

# Within reaching distance



Seward & Kissel's **Jeffrey Dine** examines the *Richard O'Dwyer* case and the long arm of US criminal copyright law

The effort by the US to extradite Richard O'Dwyer from the UK on charges of running a website that linked to illicit copies of copyrighted movies and television shows, has received considerable attention in the UK and US press and information technology field<sup>1</sup>. As of this writing, O'Dwyer's judicial appeal to stop his extradition is pending. As it has developed, the case against O'Dwyer is instructive on the standards under US law for copyright infringement and US considerations for enforcement.

## The allegations against O'Dwyer

O'Dwyer, until the world fell in on him, was a twenty-something college student in Sheffield who is alleged to have operated a website, TVShack.net, that linked to illegal copies of thousands of movies and television shows stored on other websites, called "cyberlockers", unrelated to TVShack.net<sup>2</sup>. The listings included popular movies still in movie theaters.

The site offered links to multiple cyberlockers for some content, had a search feature and encouraged users to add links to content. Audaciously, the site's "FAQ" page pointed out how much money users were saving by using the site rather than going to a movie theater (about \$35).

In late June 2010, the site was the 1,779th most popular in the world, and the 1,419th in the US, with almost half a million visitors per month. TVShack received over \$230,000 in advertising revenue from ads on the site.

On 29 June 2010, US authorities seized the TVShack.net domain name. By the next day, O'Dwyer and an associate in the US registered a new domain name, TVShack.cc (that was also subsequently seized) and moved the site over to that new domain. After the transfer, TVShack.cc had income of about £15,000 per month.

US investigators identified O'Dwyer through PayPal account information, Facebook, and information from two US associates who cooperated with the investigation in hopes of avoiding prosecution. In early November 2010, US prosecutors filed charges for criminal copyright infringement and conspiracy to commit copyright infringement against O'Dwyer in federal court in New York. Subsequently, in late November 2010, O'Dwyer's residence was searched, two computers were seized, and the City of London Police interviewed him. In May 2011, US authorities commenced extradition proceedings in the UK.

## Criminal liability under US law for copyright infringement

Section 506(a) of the US Copyright Act (title 17 of the US Code), which forms the basis for O'Dwyer's prosecution, defines three types of copyright infringement. To be found in violation of any of them, the infringement must be willful. The first ground for prosecution is infringement "for purposes of commercial advantage or private financial gain". The second is infringement by "the reproduction or distribution, including by electronic means, during any 180 day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000<sup>3</sup>". The third, and key here, "by the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public, if such person knew or should have known that the work was intended for commercial distribution". Notably, the definition of "intended for commercial distribution" is specifically tailored to include motion pictures playing in theaters, not yet available for sale to the general public in the US<sup>4</sup>. The criminal complaint against O'Dwyer alleges all three types of criminal infringement.

US copyright law does not apply to infringements that take place entirely abroad. However, where acts in furtherance of the infringement, including conspiring to infringe, occur in the US, US copyright law can apply to infringers outside its territory<sup>5</sup>.

The maximum penalty for criminal copyright infringement is five years in prison (for a first offender) as well as a fine of up to \$250,000<sup>6</sup>. Repeat offenders may find themselves in jail for up to 10 years.

## US policy considerations for criminal liability

Developing and changing digital technology has enabled rapid, inexpensive, large scale and transnational creation and distribution of infringing copies of copyrighted material. Section 506 has been repeatedly amended in an attempt to keep up with evolving technology. In 1997, the No Electronic Theft ("NET") Act<sup>7</sup> expanded criminal penalties to cover willful infringements that were not for commercial purposes or the infringer's financial gain<sup>8</sup>. The NET Act addressed a decision of a US district court that held that Section 506, as then written, did not cover distribution that was not intended to make a profit for the infringer. It also expanded the Copyright Act's definition

of financial gain to include non-monetary benefits.

Moreover, the applicable provisions of both the Copyright Act and the US criminal code were amended to make it clear that reproduction or distribution of a work "by electronic means" could be criminal, and indeed felonious<sup>9</sup>. The removal of the requirement of financial gain changed the focus of the criminal law from infringer's gain to the damage to the market for the work<sup>10</sup>.

In 2005, the US Congress passed the Artists Rights and Theft Prevention Act ("ART Act"), which amended the Copyright Act and criminal code to criminalise pre-release infringement of motion pictures and other audiovisual works, software, musical works and sound recordings<sup>11</sup>, and criminalising "camcording" of movies in theaters<sup>12</sup>. Significantly, the criminal copyright law has not changed as technology and bandwidth for streaming audiovisual works has expanded since 2005. The US Copyright Office has expressed concern that the current criminal copyright law provisions do not criminalise infringement of the right of public performance, so that purely streaming transmissions (which do not make a new copy of the work) may not, in fact, constitute criminal offences<sup>13</sup>.

Significant also is the failure of Congress to pass the Stop Online Piracy Act ("SOPA"), which would have allowed the US to take action against foreign websites hosting infringing material, and impose restrictions on service providers, search engines, payment facilities and advertising networks<sup>14</sup>. It would have permitted blocking entire internet domains rather than just infringing sites, with potentially very broad impact on internet users and companies<sup>15</sup>. SOPA would also have criminalised the infringing streaming of public performances<sup>16</sup>.

