloading should be the object of a compulsory license fee that compensates for a potential loss which prejudices the legitimate interests of the rightholders [Bernault and Lebois, 2005; Neil Weinstock Netanel, 2003; Fisher, 2004; Yu, 2005].

1.4 Conclusion

Downloading may not infringe the exclusive reproduction right if it could be argued that the reproduction for private use applies. This could be argued, in principle, if there is no sharing of the work simultaneously, as is the case e.g. when one downloads from one-click hosters. The outcome, however, of a decision would further depend on the approach of a particular Member State regarding the issue of the lawfulness of the source. Regarding the satisfaction of the three-step test, arguably, downloads could pass the test if compensation methods are invented that are analogous to the remuneration, usually in the form of levies, that rightholders enjoy in the case of the reproduction for private use exception as applied in an analogue context. Uploading, however, would always infringe the making available right unless it could be argued that it is done in the context of one-click hosters and the URL leading to the work is given to a restricted number of people. In sum, there is some scope for application of the reproduction for private use exception in the context of file-sharing networks that shows that maybe the exception should not be wiped out entirely in such a context but instead file-sharing models that safeguard the exercise of the exception should be encouraged.

References

[1] Directive 2001/29 EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, Official Journal L167, 22/6/2001 P.0010-0019.

[2] *A&M Records, Inc. v. Napster, Inc*., 239 F.3d 1004 (9th Cir.2001).

[3] Creative Commons (2009), 'Defining "Noncommercial" A Study of How the Online Population Understands "Noncommercial Use" online at http://wiki.creativecommons.org/Defining_Noncommercial / accessed 05.02.2011.

[4] Directive 2001/29 EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, Official Journal L167, 22/6/2001 P.0010-0019.

[5] See Rimmer M. (2007), 'Agent Smith and the matrix: copyright law and intermediary liability' in Rimmer M. (2007), *Digital Copyright and the Consumer Revolution: Hands off My iPod*, Edward Elgar, 190-224.

[6] RIAA (2005), 'Music Industry Files New Lawsuits in Ongoing Enforcement Against Online Theft', Press Release, online at http://www.riaa.com / accessed 01.03.2011.

[7] See IFPI (2006), Illegal music file-sharers targeted by fresh wave of legal action, online at http://www.ifpi.org/content/section_news/20060404.html / accessed 05.03.2011.

[8] *Polydor Limited and Others v. Brown and Others* [2005] EWHC 3191 (Ch).

[9] Institute for Information Law, University of Amsterdam, The Netherlands (2007), Study on the implementation and effect in Member States' laws of the Directive 2001/29/EC on the Harmonisation of certain aspects of copyright and related rights in the information society, Final Report, online at http://ec.europa.eu/internal_market/copyright/studies/studies_en.htm / accessed 10.12.2010.

[10] Bernault, C. and Lebois, A (2005) A Feasibility Study regarding a system of compensation for the exchange of works via the Internet, Institute for Research on Private Law, University of Nantes, online at http://privatkopie.net/files/Feasibility-Study-p2p-acs_Nantes.pdf / accessed 20.07.2010.

[11] Hays T. (2006), The evolution and decentralization of secondary liability for infringements of copyright-protected works: Part I, E.I.P.R., 28(12), 617-624.

[12] Staff Report Federal Trade Commission (2005), Peer-to-Peer file-sharing technology: consumer protection and competition issues, online at http://www.ftc.gov/reports/p2p05/050623p2prpt.pdf / accessed 20.07.2010.

[13] Edstrom, Jerker and Nillson, Henrik (2009), The Pirate Bay verdict-predictable, and yet…, E.I.P.R., 31(9), 483-487.

[14] Ficsor, M. (2006), Collective Management of Copyright and Related Rights in the Digital, Networked Environment: Voluntary, Presumption-Based, Extended, Mandatory, Possible, Inevitable?, in Gervais, D. (ed), *Collective Management of Copyright and Related Rights*, Kluwer Law International, 37-83.

