

## Nudging Websites: A Proposal for a Hybrid Regulatory Scheme to Enforce Online Copyright

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### I. INTRODUCTION

Copying digital content on the Internet is becoming cheaper and easier. For example, there is a proliferation of news aggregation services and bloggers who make unauthorized copies of copyrighted content, such as news articles or celebrity pictures. As a result, publishers such as newspapers are struggling. A recent study showed that the number of views for such unauthorized off-site content is 140% of that for the original content.<sup>1</sup> The revenue of newspapers, which comes mostly from advertising, is thus constantly being eroded by unauthorized copies on infringing websites. There are also online marketplaces, such as BizReef.com, which provide a forum for freelancers to bid for “web cloning” projects.<sup>2</sup> Web cloning refers to the copying of a website verbatim. The solicitations often come from small businesses that wish to establish an online store on a limited budget. The small business would identify a website to be “cloned,”

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<sup>1</sup> *Attributor Analyzes TrueAudience*, PLAGIARISM TODAY (Nov. 19, 2008), <http://www.plagiarismtoday.com/2008/11/19/attributor-analyzes-trueaudience>. During September 2008, the firm Attributor analyzed content of various categories from over 100 publisher sites. The auto content category showed the largest number of off-site views—almost six times more views than that for the original content.

<sup>2</sup> BIZREEF-FREELANCE MARKETPLACE FOR CUSTOMERS AND FREELANCE PROFESSIONALS, <http://www.bizreef.com> (last visited Jan. 8, 2012) (search “web cloning”).

typically from one of its competitors, and the web designer then copies the website content describing certain products or services.

Although a copyright owner could file a civil lawsuit against the infringing website, litigation is typically expensive and can take several years. In the recent case of *Brayton Purcell LLP v. Recordon & Recordon*, a law firm alleged that another law firm used copyrighted information from its website.<sup>3</sup> In fact, the defendant law firm plagiarized the plaintiff law firm's website verbatim.<sup>4</sup> The litigation, however, continued for approximately six years, with parties arguing about whether venue was proper.<sup>5</sup> The Ninth Circuit eventually resolved the issue in favor of the plaintiff,<sup>6</sup> but a dissenting judge left the door open for future debates.<sup>7</sup> As this case illustrates, it is not easy to enforce copyright on the Internet due to procedural issues, such as establishing a proper venue. In the rapidly changing digital world, the commercial life of the digital content could expire by the time the dust settles.

To promote the creation of original work,<sup>8</sup> copyright must be enforceable, regardless of whether the work exists online or offline. Copyright is the body of law relating to the right of authors to control the reproduction of their intellectual creations.<sup>9</sup> It incentivizes the creation of original work<sup>10</sup> and thereby drives the proliferation of knowledge. The primary incentive is the grant of exclusive rights to the author, which enhances the probability that the author will make a

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<sup>3</sup> *Brayton Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1126–27 (9th Cir. 2010).

<sup>4</sup> *Id.* at 1127.

<sup>5</sup> *Id.* at 1126. In copyright infringement actions, venue is proper “in the district in which the defendant . . . resides or may be found.” 28 U.S.C. § 1400(a) (2009). *Brayton Purcell* was based in Novato, California in the Northern District of California, while *Recordon & Recordon* was based in San Diego, California in the Southern District of California.

<sup>6</sup> *Id.* at 1131.

<sup>7</sup> *Id.* at 1135 (“Under the majority’s opinion, every website operator faces the potential that he will be hailed into far-away courts based upon allegations of intellectual property infringement . . . .”) (Reinhardt, J., dissenting).

<sup>8</sup> U.S. CONST. art. I, § 8, cl. 8.; *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991).

<sup>9</sup> BLACK’S LAW DICTIONARY 361 (8th ed. 2004).

<sup>10</sup> Zechariah Chafee, Jr., *Reflections on the Law of Copyright: I*, 45 COLUM. L. REV. 503, 506 (1945) (“The primary purpose of copyright is, of course, to benefit the author.”).

profit.<sup>11</sup> Rather than begrudging this profit motive, copyright law celebrates it;<sup>12</sup> profit motive is an economic engine that ensures a public benefit.<sup>13</sup> This very incentive would also ensure the same public benefit on the Internet. To enforce copyright on the Internet, however, society needs to offer some kind of forum for efficient dispute resolution that takes into account the fast-paced nature of the Internet. Various means of government intervention have been proposed to this end.<sup>14</sup> Government intervention, however, would likely call for amending copyright law, which will take time.<sup>15</sup> Precious government resources would need to be devoted to implementation and execution. Even if implemented, government intervention would not address transnational jurisdictional problems. Procedural issues, as seen in *Brayton Purcell*, would only be exacerbated in a transnational setting. Any proposal limited to a domestic reach would not address the increasingly global nature of copyright infringement on the Internet.

This article will propose a hybrid regulatory scheme to enforce online copyright. The hybrid regulatory scheme will address the shortcomings of the current public-law framework by providing a quicker and more efficient solution. Part I of this article will outline past proposals on copyright dispute resolution and the problems presented by these proposals. Part II will detail the proposed hybrid regulatory scheme. Part III will discuss potential criticisms of the proposed hybrid regulatory scheme.

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<sup>11</sup> *Id.* at 507 (“[A]s in the case of patents, the Constitution takes the unusual course of expressly sanctioning a gain by private persons. Authors, musicians, painters are among the greatest benefactors of the race. So we incline to protect them.”).

<sup>12</sup> *Am. Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 27 (S.D.N.Y. 1992) (“The copyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.”) (emphasis added).

<sup>13</sup> *Id.* (“The profit motive is the engine that ensures the progress of science.”).

<sup>14</sup> See *infra* Parts I.B. & I.C.

<sup>15</sup> For example, in 2003, the Public Domain Enhancement Act was introduced to solve the orphan works problem of copyright law. H.R. 2601, 108th Cong. (1st Sess. 2003). The proposed Act was found to be violative of the Berne Convention’s prohibition on formalities, and was not enacted. The Act was reintroduced in 2005, H.R. 2408, 109th Cong. (1st Sess. 2005), but again not enacted. More than eight years after the initial introduction of the bill, there is still no legislation to solve the orphan works problem.

## II. PAST PROPOSALS ON DISPUTE RESOLUTION ARE FRAUGHT WITH PROCEDURAL UNCERTAINTIES

Recognizing the inordinate time and money involved in traditional copyright litigation, there have been proposals for more efficient forums targeting online copyright disputes. These proposals have mostly focused on music file sharing on peer-to-peer networks, rather than on infringements occurring on websites through web cloning or news aggregation.<sup>16</sup> Although the circumstances of infringement are different, the procedural issues are similar. Past proposals tried to address the procedural uncertainty through amendments to U.S. copyright law.<sup>17</sup> As we will see, however, the past proposals become ineffective in a transnational setting and present other issues by placing too great a reliance on the public-law framework.

### A. INTERNET REGULATION: PUBLIC V. PRIVATE

To discuss regulatory policies for enforcing copyright on the Internet, a good starting point is to review the current regulatory system for the Internet, including the agency regulating the Internet. As a descriptive matter, regulators of the Internet include a set of diverse actors: public actors, like governmental institutions, or private actors, like Internet protocol developers. These regulators interact in complex ways and thereby provide some amount of informal regulation in addition to whatever law applies. Over the past decade, scholars have recognized certain advantages of public regulation over private regulation<sup>18</sup> and vice versa.<sup>19</sup> As a prescriptive matter, there seems to be simply no consensus on the subject of who ought to regulate the Internet. The right balance between private and public regulation shall be addressed before delving into regulatory policies to enforce copyright online. The tension between private and public regulation has long been recognized. The issue has often been framed

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<sup>16</sup> See *infra* Parts I.B. & I.C.

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

<sup>18</sup> See, e.g., LAWRENCE LESSIG, CODE: VERSION 2.0 136–37 (2006) (questioning the government’s practice of vesting “policy-making power in bodies outside the democratic process”).