## The legal case against O'Dwyer

It is far from clear, however, that linking to infringing content is a crime. Criminal statutes in general are strictly construed and the language of the statute must "plainly and unmistakably" cover the claimed criminal activity<sup>17</sup>. The rule of strict interpretation applies with special force to the copyright law, where Congress has traditionally acted with special sensitivity<sup>18</sup>. The statute by its terms proscribes infringement by "reproduction" and "distribution", and defines "making available" for download as a form of distribution. The term "distribution" is not defined in copyright law and there is no uniform definition in case law. There is, however, substantial authority to support the proposition that "distribution requires actual dissemination<sup>19</sup>". In a recent case, *Flava Works, Inc v Gunter*, Judge Posner of the Seventh Circuit Court of Appeals noted, in a civil case, that the person who uploads an infringing copy of a video is a direct copyright infringer; a service that links to the copy and allows streaming is not<sup>20</sup>.

The TVShack.net website only provided links to infringing material. It did not store that material, cause or allow it to be transferred, or make it available to others. All it did was point to those materials elsewhere on the internet. It seems hard to fit those activities within the confines of Section 506. The prosecutors will have their work cut out for them in the US in the event that O'Dwyer is ultimately extradited.

O'Dwyer undoubtedly did not think, in creating TVShack.net, that he would face criminal liability in the US for operating a site in the UK (with its servers also outside the US). Extradition is subject to treaty requirements; when those requirements are met, extradition is not an unusual step. However, indictment of non-US citizens for copyright offences is itself not that common, so that extradition has also not been frequent. The effort to extradite O'Dwyer, which has become a very public (and controversial) matter, may create a strong sense of risk among others outside the US who operate or might create such sites<sup>21</sup>.

Even outside the narrow context of deliberate illegal file sharing, O'Dwyer's case has several lessons:

- Internet companies outside the US may be at risk of civil lawsuit or criminal prosecution in the US based on their activities in linking to potentially infringing content on other sites. While defences may exist

and may be successful, the risk cannot be discounted;

- The US criminal copyright laws are broad, and substantial infringement in any arena, if willful, risks criminal prosecution, not to mention potentially heavy civil liability in the form of statutory damages<sup>22</sup>;
- Companies may be subject to criminal and civil liability in the US even if the locus and focus of their operations is outside it. That applies not only to copyright, but many other areas of law, from antitrust to corrupt practices to sanctions; and
- O'Dwyer's extradition has been a long fight, and the battle will not be over if he is sent to the US for trial. Whether that effort will succeed in reducing infringement, or whether the controversy O'Dwyer's case has created will harm US efforts to reduce infringement abroad, remains to be seen.

## Footnotes

1. See, eg, Jon Healey, TVShack and the expanding reach of criminal copyright law, *LA Times*, 14 July 2012 and Richard O'Dwyer: an unfair, absurd case, *The Guardian*, 24 June 2012.
2. These allegations, (which is all they are) are drawn from the complaint filed in the criminal case against O'Dwyer in the US District Court for the Southern District of New York, dated 5 November 2010, and the Affidavit in Support of Request for Extradition of Richard J O'Dwyer, sworn to 23 February 2011. Copies of these documents are available on the website Scribd.
3. Reproducing or distributing 10 or more copies of a work, with a retail value of \$2,500 or more, is a felony. 18 USC § 2319.
4. 17 USC § 506(a)(3)(B).
5. *Tire Eng'g & Distrib, LLC v Shandong Linglong Rubber Co*, 682 F.3d 292, 303-04 (4th Cir 2012); see generally 4 Nimmer on Copyright § 17.02.
6. 18 USC §§ 2319(b), 3571(b)(3).
7. HR 2265, 105th Cong 1st Session.
8. "Promoting Investment and Protecting Commerce Online: The ART Act, the NET Act and Illegal Streaming," Statement of Maria A Pallante, Register of Copyrights before the Subcommittee on Intellectual Property, Competition; and the Internet Committee on the Judiciary, US House of Representatives, 112th Cong, 1st Session, 1 June 2011 (*hereinafter* Pallante Statement).
9. 17 USC § 506(a)(1)(B); 18 USC § 2319(c).
10. Pallante Statement.
11. 17 USC § 506(a)(1)(C).
12. 18 USC § 2319B.
13. Pallante Statement.
14. HR 3261 ("SOPA"), 112th Cong §§ 102, 103.
15. John Naughton "Q&A: Stop Online Piracy Act (SOPA)," *The Observer*, 21 January 2012.
16. SOPA § 201.
17. *Dowling v United States*, 473 US 207, 213-14, 228 (1985).
18. *Id* at 225.
19. See *Capitol Records v Thomas*, 579 F Supp 2d 1210, 1216-19 (D Minn 2008).
20. *Flava Works, Inc v Gunter*, 689 F3d 754, 760 (7th Cir 2012).
21. Even within the UK, operators' sense of impunity has likely been reduced by the controversial conviction in a private prosecution, with the four year prison sentence of Anton Vickerman for operating the linking site SurfTheChannel. See Dan Sabbagh, "Pirate website owner gets four years. But what about Google?" *The Guardian*, 14 August 2012.
22. 17 USC § 503(c).

## Author



Jeffrey Dine is an associate in the litigation group at Seward & Kissel in New York. He represents US and foreign clients in a wide range of cases, including copyright, trademark and trade secret, as well as complex commercial and securities litigations and arbitrations throughout the US and abroad.