[15] Reinbothe, J., and S von Lewinski (2002), The WIPO Treaties 1996, Butterworth's.

[16] Ficsor, M. (2002), The Law of Copyright and the Internet, Oxford University Press.

[17] *Football Dataco Ltd and others v Sportradar GmbH and another* [2010] EWHC 2911 (Ch); [2010] WLR (D) 293, Ch D: Floyd J: 17 Nov 2010.

[18] Sydnor, Thomas D. (2009), The Making-Available Rights under U.S. Law, The Progress & Freedom Foundation Progress on Point Paper, Volume 16, Issue 7, online at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1367886 / accessed 10.12.2010.

[19] *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199 (4th Cir. 1997).

[20] *Perfect 10 v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

[21] *Harper & Row, Publishers, Inc. v. Nation Enters*., 471 U.S. 539 (1985).

[22] *London-Sire Records, Inc. v. Doe 1*, 542 F. Supp. 2d 153 (D. Mass. 2008).

[23] *Elektra Entertainment Group v Barker* No. 05 CV 7340 (SDMY, filed 24 Feb. 2006).

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

[25] *SONOFON A/S (formerly DMT2 A/S) v IFPI Danmark* Stockholm District Court, docket no. B 13301-06, judgment April 17, 2009 (the Pirate Bay case).

[26] Manner, Mikko and Siniketo, Topi and Polland, Ulrika (2009), The Pirate Bay ruling-when the fun and games end, Ent.L.R., 20(6), 197-205.

[27] Wistam, Henrik and Andersson, Therese (2009), The Pirate Bay trial, C.T.L.R., 15(6), 129-130.

[28] TGI Paris (réf.), 14 août 1996, online at http://www.legalis.net / accessed 20.12.2010.

[29] Westkamp, G. (2007), Study on the Implementation and Effect in Member States' Laws of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society, Final Report, Part II, The implementation of Directive 2001/29/EC in the Member States, Queen Mary Intellectual Property Research Institute, Centre for Commercial Law Studies, Queen Mary, University of London, online at http://www.ivir.nl/publications/guibault/InfoSoc_Study_2007.pdf / accessed 20.07.2010.

[30] The District Court: *BMG et al. v. Cecilia Gonzalez* WL 106592 (N.D.III) (2005); The Court of Appeals for the Seventh Circuit: *BMG et al. v. Cecilia Gonzalez* 430 F.3d 888 (2005).

[31] *Sony Corporation of America v Universal Studios, Inc* 464 US 417 (1984) (the Betamax case).

[32] *Recording Industry Ass'n of America v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 51 U.S.P.Q.2d (BNA) 1115 (9th Cir. 1999).

[33] OLG Dusseldorf, Judgement of 22.03.2010, Az I-20 U 166/09, online at http://www.telemedicus.info/urteile/1017-I-20-U-16609.html / accessed 20.01.2011.

[34] *BMG Canada Inc. v. John Doe (F.C.)*, 2004 FC 488, [2004] 3 F.C.R. 241, March 31, 2004, T-292-04, online at http://reports.fja.gc.ca/eng/2004/2004fc488/2004fc488.html / accessed 10.01.2010.

[35] Copyright Board's, Private Copying 2003-2004 Decision, 12 December 2003, online at http://www.cb-cda.gc.ca/decisions / accessed 20.02.2011.

[36] *BMG Canada Inc. v. John Doe (F.C.A.)*, 2005 FCA 193, [2005] 4 F.C.R. 81, online at http://www.cippic.ca/documents/19May2005Ruling.pdf / accessed 20.02.2011.

[37] Wekstein I. (2005), Téléchargement de films: Relaxe fuate de prevue d'un usage collectif des copies, CA Montpellier, 3ème ch.Correct.) 10 mars 2005, Légipresse, n.222, juin 2005, 120.

[38] CourCass, crim., 30 mai 2006, RDL, juin 2006, 24-25.

[39] CA Aix-en-Provence, 5 septembre 2007, RLDI 2007/31, n.1029.