<sup>19</sup> See, e.g., David G. Post, *What Larry Doesn’t Get: Code, Law, and Liberty in Cyberspace*, 52 STAN. L. REV. 1439, 1440 (2000) (advocating “the widest possible scope for uncoordinated and uncoerced individual choice” for the regulation of the internet).

in terms of market versus government. Most recently, professors Richard H. Thaler and Cass R. Sunstein advanced a so-called “nudge theory” showing how the government can provide some guidance to efficiently solve problems occurring in a market economy.<sup>20</sup> They argued that to help private actors make better choices, the government could intervene without jeopardizing freedom of choice.<sup>21</sup> For example, companies could be free to pollute the environment, but the government may nudge them towards polluting less by publishing a list of significant polluters on the EPA’s website.<sup>22</sup> Such nudges deliberately exploit various biases in human judgment, such as status quo or loss aversion, which are rooted in our cognitive systems.<sup>23</sup> People hate losses about twice as much as they like gains,<sup>24</sup> and a choice-architecture system can be constructed with close reference to this bias in human judgment.<sup>25</sup> The nudge theory strikes a delicate balance between private and public regulation by paternalistically nudging people through a choice-architecture that does not eliminate or reduce freedom of choice.

Professor Henry H. Perritt, Jr. proposed a regulation scheme for the Internet<sup>26</sup> that is consistent with the nudge theory. In a so-called “hybrid regulation” scheme, private regulatory regimes are combined with public-law frameworks.<sup>27</sup> As in the brick-and-mortar world, there has been tension on the issue of market versus government regulation

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<sup>20</sup> See generally RICHARD H. THALER & CASS R. SUNSTEIN, *NUDGE: IMPROVING DECISIONS ABOUT HEALTH, WEALTH, AND HAPPINESS* (rev. and expanded ed., 2009).

<sup>21</sup> *Id.* at 255–56.

<sup>22</sup> See *id.* at 192–93 (touting the Toxic Release Inventory, an information disclosure requirement in an environmental law enacted in 1986, as “the most unambiguous success story in all of environmental law”).

<sup>23</sup> *Id.* at 33–35.

<sup>24</sup> *Id.* at 33–34 (citing Daniel Kahneman, Jack L. Knetsch, and Richard H. Thaler, *Experimental Tests of the Endowment Effect and the Coase Theorem*, 98 J. OF POL. ECON. 1325 (1990)).

<sup>25</sup> See, e.g., *id.* at 114 (explaining the success of the “Save More Tomorrow” plan which exploits the bias of people who “hate to see their paychecks go down”).

<sup>26</sup> Henry H. Perritt, Jr., *Towards a Hybrid Regulatory Scheme for the Internet*, 2001 U. CHI. LEGAL F. 215 (2001).

<sup>27</sup> *Id.* at 250 (“Hybrid regulation signifies regulatory regimes in which broad public law frameworks allow private regulatory regimes to work out the details.”).

of the Internet. Professor David G. Post advocated “the widest possible scope for uncoordinated and uncoerced individual choice” for the regulation of the Internet.<sup>28</sup> According to Post, self-regulatory efforts are aggregated in “the market,” which in turn will foster a plenitude of fundamental values.<sup>29</sup> Professor Lawrence Lessig disagreed and argued that such fundamental user interests may be too important to be left to the market.<sup>30</sup> The hybrid regulation scheme is a *tertium quid*, and provides for the oversight of the government in a framework that relies on the self-regulation of private actors.

The hybrid regulation scheme has two major elements: (1) delegation of power from public to private regulators, and (2) a mechanism to assure accountability. Perritt illustrates these elements through the example of the Internet Corporation for Assigned Names and Numbers (“ICANN”). ICANN is a private, nonprofit corporation formed in 1998 to generally manage the Internet domain-name system (“DNS”).<sup>31</sup> The DNS is the key to Internet user-friendliness. The DNS “serves as the ‘phone book’ for the Internet” by finding a numerical network address<sup>32</sup> corresponding to a user-friendly domain name such as “www.example.com.”<sup>33</sup> When a user computer looks up a domain name, a query is sent to find a top-level domain server.<sup>34</sup> Top-level domains are the last part of the domain name, such as .edu, .com, .gov, .org, .net, .int, and .mil.<sup>35</sup> The top-level domain server, called the “root server,” is controlled by the U.S. Department of Commerce. The Commerce Department has delegated its power to control the root server to the private regulator ICANN through a memorandum of understanding. This delegation of power illustrates the first element of a hybrid regulation scheme.

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<sup>28</sup> Post, *supra* note 19, at 1440.

<sup>29</sup> *Id.*

<sup>30</sup> Lessig, *supra* note 18, at 136–37, 337–38.

<sup>31</sup> JACK L. GOLDSMITH & TIM WU, WHO CONTROLS THE INTERNET?: ILLUSIONS OF A BORDERLESS WORLD 168 (2006).

<sup>32</sup> This would look like 208.77.188.166.

<sup>33</sup> *Domain Name System*, WIKIPEDIA, THE FREE ENCYCLOPEDIA, [http://en.wikipedia.org/wiki/Domain\\_Name\\_System](http://en.wikipedia.org/wiki/Domain_Name_System) (last visited Feb. 18, 2012).

<sup>34</sup> *Id.*

<sup>35</sup> *Top-Level Domains (gTLDs)*, ICANN, <http://www.icann.org/en/tlds> (last visited Feb. 18, 2012).

The delegation of power was a success because ICANN effectively solved transnational jurisdictional problems thanks to its exclusive technological control over the top-level domain names.<sup>36</sup> In late 1999, ICANN promulgated the Uniform Domain-Name Dispute-Resolution Policy (“UDRP”) for a narrow class of disputes between domain-name registrants and trademark owners.<sup>37</sup> The UDRP establishes online procedures<sup>38</sup> that allow trademark owners to recapture domain names held by persons who, in bad faith,<sup>39</sup> register and use domain names containing those marks. ICANN selected the World Intellectual Property Organization (“WIPO”) as the UDRP’s first dispute-settlement provider.<sup>40</sup> There are now three other accredited providers:

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<sup>36</sup> Perritt, *supra* note 26, at 220.

<sup>37</sup> Laurence R. Helfer & Graeme B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 WM. & MARY L. REV. 141, 149 (2001).

<sup>38</sup> *Uniform Domain-Name Dispute-Resolution Policy*, ICANN, <http://www.icann.org/en/dndr/udrp/policy.htm> (last visited Feb. 18, 2012).

<sup>39</sup> The UDRP enumerates the following as evidence of the bad-faith registration of a domain name:

(i) circumstances indicating that [the domain name holder] ha[s] registered or . . . acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or

(ii) [the domain name holder] ha[s] registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that [the domain name holder] ha[s] engaged in a pattern of such conduct; or

(iii) [the domain name holder] ha[s] registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, [the domain name holder] ha[s] intentionally attempted to attract, for commercial gain, Internet users to [the domain name holder’s] web site or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of [the domain name holder’s] web site or location or of a product or service on [the domain name holder’s] web site or location.

*Id.* at 4.b.

<sup>40</sup> Helfer & Dinwoodie, *supra* note 37, at 187.

(1) the Asian Domain Name Dispute Resolution Centre; (2) the National Arbitration Forum; and (3) the Czech Arbitration Court.<sup>41</sup> The UDRP resolves domain name trademark disputes at a panelist fee of \$1,500–\$2,000 each (not including the participants' legal fees)<sup>42</sup> and an average time of a little more than a month.<sup>43</sup> Thus, the UDRP provides a faster and cheaper alternative than courtroom litigation.<sup>44</sup>

Perritt points out that ICANN, however, lacks a mechanism to assure accountability. ICANN is accountable only to the Commerce Department, which has a vested interest in declaring its delegation of DNS management to be a success. Perritt argues that ICANN should be more accountable to protect democratic values.<sup>45</sup> To this end, judicial review should be permitted.<sup>46</sup> There may be other mechanisms to assure accountability, such as legislation.<sup>47</sup> However,

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<sup>41</sup> *Approved Providers for Uniform Domain-Name Dispute-Resolution Policy*, ICANN, <http://www.icann.org/en/dndr/udrp/approved-providers.htm> (last visited Jan. 8, 2012). The International Institute for Conflict Prevention and Resolution and eResolution were once listed as providers, but they no longer accept complaints. *Former Providers for Uniform Dispute-Resolution Policy*, ICANN, <http://www.icann.org/en/dndr/udrp/former-providers.htm> (last visited Feb. 18, 2012).

<sup>42</sup> See Schedule of Fees under the UDRP (valid as of Dec. 1, 2002), <http://www.wipo.int/amc/en/domains/fees/index.html> (last visited Feb. 18, 2012). The fee for filing a complaint with one domain name in front of a single panelist is \$1,500. *Id.* For a complaint in front of three panelists, the fee is \$4,000, *id.*, which will be evenly split by the defendant and the complainant. *Uniform Domain-Name Dispute-Resolution Policy*, *supra* note 38.

<sup>43</sup> Mark A. Lemley & R. Anthony Reese, *A Quick and Inexpensive System for Resolving Peer-to-Peer Copyright Disputes*, 23 CARDOZO ARTS & ENT. L.J. 2 (2005).

<sup>44</sup> An action can be brought under section 43(d) of the Lanham Act for registration, trafficking, or use of a domain name confusingly similar to or dilutive of a trademark of personal name. 15 U.S.C. § 1125(d) (2010). About 342 cases were brought under section 43(d) of the Lanham Act from 1999 to 2007. In comparison, there were 18,754 UDRP proceedings in a similar timeframe. *Search Index of UDRP Proceedings*, ICANN, <http://www.icann.org/cgi-bin/udrp/udrp.cgi> (last visited Jan. 8, 2012).

<sup>45</sup> Perritt, *supra* note 26, at 221 (noting as disadvantages of private regulation that it “can fail to protect democratic values” and “is usually less accountable than traditional government regulation”).

<sup>46</sup> *Id.* at 269 (“Constitutional restrictions on delegation of legislative or adjudicatory power require channeling of the delegated power and judicial review of private decisions in the regular courts.”) (citation omitted).

<sup>47</sup> *Id.* at 317–18 (citing Harold J. Krent, *Fragmenting the Unitary Executive: Congressional Delegations of Administrative Authority Outside the Federal Government*, 85 NW. U. L. REV. 62, 67 (1990)).



legislation requires individual willpower and a significant amount of political support and may not be more than a “theoretical possibility;”<sup>48</sup> thus the need for judicial review.

As detailed below in Part II of this article, I propose to apply hybrid regulation to effectively nudge websites so as to reduce the potential for copyright infringement cases. There have been proposals in the past addressing some aspects of online copyright dispute resolution, but as will be shown in the following sections, these proposals have largely provided a one-sided view based on public regulation and have fallen short for that reason.

#### B. THE LEMLEY/REESE PROPOSAL ON PUBLIC REGULATION: ADMINISTRATIVE DISPUTE RESOLUTION FOR P2P

To help copyright owners enforce their rights against infringers on peer-to-peer networks, professors Mark Lemley and R. Anthony Reese proposed a copyright dispute resolution system modeled after the Uniform Domain-Name Dispute-Resolution Policy (“UDRP”) for Internet domain-name disputes.<sup>49</sup> They argued that their proposed system would “provide a quicker, lower-cost alternative for copyright owners to enforce their rights against individual large-scale infringers on [peer-to-peer] networks.”<sup>50</sup> Under their system, copyright owners could either “pursu[e] a civil copyright infringement claim in federal court” or “pursu[e] a claim in an administrative dispute resolution proceeding before an administrative law judge in the Copyright Office.”<sup>51</sup> Like the UDRP, the proposed system would be available only for “relatively straightforward claims” of copyright infringement where “evidence shows that the person targeted has uploaded at least fifty copyrighted works during any thirty day period.”<sup>52</sup> Their proposed system would automatically exclude any case, without prejudice, when the defendant presents complicated legal or factual

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<sup>48</sup> *Id.* at 318 (also noting that it may be a “thin reed” to expect a legislative response to an abuse of private regulatory power).

<sup>49</sup> Lemley & Reese, *supra* note 43, at 1–2.

<sup>50</sup> *Id.* at 9.

<sup>51</sup> *Id.* at 3–4; *see also id.* at 19 (draft statute to implement the proposed system).

<sup>52</sup> Lemley & Reese, *supra* note 43, at 4 (citation omitted); *see also id.* at 18 (draft statute to implement the proposed system).

issues, such as plausible mistaken identity or fair use defenses.<sup>53</sup> Furthermore, their proposed system would forgo formal discovery and instead rely on evidence that each party presents on paper.<sup>54</sup> Copyright owners must state with particularity the circumstances constituting copyright infringement, for example, with “screen shots showing the availability of files and a sworn statement that the copyright owner determined that the titles listed were actually available and were actually copies of the copyrighted works.”<sup>55</sup> A monetary penalty of \$250 would be imposed per work infringed to deter others from engaging in large-scale uploading.<sup>56</sup>

Lemley and Reese argued that their proposed system would “avoid[] the obvious mistakes of the UDRP.”<sup>57</sup> To this end, the proposed system would permit an administrative appeal.<sup>58</sup> Additionally, it would exclude any case where the respondent may raise a plausible mistaken identity or fair use defense because “[r]esolution of such factual disputes is better handled in an ordinary court proceeding.”<sup>59</sup>

However, the Lemley/Reese proposal has several structural problems. First, the proposed administrative dispute resolution system is under-inclusive. The system would exclude online infringements that have not taken place on a peer-to-peer network. More fundamentally, however, the proposal suffers from the generic problems that exist in any framework relying heavily on the public regulation of the Internet; namely, a failure to account for the transaction costs of a legislative solution.

Public regulation, or government intervention, would likely call for amending copyright laws.<sup>60</sup> This means that their proposal would

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<sup>53</sup> Lemley & Reese, *supra* note 43, at 6–8.

<sup>54</sup> *Id.* at 9 (“Both parties should have an opportunity to present evidence and argument online, but there should not be face-to-face argument or discovery of the sort that exists in civil litigation.”); *see also id.* at 19 (draft statute to implement the proposed system).

<sup>55</sup> Lemley & Reese, *supra* note 43, at 4–5.

<sup>56</sup> *Id.* at 10; *see also id.* at 20 (draft statute to implement the proposed system).

<sup>57</sup> *Id.* at 9.

<sup>58</sup> *Id.* at 8.

<sup>59</sup> *Id.* at 6–7.

<sup>60</sup> Note that Lemley & Reese drafted a statute to implement the proposed system in 2005. To date, the statute has not been introduced by Congress.

require devoting precious government resources to both implementation and execution. As to the implementation, the legislative process would entail congressional hearings and floor debates, numerous markup sessions to analyze, rewrite, and amend the bill, and also various reports from conference committees.<sup>61</sup> While this legislative process may appear to entail typical transaction costs that society must bear in any legislation, copyright legislation specifically is further complicated by the legislative capture of current copyright stakeholders.<sup>62</sup> For over a century, Congress and the Copyright Office have depended on multilateral negotiations among industry representatives to draft a copyright bill.<sup>63</sup> One problem with this drafting process is that no affected industry is going to agree on a new bill that leaves it worse off than under the current law.<sup>64</sup> The prelegislative interindustry negotiation can stall efforts to write copyright amendments<sup>65</sup> and render the implementation of the proposal not much more than a theoretical possibility.

Additionally, as to the execution, the Lemley/Reese proposal would require staffing administrative law judges in the Copyright Office, which would impose a burden on taxpayers. None of these costs are accounted for in their proposal. In light of the transaction costs, the merit of their proposal is substantially lessened, and even if implemented after the legislative process, their proposed system would leave the transnational jurisdictional problems unaddressed.

### C. THE CIOLLI PROPOSAL ON PUBLIC REGULATION: FEDERAL SMALL-CLAIMS COURT

Anthony Ciolli addressed some of these structural problems and proposed a modification to the Lemley/Reese administrative dispute-

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<sup>61</sup> Otto von Bismarck is reported to have said that “[l]aws are like sausages. It’s better not to see them being made.” *Quote Details: Otto von Bismarck*, THE QUOTATIONS PAGE, <http://www.quotationspage.com/quote/27759.html> (last visited Feb. 18, 2012).