[40] Thoumyre L., Arrêt d' Aix-en-Provence du 5 septembre 2007: de la copie privée à la privation de copies?, RLDI 2007/31, N.1025, 10.

[41] Geiger Chr. (2008), Legal or illegal? That is the question! Private copying and downloading on the internet, Case Comment IIC, 39(5), 597-603.

[42] Tribunal de Grande Instance de Bayonne, 15 novembre 2005, Le Ministere Public et La SCPP c/ Monsieur D., online at http://www.juriscom.net / accessed 20.07.2009.

[43] TGI Meaux, correctionnel, 21 avril 2005, SPPF, SEV, SDRM, SCPP, SELL, SACEM, FNDF, FNCF c/ Stéphane, Rodolphe, Aleister, Aurélie , online at http://www.juriscom.net / accessed 20.07.2009.

[44] TGI Paris, 8 décembre 2005, Monsieur G. Anthony c/ SCPP, online at http://www.juriscom.net / accessed 20.07.2009.

[45] TGI Paris, (31ème ch.), 8 décembre 2005, online at http://www.juricom.net / accessed 03.03.2010.

[46] TGI Rennes, 30 novembre 2006, SCPP et SPPF c/Madame A., online at http://www.juriscom.net / accessed 10.03.2010.

[47] TGI Montauban, 9 mars 2007, Le Ministere Public et La SCPP c/Madame M., online at http://www.foruminternet.org / accessed 20.03.2010.

[48] Brandner S. (2004), MP3: télécharger n'est pas pirater, selon le tribunal d'Haarlem, online at http://www.juriscom.net/actu/visu.php?ID=511 / accessed 20.02.2011.

[49] Oberholzer-Gee, Felix, and Koleman Strumpf (2007), The effect of file sharing on record sales: an empirical analysis, Journal of Political Economy 115, No. 1, 1-42, online at http://www.jstor.org/pss/10.1086/511995 / accessed 02.02.2011.

[50] Liebowitz, Stan J. (2006), File-Sharing: Creative Destruction or just Plain Destruction?, Center for the Analysis of Property Rights Working Paper No. 04-03, online at http://ssrn.com/abstract=646943 / accessed 20.02.2011.

[51] Liebowitz, Stan J. (2007), How Reliable is the Oberholzer-Gee and Strumpf Paper on File-Sharing?, available at http://ssrn.com/abstract=1014399 / accessed 20.02.2011.

[52] Birgitte Andersen and Marion Frenz (2006), The Impact of Music Downloads and P2P File-Sharing on the Purchase of Music: A Study for Industry Canada, online at http://www.ic.gc.ca/eic/site/ippd-dppi.nsf/eng/h_ip01456.html, accessed 20.03.2011.

[53] BPI Research & Information (2009), The impact of illegal downloading on music purchasing, online at http://www.ifpi.org/content/library/The-Impact-of-Illegal-Downloading.pdf / accessed 20.01.2011.

[54] Ricketson S. (2003), WIPO Study on Limitations and Exceptions of Copyright and Related Rights in the Digital Environmnet, SCCR/9/7, online at http://www.wipo.int/meetings/fr/doc_details.jsp?doc_id=16805 / accessed 20.02.2011.

[55] Ricketson S. (1998), International Conventions and Treaties, in Baulch L., Green M. & Wyburn M. (eds), *The Boundaries of Copyright, its Proper Limitations and Exceptions*, ALAI Journal of Studies, Cambridge, 3-26.

[56] Neil Weinstock Netanel (2003), Impose a Noncommercial Use levy to allow free Peer-to-Peer file sharing, Harvard Journal of Law & Technology, Volume 17, Number 1.

[57] Fisher W. (2004), An alternative compensation system, in *Promises to Keep: Technology, Law and the Future of Entertainment*, Stanford University Press.

[58] Yu, Peter K. (2005), P2P and the Future of Private Copying, University of Colorado Law Review, Vol. 76.