<sup>62</sup> See generally JESSICA LITMAN, DIGITAL COPYRIGHT 23–28 (2006), available at [http://works.bepress.com/jessica\\_litman/5](http://works.bepress.com/jessica_litman/5).

<sup>63</sup> See generally *id.* at 35–63.

<sup>64</sup> *Id.* at 23.

<sup>65</sup> See, e.g., *id.* at 36.

resolution system.<sup>66</sup> Under Ciolli's system, "administrative law judges who possess the appropriate expertise" will hear all copyright infringement cases in a federal small-claims court.<sup>67</sup> Ciolli's system would not be limited to straightforward claims of copyright infringement. Instead, all potential defenses would be considered, "including mistaken identity, fair use, and copyright misuse."<sup>68</sup> The hearing may be conducted "through the internet or telephone or, if both parties are not geographically distant . . . in-person at a mutually agreed upon location."<sup>69</sup> "To protect against errors of the law by the administrative judge," as well as "to preserve a litigant's Seventh Amendment right to a trial by jury," the proposed system would permit an appeal to the federal district court.<sup>70</sup> The federal district court would review the appealed claim de novo.<sup>71</sup>

While improving some aspects of the administrative dispute-resolution system, the federal small-claims court system also has significant problems. First, allowing all potential defenses is untenable under the proposed system, which forgoes formal discovery. Certain defenses may raise factual disputes, which simply cannot be resolved without the benefit of discovery. If the system is to provide a cheaper alternative to litigation, however, discovery must be substantially limited,<sup>72</sup> and if discovery is limited, the scope of the claim or defense must be limited accordingly. Fact-intensive defenses, such as fair use, are not compatible with a low-cost dispute-resolution system. Secondly, allowing all potential defenses would significantly retard the

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<sup>66</sup> See generally Anthony Ciolli, *Lowering the Stakes: Toward a Model of Effective Copyright Dispute Resolution*, 110 W. VA. L. REV. 999 (2008).

<sup>67</sup> *Id.* at 1024. Although Ciolli's small claims court is open to "all" copyright infringement cases, Ciolli considers imposing a jurisdictional limit, specifically one as low as \$ 5,000. *Id.* at 1026.

<sup>68</sup> *Id.* at 1024.

<sup>69</sup> *Id.* (citation omitted).

<sup>70</sup> *Id.* at 1025 (citation omitted).

<sup>71</sup> *Id.* at 1024 n.149.

<sup>72</sup> According to a survey conducted by the American Intellectual Property Law Association, the cost of a copyright infringement suit through the end of discovery accounts for about fifty to seventy percent of the total cost of the suit. See AM. INTELL. PROP. L. ASS'N, 2007 REPORT OF THE ECONOMIC SURVEY 35 (2007). For a copyright infringement suit with less than one million dollars at stake, the median cost by the end of discovery was about \$150,000 for each side in 2007. *Id.*

case flow in the small-claims court. Judges then would have to decide how to allocate the scarce resources, and may need to resort to some kind of triage to prevent overcrowding of the court. Lastly, similar to the proposal for the administrative dispute-resolution system, the proposal for the federal small-claims court system does not account for the transaction costs of the legislative solution. And again, when weighed against the transaction costs, the merit of their proposal is substantially lessened. Moreover, even if implemented, the proposed system would leave transnational jurisdictional problems unaddressed.

## II. A PRIVATE BOARD UNDER ICANN WILL BE MORE EFFECTIVE

As examined in Part I, proposals based on public regulation have fallen short. The need remains for a quicker and more efficient solution to enforce online copyright. In this part, I will propose a hybrid regulatory scheme under ICANN to address the shortcomings of the public-law framework. Similar to the Lemley/Reese proposal, the proposed regulatory scheme is modeled after the UDRP by ICANN, but liberally borrows certain elements from the self-regulation process at the National Advertising Division (“NAD”) of the Council of Better Business Bureaus, Inc. to effectively nudge websites towards less copyright infringement.

### A. AN EXAMPLE OF HYBRID REGULATION: NAD FOR ADVERTISING

In the advertising industry, the NAD dispute-resolution process of the Council of Better Business Bureaus, Inc. is a successful example of hybrid regulation. The Council of Better Business Bureaus, a private nonprofit corporation, is a trade association of marketers in the U.S. and Canada.<sup>73</sup> At the NAD, competent attorneys<sup>74</sup> review complaints regarding on-line and off-line advertising<sup>75</sup> to determine whether the

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<sup>73</sup> See John Rothchild, *Protecting the Digital Consumer: The Limits of Cyberspace Utopianism*, 74 IND. L.J. 893, 947 n.216 (1999).

<sup>74</sup> *About NAD*, NATIONAL ADVERTISING DIVISION, <http://www.nadreview.org/AboutNAD.aspx> (last visited Jan. 8, 2012) (“The advertising review specialists at NAD are experienced attorneys with expertise in claims substantiation, advertising and trade regulation, litigation and arbitration.”).

<sup>75</sup> *Id.* (“NAD reviews only national advertisements—those ads disseminated on a nationwide or broadly regional basis. The advertising may be placed on broadcast or cable television, in radio, magazines and newspapers, on the Internet or commercial on-line services, or provided direct to the home or office.”).

claims are truthful, not misleading, and substantiated. Upon review, the NAD can make recommendations to modify or discontinue the advertising.<sup>76</sup> The process is voluntary, and about eighty percent of the cases are brought by competitors.<sup>77</sup> There is no discovery,<sup>78</sup> which relieves the participants of disruption to business and substantially decreases cost. The filing fee is \$3,500 for members of the Council of Better Business Bureaus or \$6,000–\$20,000 for non-members, depending on the challenger's gross annual revenue.<sup>79</sup> The NAD process allows for briefing and, if desired, conferences.<sup>80</sup> One of the benefits of using the NAD process is the ability to obtain a thorough review on the merits in only a fraction of the time litigation would require. A decision is usually issued within about sixty days of a challenge<sup>81</sup> and is accompanied by a press release, which may recommend that a company modify or discontinue its advertising.<sup>82</sup> Marketers comply in about ninety-five percent (95%) of the cases, but can appeal the decision to the National Advertising Review Board.<sup>83</sup> In the rare case that an advertiser refuses to comply with an NAD decision, the NAD can forward the case to the Federal Trade Commission ("FTC").<sup>84</sup> The FTC can file a complaint against the advertiser for making false and unsubstantiated claims.<sup>85</sup> The advertiser can agree to settle the cases against it<sup>86</sup> or proceed in

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<sup>76</sup> *The Advertising Industry's Process of Voluntary Self-Regulation*, THE NATIONAL ADVERTISING REVIEW COUNCIL, 11 (2007), [http://www.nadreview.org/07\\_Procedures.pdf](http://www.nadreview.org/07_Procedures.pdf) (last visited Jan. 8, 2012).

<sup>77</sup> *All-Star Briefing*, PRACTISING LAW INSTITUTE-NEWSLETTER (Practising Law Inst., New York, N.Y.) (Sept. 22, 2005), <http://media.whatcounts.com/pli/allstar/ASB3.35.htm>.

<sup>78</sup> *Id.*

<sup>79</sup> About NAD, *supra* note 74.

<sup>80</sup> *The Advertising Industry's Process of Voluntary Self-Regulation*, *supra* note 76, at 4.

<sup>81</sup> About NAD, *supra* note 74.

<sup>82</sup> *The Advertising Industry's Process of Voluntary Self-Regulation*, *supra* note 76, at 7.

<sup>83</sup> *All-Star Briefing*, *supra* note 77.

<sup>84</sup> *Id.*

<sup>85</sup> See, e.g., Press Release, Fed. Trade Comm'n, FTC Announces Actions Against Kmart, Tender and Dyna-E, (June 9, 2009), <http://www.ftc.gov/opa/2009/06/kmart.shtm>.

<sup>86</sup> *Id.* (noting that Kmart and Tender agreed to settle the cases against them).

administrative litigation.<sup>87</sup> Both elements of hybrid regulation are thereby met in the NAD process: (1) the power to adjudicate is delegated to a private entity, and (2) judicial review assures accountability.

The NAD process is a good example of a social nudge. Although compliance with the NAD decision is wholly voluntary, advertisers almost always choose to comply. No company wants bad publicity<sup>88</sup> following NAD's press release or to have their case referred to an enforcement agency like the FTC. A referral to an enforcement agency may create not only an immediate threat to the advertiser, but also long-range concern about the stability of the self-regulation scheme itself.<sup>89</sup> An alternative to self-regulation is an increase in governmental enforcement actions.<sup>90</sup> Marketers may not be receptive to the governmental scrutiny that accompanies such enforcement actions. Competitive market pressures may thus form to foster the self-regulation scheme and avoid the governmental scrutiny. Market pressures can be a powerful social nudge. People generally care about what others think about them and try to do what others do to avoid irritating them or to gain their favor.<sup>91</sup> Therefore, companies are more likely to network and voluntarily adopt desirable public policies.<sup>92</sup> This is perhaps why so many marketers voluntarily comply with the NAD decision.

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<sup>87</sup> *Id.* (noting that the case against Dyna-E will be litigated). Dyna-E eventually settled the case. Press Release, Fed. Trade Comm'n, FTC Settlement Bars Seller's Deceptive 'Biodegradable' Claims (Aug. 26, 2009), <http://www.ftc.gov/opa/2009/08/dyna.shtml>.

<sup>88</sup> See Thaler & Sunstein, *supra* note 20, at 193 ("The bad publicity can result in all sorts of harms, including lower stock prices.") (citation omitted).

<sup>89</sup> Rothchild, *supra* note 73, at 947-48.

<sup>90</sup> *Id.* ("Governments can encourage the development of self-regulatory regimes 'by outlining the alternative increased regulatory and enforcement action that would be required to address market failures if self-regulatory measures were not introduced,' by 'insist[ing] on adherence to voluntary codes as a condition of issuing a license,' or through 'allocation[s] of liability, that will induce networks themselves to adopt desirable public policies.'") (citation omitted).

<sup>91</sup> Thaler & Sunstein, *supra* note 20, at 54.

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

## B. A PROPOSAL FOR A PRIVATE BOARD TO ENFORCE COPYRIGHT ONLINE

A hybrid regulatory scheme for copyright under ICANN could address the shortcomings of the current public-law framework. The details of the proposal are set out in the following subsections. Below is a brief summary of the proposed regulatory scheme.

The proposed scheme follows Perritt's hybrid regulation scheme by delegating regulatory power to a private board and permitting judicial review. The board will consist of three members and be housed at dispute-settlement providers accredited by ICANN.<sup>93</sup> Upon finding online copyright infringement, a copyright holder may file a complaint to the board.<sup>94</sup> If the board finds the complaint sufficient, the board will forward the complaint to the respondent.<sup>95</sup> Within twenty days of receipt of the complaint, the respondent must submit a response to the dispute-settlement provider.<sup>96</sup> Within sixty days of receipt of the complaint, the three-member board will issue a decision in writing.<sup>97</sup>

If the board finds infringement, the decision is a recommendation to take down the infringing content, as in the NAD process.<sup>98</sup> The take-down recommendation of the proposed board would be similar to that under the Digital Millennium Copyright Act of 1998 ("DMCA").<sup>99</sup> Under the DMCA notice-and-take-down scheme, the copyright owner may send a DMCA copyright notice to the infringing website.<sup>100</sup> To comply with DMCA, the website service provider must then respond expeditiously to remove or disable access to the material that the notice identifies as infringing.<sup>101</sup> An Internet service provider

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<sup>93</sup> See discussion *infra* Part II.B.3.

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

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

<sup>96</sup> See discussion *infra* Part II.B.4.

<sup>97</sup> See discussion *infra* Part II.B.5.

<sup>98</sup> *Id.*

<sup>99</sup> Digital Millennium Copyright Act of 1998, 17 U.S.C. § 512 (2000).

<sup>100</sup> *Id.* § 512(c).

<sup>101</sup> *Id.*



can avoid liability by complying with the DMCA notice-and-take-down scheme,<sup>102</sup> and major websites that deal with user-generated content can attempt to follow and fall within the DMCA safe harbors. As illustrated in *Brayton Purcell*, however, some websites remain intransigent. This is perhaps because the website owner perceives the amount at risk as insufficient to justify taking down the infringing content. Or the website owner may know that litigating copyright infringement can take several years and decide to simply wear down the opponent. The proposed scheme addresses such noncompliant websites, but differs from the DMCA notice-and-take-down scheme in terms of the process following the take-down recommendation.

The infringing party must, within five business days of receipt of the decision, submit a statement to the board indicating whether it will take down the infringing content or appeal.<sup>103</sup> If the infringing party agrees to take down the copyrighted content, the board must determine whether the infringing party complied with the decision within three months of the issuance of the decision.<sup>104</sup> If the board determines that the infringing party has not fully complied by the end of the three months, the board will refer the case to ICANN, which will seize the domain name.<sup>105</sup>

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<sup>102</sup> *Id.*; *id.* § 512(i).

<sup>103</sup> See discussion *infra* Part II.B.5.

<sup>104</sup> *Id.*

<sup>105</sup> See discussion *infra* Part II.B.6.

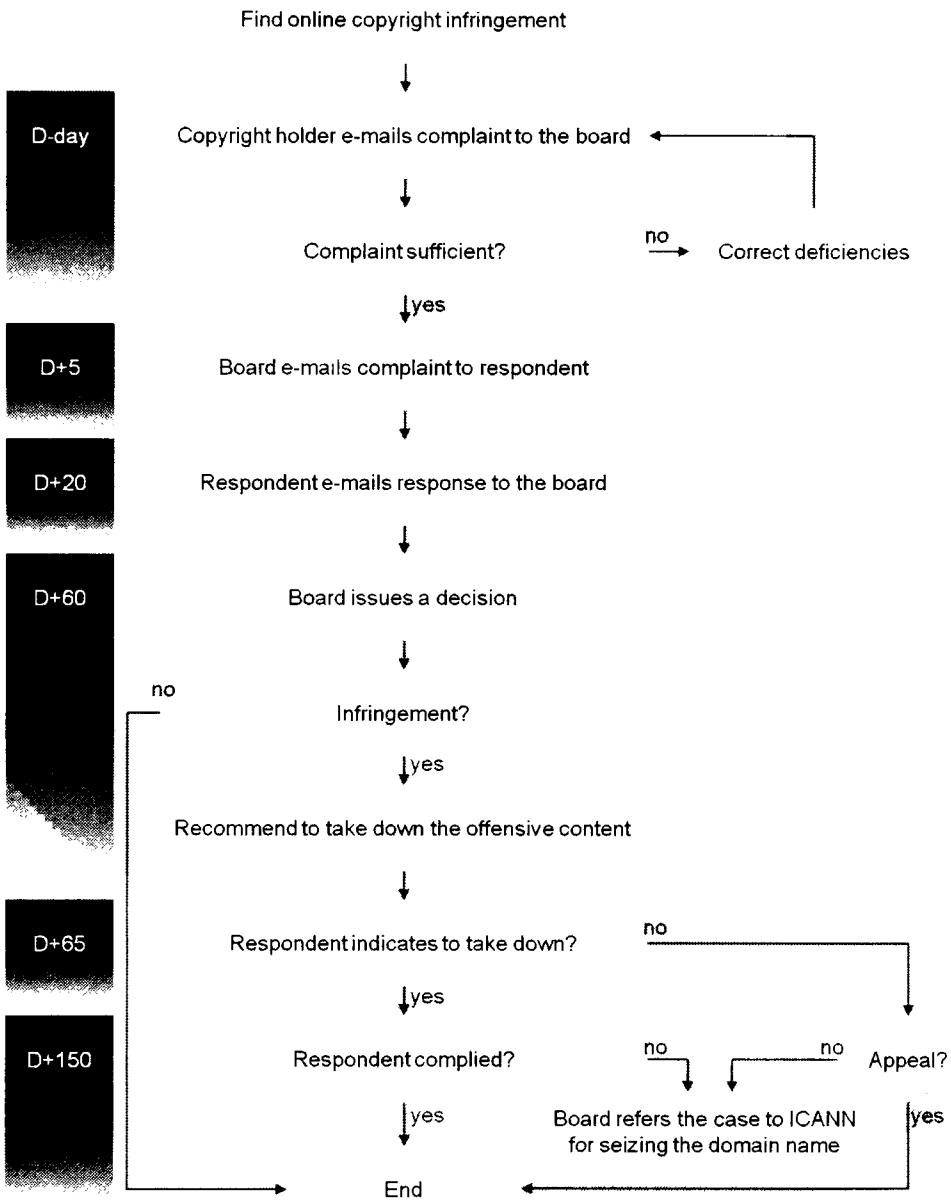


FIG 1. PROPOSED ONLINE COPYRIGHT ENFORCEMENT BY PRIVATE BOARD

## 1. WAIVER OF COPYRIGHT REGISTRATION

As a ground rule, the U.S. statutory prerequisite of copyright registration<sup>106</sup> should be waived for the proposed copyright dispute-resolution system. Registration is currently done by filing a form and depositing two copies of the work at the Copyright Office.<sup>107</sup> The parties, however, could make title to the copyrighted work clear by relying on evidentiary submissions, which will be outlined below. The registration waiver should make the proposed system more efficient. The statutory prerequisite of copyright registration is only waived for the proposed ICANN dispute-resolution system. For further appeals to a federal district court, the copyright holder would still need to register the work in the conventional way. Therefore, the proposed registration waiver does not require an overhaul of the current copyright law.

## 2. NO DISCOVERY

The proposed regulatory scheme would forgo formal discovery and instead rely on evidentiary submissions by the parties. The evidentiary submissions may consist of a search result from “Copyscape”<sup>108</sup> for literary works, “TinEye”<sup>109</sup> for visual arts works, and acoustic fingerprint software for musical works, coupled with screenshots of certain web pages from the Internet Archive.<sup>110</sup> “Copyscape” is an Internet application that allows copyright owners to search the Internet for stolen copies of their articles.<sup>111</sup> “TinEye” is a similar

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<sup>106</sup> 17 U.S.C. § 411(a) (2006).

<sup>107</sup> 17 U.S.C. § 407(a) (2006) (“[T]he owner of copyright or of the exclusive right of publication in a work published in the United States shall deposit, within three months after the date of such publication . . . two complete copies of the best edition . . .”).

<sup>108</sup> COPYSCAPE PLAGIARISM CHECKER—DUPLICATE CONTENT DETECTION SOFTWARE, <http://www.copyscape.com> (last visited Feb. 18, 2012).

<sup>109</sup> TINEYE REVERSE IMAGE SEARCH, <http://www.tineye.com> (last visited Feb. 18, 2012).

<sup>110</sup> INTERNET ARCHIVE, <http://www.archive.org> (last visited Feb. 18, 2012). There may be fewer pages available at the Internet Archive in the future due to some companies blocking automated web crawlers.

<sup>111</sup> COPYSCAPE PLAGIARISM CHECKER—DUPLICATE CONTENT DETECTION SOFTWARE, *supra* note 108.

Internet application that searches online images,<sup>112</sup> and the Internet Archive is an Internet application that allows people to visit archived versions of stored websites.<sup>113</sup> For musical works, there is software that can be used to identify an audio sample or quickly locate similar items in an audio database.<sup>114</sup> For motion pictures, technology development is underway to identify uploaded content as a copyrighted work. For example, companies like Audible Magic and YouTube are currently working on technologies which could identify the content of a media file based on its “perceptual characteristics.”<sup>115</sup> Preliminary tests indicate that these technologies cannot yet identify all matches.<sup>116</sup> Nonetheless, as the industry is moving toward identification technologies for motion pictures, reliable applications may be accessible soon and copyright holders would then have an arsenal of applications at their disposal to perfect evidentiary submissions.

### 3. COPYRIGHT HOLDER E-MAILS COMPLAINT TO THE BOARD

Once a copyright holder finds online copyright infringement, the copyright holder should follow certain steps to file a complaint. First, the copyright holder should identify the individual organizers and managers of the infringing website. This can be done by a domain-name search through a registrar’s “Whois database.” The copyright holder should then send a complaint to a dispute-settlement provider by e-mail. Like in the UDRP,<sup>117</sup> the ICANN may, from time to time, select a number of dispute-settlement providers for copyright disputes. The copyright holder may designate any of the accredited dispute-settlement providers to hear the complaint. The complaint should provide, at a minimum, the following information: (1) the

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<sup>112</sup> TINEYE REVERSE IMAGE SEARCH, *supra* note 109.

<sup>113</sup> INTERNET ARCHIVE, *supra* note 110.

<sup>114</sup> *Acoustic fingerprint*, WIKIPEDIA, THE FREE ENCYCLOPEDIA, [http://en.wikipedia.org/wiki/Acoustic\\_fingerprint#Implementations](http://en.wikipedia.org/wiki/Acoustic_fingerprint#Implementations) (last visited Feb. 18, 2012).

<sup>115</sup> Michael S. Sawyer, *Filters, Fair Use & Feedback: User-Generated Content Principles and the DMCA*, 24 BERKELEY TECH. L.J. 363, 382–83 (2009).

<sup>116</sup> *Id.*

<sup>117</sup> *See Approved Providers for Uniform Domain-Name Dispute-Resolution Policy*, *supra* note 41.

names and e-mail addresses of the copyright holder and the respondents; (2) the domain name at issue and its registrar; and (3) a description of the copyrighted content and the purported infringement. Evidentiary submissions from Copyscape, TinEye, or the Internet Archive Wayback Machine may be appended to this complaint. When filing the complaint, the copyright holder must pay a fee of \$1,500 to the dispute-settlement provider.<sup>118</sup> If the dispute-settlement provider does not receive the fee within ten business days of receiving the complaint, the complaint will be deemed withdrawn and the dispute resolution terminated.

A three-member board at the dispute-settlement provider will review the complaint to determine whether it is sufficient. The board will be comprised of a chief judge and two associate judges. Members of the board should be experienced attorneys with expertise in copyright law, litigation, and arbitration.<sup>119</sup> ICANN will appoint the board members and compensate the board from the filing fees. If the board finds the complaint sufficient, the board will forward the complaint and its appendices to the respondents by e-mail. Lest the e-mail to the respondents gets lost, the board will also forward the complaint by registered mail to all known addresses of the respondents, as provided by the copyright holder. If, on the other hand, the complaint is not sufficient, the board will promptly notify the copyright holder of the nature of the complaint's deficiencies. The copyright holder will have five business days to correct any deficiencies, after which the proceeding will be deemed withdrawn without prejudice.

#### 4. RESPONDENT E-MAILS RESPONSE TO THE BOARD

Within twenty days of the receipt of the complaint, the respondent must submit a response by e-mail to the dispute-settlement provider.

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<sup>118</sup> The fee may be reduced or waived if the copyright holder meets certain conditions, such as having an income less than the average gross income reported by the Department of Labor for the previous calendar year.

<sup>119</sup> Similar qualifications have been proposed for members of a fair-use board in the U.S. Copyright Office, which would have the power to declare a proposed use of another's copyrighted work to be a fair use. See Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087, 1124 (2007). It was projected that at least initially the fair-use board may show a pro-respondent bias. *Id.* Compared to the fair-use board, the board of the present proposal will have considerably less discretion in deciding the merits of the case due to the narrow scope of the copyright dispute. The effect of the board's bias, if any, is therefore mitigated in the present proposal.

The response must specifically address the claims in the complaint. Evidentiary submissions may be appended to the response. A copy of the response will be sent to the copyright holder by e-mail. There will be no in-person meetings or teleconferences, unless the dispute-settlement provider determines that those are necessary for deciding the complaint. The respondent need not pay any fee to the dispute-settlement provider when submitting the response.

Like in the UDRP<sup>120</sup> or NAD process,<sup>121</sup> the board should have broad discretion to determine the significance of a party's default. In a large number of UDRP decisions, respondents fail to appear or to defend against trademark owners' complaints.<sup>122</sup> Yet many of these default cases involve abusive, bad-faith registration<sup>123</sup> of domain names. Therefore, if a party, absent exceptional circumstances, fails to answer the complaint, the UDRP panel draws "such inferences therefrom as it considers appropriate."<sup>124</sup> The NAD treats a party's default similarly.<sup>125</sup> For the UDRP, the seemingly harsh treatment on a party's default has been justified by the fact that "[i]t requires little cost or effort to participate in UDRP panel proceedings."<sup>126</sup> A similar rationale may apply to the NAD process. The proposed regulatory scheme is also inexpensive and quick, militating to a similar treatment on a party's default. Therefore, in the proposed regulatory scheme, if the respondent does not submit a response, or if the dispute-settlement provider receives notification of non-delivery of the

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<sup>120</sup> *Rules for Uniform Domain-Name Dispute-Resolution Policy*, ICANN, <http://www.icann.org/en/udrp/udrp-rules-24oct99.htm> (last visited Jan. 8, 2012).

<sup>121</sup> *The Advertising Industry's Process of Voluntary Self-Regulation*, *supra* note 76, at 7.

<sup>122</sup> Helfer & Dinwoodie, *supra* note 37, at 216 (citing *Analysis of Key UDRP Issues*, BERKMAN CENTER FOR INTERNET AND SOCIETY, <http://cyber.law.harvard.edu/udrp/analysis.html> (last visited Feb. 18, 2012)).

<sup>123</sup> *See supra* note 39.

<sup>124</sup> *Rules for Uniform Domain-Name Dispute-Resolution Policy*, *supra* note 120.

<sup>125</sup> First, the NAD "release[s] to the press and the public a 'notice' summarizing the advertising claims challenged in the complaint, and noting the [party]'s failure to substantively respond." *The Advertising Industry's Process of Voluntary Self-Regulation*, *supra* note 76, at 7. After an additional fifteen business days, the NAD "may refer the file to the appropriate government agency and release information regarding the referral to the press, the public, and the media in which the advertising at issue has appeared, and shall report the referral in the next issue of the Case Reports." *Id.*

<sup>126</sup> Helfer & Dinwoodie, *supra* note 37, at 216.

complaint, the dispute-settlement provider shall decide the dispute based upon the complaint, absent exceptional circumstances.

## 5. BOARD ISSUES A DECISION

Within sixty days of the receipt of the complaint, the three-member board will issue a decision in writing. If the board finds that the respondent infringed upon the claimant's website, the decision is a recommendation to take down the offensive content, as in the NAD process or the DMCA notice-and-take-down scheme. The decision will be published on a publicly accessible website and also forwarded, by e-mail and registered mail, to each party, the concerned domain-name registrar, and ICANN. The bad publicity will nudge the respondent toward taking down the offensive content and deter future infringements. The board would face a steady number of cases presenting similar issues and defenses; thus, the collective expertise of the board members will be honed over time and a coherent body of jurisprudence created, providing guidance to Internet users.

The infringing party must, within five business days of receipt of the decision, submit a concise statement to the board indicating whether it will take down the offensive content or appeal. If the infringing party agrees to take down the offensive content, the board must determine whether the infringing party complied with the decision within three months of the issuance of the decision. As in the transmittal of a complaint, no response from the infringing party will be treated as an agreement to take down the offensive content. If, however, the infringing party disagrees with the board's decision and chooses to appeal the issue, its reasons must be explained in the statement.

## 6. BOARD CAN REFER THE CASE TO ICANN

If the infringing party agrees to take down the offensive content but has not fully complied within three months of the issuance of the decision, the board will refer the case to ICANN so it can seize the domain name pursuant to the domain-name registration agreement. Also, if the infringing party fails to submit a statement altogether, the board may refer the matter to ICANN and ICANN could implement a domain-name seizure through the concerned registrar. If the infringing party chooses to take the issues to appeal, however, no action would be taken on the domain name.

ICANN can rely on its standard domain-name registration agreement to terminate noncompliant domain names. ICANN has

exclusive control of the DNS and conditions access to it on a registrant's consent to a host of substantive rules.<sup>127</sup> One such rule in a standard domain-name registration agreement prohibits the use of domain names for "illegal purposes."<sup>128</sup> Because straightforward copyright infringement, such as web cloning, is unambiguously illegal, ICANN can rely on its standard domain-name registration agreement to terminate noncompliant domain names and thereby enforce copyright online.

This interpretation of the domain-name registration agreement may sound inventive to some minds. Nonetheless, it is necessary for this proposal because there is currently no provision in a registration agreement directly speaking to copyright disputes. For UDRP, the implementation of the regulatory scheme was more straightforward, in that the UDRP itself was made part of the domain-name registration agreement. One could argue that we can similarly add a provision expressly providing for mandatory arbitration in copyright disputes. But such provision may only apply prospectively, lest it raise *ex post facto*<sup>129</sup> concerns. Courts have disfavored retroactive legislation<sup>130</sup> and may similarly disfavor retroactive private regulation. To illustrate how a new provision for mandatory arbitration would work, suppose there are copyright holders who wish to enforce their copyright against websites. The provision for mandatory arbitration would selectively apply against some websites but not others, and an unnecessary confusion may ensue for copyright holders. To effectuate a broad remedial purpose against online copyright infringement, it would therefore be preferable to interpret the registration agreement as described above, rather than to add a new provision.

Websites have been shut down under a similar theory in the past. In a case involving *voteauction.com*, a website soliciting voters to sell and buy votes, the Board of Election Commissioner of the City of Chicago filed a civil lawsuit to shut the site down.<sup>131</sup> To effectively

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<sup>127</sup> *Id.* at 238.

<sup>128</sup> *See, e.g.*, Perritt, *supra* note 26, at 242.

<sup>129</sup> The phrase is defined in Black's Law Dictionary as "after the fact" or "retroactively." BLACK'S LAW DICTIONARY 620 (8th ed. 2004).

<sup>130</sup> *See, e.g.*, Bowen v. Georgetown Univ. Hosp., 488 U.S. 204, 223 (1988) (Scalia, J., concurring).

<sup>131</sup> Prelim. Inj. Order, Bd. of Election Comm'rs of the City of Chi. v. Bernhard, No. 00 CE 031 (Ill. Cir. Ct. Oct. 18, 2000), available at <http://www.vote->



enforce judgment against the website, the commissioners named the website's individual organizers, managers, and the domain name registry, Domain Bank, as defendants.<sup>132</sup> Domain Bank had a standard domain-registration agreement prohibiting domain-name use for illegal purposes.<sup>133</sup> Invoking this provision, the commissioners successfully argued that when a website's content solicits voters to sell and buy votes, the domain name is being used for illegal purposes. An injunction was enforced against [voteauction.com](http://voteauction.com)'s domain name.<sup>134</sup> Immediately after the court order, [voteauction.com](http://voteauction.com) opened up under a new domain name, "[vote-auction.com](http://vote-auction.com)," which was registered in Switzerland with the International Council of Registrars ("CORE").<sup>135</sup> But CORE also had a prohibition against illegal uses in its standard domain name registration agreement and [vote-auction.com](http://vote-auction.com) was again shut down.<sup>136</sup> Then [voteauction.com](http://voteauction.com) tried to publicize its numerical network address, but the voting had ended by this time.<sup>137</sup>

The possibility of a domain-name seizure in the proposed regulatory scheme is not an intrusive penalty, given that the website owner may always register another domain name. Moreover, even if the domain name is seized, the numerical network address itself and the infringing content appearing on the website remain untouched. Nonetheless, the possibility of a domain-name seizure will provide an effective nudge, because a domain name remains one of a website's most important assets. Some insights in this regard can be gleaned from the immediate reaction triggered when Google removes a domain name from its index. On February 4, 2006, Google removed the car manufacturer BMW's German website [BMW.de](http://BMW.de) for breaching

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[auction.net/ARCHIVE/01\\_LAW\\_SUITS/CHICAGO/207.70.85.119\\_LAW\\_SUITS\\_DIGITAL/preliminary%20injunction%20orde.htm](http://auction.net/ARCHIVE/01_LAW_SUITS/CHICAGO/207.70.85.119_LAW_SUITS_DIGITAL/preliminary%20injunction%20orde.htm).

<sup>132</sup> *Id.*

<sup>133</sup> Perritt, *supra* note 26, at 242.

<sup>134</sup> *Id.*

<sup>135</sup> Pls.' Emergency Verified Pet. for Rule to Show Cause, Bd. of Election Comm'rs of the City of Chi. v. Bernhard, No. 00 CE 031, 3 (Ill. Cir. Ct. Oct. 30, 2000), *available at* [http://www.vote-auction.net/ARCHIVE/01\\_LAW\\_SUITS/CHICAGO\\_II/JPG/Teil%201003.jpg](http://www.vote-auction.net/ARCHIVE/01_LAW_SUITS/CHICAGO_II/JPG/Teil%201003.jpg).

<sup>136</sup> Perritt, *supra* note 26, at 242.

<sup>137</sup> *Id.* at 242-43.

the guidelines on webspam.<sup>138</sup> Webspam is a technique to mislead Google's indexing system in order to boost search rankings, for example by using pages which are stuffed with hidden keywords.<sup>139</sup> The BBC news lamented that BMW was given a "death penalty" by Google.<sup>140</sup> Three days later, BMW removed the troublesome webspam and was re-included in Google's index.<sup>141</sup> If removing a website from a search engine is perceived as an effective penalty, seizing the domain name, or the possibility of it, would be a substantial deterrent against copyright infringement. Research has proven that people are averse to incurring losses, which can be leveraged as a ground for a cognitive nudge.<sup>142</sup> The proposed regulatory scheme will leverage the deterrent of seizing a domain name or the possibility to do so to foster self-regulation on the Internet.

## 7. ADVANTAGES OF THE PROPOSED REGULATORY SCHEME

The proposed regulatory scheme has two major advantages over the prior proposals. First, it does not require amending the copyright law because it relies on a private board, which ICANN can implement through select dispute-settlement providers. As a corollary, government resources are not needed to implement or execute the proposed regulatory scheme. In fact, the proposed regulatory scheme would impose no burdens on taxpayers because the board would be funded by the filing fee. Additionally, the proposed regulatory scheme substantially eliminates jurisdictional problems because the only enforcement would come in the form of domain-name seizure, of which ICANN has exclusive control. ICANN's control of domain names transcends national borders. As we have seen, standard

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<sup>138</sup> Matt Cutts, *Ramping Up on International Webspam*, MATT CUTTS: GADGETS, GOOGLE, AND SEO (Feb. 4, 2006), <http://www.mattcutts.com/blog/ramping-up-on-international-webspam>.

<sup>139</sup> See Matt Cutts, *SEO Mistakes: Spam in other languages*, MATT CUTTS: GADGETS, GOOGLE, AND SEO (Jan. 11, 2006), <http://www.mattcutts.com/blog/seo-mistakes-spam-in-other-languages>.

<sup>140</sup> *BMW Given Google "Death Penalty"*, BBC NEWS, <http://news.bbc.co.uk/2/hi/technology/4685750.stm> (last updated Feb. 6, 2006 15:31 GMT).

<sup>141</sup> Matt Cutts, *Recent Reinclusions*, MATT CUTTS: GADGETS, GOOGLE, AND SEO (Feb. 7, 2006), <http://www.mattcutts.com/blog/recent-reinclusions>.

<sup>142</sup> Thaler & Sunstein, *supra* note 20, at 33–34.

domain-name registration agreements can be reasonably interpreted to prohibit the use of domain names for straightforward copyright infringement, thereby supporting the enforcement. Because there is no new provision to opt in for the regulatory scheme, the scheme would be mandatory for every website. Although the scheme itself is mandatory, compliance is voluntary. To effectively nudge websites towards reducing the number of copyright infringement cases, the regulatory scheme deliberately exploits the loss-aversion heuristics, structures the take-down of offensive content as a default, and gives feedback to Internet users by publishing the take-down recommendation on a publicly accessible website.

### III. CRITICISMS OF PRIVATE REGULATION

Because the proposed copyright dispute-resolution scheme follows certain elements of the UDRP, critics may object to it based on the structural problems that have been noted for the UDRP. As described in the prior part,<sup>143</sup> however, the proposed scheme relies heavily on self-regulation without imposing an intrusive penalty, and thereby mitigates the overreaching effect of the UDRP. The most glaring defect of UDRP, lack of an administrative appeal, will be addressed in this part. This part will also deal with the question of how meaningful the proposed scheme is, given that it governs a somewhat narrow class of conflicts.

#### A. THE COPYRIGHT DISPUTE RESOLUTION SCHEME PERMITS JUDICIAL REVIEW

The proposed hybrid regulation relies on the self-regulation of private actors without losing government oversight. To protect against errors and to preserve a litigant's Seventh Amendment right to a trial by jury,<sup>144</sup> the proposed copyright dispute resolution scheme permits judicial review. A losing party retains the right to appeal the judgment to a federal district court, which would review the claim *de novo*. If the infringing party files an appeal, no action is taken on the domain name.

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<sup>143</sup> See *supra* Part II.B.

<sup>144</sup> U.S. CONST. amend. VII.

## B. ONLINE COPYRIGHT ENFORCEMENT PROVIDES A MEANINGFUL REMEDY TO COPYRIGHT HOLDERS

The proposed copyright dispute-resolution scheme is deliberately structured to govern a narrow class of conflicts, and therefore may be criticized for not addressing the more compelling legal issues facing the copyright law in the 21st century. However, enforcing straightforward claims of online copyright infringement is not frivolous. On the contrary, enforcing straightforward claims serves an important public purpose of preventing a real injury.

If we cannot resolve the technically straightforward claims of online copyright infringement, such as web cloning or news aggregation, we cannot resolve the more complex claims. The limitations of the current judicial system show that even the most straightforward claims cannot be practicably resolved today. Most of the time, the economics of a case militate against its being filed and, therefore, the case may never get the attention of the court. Moreover, when it does get filed, the court may be handicapped by jurisdictional concerns. The proposed regulatory scheme provides a way to effectively enforce copyright in such a case.

Once adopted, the proposed regulatory scheme may be extended to other forms of infringement that are not so straightforward. For example, there are websites that are operated overseas, such as ThePirateBay.org,<sup>145</sup> hosting third-party content for public distribution. If copyright holders could show that a multitude of their works are being infringed on such a website, they may file a complaint at the proposed board and obtain a take-down recommendation. Perhaps some websites would be intransigent, even in the face of bad publicity. But then there is the possibility that ICANN will step in and seize the domain name. Seizure of the domain name, or the possibility of it, should make a difference in how websites handle copyright infringement. And this outcome would be quite different from what actually happened to ThePirateBay.org under the current public-law framework: In a criminal trial, the operators of the website were found guilty of assistance to copyright infringement and sentenced to one year in prison, but the website itself remained unaffected.<sup>146</sup> The proposed regulatory scheme could provide a more meaningful remedy to copyright holders.

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<sup>145</sup>DOWNLOAD MUSIC, MOVIES, GAMES, SOFTWARE! THE PIRATE BAY, <http://www.thepiratebay.org> (last visited Feb. 18, 2012).

<sup>146</sup> Karl Ritter, *4 Convicted in Pirate Bay File-Sharing Trial*, USA TODAY, Apr. 17, 2009, [http://www.usatoday.com/tech/news/2009-04-17-pirate-bay\\_N.htm](http://www.usatoday.com/tech/news/2009-04-17-pirate-bay_N.htm).

## CONCLUSION

A private regulatory scheme under ICANN for copyright enforcement could address the shortcomings of the current public-law framework. Litigation can be ineffective to enforce copyright on the Internet because it is typically expensive, slow, and fraught with jurisdictional uncertainties. Under the proposed hybrid regulatory scheme, a private board of a dispute-settlement provider under ICANN would hear straightforward claims of online copyright infringement, subject to judicial review. This regulatory scheme would nudge websites to voluntarily take down the offensive content because otherwise ICANN could seize the domain name pursuant to the domain-name registration agreement.

